

MINUTES OF THE VALLEY CLEAN ENERGY ALLIANCE  
BOARD OF DIRECTORS  
November 16, 2017

The Board of Directors of the Valley Clean Energy Alliance met in regular session beginning at 5:30 p.m. in the Yolo County Board of Supervisors Chambers, 625 Court Street, Woodland, California, 95695.

Board Members Present: Duane Chamberlain, Robb Davis, Lucas Frerichs, Don Saylor, Tom Stallard

Board Members Absent: Angel Barajas, Skip Davies (Alternate),

Approval of Agenda Stallard moved, seconded by Frerichs to approve the agenda. Motion passed by the following vote:  
AYES: Chamberlain, Davis, Frerichs, Saylor, Stallard  
NOES: None  
ABSENT: Barajas

Public Comment None

Approval of Consent Agenda Approval of:  
• Minutes from October 12, 2017  
• Approval of Consultant Contract Extensions for LEAN Energy and Don Dame to continue to provide launch support services to VCEA  
• Authorization for VCEA staff to Negotiate a Banking and Credit Services Agreement for Board Consideration and Action at a Future Board Meeting  
• Regulatory and Legislative Update  
• Long Range Calendar

Stallard moved, seconded by Chamberlain to approve the consent agenda. Motion passed by the following vote:  
AYES: Chamberlain, Davis, Frerichs, Saylor, Stallard  
NOES: None  
ABSENT: Barajas

Approve Task Order 3 of SMUD Services Mitch Sears, Interim General Manager, VCEA  
Staff recommendation is to adopt a resolution authorizing VCEA General Manager and General Counsel to finalize SMUD professional services agreement 'Task Order 3' in substantial conformance with document in Board packet, and authorize the VCEA Chair to sign 'Task Order 3.'

Agreement related to the provision of Wholesale Energy Services

All task orders within the SMUD agreement include a scope of work for each service element, a contract of deliverables, fee estimates and budgets for each task area, and definitions for the term and termination of the contract.

The scope of deliverables for 'Task Order 3' includes: Load forecast model development, wholesale power procurement and risk policy and reporting, resource portfolio modeling and power supply budget, program launch filings,

scheduling coordinator service, load and resource portfolio operation service, wholesale load and resource settlements and verification, power portfolio purchase service, market risk instruments management, update portfolio model and report supply risk metrics, CAISO market monitoring, resource portfolio compliance reporting, credit support, and enterprise risk management program support

The term of 'Task Order 3' begins immediately and continues until 5 years post launch, June 2023. There is a framework in place that would allow VCEA to negotiate with SMUD to pull components of this task order in-house, if the board so chooses.

The cost of Wholesale Energy Services will be \$46,000/month through June 2019 and then subject to annual CPI escalation. Credit services are offered at 0.80 per megawatt hour/month, with hourly fees for additional staff support, as needed.

As a part of VCEA's comparative analysis process, staff found that these proposed costs comparable to other programs, with some benefits of having all tasks consolidated with one partner. The task order is consistent with the comparative analysis and the proposal SMUD provided.

Public Comment  
None

Board Questions & Staff Responses are summarized below:

1. Can you clarify the definition of locational risk?

Locational risk has to do with the point where you are purchasing energy in the market. Quite often the location where a generator places energy onto the grid is different from the place where a load serving entity pulls energy off the grid. The price of energy may vary between these two locations. This risk can be managed with products in the market, however, volumetric risk remains on a short-term basis.

2. What is the meaning of last sentence? "This risk can be managed with products in the market, however, volumetric risk remains on a short-term basis." Do you mean locational risk?

Yes. Locational risk remains.

Frerichs moved, seconded by Stallard to approve the staff recommendation as stated. Motion passed by the following vote:

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

Approval of VCEA  
Strategic Marketing  
and

Mitch Scars, Interim General Manager, VCEA  
Staff recommendation is to approve VCEA Strategic Marketing and  
Communications Plan. The primary goals of the plan are to:

Communications  
Plan

1. educate and inform the general public in Yolo County about VCEA
2. establish household recognition and trustworthiness for the VCEA brand within the County
3. minimize opt-outs while maximizing “opt-ups.”

The plan was previewed by VCEA Board at its September 20<sup>th</sup> meeting. The Community Advisory Committee Outreach Task Group offered significant input, and the full Community Advisory Committee recommended the plan for adoption at its meeting on November 6, 2017.

Rae Quigley, Circlepoint

Circlepoint’s progress updates include:

- revised communications plan based on input from CAC sub-committee
- conducted a photoshoot and collected aerial footage of Yolo County
- began to develop the creative collateral including logos for the specific product mixes and prototypical ads.
- developing a general collateral piece, as well as the Agricultural Customer Toolkit, which VCEA will be sharing with Farm Bureau.
- new website will be launched by the end of November.

Board Questions & Staff Responses are summarized below:

1. Will all collateral use local, Yolo County photographs?

Yes

2. Will the board receive a report at each meeting for effectiveness of communication plan?

Campaign metrics will be reported every month. Circlepoint staff will attend board meetings on a regular basis, but not every month.

3. On pages 84 & 85, why is it suggested that we contact Richard Heath and Associates (RHA)? Why were they chosen?

This was a mistake due to acronyms. The correct organization is the Rental Housing Association of Sacramento Valley.

Public Comment

None

Frerichs moved, seconded by Stallard to approve the VCEA Strategic Marketing and Communications Plan. Motion passed by the following vote:

AYES: Chamberlain, Davis, Frerichs, Saylor, Stallard

NOES: None

ABSENT: Barajas

Approval of  
Amended VCEA  
Implementation  
Budget for Fiscal  
Year 2017/18 and  
Fiscal Management  
Update

Chad Rinde, Assistant Chief Financial Officer, Yolo County  
Staff requests the board:

- Approve an amended budget for fiscal year 2017/18
- Accept a report on the accumulation of member agency costs

In August 2017, the board approved an initial budget and VCEA began operations using the startup contribution of \$500,000 from each member agency. VCEA has since approved contracts with Circlepoint and SMUD, which has clarified the financial forecast. Staff anticipates returning to the board at least twice before the end of this fiscal year -- once following the staffing plan is approved in January, and again when the power forecast has been refined in the spring.

As expected, the revised budget articulates VCEA's costs exceeding the 1.5 million dollars of start-up contributions. As planned, VCEA will need to start drawing on a line of credit, which will be repaid when VCEA launches and begins to generate revenue. The staff report includes a quarterly summary of the accumulation of member agency costs, which will be reimbursed following launch in 2018.

Board Questions & Staff Responses are summarized below:

1. Why did we not have anything budgeted for Data Management/Call Center in the initial budget?

Up to this point, all previous CCAs have all dealt with a single call center vendor. In each case, that vendor has deferred compensation until after launch. For this reason, we didn't include this item in the implementation budget.

VCEA's call center will be managed by SMUD. SMUD will begin developing call center capabilities and infrastructure prior to launch and will be deferring compensation until October 2018. However, staff is working to capture the full costs that are being accumulated.

2. Chair Saylor is interested in having the budget reflect only what VCEA expects to spend in the current year. As the budget begins to include pieces for long-term debt repayment, the board needs to be able to track the original 1.5 million so that the board can tell their colleagues exactly what VCEA is doing with the money that the member agencies have loaned to VCEA.

Staff will bring back a cash flow analysis and diagram for 2017-18.

3. These budget documents are available on the VCEA website?

Yes.

Public Comment  
None

Saylor moved, seconded by Stallard to approve the amended budget for fiscal

year 2017/18, accept the report on the accumulation of member agency costs and bring back a budget display that is tied to the original 1.5 million dollars and the cash flow for 2017-18.

Motion passed by the following vote:

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

Initial  
Consideration of  
the Draft VCEA  
Organizational  
Staffing Plan

Mitch Sears, Interim General Manger

Staff recommends that the board receive the draft staffing plan and provide feedback as desired. Board feedback will inform the creation of SMUD's final Task Order 4

Over the past few weeks, LEAN Energy, SMUD and Mitch have worked in partnership to design the proposed initial staffing plan. This plan uses minimal in-house staff and relies heavily on SMUD staff and other service providers in VCEA's early years. Overall, the plan is consistent with the Feasibility Study (2016) and Comparative Analysis (August 2017).

Shawn Marshall, LEAN Energy

Staff consulted several organizational charts and staffing plans of different CCAs from around the state, and worked to allocate VCEA's functions in a way that was consistent with both SMUD's proposal and expectations, and VCEA's desire to build capacity overtime, but to maintain a small and in-house staff in the early years.

The key considerations we used in developing this plan were:

- Consistent with budget estimates for the first few years of operation
- Reflective of necessary staffing functions for CCA programs
- Balances VCEA's need for capacity building with SMUD's experience
- Provides an appropriate allocation of staff to functions, including areas such as legal, regulatory and legislative that SMUD prefers not to provide
- Supports VCEA independent leadership and autonomy as well as local presence to support VCEA-specific outreach, community needs
- Offers flexibility to continue long-term outsourcing or build internal capacity over time

It is expected that this staffing plan will evolve over time.

Victoria Zavattero, Director, Energy Research & Development, SMUD

This model makes sense and allows VCEA to lean on SMUD's expertise when needed while maintaining VCEA's independence and fiduciary responsibility. We worked together to honor SMUD's commitment to provide VCEA with turnkey services, while providing the flexibility to allow VCEA to evolve in the future.

Leadership

- Board and CAC serving as autonomous leaders of VCEA

Functions that will continue to be outsourced by non-SMUD partners:

- General Counsel
- Regulatory Counsel
- Marketing
- Regulatory and Legislative Analyst
- Banking services

SMUD contracted services that are reflected in the Task Orders:

- Data Management/Call Center – SMUD is fully staffing this. No VCEA staff involved directly in this area.
- Wholesale Energy Services – In process.
- Technical and Energy Services – In process. This is the work SMUD has been doing this fall, led by Gary Lawson.
- Administration– Part of SMUD proposal was to offer an admin support on an hourly basis, this may become a full-time position.

SMUD Staff on Loan:

These are experienced SMUD staff who would be located within VCEA organization and report to the General Manager

- Director of Marketing & Customer Care
- Key Account Representative – Would work specifically with ag & commercial accounts to address customer issues prior to launch
- Director of Finance & Internal Operations

VCEA Staff

- General Manager
- Board Clerk/Admin Analyst
- Assistant General Manager, Director of Procurement and Programs
- Community Engagement Specialist – person who is based here and can be responsive at different community events

Summary Metrics of Proposed Staffing Plan:

- VCEA In House: 4 full-time equivalent
- SMUD Contract: ~12 full-time equivalent (hourly/contract and 2.5 dedicated staff)
- Additional Contract Services: < 1 full-time equivalent (i.e. general counsel, regulatory counsel/analyst, etc.)

Timing:

- Post positions in December for hire in January and through Q1 2018

Board Questions & Staff Responses are summarized below:

1. Why would VCEA need both a General Manager and the Assistant General Manager Power Procurement & Programs? How do they interact? Why

would we have an assistant GM?

This staffing recommendation comes from SMUD and LEAN Energy – the experienced players at the table. Because the General Manager would be absorbed with managing all of the different pieces, they would not be able to engage deeply on the critical technical aspects of power procurement. SMUD can certainly provide this skill set, but at the end of the day, SMUD is a vendor. It will be important for VCEA’s independence and fiduciary responsibility for VCEA to have internal staff with the skills to engage on the technical energy issues.

2. Is this a structure that can be phased in?

This is the bare-bones, launch structure that staff believes is necessary to ensure our capacity for launch and the first year. VCEA can certainly phase these positions in. In that case, VCEA will rely more heavily on SMUD. It is important for VCEA to start to build a foundation moving forward. And long-term the capacity may look different.

3. Will VCEA be able to fill these positions prior to launch?

Staff anticipates a robust applicant pool. East Bay just had a very successful recruitment process.

4. The SMUD staff on loan are not currently embodied in any of the Task Orders, is that correct?

Correct. All of the “on-loan” staff positions will be addressed in Task Order 4.

5. Director of Marketing, Director of Finance and Key Account Rep would be brought in under Task Order 4?

Yes.

6. Are these “on-loan” positions conceptualized as part-time services, or full-time?

They are envisioned to be full-time positions.

7. Does that require a different type of contractual arrangement?

Yes. Once we have received board direction, we will develop that arrangement in Task Order 4.

8. But they remain fully employed by SMUD, and SMUD funds their package, etc.? And we would negotiate some sort of all-inclusive hourly rate?

Yes. SMUD provided an hourly range in their proposal to cover the full cost.

9. When will Task Order 4 come before the Board?

At the December 2017 board meeting.

10. One of the metrics we were looking at when we were considering joining Marin Clean Energy was the proportion of the overhead costs as a part of the rates and how that crept up over time. Are there cost savings for this model compared to other models?

This model does not represent significant savings, however it is cost competitive. The ability to be flexible and only use the SMUD contract support that VCEA needs, does have potential to save on costs. The General Manager will need to manage how heavily VCEAs lean on SMUD staff.

11. It would be helpful to understand how we are analyzing cost containment and understand at what point it becomes cheaper for VCEA to hire our own staff.

Staff envisions this as the initial staffing structure, and that then VCEA will need to re-analyze after 12-18 months. After the first year, staff intends to return to the board with recommendations regarding staffing moving forward.

12. A Director of Finance has a strategic, leadership role. Help me understand the thinking of having that be a SMUD employee.

Staff had this discussion more than once. Staff believes that there is enough day-to-day financial management tasks, separate from the decision-making role, to absorb the Director of Finance's time. The JPA will retain the third party auditor and treasurer. The bulk of VCEA's fiduciary responsibility and risk will be in the annual purchase of \$50 million in power. Which was one of the reasons we wanted to have an internal VCEA staff member directly engaged in power purchasing. This proposal is a bit of a compromise to meet our goal of minimizing the number of VCEA staff at the beginning,

13. At the launch, is the Director of Finance, a full-time job?

Yes. Because it is highly focused on finance to begin with, but they are also responsible for Human Resources and IT and administration.

14. Could we consider having a VCEA staff (i.e. Chad) manage our finances, while a SMUD staff manage Human Resources and IT?

A certain amount of expertise is required to get this program live and VCEA is relying on our consultants and our external partners. We are trying to figure out how to balance SMUD's technical expertise with VCEA's financial oversight. Yolo County is not equipped at the outset to provide the level of



financial management needed. Chad does not have, nor does he claim to have, expertise when it comes to power purchases. Chad and Mitch have been in conversations about the appropriate oversight mechanism. Right now, we are utilizing the County Auditor and the County Treasurer for that oversight.

15. Would it be possible to bring forward the topic of financial oversight for a more in-depth discussion at a future meeting? We will have a bank contract, so that some sense that this contract is managed by internal VCEA staff or one of the member agencies. Perhaps when you return with Task Order 4 you could include a summary of oversight and internal controls?
16. Recommendation that the Regulatory/Legislative Analyst report directly to the General Manager.

#### Public Comment

Christine Shewmaker: Spoke in support keeping legal counsel and Regulatory/Legislative Analyst separate from SMUD and reporting directly to VCEA staff. Encouraged the board to consider not only immediate start-up staffing needs but also the long term vision of where VCEA needs to go.

Board Direction is summarized below

- General support for concept
- The board shares an interest in not starving the effort at the beginning, but wants to be fiscally prudent.
- Connect the Regulatory/Legislative function to the General Manager
- Along with Task Order 4, provide description of how financial oversight relationship and roles will work
- When Task Order 4 comes to the board, the board requests that it include financial information regarding costs and how it compares to a percentage of our rate base
- VCEA will need to work out the logistics of where all these people are going to sit.
- Board understands that the staffing structure will evolve over time.
- The board appreciates the collaborative work, which demonstrates excellent creative problem-solving, solid teamwork, hard work and clear thinking

#### Approval of VCEA Vision Statement

The VCEA mission statement directs day-to-day operations, while the vision statement is an aspirational, outcome-based document. It is a document that can be used internally to help us assess how we are doing.

The vision statement was developed by the Community Advisory Committee Task Group, and the committee recommended it for board approval at their meeting on November 6, 2017.

#### Public comment

None

Frerichs moved, seconded by Davis to approve the Vision Statement.

Motion passed by the following vote:

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

Review of  
Wholesale Power  
Procurement and  
Risk Management  
Policy

Gary Lawson, Manager, Energy Commodity Contracts, SMUD

The Wholesale Power Procurement and Risk Management Policy:

- Establishes Risk Management Program – with focus on commodity risk
- Identifies specific Risk Management functions and procedures to manage risks associated with power procurement activities
- Specifies roles and responsibilities
- Establishes Risk Management Standards

The key elements of this policy include:

- Enterprise Risk Oversight Committee (EROC). This VCEA staff committee would be delegated some authority by the board to make certain risk decisions. The Enterprise Risk Oversight Committee (EROC) will be able provide quick response to SMUD when we are in the process of procurements. This committee will be able to respond to SMUD's need for further direction in a matter of days. In addition the EROC will help establish some additional policies.
- Business Practices
  - General Conduct requirements
  - Notification of conflicts
  - Counterparty suitability
  - Transaction records
  - Transaction valuation
  - Stress testing
- Establishes criteria for Wholesale Energy Service Provider Front, Middle and Back Offices
  - Middle Office – Risk and Credit
  - Front Office – Execute trades
  - Back Office – Settlements
- Delegations of Authority
- Risk and Credit Monitoring and Reporting

Power Procurement Process Timeline

- December 2017: Finalize preferred portfolio mix/plan and requirements
- January 2018: Obtain approvals and delegations to trade for portfolio products
- January 2018: Implementation Plan Certification
- January 2018 – April 2018: Procurement Window.

Tom Stallard departed at 7:00pm

Board Questions & Staff Responses are summarized below:

1. How frequently will the EROC meet?

Initially, at least monthly with the possibility of additional ad hoc meetings.

Public Comment  
None

No action taken

VCEA Power  
Procurement  
Process Overview  
and Load Forecast

Gary Lawson, Manager, Energy Commodity Contracts, SMUD  
Power procurement process will begin after January 1, 2018. In order to begin power procurement, VCEA will need to finalize the portfolio power mix.

- December 2017: Finalize preferred portfolio mix/plan and requirements
- January 2018: Obtain approvals and delegations to trade for portfolio products
- January 2018: Implementation Plan Certification
- January 2018 – April 2018: Procurement Window.

The products that SMUD will be procuring for VCEA's portfolio will include:

- Power: PCC1, PCC2, ACS/SS2
- Resource Adequacy: System, Local Area, Flexible, Price Hedging Products

The potential channels of procurement include:

- Direct Solicitation to Counterparties for Bilateral Agreements
- Electronic Platforms (e.g. Intercontinental Exchange)
- Auction Platform (EnerNoc)
- Brokers
- Respond to Solicitations From Other Counterparties for Bilateral Agreements

The steps of procurement are:

- Obtain Directive/Delegation and Approval to Transact
- Go to Market
- Transact
- Route confirms (Internal to SMUD)
- Finalize and Sign Contracts (Internal to SMUD)

Michael Champ, Enterprise Performance, SMUD

The purpose of load forecast is to guide power procurement and produce accurate revenue forecasts for VCEA. To do this, SMUD's methodology is to:

- Normalize historical data for weather, population, and economy to get base case.

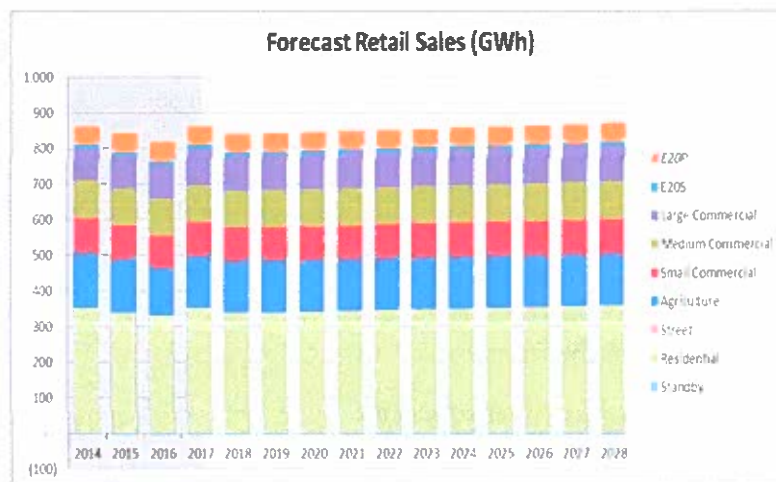
- Forecast growth in load per customer and customer count
- Adjust for known developments, Energy Efficiency, DER, etc.
- Forecast potential variability due to weather

SMUD uses load and customer count data from PG&E (2014-2017), weather data from UC Davis Experimental Farm/NOAA (1998-2017), and SACOG growth forecasts (2016 Estimates)

The load forecast customer count is as follows

2016 Billing Statistics for PG&E Customer Accounts (at Meter) for Yolo County				
Full Service	Davis	Woodland	Unincorporated	Total
Residential	26,871	20,640	8,863	56,374
Small Commercial	1,794	2,068	1,355	5,217
Medium Commercial	182	211	73	466
Large Commercial	93	100	58	251
E20S	-	2	5	7
E20P	-	1	1	2
Agricultural	3	28	2,201	2,232
Street	140	223	322	685
Standby	-	1	5	6
<b>Total</b>	<b>29,083</b>	<b>23,274</b>	<b>12,883</b>	<b>65,240</b>

Load forecast by year and customer class:



Key factor for variability is weather. During a hot year, more power is sold, there is more revenue and greater load.

Board Questions & Staff Responses are summarized below:

1. Why do you expect the weather to drop in 2018?

We plan our revenue on what is based on a “1 in 2” year, but we base our capacity based on a “1 in 10” year.

2. Are you modeling any differently due to higher night-time temperatures?

Yes, we look at heating degree days and cooling degree days. Typically, when customers have a heating degree day, you are not using it to cool at night.

3. Can you distinguish the "1 in 2" and "1 in 10" and explain how that effects purchase?

Typical budgeting practice is that you budget on expected, average weather – a "1 in 2" year, but on a capacity basis the system plans for more extreme weather - a "1 in 10" year. We are required to purchase an additional 15% because, at the end of the day, we need to be able to supply power.

4. What are some examples of the E20S and E20P categories?

Large industrial facilities such as the tomato cannery in Woodland.

5. What is West Village's category?

Staff can check and find out.

6. What is the difference between the E20S and the E20P categories?

It is whether or not they are secondary or primary transmission. It's really the level of voltage that is provided.

7. So Clark Pacific, Bogle other wineries?

Likely, yes. What is not shown on the customer count are direct access customers who are may be purchasing directly from non-PG&E source.

8. It might be helpful to identify who the direct customers are, because they may not always want to be direct access customers.

A more detailed version of this presentation was given to the community Advisory Committee meeting at their November 6 meeting. This background is intended to prepare the board for their policy discussions in December.

Community  
Advisory  
Committee Report

Gerry Braun, Chair, Community Advisory Committee

The CAC is charged to:

1. Advise the VCEA Board of Directors on VCEA's general policy and operational objectives, including portfolio mix and objectives, as well as technical, market, program and policy areas;
2. Collaborate with VCEA staff and consultants with community outreach to and liaison with member communities;
3. Provide a public forum to inform, advise and consult through community discussions on energy related issues and a wide variety of strategies to reduce carbon emissions;

4. Collaborate with VCEA staff with monitoring legislative and regulatory activities related to Community Choice Energy issues.

Thanks to our Outreach and Legislative/Regulatory Task groups we have been making progress on items two and four.

The Committee did not review the staffing plan, but most of the reports and presentations that the board is receiving, the CAC is reviewing a few weeks in advance.

The CAC has approved a calendar of upcoming meetings that is coordinated with the VCEA Board's work plan. The Advisory Committee has requested two meetings prior to the December 16 Board meeting. These meetings will take place at 5:30pm on Monday November 27 and December 4.

The board would appreciate having staff reports explicitly call out any Advisory Committee discussion and recommendations.

Board Member and Staff Announcements

Don Saylor spoke about VCEA at two community events the Woodland Rotary Club and the Yolo County Realtors Association. Lucas Frerichs spoke about VCEA at a recent Cool Davis event. Thank you to Circlepoint and Mitch for their assistance in developing slides for these presentations.

Mitch Sears, Interim General Manager

- We are creating a calendar of community events and we may be asking board members to speak to various groups.
- Mitch presented at the state-wide CCA conferences in Santa Clara. A Councilmember of Anaheim, was very interested in VCEA's collaboration with SMUD. It was a good reminder the work that VCEA is doing is ground-breaking and is catching eye of other parts of state.
- Mitch met with SMUD staff and the Farm Bureau to discuss how are rates are structured, what flexibility VCEA might be able to offer as soon as launch. The Farm Bureau is also interested in a bio-mass plant in Woodland, which would translate ag waste into energy.
- Mitch had an initial conversation with the Yolo Flood Control & Water Conservation District regarding their small hydro-plant at the Indian Valley Reservoir.

Meeting was adjourned at 7:28



Emily Henderson  
Administrative Assistant