AGENDA

REGULAR MEETING OF THE
CITY OF KING CITY COUNCIL
AND
Sitting as SUCCESSOR AGENCY OF
THE RDA FOR THE CITY OF KING

TUESDAY OCTOBER 24, 2017
6:00 P.M.

CITY HALL
212 S. VANDERHURST AVENUE
KING CITY, CALIFORNIA 93930

Spanish interpretation services will be available at meeting

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in a City meeting, Please contact the City Clerk's Office (831-386-5925) at least 48 hours prior to the Meeting to ensure that reasonable arrangements can be made to provide accessibility to the meeting.

** Please submit all correspondence for City Council PRIOR to the meeting with a copy to the City Clerk.*

1. CALL TO ORDER

2. ROLL CALL: Council Members Darlene Acosta, Robert Cullen, Carlos DeLeon, Mayor Pro Tem Carlos Victoria, and Mayor Mike LeBarre

3. FLAG SALUTE

4. CLOSED SESSION ANNOUNCEMENTS

5. SPECIAL PRESENTATIONS

6. PUBLIC COMMENT

Any member of the public may address the Council for a period not to exceed *three minutes'* total on any item of interest within the jurisdiction of this Council that is not on the agenda. The Council will listen to all communications; however, in compliance with the Brown Act, the Council cannot act on items not on the agenda. Comments should be directed to the Council as a whole and not to any individual Council Member. Slanderous, profane or personal remarks against any Council Member, staff member or member of the audience is not permitted.

7. COUNCIL COMMUNICATIONS & COMMITTEE REPORTS

Individual Council Members may comment on Council business, his or her Council activities, City operations, projects or other items of community interest. Council Members may also request staff to report back at a subsequent meeting on any matter or take action to direct staff to prepare a staff report for a future agenda.

8. STAFF COMMUNICATIONS

Comments presented by the City Manager, City Attorney or other staff on City business and/or announcements.

9. CONSENT AGENDA

The following items listed below are scheduled for consideration as a group. The recommendations for each item are noted. Members of the audience may speak on any item(s) listed on the Consent Agenda. Any Council Member, the City Manager, or the City Attorney may request that an item be withdrawn from the Consent Agenda to allow for full discussion. The Council may approve the remainder of the Consent Agenda on one motion. Items withdrawn from the Consent Agenda may be considered by separate motions at the conclusion of the discussion of each item.

A. Meeting Minutes of October 10, 2017 Council Meeting
Recommendation: approve and file.

B. City Monthly Treasurer's Report- September 2017
Recommendation: approve and file.

C. Successor Agency Monthly Treasurer's Report- September 2017
Recommendation: approve and file.

D. Public Financing Authority Monthly Treasurer's Report- September 2017
Recommendation: approve and file.

E. City Check Register
Recommendation: approve and file.

F. Successor Agency Check Register
Recommendation: approve and file.

G. Consideration: Second Reading and Adoption of An Ordinance Amending Section 16.22 of Chapter 16 of the King City Municipal Code as Part of Disaster Resiliency Long Term Planning
Recommendation: conduct the second reading by title only and adopt Ordinance No. 2017-751 amending Section 16.22 of Chapter 16 of the King City Municipal Code as Part of Disaster Resiliency Long Term Planning.

H. Consideration: Purchase of Police Administrative Vehicles
Recommendation: approve the purchase and outfitting of two used vehicles for police administrative vehicles. The purchase price of the two vehicles with emergency lighting installation is $42,000.00 dollars.

I. Consideration: Contract Services Agreement with Eikhof Design Group, Inc. for Public Works Special Projects Coordination
Recommendation: 1) approve and authorize the City Manager to execute a contract services agreement with Eikhof Design Group, Inc. for Public Works special projects coordination; and 2) authorize the City Manager to make non-substantive changes as necessary in a form approved by the City Attorney.

J. Consideration: Appropriation for San Lorenzo Creek Sediment Removal Project
Recommendation: appropriate $35,000 for San Lorenzo Creek sediment removal work.

10. PUBLIC HEARINGS

None

11. REGULAR BUSINESS

A. Consideration: Community Choice Aggregation Program
Recommendation: 1) review the results of the Community Choice Aggregation (CCA) feasibility study and peer review; 2) direct staff to proceed with the process of forming a CCA; and 3) direct staff to draft a contract with Pilot Power Group, Inc. for operation of the CCA.

12. CITY COUNCIL CLOSED SESSION

Announcement(s) of any reportable action(s) taken in Closed Session will be made in open session, and repeated at the beginning of the next Regular City Council meeting as this portion of the meeting is not recorded.

13. ADJOURNMENT

City Council Meeting
October 10, 2017

1. CALL TO ORDER:

Regular Meeting called to order at 6:01pm by Mayor LeBarre.

2. FLAG SALUTE:

The flag salute was led by Mayor LeBarre.

3. ROLL CALL:

City Manager Adams conducted roll call.

City Council:	Darlene Acosta, Robert Cullen, Carlos DeLeon, Mayor Michael LeBarre, Mayor Pro Tem Carlos Victoria.
City Staff:	City Manager Steven Adams; City Attorney Shannon; Admin. Asst./Deputy City Clerk, Erica Sonne

4. CLOSED SESSION ANNOUNCEMENTS:
None

5. PRESENTATIONS:

A. Commendations Honoring Laurie Slaten and Phoebe Cheney, King City in Bloom

Mayor LeBarre presented Ms. Slaten and Ms. Cheney with commendations for their hard work on King City in Bloom. City Council thanked both ladies for their hard work and they appreciate the new banners. Both ladies thanked the Council and City for their support with funding and volunteerism. They are planning on putting lights on the olive trees and they should be up by the Christmas parade.

6. PUBLIC COMMUNICATIONS:

Jo Koester thanked staff for putting in the safety corner by seven-eleven.

Karen Jernigan thanked Laurie and Phoebe for their hard work, stating that it is inspiring to her to see them take on the beautification theme. Ms. Jernigan did a presentation at the Greenfield Council meeting and they signed a resolution in favor of the Pinnacles Gateway Partners. They now have 6 or 7 government organizations that have signed the resolution. They will have a planning meeting in November so they can learn about the Pinnacles National Park and the value it is. She wants to let travelers know are welcomed and have resources.

7. COUNCIL COMMUNICATIONS:

Council Member DeLeon had nothing to report.

Council Member Acosta stated that it was her pleasure to go to the League of California Cities Conference she always learns so much. Quit a few people came up to her and said they know our City Manager. She accepted the Beacon Spotlight Award Platinum Level for 24% Greenhouse Gas Reductions. She really enjoyed the programs that dealt with school districts and cities working together and focus on the youth.

Mayor Pro Tem Victoria attended the immigration forum on Sunday at the Catholic Church. His AMBAG meeting is tomorrow.

Council Member Cullen stated that Thursday is the Chamber of Commerce Business Expo and Resource Fair that will be held at the Salinas Valley Fairgrounds from 4-7p.m. Next week is the next Solid Waste Authority meeting. November 8th is the Grant Award Recipient Ceremony for the Southern Monterey County Foundation at 5:30p.m. and Monterey Wine Company has donated their facilities to hold the ceremony.

Mayor LeBarre stated that King City hosted the Monterey County Mayors Association Meeting on October 6th with a presentation on the Pinnacles. He got to attend the American Public Transit Association Annual Conference in Atlanta, he will be the vice chair for the Transit Board Legislative Sub Committee. Tomorrow he will be going to the Seaside Middle School group project on King City final presentation. On the 13th of October is the ProYouth Heart Ceremony at 4:30p.m. at Santa Lucia.

8. CITY STAFF REPORTS AND COMMENTS:

City Manager Adams stated that we have had a seamless transition for Building Official with the contracted Building Official. We continue to get ready for the District Block Parties on the 26th from 5:30 to 7:30p.m. The next Airport meeting is on November 13th at 6:00p.m. which will be a workshop to get information from the users of the airport for the people who is preparing our new Airport Layout Plan. Oct. 24th the study will be gone over for the Community Choice Energy

City Attorney Shannon Chaffin stated that there is nothing to report.

9. CONSENT AGENDA

A. Meeting Minutes of September 26, 2017 Council Meeting
B. City Check Register
C. Successor Agency Check Register
D. Consideration: Second Reading and Adoption of an Ordinance Amending Section 17.55 of Chapter 17 of the King City Municipal Code Regulating Signage within the City Limits
E. Consideration: Proposed Project and Award of King City Entry Sign Landscaping
F. Consideration: Appropriation for Modems Used for Patrol Vehicle Mobile Data Computers
G. Consideration: Letter Urging the City's Congressional Elected Officials to Adopt Legislation Enabling Residents that Qualify Under Deferred Action for Childhood Arrivals (DACA) to Continue to Live and Work in the United States
H. Consideration: Contract Services Agreement for Community Development Block Grant Administration and Labor Compliance
I. Consideration: Additional Appropriation for Citywide Police Security Camera Project
J. Consideration: Appropriation for Costs to Participate in the Salinas Valley Basin Groundwater Sustainability Agency
K. Consideration: Letter of Engagement for Auditing Services with Bryant L. Jolley, CPA to Perform Annual Audit Services

Mayor LeBarre pulled item G.

Action: Motion to approve consent agenda A-F and H-K with corrections to the minutes by Cullen and seconded by LeBarre.

AYES: Council Members: Mayor LeBarre, Acosta, Cullen, DeLeon and Mayor Pro Tem Victoria
NOES: Council Members:

ABSENT: Council Members:
ABSTAIN: Council Members:

Sandy Bell Torres thanked the Mayor and Council for the support and being a part of the community, acknowledging what they can contribute. Misael Corral thanked the Mayor and Council and stated that the DACA program helped him be able to own his own home. He would like to pursue a career as a Police Officer.

Action: Motion to approve item 9(G) by Victoria and seconded by DeLeon.

AYES: Council Members: Mayor LeBarre, Acosta, Cullen, DeLeon and Mayor Pro Tem Victoria
NOES: Council Members:
ABSENT: Council Members:
ABSTAIN: Council Members:

10. PUBLIC HEARINGS:

A. Consideration: An Ordinance Amending Section 16.22 of Chapter 16 of the King City Municipal Code as Part of Disaster Resiliency Long Term Planning

Planner Don Funk presented this item.

Mayor LeBarre opened the Public Hearing, seeing no one come forward, he closed the public hearing.

Action: Motion to Introduce and conduct the First Reading, by title only; and Set the Second Reading and Adoption for the next regularly scheduled City Council meeting of October 24th by Victoria and seconded by Acosta.

AYES: Council Members: Mayor LeBarre, Acosta, Cullen, DeLeon and Mayor Pro Tem Victoria
NOES: Council Members:
ABSENT: Council Members:
ABSTAIN: Council Members:

11. REGULAR BUSINESS:

A. Consideration: A Memorandum of Understanding for Extension of the ProYouth Heart After-School Expanded Learning Program

City Manager Adams introduced this item.

Action: Motion to approve a new 3-year Memorandum of Understanding (MOU) with ProYouth and King City Union School District for the after-school HEART expanded learning program with the same findings as last time by Cullen and seconded by DeLeon.

AYES: Council Members: Mayor LeBarre, Acosta, Cullen, DeLeon and Mayor Pro Tem Victoria
NOES: Council Members:
ABSENT: Council Members:
ABSTAIN: Council Members:

B. Consideration: Letter of Intent to Participate as a Host City for a Stage Start of the Amgen Tour of California

City Manager Adams presented this item.

Action: Motion to approve a Letter of Intent (LOI) to participate as a host city for a Stage Start of the Amgen Tour of California with staff's recommendation by DeLeon and seconded by Victoria.

AYES: Council Members: Mayor LeBarre, Acosta, Cullen, DeLeon and Mayor Pro Tem Victoria
NOES: Council Members:
ABSENT: Council Members:
ABSTAIN: Council Members:

ADJOURNMENT:

There being no further business to come before the City Council, Mayor LeBarre adjourned the regular meeting at 7:01pm. to closed session reading into the record the following

1. Conference with Labor Negotiators
   Pursuant to Government Code Section §54957
   Agency Representatives: Steven Adams,
   Employee Organizations: SEIU, KCPSA, KCPOA, KCCEA

Approved Signatures:

Mayor, Michael LeBarre
City of King

City Clerk, Steven Adams
City of King

KING CITY
CALIFORNIA

Item No. 9(B)

REPORT TO THE CITY COUNCIL

DATE: OCTOBER 24, 2017

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: STEVEN ADAMS, CITY MANAGER

BY: PATRICIA GRAINGER, ACCOUNTANT

RE: CONSIDERATION OF MONTHLY TREASURER'S REPORT – SEPTEMBER 2017

RECOMMENDATION:

It is recommended City Council receive and file.

BACKGROUND:

The California Government Code Section 41004 states "Regularly, at least once each month, the city treasurer shall submit to the city clerk a written report and accounting of all receipts, disbursements, and fund balances."

DISCUSSION:

The California Government Code authorizes and regulates the investment of local agency (city and county) funds. The City currently invests its funds with the Local Agency Investment Fund (LAIF) Program, administered by the State of California Treasurer's office. The City's housing rehab account is held at 1st Capital Bank, and the City's checking and payroll accounts, as well as developer deposits, are held at Well Fargo Bank, located at 506 Broadway, King City, CA 93930. A summary of investments and returns for the City is provided in the attached report.

COST ANALYSIS:

There is no fiscal impact as a result of this action

ENVIRONMENTAL REVIEW:

No Environmental Review required for this item.

ALTERNATIVES:

The following alternatives are provided for Council consideration:
1. Receive and file the report; or
2. Provide other direction to staff regarding requests for additional information.

Exhibits:
1. Investment Report

Submitted by: _____
Patricia Grainger, Accountant

Approved by: _____
Steven Adams, City Manager

City of King

Investment Report
Schedule of Cash and Investments
September 30, 2017

Investment Instrument		Yield	Amount	Maturity	Value
Invested by City Treasurer					
Institution	**Investment Type**				
State of California LAIF - City	Pooled	1.07%	2,272,744.53	On Demand	N/R
1st Capital Bank	Checking Acct Housing Rehab	-	91,920.07	On Demand	N/R
Wells Fargo Bank	General Checking	-	3,766,966.28	On Demand	N/R
Wells Fargo Bank	Payroll Checking Account	-	21,824.69	On Demand	N/R
Petty Cash-City Hall/Change Fund	Change Cash Drawer	-	500.00	On Demand	N/R
Invested by City Treasurer (Subtotal):			6,153,955.57		
Total Cash and Investments			6,153,955.57		

Pursuant To Government Code 41004, I hereby certify that this report reflects all City's investments. This investment program complies with the City Investment Policy. Anticipated approval by the City Council on 10/24/2017. Cash flow liquidity is still limited.

SIGNED: _____
City Treasurer

KING CITY
CALIFORNIA

Item No. 9(C)

REPORT TO THE CITY COUNCIL

DATE: OCTOBER 24, 2017

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: STEVEN ADAMS, CITY MANAGER

BY: PATRICIA GRAINGER, ACCOUNTANT

RE: CONSIDERATION OF SUCCESSOR AGENCY MONTHLY TREASURER'S REPORT – SEPTEMBER 2017

RECOMMENDATION:

It is recommended City Council receive and file.

BACKGROUND:

The California Government Code Section 41004 states "Regularly, at least once each month, the city treasurer shall submit to the city clerk a written report and accounting of all receipts, disbursements, and fund balances."

DISCUSSION:

The California Government Code authorizes and regulates the investment of local agency (city and county) funds, including successor agencies. The Successor Agency invests its bond proceeds in US Treasury obligations. All bond reserve funds are held by one bond trustee, U.S. Bank, and invested in accordance with the trustee agreement. The Successor Agency has three tax allocation bonds (TABs) issued. Yield, maturity and investment amount (proceeds) are itemized on the Successor Agency Schedule of Cash and Investments for the Agency.

COST ANALYSIS:

There is no fiscal impact as a result of this action.

ENVIRONMENTAL REVIEW:

No Environmental Review required for this item.

ALTERNATIVES:

The following alternatives are provided for Council consideration:

1. Receive and file the report; or
2. Provide other direction to staff regarding requests for additional information.

Exhibits:

1. Investment Report

Submitted by: _____
Patricia Grainger, Accountant

Approved by: _____
Steven Adams, City Manager

City of King
Investment Report
Schedule of Cash and Investments
September 30, 2017

Investment Instrument		Yield	Amount	Maturity	Value
Invested by City Treasurer					
Institution	**Investment Type**				
Wells Fargo Bank	SA Checking Account		1,410,028.20	On Demand	N/R
Invested by City Treasurer (Subtotal):			1,410,028.20		
Invested by Trustees (as of September Statements)					
Bond Reserves (1)					
U.S. Bank - 2011 TARB					
US Bank Money Market Ct	Escrow Fund #5050	0.00%	5,628,131.17	8/1/2034	5,628,131.17
U.S. Bank - 2016 A & B TARB					
US Bank Money Market Ct	Debt Service Fund #5000	0.00%	51.53	3/31/2025	51.53
US Bank Money Market Ct	Interest Account #5001	0.10%	9,234.66	3/31/2025	9,234.66
US Bank Money Market Ct	Cost of Issu Acct. #5009	0.10%	0.00	3/31/2025	0.00
U.S. Bank - 2016 TARB					
US Bank Money Market Ct	Debt Service Fund #6000	0.10%	64.98	3/31/2025	64.98
US Bank Money Market Ct	Interest Account #6001	0.00%	520.50	9/30/2016	520.50
US Bank Money Market Ct	Sinking Account #6003	0.00%	0.00	9/30/2016	0.00
US Bank Money Market Ct	Reserve Account #6005	0.10%	319,554.28	3/31/2025	319,554.28
US Bank Money Market Ct	Cost of Issu Fund #6009	0.10%	0.00	9/30/2016	0.00
US Bank Money Market Ct	Escrow Fund #6050	0.39%	0.00	9/30/2016	0.00
Market Value Providedby U.S. Bank, Trustee					
Invested by Trustees (Subtotal):			5,957,557.12		
Total Cash and Investments			7,367,585.32		

Pursuant To Government Code 41004, I hereby certify that this report reflects all City's investments. This investment program complies with the City Investment Policy. Anticipated approval by the City Council on 10/24/2017. Cash flow liquidity is still limited.

SIGNED: _____
City Treasurer

Note:
(1) Bonds

KING CITY
CALIFORNIA

Item No. 9(D)

REPORT TO THE PUBLIC FINANCING AUTHORITY

DATE: OCTOBER 24, 2017

TO: HONORABLE CHAIR AND MEMBERS OF THE AUTHORITY

FROM: STEVEN ADAMS, SECRETARY

BY: PATRICIA GRAINGER, ACCOUNTANT

RE: CONSIDERATION OF MONTHLY TREASURER'S REPORT – SEPTEMBER 2017

RECOMMENDATION:

It is recommended City Council receive and file.

BACKGROUND:

The California Government Code Section 41004 states "Regularly, at least once each month, the city treasurer shall submit to the city clerk a written report and accounting of all receipts, disbursements, and fund balances." The Public Finance Authority was used for the issuance of the Sewer Enterprise Bonds.

DISCUSSION:

The California Government Code authorizes and regulates the investment of local agency (city and county) funds. The Authority currently invests its funds with the Local Agency Investment Fund (LAIF) Program, administered by the State of California Treasurer's office, as well as bank CD's and instruments issued by agencies of the United States Government. A summary of investments and returns for the Financing Authority is provided in the attached report.

COST ANALYSIS:

There is no fiscal impact as a result of this action.

ENVIRONMENTAL REVIEW:

No Environmental Review required for this item.

ALTERNATIVES:

The following alternatives are provided for Council consideration:

1. Provide other direction to staff regarding requests for additional Receive and file the report; or
2. Information.

Exhibits:

1. Investment Report

Submitted by: _____
Patricia Grainger, Accountant

Approved by: _____
Steven Adams, City Manager

City of King

Investment Report
Schedule of Cash and Investments
September 30, 2017

Investment Instrument		Yield	Amount	Maturity	Value
Invested by City Treasurer					
	Investment Type				
Wells Fargo Bank	Fin Auth Checking Account		1,450.37	On Demand	N/R
State of California LAIF- Financing Authority	Pooled	0.92%	8.48	On Demand	N/R
Invested by City Treasurer (Subtotal):			1,458.85		
Total Cash and Investments			1,458.85		

Pursuant To Government Code 41004, I hereby certify that this report reflects all City's investments. This investment program complies with the City Investment Policy. Anticipated approval by the City Council on 10/24/2017. Cash flow liquidity is still limited.

SIGNED: _____
Secretary

KING CITY
CALIFORNIA

Item No 9(E)

REPORT TO THE CITY COUNCIL

DATE: OCTOBER 24, 2017

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: STEVEN ADAMS, CITY MANAGER

BY: PATRICIA GRAINGER, ACCOUNTANT

RE: CITY CHECK REGISTER

RECOMMENDATION:

It is recommended City Council receive and file.

BACKGROUND:

At least once a month, the City Treasurer shall submit to the City Council, a copy of the check register.

DISCUSSION:

The purpose of this item is to provide the Council an opportunity to review and monitor ongoing expenditures. These documents are attached.

COST ANALYSIS:

There is no fiscal impact as a result of this action.

ALTERNATIVES:

The following alternatives are provided for Council consideration:

1. Receive and file the report; or
2. Provide other direction to staff regarding requests for additional information.

Exhibit(S)
1. Check Register Report

Submitted by: _____
Patricia Grainger, Accountant

Approved by: _____
Steven Adams, City Manager

Check Register Report

Oct 6, 2017 (FY 2017-18)

Date: 10/06/2017
Time: 1:57 pm
Page: 1

KING CITY CITY HALL

BANK: WELLS FARGO BANK

Check Number	Check Date	Status	Void/Stop Date	Vendor Number	Vendor Name	Check Description	Amount
WELLS FARGO BANK Checks							
59644	10/06/2017	Printed		AT T	AT & T	Monthly Internet -	75.00
59645	10/06/2017	Printed		ADAMSS	STEVEN ADAMS	C M Travel Reimbursement	66.88
59646	10/06/2017	Printed		KCTVHARD	ALCANTAR HARDWARE INC	Repair Kitchen Cabinets -	55.78
59647	10/06/2017	Printed		ALVAREZ	ALVAREZ TECHNOLOGY GROUP INC	Computer Support	4,026.00
59648	10/06/2017	Printed		AM SUPPLY	AMERICAN SUPPLY CO.	Dust Mop - City Hall	68.22
59649	10/06/2017	Printed		AT & T	AT & T	Sentry Alarm Monthly -	3,570.35
59650	10/06/2017	Printed		AT&T - C	AT&T	KCPD Line - #9391048339	644.48
59651	10/06/2017	Printed		ACME	BILL KORETOFF	Main Brooms	1,449.88
59652	10/06/2017	Printed		CATHOLIC	CATHOLIC CHARITIES	Aug 2017 - Immigration	2,500.00
59653	10/06/2017	Printed		CNAUTO	CLARK N. CLEVENGER	Needed Adj Nut	112.94
59654	10/06/2017	Printed		COASTL	COASTLINE MARKETING GROUP INC	Website Maint.	275.00
59655	10/06/2017	Printed		CONKLIN	CONKLIN BROS.	Replaced Old Carpet	31,757.00
59656	10/06/2017	Printed		CORREAM	MANUEL CORREA	Basketball open gym.	105.00
59657	10/06/2017	Printed		CRISTANDO	CRISTANDO HOUSE, INC.	Enrollment & Updates	299.00
59658	10/06/2017	Printed		DAVE'S REP	DAVE'S REPAIR SERVICE	Site Inspection	80.00
59659	10/06/2017	Printed		DON CHAPIN	DON CHAPIN CO., INC.	2017 K C Street Project	11,955.44
59662	10/06/2017	Printed		EARTH DESI	EARTH DESIGN, INC.	Boutique Unlimited.	26,665.30
59663	10/06/2017	Printed		GIS	GONZALES IRRIGATION SYSTEMS,	Repair Broken Water Line.	43.92
59664	10/06/2017	Printed		GOULD	DIXIE GOULD	Mileage/Parking - 9/11-9/15/17	135.28
59665	10/06/2017	Printed		GUTTREE	GUTIERREZ TREE TRIMMING &	Tree Contract	10,000.00
59666	10/06/2017	Printed		INTTIRE	INTERNATIONAL TIRES	New Tires - 2008 Ford F-150	1,720.02
59667	10/06/2017	Printed		JBTIRE	MIGUEL JACOBO	Oil Change - Unit #102	1,266.10
59668	10/06/2017	Printed		KENEDY	RYAN KENEDY	Commuter Meals - 3 days	24.00
59669	10/06/2017	Printed		KC CHAMBEF	KING CITY CHAMBER OF COMMERCE	Comm Resource Fair Booth	50.00
59670	10/06/2017	Printed		MBAS	MBAS, INC.	Lab Work	2,730.00
59671	10/06/2017	Printed		M BASIA	MBASIA	Claim #MBA11-1204	177.60
59672	10/06/2017	Printed		MO BAY SYS	MONTEREY BAY OFFICE PRODUCTS	Monthly Copier Contract	2,820.30
59673	10/06/2017	Printed		MORPHO	MORPHO TRUST USA	Live Scan Annual Maint.	342.00
59674	10/06/2017	Printed		MUST	MUSTANG BENCH	Advertising	225.00
59675	10/06/2017	Printed		O'REILLY A	O'REILLY AUTOMOTIVE, INC.	Anti Freeze	73.85
59676	10/06/2017	Printed		OFFICE DEP	OFFICE DEPOT	Office Supplies	472.49
59677	10/06/2017	Printed		PAC	PG&E	Monthly P G & E Service	14,703.85
59678	10/06/2017	Printed		PNC	PNC EQUIPMENT FINANCE, LLC	Police Vehicles - 199979000	20,247.81
59679	10/06/2017	Printed		QUILL CORP	QUILL CORPORATION	Office Supply	186.13
59680	10/06/2017	Printed		RANGELE	ENRIQUE RANGEL	Rec Center Deposit	200.00
59681	10/06/2017	Printed		RCD-MOCO	RCD - MONTEREY CO	Settlement Salinas River	281.00
59682	10/06/2017	Printed		ROBLES	RICARDO ROBLES	Commuter Meals - 3 days	24.00
59683	10/06/2017	Printed		SALRIVER	SALINAS RIVER STREAM MAINT.	Salinas River Maint./ Removal	4,050.00
59684	10/06/2017	Printed		SANDIE	SAN DIEGO POLICE EQUIPMENT CO	Ammo	2,191.68
59685	10/06/2017	Printed		SMITHE	SMITH & ENRIGHT	Repair Irrigation Valve	310.19
59686	10/06/2017	Printed		SPEAK	SPEAKWRITE BILLING DEPT	Dictating Sept Services	295.56
59687	10/06/2017	Printed		SURVEI	SURVEILLANCEGRID INTEGRATION	Installation of Security	127,915.00
59688	10/06/2017	Printed		T&T PAVE	T & T PAVEMENT MARKINGS	Street Paint	2,495.16
59689	10/06/2017	Printed		VALSA	TAVIT & ARAM KARABETYAN PARTNE	Repair Weed Wacker	508.84
59690	10/06/2017	Printed		THE SALINA	THE SALINAS CALIFORNIAN	Public Notices - Sign Ord CC	1,334.63
59691	10/06/2017	Printed		TORO	TORO PETROLEUM CORP.	Gasoline - Acct #6835	2,524.37
59692	10/06/2017	Printed		TRANSU	TRANSUNION RISK AND ALTERNATIV	Sept Services	25.00
59693	10/06/2017	Printed		TRI	TRI-COUNTY FIRE PROTECTION INC	Inspect Fire Ext	95.00
59694	10/06/2017	Printed		TULARE	TULARE COUNTY JAIL INDUSTRIES	Two Retirement Plaques.	96.98
59695	10/06/2017	Printed		U.S. BANCO	U.S. BANCORP EQUIPMENT FINANCE	Copier Contract Service -	330.32
59696	10/06/2017	Printed		U.S. BAN	U.S. BANK CORP PAYMENT SYSTEM	Various Charges -	3,875.59

Check Register Report

Oct 6, 2017 (FY 2017-18)

KING CITY CITY HALL

BANK: WELLS FARGO BANK

Check Number	Check Date	Status	Void/Stop Date	Vendor Number	Vendor Name	Check Description	Amount
WELLS FARGO BANK Checks							
59697	10/06/2017	Printed		VERIZON WI	VERIZON WIRELESS	Cell Phone Charges -	1,322.66
				Total Checks: 52		**Checks Total (excluding void checks):**	**286,800.60**
				Total Payments: 52		**Bank Total (excluding void checks):**	**286,800.60**
				Total Payments: 52		**Grand Total (excluding void checks):**	**286,800.60**

KING CITY
CALIFORNIA

Item No 9(F)

REPORT TO THE CITY COUNCIL

DATE: OCTOBER 24, 2017

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: STEVEN ADAMS, CITY MANAGER

BY: PATRICIA GRAINGER, ACCOUNTANT

RE: SUCCESSOR AGENCY CHECK REGISTER

RECOMMENDATION:

It is recommended City Council receive and file.

BACKGROUND:

At least once a month, the City Treasurer shall submit to the City Council, a copy of the check register and invoice approval fund list.

DISCUSSION:

The purpose of this item is to provide the Council an opportunity to review and monitor ongoing expenditures. These documents for the Successor Agency are attached.

COST ANALYSIS:

There is no fiscal impact as a result of this action.

ALTERNATIVES:

The following alternatives are provided for Council consideration:

1. Receive and file the report; or
2. Provide other direction to staff regarding requests for additional information.

Exhibit(S)
1. Check Register Report

Submitted by: Patricia Grainger
Patricia Grainger, Accountant

Approved by:
Steven Adams, City Manager

Check Register Report

Oct 6,2017 (FY 2017-18)SA

Date: 10/06/2017
Time: 2:09 pm

KING CITY CITY HALL

BANK: SUCCESSOR AGENCY OF

Check Number	Check Date	Status	Void/Stop Date	Vendor Number	Vendor Name	Check Description	Amount
SUCCESSOR AGENCY OF Checks							
220	10/06/2017	Printed		USBANK	US BANK	Successor Agency -	1,815.00
				Total Checks: 1		**Checks Total (excluding void checks):**	**1,815.00**
				Total Payments: 1		**Bank Total (excluding void checks):**	**1,815.00**
				Total Payments: 1		**Grand Total (excluding void checks):**	**1,815.00**

KING CITY
CALIFORNIA

Item No. 9(G)

REPORT TO THE CITY COUNCIL

DATE: OCTOBER 24, 2017

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: DOREEN LIBERTO, AICP, COMMUNITY DEVELOPMENT DIRECTOR

RE: SECOND READING OF ORDINANCE NO. 2017-751 AMENDING SECTION 16.22 OF CHAPTER 16 OF THE KING CITY MUNICIPAL CODE AS PART OF DISASTER RESILIENCY LONG TERM PLANNING

RECOMMENDATION:

It is recommended the City Council conduct the second reading by title only and adopt Ordinance No. 2017-751 Amending Section 16.22 of Chapter 16 of the King City Municipal Code as Part of Disaster Resiliency Long Term Planning.

BACKGROUND:

At its regular meeting held on October 10, 2017, the City Council introduced Ordinance No. 2017-751 amending Chapter 16 of the King City Municipal Code. Cal. Government Code Section 66474.02 of the Subdivision Map Act ("SMA") requires that three (3) specific findings of fact must be made in approving subdivisions in areas designated as high fire hazard severity zones or state responsibility areas. The subject ordinance requires the findings be made on subdivisions located in specific locations of the city. The Ordinance is part of the City's commitment to disaster resiliency long term planning.

DISCUSSION:

California Government Code Section 66474.02 requires decision makers to make three (3) findings of fact before approving a subdivision located in a state responsibility area or a high fire hazard severity zone. The findings of fact are:

1. The design and location of each lot in the subdivision, and the subdivision

as a whole, are consistent with any applicable regulations adopted by the State Board of Forestry and Fire Protection pursuant to Sections 4290 and 4291 of the Public Resources Code.

2. Supported by substantial evidence in the record, structural fire protection and services will be available for the subdivision through any of the following entities:

    a. A county, city, special district, political subdivision of the state, or another entity organized solely to provide fire protection services that is monitored and funded by a county or other public entity.

    b. The Department of Forestry and Fire Protection by contract entered into pursuant to Sections 4133, 4142, or 4144 of the Public Resources Code.

3. To the extent practicable, ingress and egress for the subdivision meets the regulations regarding road standards for fire equipment access adopted pursuant to Section 4290 of the Public Resources Code and any applicable local ordinance.

On October 3, 2017, the Planning Commission recommended that Chapter 16.22 (Subdivision) be amended and Section 16.12.340 be added which includes the above findings of fact. As mentioned above, the City Council conducted the first reading of the Ordinance on October 10, 2017.

COST ANALYSIS:

The cost to make additional findings of fact will be funded as part of the application process fee.

ENVIRONMENTAL REVIEW:

The Ordinance is exempt from the California Environmental Quality Act ("CEQA") because it can be seen with certainty that there is no possibility that it will have a significant effect on the environment.

ALTERNATIVES:

The following alternatives are provided for Council consideration:

1. Adopt the attached Resolution;
2. Do not adopt the attached Resolution; or
3. Provide staff other direction.

Exhibits:

1. Planning Commission Resolution
2. City Council Ordinance

Prepared by: MA For Doreen Liberto
Doreen Liberto, Community Development Director

Approved by: _____
Steven Adams, City Manager

RESOLUTION NO. 2017-194

A RESOLUTION OF THE PLANNING COMMISSION OF THE CITY OF KING RECOMMENDING THE CITY COUNCIL AMEND SECTION 16.22 OF CHAPTER 16 OF THE KING CITY MUNICIPAL CODE AS PART OF DISASTER RESILIENCY LONG TERM PLANNING

WHEREAS, the City of King ("the City") has the authority, under its police power, to enact regulations for the public peace, morals, and welfare of the City, California Constitution Article XI, section 7; and

WHEREAS, Cal. Government Code Section 66474.02 of the Subdivision Map Act ("SMA") requires certain findings of fact be made for subdivisions within state responsibility areas or high fire hazard severity zones; and

WHEREAS, on October 3, 2017, the Planning Commission ("Commission") reviewed and considered the information provided in the staff report and testimony presented during the duly noticed public hearing; and

WHEREAS, the Commission recommends the City Council ("Council") finds the adoption of this ordinance is exempt from having to comply with the requirements of the California Environmental Quality Act ("CEQA"), pursuant to CEQA Guidelines Section 15061(b)(3) which states: "CEQA only applies to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA". There is no possibility the City's activity in adopting this ordinance, as mandated by the State, will have a significant, adverse effect on the environment.

NOW, THEREFORE, BE IT HEREBY RESOLVED that the Planning Commission of the City of King recommends that the City Council amend Chapter 16.12 of Title 16 and add Section 16.12.340, as follows:

Section 16.12.340. Findings for Approval of Subdivision Maps Located in Fire Hazard Areas

Pursuant to the provisions of California Government Code Section 66474.02, before approving a tentative map, or a parcel map for which a tentative map was not required, for a subdivision located in a state responsibility area or a high fire hazard severity zone, the decision-maker must make all of the following findings of fact:

1. The design and location of each lot in the subdivision, and the subdivision as a whole, are consistent with any applicable regulations adopted by the State Board of Forestry and Fire Protection pursuant to Sections 4290 and 4291 of the Public Resources Code.

2. Supported by substantial evidence in the record, structural fire protection and services will be available for the subdivision through any of the following entities:
   a. A county, city, special district, political subdivision of the state, or another entity organized solely to provide fire protection services that is monitored and funded by a county or other public entity.

   b. The Department of Forestry and Fire Protection by contract entered into pursuant to Sections 4133, 4142, or 4144 of the Public Resources Code.

3. To the extent practicable, ingress and egress for the subdivision meets the regulations regarding road standards for fire equipment access adopted pursuant to Section 4290 of the Public Resources Code and any applicable local ordinance.

This shall not supersede regulations established by the State Board of Forestry and Fire Protection or other ordinances within the County Code that provide equivalent or more stringent minimum requirements than those contained within this section.

PASSED, APPROVED AND ADOPTED this 3TH day of October, 2017.

AYES: Nuck, Mendez, Barbree, Lee, Raschella
NOES:
ABSENT:
ABSTAIN:

David Nuck

DAVID NUCK, CHAIRPERSON

ATTEST: Erica L. Sonne

ERICA SONNE, PLANNING COMMISSION SECRETARY

ORDINANCE NO. 2017-751

AN ORDINANCE AMENDING CHAPTER 16.12 OF TITLE 16 OF THE KING CITY MUNICIPAL CODE ADDING SECTION 16.12.340 AND FINDINGS OF FACTS FOR SUBDIVISIONS RELATED TO CALIFORNIA GOVERNMENT CODE SECTION 66474.02

WHEREAS, the City of King ("the City") has the authority, under its police power, to enact regulations for the public peace, morals, and welfare of the City, California Constitution Article XI, section 7; and

WHEREAS, California Government Code Section 66474.02 requires certain findings of facts be made before approving a tentative map, or a parcel map for which a tentative map was not required, for a subdivision located in a state responsibility area or high fire hazard severity zone; and

WHEREAS, this amendment will provide a benefit for the safety of the public and structures;

WHEREAS, on October 3, 2017, the Planning Commission ("Commission"), after conducting a public hearing, adopted Resolution No. 2017-194, recommending the City Council ("Council") adoption Ordinance No. 2017-751; and

WHEREAS, on October 10, 2017, the Council conducted a duly noticed public hearing regarding adding findings of facts regarding incorporating specific findings of facts on subdivisions and parcel maps related to wildfire exposure; and

WHEREAS, the Council finds the adoption of this ordinance is exempt from having to comply with the requirements of the California Environmental Quality Act ("CEQA"), pursuant to CEQA Guidelines Section 15061(b)(3) which states: "CEQA only applies to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA". There is no possibility the City's activity in adopting this ordinance, as mandated by the State, will have a significant, adverse effect on the environment.

NOW THEREFORE, the City Council of the City of King does ordain as follows:

SECTION 1. The above recitals are incorporated are hereby by reference.

SECTION 2. The Ordinance is exempt from the California Environmental Quality Act ("CEQA") because it can be seen with certainty that there is no possibility that it will have a significant effect on the environment. (CEQA Guidelines § 15061(b)(3).) Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA". There is no possibility the City's activity in adopting this ordinance, as mandated by the State, will have a significant, adverse effect on the environment.

SECTION 3. Chapter 16.12, Section 16.12.340 of Title 17, of the King City Municipal Code and specifically identified below are amended to read as follows:

Section 16.12.340. Findings for Approval of Subdivision Maps Located in Fire Hazard Areas

Pursuant to the provisions of California Government Code Section 66474.02, before approving a tentative map, or a parcel map for which a tentative map was not required, for a subdivision located in a state responsibility area or a high fire hazard severity zone, the decision-maker must make all of the following findings of fact:

1. The design and location of each lot in the subdivision, and the subdivision as a whole, are consistent with any applicable regulations adopted by the State Board of Forestry and Fire Protection pursuant to Sections 4290 and 4291 of the Public Resources Code.
2. Supported by substantial evidence in the record, structural fire protection and services will be available for the subdivision through any of the following entities:
    a. A county, city, special district, political subdivision of the state, or another entity organized solely to provide fire protection services that is monitored and funded by a county or other public entity.
    b. The Department of Forestry and Fire Protection by contract entered into pursuant to Sections 4133, 4142, or 4144 of the Public Resources Code.
3. To the extent practicable, ingress and egress for the subdivision meets the regulations regarding road standards for fire equipment access adopted pursuant to Section 4290 of the Public Resources Code and any applicable local ordinance.

This shall not supersede regulations established by the State Board of Forestry and Fire Protection or other ordinances within the County Code that provide equivalent or more stringent minimum requirements than those contained within this section.

SECTION 4. Except as amended by this Ordinance, Chapter 16.12 of Title 16 of the King City Municipal Code, shall remain unchanged and shall continue in full force and effect.

SECTION 6. EFFECTIVE DATE.

This Ordinance shall take effect and be in full force and effect from and after thirty (30) calendar days after its final passage and adoption. Within fifteen (15) calendar days after its adoption, the Ordinance, or a summary of the Ordinance, shall be published once in a newspaper of general circulation.

I HEREBY CERTIFY that the foregoing Ordinance was introduced by the City Council after waiving reading, except by Title, at a regular meeting thereof held on the 10th day of October 2017, and adopted the Ordinance after the second reading at a regular meeting held on the 24 day of October 2017, by the following roll call vote:

AYES: _____

NOES: _____

ABSTAIN: _____

ABSENT: _____

ATTEST

_____
STEVEN ADAMS, City Clerk

CITY OF KING

By: _____
MIKE LEBARRE, Mayor

APPROVED AS TO FORM:

By _____
SHANNON L. CHAFFIN, City Attorney
Aleshire & Wynder, LLP

I, _____, City Clerk of the City of King, California, DO HEREBY CERTIFY that the foregoing is a true and accurate copy of the Ordinance passed and adopted by the City Council of the City of King on the date and by the vote indicated herein.

KING CITY
CALIFORNIA

Item No. 9(H)

REPORT TO THE CITY COUNCIL

DATE: **OCTOBER 24, 2017**

TO: **CITY COUNCIL**

FROM: **ROBERT MASTERSON, CHIEF OF POLICE**

RE: **PURCHASE OF POLICE ADMINISTRATIVE VEHICLES**

RECOMMENDATION:

It is recommended the City Council approve the purchase and outfitting of two used vehicles for police administrative vehicles. The purchase price of the two vehicles with emergency lighting installation is $42,000.00 dollars.

BACKGROUND:

The Police Department maintains a fleet of four Administrative vehicles and eight Patrol vehicles. Administrative vehicles are unmarked cars equipped with emergency lights and siren for use by administrative personnel and investigators. Patrol vehicles are marked vehicles, and are pursuit rated.

DISCUSSION:

Of the unmarked police administrative vehicles, two have mileage over 100,000. One is a 2005 Ford Expedition and the other administrative vehicle is a 2005 Crown Victoria. Patrol currently has three 2010 Dodge Chargers, one of which has 95,000 miles with repairs beginning to become more frequent. The remaining two 2010 Dodge Charges have 60,000 and 80,000 miles.

The Police Department recently purchased a 2017 Dodge Charger which was assigned as an administration vehicle. It is recommended that one of the administration vehicles being purchased be used to replace this vehicle and in turn use this vehicle to replace the high mileage patrol vehicle. The second administration vehicle will be used to replace the aged 2005 Ford Expedition. This will provide administration cars with two of low mileage, a third with mid mileage (70,000) and the final with high mileage, but placed into a reserve capacity for training and back-up.

The current vehicle financing has four vehicles financed, two of which will be paid off in one year. This will allow for the replacement of the additional two high mileage patrol vehicles to be retired and replaced. The remaining administrative vehicle can be purchased as the funding becomes available from the sale of retired vehicles and traffic safety funds.

COST ANALYSIS:

The cost for the two used vehicles is $36,600.00 dollars and the cost to outfit both vehicles is $5,400.00 dollars for a total of $42,000.00 dollars. The Police Department Traffic Safety Fund currently has $47,000.00 dollars and is allowed to be utilized to purchase police vehicles. Therefore, there will be no impact to the general fund.

ENVIRONMENTAL REVIEW:

This matter is not a "project" for the purposes of the California Environmental Quality Act (CEQA) as it does not have the potential for resulting in either a direct physical change to the environment, or a reasonably foreseeable indirect physical change in the environment. No further action is required under CEQA for City Council action.

ALTERNATIVES:

The following alternatives are presented for Council consideration:
1. Approve staff's recommended appropriation and purchase;
2. Do not approve staff's recommended appropriation and purchase;
3. Provide other direction to staff.

Prepared: _____
Robert Masterson, Chief of Police

Approved By: _____
Steve Adams, City Manager

KING CITY
CALIFORNIA

Item No. 9(I)

REPORT TO THE CITY COUNCIL

DATE: **OCTOBER 24, 2017**

TO: **HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL**

FROM: **STEVEN ADAMS, CITY MANAGER**

RE: **CONSIDERATION OF CONTRACT SERVICES AGREEMENT WITH EIKHOF DESIGN GROUP, INC. FOR PUBLIC WORKS SPECIAL PROJECTS COORDINATION**

RECOMMENDATION:

It is recommended the City Council approve and authorize the City Manager to execute a contract services agreement with Eikhof Design Group, Inc. for Public Works special projects coordination; and 2) authorize the City Manager to make non-substantive changes as necessary in a form approved by the City Attorney.

BACKGROUND:

The City has not had funding available for a Public Works Director position for many years. As a result, there has not been anyone on staff with the expertise necessary to ensure all required Public Works operational policies, procedures, and practices are implemented in a timely manner. In addition, the City has very limited staffing availability to perform many of the Public Works administrative functions normally required to maintain an effective operation. This can create liabilities for the City, deferred costs, and has often resulted in low customer satisfaction by the public despite the fact that the City has very dedicated and hard-working Public Works maintenance employees.

DISCUSSION:

The City has an opportunity to obtain the services of an experienced Public Works professional on a part-time temporary basis. Services will be provided through a contract with Eikhof Design Group, Inc., which specializes in project management. The objective will be to utilize these services to assess the Public Works Department operation, identify and implement improvements, and to assign a number of special projects that currently the City does not have staff available to complete. It is especially timely with the recent retirement of the Public Works Superintendent. The contractor will assess and provide

recommendations on the organizational structure prior to recruiting for any vacant positions.

COST ANALYSIS:

The contract amount will be for $60 per hour. The anticipated cost will be approximately $40,000 in FY 2017-18 and an additional $40,000 in FY 2018-19. Funding was included in the FY 2017-18/ FY 2018-19 Biennial Budget for this expense. Therefore, no additional appropriation is necessary.

ENVIRONMENTAL REVIEW:

This matter is not a "project" for the purposes of the California Environmental Quality Act (CEQA) as it does not have the potential for resulting in either a direct physical change to the environment, or a reasonably foreseeable indirect physical change in the environment. No further action is required under CEQA for City Council action.

ALTERNATIVES:

The following alternatives are provided for Council consideration:

1. Approve the proposed Agreement;
2. Modify and approve the proposed Agreement;
3. Do not approve the proposed Agreement; or
4. Provide staff other direction.

Exhibits:

1. Agreement for Contract Services

Prepared and Approved by: _____
Steven Adams, City Manager

CITY OF KING
CONTRACT SERVICES AGREEMENT FOR

THIS PROFESSIONAL SERVICES AGREEMENT (herein "Agreement") is made and entered into this _____ day of _____, 2017, by and between the CITY OF KING, a California municipal corporation ("City") and Eikhof Design Group, Inc. (herein "Consultant").

NOW, THEREFORE, the parties hereto agree as follows:

1. SERVICES OF CONSULTANT

1.1 Scope of Services. In compliance with all of the terms and conditions of this Agreement, the Consultant shall perform the work or services set forth in the "Scope of Services" attached hereto as Exhibit "A" and incorporated herein by reference. Consultant warrants that it has the experience and ability to perform all work and services required hereunder and that it shall diligently perform such work and services in a professional and satisfactory manner.

1.2 Compliance with Law. All work and services rendered hereunder shall be provided in accordance with all ordinances, resolutions, statutes, rules, and regulations of the City and any Federal, State or local governmental agency of competent jurisdiction.

1.3 Licenses, Permits, Fees and Assessments. Consultant shall obtain at its sole cost and expense such licenses, permits, and approvals as may be required by law for the performance of the services required by the Agreement.

1.4 Special Requirements. Additional terms and conditions of this Agreement, if any, which are made a part hereof are set forth in the "Special Requirements" attached hereto as Exhibit "B" and incorporated herein by this reference. In the event of a conflict between the provisions of Exhibit "B" and any other provisions of this Agreement, the provisions of Exhibit "B" shall govern.

2. COMPENSATION

2.1 Invoices. Each month Consultant shall furnish to City an original invoice for all work performed and expenses incurred during the preceding month in a form approved by City's Director of Finance. By submitting an invoice for payment under this Agreement, Consultant is certifying compliance with all provisions of the Agreement. The invoice shall detail charges for all necessary and actual expenses by the following categories: labor (by sub-category), travel, materials, equipment, supplies, and sub-contractor contracts. Sub-contractor charges shall also be detailed by such categories. Consultant shall not invoice City for any duplicate services performed by more than one person.

City shall independently review each invoice submitted by the Consultant to determine whether the work performed and expenses incurred are in compliance with the provisions of this Agreement. Except as to any charges for work performed or expenses incurred by Consultant which are disputed by City, City will use its best efforts to cause Consultant to be paid within forty five (45) days of receipt of Consultant's correct and undisputed invoice; however,

Consultant acknowledges and agrees that due to City warrant run procedures, the City cannot guarantee that payment will occur within this time period. In the event any charges or expenses are disputed by City, the original invoice shall be returned by City to Consultant for correction and resubmission. Review and payment by the City of any invoice provided by the Consultant shall not constitute a waiver of any rights or remedies provided herein or any applicable law.

2.2 Additional Services. City shall have the right at any time during the performance of the services, without invalidating this Agreement, to order extra work beyond that specified in the Scope of Services or make changes by altering, adding to or deducting from said work. No such extra work may be undertaken unless a written order is first given by the Contract Officer to the Consultant, incorporating therein any adjustment in (i) the Contract Sum for the actual cost of the extra work, and/or (ii) the time to perform this Agreement, which said adjustments are subject to the written approval of the Consultant. Any increase in compensation of up to ten percent (10%) of the Contract Sum but not exceeding a total contract amount of Five Thousand Dollars ($5,000) or in the time to perform of up to ninety (90) days may be approved by the Contract Officer. Any greater increases, taken either separately or cumulatively, must be approved by the City Council. No claim for an increase in the Contract Sum or time for performance shall be valid unless the procedures established in this Section are followed.

3. PERFORMANCE SCHEDULE

3.1 Time of Essence. Time is of the essence in the performance of this Agreement.

3.2 Schedule of Performance. Consultant shall commence the services pursuant to this Agreement upon receipt of a written notice to proceed and shall perform all services within the time period(s) established in the "Schedule of Performance" attached hereto as Exhibit "D" and incorporated herein by this reference. When requested by the Consultant, extensions to the time period(s) specified in the Schedule of Performance may be approved in writing by the Contract Officer but not exceeding thirty (30) days cumulatively.

3.3 Force Majeure. The time period(s) specified in the Schedule of Performance for performance of the services rendered pursuant to this Agreement shall be extended because of any delays due to unforeseeable causes beyond the control and without the fault or negligence of the Consultant, including, but not restricted to, acts of God or of the public enemy, unusually severe weather, fires, earthquakes, floods, epidemics, quarantine restrictions, riots, strikes, freight embargoes, wars, litigation, and/or acts of any governmental agency, including the City, if the Consultant shall within ten (10) days of the commencement of such delay notify the Contract Officer in writing of the causes of the delay. The Contract Officer shall ascertain the facts and the extent of delay, and extend the time for performing the services for the period of the enforced delay when and if in the judgment of the Contract Officer such delay is justified. The Contract Officer's determination shall be final and conclusive upon the parties to this Agreement. In no event shall Consultant be entitled to recover damages against the City for any delay in the performance of this Agreement, however caused, Consultant's sole remedy being extension of the Agreement pursuant to this Section.

3.4 Term. Unless earlier terminated in accordance with Article 7 of this Agreement, this Agreement shall continue in full force and effect for a period of one (1) year

from the date hereof, except as otherwise provided in the Schedule of Performance (Exhibit "D").

4. COORDINATION OF WORK

4.1 Representative of Consultant. Geoff English is hereby designated as being the representative of Consultant authorized to act on its behalf with respect to the work and services specified herein and make all decisions in connection therewith. All personnel of Consultant and any authorized agents shall be under the exclusive direction of the representative of Consultant. Consultant shall utilize only competent personnel to perform services pursuant to this Agreement. Consultant shall make every reasonable effort to maintain the stability and continuity of Consultant's staff and subcontractors, and shall keep City informed of any changes.

4.2 Contract Officer. STEVEN ADAMS [or such person as may be designated by the City Manager] is hereby designated as being the representative the City authorized to act in its behalf with respect to the work and services specified herein and to make all decisions in connection therewith ("Contract Officer").

4.3 Prohibition against Subcontracting or Assignment. Consultant shall not contract with any entity to perform in whole or in part the work or services required hereunder without the express written approval of the City. Neither this Agreement nor any interest herein may be assigned or transferred, voluntarily or by operation of law, without the prior written approval of City. Any such prohibited assignment or transfer shall be void.

4.4 Independent Consultant. Neither the City nor any of its employees shall have any control over the manner, mode or means by which Consultant, its agents or employees, perform the services required herein, except as otherwise set forth. Consultant shall perform all services required herein as an independent contractor of City with only such obligations as are consistent with that role. Consultant shall not at any time or in any manner represent that it or any of its agents or employees are agents or employees of City, or that it is a member of a joint enterprise with City.

5. INSURANCE AND INDEMNIFICATION

5.1 Insurance Coverages. The Consultant shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to City, during the entire term of this Agreement including any extension thereof, the following policies of insurance which shall cover all elected and appointed officers, employees and agents of City:

(a) Commercial General Liability Insurance (Occurrence Form CG0001 or equivalent). A policy of comprehensive general liability insurance written on a per occurrence basis for bodily injury, personal injury and property damage. The policy of insurance shall be in an amount not less than $1,000,000.00 per occurrence or if a general aggregate limit is used, either the general aggregate limit shall apply separately to this contract/location, or the general aggregate limit shall be twice the occurrence limit.

(b) Worker's Compensation Insurance. A policy of worker's compensation insurance in such amount as will fully comply with the laws of the State of California and which shall indemnify, insure and provide legal defense for the Consultant against any loss, claim or

damage arising from any injuries or occupational diseases occurring to any worker employed by or any persons retained by the Consultant in the course of carrying out the work or services contemplated in this Agreement.

(c) Automotive Insurance (Form CA 0001 (Ed 1/87) including "any auto" and endorsement CA 0025 or equivalent). A policy of comprehensive automobile liability insurance written on a per occurrence for bodily injury and property damage in an amount not less than either (i) bodily injury liability limits of $250,000.00 per person and $500,000.00 per occurrence and property damage liability limits of $500,000.00 per occurrence or (ii) combined single limit liability of $1,000,000.00. Said policy shall include coverage for owned, non-owned, leased, hired cars, and any other automobile.

(d) Professional Liability. Professional liability insurance appropriate to the Consultant's profession. This coverage may be written on a "claims made" basis, and must include coverage for contractual liability. The professional liability insurance required by this Agreement must be endorsed to be applicable to claims based upon, arising out of or related to services performed under this Agreement. The insurance must be maintained for at least 5 consecutive years following the completion of Consultant's services or the termination of this Agreement. During this additional 5-year period, Consultant shall annually and upon request of the City submit written evidence of this continuous coverage.

(e) Additional Insurance. Policies of such other insurance, as may be required in the Special Requirements in Exhibit "B".

(f) Subcontractors. Consultant shall include all subcontractors as insureds under its policies or shall furnish separate certificates and certified endorsements for each subcontractor. All coverages for subcontractors shall be subject to all of the requirements stated herein.

5.2 General Insurance Requirements.

All of the above policies of insurance shall be primary insurance and shall name the City, its elected and appointed officers, employees and agents as additional insureds and any insurance maintained by City or its officers, employees or agents may apply in excess of, and not contribute with Consultant's insurance. The insurer is deemed hereof to waive all rights of subrogation and contribution it may have against the City, its officers, employees and agents and their respective insurers. The insurance policy must specify that where the primary insured does not satisfy the self-insured retention, any additional insured may satisfy the self-insured retention. All of said policies of insurance shall provide that said insurance may not be amended or cancelled by the insurer or any party hereto without providing thirty (30) days prior written notice by certified mail return receipt requested to the City. In the event any of said policies of insurance are cancelled, the Consultant shall, prior to the cancellation date, submit new evidence of insurance in conformance with Section 5.1 to the Contract Officer. No work or services under this Agreement shall commence until the Consultant has provided the City with Certificates of Insurance, additional insured endorsement forms or appropriate insurance binders evidencing the above insurance coverages and said Certificates of Insurance or binders are approved by the City. City reserves the right to inspect complete, certified copies of and endorsement to all required insurance policies at any time. Any failure to comply with the reporting or other

provisions of the policies including breaches or warranties shall not affect coverage provided to City.

The insurance required by this Agreement shall be satisfactory only if issued by companies qualified to do business in California, rated "A" or better in the most recent edition of Best Rating Guide, The Key Rating Guide or in the Federal Register, and only if they are of a financial category Class VII or better, unless such requirements are waived by the City's Risk Manager or other designee of the City due to unique circumstances.

5.3 Indemnification. To the full extent permitted by law, Consultant agrees to indemnify, defend and hold harmless the City, its officers, employees and agents ("Indemnified Parties") against, and will hold and save them and each of them harmless from, any and all actions, either judicial, administrative, arbitration or regulatory claims, damages to persons or property, losses, costs, penalties, obligations, errors, omissions or liabilities whether actual or threatened (herein "claims or liabilities") that may be asserted or claimed by any person, firm or entity arising out of or in connection with the negligent performance of the work, operations or activities provided herein of Consultant, its officers, employees, agents, subcontractors, invitees, or any individual or entity for which Consultant is legally liable ("indemnitors"), or arising from Consultant's or indemnitors' reckless or willful misconduct, or arising from Consultant's or indemnitors' negligent performance of or failure to perform any term, provision, covenant or condition of this Agreement, except claims or liabilities occurring as a result of City's sole negligence or willful acts or omissions. The indemnity obligation shall be binding on successors and assigns of Consultant and shall survive termination of this Agreement.

6. RECORDS, REPORTS, AND RELEASE OF INFORMATION

6.1 Records. Consultant shall keep, and require subcontractors to keep, such ledgers, books of accounts, invoices, vouchers, canceled checks, reports, studies or other documents relating to the disbursements charged to City and services performed hereunder (the "books and records"), as shall be necessary to perform the services required by this Agreement and enable the Contract Officer to evaluate the performance of such services and shall keep such records for a period of three years following completion of the services hereunder. The Contract Officer shall have full and free access to such books and records at all times during normal business hours of City, including the right to inspect, copy, audit and make records and transcripts from such records.

6.2 Reports. Consultant shall periodically prepare and submit to the Contract Officer such reports concerning the performance of the services required by this Agreement or as the Contract Officer shall require.

6.3 Confidentiality and Release of Information.

(a) All information gained or work product produced by Consultant in performance of this Agreement shall be considered confidential, unless such information is in the public domain or already known to Consultant. Consultant shall not release or disclose any such information or work product to persons or entities other than the City without prior written authorization from the Contract Officer.

(b) Consultant shall not, without prior written authorization from the Contract Officer or unless requested by the City Attorney, voluntarily provide documents, declarations, and letters of support, testimony at depositions, response to interrogatories or other information concerning the work performed under this Agreement. Response to a subpoena or court order shall not be considered "voluntary" provided Consultant gives the City notice of such court order or subpoena.

(c) If Consultant provides any information or work product in violation of this Agreement, then the City shall have the right to reimbursement and indemnity from Consultant for any damages, costs and fees, including attorney's fees, caused by or incurred as a result of Consultant's conduct.

(d) Consultant shall promptly notify the City should Consultant be served with any summons, complaint, subpoena, notice of deposition, request for documents, interrogatories, and request for admissions or other discovery request, court order or subpoena from any party regarding this Agreement and the work performed thereunder. The City retains the right, but has no obligation, to represent Consultant or be present at any deposition, hearing or similar proceeding. Consultant agrees to cooperate fully with the City and to provide the City with the opportunity to review any response to discovery requests provided by Consultant.

6.4 Ownership of Documents. All studies, surveys, data, notes, computer files, reports, records, drawings, specifications, maps, designs, photographs, documents and other materials (the "documents and materials") prepared by Consultant in the performance of this Agreement shall be the property of the City and shall be delivered to the City upon request of the Contract Officer or upon the termination of this Agreement, and Consultant shall have no claim for further employment or additional compensation as a result of the exercise by the City of its full rights of ownership use, reuse, or assignment of the documents and materials hereunder. Moreover, Consultant with respect to any documents and materials that may qualify as "works made for hire" as defined in 17 U.S.C. § 101, such documents and materials are hereby deemed "works made for hire" for the City.

7. ENFORCEMENT OF AGREEMENT AND TERMINATION

7.1 California Law. This Agreement shall be interpreted, construed and governed both as to validity and to performance of the parties in accordance with the laws of the State of California. Legal actions concerning any dispute, claim or matter arising out of or in relation to this Agreement shall be instituted in the Superior Court of the County of Monterey, State of California.

7.2 Disputes; Default. In the event that Consultant is in default under the terms of this Agreement, the City shall not have any obligation or duty to continue compensating Consultant for any work performed after the date of default. Instead, the City may give notice to Consultant of the default and the reasons for the default. The notice shall include the timeframe in which Consultant may cure the default. This timeframe is presumptively thirty (30) days, but may be extended, if circumstances warrant. During the period of time that Consultant is in default, the City shall hold all invoices and shall, when the default is cured, proceed with payment on the invoices. If Consultant does not cure the default, the City may take necessary steps to terminate this Agreement under this Article.

7.3 Legal Action. In addition to any other rights or remedies, either party may take legal action, in law or in equity, to cure, correct or remedy any default, to recover damages for any default, to compel specific performance of this Agreement, to obtain declaratory or injunctive relief, or to obtain any other remedy consistent with the purposes of this Agreement. Notwithstanding any contrary provision herein, Consultant shall file a statutory claim pursuant to Government Code Sections 905 et. seq. and 910 et. seq., in order to pursue any legal action under this Agreement.

Except with respect to rights and remedies expressly declared to be exclusive in this Agreement, the rights and remedies of the parties are cumulative and the exercise by either party of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.

7.4 Termination Prior to Expiration of Term. This Section shall govern any termination of this Contract except as specifically provided in the following Section for termination for cause. The City reserves the right to terminate this Contract at any time, with or without cause, upon thirty (30) days' written notice to Consultant, except that where termination is due to the fault of the Consultant, the period of notice may be such shorter time as may be determined by the Contract Officer. In addition, the Consultant reserves the right to terminate this Contract at any time, with or without cause, upon sixty (60) days' written notice to City, except that where termination is due to the fault of the City, the period of notice may be such shorter time as the Consultant may determine. Upon receipt of any notice of termination, Consultant shall immediately cease all services hereunder except such as may be specifically approved by the Contract Officer. Except where the Consultant has initiated termination, the Consultant shall be entitled to compensation for all services rendered prior to the effective date of the notice of termination and for any services authorized by the Contract Officer thereafter in accordance with the Schedule of Compensation or such as may be approved by the Contract Officer. In the event the Consultant has initiated termination, the Consultant shall be entitled to compensation only for the reasonable value of the work product actually produced hereunder, but not exceeding the compensation provided therefore in the Schedule of Compensation Exhibit "C". In the event of termination without cause pursuant to this Section, the terminating party need not provide the non-terminating party with the opportunity to cure pursuant to Section 7.2.

7.5 Termination for Default of Consultant. If termination is due to the failure of the Consultant to fulfill its obligations under this Agreement, City may, after compliance with the provisions of Section 7.2, take over the work and prosecute the same to completion by contract or otherwise, and the Consultant shall be liable to the extent that the total cost for completion of the services required hereunder exceeds the compensation herein stipulated (provided that the City shall use reasonable efforts to mitigate such damages), and City may withhold any payments to the Consultant for the purpose of set-off or partial payment of the amounts owed the City as previously stated.

8. MISCELLANEOUS

8.1 Covenant against Discrimination. Consultant covenants that, by and for itself, its heirs, executors, assigns and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of

race, color, creed, religion, sex, gender, sexual orientation, marital status, national origin, ancestry, or other protected class in the performance of this Agreement. Consultant shall take affirmative action to ensure that applicants are employed and that employees are treated during employment without regard to their race, color, creed, religion, sex, gender, sexual orientation, marital status, national origin, ancestry, or other protected class

8.2 Non-liability of City Officers and Employees. No officer or employee of the City shall be personally liable to the Consultant, or any successor in interest, in the event of any default or breach by the City or for any amount, which may become due to the Consultant or to its successor, or for breach of any obligation of the terms of this Agreement.

8.3 Notice. Any notice, demand, request, document, consent, approval, or communication either party desires or is required to give to the other party or any other person shall be in writing and either served personally or sent by prepaid, first-class mail, in the case of the City, to the City Manager and to the attention of the Contract Officer (with her/his name and City title), City of King 212 S. Vanderhurst Avenue, King City, CA 93930 and in the case of the Consultant, to the person(s) at the address designated on the execution page of this Agreement. Either party may change its address by notifying the other party of the change of address in writing. Notice shall be deemed communicated at the time personally delivered or in seventy-two (72) hours from the time of mailing if mailed as provided in this Section.

8.4 Integration; Amendment. It is understood that there are no oral agreements between the parties hereto affecting this Agreement and this Agreement supersedes and cancels any and all previous negotiations, arrangements, agreements and understandings, if any, between the parties, and none shall be used to interpret this Agreement. This Agreement may be amended at any time by the mutual consent of the parties by an instrument in writing.

8.5 Severability. In the event that part of this Agreement shall be declared invalid or unenforceable by a valid judgment or decree of a court of competent jurisdiction, such invalidity or unenforceability shall not affect any of the remaining portions of this Agreement which are hereby declared as severable and shall be interpreted to carry out the intent of the parties hereunder unless the invalid provision is so material that its invalidity deprives either party of the basic benefit of their bargain or renders this Agreement meaningless.

8.6 Waiver. No delay or omission in the exercise of any right or remedy by non-defaulting party on any default shall impair such right or remedy or be construed as a waiver. A party's consent to or approval of any act by the other party requiring the party's consent or approval shall not be deemed to waive or render unnecessary the other party's consent to or approval of any subsequent act. Any waiver by either party of any default must be in writing and shall not be a waiver of any other default concerning the same or any other provision of this Agreement.

8.7 Attorneys' Fees. If either party to this Agreement is required to initiate or defend or made a party to any action or proceeding in any way connected with this Agreement, the prevailing party in such action or proceeding, in addition to any other relief which any be granted, whether legal or equitable, shall be entitled to reasonable attorney's fees, whether or not the matter proceeds to judgment.

8.8 Interpretation.

The terms of this Agreement shall be construed in accordance with the meaning of the language used and shall not be construed for or against either party by reason of the authorship of this Agreement or any other rule of construction which might otherwise apply.

8.9 Counterparts.

This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and such counterparts shall constitute one and the same instrument.

8.10 Warranty & Representation of Non-Collusion. No official, officer, or employee of City has any financial interest, direct or indirect, in this Agreement, nor shall any official, officer, or employee of City participate in any decision relating to this Agreement which may affect his/her financial interest or the financial interest of any corporation, partnership, or association in which (s)he is directly or indirectly interested, or in violation of any corporation, partnership, or association in which (s)he is directly or indirectly interested, or in violation of any State or municipal statute or regulation. The determination of "financial interest" shall be consistent with State law and shall not include interests found to be "remote" or "noninterests" pursuant to Government Code Sections 1091 or 1091.5. Consultant warrants and represents that it has not paid or given, and will not pay or give, to any third party including, but not limited to, any City official, officer, or employee, any money, consideration, or other thing of value as a result or consequence of obtaining or being awarded any agreement. Consultant further warrants and represents that (s) he/it has not engaged in any act(s), omission(s), or other conduct or collusion that would result in the payment of any money, consideration, or other thing of value to any third party including, but not limited to, any City official, officer, or employee, as a result of consequence of obtaining or being awarded any agreement. Consultant is aware of and understands that any such act(s), omission(s) or other conduct resulting in such payment of money, consideration, or other thing of value will render this Agreement void and of no force or effect.

Consultant's Authorized Initials _____

8.11 Corporate Authority. The persons executing this Agreement on behalf of the parties hereto warrant that (i) such party is duly organized and existing, (ii) they are duly authorized to execute and deliver this Agreement on behalf of said party, (iii) by so executing this Agreement, such party is formally bound to the provisions of this Agreement, and (iv) the entering into this Agreement does not violate any provision of any other Agreement to which said party is bound. This Agreement shall be binding upon the heirs, executors, administrators, successors and assigns of the parties.

[Signatures on the following page.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date and year first-above written.

CITY:

CITY OF KING, a municipal corporation

_____
Steven Adams, City Manager

ATTEST:

_____
Eric Sonne, Deputy City Clerk

APPROVED AS TO FORM:

ALESHIRE & WYNDER, LLP

_____
Shannon L. Chaffin, City Attorney

CONSULTANT:

Eikhof Design Group Inc.

By:_____
Name: Jeff van den Eikhof
Title: President

By:_____
Name: Vicki van den Eikhof
Title: Secretary

Address: 4875 El Camino Real
Atascadero, CA 93422

Two corporate officer signatures required when Consultant is a corporation, with one signature required from each of the following groups: 1) Chairman of the Board, President or any Vice President; and 2) Secretary, any Assistant Secretary, Chief Financial Officer or any Assistant Treasurer. CONSULTANT'S SIGNATURES SHALL BE DULY NOTARIZED, AND APPROPRIATE ATTESTATIONS SHALL BE

INCLUDED AS MAY BE REQUIRED BY THE BYLAWS, ARTICLES OF INCORPORATION, OR OTHER RULES OR REGULATIONS APPLICABLE TO CONSULTANT'S BUSINESS ENTITY.

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy or validity of that document.

STATE OF CALIFORNIA

COUNTY OF MONTEREY

On _____, 2017 before me, _____, personally appeared _____, proved to me on the basis of satisfactory evidence to be the person(s) whose names(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER

- ☐ INDIVIDUAL
- ☐ CORPORATE OFFICER

_____
TITLE(S)

- ☐ PARTNER(S) ☐ LIMITED ☐ GENERAL
- ☐ ATTORNEY-IN-FACT
- ☐ TRUSTEE(S)
- ☐ GUARDIAN/CONSERVATOR
- ☐ OTHER _____

DESCRIPTION OF ATTACHED DOCUMENT

_____
TITLE OR TYPE OF DOCUMENT

_____
NUMBER OF PAGES

_____
DATE OF DOCUMENT

SIGNER IS REPRESENTING:
(NAME OF PERSON(S) OR ENTITY(IES))

_____

_____

_____
SIGNER(S) OTHER THAN NAMED ABOVE

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy or validity of that document.

STATE OF CALIFORNIA

COUNTY OF MONTEREY

On _____, 2017 before me, _____, personally appeared _____, proved to me on the basis of satisfactory evidence to be the person(s) whose names(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature: _____

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form

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- ☐ INDIVIDUAL
- ☐ CORPORATE OFFICER

_____
TITLE(S)

- ☐ PARTNER(S) ☐ LIMITED ☐ GENERAL
- ☐ ATTORNEY-IN-FACT
- ☐ TRUSTEE(S)
- ☐ GUARDIAN/CONSERVATOR
- ☐ OTHER_____

SIGNER IS REPRESENTING:
(NAME OF PERSON(S) OR ENTITY(IES))

_____

_____

DESCRIPTION OF ATTACHED DOCUMENT

_____
TITLE OR TYPE OF DOCUMENT

_____
NUMBER OF PAGES

_____
DATE OF DOCUMENT

_____
SIGNER(S) OTHER THAN NAMED ABOVE

EXHIBIT "A"

SCOPE OF SERVICES

Consultant shall provide services on a part-time temporary basis to include some or all of, but not be limited to, the following tasks:

1. Conduct an administrative review and assessment of the Public Works Department and provide recommendations for policy and procedural changes to meet current legal and regulatory requirements and to address potential improvements to operational best practices.

2. Conduct an administrative review and assessment of the current Public Works Department request tracking, maintenance schedule, and project schedule systems and coordinate with other agency staff to provide recommended service delivery and tracking improvement.

3. Using City of King City procurement procedures, manage the process to secure the services of a firm to conduct a wastewater rate study and oversee the completion of the study.

4. Assist City Manager in evaluating Airport operational issues and develop new processes and procedures.

5. Assist City Manager in managing contract for design, launch and operation of proposed Congregated Choice Aggregation program.

6. Conduct a review of water use at all City Parks and provide a report with recommendations for improvements to irrigation efficiency, including potential rehabilitation strategies.

7. Prepare a report to the City Manager identifying potential funding and grant strategies for a renovation project to the City's skate park and prepare and submit applications for grants and other funding alternatives identified.

8. Attend staff meetings and prepare Council staff reports as necessary.

9. Prepare and implement recommendations for financing and purchase of a new street sweeper, solicit and prepare contractual documents for the citywide tree trimming program, and perform other administrative work identified by the City Manager necessary to address the Public Works Department equipment and operational needs.

10. Assess the Public Works Department staffing levels and structure and submit recommendations for future staffing and organizational structure to address needs and maximize efficiency.

11. Interact and assist community stakeholders with community beautification projects.

12. Identify and coordinate facility upgrade projects.

13. Assist City Manager in identifying and addressing other current needs.

EXHIBIT "B"

SPECIAL REQUIREMENTS
(Superseding Contract Boilerplate)

[If none, note "Not Applicable"]

N/A

EXHIBIT "C"

SCHEDULE OF COMPENSATION

For performance of the tasks set forth in Exhibit A Scope of Work, City shall pay Consultant a rate of $60.00 per hour and the total cost shall not exceed one hundred and twenty thousand dollars ($120,000).

EXHIBIT "D"

SCHEDULE OF PERFORMANCE

Consultant shall commence work on October 30, 2017. Timelines for completion of tasks set forth in Exhibit A Scope of Work shall be mutually agreed upon by Consultant and City Manager. Schedule shall be reviewed and updated on a monthly basis.

KING CITY
CALIFORNIA

Item No. 9(J)

REPORT TO THE CITY COUNCIL

DATE: OCTOBER 24, 2017

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: STEVEN ADAMS, CITY MANAGER

RE: CONSIDERATION OF APPROPRIATION FOR SAN LORENZO CREEK SEDIMENT REMOVAL PROJECT

RECOMMENDATION:

It is recommended the City Council appropriate $35,000 for San Lorenzo Creek sediment removal work.

BACKGROUND:

After a lengthy and complex process, the City has received all Federal, State and County permits and approvals necessary to proceed with the proposed sediment removal process in the City-owned portion of San Lorenzo Creek. Maintenance of the San Lorenzo Creek channel has been identified as a high priority by the City due to potential flooding during major storms. Sediment has built up over the years, which has reduced the flow capacity of the creek. The permitting process has been completed as part of a regional effort in coordination with other agencies and property owners in Monterey County. Under the approved permits, the City is allowed to remove 2,000 cubic yards of sediment annually for a period of 10 years.

DISCUSSION:

Maintenance work in the creek is only allowed up to November 15th. As a result, the work was required to begin immediately and the City Manager approved the contract work with Specialty Construction, Inc. on an emergency basis. Only specified contractors meet requirements set forth for the work, which will be inspected by the County. Specialty Construction, Inc. has also been under construction for installation of the new sewer lines. Staff has been working with neighboring agricultural operations, who are also permitted, to determine if they could extend their projects and perform the work for the City. There appears to be a willingness to do that in the future, but it was determined the equipment they

are using will not work for the initial segment due to a number of physical constraints.

COST ANALYSIS:

The total cost of the project is approximately $55,000. Due to a number of constraints in the initial segment of work and requirements set forth in the permits, the cost significantly exceeds staff's original estimate. Originally, $20,000 was included in the budget. Therefore, an additional General Fund appropriation of $35,000 is necessary.

ENVIRONMENTAL REVIEW:

All necessary environmental review was completed as part of the permitting process.

ALTERNATIVES:

The following alternatives are provided for City Council consideration:

1. Approve staff's recommendation;
2. Do not approve staff's recommendation and cease work under way before it exceeds the budgeted amount of $20,000; or
3. Provide staff other direction.

Approved by: _____
Steven Adams, City Manager

KING CITY
CALIFORNIA

Item No. 11(A)

REPORT TO THE CITY COUNCIL

DATE: OCTOBER 24, 2017

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: STEVEN ADAMS, CITY MANAGER

RE: CONSIDERATION OF COMMUNITY CHOICE AGGREGATION PROGRAM

RECOMMENDATION:

It is recommended the City Council: 1) review the results of the Community Choice Aggregation (CCA) feasibility study and peer review; 2) direct staff to proceed with the process of forming a CCA; and 3) direct staff to draft a contract with Pilot Power Group, Inc. for operation of the CCA.

BACKGROUND:

California legislation (AB117) enables cities and counties to form a CCA program to pool their residential, business and municipal electricity loads and purchase and/or generate electricity on their behalf. Under such a program, the CCA becomes the electric power provider, which is also commonly referred to as a Community Choice Energy program or CCE. PG&E would transmit and bill for the power. However, customers also maintain the ability to opt out of the program and continue to receive their power directly from PG&E.

Cities in Santa Cruz, Monterey, and San Benito counties are also in the process of forming a CCA cooperatively through a joint powers authority (JPA) referred to as Monterey Bay Community Power. The City Council considered membership in the JPA during a number of meetings, but decided at the March 28, 2017 meeting to instead pursue establishing the City's own CCA. The objective was to establish a CCA that provides for more local control in order to design a program that will maximize benefits to the local community.

Three specific goals were recommended. These included 1) reducing electric customer rates; 2) increasing use of renewable resources, particularly through

generation of local sources, such as solar plants, wind power, and programs to offer rooftop solar projects for low-income families at a reduced or no cost; and 3) installation of additional energy efficient streetlights throughout the City.

An initial technical analysis was provided when the City Council considered options on how to proceed. Staff was directed to issue a Request for Proposal (RFP) to select a firm to provide a more thorough analysis before deciding on whether or not to proceed. The RFP was distributed to all electric service providers listed on the California Public Utilities Commission (CPUC) website and the contract was awarded to Pilot Power Group, Inc. at the August 8, 2017 meeting.

The Pilot Power Group, Inc. proposal includes the following subcontractors:

- GRID Alternatives (Income Qualified Programming)
- EDMS (Back Office, Customer Care)
- Concorde Communications/Answering 365 (Customer Care – Call Center)

The Pilot Power Group, Inc. proposal was selected because it was particularly strong with regard to solutions proposed to meet local needs. All the agents serving King City from the Concorde Communications/Answering 365 call center will be bilingual. Pilot Power Group, Inc. proposes to partner with GRID Alternatives, a local non-profit, to offer subsidized programs that provide rooftop solar equipment at a reduced cost to the CCA. The program could benefit low-income families, schools, and other community groups and institutions. A key component of this program is that it includes job training for disadvantaged individuals from the community. In addition, a wireless solar streetlight program is proposed to be constructed by GRID Alternatives.

The contract was structured in two phases. The first phase was to provide all feasibility study necessary to fully assess with a high level of reliability the projected costs, revenues, operational considerations, and likelihood of long-term success of forming a CCA. Based on the results of Phase I, the City Council is now asked to decide whether to proceed to Phase II. The second phase will be to develop, launch and operate the CCA on an ongoing basis on behalf of the City.

It is very important to ensure the accuracy and objectivity of both the process and all data and analysis on which the City Council will be basing its decisions. Since staff has limited expertise in the area of CCA operation and electric power purchasing, two additional recommendations were approved by the City Council at the August 8, 2017 meeting. First, the City Council approved contracting for an independent third-party Peer Review of the Feasibility Study. EES Consulting Group was selected to prepare the Peer Review. Second, it was also approved

to maintain a contract with City consultant Barbara Boswell, who works with Bayshore Consulting Group. Ms. Boswell previously worked with the City of Lancaster where she was instrumental in the formation of their CCA. Consultants will make presentations on both the Feasibility Study and Peer Review at the October 24, 2017 City Council meeting.

DISCUSSION:

The Feasibility Study is attached as Exhibit 1. It assumed the following initial goals based upon feedback received from staff and the City Council:

- Initial 1% discount in rates when compared to PG&E service;
- 75% greenhouse gas free electric power portfolio;
- Unlimited, income-qualified, residential rooftop solar installation program;
- Installation of 20 wireless, solar-powered streetlights per year;
- Sustainable energy education program at the schools; and
- Study to determine the feasibility of a 3MW or larger solar power plant on the vacant City landfill property.

Three scenarios are studied, which vary depending upon the level of renewable power in the portfolio and whether the solar power plant project is built. Based on the study's findings, the CCA is projected to accumulate an additional $387,172 to $656,969 in savings or "headroom" after the first 4½ year period depending upon which scenario is used. These are funds that can be used to establish a reserve, further decrease rates, further increase use of renewable power, or fund additional projects meeting local needs.

The Peer Review is attached as Exhibit 2. EES determined the Feasibility Study provides a reasonable approach to determining the feasibility of forming and operating a CCA for the City. The assumptions related to load forecast and operating cost appear to be in the appropriate range. They believe the participation rates, cost of renewable power and solar plant cost appear to be conservative, while the escalation of PG&E rates and the GHG –free premium appear to be slightly aggressive. Therefore, they concluded these factors may offset each other and the overall headroom results may be conservative.

As a result, in the opinion of EES, the Feasibility Study "is a good basis for making policy decisions about further consideration of a CCA for the City." They also confirm that the full-service option (FSO) "allows the City to implement the CCA while shifting much of the risk onto the FSO provider," but they also recommend the City still consider all risks and City impacts.

The Feasibility Study and Peer Review were both reviewed by the City's consultant. She also concluded that they were prepared appropriately and the results are reasonable. Her primary recommendation is to establish a goal for a reserve with some of the headroom. While the FSO option probably reduces the amount of reserve needed because they are assuming most of the risk, there are scenarios where future unanticipated costs to the CCA would be involved. Therefore, building a reserve over the first several years is still important.

The proposed schedule is found below if the City Council directs staff to proceed. The first step will be to negotiate the contract with Pilot Power Group, Inc. The scope of work has already been agreed upon based on their proposal. However, the City Attorney would be assigned to negotiate the legal provisions of the contract in order to minimize the City's risk and liability. The goal will be to approve the contract by November or early December 2017 and launch the program by May 2018. May is a good month to launch given a number of energy market factors.

KEY DELIVERABLE	MONTH							
	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
Finalize Contract								
Ordinance (if needed)								
Implementation Plan/Statement of Intent								
Organizational Planning and Programming								
PG&E Service Agreement								
Finalize CPUC requirements, including bond posting								
Procurement and Other Vendor Engagement								
Customer Care - Design and Launch Website								
Customer Care - Community Education and Engagement								
Customer Care - Enrollment Noticing								
Rate Setting								
Launch Service								

Staff recommends the City Council provide direction to proceed. The proposed FSO approach proposed by Pilot Power Group, Inc. enables the City to utilize the CCA to provide a number of local benefits to the community, while at the same time minimize risks to the City.

Staff contacted representatives of Monterey Bay Community Power to obtain information about the status of their program. If the City Council would like to join their JPA instead of forming the City's own CCA, staff was told it could probably still be included in the second phase of their launch, which will probably be in July.

COST ANALYSIS:

Under the existing Agreement, if the City Council decides not to proceed to Phase II, the City would be required to repay the cost of approximately $10,000 for the Peer Review. City Attorney costs associated with the preparation of the contract will be repaid from future CCA revenues. In addition, the Feasibility Study assumes $50,000 for City staffing costs. Staff believes this amount will address primary staff work involved in coordinating with Pilot Power Group, Inc. on administration of the program. Therefore, no costs to the City are projected from this program.

ENVIRONMENTAL REVIEW:

Staff has performed a preliminary environmental assessment of this project and has determined that if falls within the Class 7 Categorical Exemption set forth in CEQA Guidelines, Section 15307, which exempts certain actions by regulatory agencies to maintain, restore, or enhance natural resources, other than construction activities, where the regulatory process includes procedures to protect the environment. Staff has determined this exemption applies to the proposed project since the primary impact of the CCA will be to increase use of renewable energy sources and installation of rooftop solar panels in King City. Furthermore, staff has determined that none of the exceptions to Categorical Exemptions set forth in the CEQA Guidelines, Section 15300.2 apply to this project.

ALTERNATIVES:

The following alternatives are provided for Council consideration:

1. Approve staff's recommendation;
2. Do not approve proceeding with formation of the CCA and instead direct staff to pursue joining the Monterey Bay Community Power program as soon as they are able to consider the addition of other members;
3. Request additional information for consideration before proceeding;
4. Do not proceed with formation of a City CCA; or
5. Provide staff other direction.

Exhibits:

1. Feasibility Study on Community Choice Aggregation
2. Peer Review of CCA Feasibility Study

Approved by: _____
Steven Adams, City Manager

EXHIBIT 1

KING CITY
FEASIBILITY STUDY

Feasibility Study
on
Community Choice
Aggregation

PILOT POWER GROUP, INC.
8910 University Center Lane, Suite 520
San Diego, CA 92122
October 16, 2017

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EXECUTIVE SUMMARY

General CCA Background

California Community Choice Aggregation (CCA) laws and regulations allow cities and counties to procure electricity for their residents, businesses and municipal facilities. A CCA program provides citizens with an alternative to a single monopoly electric supplier and local control over a number of key electric procurement related choices. The local control can result in rate savings, cleaner energy, local economic development, customized programming, and many other community-based possibilities.

Adopted in 2002, California Assembly Bill 117 (AB 117), as later supplemented in 2011 by California Senate Bill 790, provides the broad framework under which CCA operates. Under AB 117, local governments procure electricity for retail customers aggregated within their boundaries, while the investor-owned utility (IOU) continues to provide transmission, distribution, metering, billing, payment collection, customer care, and other services.

When a CCA is ready to begin service to customers, all of the CCA jurisdictional customers are automatically enrolled in the CCA electric procurement service. Any customer who prefers to continue to receive procurement service from the IOU may, without penalty, opt-out of the CCA. Because the CCA is now procuring electricity for the CCA customer, the charge for the CCA electric procurement appears on the IOU bill, along with an additional charge called the Power Charge Indifference Adjustment (PCIA). The PCIA is imposed on CCA customers to ensure that customers opting out of CCA service are not financially impacted by the formation and operation of the CCA.

Since Marin Clean Energy launched in 2010, seven additional CCA programs have become operational. About half a dozen CCA programs are very close to launching, and much more are under serious consideration. Nearly all of the operational, and most of the planned, CCA programs are multi-jurisdictional joint powers authorities. The City of Lancaster has, however, operated a single-jurisdiction CCA for almost three years, and plans for other single-jurisdiction CCA programs are currently underway.

King City CCA History

The Monterey Bay Community Power (MBCP) initiative began in 2013 as a regional CCA investigation involving the Counties of Santa Cruz, Monterey, and San Benito, plus all 18 cities (including the City of King) located within the Counties, as well as some special districts. On January 10, 2017, at the invitation of Mayor LeBarre, Pilot presented to the City Council regarding the possibility of an independent City CCA utilizing Pilot's "Full Service" option for small CCAs. At a follow-up meeting on February 28, 2017, both MBCP and Pilot presented to the City Council. MBCP urged the City to join the newly forming MBCP Joint Powers Authority (JPA). Pilot presented a preliminary technical analysis of the viability of an independent City CCA.

On March 28, 2017, the City Council declined membership in the MBCP JPA for the time being, while directing Staff to proceed with fully assessing the feasibility of an independent City CCA. On May 17, 2017, Staff released a Request for Proposal (RFP) seeking preparation of a City CCA feasibility analysis and, should the City Council subsequently seek to move forward with an independent CCA, development, and implementation, of a turnkey CCA program. On August 8, 2017, the City Council approved a Phase 1 contract with Pilot to produce this feasibility analysis.

Full-Service Option

Pilot is a California-owned and -operated energy service provider that has served commercial and municipal customers with cost-effective and innovative alternatives to monopoly utility procurement for over 15 years. Seeking to bring localized and community-specific CCA benefits to small communities, Pilot adapted its time-tested service model and industry expertise to provide a full-service option (FSO) to small communities. The FSO enables small communities to reap the economic and environmental benefits of an independent CCA while ensuring that the CCA program is specifically designed to serve the unique needs of a small community.

Pilot's team of in-house experts and strategic partners provide small communities with the highest quality support and services needed to investigate, launch and operate a CCA program. In addition, Pilot's approach to pricing and operations ensures transparency, cost discipline, and accountability. The FSO requires no direct nor upfront community

funding - all costs are either recovered from future CCA revenues or, during the early development stage, absorbed by Pilot. Contrary to conventional wisdom, a small community can investigate, launch and operate a custom-built CCA program with existing municipal staff, the direction of elected officials, and the support of the community.

All CCA programs – particularly small community CCA programs – will ultimately succeed long term only by offering better energy choices at competitive pricing. A cornerstone of Pilot's FSO is disciplined pricing that is accountable and transparent. Pilot "unbundles" rather than "black boxes" all CCA expenses, passing all external costs, including all competitively sourced wholesale power costs, directly to the CCA without any markup. Pilot earns revenue solely from a fixed annual professional management fee, a per account/month data processing fee, and from a small, market-rate fee for credit and financing.

The Feasibility Study

The main purpose of this Feasibility Study (Study) is to determine whether Pilot's FSO will support the launch and operation of a robust and sustainable City CCA. The Introduction Section provides an overview of general CCA background information, the City's experience investigating CCA, and Pilot's FSO. The sections on Power Supply and Markets, and Load Forecasting describe in detail the assumptions underlying Pilot's modeling.

The Pro Forma Analysis and Pro Forma Results sections contain all of the modeling and are the basis for determining whether a FSO City CCA is feasible. In the Sensitivity Analysis Section, Pilot then subjects the Pro Forma modeling to rigorous sensitivity analysis, utilizing Monte Carlo simulations to forecast the probability of expected outcomes. The Risks section discusses potential City CCA risks and suggests mitigation measures. The Recommendations section concludes the Study by providing guidance regarding next steps in City CCA development.

Scenarios

Baseline assumes City CCA service as close to existing IOU service as practical:

- Pricing, electric portfolio content, and programming essentially equal to PG&E.

- Serves as a metric for comparing the additional community benefits offered by a City CCA.

Scenario 1 sets the City CCA requirements for the first 18 months of operation:

- 1% discount off Pacific Gas & Electric's (PG&E's) fully bundled electric service.
- Compliant California Renewable Portfolio Standard electric portfolio.
- 75% greenhouse-gas-free electric portfolio.
- Unlimited, income qualified, residential rooftop solar installations.
- Installation of 20 wireless, solar-powered street lights per year, 100 in total.
- Sustainable energy education at the elementary, middle and high school levels, plus vocational training at the high school and community college level.
- Study to determine the feasibility of a 3MW or larger solar power plant on the vacant City landfill property.

Scenario 2 begins after 18 months of operating under Scenario 1 and assumes that the local solar project is feasible, incorporating the building and operation of the project into ongoing operations:

- All Scenario 1 requirements.
- Build and operate community owned 3MW or larger solar power plant on the vacant City landfill property. Rental cost of the landfill property would be equal to the amortized payment of outstanding and ongoing landfill obligations. The solar power plant would increase the compliant California Renewable Portfolio Standard electric portfolio by more than 35%.

Scenario 3 begins after 18 months of operating under Scenario 2 and assumes that the local solar project is not feasible, re-setting requirements for ongoing operations:

- All Scenario 1 requirements.
- Increase California Renewable Portfolio Standard electric portfolio to 50%.
- Unused excess revenue allocation to be determined.

Results of Modeling

The Baseline scenario modeling results in considerable City CCA net revenue (headroom). The additional benefits provided under Scenarios 1 through 3 are funded through the

Baseline headroom. The modeling Scenarios 1 through 3 also results in positive headroom[1], *even after all of the additional projects are funded.* This remaining headroom could be used in a number of ways, including contributing to a City CCA reserve.

Baseline

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Annual Savings	211,237	229,344	456,082	494,904	538,934	672,520	670,835	650,076	523,138	435,646
Cumulative Savings	211,237	440,582	896,664	1,391,568	1,930,502	2,603,022	3,273,857	3,923,934	4,447,071	4,882,717

Scenario 1

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Annual Savings	120,125	(29,662)	147,022	187,195	232,290	368,326	543,628	525,187	402,588	318,774
Cumulative Savings	120,125	90,463	237,484	424,679	656,969	1,025,296	1,568,924	2,094,111	2,496,699	2,815,473

Scenario 2

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Annual Savings	120,125	(29,662)	147,022	77,871	23,349	164,685	344,980	367,181	440,924	413,663
Cumulative Savings	120,125	90,463	237,484	315,355	338,704	503,389	848,369	1,215,550	1,656,475	2,070,138

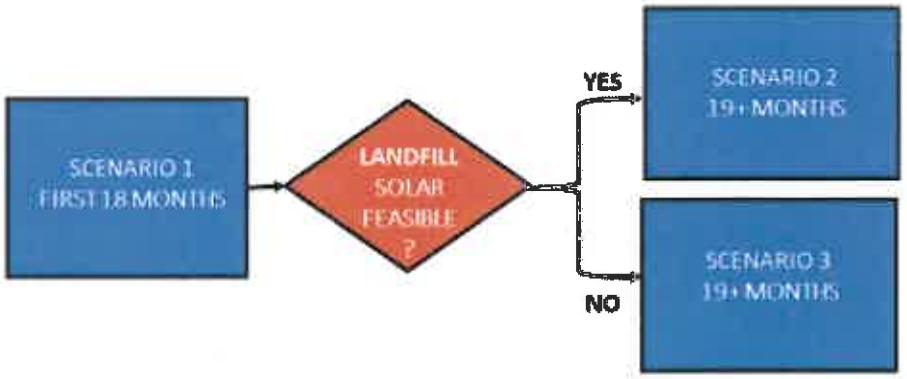
[1] The headroom in this section reflects the fixed programming costs related to income qualified solar, wireless streetlights, and education and training. However, the headroom in the Pro Forma and Sensitivity Analysis sections (at pp. 41-44 and pp. 45-50, respectively) does not include the costs associated with the projects mentioned above, because these costs are fixed and discretionary. The Pro Forma and Sensitivity Analysis sections reflect these costs as "below the line," resulting in higher available headroom.

Scenario 3

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Annual Savings	120,125	(29,662)	47,144	98,954	150,612	294,799	479,848	507,982	574,744	576,423
Cumulative Savings	120,125	90,463	137,607	236,561	387,172	681,972	1,161,820	1,669,802	2,244,545	2,820,969

Recommendations

Consistent with direction from the City, the three scenarios forecasted and modeled provide an integrated approach to City CCA strategic planning. As demonstrated in the Sensitivity Analysis (at pp. 45-50), the forecasting and modeling indicate at least an 80% probability of long term success under all three scenarios. These results are favorable and support the City moving forward with launching and operating the City CCA using the following strategic decision-making process:



Benefits

Rates. The proposed City CCA rates are on average approximately 1% below PG&E rates, and are realistic and consistent with CCA averages. A 1% rate savings may not be reason enough to establish a CCA program. However, it is competitive with other CCAs and is a reasonable benchmark.

Electric Energy Portfolio Sustainability Metrics. On average, California CCAs have exceeded utility California Renewable Portfolio Standard metrics by approximately 30%. By increasing the City CCA's electric portfolio to 50% after 18 months of operation, the City CCA reaches the California Renewable Portfolio Standard 10 years ahead of schedule, and initially exceeds PG&E renewable content by approximately 40%. By procuring additional GHG-free energy to ensure the City CCA electric portfolio is 75% GHG-free, the City CCA exceeds PG&E GHG metrics by approximately 6%.

Programming. The programming selected by the City provides extraordinary community benefits. The three programs are:

1. Unlimited, income qualified, no-cost, residential solar installations
2. Wireless street lighting
3. Community-based education and vocational training in sustainable energy related sectors

City CCA headroom and the resources of the non-profit company, GRID Alternatives, are deeply leveraged for all three programs, providing the community with custom designed, least-cost/best-fit services. The unlimited, income qualified, no-cost, residential solar installations provide underserved customers with reduced electric bills, energy independence, and direct participation in California's sustainable energy economy. The wireless street lighting fulfills a key infrastructure need in addressing the prevention of City youth violence. Structurally, the wireless street lights also provide vastly improved siting flexibility, decreased maintenance, and, on an incremental basis, a renewable, GHG-free and no-cost fuel supply. The community based education and vocational training in sustainable energy related sectors provides the community with a much-needed boost to a depressed economy, job training, and collateral support for the City's youth violence prevention efforts.

Local Solar Project. If the local solar project is feasible, the benefits are many, tie in with other City CCA benefits, and include:

- First California CCA providing 10% of electric needs through community owned, renewable and GHG-free energy generation
- Through rent payments, covering all of the costs of final closure of the City landfill
- Hands-on training for the community-based education and vocational training programs
- Energy security
- Economic growth

INTRODUCTION

General CCA Background

California Community Choice Aggregation (CCA) laws and regulations allow cities and counties to procure electricity for their residents, businesses and municipal facilities. A CCA program provides citizens with an alternative to a single monopoly electric supplier and local control over a number of key electric procurement related choices. The local control can result in rate savings, cleaner energy, local economic development, customized programming, and many other community-based possibilities.

Adopted in 2002, California Assembly Bill 117 (AB 117), as later supplemented in 2011 by California Senate Bill 790, provides the broad framework under which CCA operates. Under AB 117, local governments procure electricity for retail customers aggregated within their boundaries, while the investor-owned utility (IOU) continues to provide transmission, distribution, metering, billing, payment collection, customer care, and most other services. Only communities located within the IOU service territories of Pacific Gas and Electric Company (PG&E), Southern California Edison (SCE) or San Diego Gas & Electric (SDG&E) are eligible for CCA. Cities and counties may individually or collectively provide CCA service.

The formation of a CCA program requires the passage of a local ordinance and certification of a CCA implementation plan by the California Public Utilities Commission (CPUC). Many statewide and local laws and regulations are also applicable to CCA programs, but the CPUC does not exercise any direct authority over the rates, service, and operation of the CCA. Instead, the local jurisdiction (or the JPA, in the case of multi-jurisdictional CCA programs) retains governance over nearly all aspects of the CCA.

When a CCA is ready to begin service to customers, all of the CCA jurisdictional customers are automatically enrolled in the CCA's electric procurement service. Any customer who prefers to continue to receive procurement service from the IOU may, without penalty, opt-out of the CCA. Customers that remain with the CCA continue to receive bills from and make payments to, the IOU, but because the IOU no longer provides electric procurement services, CCA customers receive an electric procurement credit from the IOU.

When the CCA procures electricity for the CCA customer, the charge for the CCA electric procurement appears on the IOU bill, along with an additional charge called the Power Charge Indifference Adjustment (PCIA). The CCA electric procurement charge is calculated using rates set by the CCA governing board. The PCIA, on the other hand, is set by the CPUC. The PCIA is imposed on CCA customers to ensure that customers opting out of CCA service are not financially impacted by the formation and operation of the CCA.

The general premise behind the PCIA is that before the formation of a CCA, the IOU made long-term electric procurement investments and commitments to provide service to all of the IOU's then existing customers. Customers that subsequently take electric procurement service from the CCA potentially leave the IOU stranded with electric procurement obligations. The PCIA is intended to address the costs associated with these stranded obligations. Depending on the circumstances, the cost of the PCIA can be substantial and, therefore, must be considered in any CCA feasibility analysis.

Since Marin Clean Energy launched in 2010, seven additional CCA programs have become operational. About six CCA programs are very close to launching, and much more are under serious consideration. Nearly all of the operational, and most of the planned, CCA programs are multi-jurisdictional JPAs. The City of Lancaster has, however, operated a single-jurisdiction CCA for almost three years, and plans for other single-jurisdiction CCA programs are currently underway.

King City CCA History

The Monterey Bay Community Power (MBCP) initiative began in 2013 as a regional CCA investigation involving the Counties of Santa Cruz, Monterey, and San Benito, plus all 18 cities located within the Counties, as well as some special districts. This initiative marked the beginning of the City's informal CCA inquiry. Later, on August 23, 2016, a MBCP representative formally presented to the City Council regarding MBCP progress. In response, City Council directed Staff to continue investigating MBCP.

On January 10, 2017, at the invitation of Mayor LeBarre, Pilot presented to the City Council regarding the possibility of an independent City CCA utilizing Pilot's Full-Service option for small CCAs. At a follow-up meeting on February 28, 2017, both MBCP and Pilot presented to the City Council. MBCP urged the City to join the newly forming MBCP JPA.

Pilot presented a preliminary technical analysis of the viability of an independent City CCA. In response, City Council introduced an ordinance by Title only of the Joint Powers Agreement creating the MBCP Authority. The City Council also directed Staff to seek additional information about Pilot and to bring the ordinance back for adoption on March 28, 2017.

On March 28, 2017, the City Council declined membership in the MBCP JPA for the time being, while directing Staff to proceed with fully assessing the feasibility of an independent City CCA. On May 17, 2017, Staff released a Request for Proposal (RFP) seeking preparation of a City CCA feasibility analysis and, should the City Council subsequently seek to move forward with an independent CCA, development, and implementation of a turnkey CCA program.

In response to the RFP, three proposals were submitted on June 15, 2017. The respondents were The Energy Authority, Pilot and Commercial Energy of California. The proposals were evaluated by a review committee comprising the City Manager, the City Engineer, and a City consultant. The review committee unanimously recommended Pilot's proposal. On August 8, 2017, the City Council approved a Phase 1 contract with Pilot to produce this feasibility analysis.

Established CCA Practices

These three practices are commonly followed by most CCAs:

1. The expenditure of millions of dollars in start-up costs;
2. The expenditure of millions of dollars in yearly staffing costs; and
3. Long-term, sole-sourced electric procurement contracts subject to above-market pricing risk.

The expenditure of millions of dollars in start-up costs. From initial inquiry through pre-launch, most CCAs expend considerable financial resources. The funding for these activities generally comes from grants, municipal contributions, and loans. Prior to reaching CCA pre-launch status, communities may spend millions of dollars on consultants providing technical, legal, and marketing services. By way of example, MBCP has publicly indicated that it anticipates spending in excess of $3 million before launching.

The expenditure of millions of dollars in yearly staffing costs. All currently operational CCAs utilize a very similar approach to CCA management, consisting of a number of CCA staff augmented by considerable professional consulting services. Based on publicly available data, the two longest-running CCAs, Marin Clean Energy and Sonoma Clean Power, spend an annual average of almost $4,000,000 for employees and another $2,000,000 in consulting services. In total, the roughly $6,000,000 per year is a good proxy for conventional, all-in CCA staffing costs.

Long-term, sole-sourced electric procurement contracts subject to above-market pricing risk. Electric procurement is approximately 90% or more of all CCA costs. All electricity buyers, including IOUs, are subject to strict credit requirements imposed by electricity sellers. By definition, start-up CCAs are simply not creditworthy. In the absence of creditworthiness, massive amounts of cash collateral are required to procure electricity. Most start-up CCAs are not in a position to obtain all of the cash collateral needed. To address this conundrum, CCAs have contracted with large energy companies (LECs) which also provide the CCA with credit support.

The CCA initially selects an LEC through a competitive process. However, the initial, competitively sourced pricing usually only applies for the first tranche of procurement. Once the CCA is locked into a long-term contract with the LEC, subsequent procurement tranches are essentially sole-sourced. This sole-sourcing of most of the CCA's costs exposes the CCA to "price creep" and the risk of paying above-market prices.

Taken together, the three elements common to established CCA practices – millions of dollars in pre-launch sunk costs, millions of dollars in yearly staffing costs, and above-market pricing risk due to sole-sourcing – expose CCAs to tremendous risk and extensive financial needs. Consequently, nearly all CCAs have formed and operated under the premise that only multiple, aggregated communities supporting enormous loads can provide sufficient revenue to support these substantial financial needs and pricing risk.

Full-Service Option

Pilot is a California-owned and -operated energy service provider that has served commercial and municipal customers with cost-effective and innovative alternatives to monopoly utility procurement for over 15 years. Seeking to bring localized and community-specific CCA benefits to small communities, Pilot adapted its time-tested

service model and industry expertise to provide a full-service option (FSO) to small communities. The FSO enables small communities to reap the economic and environmental benefits of an independent CCA, while ensuring that the CCA program is specifically designed to serve the unique needs of the small community.

Pilot's team of in-house experts and strategic partners provides small communities with the highest quality support and services needed to investigate, launch and operate a CCA program. In addition, Pilot's approach to pricing and operations ensures transparency, cost discipline, and accountability. Under a unified master agreement, Pilot's FSO includes full financing and credit support as well as:

1. Accounting and Finance: risk management; general (GAAP) and regulatory accounting; general, project and power procurement financing and credit; pro forma development and maintenance; annual auditing; lockbox and waterfall administration; and business planning.
2. Back Office: data management; California Independent System Operator (CAISO) and utility settlements; and operations planning.
3. Customer Care: public education and engagement; call center services; escalation services; key accounts management; and website.
4. Executive Management: general oversight and management; dedicated account executive; coordination and liaison with strategic partners, agencies and other third parties; vendor engagement; customized progress reporting; and interactive scenario simulation dashboard.
5. Legal and Regulatory: ordinance development; implementation plan and statement of intent; all local, state and federal compliance and reporting; general legal support; rate setting guidance and direction; general regulatory and legislative monitoring; and policy development guidance and direction, including GHG accounting.
6. Energy Procurement and Scheduling: all types and forms of competitively sourced power purchasing and acquisition; CAISO scheduling; and resource planning.
7. Programming: special program development and implementation, including procurement of related services and products.
8. Technical Services: producing feasibility studies; performing load analysis, profiling, and forecasting; and developing and running modeling for scenario analysis.

The FSO requires no direct or upfront community funding – all costs are either recovered from future CCA revenues or, during the early development stage, absorbed by Pilot. Contrary to conventional wisdom, a small community can investigate, launch and operate a custom built CCA program with existing municipal staff, the direction of elected officials, and the support of the community.

All CCA programs – and particularly small community CCA programs – will ultimately succeed long term only by offering better energy choices at competitive prices. A cornerstone of Pilot's FSO is disciplined pricing that is accountable and transparent. Pilot "unbundles" rather than "black boxes" all CCA expenses, passing all external costs – including all competitively sourced wholesale power costs – directly to the CCA without any markup. Pilot earns revenue solely from a fixed annual professional management fee, a per account/month data processing fee, and a small, market-rate fee for credit and financing.

SCENARIOS

A baseline scenario was established for comparison to three goal-driven scenarios specified by the City. The baseline scenario assumes service as close to existing IOU service as practical. The remaining three scenarios are structured as the outline for early launch and operations, and then two options are to follow, depending on early launch and operational outcomes.

The baseline scenario serves as a reference metric for comparing the additional community benefits offered by CCA service. The baseline scenario replicates the IOU electric procurement service by assuming pricing, electric portfolio content, and programming equal to the IOU.

Scenario 1 sets the City CCA requirements for the first 18 months of operation:

- 1% discount off PG&E's fully bundled electric service.
- Compliant California Renewable Portfolio Standard electric portfolio.
- 75% greenhouse-gas-free electric portfolio.
- Unlimited, income qualified, residential rooftop solar installations.
- Installation of 20 wireless, solar-powered street lights per year, 100 total.
- Sustainable energy education at the elementary, middle and high school levels, plus vocational training at the high school and community college level.
- Study to determine the feasibility of a 3MW or larger solar power plant on the vacant City landfill property.

Scenario 2 assumes that the local solar project is feasible, incorporating the building and operation of the project into ongoing operations:

- All Scenario 1 requirements.
- Build and operate a community owned 3MW or larger solar power plant on the vacant City landfill property. Rental cost of the landfill property would be equal to the amortized payment of outstanding and ongoing landfill obligations. The solar power plant would increase the compliant California Renewable Portfolio Standard electric portfolio by more than 35%.

Scenario 3 assumes that the local solar project is not feasible, re-setting requirements for ongoing operations:

- All Scenario 1 requirements
- Increase California Renewable Portfolio Standard electric portfolio to 50%.
- Unused excess revenue allocation to be determined.

POWER SUPPLY AND MARKETS

CCAs have many options for meeting customer electricity needs and managing their electric supply portfolios. The most common source of CCA electricity is purchased from wholesale suppliers. In California, with virtually no exceptions, wholesale supply is procured through bilateral contracts, or through the California Independent System Operator's (CAISO) Day-Ahead Market (DAM) or Real Time Market (RTM). With sufficient credit, CCAs can also build and own generation resources.

Day-Ahead and Real-Time Historical Analysis

Pricing within the CAISO markets is determined by Locational Margin Prices (LMP) that define the cost of delivery to a specific location. LMP pricing reflects the cost of generation, distance from the generation, and congestion of transmission to the location. The DAM pricing is presented by the hour and posted on a web-based platform.

RTM pricing is used to purchase the balance the day-of supply needed to meet the day's demand for energy. The CCA will be exposed in the real-time markets for any load not already hedged. The CCA portfolio manager is responsible for minimizing the amount of load purchased or sold in the RTM. Generally speaking, the prices in the RTM are substantially more volatile than in the DAM, and prices can fluctuate substantially more

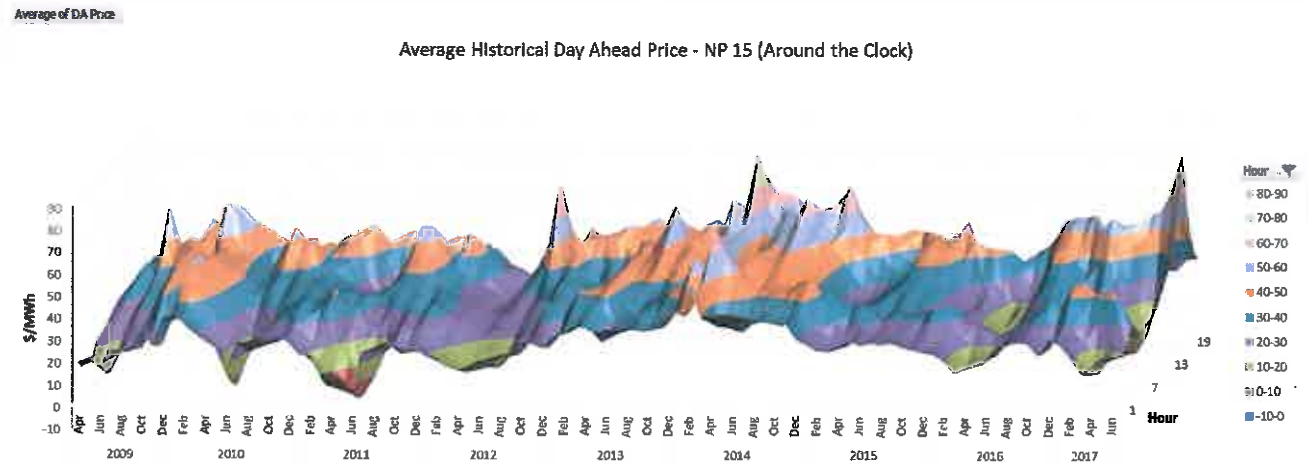


Figure 1 - Average Historical Day-Ahead Price

in the RTM, due to unforeseen demand or supply in the market. Figures 1 and 2 clearly demonstrate greater volatility in RTM versus DAM prices.

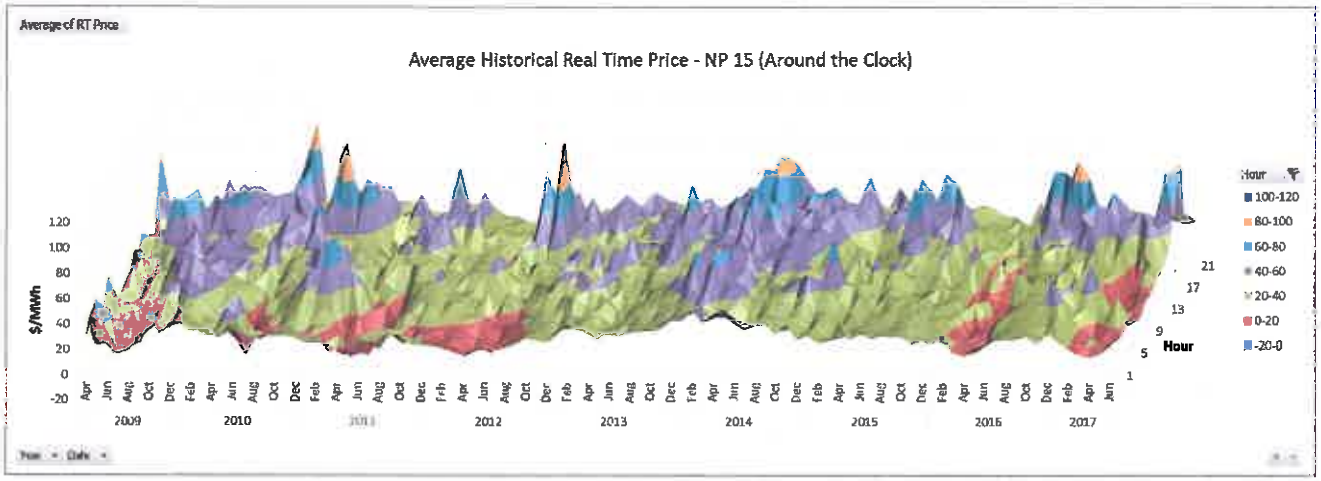


Figure 2 - Average Historical Real-Time Price

Since 2009, Pilot has maintained a database of historical power prices. Reviewing historical prices can provide insight into what future prices could do and the expected volatility of commodity prices. A complete dataset of NP-15 day-ahead and real-time prices for on-peak and off-peak were reviewed and analyzed. Statistical analysis was completed providing parameters used in the sensitivity analysis and simulations.

In Figures 3 and 4, DAM historical prices for on-peak and off-peak hours were compiled and analyzed. The following statistical analysis was determined. The mean DAM on-peak price was $38.12 per MWh with a median price of $37.26, with the distribution slightly positive, skewed at 3.89. The standard deviation (SD) is 13.01, with a variance of 169.31. The range of observations was between ($13.68) and $598.55. The mean DAM off-peak price was $29.19 per MWh with a median price of $28.83; again the

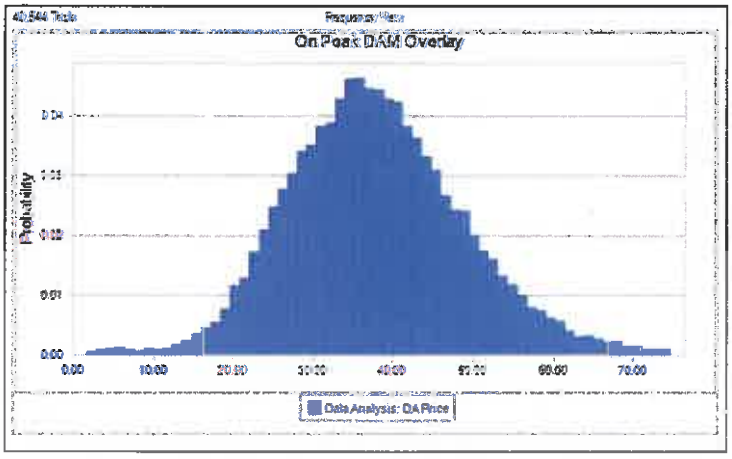


Figure 3 - On-Peak Day-Ahead Market Prices

distribution is slightly positive skewed at 3.14. The standard deviation is 11.38, with a variance of 129.61. The range of observations was between ($13.94) and $472.94.

The real-time historical prices for on-peak and off-peak hours have fluctuated substantially more, as is to be expected in the real-time market. Analyzing the same period as the DAM, real-time prices at NP-15 have reached a high of $1,222.48 per MWh during a period of high demand and a shortage of supply. Alternatively, real-time prices have fallen to ($292.70) per MWh when supply has exceeded demand, and the CAISO has to pay for power to be taken. As these are hourly prices, it is unrealistic to forecast such large price variables in a year-over-year model. However, this price volatility risk needs to be understood and considered when formulating scenario testing. A well-devised procurement and hedging strategy coupled with sound load forecasting can minimize these risks in the real-time market.

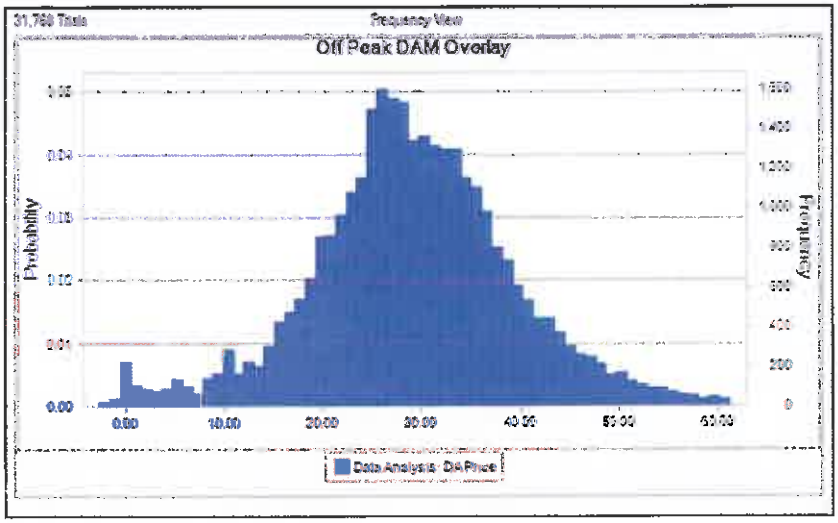


Figure 4 – Off-Peak Day-Ahead Market Prices

Historical prices have been utilized to provide insight to forward prices, although unforeseen events can influence power prices substantially. Over time, historical prices have been relatively consistent, other than the seasonality of power prices through the year. However, overall, prices have not changed, providing a stable pricing curve (blue forecast line in Figure 5) year over year. However, as to be expected, there is price volatility in the short period, demonstrated by the spread on either side of the blue forecast line. This would be the lower and upper percentile at P95 and P5, represented by the shaded

area in Figure 5. The forecast DAM average price ranged from $23.05 per MWh to a high of $64.36 per MWh.

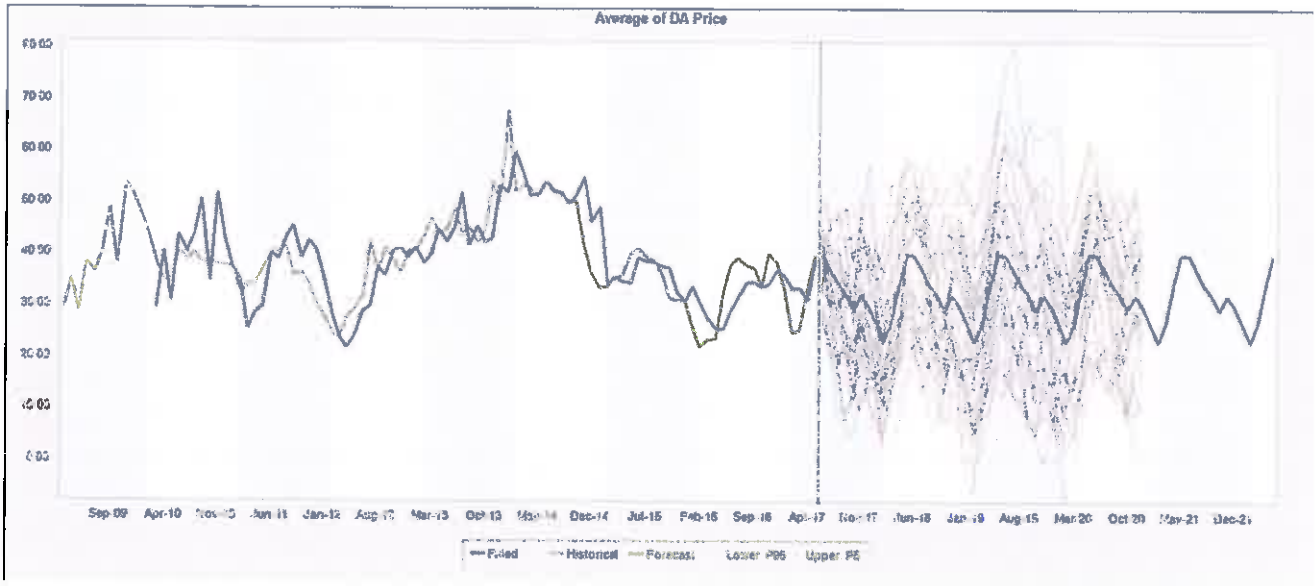


Figure 5 - Forecasted Average Day-Ahead Market Prices

LOAD FORECASTING

The fundamental operational role for a CCA is to procure energy and associated energy-related services. As part of that role, forecasting and commodity risk management are the primary tasks conducted for power procurement. Planning for power procurement is a yearly, monthly, daily and sometimes an hourly process. The procurement of supply is highly dependent on the forecasting of short-term and long-term consumer demand for power.

King City Consumption Forecast

This Study used historical data provided by PG&E for years 2014, 2015, and 2016. All years were analyzed, however, to project future consumption. Historical 2016 data was used for the study. Load data provides historical monthly usage by customer and by rate class. The total consumption in King City was 44,631 MWh in 2016. Most of the load is from residential customers (28.8%), followed by large commercial (25.5%) and small commercial (19.7%), as illustrated in Figure 6.

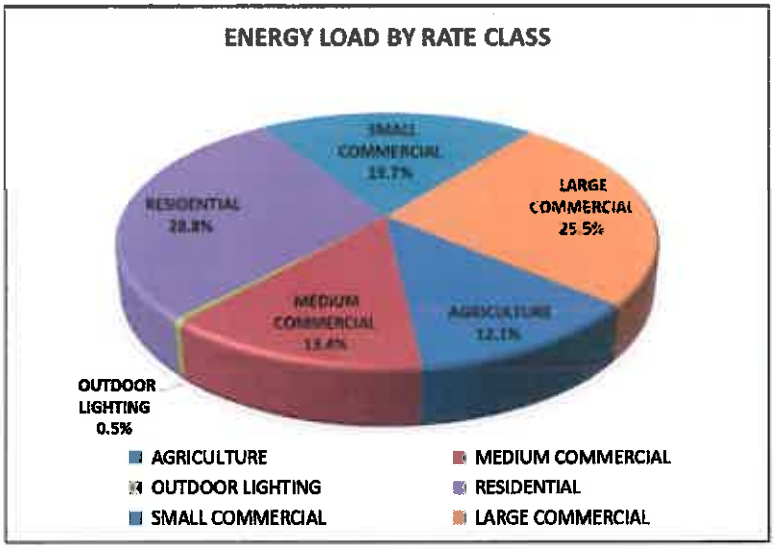


Figure 6 - Energy Load by Rate Class Including Direct Access

Most of the electric customers in King City purchase electric supply from PG&E as a bundled service. However, a small segment of customers can purchase electric service directly from an Energy Service Provider (ESP) via Direct Access (DA). DA customers are primarily large commercial customers. However, some residential customers have been grandfathered into DA service and have never switched back to a bundled service. The load from DA in King City is relatively small, equating to 2,521 MWh in 2016. As DA

customers can continue with the service they have, it is highly unlikely that DA customers will join a CCA. Therefore, the load associated with DA customers has been excluded from this Study and load forecast.

Excluding the DA customers, total 2016 consumption is decreased to 42,109 MWh. The energy load by rate class changes marginally with residential increasing slightly to 30.5% and large commercial and small commercial at 21.2% and 20.8%, respectively. Medium commercial, agriculture, and outdoor lighting remain virtually unchanged, as illustrated in Figure 7.

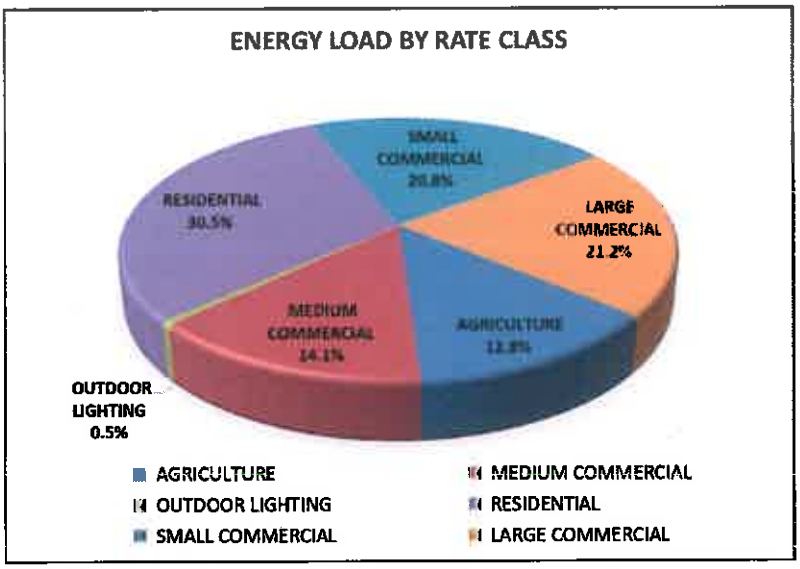


Figure 7 - Energy Load by Rate Class Excluding Direct Access

Figure 8 illustrates the seasonality of usage by rate class, using bundled load data and load profiles for customers over a two-year period. These historical load profiles provide information that is used in formulating a forecast and making CCA procurement decisions. Overall, the load consumption has remained relatively flat over the three years reviewed.

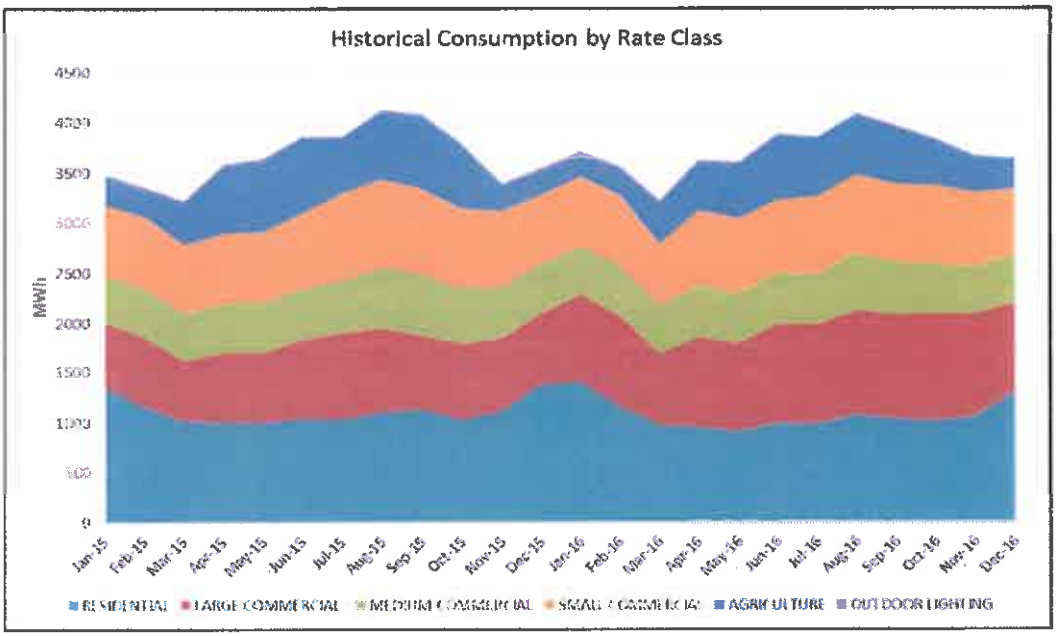


Figure 8 - Historical Consumption by Rate Class

Load data and load profiles for customers can also provide information by time of day for all months. Figure 9 illustrates the expected load consumed in each hour over a 24-hour period by month. As expected, consumption is low during the early hours of the day, and peaks during the evening hours.

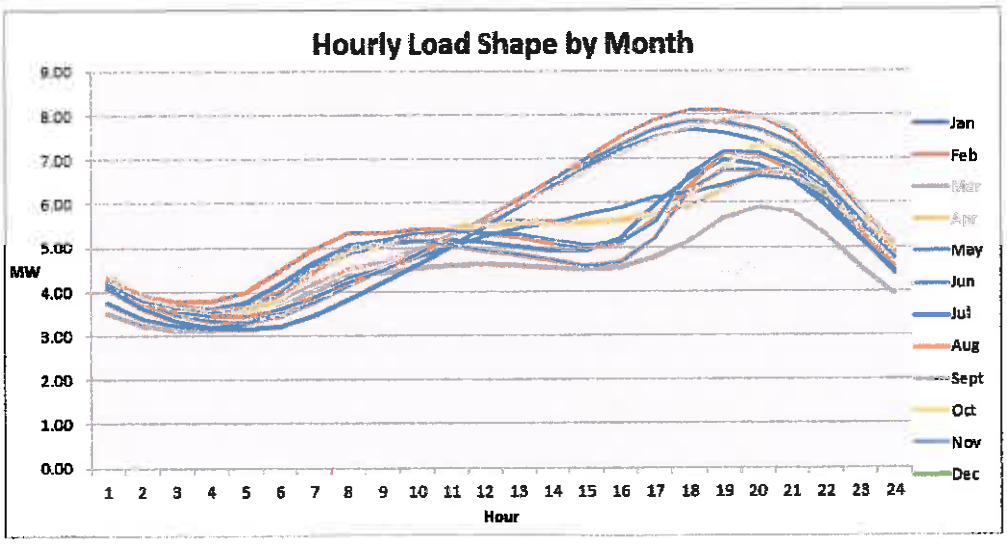


Figure 9 - Hourly Load Shape by Month

Furthermore, during the months of June to September demand is substantially higher during the afternoon and evening. This could be due to the higher use of air conditioning and demand from the agriculture rate class.

For forecasting load growth, a nominal growth assumption of 0.5% year over year was applied to residential and commercial customers. Although this is slightly less than California Energy Commission growth projections for PG&E's service territory[2], the growth assumption is purposefully set conservatively low. Agriculture and lighting growth was held at 0.0%.

Based on the analysis discussed previously, Figure 10 illustrates the forecasted load by rate class over a 10-year time horizon.

[2] California Energy Demand Update Forecast (2015-2025), Mid Demand Baseline Case.

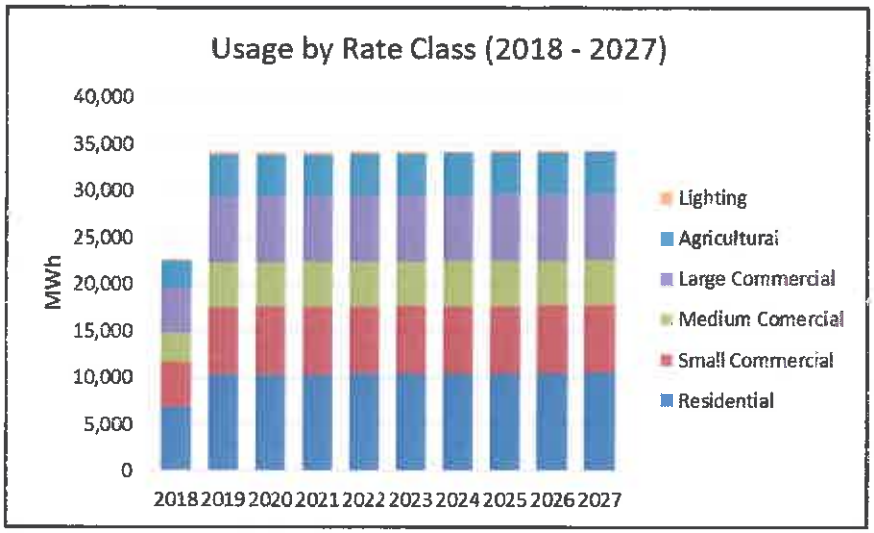


Figure 10 - Projected usage by Rate Class (2018-2027)

Opt-Out Rates

Another key assumption in the Study was opt-out rates, or customers electing not to join the CCA. Historical opt-out rates from previous studies have been approximately 15–25%. However, actual opt-out rates for existing CCAs have been substantially lower. For example, the MCE Clean Energy opt-out rate in 2016 was 14%[3]. Whereas, the most recently launched CCA, Peninsula Clean Energy, had an opt-out rate of 1%[4]. This Study has opted to utilize a 15% opt-out rate. The CCA's opt-out rate depends largely on the success of the marketing, public education and information effort regarding CCAs. Also, in the case of King City, it is a small, close-knit community where public communication and involvement is extensive. In the Study, the sensitivity analysis will allow the opt-out rate to fluctuate following a normal distribution, with a mean of 15% and SD of 2.5%, ranging from 7.3% to as high as 22.7%. This means that 95% (2 SDs above and below the mean) of the opt-out observations would fall between 10.1% and 19.9%.

[3] Cited in the San Jose Clean Energy Feasibility Study (footnote 36) with no source provided.

[4] Cited in the San Jose Clean Energy Feasibility Study (footnote 36) with no source provided.

PRO FORMA ANALYSIS

A pro forma analysis must be completed, to determine the feasibility of a CCA program. In the pro forma analysis, assumptions are used, and various cost components are outlined. The following section will outline each cost component to determine the overall revenue requirement needed to facilitate CCA operation. Once the revenue requirements are determined for the CCA, they are compared to the rate a customer would pay if it remained with the IOU bundled service. The difference between the bundled rate and the CCA revenue requirement is the available savings (or "headroom") associated with the CCA. Positive savings indicate CCA can provide a profit; negative savings indicate a loss.

The IOU bundled rate consists of several components. Table 1 compares the various components of the IOU bundled rate versus the components of the CCA rate (including the PG&E delivery and surcharges). The primary and only difference between the two rate charges is the addition of the PCIA charge found in the CCA rate.

Table 1 - PG&E Bundled Rate and CCA Rate Component Comparison

Charge Description	PG&E Bundled	CCA
Generation Rate	✓	✗
CCA Energy Rate	✗	✓
Transmission	✓	✓
Transmission Rate Adjustment	✓	✓
Transmission Revenue Balancing Account Adjust	✓	✓
Transmission Energy Cost Recovery Amount	✓	✓
Reliability Services	✓	✓
Distribution	✓	✓
Public Purpose Programs	✓	✓
Nuclear Decommissioning	✓	✓
Department Water Resources Bond	✓	✓
Competition Transition	✓	✓
Energy Cost Recovery Amount	✓	✓
New System Generation Charge	✓	✓
AB32 Credits	✓	✓
Climate Credit and EITE	✓	✓
Conservation Incentive Adjustment (Residential)	✓	✓
Power Charge Indifference Adjustment (PCIA)	✗	✓

This Study is not intended to provide rate setting for the CCA, as that would be completed at a later stage of the CCA program. The pro forma analysis model is used to forecast revenue and expenses from 2018-2027. The CCA is forecasted to launch (actual flow of energy) May 1, 2018, so the first year is only a partial year and considers only 8 months of operations. The pro forma model is from Microsoft Excel, with simulations and analysis from Oracle Crystal Ball. The model is dynamic, permitting the user to modify assumptions and change key attributes, and dynamically review the outcome of each change.

In discussion with the City, there are three scenarios to be analyzed in the Study, as summarized in Table 2.

Table 2 - Scenario Description

Scenario	Description
Scenario 1	1% rate reduction for all rate classes; Renewable Portfolio Standard (RPS) compliant; and a 75% GHG-free portfolio.
Scenario 2	1% rate reduction for all rate classes; RPS compliant plus addition local renewable energy through a solar project in Year 5 forward; and a 75% GHG-free portfolio.
Scenario 3	1% rate reduction for all rate classes; RPS compliant in Years 1 and 2; 50% renewable energy in Year 3 forward; and a 75% GHG-free portfolio in all years.

In Scenario 1, the CCA will be RPS compliant, increasing the renewable energy component following the RPS rules, as outlined by the CPUC. The balance up to 75% will be made up with GHG-free energy, and the remaining 25% of the portfolio will be system generation, as illustrated in Figure 11.

In Scenario 2, the CCA will be RPS compliant, increasing the renewable energy component following the RPS rules outlined by the CPUC. In 2021, the CCA will add energy from the Local Solar Project, increasing the renewable content by over 14% and reducing the GHG-free content by the same amount. The balance of the portfolio will be from system generation, as illustrated in Figure 12.

In Scenario 3, initially, the CCA will be RPS compliant for the first two years of operations. In the absence of the Local Solar Project, the CCA will increase the RPS content to 50% in the year 2020. The balance up to 75% will be made up with GHG-free energy, and the remaining 25% of the portfolio will be system generation, as illustrated in Figure 13.

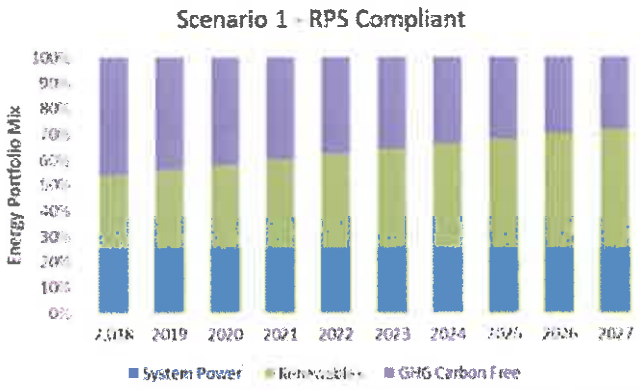


Figure 11- Scenario 1 Energy Portfolio Mix

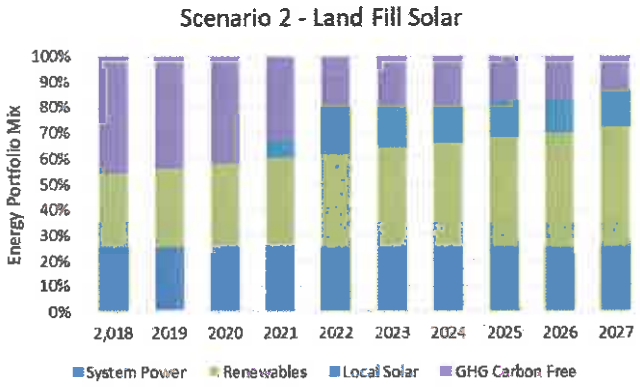


Figure 12 - Scenario 2 Energy Portfolio Mix

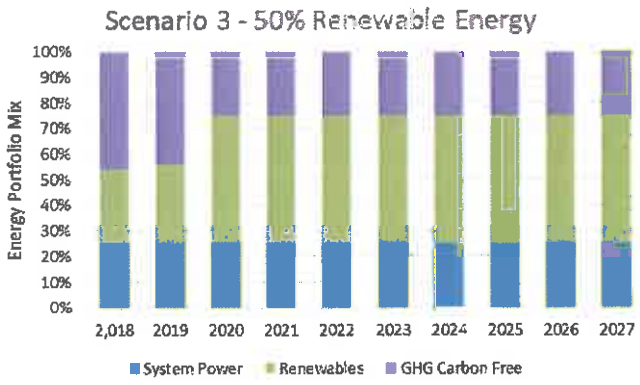


Figure 13 - Scenario 3 Energy Portfolio Mix

Customers

Customer participation for all scenarios is assumed to be 85% of the current customer base, excluding DA customers. This assumption equates to an opt-out rate of 15%. For the sensitivity analysis, the opt-out rate is allowed to fluctuate, as discussed in the Sensitivity Analysis section of this Study. At the launch of the CCA, the rate classes of the initial customer base will be as shown in Figure 14.

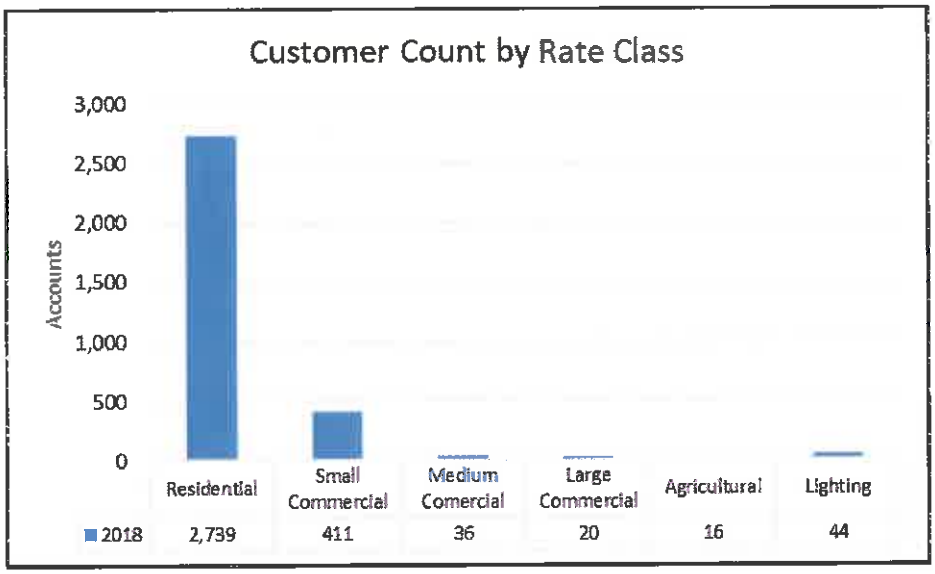


Figure 14 - Customer Count by Rate Class

Bundled Generation Rates

A key element to any study is the forecast of the IOU-bundled generation rates. This analysis forecasts the cost of the IOU's existing portfolio, adjusting for the additional renewable energy needed to meet the RPS requirements outlined by the CPUC in each year up to 2027. Furthermore, the necessary market purchases are added to meet the demand of its service territory. Another consideration is the substantial number of unknowns in determining future IOU long-term procurement. One consideration taken into account is the retirement of the Diablo Canyon nuclear units after its current U.S. Nuclear Regulatory Commission operating licenses expire towards the end of 2024 and 2025. The closure of Diablo Canyon removes approximately 2,160 megawatts of GHG-free electricity from California, which is reported to be replaced with efficient and renewable energy.

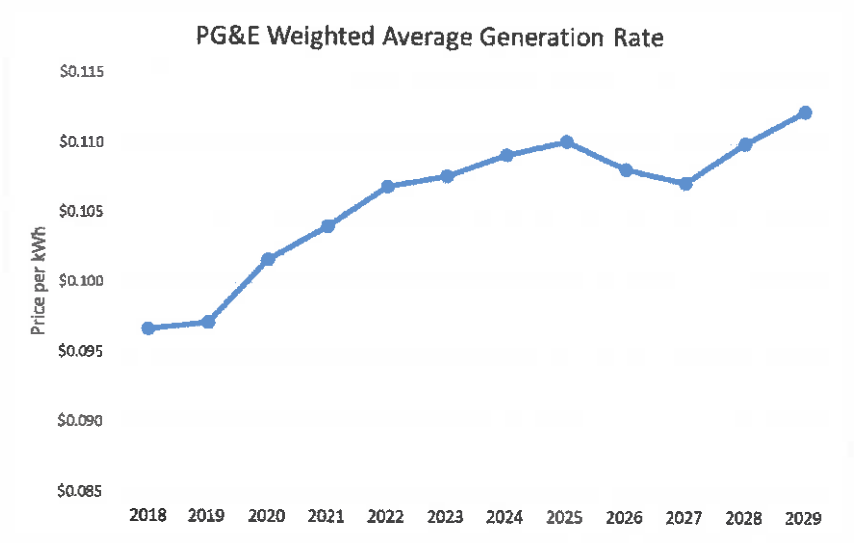


Figure 15 - PG&E Weighted Average Generation Rate

Figure 15 shows Pilot's forecast of the IOU's weighted average generation rates. It shows a slight increase in the first two years, with a greater increase from 2020-2025, then slight decline through 2027. For the model, an escalation factor is determined for each year, and the current generation rate is adjusted by the escalation factor for each rate class.

CCA Operating Expenses

Operating expenses are all costs associated with operating the CCA, including energy procurement, utility charges, and professional services. The following is a list of expenses itemized and identified in the model:

- Energy procurement (system, renewable and GHG-free)
- Resource Adequacy
- Congestion Charges
- CAISO Charges
- IOU Service Charges
- Franchise Fees
- Power Charge Indifference Adjustment (PCIA)
- Professional Services
- Data Management and Call Center Costs
- Debt Service Charges
- Start-up Costs

- Customer Notification and Communication
- Uncollectible Charges
- Other Operating Expenses

If the City moves forward with a near-term launch and operation of a City CCA, the City will use Pilot's FSO. FSO pricing is utilized in the modeling, driving down many CCA-related costs substantially. Also, under the FSO, the need for additional staffing is greatly reduced, if not entirely diminished.

Energy Procurement

Energy procurement costs will be the largest cost associated with the CCA. The cost depends on the commodity mix (system power, renewable energy, and GHG-free energy). For the Study, the forward price for system energy was obtained from several sources, including Reuters Eikon (see Table 3) and several wholesale energy traders. NP-15 forward prices indicate a steady increase year over year. Furthermore, renewable energy prices (Category 1) have been provided by several wholesale energy traders and also indicate a trend upward in price year over year.

Table 3 – Reuters Eikon NP-15 Forward Prices

Thomson Reuters	Name	Last	Pct Chng	Net Chng	Close	Currency	Asset Class
TTKLFN15PKMX7	NP 15 Pk NOV17	37.50	0	0	37.50	USD	EFU
TTKLFN15PKMF8	NP 15 Pk JAN18	37.75	0	0	37.75	USD	EFU
TTKLFN15PKQH8	NP 15 Pk 1Q18	35.50	0	0	35.50	USD	EFU
TTKLFN15PKQM8	NP 15 Pk 2Q18	30.50	0	0	30.50	USD	EFU
TTKLFN15PKQU8	NP 15 Pk 3Q18	38.60	0	0	38.60	USD	EFU
TTKLFN15PKQZ8	NP 15 Pk 4Q18	37.75	0	0	37.75	USD	EFU
TTKLFN15PKQH9	NP 15 Pk 1Q19	35.60	0	0	35.60	USD	EFU
TTKLFN15PKQM9	NP 15 Pk 2Q19	31.10	0	0	31.10	USD	EFU
TTKLFN15PKYZ8	NP 15 Pk 2018	35.60	0	0	35.60	USD	EFU
TTKLFN15PKYZ9	NP 15 Pk 2019	36.20	0	0	36.20	USD	EFU
TTKLFN15PKYZ0	NP 15 Pk 2020	36.70	0	0	36.70	USD	EFU
TTKLFN15PKYZ1	NP 15 Pk 2021	38.20	0	0	38.20	USD	EFU
TTKLFN15PKYZ2	NP 15 Pk 2022	39.55	0	0	39.55	USD	EFU
TTKLFN15PKYZ3	NP 15 Pk 2023	41.05	0	0	41.05	USD	EFU
TTKLFN15PKYZ4	NP 15 Pk 2024	42.45	0	0	42.45	USD	EFU
TTKLFN15PKYZ5	NP 15 Pk 2025	43.70	0	0	43.70	USD	EFU
TTKLFN15PKYZ6	NP 15 Pk 2026	44.95	0	0	44.95	USD	EFU

Table 4 outlines the total energy procurement costs per MWh by scenario between 2018 and 2027 (selected years).

Table 4 - Average Energy Procurement Cost per MWh

Scenario	2018	2020	2023	2025	2027
Scenario 1	$49.49	$50.55	$56.94	$60.35	$63.05
Scenario 2	$49.49	$50.55	$62.12	$65.25	$67.80
Scenario 3	$49.49	$53.10	$58.81	$61.68	$63.68

In the simulation analysis, system energy prices are permitted to fluctuate based on historical price volatility. Historical DAM-On Peak had a mean of $38.12 per MWh, a standard deviation of 13.01 and a variance of 169.31. Moreover, historical DAM-Off Peak had a mean of $29.19 per MWh, a standard deviation of 11.38 and a variance of 129.61.

Investor-Owned Utility Service Charges

As part of the cost of supplying customers, and moving customers away from the IOU, the CCA also pays fees to PG&E for various services. The following list includes possible fees that can be incurred by CCAs:

- CCA Service Establishment
- Customer Notification (Direct Mail or Monthly PG&E Insert)
- Mass Enrollment
- Opt-out Requests
- CAA Service Request (CCASR)
- Customer Re-entry
- New Customer Enrollment
- Meter Data Management Agent Services
- Consolidated Bill-Ready Billing Services
- Consolidated Rate-Ready Billing Services
- Other Billing Services (Bill Adjustments, Programming, etc.)
- CCA Termination Service

- Phase-In Services
- Specialized Services

A complete list and details of each PG&E Service Charge are on the Electric Schedule E – CCA on the PG&E website[5]. Not all fees and services charges are applicable to a City CCA. Fees estimated for this Study were assumed to be $6.00 per annum, per account.

Power Charge Indifference Adjustment (PCIA) Charge and Other

The PCIA is intended to cover above-market costs associated with PG&E generation resources purchased before the load leaves the utility. This fee is collected by PG&E and is effectively an exit fee assessed on customers who will now receive their electric energy from another provider. When customers or load depart, the utility will determine which vintage year the PCIA will be based on. For example, if the CCA launches in the first half of 2018, the PCIA will be determined by the 2017 vintage rate.

In addition to the PCIA, further surcharges are added, including the Department of Water Resources Bond Charge (DWR-BC), the Competitive Transition Charge (CTC) and the Nuclear Decommission Charge (ND). The DWR-BC recovers the cost of financing a portion of the historical cost of DWR purchases to service electric customers. This charge is collected by PG&E on behalf of DWR. Currently, the DWR-BC fee is $0.00539 per kWh for all rate schedules, except CARE and medical rate schedules, and is set to expire in 2022[6]. The CTC fee is designed to cover the costs associated with the electric industry restructuring implementation costs. The current CTC fees range from $0.00187 to $0.00338 per kWh. Depending on the rate schedule, the CTC fees are not set to expire[5]. Finally, the ND charge is collected to fund the restoration of sites after nuclear plants have been removed from the PG&E service territory. Currently, the fee is $0.00022 per kWh for all rate schedules and has no set expiry date[5].

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[5] https://www.pge.com/tariffs/tm2/pdf/ELEC_SCHEDS_E-CCA.pdf

[6] https://www.pge.com/en_US/residential/customer-service/other-services/departing-load/transferred-municipal-departing-load.page

Franchise Fee Charges

The electric Franchise Fee is charged to all CCA and Direct Access electric customers, collected by PG&E and remitted to counties and cities in California, for the right to install and maintain utility equipment on streets and public rights-of-way. Currently, the fee ranges from $0.00052 to $0.00068 per kWh, for the 2017 Vintage[7].

Professional Service Fees

FSO Professional Service fees are charged on an annual, fixed basis. The fees cover the following services:

- Energy Procurement
- Schedule Coordination
- Accounting and Finance
- Back Office Services
- Executive Management
- Public Outreach and Communication
- Legal and Regulatory
- Programming and Technical Services

On average, Professional Service fees are anticipated to be $0.0053 per kWh, depending on the final load after opt-outs.

Billing, Metering, Data Management and Call Center Services

Pilot will be providing the City with a flat rate for data management and call center services per active customer account per month. This fee is $1.15 per active customer per month, and includes, but is not limited to:

- operational customer relationship management
- customer enrollment status
- rate tariff election

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[7] https://www.pge.com/tariffs/tm2/pdf/ELEC_SCHEDS_E-FFS.pdf

- payment history
- collection status
- historical usage
- Electronic Data Interchange (EDI) transactional data
- billing administration
- settlement processes
- settlement quality meter data (SQMD)

Furthermore, the fee includes all related customer call center services, including but not limited to, Interactive Voice recognition (IVR) self-serve, call center staffing, call center reporting, email, fax and web portal services, and translation services.

Uncollectible Accounts

Collections of CCA revenues will be administered by PG&E. Some accounts will not be collectible and will be written off. An allowance for uncollectible accounts is included in the cost of the program, and a rate of 0.5% of revenue will be reserved.

Start-up Costs

The City will not be responsible for any upfront costs associated with launching the CCA, as Pilot is funding all of the up-front costs. Once the CCA has launched, the City will reimburse Pilot for all upfront costs in equal installments over a 12-month period. The payments will be made with revenues of the CCA. Startup costs include the financial security requirement of $100,000 deposited to the CPUC plus the CCA establishment fees, EDI testing fees, customer opt-out notifications, mass enrollment fees, and professional service fees and data management fees incurred prior to the launch of the CCA.

Debt Servicing and Financing Charges

The CCA program will have some initial start-up costs, as outlined above, which Pilot will fund on behalf of the City. The City will also need adequate working capital to pay for day-to-day expenses, namely the expenses associated with power supply costs through wholesale suppliers and the CAISO. Any funding extended to the City will be financed at a rate of Prime, as posted by the Wall Street Journal, plus 175 basis points.

PRO FORMA RESULTS

The results from the Feasibility Model are provided in this section, and details of pro formas are provided in Appendix A. The following key assumptions are applied in all cases, except for changes to the minimum renewable energy in the portfolio and the installation of the Local Solar project:

- Customer average discount of 1.0% provided for all rate classes
- Uncollected factor applied at 0.5% of total PG&E bundled revenues
- Opt-out rate set at 15% for all rate classes
- Renewable Portfolio consists of a combination of Category 1 renewables and GHG-free energy totaling 75%
- Balance of energy portfolio is from system generation

As described previously, part of the analysis was to determine if the scenarios outlined by the City are feasible, cover the CCA costs, and are competitive with the incumbent IOU.

Scenario 1 Results - RPS Compliant with 75% GHG-Free Energy

Under Scenario 1, the CCA meets RPS requirements and provides additional GHG-free energy to provide a 75% GHG-free energy portfolio mix. Additionally, an average of 1% savings is provided to all rate classes and the opt-out rate is 15%. Based on our findings, in all years, the CCA can achieve additional savings or headroom, as outlined in Table 5, which could be utilized for CCA programs, CCA projects, reserve contributions, or additional reductions in customer rates. The increase in savings in 2023 and 2024 is due to the expected expiry of the DWR-BD charge sometime in 2022

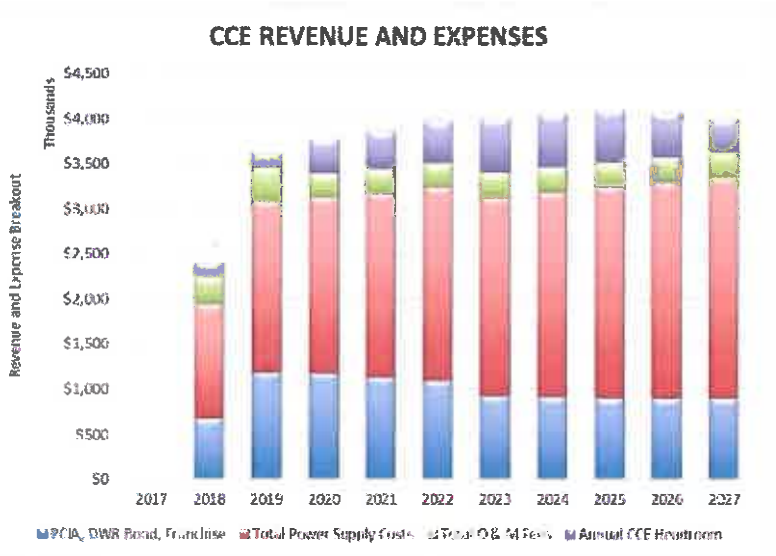

Figure 16 - Scenario 1, CCA Revenue and Expenses

(for forecasting purposes it is modeled to expire at the end of the year). However, the forecasted increase in energy costs (renewables and system power) does make up a larger portion of overall expenses. Another important CCA cost is the PCIA exit fee, which is expected to decrease over time. The headroom does narrow beginning in 2025 due to an anticipated decrease in IOU generation rates, as illustrated in Figure 16.

Table 5 - Scenario 1 Annual Savings

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Annual Savings	120,125	95,338	322,022	362,195	407,290	543,326	543,628	525,187	402,588	318,774
Cumulative Savings	120,125	215,463	537,484	899,679	1,306,969	1,850,296	2,393,924	2,919,111	3,321,699	3,640,473

Scenario 2 Results – Local Solar Project

Under Scenario 2, the Local Solar Project case, the CCA meets the RPS requirements and will eventually exceed the RPS requirement with the additional renewable energy provided from a local solar project. The remaining GHG-free portfolio would be made up from GHG-free energy up to 75%. Additionally, an average of 1% savings is provided to all rate classes, and the opt-out rate is 15%.

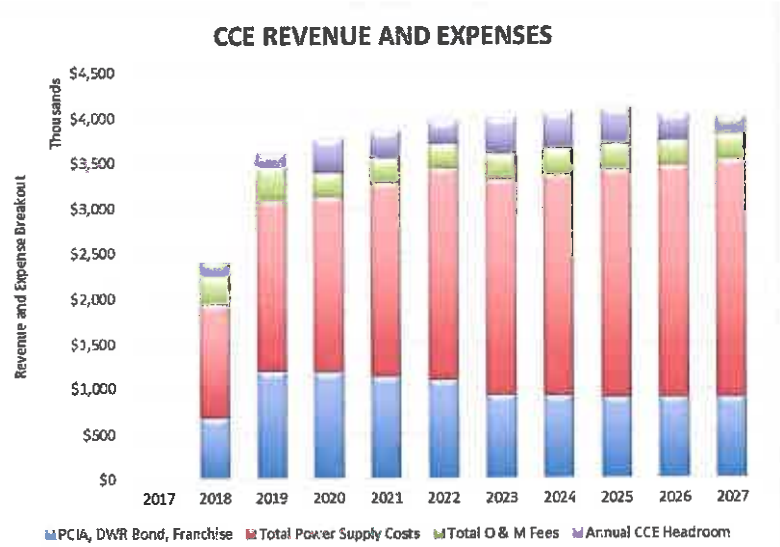

Figure 17 - Scenario 2, CCA Revenue and Expenses

Based on our findings, in all years, the CCA can achieve additional savings or headroom, , as outlined in Table 6, which could be utilized for CCA programs, CCA projects, reserve contributions, or additional reductions in customer rates. However, there is less headroom due to the higher cost associated with the renewable energy coming from the local solar project. The decrease in headroom during 2021 and 2022 is due to the local solar energy coming online, followed by a slight increase in savings in 2023 and 2024, which is due to

the expected expiry of the DWR-BD charge. However, the forecasted increase in energy costs does make up a larger portion of overall expenses, with a larger expenditure in renewable energy starting in 2021. Another important CCA cost is the PCIA exit fee, which is expected to decrease over time. The headroom does narrow beginning in 2025 due to an anticipated decrease in IOU generation rates, as illustrated in Figure 17.

Table 6 - Scenario 2 Annual Savings

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Annual Savings	120,125	95,338	322,022	252,871	198,349	339,685	344,980	367,181	440,924	413,663
Cumulative Savings	120,125	215,463	537,484	790,355	988,704	1,328,389	1,673,369	2,040,550	2,481,475	2,895,138

Scenario 3 Results – 50% Renewable Energy (by 2020)

Finally, under Scenario 3, the 50% Renewable Energy case, the CCA meets the RPS requirements in the first two years of operations and in 2020 the CCA increases the renewable portfolio to 50% for each year afterward. The remaining GHG-free portfolio would be made up of GHG-free energy up to 75%. Additionally, an average of 1% savings is provided to all rate classes, and the opt-out rate is 15%.

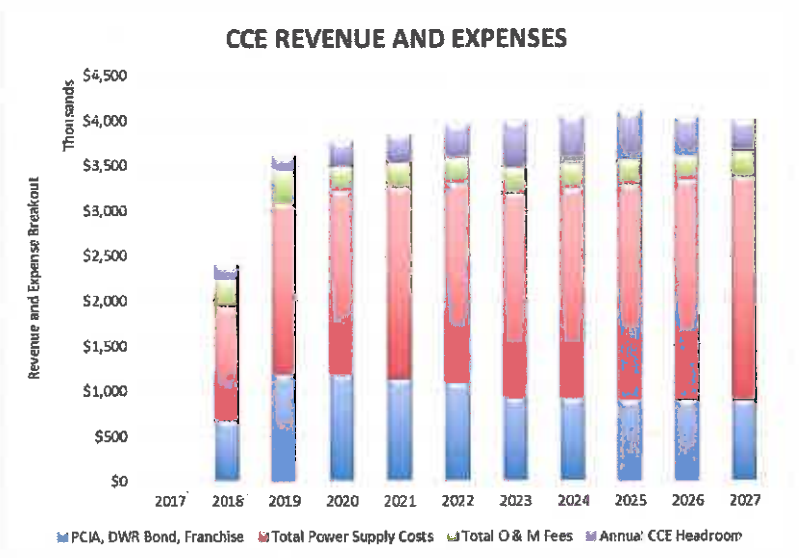

Figure 18 - Scenario 3, CCA Revenue and Expenses

Based on our findings, in all years, the CCA can achieve additional savings or headroom, as outlined in Table 7, which could be utilized for CCA programs, CCA projects, reserve contributions or additional reductions in customer rates. However, there is some additional headroom compared with that in Scenario 2 due to the lower cost of renewable energy versus the cost of energy from the local solar project. When compared to Scenario 1, headroom is less. The decrease in

headroom during 2020-2022 is due to the increase in the renewable portfolio. This is followed by a slight increase in savings in 2023 and 2024, due to the expected expiry of the DWR-BD charge. Again, the forecasted increase in energy costs makes up a larger portion of overall expenses, with a larger expenditure in renewable energy starting in 2020. Another important CCA cost is the PCIA exit fee, which is expected to decrease over time. The headroom narrows, beginning in 2025, due to an anticipated decrease in IOU generation rates, as illustrated in Figure 18.

Table 7 - Scenario 3 Annual Savings

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Annual Savings	120,125	95,338	222,144	273,954	325,612	469,799	479,848	507,982	574,744	576,423
Cumulative Savings	120,125	215,463	437,607	711,561	1,037,172	1,506,972	1,986,820	2,494,802	3,069,545	3,645,969

SENSITIVITY ANALYSIS

Relative to other CCA feasibility studies, this analysis takes a modified approach to sensitivity analysis, instead of the conventional "what-if" estimate, such as low-mid-high case, this analysis utilizes a Monte Carlo simulation to determine a statistical range of possible outcomes and probabilities. The analysis also includes a confidence interval of an expected range of outcomes. (See Appendix B for details of the Sensitivity Analysis.)

A total of 10,000 trials were completed during the Monte Carlo simulation for each scenario. The simulation provides a range of outcomes, resulting from computed algorithms based on repeated random sampling of the defined variables based on statistical analysis of historical information. The inputs feed into the defined forecast cells, providing a range of outcomes, expressed as graphical forecasts, later to be used to view probabilities, or certainty, of a particular outcome. Pilot considers this approach to provide a more accurate and meaningful analysis.

Confidence Interval and Example of Graph

The simulation produces a graph or distribution similar to the illustration in Figure 19. The main components of the graph to be discussed in this Study are as follows:

- Mean – the average of all the outcomes
- Median – the middle value of all the outcomes
- Standard Deviation (SD) - the measure used to quantify the amount of variation in the set of outcomes
- Minimum Range – the lowest value in the range of outcomes
- Maximum Range – the highest value in the range of outcomes
- Confidence Interval (CI) - the estimate parameter of observed outcomes
- -2 SD Lower Bound – range of outcomes 2 SDs to the left of the mean
- 2 SD Upper Bound – range of outcomes 2 SDs to the right of the mean
- Scale – a numerical parameter of a probability distribution. The larger the scale parameter the larger the variance over the distribution.

In the graph, the mean is at the peak of the graph or average of all the outcomes. Because the graph is a normal distribution the median is also at the peak of the graph. When a

graph is not a normal distribution, the median, or middle of the outcomes, will be on the left or right side of the mean. The standard deviation (SD) is a measure of variation from the mean. In the example, an interval 2 SDs from the mean represents 47.7% of the outcomes to the right of the mean. Alternatively, 2 SDs on either side of the mean represents approximately 95.4% of the outcomes or approximately a 95% confidence interval.

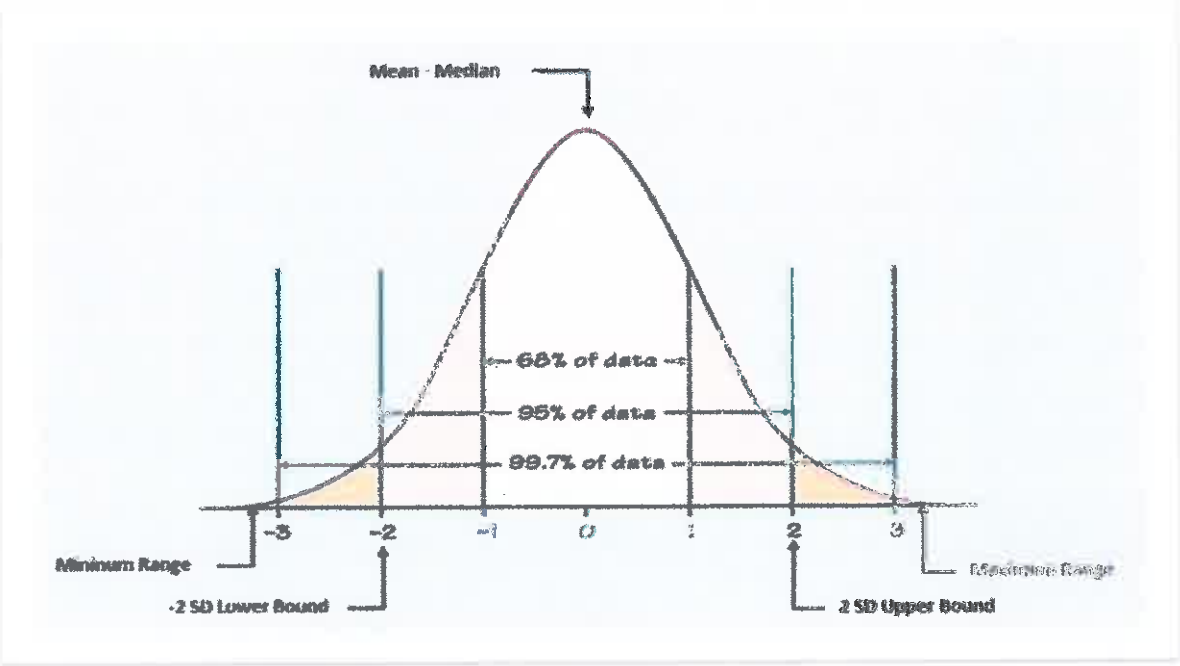

Figure 19 - Example of Distribution Graph

Variables Used

The following variables were used in all simulations:

- Opt-out rates with a mean of 15% and a SD of 2.5%
- NP-15 on-peak forward prices with a mean of $38.60, a scale of $4.62, and a range greater than $21.74 (constraint)
- NP-15 off-peak forward prices with a mean of $29.60, a scale of $4.59, and a range greater than $10.26 (constraint)

- The correlation between on-peak and off-Peak prices is 0.915, the relationship between on-peak and off-peak prices is highly correlated and will move in the same direction.
- Number of trials completed: 10,000
- Confidence Interval: 95%, meaning there is a 95% confidence that the observed outcomes will fall between two specified values, the upper and lower bound.

Scenario 1 – RPS Compliant with 75% GHG-Free

Table 8 outlines the range of expected outcomes for headroom for each selected year or cumulative years.

Table 8 - Scenario 1 Sensitivity Analysis

Year(s)	Minimum Range	-2 SD Lower Bound	Mean	2 SD Upper Bound	Maximum Range
2018	($633,961)	($162,137)	$89,378	$335,278	$469,408
2018-2021	($3,281,245)	($1,000,800)	$879,834	$2,760,468	$3,174,760
2018-2024	($5,681,561)	($1,037,434)	$2,420,719	$5,878,871	$6,260,725
2018-2027	($8,307,373)	($898,070)	$4,352,134	$9,595,917	$9,595,917

The Scenario 1 simulation demonstrated a positive mean headroom in all years. As Scenario 1 is the least aggressive approach to increased renewable energy, while still providing at least 75% GHG-free energy, it provides the greatest amount of headroom over the 10-year period compared to the other two scenarios. The primary reason is due to the minimum amount of renewable energy procured and the lower cost associated with GHG-free energy versus Category 1 renewables (such as local wind or solar energy).

In 2018, the mean headroom is $89,378, with the lower and upper bound of outcomes ranging from ($162,137) to $335,278. The certainty of the first year of headroom greater than $0 is 78.88%. In years 2018-2021, the cumulative mean headroom is $879,834, with the lower and upper bound of outcomes ranging from ($1,000,800) to $2,760,468. The

certainty of cumulative headroom greater than $0 is 87.77%. In years 2018-2024, the cumulative mean headroom is $2,420,719, with the lower and upper bound of outcomes ranging from ($1,037,434) to $5,878,871. The certainty of cumulative headroom greater than $0 is 83.09%. In years 2018-2027, the cumulative mean headroom is $4,352,134, with the lower and upper bound of outcomes ranging from ($898,070) to $9,595,917. The certainty of cumulative headroom greater than $0 is 93.07%.

Scenario 2 – Local Solar Project with 75% GHG-Free

Table 9 outlines the range of expected outcomes for headroom for each selected year or cumulative years.

Table 9 - Scenario 2 Sensitivity Analysis

Year(s)	Minimum Range	-2 SD Lower Bound	Mean	2 SD Upper Bound	Maximum Range
2018	($558,503)	($153,155)	$89,009	$340,847	$476,067
2018-2021	($3,781,384)	($1,102,587)	$760,550	$2,623,687	$2,798,559
2018-2024	($6,668,991)	($1,790,253)	$1,641,092	$5,072,438	$5,213,128
2018-2027	($9,592,453)	($2,325,332)	$2,881,665	$8,088,663	$8,187,210

The Scenario 2 simulation demonstrated positive mean headroom in all years. However, in 2018-2027, the mean headroom is lower by $1,470,469 than in Scenario 1. The cost associated with the energy produced from the local solar project is substantially higher than the cost of procuring renewable energy from the market. However, a great percentage of renewable energy would be in the energy portfolio mix, adding an incremental 14% renewable energy over and above the RPS requirement. Scenario 2 would be the most aggressive approach to increased renewable energy for the CCA, but the least amount of headroom over the 10-year period compared to the other two scenarios. The primary reason is due to the cost associated with the renewable energy produced.

In 2018, the mean headroom is $89,009, with the lower and upper bound of outcomes ranging from ($153,155) to $340,847. The certainty of the first year of headroom greater than $0 is 79.17%. In years 2018-2021, the cumulative mean headroom is $760,550, with the lower and upper bound of outcomes ranging from ($1,102,587) to $2,623,687. The certainty of cumulative headroom greater than $0 is 81.03%. In years 2018-2024, the cumulative mean headroom is $1,641,092, with the lower and upper bound of outcomes ranging from ($1,790,253) to $5,072,438. The certainty of cumulative headroom greater than $0 is 84.09%. Finally, in years 2018-2027, the cumulative mean headroom is $2,881,665, with the lower and upper bound of outcomes ranging from ($2,325,332) to $8,088,663. The certainty of cumulative headroom greater than $0 is 86.54%.

Scenario 3 – 50% Renewable with 75% GHG-Free

Table 10 outlines the range of expected outcomes for headroom for each selected year or cumulative years.

Table 10 - Scenario 3 Sensitivity Analysis

Year(s)	Minimum Range	-2 SD Lower Bound	Mean	2 SD Upper Bound	Maximum Range
2018	($473,825)	($145,272)	$91,357	$328,605	$450,792
2018-2021	($3,794,553)	($1,043,289)	$783,733	$2,610,756	$3,105,689
2018-2024	($6,636,008)	($1,670,027)	$1,685,370	$5,040,767	$5,388,105
2018-2027	($8,229,252)	($2,141,468)	$2,946,604	$8,034,675	$8,320,037

The Scenario 3 simulation demonstrated positive mean headroom in all years. However, over a 10-year period, the mean headroom is lower by $1,405,530 than in Scenario 1. The cost associated with the renewable energy procured starting in 2020 is higher than the cost of procuring GHG-free energy. However, a greater percentage of renewable energy would be in the energy portfolio mix, increasing renewable energy to 50% starting in 2020, well ahead of the 2030 RPS target outlined in Senate Bill (SB) 350, approved by

California lawmakers. Scenario 3 would be the most aggressive scenario in meeting the renewable requirement, but not as aggressive as Scenario 2 in increasing renewable energy for the CCA. Scenario 3 provides a little more headroom over the 10-year period compared to Scenario 2.

In 2018, the mean headroom is $91,357, with the lower and upper bound of outcomes ranging from ($145,272) to $328,605. The certainty of the first year of headroom greater than $0 is 79.89%. In years 2018-2021, the cumulative mean headroom is $783,733, with the lower and upper bound of outcomes ranging from ($1,043,289) to $2,610,756. The certainty of cumulative headroom greater than $0 is 81.03%. In years 2018-2024, the cumulative mean headroom is $1,685,370, with the lower and upper bound of outcomes ranging from ($1,670,027) to $5,040,767. The certainty of cumulative headroom greater than $0 is 84.09%. Finally, in years 2018-2027, the cumulative mean headroom is $2,946,604, with the lower and upper bound of outcomes ranging from ($2,141,468) to $8,034,675. The certainty of cumulative headroom greater than $0 is 86.54%.

RISKS

Load Risk

Load risk is caused by unexpected increases or decreases in the size of the CCA load. The impact of unexpected changes to load size can range from negligible to exceptional. Substantial impacts to load can result in CCA procurement that is under or over expectations, which in turn result in the need to buy or sell electricity at potentially unfavorable pricing. Time-tested strategies can, however, manage load risk.

A number of drivers can trigger unexpected increases or decreases to load. Customers opting out of the CCA to return to IOU procurement service is the single largest impact to load. The historical experience of the eight operational CCAs demonstrates that most opt-outs occur during CCA mass enrollment. Following mass enrollment, opt-outs are occasional and infrequent. The long-term trend for existing CCAs indicates opt-outs ranging between approximately 5% and 25% of total potential customers.

The most intuitively obvious mitigation of opt-out risk is a CCA that serves the community. Excellent community service is achievable through education, outreach, and measured and thoughtful balancing of sometimes competing objectives. Ultimately, however, most opt-out customers are unlikely to change their decision to opt out. For this reason, a robust baseline opt-out assumption should be utilized in baseline feasibility analysis.

An unusually large relocation of CCA customers either moving in or out of the service territory can impact the load. In most cases, unexpectedly large customer relocations are driven by economic factors, such as substantial added or lost employment and business opportunities. Unusual external events, such as heat waves or natural disasters, directly impact electric usage but are usually not long term. Other changes in electric usage, such as an extreme influx of energy efficiency or other technology, are long term.

The CCA can do nothing directly to mitigate these types of external load risks, which are common to all electricity providers. Well established procurement practices utilized by nearly all electricity providers, including CCAs, can, however, address these concerns. On a high level, maintaining an electric portfolio that balances long-term certainty with short-term optionality is key.

Legal and Regulatory Risk

CCAs have faced, and will continue to face, legislative risks, particularly at the California state level. Opposition to CCA formation and operation regularly occurs and should be expected to continue. In the past, both a ballot initiative and bills that would have substantially affected CCA have been introduced, although all have ultimately failed.

CCA legislative risk mitigation follows that of general legislative risk mitigation. Continuous monitoring, quick mobilization, and coordination with proponents are essential. For legislative events that impact but do not debilitate CCA, prudent contingency planning for all aspects of operation is the best defense. In the unlikely event that debilitating legislation is passed, the principles of justice, equity and fairness should ensure that such legislation provides CCAs with the opportunity to adjust to, and address, the changed circumstances.

CCA regulatory risk occurs in a number of forums at all levels of government. The most prominent risks are with California state agencies such as the CPUC, the California Energy Commission, the California Independent System Operator, and the California Air Resources Board. Actions by these agencies are generally not of the potential magnitude of legislative actions, but are, nevertheless, critically important.

Mitigating regulatory risk is substantially more involved than the monitoring required for mitigating legislative risk. CCAs are required to interact directly with several regulatory agencies, as frequently as monthly, usually for compliance-related actions. Effective regulatory compliance demands continuous, near daily, attention to, and understanding of, CCA operations and planning. Similar to mitigating some forms of legislative risk, prudent contingency planning for all aspects of CCA operation is essential.

CCAs face litigation risks similar to any California municipality. To protect individual municipalities, nearly all operational CCAs have utilized a joint powers authority structure. Another approach is to shift risk contractually to a third party. A cornerstone of Pilot's FSO is the assumption of this risk for small communities.

Under the most extreme circumstances, perhaps the greatest risk to be mitigated is the ability of the CCA to unwind, returning CCA customers to IOU electric procurement service. However, no CCA has needed to venture even close to this last resort, and with proper planning and operations, no CCA, short of a catastrophic event, should need to.

Power Supply Risks

Power prices in California are highly correlated to natural gas prices, as natural gas-fired units are the predominant source of generation and, with possible natural gas supply constraints, could pose a risk for the region. New regulations on gas storage facilities imposed by California regulators could reduce the flow of natural gas and power prices to creep up in the real-time and day-ahead markets, due to a shortage of supply. Furthermore, natural gas prices are subject to market events and unforeseen transportation outages, leading to further uncertainty in power prices.

California has invested heavily in renewable energy and has legislated to have one-half of the state's electricity coming from renewable sources by the year 2030. This could have two different outcomes:

1. Demand for renewable energy growing faster than the supply, leading to much higher renewable energy costs.
2. The supply of renewable energy outpacing demand, due to additional projects coming online, leading to much lower prices for renewable energy.

Power supply risks can be mitigated somewhat with a sound procurement strategy and forecasting customer demands for energy. A prudent energy risk manager should minimize as much of the unhedged load in the day-ahead market, and even more so in the real-time market, to avoid unforeseen price fluctuations in the volatile power markets.

Financial Risks

Due to the size of the King City CCA, the financial risk is somewhat minimized. The City will not be required to secure credit lines with a financial institution or required to fund start-up costs. Pilot has agreed to fund all start-up costs associated with the launch of the City CCA. The total costs will be amortized over 12 months and paid back with revenue

from the CCA, once the CCA has launched. However, Pilot has secured the CCA obligations providing a controlled account or lockbox arrangement. Additionally, no consulting arrangements exist outside of Pilot that would burden the City with further start-up costs.

The City can increase rates of its customers to ensure sufficient revenues are collected to meet all the CCA obligations. However, this also puts the CCA at risk of having customers switch back to the IOU, due to higher rates being paid by its customers. A rate stabilization reserve can be established to offset any rate increases, instead of passing on rate increases to CCA customers. A CCA can prove to be successful by managing its procurement costs, load forecasting, rate setting and controlling overall expenses.

RECOMMENDATIONS

Proposed Plan

Baseline forecasts and modeling set CCA service as close as identical to IOU service as possible. The results of the baseline forecasting and modeling indicate substantial annual CCA excess revenue, or "headroom," ranging from approximately $200,000 to $700,000. For 10 cumulative years, the same results support headroom in excess of $5 million. These results are favorable and support the baseline feasibility of a City CCA.

Consistent with direction from the City, the three scenarios forecasted and modeled comprise an integrated approach to City CCA strategic planning, (see Figure 20). The forecasting and modeling indicate at least an 80% probability of success under all three scenarios. These results are favorable and support the City moving forward with launching and operating the City CCA, as described in the following.

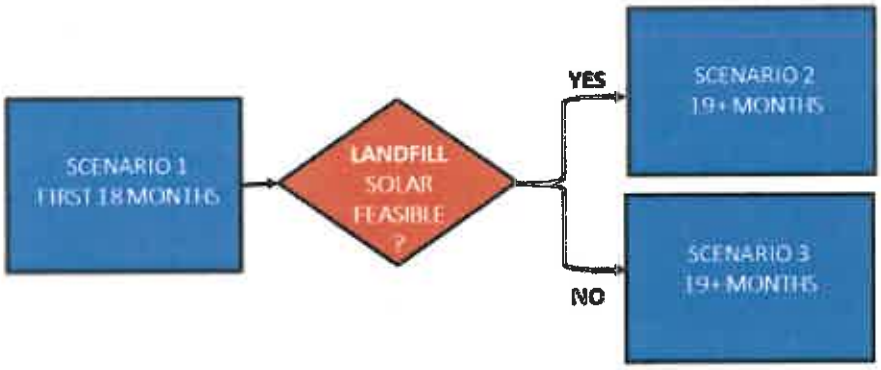

Figure 20 - Scenario Decision Tree

Scenario 1. Beginning with the assumption that sufficient Baseline headroom exists, Scenario 1 defines the parameters under which the City CCA would launch and then operate for the following 18 months. Under Scenario 1, the City CCA provides customers

with rate savings and electric energy portfolio sustainability metrics that slightly exceed that offered by PG&E. The City CCA also provides the following community-specific programming not readily available through other channels: 1) unlimited, income qualified, no-cost, residential solar installations; 2) wireless street lighting; and 3) community based education and vocational training in sustainable energy related sectors. Finally, during the 18 months of Scenario 1, the City CCA will determine the feasibility of a solar power plant to be built on the City's closed landfill. Any remaining headroom available during Scenario 1 would be reserved until a decision is made about moving to Scenario 2 or 3.

Scenario 2. If the local solar project is feasible, the City CCA will move to Scenario 2 for the indefinite future. Scenario 2 is identical to Scenario 1, except that the City CCA will build the largest possible, least cost/best fit solar power plant on the City's closed landfill. The local solar project will provide as much as 10% of the City CCA's general electricity needs as well as at least 14% of the City CCA's California Renewable Portfolio Standard requirements. The City CCA will also need to decide how to allocate the remaining headroom, projected to be between approximately $100,000 and $450,000 annually.

Scenario 3. If the local solar project is not feasible, the City CCA will move to Scenario 3 for the indefinite future. Scenario 3 is identical to Scenario 1, except that the City CCA electric energy portfolio is increased to a 50% California Renewable Portfolio Standard. The City CCA will also need to decide how to allocate the additional headroom, much of which is created by not proceeding with the local solar project. This headroom is projected to be between approximately $150,000 and $600,000 annually.

Benefits

Pilot's analysis of prospective CCA benefits begins with a realistic review of the benefits offered by the alternative electric energy supplier, which in the case of the City CCA is PG&E.

Rates. When comparing total monthly electric bills under City CCA electric procurement versus PG&E electric procurement, achieving notable rate decreases is difficult. To date, no California CCA has managed to lower rates enough to provide what would be considered remarkable savings on a continuous basis. Currently, average CCA savings are less than 1%, which equates to less than $15/year for the average California household. Depending on the context, $15 can be more or less meaningful, but when compared to

the savings offered by Direct Access, utility rebate programs and sustainable technology tax incentives, $15/year pales in comparison. Against this backdrop, the proposed City CCA rates that are on average approximately 1% below PG&E rates are realistic and consistent with CCA averages. This amount of rate savings by itself is likely insufficient to take on the risk of a CCA program, but is a reasonable benchmark for the specific category of rate competiveness.

Electric Energy Portfolio Sustainability Metrics. Comparing the sustainability benefits of a City CCA electric energy portfolio to that of PG&E's can also be tricky. As demonstrated by Figure 21[8], PG&E is a "clean" utility from a GHG perspective.

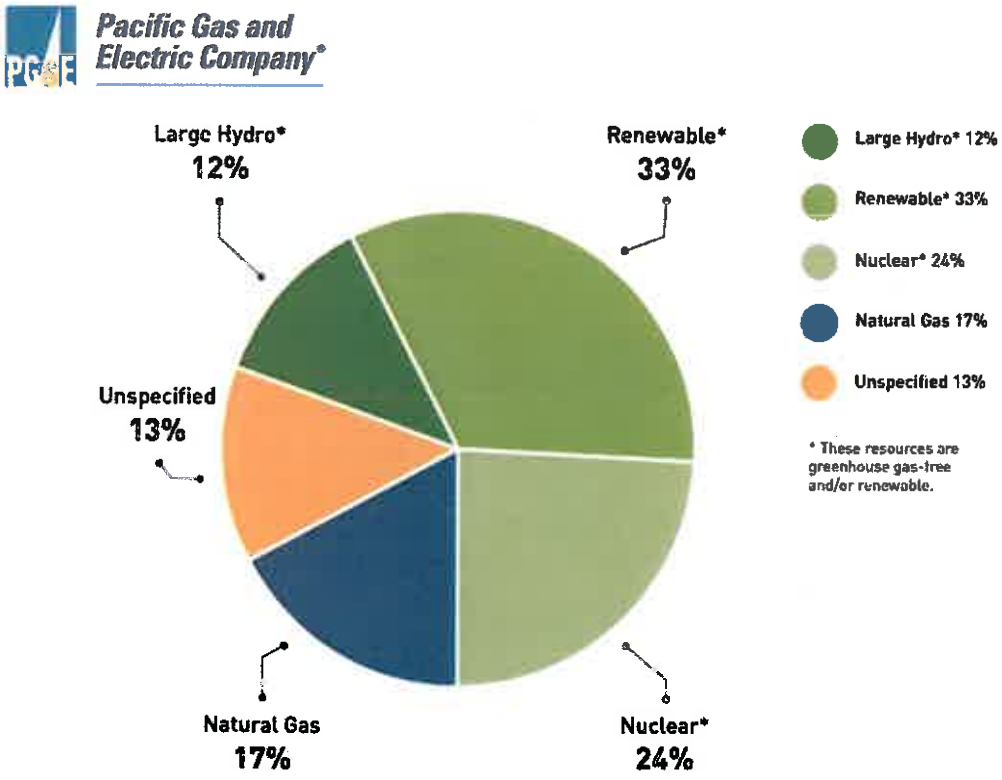

Figure 21 - PG&E Renewable Portfolio Mix

As noted in Figure 21, combining PG&E's renewable, nuclear and hydro resources, results in the utility's electric energy portfolio being 69% GHG-free. Unlike nearly all of California

[8] https://www.pge.com/en_US/about-pge/environment/what-we-are-doing/clean-energy-solutions/clean-energy-solutions.page

CCA electricity procurement, PG&E's electricity procurement is directly subject to California's rigorous carbon accounting methods established by the California Air Resources Board. This renders PG&E's electric energy GHG impact to be more transparent and verifiable than the CCA GHG impacts.

GHG impacts also raise the issue of renewable energy as compared to GHG-free energy. Generally speaking, not all renewable energy is considered GHG-free, and not all GHG-free energy is considered renewable. Further compounding this distinction is that Federal and State laws and regulations are neither unified with respect to one another, nor, in some instances, internally unified.

The low GHG impact of PG&E's electric energy portfolio combined with the complexities regarding renewable versus GHG-free electric energy requires the thoughtful development of a competitive City CCA electric portfolio. On average, California CCAs have exceeded utility California Renewable Portfolio Standard metrics by approximately 30%. By increasing the City CCA's electric portfolio to 50% after 18 months of operation, the City CCA reaches the California Renewable Portfolio Standard 10 years ahead of schedule, and initially exceeds PG&E renewable content by approximately 40%. By procuring additional GHG-free energy to ensure the City CCA electric portfolio is 75% GHG-free, the City CCA exceeds PG&E GHG metrics by approximately 6%. Note, however, that to ensure a fair and consistent comparison to PG&E's sustainability metrics, all renewable and GHG-free electric procurement should be consistent with the California Renewable Portfolio Standard (including the portfolio content category, or "bucket," rules), California Air Resources Board guidance regarding GHG accounting, the soon to be finalized regulations under AB 1110, Ting, and all other applicable legal and regulatory guidance.

Programming. The programming selected by the City provides extraordinary community benefits. The three programs consist of:

1. Unlimited, income qualified, no-cost, residential solar installations
2. Wireless street lighting
3. Community-based education and vocational training in sustainable-energy-related sectors

City CCA headroom and the non-profit resources of GRID Alternatives are deeply leveraged for all three programs, providing the community with custom designed, least cost/best fit services.

The unlimited, income qualified, no-cost, residential solar installations provide underserved customers with reduced electric bills, energy independence, and direct participation in California's sustainable energy economy. The wireless street lighting fulfills a key infrastructure need in addressing the prevention of City youth violence. Structurally, the wireless street lights also provide improved siting flexibility, decreased maintenance, and, on an incremental basis, a renewable, GHG-free and no-cost fuel supply. The community-based education and vocational training in sustainable energy related sectors provides the community with a much-needed boost to a depressed economy, job training, and collateral support for the City's efforts in preventing youth violence.

Local Solar Project. If the local solar project is feasible, the benefits are substantial, and tie in with other City CCA benefits. The benefits include:

- First California CCA providing 10% of electric needs through community-owned, renewable and GHG-free generation
- Through rent payments, coverage of all of the costs of final closure of the City landfill
- Hands-on training for the community-based education and vocational training programs
- Energy security
- Economic growth

APPENDIX A – PRO FORMA STATEMENTS

King City Pro Forma Statement
Base Case RPS Compliant

Line	Customer Accounts and Load		Year 1 (May-Dec)	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
1		Residential	2,739	2,746	2,752	2,759	2,766	2,773	2,780	2,787	2,794	2,801
2		Small Commercial	411	412	413	414	415	416	417	418	419	420
3		Medium Comercial	36	36	36	36	36	36	36	36	36	36
4		Large Commercial	20	20	20	20	20	20	20	20	20	20
5		Agricultural	16	16	16	16	16	16	16	16	16	16
6		Lighting	44	44	44	44	44	44	44	44	44	44
7		Subtotal - Customer Accounts	3,266	3,274	3,282	3,290	3,298	3,305	3,313	3,321	3,329	3,337
8	Load Requirements (kWh)											
9		Residential	7,852,312	11,807,915	11,837,435	11,867,028	11,896,696	11,926,438	11,956,254	11,986,144	12,016,110	12,046,150
10		Small Commercial	5,365,191	8,067,906	8,088,076	8,108,296	8,128,567	8,148,889	8,169,261	8,189,684	8,210,158	8,230,684
11		Medium Comercial	3,481,880	5,222,820	5,222,820	5,222,820	5,222,820	5,222,820	5,222,820	5,222,820	5,222,820	5,222,820
12		Large Commercial	5,247,271	7,870,906	7,870,906	7,870,906	7,870,906	7,870,906	7,870,906	7,870,906	7,870,906	7,870,906
13		Agricultural	3,203,157	4,804,736	4,804,736	4,804,736	4,804,736	4,804,736	4,804,736	4,804,736	4,804,736	4,804,736
14		Lighting	161,545	242,317	242,317	242,317	242,317	242,317	242,317	242,317	242,317	242,317
15		Subtotal - Load Requirements	25,311,357	36,016,601	38,066,291	38,116,104	38,166,043	38,216,106	38,266,294	38,316,608	38,367,048	38,417,613
16	CCE Operating Costs		Year 1 (May-Dec)	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
17		Total Power Supply	$ 1,225,396	$ 1,836,450	$ 1,889,788	$ 1,985,079	$ 2,084,290	$ 2,154,610	$ 2,224,529	$ 2,299,143	$ 2,355,866	$ 2,416,756
18		Staff and Consulting Costs	$ 158,333	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000
19		Billing and Data Management	$ 30,046	$ 45,178	$ 45,287	$ 45,396	$ 45,506	$ 45,615	$ 45,725	$ 45,836	$ 45,946	$ 46,057
20		Annual Contribution to Reserves	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
21		Uncollectibles Expense	$ 22,150	$ 33,348	$ 34,203	$ 34,684	$ 35,243	$ 35,432	$ 35,748	$ 35,976	$ 35,664	$ 35,531
22		Start-up Costs	$ 26,841	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
23		Debt Service Costs (Carrying and Repayment)	$ 112,756	$ 128,899	$ 24,205	$ 25,425	$ 26,696	$ 27,597	$ 28,492	$ 29,448	$ 30,174	$ 30,954
24		Subtotal - CCE Operating Costs	$ 1,575,523	$ 2,293,875	$ 2,243,483	$ 2,340,584	$ 2,441,735	$ 2,513,254	$ 2,584,494	$ 2,660,403	$ 2,717,651	$ 2,779,299
25		CCE Customer Program Savings	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
26		CCE Revenue Requirements	$ 1,575,523	$ 2,293,875	$ 2,243,483	$ 2,340,584	$ 2,441,735	$ 2,513,254	$ 2,584,494	$ 2,660,403	$ 2,717,651	$ 2,779,299
27		CCE Program Average Rate (cents/kWh)	$ 0.16667	$ 0.16941	$ 0.16772	$ 0.16901	$ 0.17056	$ 0.16783	$ 0.16931	$ 0.17082	$ 0.17227	$ 0.17363
28		PG&E Average Generation Cost (cents/kWh)	$ 0.09671	$ 0.09715	$ 0.10165	$ 0.10405	$ 0.10688	$ 0.10767	$ 0.10915	$ 0.11015	$ 0.10817	$ 0.10718
29	PG&E CCE Customer Surcharges											
30		PG&E Non-bypassable Charges	$ 2,643,191	$ 4,146,356	$ 4,141,125	$ 4,101,264	$ 4,057,857	$ 3,900,578	$ 3,894,194	$ 3,884,790	$ 3,891,976	$ 3,891,318
31		CCE Revenue Requirement plus PG&E Surcharges	$ 4,218,714	$ 6,440,230	$ 6,384,608	$ 6,441,848	$ 6,509,591	$ 6,413,832	$ 6,478,688	$ 6,545,192	$ 6,609,627	$ 6,670,617
32		Bundled PG&E Revenues	$ 4,429,951	$ 6,669,575	$ 6,840,690	$ 6,936,752	$ 7,048,525	$ 7,086,353	$ 7,149,523	$ 7,195,269	$ 7,132,764	$ 7,106,263
33		Total CCE Customer Bill Revenues (Supply and Delivery)	$ 4,218,714	$ 6,440,230	$ 6,384,608	$ 6,441,848	$ 6,509,591	$ 6,413,832	$ 6,478,688	$ 6,545,192	$ 6,609,627	$ 6,670,617
34		CCE Annual Savings	$ 211,237	$ 229,344	$ 456,082	$ 494,904	$ 538,934	$ 672,520	$ 670,835	$ 650,076	$ 523,138	$ 435,646
35		CCE Percentage Savings	4.77%	3.44%	6.67%	7.13%	7.65%	9.49%	9.38%	9.03%	7.33%	6.13%
36		Cumulative CCE Savings		$ 440,582	$ 896,664	$ 1,391,568	$ 1,930,502	$ 2,603,022	$ 3,273,857	$ 3,923,934	$ 4,447,071	
37		New Projects/Programs Fund	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
38		CCE Annual Savings less Projects	$ 211,237	$ 229,344	$ 456,082	$ 494,904	$ 538,934	$ 672,520	$ 670,835	$ 650,076	$ 523,138	$ 435,646
39		Cumulative CCE Savings less Projects	$ 211,237	$ 440,582	$ 896,664	$ 1,391,568	$ 1,930,502	$ 2,603,022	$ 3,273,857	$ 3,923,934	$ 4,447,071	$ 4,882,717

King City Pro Forma Statement
Scenario 1 - RPS Compliant with 75% GHG Free

Line	Customer Accounts and Load	Year 1 (May-Dec)	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
1	Residential	2,739	2,746	2,752	2,759	2,766	2,773	2,780	2,787	2,794	2,801
2	Small Commercial	411	412	413	414	415	416	417	418	419	420
3	Medium Comercial	36	36	36	36	36	36	36	36	36	36
4	Large Commercial	20	20	20	20	20	20	20	20	20	20
5	Agricultural	16	16	16	16	16	16	16	16	16	16
6	Lighting	44	44	44	44	44	44	44	44	44	44
7	**Subtotal - Customer Accounts**	3,266	3,274	3,282	3,290	3,298	3,305	3,313	3,321	3,329	3,337
	Load Requirements (kWh)										
8	Residential	7,852,312	11,807,915	11,837,435	11,867,028	11,896,696	11,926,438	11,956,254	11,986,144	12,016,110	12,046,150
9	Small Commercial	5,365,191	8,067,906	8,088,076	8,108,296	8,128,567	8,148,889	8,169,261	8,189,684	8,210,158	8,230,684
10	Medium Comercial	3,481,880	5,222,820	5,222,820	5,222,820	5,222,820	5,222,820	5,222,820	5,222,820	5,222,820	5,222,820
11	Large Commercial	5,247,271	7,870,906	7,870,906	7,870,906	7,870,906	7,870,906	7,870,906	7,870,906	7,870,906	7,870,906
12	Agricultural	3,203,157	4,804,736	4,804,736	4,804,736	4,804,736	4,804,736	4,804,736	4,804,736	4,804,736	4,804,736
13	Lighting	161,545	242,317	242,317	242,317	242,317	242,317	242,317	242,317	242,317	242,317
14	**Subtotal - Load Requirements**	25,311,357	38,016,601	38,066,291	38,116,104	38,166,043	38,216,106	38,266,294	38,316,608	38,367,048	38,417,613

	CCE Operating Costs	Year 1 (May-Dec)	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
15	Total Power Supply	$ 1,272,712	$ 1,904,426	$ 1,954,757	$ 2,047,034	$ 2,143,224	$ 2,210,514	$ 2,277,395	$ 2,348,964	$ 2,402,634	$ 2,460,462
16	Staff and Consulting Costs	$ 158,333	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000
17	Billing and Data Management	$ 30,046	$ 45,178	$ 45,287	$ 45,396	$ 45,506	$ 45,615	$ 45,725	$ 45,836	$ 45,946	$ 46,057
18	Annual Contribution to Reserves	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
19	Uncollectibles Expense	$ 22,150	$ 33,348	$ 34,203	$ 34,684	$ 35,243	$ 35,432	$ 35,748	$ 35,976	$ 35,664	$ 35,531
20	Start-up Costs	$ 26,841	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
21	Debt Service Costs (Carrying and Repayment)	$ 113,362	$ 129,769	$ 25,037	$ 26,219	$ 27,451	$ 28,313	$ 29,169	$ 30,086	$ 30,773	$ 31,514
22	Subtotal - CCE Operating Costs	$ 1,623,445	$ 2,362,721	$ 2,309,285	$ 2,403,333	$ 2,501,423	$ 2,569,874	$ 2,638,037	$ 2,710,862	$ 2,765,017	$ 2,823,565
23	CCE Customer Program Savings	$ 43,190	$ 65,160	$ 68,258	$ 69,961	$ 71,955	$ 72,574	$ 73,664	$ 74,430	$ 73,183	$ 72,606
24	**CCE Revenue Requirements**	$ 1,666,635	$ 2,427,882	$ 2,377,543	$ 2,473,294	$ 2,573,378	$ 2,642,448	$ 2,711,701	$ 2,785,292	$ 2,838,201	$ 2,896,171
25	**CCE Program Average Rate (cents/kWh)**	$ 0.17027	$ 0.17293	$ 0.17125	$ 0.17249	$ 0.17401	$ 0.17121	$ 0.17263	$ 0.17408	$ 0.17542	$ 0.17668
26	**PG&E Average Generation Cost (cents/kWh)**	$ 0.09671	$ 0.09715	$ 0.10165	$ 0.10405	$ 0.10688	$ 0.10767	$ 0.10915	$ 0.11015	$ 0.10817	$ 0.10718
	PG&E CCE Customer Surcharges										
27	PG&E Non-bypassable Charges	$ 2,643,191	$ 4,146,356	$ 4,141,125	$ 4,101,264	$ 4,067,857	$ 3,900,578	$ 3,894,194	$ 3,884,790	$ 3,891,976	$ 3,891,318
28	**CCE Revenue Requirement plus PG&E Surcharges**	$ 4,309,826	$ 6,574,237	$ 6,518,668	$ 6,574,558	$ 6,641,235	$ 6,543,026	$ 6,605,895	$ 6,670,081	$ 6,730,177	$ 6,787,489
29	Bundled PG&E Revenues	$ 4,429,951	$ 6,669,575	$ 6,840,690	$ 6,936,752	$ 7,048,525	$ 7,086,353	$ 7,149,523	$ 7,195,269	$ 7,132,764	$ 7,106,263
30	Total CCE Customer Bill Revenues (Supply and Delivery)	$ 4,309,826	$ 6,574,237	$ 6,518,668	$ 6,574,558	$ 6,641,235	$ 6,543,026	$ 6,605,895	$ 6,670,081	$ 6,730,177	$ 6,787,489
31	**CCE Annual Savings**	$ 120,125	$ 95,338	$ 322,022	$ 362,195	$ 407,290	$ 543,326	$ 543,628	$ 525,187	$ 402,588	$ 318,774
32	CCE Percentage Savings	2.71%	1.43%	4.71%	5.22%	5.78%	7.67%	7.60%	7.30%	5.64%	4.49%
33	**Cumulative CCE Savings**	$ 120,125	$ 215,463	$ 537,484	$ [illegible]	$ 1,306,969	$ 1,850,296	$ [illegible]	$ 2,919,111	$ 3,321,699	$ 3,640,472
34	New Projects/Programs Fund	$ -	$ 125,000	$ 175,000	$ 175,000	$ 175,000	$ 175,000	$ -	$ -	$ -	$ -
35	**CCE Annual Savings less Projects**	$ 120,125	$ (29,662)	$ 147,022	$ 187,195	$ 232,290	$ 368,326	$ 543,628	$ 525,187	$ 402,588	$ 318,774
	Cumulative CCE Savings less Projects	$ 120,125	$ 90,463	$ 237,484	$ 424,679	$ 656,969	$ 1,025,296	$ 1,568,924	$ 2,094,111	$ 2,496,699	$ 2,815,473

King City Pro Forma Statement
Scenario 2 - Local Solar Project

Line	Customer Accounts and Load	Year 1 (May-Dec)	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
1	Residential	2,739	2,746	2,752	2,759	2,766	2,773	2,780	2,787	2,794	2,801
2	Small Commercial	411	412	413	414	415	416	417	418	419	420
3	Medium Comercial	36	36	36	36	36	36	36	36	36	36
4	Large Commercial	20	20	20	20	20	20	20	20	20	20
5	Agricultural	16	16	16	16	16	16	16	16	16	16
6	Lighting	44	44	44	44	44	44	44	44	44	44
7	**Subtotal - Customer Accounts**	**3,266**	**3,274**	**3,282**	**3,290**	**3,298**	**3,305**	**3,313**	**3,321**	**3,329**	**3,337**
	Load Requirements (kWh)										
8	Residential	7,852,312	11,807,915	11,837,435	11,867,028	11,896,696	11,926,438	11,956,254	11,986,144	12,016,110	12,046,150
9	Small Commercial	5,365,191	8,067,906	8,088,076	8,108,296	8,128,567	8,148,889	8,169,261	8,189,684	8,210,158	8,230,684
10	Medium Comercial	3,481,880	5,222,820	5,222,820	5,222,820	5,222,820	5,222,820	5,222,820	5,222,820	5,222,820	5,222,820
11	Large Commercial	5,247,271	7,870,906	7,870,906	7,870,906	7,870,906	7,870,906	7,870,906	7,870,906	7,870,906	7,870,906
12	Agricultural	3,203,157	4,804,736	4,804,736	4,804,736	4,804,736	4,804,736	4,804,736	4,804,736	4,804,736	4,804,736
13	Lighting	161,545	242,317	242,317	242,317	242,317	242,317	242,317	242,317	242,317	242,317
14	**Subtotal - Load Requirements**	**25,311,357**	**38,016,601**	**38,066,291**	**38,116,104**	**38,166,043**	**38,216,106**	**38,266,294**	**38,316,608**	**38,367,048**	**38,417,613**

	CCE Operating Costs	Year 1 (May-Dec)	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
15	Total Power Supply	$ 1,272,712	$ 1,904,426	$ 1,954,757	$ 2,154,975	$ 2,349,523	$ 2,411,580	$ 2,473,531	$ 2,539,750	$ 2,573,734	$ 2,645,749
16	Staff and Consulting Costs	$ 158,333	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000
17	Billing and Data Management	$ 30,046	$ 45,178	$ 45,287	$ 45,396	$ 45,506	$ 45,615	$ 45,725	$ 45,836	$ 45,946	$ 46,057
18	Annual Contribution to Reserves	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
19	Uncollectibles Expense	$ 22,150	$ 33,348	$ 34,203	$ 34,684	$ 35,243	$ 35,432	$ 35,748	$ 36,157	$ 36,748	$ 36,978
20	Start-up Costs	$ 26,841	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
21	Debt Service Costs (Carrying and Repayment)	$ 113,362	$ 129,769	$ 25,037	$ 27,601	$ 30,093	$ 30,888	$ 31,682	$ 32,530	$ 32,965	$ 33,887
22	Subtotal - CCE Operating Costs	$ 1,623,445	$ 2,362,721	$ 2,309,285	$ 2,512,656	$ 2,710,365	$ 2,773,516	$ 2,836,685	$ 2,904,272	$ 2,939,393	$ 3,012,672
23	CCE Customer Program Savings	$ 43,190	$ 65,160	$ 68,258	$ 69,961	$ 71,955	$ 72,574	$ 73,664	$ 75,100	$ 77,212	$ 77,984
24	**CCE Revenue Requirements**	$ 1,666,635	$ 2,427,882	$ 2,377,543	$ 2,582,617	$ 2,782,320	$ 2,846,090	$ 2,910,349	$ 2,979,373	$ 3,016,604	$ 3,090,656
25	**CCE Program Average Rate (cents/kWh)**	**$ 0.17027**	**$ 0.17293**	**$ 0.17125**	**$ 0.17536**	**$ 0.17948**	**$ 0.17654**	**$ 0.17782**	**$ 0.17914**	**$ 0.18007**	**$ 0.18174**
26	**PG&E Average Generation Cost (cents/kWh)**	**$ 0.09671**	**$ 0.09715**	**$ 0.10165**	**$ 0.10405**	**$ 0.10688**	**$ 0.10767**	**$ 0.10915**	**$ 0.11114**	**$ 0.11412**	**$ 0.11512**
	PG&E CCE Customer Surcharges										
27	PG&E Non-bypassable Charges	$ 2,643,191	$ 4,146,356	$ 4,141,125	$ 4,101,264	$ 4,067,857	$ 3,900,578	$ 3,894,194	$ 3,884,790	$ 3,891,976	$ 3,891,318
28	CCE Revenue Requirement plus PG&E Surcharges	$ 4,309,826	$ 6,574,237	$ 6,518,668	$ 6,683,881	$ 6,850,176	$ 6,746,668	$ 6,804,543	$ 6,864,162	$ 6,908,580	$ 6,981,974
29	Bundled PG&E Revenues	$ 4,429,951	$ 6,669,575	$ 6,840,690	$ 6,936,752	$ 7,048,525	$ 7,086,353	$ 7,149,523	$ 7,231,344	$ 7,349,505	$ 7,395,637
30	Total CCE Customer Bill Revenues (Supply and Delivery)	$ 4,309,826	$ 6,574,237	$ 6,518,668	$ 6,683,881	$ 6,850,176	$ 6,746,668	$ 6,804,543	$ 6,864,162	$ 6,908,580	$ 6,981,974
31	**CCE Annual Savings**	$ 120,125	$ 95,338	$ 322,022	$ 252,871	$ 198,349	$ 339,685	$ 344,980	$ 367,181	$ 440,924	$ 413,663
32	CCE Percentage Savings	2.71%	1.43%	4.71%	3.65%	2.81%	4.79%	4.83%	5.08%	6.00%	5.59%
33	**Cumulative CCE Savings**	[redacted]	$ 215,463	$ 537,484	[redacted]	$ 988,704	$ 1,328,389	[redacted]	$ 2,040,550	$ 2,481,475	[redacted]
34	New Projects/Programs Fund	$ -	$ 125,000	$ 175,000	$ 175,000	$ 175,000	$ 175,000	$ -	$ -	$ -	$ -
35	**CCE Annual Savings less Projects**	$ 120,125	$ (29,662)	$ 147,022	$ 77,871	$ 23,349	$ 164,685	$ 344,980	$ 367,181	$ 440,924	$ 413,663
	Cumulative CCE Savings less Projects	$ 120,125	$ 90,463	$ 237,484	$ 315,355	$ 338,704	$ 503,389	$ 848,369	$ 1,215,550	$ 1,656,475	$ 2,070,138

King City Pro Forma Statement
Scenario 3 - 50% Renewable (No Land Fill Solar)

Line	Customer Accounts and Load	Year 1 (May-Dec)	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
1	Residential	2,739	2,746	2,752	2,759	2,766	2,773	2,780	2,787	2,794	2,801
2	Small Commercial	411	412	413	414	415	416	417	418	419	420
3	Medium Comercial	36	36	36	36	36	36	36	36	36	36
4	Large Commercial	20	20	20	20	20	20	20	20	20	20
5	Agricultural	16	16	16	16	16	16	16	16	16	16
6	Lighting	44	44	44	44	44	44	44	44	44	44
7	**Subtotal - Customer Accounts**	3,266	3,274	3,282	3,290	3,298	3,305	3,313	3,321	3,329	3,337
	Load Requirements (kWh)										
8	Residential	7,852,312	11,807,915	11,837,435	11,867,028	11,896,696	11,926,438	11,956,254	11,986,144	12,016,110	12,046,150
9	Small Commercial	5,365,191	8,067,906	8,088,076	8,108,296	8,128,567	8,148,889	8,169,261	8,189,684	8,210,158	8,230,684
10	Medium Comercial	3,481,880	5,222,820	5,222,820	5,222,820	5,222,820	5,222,820	5,222,820	5,222,820	5,222,820	5,222,820
11	Large Commercial	5,247,271	7,870,906	7,870,906	7,870,906	7,870,906	7,870,906	7,870,906	7,870,906	7,870,906	7,870,906
12	Agricultural	3,203,157	4,804,736	4,804,736	4,804,736	4,804,736	4,804,736	4,804,736	4,804,736	4,804,736	4,804,736
13	Lighting	161,545	242,317	242,317	242,317	242,317	242,317	242,317	242,317	242,317	242,317
14	**Subtotal - Load Requirements**	25,311,357	38,016,601	38,066,291	38,116,104	38,166,043	38,216,106	38,266,294	38,316,608	38,367,048	38,417,613

Line	CCE Operating Costs	Year 1 (May-Dec)	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
15	Total Power Supply	$ 1,272,712	$ 1,904,426	$ 2,053,372	$ 2,134,159	$ 2,223,870	$ 2,283,111	$ 2,340,368	$ 2,400,730	$ 2,441,607	$ 2,485,047
16	Staff and Consulting Costs	$ 158,333	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000
17	Billing and Data Management	$ 30,046	$ 45,178	$ 45,287	$ 45,396	$ 45,506	$ 45,615	$ 45,725	$ 45,836	$ 45,946	$ 46,057
18	Annual Contribution to Reserves	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
19	Uncollectibles Expense	$ 22,150	$ 33,348	$ 34,203	$ 34,684	$ 35,243	$ 35,432	$ 35,748	$ 36,157	$ 36,748	$ 36,978
20	Start-up Costs	$ 26,841	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
21	Debt Service Costs (Carrying and Repayment)	$ 113,362	$ 129,769	$ 26,300	$ 27,335	$ 28,484	$ 29,243	$ 29,976	$ 30,749	$ 31,273	$ 31,829
22	Subtotal - CCE Operating Costs	$ 1,623,445	$ 2,362,721	$ 2,409,162	$ 2,491,573	$ 2,583,102	$ 2,643,401	$ 2,701,817	$ 2,763,472	$ 2,805,573	$ 2,849,911
23	CCE Customer Program Savings	$ 43,190	$ 65,160	$ 68,258	$ 69,961	$ 71,955	$ 72,574	$ 73,664	$ 75,100	$ 77,212	$ 77,984
24	**CCE Revenue Requirements**	$ 1,666,635	$ 2,427,882	$ 2,477,421	$ 2,561,534	$ 2,655,057	$ 2,715,975	$ 2,775,481	$ 2,838,572	$ 2,882,785	$ 2,927,896
25	**CCE Program Average Rate (cents/kWh)**	$ 0.17027	$ 0.17293	$ 0.17387	$ 0.17480	$ 0.17615	$ 0.17314	$ 0.17430	$ 0.17547	$ 0.17658	$ 0.17750
26	**PG&E Average Generation Cost (cents/kWh)**	$ 0.09671	$ 0.09715	$ 0.10165	$ 0.10405	$ 0.10688	$ 0.10767	$ 0.10915	$ 0.11114	$ 0.11412	$ 0.11512
	PG&E CCE Customer Surcharges										
27	PG&E Non-bypassable Charges	$ 2,643,191	$ 4,146,356	$ 4,141,125	$ 4,101,264	$ 4,067,857	$ 3,900,578	$ 3,894,194	$ 3,884,790	$ 3,891,976	$ 3,891,318
28	**CCE Revenue Requirement plus PG&E Surcharges**	$ 4,309,826	$ 6,574,237	$ 6,618,546	$ 6,662,798	$ 6,722,913	$ 6,616,553	$ 6,669,675	$ 6,723,362	$ 6,774,761	$ 6,819,214
29	Bundled PG&E Revenues	$ 4,429,951	$ 6,669,575	$ 6,840,690	$ 6,936,752	$ 7,048,525	$ 7,086,353	$ 7,149,523	$ 7,231,344	$ 7,349,505	$ 7,395,637
30	Total CCE Customer Bill Revenues (Supply and Delivery)	$ 4,309,826	$ 6,574,237	$ 6,618,546	$ 6,662,798	$ 6,722,913	$ 6,616,553	$ 6,669,675	$ 6,723,362	$ 6,774,761	$ 6,819,214
31	**CCE Annual Savings**	$ 120,125	$ 95,338	$ 222,144	$ 273,954	$ 325,612	$ 469,799	$ 479,848	$ 507,982	$ 574,744	$ 576,423
32	CCE Percentage Savings	2.71%	1.43%	3.25%	3.95%	4.62%	6.63%	6.71%	7.02%	7.82%	7.79%
33	**Cumulative CCE Savings**		$ 215,463	$ 437,607	$ [illegible]	$ 1,037,172	$ 1,506,972	$ [illegible]	$ 2,494,802	$ 3,069,545	
34	New Projects/Programs Fund	$ -	$ 125,000	$ 175,000	$ 175,000	$ 175,000	$ 175,000	$ -	$ -	$ -	$ -
35	**CCE Annual Savings less Projects**	$ 120,125	$ (29,662)	$ 47,144	$ 98,954	$ 150,612	$ 294,799	$ 479,848	$ 507,982	$ 574,744	$ 576,423
	Cumulative CCE Savings less Projects	$ 120,125	$ 90,463	$ 137,607	$ 236,561	$ 387,172	$ 681,972	$ 1,161,820	$ 1,669,802	$ 2,244,545	$ 2,820,969

APPENDIX B – SENSITIVITY ANALYSIS DETAIL

Compared with many other CCA feasibility studies, this study takes a modified approach to sensitivity analysis, instead of the conventional low-medium-high approach, this study utilizes a Monte Carlo simulation to determine a range of values and probabilities. The Monte Carlo simulation randomly generates a range of values for the assumption that has been pre-defined. The inputs feed into defined forecast cells, providing a range of possible outcomes, which are expressed as a distribution graph. The distribution can be used to provide an estimate of the probability or certainty of a particular outcome. Pilot considers this approach to provide a more accurate and meaningful analysis.

Scenario 1 - RPS Compliant with 75% GHG-Free Sensitivity

Table B-1 summarizes the results of range of headroom outcome during the simulation for Scenario 1.

Table B-1: Summary of Scenario 1 Sensitivity Analysis

	Minimum Range	-2 SD Lower Bound	Mean	2 SD Upper Bound	Maximum Range
Headroom 2018	($633,961)	($162,137)	$89,378	$335,278	$469,408
Headroom 2018-2021	($3,281,245)	($1,000,800)	$879,834	$2,760,468	$3,174,760
Headroom 2018-2024	($5,681,561)	($1,037,434)	$2,420,719	$5,878,871	$6,260,725
Headroom 2018-2027	($8,307,373)	($898,070)	$4,352,134	$9,595,917	$9,595,917
Supply Price 2018	$37.84	$43.77	$54.80	$65.82	$77.06
Supply Price 2022	$39.56	$44.79	$55.88	$66.97	$76.51
Supply Price 2027	$31.02	$35.98	$50.85	$65.72	$76.32
PCIA Rate 2018	$3.94	$9.73	$27.37	$38.28	$64.71
PCIA Rate 2021	$12.23	$17.79	$38.08	$58.37	$64.97
PCIA Rate 2024	$7.12	$10.22	$27.13	$44.04	$64.33
PCIA Rate 2027	$9.02	$15.31	$36.46	$57.61	$64.98

For the sensitivity, four periods of cumulative CCA headroom are highlighted in the analysis: year 2018, years 2018-2021, years 2018-2024, and years 2018-2027. In year 2018, the model expected outcome was $120,125 of headroom, with a mean of $89,378, a median of $96,484 and SD of $122,656. An interval of 2 SDs from either side of the mean

ranges from ($162,137) to $335,278. This means that approximately 95% of the simulated outcomes are within this range. The certainty of headroom being greater than $0 is 78.88%, as illustrated in Figure B-1. Alternatively, there is a 21.12% probability headroom could be less than $0 in the first year.

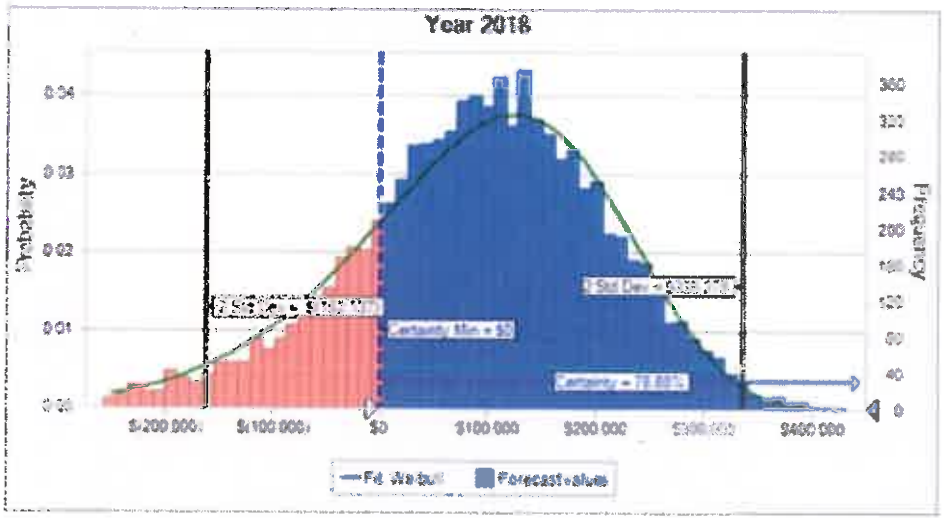

Figure B-1: Scenario1, Year 2018 Headroom Sensitivity

In years 2018-2021, the model expected outcome was $899,679 of cumulative headroom, with a mean of $879,834, a median of $1,001,968 and SD of $940,371. An interval of 2 SDs from either side of the mean ranges from ($1,000,800) to $2,760,468. This means that

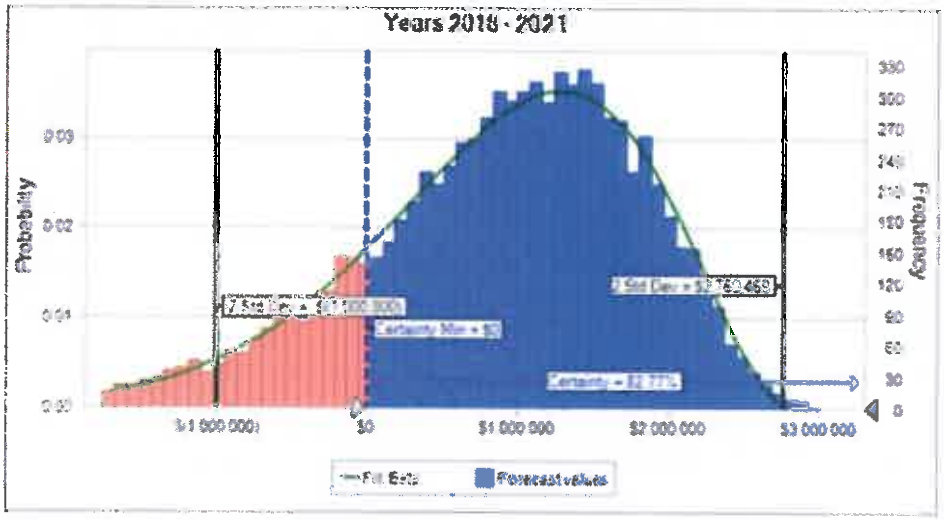

Figure B-2: Scenario1, Years 2018-2021 Headroom Sensitivity

approximately 95% of the simulated outcomes are within this range. The certainty of headroom being greater than $0 is 82.77%, as illustrated in Figure B-2. Alternatively, there is a 17.23% probability of the outcome being less than $0 in the first four years of operation.

In years 2018-2024, the model expected outcome was $2,393,924 of cumulative headroom, with a mean of $2,420,719, a median of $2,651,896 and SD of $1,729,175. An interval of 2 SDs on either side of the mean ranged from ($1,037,434) to $5,787,871. This means that approximately 95% of the simulated outcomes are within this range. The certainty of headroom being greater than $0 is 90.29%, as illustrated in Figure B-3. Alternatively, there is a 9.71% probability of the outcome being less than $0 in the first seven years of operation.

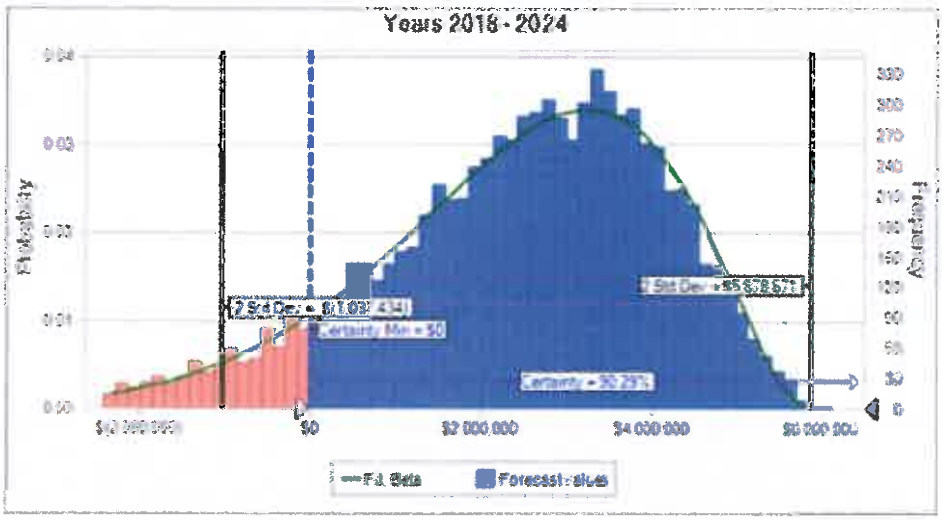

Figure B-3: Scenario1, Years 2018–2024 Headroom Sensitivity

Finally, in years 2018-2027, the model expected outcome was $3,640,473 of cumulative headroom, with a mean of $4,352,134, a median of $4,717,834 and SD of $2,625,253. An interval of 2 SDs on either side of the mean ranges from ($898,070) to $9,595,917. This means that approximately 95% of the simulated outcomes are within this range. The certainty of headroom being greater than $0 is 93.07%, as illustrated in Figure B-4. Alternatively, there is a 6.93% probability of the outcome being less than $0 in the first ten years of operation.

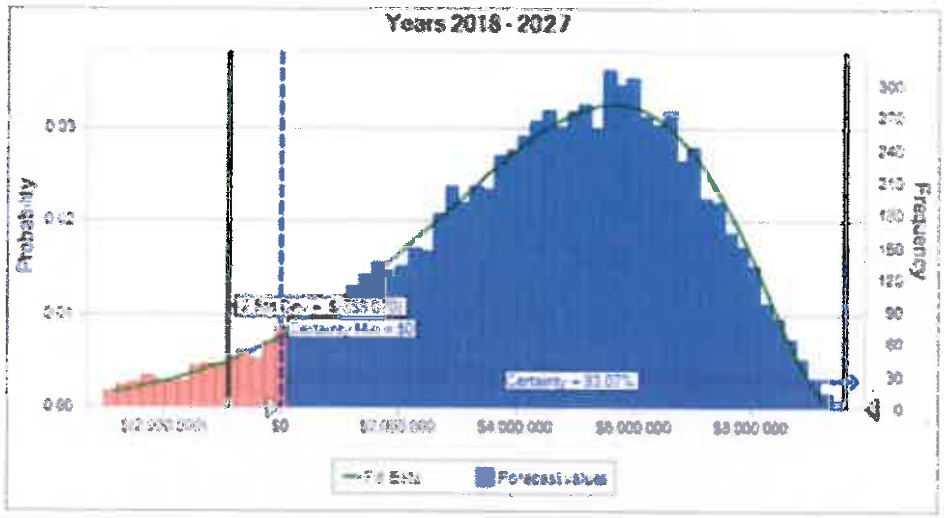

Figure B-4: Scenario 1, Years 2018-2027 Headroom Sensitivity

Energy supply costs are the greatest expense any CCA will incur. Because of this, the simulation allows energy prices to fluctuate based on historical statistical pricing information. In the simulation, 2018, 2022, and 2027 energy supply costs per MWh are highlighted. This price includes system power, renewable energy costs, resource adequacy, congestion costs, CAISO charges and IOU service charges, but does not include PCIA charges, which will be addressed separately.

The average 2018 annual supply cost in the expected outcome was $49.49 per MWh. However, in the simulation, the mean cost was $54.80 per MWh, with a median cost of $54.69, and a SD of $5.51. An interval of 2 SDs on either side of the mean ranged from $43.77 to $65.82. The average 2022 annual supply cost in the expected outcome was $55.28 per MWh. In the simulation, the mean cost was $55.88 per MWh, with a median cost of $55.70, and a SD of $5.54. An interval of 2 SDs on either side of the mean ranged from $44.79 to $66.97. The average 2027 annual supply cost in the expected outcome was $63.05 per MWh. In the simulation, the mean cost was $50.85 per MWh, with a median cost of $50.68, and a SD of $7.43. An interval of 2 SDs on either side of the mean ranged from $35.98 to $65.72.

As previously mentioned, the PCIA is one the largest unknowns in the CCA and Direct Access arena. The forecast and impact of the PCIA on CCA are modeled using best available information and practices. However, the model can be stressed by changing the PCIA charge in the simulation, and the impacts are highlighted. Because the indifference

between PG&E portfolio and the Market Price Benchmark is highly dependent on market prices of system energy, the simulation adjusts the indifference charged as the power prices change. This also provides a range of probable outcomes of the PCIA charge. Again, several years were selected to highlight the behavior of the PCIA during the simulation. The PCIA average rate is determined by the summation of the PCIA and DWR-BC for each CARE and non-CARE rate classes, divided by the total load for that particular period. The PCIA charge is illustrated for all years in Figure B-5.

In 2018, the expected outcome for the PCIA charge was $27.37 per MWh. In the simulation, the mean PCIA charge was $24.01 per MWh, with a median of $23.07, and a SD of $7.14. An interval of 2 SDs on either side of the mean ranged from $9.73 to $38.28. In 2021, the expected outcome for the PCIA charge was $30.69 per MWh. In the simulation, the mean PCIA charge was $38.08 per MWh, with a median of $36.91, and a SD of $10.14. An interval of 2 SDs on either side of the mean ranged from $17.79 to $58.37.

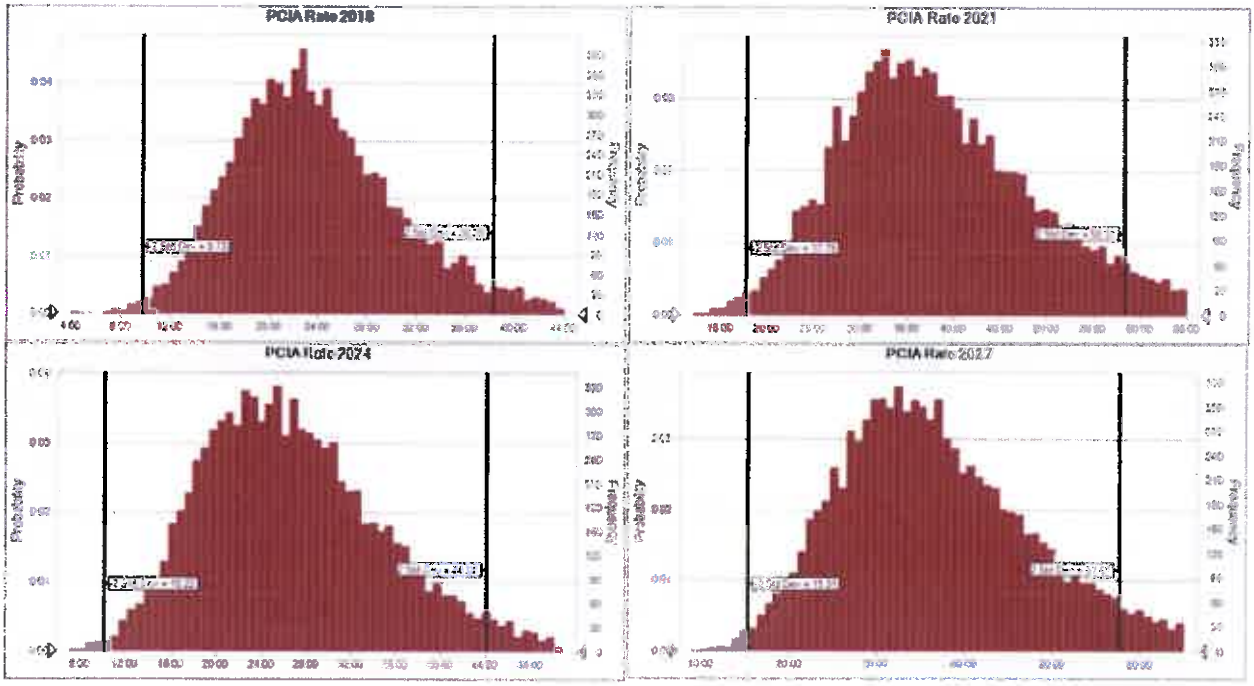

Figure B-5: Scenario 1, PCIA Charges for all Years

In 2024, the expected outcome for the PCIA charge was $24.51 per MWh. In the simulation, the mean PCIA charge was $27.13 per MWh, with a median of $26.04, and a

SD of $8.46. An interval of 2SDs on either side of the mean ranged from $10.22 to $44.04. In 2027, the expected outcome for the PCIA charge was $23.99 per MWh. In the simulation, the mean was $36.46 per MWh, the median was $35.28, and SD was $10.58. An interval of 2 SDs on either side of the mean ranged from $15.31 to $57.61.

Scenario 2 - Local Solar Project Sensitivity

Table B-2 summarizes the results of range of headroom outcome during the simulation for Scenario 2.

Table B-2 - Summary of Scenario 2 Sensitivity Analysis

	Minimum Range	-2 SD Lower Bound	Mean	2 SD Upper Bound	Maximum Range
Headroom 2018	($558,503)	($153,155)	$89,009	$340,847	$476,067
Headroom 2018-2021	($3,781,384)	($1,102,587)	$760,550	$2,623,687	$2,798,559
Headroom 2018-2024	($6,668,991)	($1,790,253)	$1,641,092	$5,072,438	$5,213,128
Headroom 2018-2027	($9,592,453)	($2,325,332)	$2,881,665	$8,088,663	$8,187,210
Supply Price 2018	$38.01	$43.76	$54.76	$65.75	$76.26
Supply Price 2022	$47.24	$51.59	$61.09	$70.59	$80.85
Supply Price 2027	$39.98	$44.63	$57.39	$70.15	$79.02
PCIA Rate 2018	$4.62	$9.95	$23.98	$38.01	$60.67
PCIA Rate 2021	$12.56	$17.77	$38.05	$58.33	$64.98
PCIA Rate 2024	$5.88	$10.35	$27.11	$43.87	$64.81
PCIA Rate 2027	$9.92	$15.29	$36.30	$57.31	$64.86

In year 2018, the model expected outcome was $120,125 of headroom, with a mean of $89,009, a median of $95,973 and SD of $121,776. A two-standard deviation from either side of the mean ranges from ($153,155) to $340,847. This means that approximately 95% of the simulated outcomes are within this range. The certainty of headroom being greater

than $0 is 79.19%, as illustrated in Figure B-6. Alternatively, there is a 20.81% probability headroom could be less than $0 in the first year.

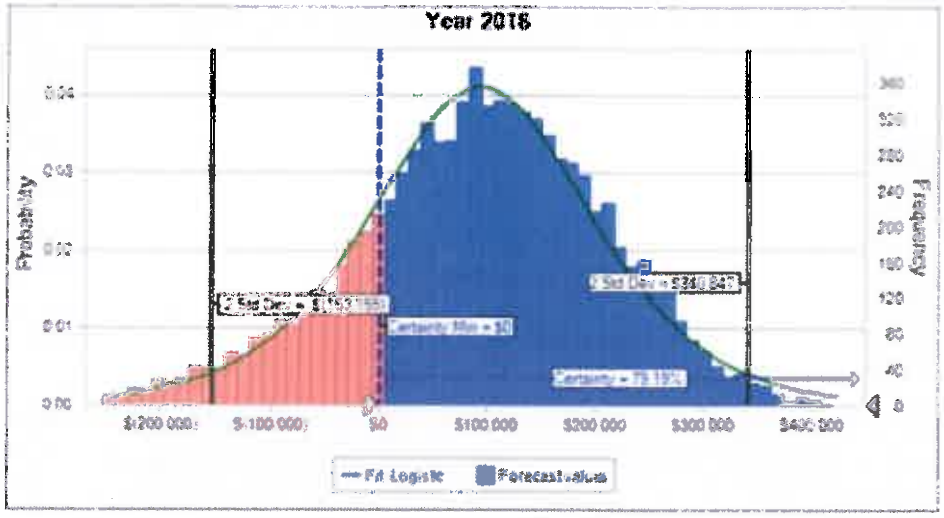

Figure B-6: Scenario 2, Year 2018 Headroom Sensitivity

In years 2018-2021, the model expected outcome was $965,355 of cumulative headroom, with a mean of $760,550, a median of $880,847 and SD of $931,622. An interval of 2 SDs on either side of the mean ranged from ($1,102,587) to $2,623,687. This means that approximately 95% of the simulated outcomes are within this range. The certainty of headroom being greater than $0 is 80.15% (see Figure B-7). Alternatively, there is a 19.85% probability of the outcome being less than $0 in the first four years of operation.

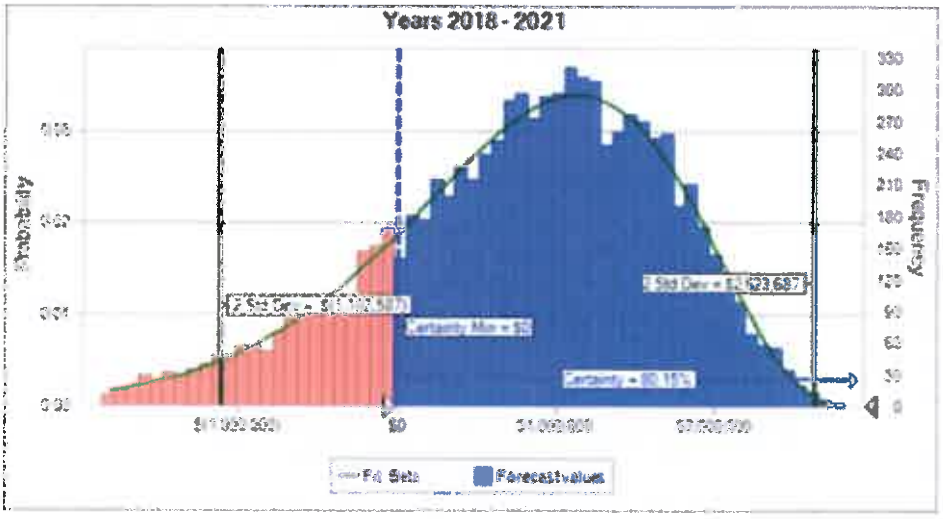

Figure B-7: Scenario 2, Years 2018–2021 Headroom Sensitivity

In years 2018-2024, the model expected outcome was $1,673,369 of cumulative headroom, with a mean of $1,641,092, a median of $1,880,810 and SD of $1,715,772. An interval of 2 SDs on either side of the mean ranged from ($1,790,253) to $5,072,438. This means that approximately 95% of the simulated outcomes are within this range. The certainty of headroom being greater than $0 is 83.32% (see Figure B-8). The probability of the outcome being less than $0 in the first seven years of operation is 16.68%.

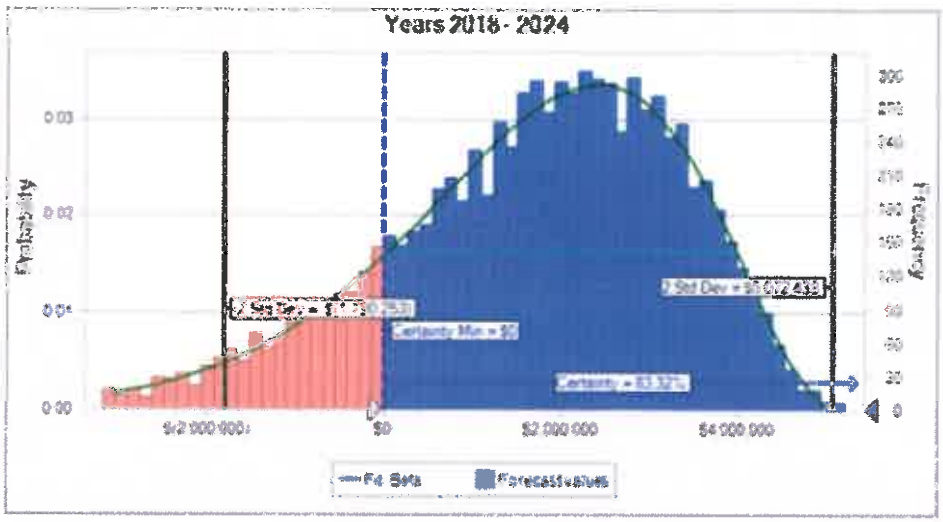

Figure B-8: Scenario 2, Years 2018–2024 Headroom Sensitivity

In years 2018-2027, the expected outcome was $2,895,135 of headroom, with a mean of $2,881,665, a median of $3,239,660 and SD of $2,840,736. An interval of 2 SDs on either side of the mean ranged from ($2,325,332) to $8,088,663. This means that approximately 95% of the simulated outcomes are within this range. The certainty of headroom being greater than $0 is 86.19%, as illustrated in Figure B-9. Alternatively, there is a 13.81% probability of the outcome being less than $0 in the first ten years of operation.

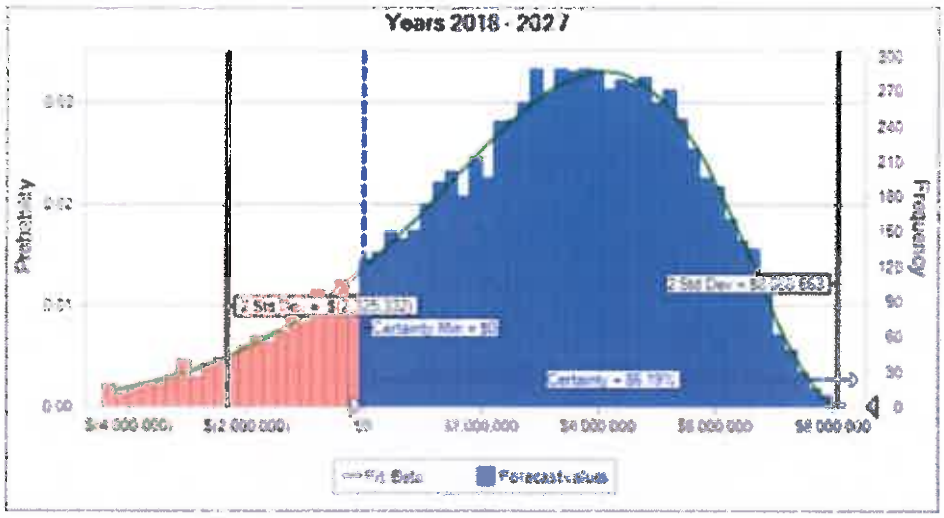

Figure B-9: Scenario 2, Years 2018-2027 Headroom Sensitivity

In the simulation, 2018, 2022, and 2027 energy supply costs per MWh are highlighted. This price includes system power, renewable energy costs, resource adequacy, congestion costs, CAISO charges and IOU service charges, but does not include PCIA charges, which will be addressed separately

The average 2018 annual supply cost in the expected outcome was $49.49 per MWh. However, in the simulation, the mean cost was $54.76 per MWh, with a median cost of $54.58, and a SD of $5.50. An interval of 2 SDs on either side of the mean ranged from $43.76 to $65.75. In 2022, the average annual supply cost in the expected outcome was $60.60 per MWh. In the simulation, the mean cost was $61.09 per MWh, the median cost was $60.96, and the SD was $4.75. An interval of 2 SDs on either side of the mean ranged from $51.59 to $70.59. Finally, the average 2027 annual supply cost in the expected outcome was $67.80 per MWh. In the simulation for 2027, the mean cost was $57.39 per MWh, with a median cost of $57.27, and a SD of $6.38. An interval of 2 SDs on either side of the mean ranged from $44.63 to $70.15.

As illustrated in Figure B-10, the expected outcome for the PCIA charge in 2018 was $27.37 per MWh. In the simulation, the mean PCIA charge was $23.98 per MWh, with a median of $23.11, and a SD of $7.02. An interval of 2 SDs on either side of the mean ranged from $9.95 to $38.01. In 2021, the expected outcome for the PCIA charge was $30.69 per MWh. In the simulation, the mean PCIA charge was $38.05 per MWh, with a median of $36.97,

and a SD of $10.14. An interval of 2 SDs on either side of the mean ranged from $17.77 to $58.33.

In 2024, the expected outcome for the PCIA charge was $24.51 per MWh. In the simulation, the mean PCIA charge was $27.11 per MWh, with a median of $25.91, and aSD of $8.38. An interval of 2 SDs on either side of the mean had a range of $10.35 to $43.87. Finally, the expected outcome for the PCIA charge in 2027 was $23.99 per MWh. In the simulation, the mean was $36.30 per MWh, the median was $34.96, and the SD $10.51. An interval of 2 SDs on either side of the mean ranged from $15.29 to $57.31.

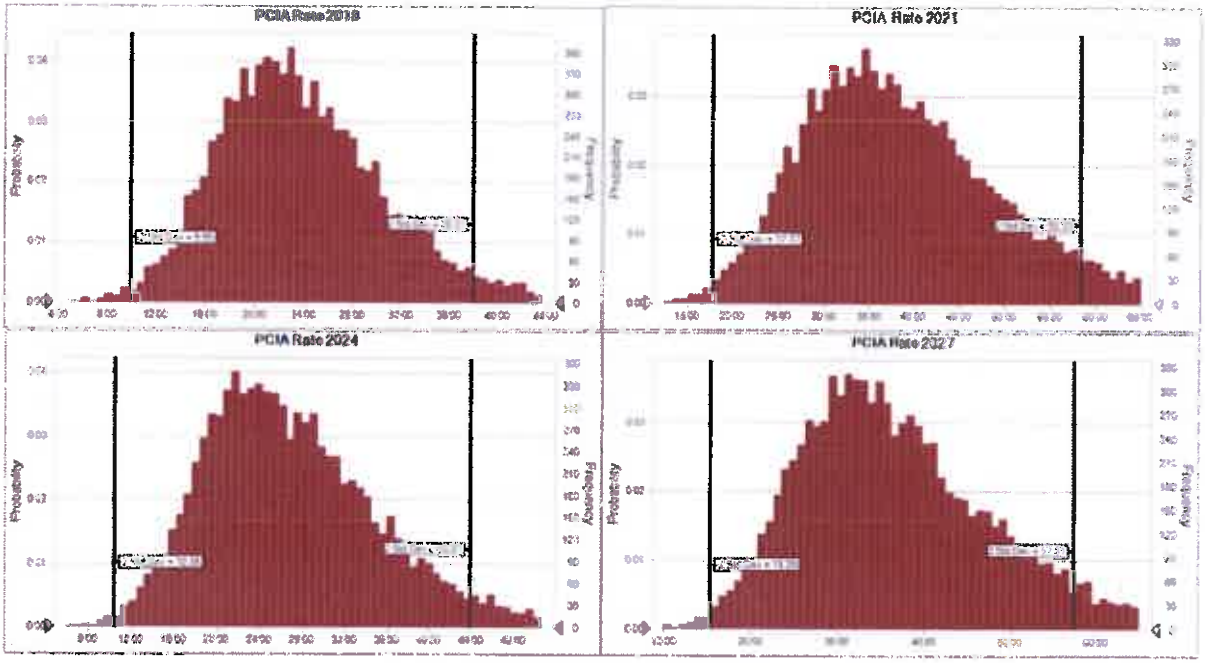

Figure B-10: Scenario 2, PCIA Charges for all Years

Scenario 3 - 50% Renewables with 75% GHG-Free Sensitivity

Table B-3 summarizes the results of range of headroom outcome during the simulation for Scenario 3.

In year 2018, the model expected outcome was $120,125 of headroom, with a mean of $91,357, a median of $99,154 and SD of $118,469. An interval of 2 SDs on either side of the mean ranged from ($145,272) to $328,605.

Table B-3: Summary of Scenario 3 Sensitivity Analysis

	Minimum Range	-2 SD Lower Bound	Mean	2 SD Upper Bound	Maximum Range
Headroom 2018	($473,825)	($145,272)	$91,357	$328,605	$450,792
Headroom 2018-2021	($3,794,553)	($1,043,289)	$783,733	$2,610,756	$3,105,689
Headroom 2018-2024	($6,636,008)	($1,670,027)	$1,685,370	$5,040,767	$5,388,105
Headroom 2018-2027	($8,229,252)	($2,141,468)	$2,946,604	$8,034,675	$8,320,037
Supply Price 2018	$38.14	$43.73	$54.74	$65.76	$76.76
Supply Price 2022	$46.86	$51.51	$61.07	$70.63	$80.08
Supply Price 2027	$39.98	$44.56	$57.26	$69.97	$79.18
PCIA Rate 2018	$4.13	$9.92	$23.90	$37.89	$57.76
PCIA Rate 2021	$13.65	$18.21	$37.97	$57.73	$64.92
PCIA Rate 2024	$6.75	$10.43	$26.93	$43.44	$64.59
PCIA Rate 2027	$9.92	$15.41	$36.25	$57.09	$65.00

This means that approximately 95% of the simulated outcomes are within this range. The certainty of headroom being greater than $0 is 79.89%, as illustrated in Figure B-11. Alternatively, there is a 20.11% probability of headroom being less than $0 in the first year.

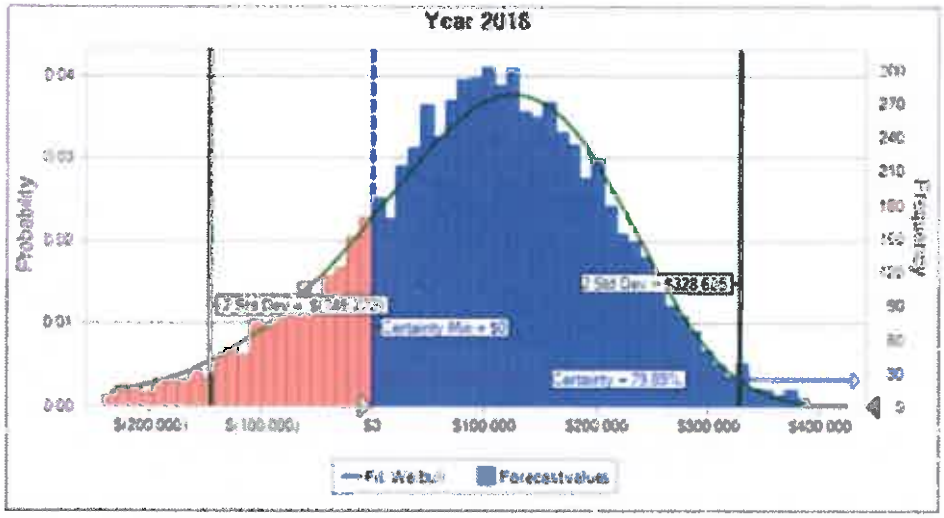

Figure B-11: Scenario 3, Year 2018 Headroom Sensitivity

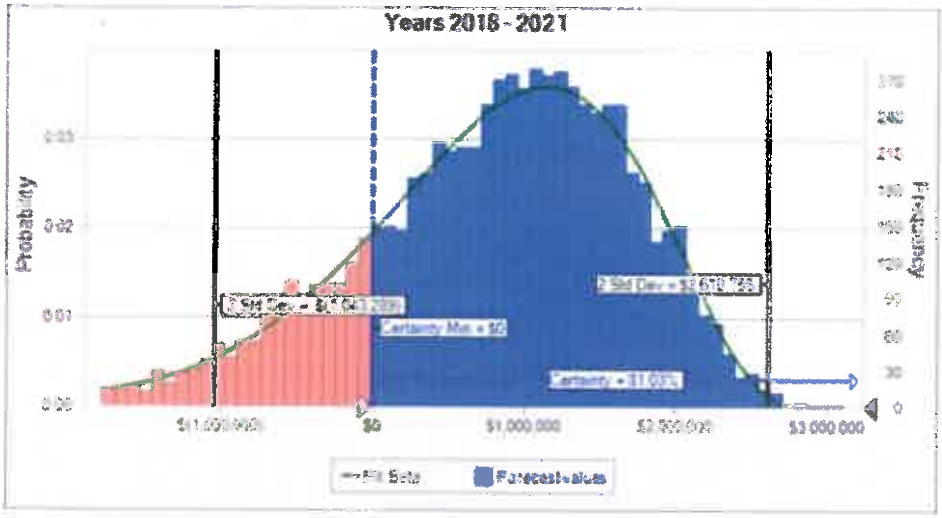

Figure B-12: Scenario 3, Years 2018-2024 Headroom Sensitivity

In years 2018-2021, the model expected outcome was $711,561 of cumulative headroom, with a mean of $783,733, a median of $902,173 and SD of $913,573. An interval of 2 SDs on either side of the mean ranged from ($1,043,289) to $2,610,756. This means that approximately 95% of the simulated outcomes are within this range. The certainty of headroom being greater than $0 is 81.03%, as illustrated in Figure B-12. Alternatively, there is an 18.97% probability of the outcome being less than $0 in the first four years of operation.

In years 2018-2024, the model expected outcome was $1,986,820 of cumulative headroom, with a mean of $1,685,370, a median of $1,920,402 and SD of $1,677,812. An interval of 2 SDs on either side of the mean ranged from ($1,670,027) to $5,040,767. This means that approximately 95% of the simulated outcomes are within this range. The certainty of headroom being greater than $0 is 84.09%, as illustrated in Figure B-13. Alternatively, there is a 15.91% probability of the outcome being less than $0 in the first seven years of operation.

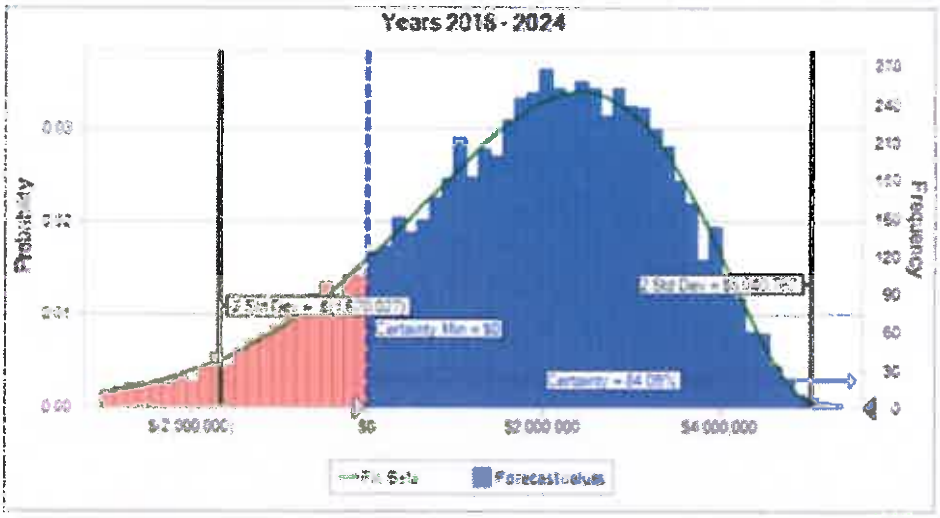

Figure B-13: Scenario 3, Years 2018-2024 Headroom Sensitivity

In years 2018-2027, the model expected outcome was $3,645,969 of cumulative headroom, with a mean of $2,946,904, a median of $3,303,629 and SD of $2,544,208. An interval of 2 SDs on either side of the mean ranged from ($2,141,468) to $8,034,675. This means that approximately 95% of the simulated outcomes are within this range. The certainty of headroom being greater than $0 is 86.54%, as illustrated in Figure B-14. Alternatively, there is a 13.46% probability of the outcome being less than $0 in the first 10 years of operation.

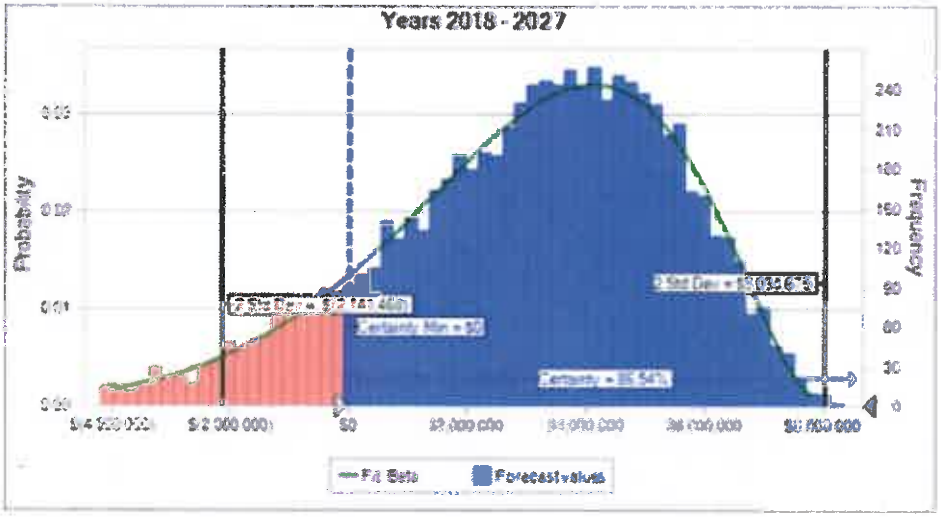

Figure B-14: Scenario 3, Years 2018-2027 Headroom Sensitivity

In the simulation, 2018, 2022, and 2027 energy supply costs per MWh are highlighted. This price includes system power, renewable energy costs, resource adequacy, congestion costs, CAISO charges and IOU service charges, but does not include PCIA charges, which will be addressed separately.

The average 2018 annual supply cost in the expected outcome was $49.49 per MWh. However, in the simulation, the mean cost was $54.74 per MWh, with a median cost of $54.55, and a SD of $5.51. An interval of 2 SDs on either side of the mean ranged from $43.73 to $65.76. The average 2022 annual supply cost in the expected outcome was $60.60 per MWh. In the simulation, the mean cost was $61.07 per MWh, with a median cost of $60.86, and a SD of $4.78. An interval of 2 SDs on either side of the mean ranged from $51.51 to $70.63. For 2027, the average annual supply cost in the expected outcome was $67.80 per MWh. In the simulation, the mean cost was $57.26 per MWh, with a median cost of $57.09, and a SD of $6.35. An interval of 2 SDs on either side of the mean ranged from $44.55 to $69.97.

As illustrated in Figure B-15, the expected outcome for the PCIA charge was $27.37 per MWh in 2018. In the simulation, the mean PCIA charge was $23.90 per MWh, with a median of $23.07, and a SD of $6.99. An interval of 2 SDs on either side of the mean ranged from $9.92 to $37.89. The expected outcome for the PCIA charge was $30.69 per MWh in 2021. In the simulation, the mean PCIA charge was $37.97 per MWh, with a median of $37.02, and a SD of $9.88. An interval of 2 SDs on either side of the mean ranged from $18.21 to $57.73.

The expected outcome for the PCIA charge was $24.51 per MWh in 2024. In the simulation, the mean PCIA charge was $26.93 per MWh, with a median of $25.90, and a SD of $8.25. An interval of 2 SDs on either side of the mean ranged from $10.43 to $43.44. In 2027, the expected outcome for the PCIA charge was $23.99 per MWh. In the simulation, the mean was $36.25 per MWh, the median $35.14, and SD was $10.42. An interval of 2 SDs on either side of the mean ranged from $15.41 to $57.09.

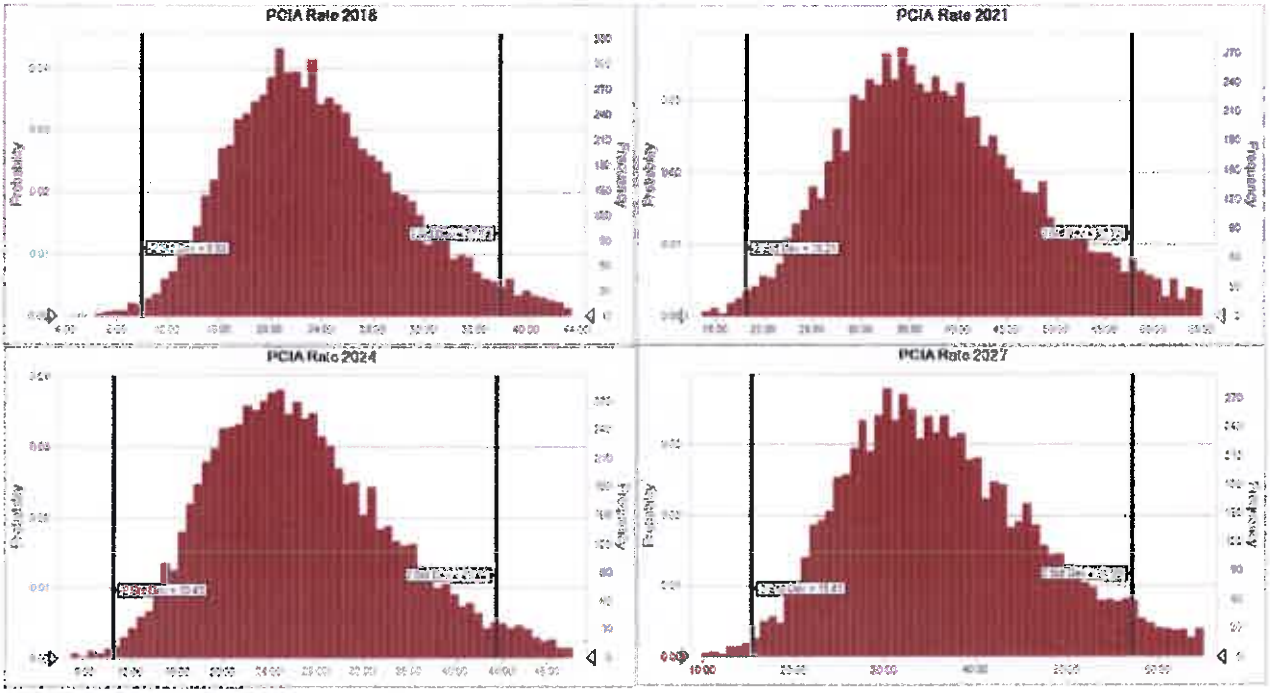

Figure B-15: Scenario 3, PCIA Charges for all Years

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APPENDIX C – GLOSSARY OF TERMS

aMW: Average annual megawatt. A unit of energy output over a year that is equal to the energy produced by the continuous operation of one megawatt of capacity over a period of time (8,760 megawatt hours).

Basis Difference (Natural Gas): The difference between the price of natural gas at the Henry Hub natural gas distribution point in Erath, Louisiana, which serves as a central pricing point for natural gas futures, and the natural gas price at another hub location (such as for Southern California).

Buckets: Buckets 1-3 refer to different types of renewable energy contracts according to the Renewable Portfolio Standards requirements. Bucket 1 are traditional contracts for delivery of electricity directly from a generator within or immediately connected to California. These are the most valuable and make up most of the RECs that are required for Load Serving Entities to be RPS compliant. Buckets 2 and 3 have different levels of intermediation between the generation and delivery of the energy from the generating resources.

Bundled Customers: Electricity customers who receive all their services (transmission, distribution and supply) from an Investor-Owned Utility.

California Independent System Operator (CAISO): The organization responsible for managing the electricity grid and system reliability within the former service territories of the three California IOUs.

California Energy Commission (CEC): The state regulatory agency with primary responsibility for enforcing the Renewable Portfolio Standards law as well as several other, electricity-industry related rules and policies.

California Public Utilities Commission (CPUC): The state agency with primary responsibility for regulating IOUs, as well as Direct Access, ESP, and CCE entities.

Capacity Factor: The ratio of an electricity generating resource's actual output over a period of time, to its potential output if it were possible to operate at full nameplate capacity continuously over the same period. Intermittent renewable resources, like wind and solar, typically have lower capacity factors than traditional fossil fuel plants, because the wind does not blow, and the sun does not shine, consistently.

Climate Zone: A geographic area with distinct climate patterns necessitating varied energy demands for heating and cooling.

Coincident Peak: Demand for electricity among a group of customers that coincides with peak total demand on the system.

Community Choice Aggregation (CCA): Method available through California law to allow Cities and Counties to aggregate citizens and become their electricity generation provider.

Community Choice Energy: A City, County or Joint Powers Agency procuring wholesale power to supply to retail customers.

Congestion Revenue Rights (CRRs): Financial rights that are allocated to Load Serving Entities to offset differences between the prices where their generation is located and the price that they pay to serve their load. These rights may also be bought and sold through an auction process. CRRs are part of the CAISO market design.

Consumption: The use of energy or the amount of energy consumed by an individual or organization.

Demand Response (DR): Electricity customers who have a contract to modify their electricity usage in response to requests from a utility or other electric entity. Typically, used to lower demand during peak energy periods, but may be used to raise demand during periods of excess supply.

Direct Access (DA): When large power consumers opt to procure their wholesale supply independently of IOUs, through an Electricity Service Provider.

EEI (Edison Electric Institute) Agreement: A commonly used enabling agreement for transacting in wholesale power markets.

Energy Service Providers (ESP): An alternative to traditional utilities. They provide electric services to retail customers in electricity markets that have opened their retail electricity markets to competition. In California the Direct Access program allows large electricity customers to optout of utility-supplied power in favor of ESP-provided power. However, there is a cap on the amount of Direct Access load permitted in the state.

Electric Tariffs: The rates and terms applied to customers by electric utilities. Typically different tariffs exist for different classes of customers, and different supply mixes.

Enterprise Model: When a City or County establishes a CCE by themselves as an enterprise within the municipal government.

Federal Tax Incentives: There are two Federal tax incentive programs.

1. The Investment Tax Credit (ITC), which provides payments to solar generators.
2. The Production Tax Credit (PTC), which provides payments to wind generators.

Feed-in Tariff: A tariff that specifies what generators are paid, when they are connected to the distribution system.

Forward Prices: Prices for contracts that specify a future delivery date for a commodity or other security. There are active, liquid, forward markets for electricity to be delivered at a number of Western electricity trading hubs, including NP-15 which corresponds closely to the price that the City of Davis will pay to supply its load.

Implied Heat Rate: A calculation of the day-ahead electric price divided by the day-ahead natural gas price. Implied heat rate is also known as the 'break-even natural gas market heat rate, because only a natural gas generator with an operating heat rate (measure of unit efficiency) below the implied heat rate value can make money by burning natural gas to generate power. Natural gas plants with a higher operating heat rate cannot make money at the prevailing electricity and natural gas prices.

Integrated Resource Plan: A utility's plan for future generation supply needs.

International Swaps and Derivatives Association (ISDA): Popular form of bilateral contract to facilitate wholesale electricity trading.

Investor-Owned Utility (IOU): For profit regulated utilities. Within California there are three IOUs - Pacific Gas and Electric, Southern California Edison and San Diego Gas and Electric.

Joint Powers Agency (JPA): A legal entity comprising two or more public entities. The JPA provides a separation of financial and legal responsibility from its member entities.

Load Data: Detailed information related to energy consumption by an individual, organization, or community.

Load Forecast: A forecast of expected load over some future time horizon. Short-term load forecasts are used to determine what supply sources are needed. Longer-term load forecasts are used for budgeting and long-term resource planning.

Marginal Unit: An additional unit of power generation to what is currently being produced. At an electric power plant, the cost to produce a marginal unit is used to determine the cost of increasing the power generation at that source.

MRTU: CAISO's Market Redesign and Technology Upgrade. The redesigned, nodal (as opposed to zonal) market that went live in April of 2009.

Net Energy Metering: The program and rates that pertain to electricity customers who also generate electricity, typically from rooftop solar panels.

Non-Coincident Peak: Energy demand by a customer during periods that do not coincide with maximum total system load.

Non-Renewable Power: Electricity generated from non-renewable sources or that does not come with a Renewable Energy Credit (REC).

NP-15: Refers to a wholesale electricity pricing hub - North of Path 15 - which roughly corresponds to PG&E's service territory. Forward and Day-Ahead power contracts for Northern California typically provide for delivery at NP-15. It is not a single location, but an aggregate based on the locations of all the generators in the region.

On-Bill Repayment (OBR): Allows electricity customers to pay for financed improvements, such as energy efficiency measures, through monthly payments on their electricity bills.

Operate on the Margin: Manage a business or resource at the limit of where it is profitable.

Opt-Out: Community Choice Aggregation is, by law, an opt-out program. Customers within the borders of a CCE are automatically enrolled within the CCE unless they proactively opt out of the program.

Power Charge Indifference Adjustment (PCIA): A charge applied to customers who leave IOU service to become Direct Access or CCE customers. The charge is meant to compensate the IOU for costs that it has previously incurred to serve those customers.

Power Purchase Agreement (PPA): The standard term for bilateral supply contracts in the electricity industry.

Renewable Energy Credits (RECs): The renewable attributes from RPS-qualified resources which must be registered and retired to comply with RPS standards.

Renewable Portfolio Standard (RPS): The state-based requirement to procure a certain percentage of load from RPS-certified renewable resources.

Resource Adequacy (RA): The requirement that a Load-Serving Entity own or procure sufficient generating capacity to meet its peak load plus a contingency amount (15 percent in California) for each month.

Scheduling Coordinator (SC): An entity that is approved to interact directly with CAISO to schedule load and generation. All CAISO participants must be, or have, an SC.

Scheduling Agent: A person or service that forecasts and monitors short-term system load requirements and meets these demands by scheduling power resources to meet that demand.

Spark Spread: The theoretical margin of a gas-fired power plant from selling a unit of electricity, having bought the fuel required to produce this unit of electricity. All other costs (capital, operation and maintenance, etc.) must be covered from the spark spread.

Supply Stack: Refers to the generators within a region, stacked up according to their marginal cost to supply energy. Renewables are on the bottom of the stack and peaking gas generators on the top. Used to provide insight into how the price of electricity is likely to change as the load changes.

Weather-Adjusted: Normalizing energy use data based on differences in the weather during the time of use. For instance, energy use is expected to be higher on extremely hot days when air conditioning is in higher demand than on days with comfortable temperature. Weather adjustment normalizes for this variation.

Wholesale Power: Large amounts of electricity that are bought and sold by utilities and other electric companies in bulk at specific trading hubs. Quantities are measured in MWs, and a standard wholesale contract is for 25 MW for a month during heavy-load or peak hours (7 am to 10 pm, Mon-Sat), or light-load or off-peak hours (all the other hours).

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APPENDIX D – ABBREVIATIONS AND ACRONYMS

The following is a list of abbreviations and acronyms used in this document.

AB	Assembly Bill
CAISO	California Independent System Operator
CARE	California Alternative Rates for Energy
CCA	Community Choice Aggregation
CCASR	Community Choice Aggregation Service Request
CCE	Community Choice Energy
CI	Confidence Interval
CPUC	California Public Utility Commission
CTC	Competitive Transition Charge
DA	Direct Access
DAM	Day-Ahead Market
DWR	Department of Water Resources
DWR-BD	Department of Water Resources Bond
EDI	Electronic Data Interchange
ESP	Energy Service Provider
FSO	Full-Service Option
GAAP	Generally Accepted Accounting Principles
GHG	Greenhouse Gas
IOU	Investor Owned Utility
IVR	Interactive Voice Response
JPA	Joint Powers Authority
LEC	Large Energy Company

LMP	Locational Margin Prices
MBCP	Monterey Bay Community Power
MCE	Marin Clean Energy
MW	Megawatt
MWh	Megawatt hour
ND	Nuclear Decommission Charge
NP-15	North Path 15
PCIA	Power Charge Indifference Adjustment
PG&E	Pacific Gas & Electric
REC	Renewable Energy Credit
RFP	Request for Proposal
RPS	Renewable Portfolio Standard
RTM	Real Time Market
SB	Senate Bill
SCE	Southern California Edison
SD	Standard Deviation
SDG&E	San Diego Gas & Electric
SQMD	Settlement Quality Meter Data

EXHIBIT 2

King City

Peer Review of CCA Feasibility Study

October 19, 2017

Prepared by:

EES Consulting

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EES Consulting

October 19, 2017

Mr. Steve Adams
City Manager
King City
212 South Vanderhurst Avenue
King City, California 93930

SUBJECT: Peer Review of CCA Feasibility Study

Dear Mr. Adams:

Please find attached the final report of EES Consulting, Inc.'s (EES) peer review of King City's Community Choice Aggregation (CCA) Feasibility Study.

EES would like to thank King City (City) staff for their assistance in the development of this report.

Best regards,

Gary Saleba
President

570 Kirkland Way, Suite 100
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Telephone: 425 889-2700 Facsimile: 425 889-2725

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Executive Summary

EES Consulting, Inc. (EES) was retained by King City (City) to provide a peer review of the King City Feasibility Study on Community Choice Aggregation (CCA) dated September 15, 2017 (Study). EES is well qualified to provide this peer review based on our extensive work over the past 40 years in the areas of electric utility power supply planning and procurement, rates and regulatory analysis, utility formation and merger studies, and more recently with emerging CCA programs in California. EES is currently doing the technical consulting for CCAs in Riverside, Los Angeles, Alameda and Butte Counties and the City of San Jose.

Our review of the City's Study is focused on examining five factors, which include the following:

1. Whether all of the necessary steps of forming a CCA have been considered;
2. Whether the technical analysis of load data, rate projections, cost comparisons and economic impacts appear to be done correctly;
3. Whether power supply alternatives are appropriate;
4. Whether environmental and economic development considerations have been adequately considered; and
5. Whether there are additional risks associated with a full-service option (FSO).

The Study provided a good background on the history and issues regarding the formation of a King City CCA. The Study and economic analysis are conservative in many ways. Given the early stage of the CCA development, the level of analysis contained in the Study is appropriate.

Below each key component of the Study will be critiqued.

Load Forecast and Power Supply Costs

The Study provided a reasonable estimate of CCA loads using data provided by PG&E as well as conservative estimates of growth rates based on the California Energy Commission (CEC) estimates. The approach used is consistent with other CCA feasibility studies and appropriate at this stage of analysis.

In terms of power supply costs, the Study used historical market pricing data to project future prices, with variability included as part of the sensitivity analysis. The Study analysis then added a premium for either renewables or GHG-free resources. This is a generic but acceptable approach.

Prices for renewables used in the Study have been developed based on data provided by wholesale energy traders and Reuters Eikon, which show an upward trend in price. It is EES's opinion that the escalation rate for renewable power is too high. In the EES analysis of other California CCAs, we have found that the price for renewables will remain static in nominal terms to balance the influence of offsetting market trends. Conversely, EES analysis has shown a

GHG-free premium of $6 per MWh, while the Study uses $4 per MWh. This lower assumption is not unreasonable, but would also offset some of the conservative cost estimates elsewhere in the study. Additionally, EES's recent analysis of solar plant offers in California suggests that the solar plant cost in the Study is high, although also not unreasonable.

CCA Costs and Comparison to PG&E Rates

The CCA administration costs used within the Study are all within a reasonable range of what EES would expect for a CCA of this size. If the FSO is accepted, the City should evaluate the financing options to ensure that expenses are minimized and returns are maximized.

PCIA values are the least certain factor in any CCA analysis, and also of great importance to the viability of the CCA. While the EES PCIA forecast differs from what is included in the Study, we do agree that the PCIA estimates contained in the Study are reasonable. The Study has accounted for the PCIA uncertainty in its wide range of PCIA values used in the sensitivity analysis.

Results of Cost Comparisons

On balance, the results of the Study are accurate enough to make policy decisions on whether the City should pursue the CCA option further. In EES's opinion, several assumptions made in the Study are conservative while others are a bit more aggressive. Ultimately these assumptions impact the headroom in offsetting ways. On the whole, the assumptions made in the Study are conservative and result in lower headroom than may actually be observed.

Risk and Sensitivity Analysis

The Study provided a thorough sensitivity analysis of the financial feasibility associated with forming a CCA, and used Monte Carlo analysis as a tool to determine expected outcomes. From a risk standpoint, there are several areas of uncertainty that the City should consider when evaluating the results of the Study and the FSO. These risks pertain to the financial stability of the FSO provider, the time-frame of pricing guarantees, the pass-through of some costs, and the "waterfall" order of payments. EES addressed each of these as potential areas of consideration.

Conclusions

EES concludes that the Study provided a reasonable approach to looking at the feasibility of forming and operating a CCA for the City. The assumptions related to load forecast and operating cost appear to be in the appropriate range. The participation rates, cost of renewable power and solar plant cost appear to be conservative, while the escalation of PG&E rates and the GHG-free premium appear to be slightly aggressive. These factors may offset to some degree, and EES believes that the overall headroom results may be conservative.

Overall, the Study provided an adequate level of analysis given the early stage of consideration by the City. In the opinion of EES, the Study is a good basis for making policy decisions about further consideration of a CCA for the City. The FSO allows the City to implement the CCA while shifting much of the risk onto the FSO provider. All risks and potential City impacts should still be fully considered despite the overall risk to the City being lower than those seen by other CCAs who have not entered into FSO agreements.

Introduction

EES Consulting, Inc. (EES) was retained by King City (City) to provide a peer review of the King City (City) Feasibility Study on Community Choice Aggregation (Study) dated September 15, 2017. EES is well qualified to provide this peer review based on our extensive work over the past 40 years in the areas of electric utility power supply planning and procurement, rates and regulatory analysis, utility formation and merger studies, and more recently with emerging CCA programs in California. EES is a registered professional engineering and management consulting firm that has been serving the utility industry since 1978. We currently have over 500 utility clients across North America, with our primary focus within the WECC reliability area. We are currently supporting CCA implementation for the County of Los Angeles, San Bernardino Associated Governments, Coachella Valley Association of Governments, West Riverside Council of Governments, the City of San Jose, the County of Butte and the County of Alameda. We also performed a similar peer review for Alameda County's East Bay Clean Energy and the City of Solana Beach. As such, EES is well-versed in utility operations globally and CCA-related issues in California.

Scope of Services for EES

EES's review of the City's Study is focused on examining whether the necessary steps of forming a CCA have been considered, whether the technical analysis of load data, rate projections, cost comparisons and economic impacts appear to be done correctly, whether power supply alternatives are appropriate, and whether environmental and economic development considerations have been adequately considered. The EES analysis did not duplicate the technical analysis performed to ensure numerical accuracy but it did include a critique of the inputs and analysis provided in the Study. Note that the EES review included the Study and the spreadsheet analysis provided by the City in conjunction with the CCA analysis.

Conflict of Interest

EES has no professional relationship with the author of the Study or any party of interest. EES's opinions expressed below are independent, and based upon EES's past and present work for California CCAs and our knowledge of the electric utility industry in California. EES has also not done any prior work for the City or its employees.

Background on CCAs

The Study provided a good background of the history and issues regarding the formation of CCAs. Many other Cities and Counties in the PG&E service area are also at various points of CCA exploration and formation. The City requested that the Study "fully assess with a high level of reliability the projected costs, revenues, operational considerations, and likelihood of long-term success of forming a CCA,"

King City has three main goals in pursuing a CCA:

- Reducing electric customer rates
- Increasing use of renewable resources, particularly through generation of local sources, such as solar plants, wind power, and programs to offer rooftop solar projects for low-income families at a reduced or no cost
- Installation of additional energy efficient streetlights throughout the City

Three options are available to King City as a result of the feasibility study:

- Approve the contract with Pilot Power Group, Inc.(Pilot) to develop, launch, and operate the CCA
- Join the Monterey Bay Community JPA at the next opportunity
- Not proceed with a CCA

CCA Structure

While the City already declined the invitation to join the Monterey Bay Community JPA and decided to proceed with the Study by Pilot, EES wanted to provide some discussion on the pros and cons of the various alternatives available to the City based on our experience. This discussion is not intended to endorse a contract with Pilot or any other alternative. Note that the Study refers to the proposed contract with Pilot as a "full-service option" or FSO and so we will continue to use that term in this discussion.

- Single Jurisdiction governance structure with FSO
  - Provides City with maximum local control
  - Allows City to target programs specifically for residents
  - Greater effort associated with formation of CCA
  - FSO takes on majority of formation requirements
  - Ability to better target City's own residents in formation and future marketing
  - Direct risk to the City as opposed to JPA
  - FSO takes on some risk
  - FSO provides working capital with cash requirements from City
  - More decision-making required by the City
  - More flexibility and timeliness in formation
  - Greater potential for local generation projects
- Joint Power Authority (JPA) governance structure
  - Most existing CCAs are JPAs
  - JPA completes the work without much effort from the City
  - Potential cost savings due to shared services
  - City may have less control over the process and operations
  - Risk transferred to the JPA
  - Less ability to customize for the City's residents

- Less ability to influence power supply options and choices
- Ability for JPA to have more influence in regulatory issues
- Greater size of JPA might lead to more parties offering power supply contracts
- Greater process in reaching agreement on decisions
- May take longer for formation and implementation due to the number of parties involved

Policy Issues

The Study discussed options for using electric bill savings from the CCA and provides a basic discussion of options, which include income-qualified rooftop solar installations, accelerated renewables procurement, solar-powered street lights, sustainable energy education funding, and a solar facility cited at the City landfill. Going forward, the City will need to develop clear objectives related to forming a CCA. It is not clear if these benefits are all equally important to the City or if one is the primary objective. By clarifying the objectives upfront, it is possible to better tailor the alternatives to meet the objectives of the City. This will be important in making decisions if the City decides to proceed with a CCA.

The following are some of the policy issues that need to be considered or addressed if the City proceeds with a CCA:

- Narrow the objectives of the resource portfolio. Options include:
  - Maximize the savings to customers
  - Deliver local renewable energy development and energy-efficiency programs at or above current budget levels
  - Reduce GHG emissions
  - Implement sustainable energy education programs
- Determine the split between savings passed on to customers through lower rates and revenues retained by the City for local projects
- Ensure City is protected from financial risk at lowest cost
- Develop a reserve policy and plan

Summary of EES Review

In summary, the EES peer review shows that the City has done a good job of looking at the CCA options and EES agrees that the results of the Study can be relied upon in making a choice on whether to proceed with the formation of a CCA. EES does, however, have some specific areas where we have highlighted some conservative estimates and their impact on the bottom line, particularly related to the PG&E retail rates, renewable and market prices, and the PG&E PCIA.

One additional area of concern is with regards to debt management, which may create additional liability for the City should customers choose to leave the CCA.

The EES analysis and comments that follow will help to confirm the results of the Study and provide some additional risk analysis for the City to consider. The following sections provide EES's detailed comments related to the various sections of the Study.

Load Forecast and Power Supply Costs

Load Forecast

One of the first steps in evaluating a CCA is the forecast of the electric loads for the City. The Study prepared the load forecast using load data provided by PG&E by rate class from 2014, 2015 and 2016. While EES did not review the actual data provided by PG&E, the approach used in the Study is appropriate and consistent with studies completed by other jurisdictions. The City residential and commercial loads were forecast to increase at a rate of 0.5 percent per year and agriculture and lighting growth was held at 0 percent. These growth rates are lower than the CEC forecast for the northern California region (0.7% for Bay Area), however the lower growth rate likely better reflects circumstances for the City.

One item related to the load forecast that requires some caution is in the area of load shape. Because the City loads are weighted to commercial and agriculture loads and do not include any industrial load, the power costs may tend to be higher than for some of the larger, more diverse communities forming CCAs. This is due to the fact that the load shape for smaller customers is more differentiated within a day and on a seasonal basis.

Based on the loads, the next step is to determine the participation rate for the CCA. The Study assumes an 85 percent participation rate, or a 15 percent opt out rate. While this is an acceptable level for analysis, it should be noted that participation rates for the operating CCAs range from 86 percent for Marin Clean Energy to 98 percent for Silicon Valley Clean Energy. The average level is 90 percent. Based on this information, the 85 percent assumption contained in the Study is on the conservative side. However, because most of the costs associated with the CCA vary with kWh sales, any impact associated with a change in the CCA sales will not have a significant impact.

Power Supply Costs

Given the amount of load to be served by the CCA, the next step is to forecast the power supply costs for the CCA. The Study bases all power costs off NP 15 projections, where renewables (Category 1) and GHG-free resources would be procured at a premium over NP 15 prices. The projections suggest NP 15 costs will escalate at an average rate of 2.5% per year, and Category 1 renewables premium will rise at a faster rate of 3.4% per year on average. Recently, California utilities have signed PPAs that remain flat over the contract period, with a value approaching $40/MWh. The Study assumed escalating prices for renewables of $52 to $67/MWh. A higher power cost for renewables could be seen as a conservative estimate stemming from the limited negotiating power of a smaller CCA. However, the Study does not discuss the level and importance of resource adequacy (RA) cost assumptions.

It is our opinion that the escalation rate for renewable power is too high. In the EES analysis of other California CCAs, we have found that the price for renewables will remain static in nominal

terms to balance the influence of two trends. First, renewable energy capital prices are being driven down by the rapidly declining cost of solar projects. This trend has persisted over the past five years and is expected to continue in the future. The imposition of trade tariffs on solar equipment may have a small effect on this assumption but not tariffs are currently applicable. Factors leading to this decline in renewable prices include declining manufacturing costs for renewable technologies related to increasing economies of scale, improved efficiencies related to technological advancements, and large capital costs relative to operating costs which tend to keep costs from increasing over time. However, this trend could be offset, in part, by the impact of increasing Statewide demand for renewables as a result of California's Renewable Portfolio Standard (RPS) laws, the increase in CCA formation and the potential loss of the investment tax credit (ITC) currently enjoyed by renewable project developers. While we believe the power cost assumptions may be on the high side, having a conservative estimate provides a better buffer for the City.

In past analyses, EES has assumed a GHG-free premium based on the price of carbon sold at recent California auctions, which was calculated to be $6/MWh, escalating at 2%. The GHG-free premium for the City is assumed to be a flat $4/MWh. While this is lower than what EES has estimated, it is a reasonable assumption and reflects recent indicative pricing collected by Pilot.

EES's recent analysis of solar plant offers in California suggests that the solar plant cost at $80/MWh is high, although not unreasonable. Recent experience has shown offers close to $50/MWh, and EES's analysis of other local solar pricing has concluded that pricing should fall close to $65/MWh. Due to the small scale of the installation, however, a premium may be justified.

Based on EES's experience, the Study assumptions related to power prices are conservative. If actual prices are lower than assumed by Pilot, there will be greater savings associated with a CCA. A wide range of prices is included in the Monte Carlo analysis performed in the Study, which succeeds in providing a more thorough picture of the impacts of pricing differences on the expected outcome.

Portfolios

The Study considers three different portfolio scenarios, as well as a baseline portfolio that closely matches the PG&E service. The portfolio scenarios include RPS compliance and 75% GHG-free generation. Over the three scenarios, the Study changes the renewables component, where either a local solar project is built or renewables are procured to achieve 50% renewables by 2020. While this approach is different from what other CCAs have done, it is appropriate at this stage of the analysis and likely better meets the needs of the City. The Study does not discuss whether Renewable Energy Credits (RECs) were used to fulfill renewables requirements within any of the portfolios.

CCA Costs and Comparison to PG&E Rates

While power supply costs are the biggest factor in total CCA costs, it is necessary to include all other costs associated with the CCA and compare the total to the costs of bundled service from PG&E.

In developing costs for the CCA, the Study included the cost of CCA power, the CCA management cost, the PG&E transmission and distribution charges, the PG&E meter and billing fees and the PG&E PCIA charges. These costs were then compared to the bundled PG&E rates to determine the potential savings or costs associated with forming a CCA. This is an appropriate approach.

CCA Administration Costs

The Study assumed a levelized Professional Service Fee of $0.0053/kWh, which corresponds to approximately $200,000 per year. This is a fixed fee each year and in actuality is not tied to a price per kWh. The Study is explicit regarding what is included in this charge, which covers tasks that would require CCA staff, consultants, and contracted services. Other CCAs have observed $0.003/kWh to $0.007/kWh for such costs, which include legal and regulatory services and technical consultants. The fee used in the Study is reasonable, particularly given the financial risk exposure being taken on by the FSO. The Professional Services Fee does not include the Billing and Data Management services, which will also be provided by the FSO provider. This fee is $1.15 per active customer per month, which corresponds to approximately $45,000 per year, and would add $0.0012 per kWh. The total CCA administration costs approach $0.0065 per kWh, which still falls within the range of other CCA costs. Because the City is a very small CCA, the administration cost does not achieve the economies of scale that some of the much larger CCAs can realize.

Lastly, Pilot has structured the FSO such that the City is not required to seek financing outside of the agreement. Pilot's financing is offered at 1.75% above the WSJ PRIME rate, where the CPUC deposit and three months of power supply are financed throughout the ten years shown in the Study. As reserves are built, it may be desirable for the City to reevaluate the amount of financing being provided by Pilot for opportunities to lower interest expenses and to allow for investing in other projects. Carrying the cost of three months of supply is a relatively aggressive strategy, particularly if debt is used rather than cash reserves. Other CCAs have planned to pay off debt obligations within the first 2-3 years of operation. Quickly paying down debt is recommended to reduce the City's risk exposure should customers leave the program and Pilot has assumed startup costs would be paid back over the first 12 months of operation. It appears that Pilot has structured the financing such that only interest is paid over the long term. Pilot has indicated, however, that the City could pay as much of the funds to cover the CAISO and other power supply payments as possible from customer revenues and/or other City funds. EES recommends that while the financing offered by Pilot is appropriate, the City should strive

to minimize this financing if possible to reduce risk and overall costs. An evaluation of other cash sources or financing options available to the City might be prudent.

PG&E Delivery and PCIA Rates

The Study forecasted increasing IOU generation rates over the first two years, with greater acceleration beginning in 2020 through 2025. The rates then fall through 2027. An escalation to the PG&E bundled rates for each rate class was determined for and applied to each year. Over the 10-year period, the escalation average is 1.2% per year. This is lower than the 2-3% that other CCAs have assumed based on increasing renewables share of generation per California RPS requirements.

For power costs from PG&E, it is necessary to look at the utility's resource mix, integrated resource planning in the future, and the impact of RPS requirements on the utility. Market prices for power will have an impact on the power costs to the extent there are market transactions included in the resource mix. The power cost is also linked to the PCIA amounts charged by PG&E.

According to the official 2015 power label report, PG&E had 29% renewable, 25% natural gas, 6% hydroelectric, 23% nuclear, and 17% market resources. PG&E may also need to invest in additional renewable resources based on CPUC and legislative direction. PG&E's power supply costs consist of costs associated with PG&E owned resources, generating resources under contract, contracts to meet Resource Adequacy requirements, and renewable resource contracts. The variable costs of these resources are tracked and recorded in the Energy Resource Recovery Account ("ERRA"). This method used for forecasting the PG&E power costs and the results are reasonable but conservative in EES's view.

Delivery charges from PG&E will apply to both a CCA and PG&E's bundled service. Escalation in these rates may be higher than for power supply as energy efficiency and distributed energy resources (i.e., customer-owned solar panels) reduce the sales per customer. The general trend will be the same with or without a CCA, but may impact the CCA to a greater degree if rooftop solar installations in the City increase considerably over time.

In the annual ERRA filing, PG&E also calculates the PCIA for Direct Access Customers and CCA customers. The PCIA is highly dependent on the assumed market benchmark prices used in the calculation as well as the assumption about departing load. PG&E has estimated the 2018 PCIA, but it will be updated later in 2017. If any of the new CCAs provide their Notice of Intent (NOI) before that time, that should act to impact the PCIA calculations.

For both the PCIA set for 2017 and estimated for 2018, the PCIA continues to increase for later vintages. For example, the PCIA set for the 2017 vintage is higher than the PCIA set for the 2016 vintage. Similarly, the estimated 2018 PCIA is higher than the 2017 vintage. This may be an impact of new resources, implying that PG&E is continuing to add more expensive contracts to their resource portfolio, or it may be due to the impact of estimated departing load or low

market prices. The increase in the PCIA is mainly driven by the drop in the market price benchmark price value of the contracts in the PCIA, and the IOUs have not been procuring resources lately. Past increases in PCIA are shown in Table 1. From 2016 to 2017, the PCIA for all rate classes rose considerably, however from 2017 to 2018, the PCIA is expected to rise much less. Table 2 shows how the City assumptions change between the time periods shown in the study.

Table 1
PCIA Change Over Time

	PCIA			Change	
	2018 (Draft ERRA)	2017	2016	2017-2018	2016-2017
Residential	$0.0338	$0.0291	$0.0150	16%	94%
Small Commercial	$0.0254	$0.0311	$0.0145	-18%	114%
Medium Commercial	$0.0243	$0.0187	$0.0125	30%	50%
Large Commercial	$0.0138	$0.0114	$0.0078	21%	46%
Streetlights	$0.0049	$0.0042	$0.0024	16%	78%
Agriculture	$0.0240	$0.0182	$0.0138	32%	32%

Table 2
King City PCIA Distribution Assumptions

PCIA	Mean	Lower Bound	Upper Bound	Change on Prior Time Period
2018	23.98	4.62	60.67	
2021	38.05	12.56	64.98	59%
2024	27.11	5.88	64.81	-29%
2027	36.3	9.92	64.86	34%

The 2018 PCIA range used in the Study appears to be quite large considering its relative certainty. The 2018 PCIA from the Draft ERRA filing and a weighted average value for the City should fall around $27/MWh. The PCIA distribution in the Study is similarly wide in subsequent years, however this may be justified given the high uncertainty around the future PCIA levels. EES has predicted that through 2020 the PCIA will increase, however it is expected that obligations to existing contracts will start to expire after that point and the PCIA will begin to fall. The Study suggests that on average the PCIA will vary considerably, both increasing and decreasing 30-40% over the 10-year period. While the distribution method of analysis creates possible ranges of the PCIA, it does not explore the interactions between the level of the PCIA, PG&E rates and the CCA power costs. If the PCIA increases, it is likely due to reduction in the market value, which may or may not effect PG&E's generation rate and the CCA generation costs in tandem.

While EES differs in our forecast of the PCIA from what is included in the Study, we do agree that the PCIA estimates are reasonable at this point. The PCIA values are the least certain

factor in any CCA analysis. Pilot has accounted for this in their wide range of PCIA values used in the sensitivity analysis.

Lastly, the IOU service charges have been assumed at a flat value of $6 per account per year for the Study. PG&E charges $0.44/account-month, which corresponds to $5.28 per account per year. EES estimates for this charge have fallen between $5 and $6 per account per year, depending on the size of the CCA and conservative nature of the other fee assumptions. Because of the small size of the proposed City CCA, it is recommended that IOU service charges fall on the high end of that range and therefore the numbers included in the Study are reasonable.

Results of Cost Comparisons

Based on the Study, savings associated with a CCA for the City are expected to result in savings of 1 percent for customers plus an additional $5.4 million in retained revenue over 10 years for the CCA in the baseline case, before project funding. In the solar project scenario, the savings to customers would be 1 percent and the retained revenue for the CCA would be $3.4 million.

On balance, the results of the Study are accurate enough to make policy decisions on whether the City should pursue the CCA option further. Table 3 below, outlines the key factors where EES forecasts differ from those used in the Study. These factors are both conservative and aggressive, and ultimately impact the headroom in offsetting ways. The remaining factors not outlined in this table are evaluated as reasonable. On the whole, the assumptions made in the Study are conservative and result in lower headroom than may actually be observed.

Table 3
Factor Influence on CCA Headroom

Factor	Evaluation	Bottom Line Impact	Included as Variable in Sensitivity Analysis?
Participation Rate	Low (Conservative)	Lower Revenues, Higher Expenses on Unit Basis; Lower Headroom	Yes
Renewable Power Cost (Renewable Premium)	High (Conservative)	Higher Costs; Lower Headroom	No*
GHG-Free Premium	Low (Aggressive)	Lower Costs; Greater Headroom	No*
Solar Plant Cost	High (Conservative)	Higher costs; lower headroom	No
PG&E Rate Escalation	Low (Aggressive)	Lower revenues; lower headroom	No
PCIA	High and Low	Uncertain	Yes

*Market pricing, or the underlying power cost, was included in the sensitivity analysis. The premiums were not explicitly included, although the analysis of market pricing could be considered to also include the premiums.

Risk and Sensitivity Analysis

The Study provided a thorough sensitivity analysis of the financial feasibility associated with forming a CCA, and used Monte Carlo analysis as a tool to determine expected outcomes. The risks analyzed were:

- Opt-out rate
- Market on-and off-peak pricing
- PCIA rate

These three variables have the largest impact on the headroom year to year. The remaining CCA costs are fixed or are directly impacted by the shifting opt-out rate. There are two additional risks that should be considered as part of the analysis: regulatory risks and retail rate risk:

- Regulatory risks – unforeseen changes in legislation may impact the results of the Study. These risks may impact both the CCA and PG&E.
- Retail rate forecasts – Because PG&E has existing resources, the impacts of changes in the market may affect PG&E's rates differently than the CCA's rates.

An additional source of risk for the City CCA under the FSO option arises from the CCA's dependence on the FSO provider's financial viability throughout the term of the agreement. Should the FSO provider declare bankruptcy or can no longer provide the services of the contract, the CCA may incur re-enrollment costs associated with all CCA customers returning to the IOU, additional costs associated with finding an alternate FSO or additional costs related to working capital requirements. EES has not done a review of the financial viability of Pilot and therefore offer no opinion on this issue other than to point it out. EES assumes the City has already considered this risk and done its due diligence on Pilot's financial stability.

Based on EES's review of the proposal response provided to the City, the City may be exposed to risks in choosing an FSO. These risks are not specific to Pilot and may or may not be areas of concern for the City.

- Pilot will guarantee pricing for at least the 5 years following the City CCA launch of service. Beyond that time, there is risk that pricing could change and render CCA operations unsustainable.
- Several pass-through costs could impact headroom should they differ greatly over time from what Pilot has initially estimated within the power supply costs. These items include resource adequacy, CAISO charges, and annual auditing. Pilot, in the RFP response, articulates that the cost of these pass-through charges was not estimated due to their considerable volatility.
- Within the "waterfall" order of payments, third-party vendors and Pilot are paid prior to CCA funding for reserves or rate stabilization. This makes sense, as additional funds after

all expenses are paid can flow into reserves, however it should be noted that this order of priority may reduce incentive for Pilot to pursue lowest cost options, knowing that they will be paid before reserves are generated. The City should consider periodic auditing of Pilot's performance on lowest-cost methods.

Conclusions

EES concludes that the Study provides a reasonable approach to looking at the feasibility of forming and operating a CCA for the City. The Study's assumptions related to the load forecast, participation rates and operating costs appear to be in the appropriate or conservative range.

Overall, the Study provided an adequate level of analysis given the early stage of consideration by the City. In the opinion of EES, the Study is a good basis for making policy decisions about further consideration of a CCA for the City. The FSO allows the City to implement the CCA while shifting much of the risk onto the FSO provider. All risks and potential City impacts should still be fully considered despite the overall risk to the City being lower than those seen by other CCAs who have not entered into FSO agreements.