

MINUTES OF THE VALLEY CLEAN ENERGY ALLIANCE
BOARD OF DIRECTORS
December 14, 2017

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

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

Board Members Absent: Skip Davies (Alternate)

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

Public Comment None

Approval of Consent Agenda Approval of:
• Minutes from November 16, 2017
• Long Range Calendar
• Approval of VCEA Contract for Insurance Coverage with YCPARMIA
• Approval of Full Membership in CalCCA – CCA Trade Association
• Fiscal Update – Pre Program Launch Expenditures

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

Regulatory and Legislative Update Mitch Sears, Interim General Manager
Recently, VCEA received a notice from CalCCA regarding CPUC Draft Resolution – E-4907. This draft resolution was issued on Friday, Dec 8, comments are due Dec 29, and a decision is expected as soon as January 11, 2018. This resolution sets new rules for launching new CCAs. It will not directly affect VCEA as VCEA submitted Implementation Plan in October. However, it may impact VCEA if VCEA chooses to expand at a later date. More generally, if passed, this resolution will have direct and immediate impacts on OCA's local control.

VCEA staff shares CalCCA's concerns regarding the expedited process and vague analysis of this resolution's intended goal and potential impacts. CalCCA is organizing comments and arranging meetings with Commissioners.

Staff requests that the board direct staff and the VCEA chair to address this issue before December 29, 2017.

L. Frerichs moved, seconded by A. Barajas to approve the Chair to work with staff to engage appropriately with CalCCA advocacy on this topic.

Motion passed by the following vote:

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

NOES: None

ABSENT:

Approval of Credit and Banking Services Vendor and Authorization of Contract Negotiations

Chad Rinde, Accounting Manager, Department of Financial Services, Yolo County
In Spring 2017, VCEA received three proposals for credit and banking services. The selection process was put on hold as the City of Woodland joined VCEA and the SMUD contract was negotiated. In November, VCEA requested re-proposals.

After assessing the proposals and conducting interviews, staff recommends VCEA enter into contract negotiations with River City Bank for credit and banking services. River City Bank has financial strength, will be a strong local partner with branch locations in Woodland and Davis, offered the lowest cost of credit, and has experience working with other CCAs.

Staff will return with a recommendation on the issues of a variable or fixed term loan at a later date.

Public Comment

None

T. Stallard moved, seconded by L. Frerichs to approve recommendations one and two. Motion passed by the following vote:

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

NOES: None

ABSENT:

Approval of VCEA Staffing Plan and Direction to Proceed with VCEA Employee Recruitment

Mitch Sears, Interim General Manager

At the November 2017 meeting, the VCEA Board reviewed and discussed the draft organizational chart. The chart was also discussed at the VCEA Community Advisory meetings. Based on input gathered at these meetings, the chart has been revised so that:

- 1) The regulatory/legislative analyst reports directly to the General Manager.
- 2) The Board Clerk/Admin Analyst reports to the Director of Finance & Internal Operations.

The rest of organizational chart remains unchanged. CAC considered the organizational chart and approved (by 7-0-1) the recommendation to support the recommended structure.

At the November meeting, the Board expressed a desire to separate VCEA and SMUD fiduciary responsibility. Staff discussed this desire and identified the following financial firewalls:

- 1) Yolo County finance staff will stay on as Treasurer
- 2) VCEA will seek a third-party book-keeping service
- 3) VCEA will have a regular independent, third-party audit

Board questions and staff responses are summarized below:

1. Why do we need so many people if SMUD is going to be running the show?

According to staff's research into the organizational staffing structures of other CCA's, this actually is a very lean structure. Only four positions are VCEA salaried positions, most positions are thru the SMUD contract.

2. What is the sequence for hiring these positions?

The first priority is Assistant General Manager and Board Clerk. The communications specialist will be coming in first quarter.

Public Comment:
None

L. Frerichs moved, seconded by T. Stallard to approve the updated VCEA staffing plan and direct staff to proceed with VCEA employee recruitment. Motion passed by the following vote:

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

Approval of SMUD
 Services
 Agreement Task
 Order 4 related to
 VCEA
 Organizational
 Staffing

Mitch Sears, Interim General Manager
 Staff recommends that the board adopt a resolution authorizing the VCEA Interim General Manager, in consultation with VCEA Legal Counsel to finalize the Professional Services Agreement Task Order 4 with SMUD.

Board questions and staff responses are summarized below:
 None

Public Comment:
 None

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

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

Approval of
 Financial Reserve
 Policy

Mitch Sears, Interim General Manager
 Staff recommends that the board adopt a resolution approving the proposed Financial Reserve Policy. The proposed reserve policy:

- Sets an initial minimum level of 30 days cash
- Longer term target of repaying startup capital (municipalities, deferred payments to SMUD, line of credit) and building to a target level of 90 days cash
- Establishing local program development fund of 1% of net income (approximately \$13,000 in 2018 and \$42,000 in 2019); may be adjusted upwards as net income grows

Board questions and staff responses are summarized below:

1. Is this policy tied to the 2018 annual year? Or the fiscal year?

This policy is not tied to a specific year.

2. The 1% reserve is labeled as a local program fund, not a reserve fund. Would this be evaluated each year? If there are expenditures out of this fund, would they be backfilled?

Start setting funding now, use it to build up a savings so that we can implement programs. The 1% is just a starting place.

3. Am I correct that this local program fund is not intended a reserve, but rather that it is intended to be invested in local programs.

Correct. Adopting this reserve policy would provide a guiding a framework for annual process of setting budget and rates. The goal of the policy is to give board as much flexibility as possible.

4. Is building a reserve of 90 days' worth of operating expenses an industry standard?

CCAs don't have an extensive history. Staff believes that a 90 day reserve should be sufficient to hedge against PCIA changes. The board might want to grow beyond 90 days at a later date.

5. What are other programs doing that are more mature?

This policy is fairly standard. Some are living at this level. However, the overall trend is moving towards more robust reserves to address rate stabilization and future volatility. There is the opportunity and it may be prudent to create additional reserve funds.

Board comment: A 90 day reserve is the equivalent of 25% of VCEA's operating budget. Yolo County has 15% operating reserve, as well as another reserves are used. This policy is a good start. We don't want to lose sight of our goal of local programs. And we will need to balance reserves with local programs

Public Comment:

None

Barajas moved, seconded by Frerichs to approve the staff motion. Motion passed by the following vote:

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

NOES: None

ABSENT:

Approval of Power Mix Targets and Target Electricity Rates for Calendar year 2018

Mitch Sears, Interim General Manager

Staff recommends that the board adopt a resolution approving:

- Power Mix Target for calendar year 2018 that has a total 75% clean energy supply, comprised of the following components:
 - 42% renewable energy
 - 33% non-renewable carbon-free energy (mainly large hydro)
- Target Rates for 2018 that are at a 1% discount to PG&E generation rates, net of Power Charge Indifference Adjustment (PCIA) and Franchise Fees imposed by the utility.

The Power Mix Targets and Rates are interconnected with the reserve policy and fiscal health of VCEA. The Community Advisory Committee had an in-depth discussion of Power Mix Targets and Rates. Following the CAC conversations, staff refined the model and made adjustments that have minor fiscal impacts but increase our renewable energy to 42%. It is assumed that moving forward there will be an ongoing, annual consideration of rate setting.

Public Comment:

Gerry Braun, Chair, Community Advisory Committee

Very good work that the committee did in regards to power mix. It is important to consider what message VCEA wants to send our customers relative to PG&E. Across the state, there is a great deal of variety within the renewables offered by different CCAs. It is also important to remember that this mix is for the default option. There will also be a 100% renewable option

Board questions and staff responses are summarized below:

1. Is 1 or 2% discount sacrosanct?

No. San Francisco offered a 0.26% discount.

2. Have we committed to a repayment timeline for the contribution of our founding members?

No. For most JPAs, repayment is happening within first 5 years. The current financial model reflects 3 year repayment.

Board comments are summarized below:

- VCEA has essentially two universally appealing sound bite issues -- price and renewable energy. Local control and local generation are appealing to some, but not all constituents.
- It is preferable to increase our rate discounts as time goes by, rather than to over-promise have to decrease the discount at a later time.
- In order for VCEA to succeed, it is critical to have enough rate payers. We should remain open to other jurisdictions potentially joining VCEA.

L. Frerichs moved, seconded by A. Barajas to:

- Adopt a Power Mix Target for calendar year 2018 that has a total 75% clean energy supply, comprised of the following components:
 - 42% renewable energy
 - 35% non-renewable carbon-free energy (mainly large hydro)
- Target Rates for 2018 that are at a 1% discount to PG&E generation rates, net of Power Charge Indifference Adjustment (PCIA) and Franchise Fees imposed by the utility.
- Add language laying foundation for local renewable resources as a part of the mix.

Motion passed by the following vote:

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

NOES: None

ABSENT:

Approval of
Wholesale Energy
Risk Management
Policy

Mitch Sears, Interim General Manager

Staff recommendation is to adopt a resolution approving the proposed Wholesale Energy Risk Management Policy.

Board questions and staff responses are summarized below:

None

Public Comment:

None

R. Davis moved, seconded by T. Stallard to approve the Wholesale Energy Risk Management Policy. Motion passed by the following vote:

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

NOES: None

ABSENT:

Community
Advisory
Committee Report

Gerry Braun, Chair, Community Advisory Committee

The CAC is in the process of organizing itself into three task groups focused on: Energy Issues, Outreach, and Legislative/Regulatory.

Board Member and Staff Announcements

T. Stallard offered his congratulations and thanks to Chair Don Saylor for his service and leadership during this critical first year.

Election of Chair and Vice Chair (Effective January 2018)

T. Stallard moves, seconded by A. Barajas moves to appoint Lucas Frerichs to serve as Chair for 2018. Motion passed by the following vote:

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

A. Barajas moves, seconded by L. Frerichs moves to appoint Tom Stallard to serve as Vice Chair for 2018. Motion passed by the following vote:

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

Meeting was adjourned at 7:32



Emily Henderson
Administrative Assistant

