

MINUTES OF THE VALLEY CLEAN ENERGY ALLIANCE
BOARD OF DIRECTORS MEETING
October 12, 2017

The Board of Directors of the Valley Clean Energy Alliance met in regular session beginning at 5:30 p.m. in the City of Davis Community Chambers, 23 Russell Boulevard, Davis CA 95616.

Board Members Present: Angel Barajas, Duane Chamberlain, Skip Davies (Alternate), Robb Davis, Lucas Frerichs, Don Saylor

Board Members Absent: Tom Stallard

Approval of Agenda L. Frerichs moved, seconded by A. Barajas, to approve the agenda. Motion passed by the following vote:

AYES: Barajas, Chamberlain, Davies, Davis, Frerichs, Saylor
NOES: None
ABSENT: Stallard

Public Comment None

Approval of Consent Agenda Approval of:

- Minutes from September 20, 2017 Meeting
- Regulatory and Legislative Update
- Long Range Calendar

A. Barajas moved, seconded by L. Frerichs, to approve the consent agenda. Motion passed by the following vote:

AYES: Barajas, Chamberlain, Davies, Davis, Frerichs, Saylor
NOES: None
ABSENT: Stallard

Approve Resolution Adopting the Valley Clean Energy Alliance Implementation Plan and Statement of Intent Mitch Sears, Interim General Manager
Staff Recommendation: Adopt resolution approving VCEA's Implementation Plan and Statement of Intent and authorize its submission to the California Public Utilities Commission (CPUC).
Gary Lawson, Manager, Energy Commodity Products, SMUD
The purpose of the Implementation Plan is to communicate to the CPUC how VCEA plans to achieve launch. The model inputs used in developing the plan are still preliminary. CCAs reserve the right to change assumptions and inputs as they move thru the planning and launch process.

Key Policy Elements

1. Initial resource mix/default product. Recommending 35% renewable and 75% carbon free power which exceeds PG&E levels and CA RPS mandate.
2. Competitive rates. Offer generation rates at parity or lower than PG&E; for purposes of I-Plan, assuming 1% lower inclusive of PCIA fee.

Board questions and staff responses are summarized as follows:

1. Is a discount of 1% attainable? Is that where we want to be? Would we prefer a higher differential?
2. If, in the future, the VCEA board wanted to offer rates with a more significant discount, could we do so?
3. What were the initial assumptions we were sharing with the community about the default product mix?
4. On page 20, what is the difference between retail services accounts and customer counts?
5. Are we correct in assuming that the doubling in the customer load forecast from 2018 and 2019 is due to the fact that in 2018, as launch is scheduled for June, we are only providing ½ a year of service?
6. On page 23, section 6.6.3, we all agree that we would like to avoid using unbundled RECS except in extenuating circumstances. Can you explain what “volume metric risk” would be and why that might result in us using unbundled RECs?
7. If we offer a 4-5% discount, it appears we can generate a 10% reserve.
8. How often can VCEA assess the discount?
9. When will the VCEA Board be considering rate-setting and reserve policies?
10. Is this Implementation Plan typical in terms of size, scope and level of detail?
11. Is it possible to include local power generation at the launch?
12. Is June 1 still an attainable goal for launch?
13. Does this plan achieve market desirability?
14. Are SMUD rates lower the PG&E rates?
15. Will VCEA customers still have to pay for transmission and distribution charges?

Staff Response

1. Yes, the 1% rate discount is attainable, but it is not a recommendation per se. This rate discount provides a sufficient cushion to build operating reserves. As a new enterprise, VCEA will want to establish credit and financial health. As the discount increases, it puts VCEA closer to not achieving reasonable operating reserves.
2. Yes. The VCEA board reserves the right to offer more significantly discounted rates in the future. Obviously, moving forward it is

- politically easier to increase, rather than decrease, the discount.
3. In the feasibility study, we were looking at a 50% renewable mix. In the financial model, we found some of the feasibility study's preliminary assumptions perhaps were a little aggressive. In reviewing the load forecast, the capacity of VCEA's load would be significantly greater than once assumed, so there is an increased resource cost to supply that capacity. In addition, the load PCIA assumption was low compared to what it is currently. This portfolio and rate discount are more fiscally conservative.
 4. A customer may have several accounts at different rates. For example a residential account for their home and a commercial account for the business. It is also possible to have multiple meters on one account.
 5. Correct. The financial picture for 2018 is significantly different as VCEA is only providing service for half of that year.
 6. The primary volume metric risk is load. When we are procuring renewables we are forecasting the required load. Loads can vary for a variety of reasons – one could be opt outs, the other might be temperature. A very hot summer will increase load. When we procure PCC 1 & 2 resources, those are done on contracts looking forward. If we under forecast what our load needs actually are, we might have to procure more renewables to meet the 35% renewable commitment and in that case, unless we have contracted ahead for that we are stuck at the end of the year. The only way to meet that 35% may be to procure some renewable attributes after the fact, which would be PCC 3 renewables. One way to avoid this would be to over-procure renewables, but there is a financial cost associated with that risk.
 7. Possibly. It is important to keep in mind that these forecasts are preliminary. After the implementation plan is submitted, better data will be available.
 8. The board can decide how often to assess rates.
 9. Rate-setting and reserve policies are on the long range calendar for discussion in November and December. After we submit the implementation plan, we will have better access to data for modeling. Moving forward, VCEA can assess the rate discount every time VCEA changes rates.
 10. Yes, this Implementation Plan is typical in terms of size, scope and level of detail.
 11. The current language in the plan does allow for local power generation. The challenge is that local power generators are already under existing contracts. It generally takes 2-3 years to start new local power generation projects, but staff can investigate what is available locally.
 12. Yes, June 2018 is still attainable for launch.
 13. Yes, this plan does achieve market desirability.
 14. PG&E rates are considerably higher than SMUD. If you look by rate class SMUD's rates can be as much as 30% lower.
 15. Yes, all charges related to transmission and distribution will stay the

same. The only thing that changes is the generation.

Board Requests

- Request to include a reference to Yolo County's Climate Action Plan history in the plan.
- Investigate if local power generation projects might be utilized for launch.

Public hearing opened pursuant to Section 366.2 of the Public Utilities Code

Gerry Braun, VCEA Advisory Committee, Chair

The VCEA Community Advisory Committee met on 9/27/2017 and heard a briefing on the Implementation Plan. Committee members offered general feedback at that time. The committee:

- Recognizes that the plan is a compliance plan that contains general intentions and does not bind VCEA to a specific path moving forward.
- Is pleased with the avoidance of unbundled REC's.
- Understands that non-renewable clean energy is a shrinking resource base and going 100% is not sustainable.
- Appreciates that the plan does not create unreasonable public expectations
- Encourages the board to proceed with a philosophy of under-promising and over-delivering.

Dan Carson, City of Davis Finance and Budget Commission

The board must ensure that VCEA can deliver on promises and ensure the long-term integrity of the new agency. If possible, it would be beneficial for to increase the rate discount differential. VCEA might look at other CCA programs launch processes and consider:

- Was their success linked with both lower rated and cleaner energy?
- Were both components highlighted in their pre-launch marketing?

Gerry Braun, VCEA Advisory Committee, Chair

Encourages VCEA to consider the possibility of a creating a third energy product composed of local renewable power. Many people in the Davis community have been waiting for community solar. Many people who have solar installed on their homes would like to fulfill their remaining energy needs with solar from VCEA.

Public hearing closed pursuant to Section 366.2 of the Public Utilities Code

Board Comments

- References to the creation of local power supplies and local energy programs within the service territory are referenced in several locations within the Implementation Plan.
- By moving forward with two rates VCEA does not preclude the potential addition of a third rate in the future.
- Adding a third rate would not necessitate amendment of the Implementation Plan.
- Board looks forward to conversation regarding rates and operational reserve policies.

A. Barajas moved, seconded by L. Frerichs to approve the resolution.
Motion passed by the following vote:

AYES: Barajas, Chamberlain, Davies, Davis, Frerichs, Saylor
NOES: None
ABSENT: Stallard

Approve Services Agreement with the Sacramento Municipal Utility District to provide VCEA Program Launch and Operational Services

Recommendation

1. Approve the SMUD as the service provider for VCEA program launch and operations.
2. Adopt a resolution authorizing the VCEA Interim General Manager, in consultation with VCEA Legal Counsel, to finalize a services agreement with SMUD, in substantial conformance with the Master Professional Services Agreement, for signature by the VCEA Board Chair.

Background

In July 2017, the board directed staff to conduct a comparative analysis of the RFP Responses and SMUD's proposal. Analysis concluded that the SMUD's proposal was mission aligned, cost competitive and offered significant operational advantages to VCEA. At the August 31, 2017 meeting, the board directed staff to negotiate a contract with SMUD

Terms & Structure of Agreement

VCEA's contract with SMUD will contain a Master Service Agreement and four task orders for each service element. The service elements are:

- 1) Technical and Energy Services
- 2) Data Management/Call Center
- 3) Wholesale Energy Services
- 4) Administrative & Staffing Support

The terms of the agreement are comprised of: Implementation (phase 1) plus 5 years (phase 2) with option to terminate some task orders partially or fully at the end of year 3; and with two 5-year extensions possible.

Master Service Agreement contains overarching legal agreements including

- Joint indemnification
- Flexibility to Re-Open Agreement
- Term and Extensions
- Termination and transition provisions
- Data/information ownership

Task Orders include:

- Scope of work for each service element
- Contract deliverables
- Fees/estimated budget for each task area
- Timing of delivery
- Term and termination

Tonight, VCEA board is considering the Master Services Agreement, Task Order 1 (Technical and Energy Services) & Task Order 2 (Data Management/Call Center).

At the November board meeting, Task Order 3 (Wholesale Energy Services) & Task Order 4 (Administrative & Staffing Support) will be brought back for board approval.

Financial Considerations:

- SMUD's fees are commensurate with fees paid by operational CCAs for similar services
- SMUD is deferring payment until October 2018; 2% interest on deferred payments began accruing on October 1, 2017
- Termination fees for withdrawal after year 3: o Task Order 1 – N/A; scope will be complete o Task Order 2 – 50% of remaining fee for the remaining portion of the 5-year term

Task Order	Scope	Cost/Year	Terms/Notes
TO-1 Technical and Energy Services	1.1 Implementation Plan 1.2 ProForma Financial Model 1.3 Operating Budget 1.4 Financing/Accounting Support 1.5 Rate analysis, Design, Rate Setting 1.6 Regulatory Filings 1.7 Initial Integrated Resource Plan	Not to exceed \$92,000 for term of TO plus travel and expenses (phase 1)	TO-1 will complete 3 months after launch. Additional services can be provided on hourly basis
TO - 2 Data Mgmt/ Call Center	1.1 Electronic Data Exchange Svcs 1.2 Customer Information System 1.3 Customer Call Center 1.4 Customer Enrollment Forms 1.5 Billing Administration 1.6 Settlement Quality Meter Data 1.7 Reporting	2018 - \$451,647 (7 months) 2019 - \$782,964 2020 - \$791,796 2021 - \$800,736 2022 - \$809,784 TOTAL ===== \$3,636,927	Fees for this TO are charged monthly @ rate of \$1.00/account (64,521 – 67,482 accounts)
TO - 3	Pending	Pending	
TO - 4	Pending	Pending	

Board questions and staff responses are summarized below:

1. We are projecting an increase of about 3,000 accounts. What underlies that assumption?
2. How will it work for VCEA to defer payment?
3. Is this material available to the public?
4. Task Order 2 will involve significant engagement with our VCEA customers. What part of the agreement will help us understand if our customers are being well-served?
5. How is Task Order 2 structured to allow us to take corrective action?
6. Has anyone made an estimate of how many FTE would be needed for VCEA to cover these tasks in-house?
7. When will in-house staffing be coming to the board for discussion?

Staff Responses

1. This projection is based on the residential increase expected via SACOG, along with an assumed opt out rate of 10%.
2. VCEA will not have cash flow until after launch. VCEA will be receiving invoices regularly, but SMUD will not be paid until October 2018. A 2% interest on deferred payments will begin accruing on October 1, 2017. There are termination fees for withdrawal after year 3.
3. Yes, material it is posted on the VCEA website and it is available tonight in hard-copy.
4. SMUD will provide regular reports with metrics on customer satisfaction.
5. SMUD will review metrics on a regular basis, and customers can always be transferred from the call center to VCEA staff.
6. No. All CCAs outsource the call center function. Staffing needs for a CCA can vary widely depending on the scope of what the CCA

attempts to accomplish.

7. We anticipate the discussion of staffing will be held with the board in December or January.

Public Comment

None

Mitch Sears, Interim General Manager

Many thanks to SMUD staff, individual Advisory Committee members, the board sub-committee and Eric May for all of the work in creating these agreements.

S. Davies moved, seconded by R. Davis to approve the resolution. Motion passed by the following vote:

AYES: Barajas, Chamberlain, Davies, Davis, Frerichs, Saylor

NOES: None

ABSENT: Stallard

VCEA Program Outreach

Rae Quigley, Circlepoint

The Strategic Marketing & Communications Plan outlines the scope of the proposed strategies for encouraging VCEA customer attention and awareness. Tonight's goal is to gather board feedback. Circlepoint will then work with the advisory committee to gather additional input. A finalized plan will return for board approval at the November meeting.

Public Comment

None

Board Feedback

- Page 5: "for yolo, by yolo" we may want to expand our geography in the future
- Page 6: messaging component. Some messaging are better than others.
- Page 12: Add Yolo Realtors, Yocha dehe Wintun Nation,
- Page 15: Timeline for social media starting in November in 2017, can we move that up sooner?
- Play with term Yolo "You only live once. Make it green"

L. Frerichs moved, seconded by A. Barajas to approve the Option 2 logo.

Motion passed by the following vote:

AYES: Barajas, Chamberlain, Davies, Davis, Frerichs, Saylor

NOES: None

ABSENT: Stallard

Community

Gerry Braun, Chair of Community Advisory Committee (CAC)

Advisory
Committee
Report

- At our last meeting the committee:
 - approved a draft vision statement for VCEA, which we plan to bring forward at your next meeting
 - reviewed SMUD rate models and Circlepoint's product models
 - began developing the CAC work plan
 - created task groups:
 - Launch Phase Outreach
 - Launch Phase
 - Regulatory
 - Public Forums
 - Thank you to Mitch for the time he has devoted to the committee, and to Christine Shewmaker & Marsha Baird for their leadership

Board Member
and Staff
Announcements

Mitch Sears, Interim General Manager

Last week, I attended the CalCCA Conference. This excellent, day-long program featured a panel on energy procurement, as well as a re-cap of recent regulatory & legislative efforts. CCA's are becoming more effectively organized and local officials have an important role to play in that advocacy. In his closing remarks, Geoff Syphers, CEO of Sonoma Clean Power, raised the idea that CCAs are more than just "clean and green" and challenged the attendees to consider what additional services CCAs can offer. He urged attendees to consider CCAs as an opportunity to communicate differently and challenged other operational CCA's to allocate resources to help disadvantaged communities fund feasibility studies. Sonoma Clean Power committed to allocate \$100,000.

VCEA will join CalCCA as a full member after our Implementation Plan is submitted.

Meeting was adjourned at 7:07 p.m.


Emily Henderson
Administrative Assistant