

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Agenda Item 4

TO: Valley Clean Energy Alliance Board of Directors

FROM: Alisa Lembke, VCEA Board Clerk/Administrative Analyst

SUBJECT: Approval of Minutes from November 1, 2018 and November 15, 2018
Special Board Meetings

DATE: December 13, 2018

RECOMMENDATION

Receive, review and approve the attached draft Minutes from the November 1, 2018 Special Board / PCIA Workshop meeting and November 15, 2018 Special Board meeting.



**MEETING MINUTES OF THE VALLEY CLEAN ENERGY ALLIANCE
BOARD OF DIRECTORS SPECIAL MEETING
PCIA WORKSHOP
Thursday, November 1, 2018**

The Board of Directors of the Valley Clean Energy Alliance duly noticed their Special meeting scheduled for Thursday, November 1, 2018 at 5:30 p.m. at the Yolo County Board of Supervisors Chambers, 625 Court Street, Room 206, Woodland, California. A quorum of Board members was established and the meeting began at 5:34 p.m.

Board Members Present: Lucas Frerichs, Dan Carson, Don Saylor, Duane Chamberlain *

Board Members Absent: Tom Stallard, Angel Barajas

*=Duane Chamberlain departed at 6:50 p.m.

Approval of Agenda Chairperson Frerichs introduced the Board; informed those present that a quorum was established; that no action would be taken tonight as this is a workshop; and, that this is an information meeting only.

Director Saylor made a motion to approve the November 1, 2018 Agenda, seconded by Director Chamberlain. Motion passed unanimously with Directors Stallard and Barajas absent.

Public Comment Chairperson Frerichs opened the floor for public comment. There being no public comment, the floor was closed.

CLOSED SESSION The Board adjourned their meeting to go into Closed Session at 5:36 p.m. The Board returned to their Agenda at 6:00 p.m. Chairperson Frerichs stated that there was nothing to report out from Closed Session.

WORKSHOP Power Charge Indifference Adjustment (PCIA) VCE Staff Gary Lawson reviewed slides provided in the handout covering the PCIA decision, historical and proposed PCIA for PG&E, revised comparison base case, and an Excel spreadsheet (slide 7), showing the current PG&E calculated PCIA (less likely) and reduced operating costs.

Mr. Lawson reviewed several case scenarios:

Base Case (slide 8) updated PCIA estimate (more likely), reduced operating costs. Mr. Sears pointed out that it is key to look at the net margin and that, ideally, the number should never be lower than 5% of market.

Base Case (slide 9) - PCIA fully adjusted for recent power market pricing moves (less likely), reduced operating costs.



Mr. Lawson stated that there are policy options available and reviewed additional case scenarios:

Base Case (slide 10) – updated PCIA estimate (more likely), reduced operating costs and assumes PG&E rates remain flat. Mr. Lawson stated that Staff looked at lower rates from the current 2.5% less VCE rate, such as 1%, but the lower rates are not in this slide scenario.

Base Case (slides 11 and 12) updated PCIA estimate (more likely), elimination of rate discount, reduced operating costs. VCE Staff Lisa Limcaco addressed the revised NEM policy in this model of monthly billing with February annual true up.

Base Case (slide 13) – updated PCIA estimate (more likely), elimination of rate discount, deferral of NEM enrollment, reduced operating costs. This model assumes that the NEM Customers do not come in at all, but it will be a policy decision the Board will need to make and most likely it will only be a one-year deferral. Director Carson asked if they could see what the model looks like with only a 6-month deferral. Mr. Lawson replied that a 6-month deferral helps a little, but not enough, and suggested that the Board review information after a year to possibly bring NEM Customers back in 2020.

Several policy options to stabilize VCE financials (slide 14) were presented:

- Reduce/eliminate rate discount / match PG&E rates (0% discount) and adopt dividend (similar to MBCE approach)
- NEM options: 2019 enrollment deferral, revisit for 2020 / eliminate NEM generation premium
- Reduce renewable/clean energy content
- Trim operating costs

Mr. Lawson reviewed the benefits of eliminating the rate discount and deferring NEM enrollment (slide 15). Director Carson stated that he is concerned how postponement of NEM is communicated to the NEM customers.

Mr. Sears stated that in anticipation of major policy changes that will most likely have to be made, he asked Mr. Jim Parks, VCE Director of Customer Care and Marketing, to put together a marketing strategy.

Mr. Parks reviewed with those present the marketing strategy, which includes public outreach meetings, messaging, and opportunities for customers to express their concerns and ask questions. Chairperson Frerichs stated that the Board and CAC Members need to also support messaging of VCE. Mr. Parks reviewed a marketing schedule addressing our website, social media, call center, newspaper, and partnerships with other agencies/entities.



Mr. Parks announced that the SACOG grant is forthcoming, which lays the foundation for further advancement in the communities that are served by VCE. A SACOG phone conference call is scheduled tomorrow get more information. He stated that a joint press release is forthcoming after all parties agree and after the final definitive award has been made which is scheduled to be heard in mid-December by the SACOG Board.

Chairperson Gerry Braun of the Community Advisory Committee (CAC) provided a recap of the CAC's October 29, 2018 meeting discussion on PCIA as follows:

1. Communications with Customers need to remain positive while emphasizing VCE's long term vision, cost competitiveness with PG&E, and clear communications of PCIA increase and resilience of VCE.
2. Aim to avoid an increase in opt-outs and encourage community support to opt-up.
3. Consider year-end rebate or other similar approach.
4. Consider load shifting / energy efficiency messaging.
5. Encourage VCE to look at other options to deferring NEM customer enrollment, while lessening the financial impact to VCE, such as, possibly removing the \$0.01 cent premium on net generation. Encourage the Board to consider the long-term strategic impact of delaying NEM customer enrollment.
6. VCE needs to retain the flexibility and capacity to ensure VCE's short and long-term vision.

Chairperson Frerichs thanked the CAC for presenting the recap of their PCIA discussion and for the work of the CAC.

Comments:

Director Saylor reiterated that he does not want to deter long term vision with short term decisions/policy changes, while focusing on "retaining flexibility and capacity to ensure short and long-term vision" recapped in the CAC's discussion. In addition, he believes that there has to be a discount of some amount as VCE customers not only live "renewable" but appreciate the discount. He reminded those present that there are always opportunities in an "issue" environment. He encourages increasing communications with large accounts, getting the message out that we are "steering the course", and enlisting the community to be a part of this process/journey.

*=Duane Chamberlain departed at 6:50 p.m.

Director Carson commented that there are too many moving parts with information coming in daily, and as a result, the Board will most likely finalize the best course of action at their December Board meeting.



He is interested in learning more about the reduction to operating costs and what the implications are to the budget. He also supports the marketing solutions as suggested by the CAC and the implications to some of the ideas expressed in their recap.

Chairperson Frerichs asked for clarification as to why the account amounts remain the same in slides 11 and 12 for the 2018, 2019, 2020, and 2021 years, because of NEM enrollment? Yes.

Chairperson Frerichs commented that he would also like to see a 1% model so there is some form of discount and offering something tangible is important. He likes the Monterey structure, which needs to be explored further, but he is not sure how to have that discussion. He believes it is important to bring in the NEM customers, having them in VCE as customers is better for VCE in the long term, and expanding VCE areas thereby increasing the number of customers. In regard to the NEM customers, it would be good to offer an incentive, although not large, but something. And, not delaying enrollment of the NEM customers. He reminded those present that one of the primary goals of VCE is renewables, so not certain if we want to reduce our renewables. The more VCE can show the public that VCE is doing what they proposed to do is important.

Mr. Sears stated that Staff can provide a 1% discount rate model. He reminded those present that anything less than 5% net margin is not good business practice nor is it acceptable to the terms of VCE's agreement with River City Bank. Mr. Sears stated that VCE is already passed due its sixty (60) days prior to enrollment notification to enroll NEM customers in January 2019.

Chairperson Frerichs stated he understands the keeping above the 5% net margin, but what about the net income - what are the legal requirements to have a balanced budget for JPAs? Ms. Harriet Steiner, VCE legal counsel, stated that JPAs need to have a balanced budget, so various blocks are moved around in order to accomplish this. Mr. Lawson informed those present that once VCE's reserves are built up, VCE can use their reserves to assist with balancing the budget, but that is not where VCE is currently.

Mr. Sears reminded those present that recommendations will be forthcoming to be addressed at the Board's upcoming meetings on November 15th and/or at its regularly scheduled meeting in December.

Board Member and Staff Announcements

Mr. Sears informed those present that the SACOG grant awards were announced, of which VCE in conjunction with the Cities of Woodland and Davis and Yolo County are identified as a grant recipient. Director Saylor said this was a competitive grant, congratulated those who worked on the application and stated



that this was a great opportunity to do a lot. Chairperson Frerichs thanked VCE staff and the collaboration that occurred.

Announcements The next VCEA Board meeting has been scheduled for Thursday, November 15, 2018 at 5:30 p.m. at the Yolo County Board of Supervisors, 625 Court Street, Room 206, Woodland, CA 95695

Meeting was adjourned at 7:02 p.m.

Alisa Lembke
Board Clerk/Administrative Analyst



**MINUTES OF THE VALLEY CLEAN ENERGY ALLIANCE
BOARD OF DIRECTORS SPECIAL MEETING
NOVEMBER 15, 2018**

The Board of Directors of the Valley Clean Energy Alliance duly noticed their Special meeting scheduled for Thursday, November 15, 2018 at 5:30 p.m. at the Yolo County Board of Supervisors Chambers, located at 625 Court Street, Room 206, Woodland, CA 95695. Chairperson Lucas Frerichs established that there was a quorum present and began the meeting at 5:30 p.m.

Board Members Present: Lucas Frerichs, Tom Stallard, Dan Carson, Don Saylor, Duane Chamberlain (* departed at 6:10 p.m.), Skip Davies

Board Members Absent: Angel Barajas

Approval of Agenda Director Chamberlain requested that Item 14 – PCIA on the Regular Agenda be moved to immediately follow the Public Comment period before the Consent Agenda items. Motion made by Director Chamberlain to approve the amended November 15, 2018 Agenda, seconded by Director Carson. Motion passed unanimously with Director Barajas absent.

Public Comment Chairperson Frerichs opened the floor for public comment. There being no public comment, the floor was closed. Chairperson Frerichs moved to Item 14 – PCIA.

Modifications to VCE’s rate structure, rate discount, and postponement of NEM Customer Enrollment to address CPUC PCIA decision VCE Interim General Manager Mitch Sears introduced the item through a PowerPoint presentation and started by providing a brief overview of the California Public Utilities Commission’s (CPUC) ruling on the Power Charge Indifferencef Adjustment (PCIA). VCE Staff Gary Lawson reviewed the key financial impact factors (slide 9); PCIA History/Comparisons (slides 10 - 12); Resource Adequacy (slide 13)load forecast changes by California Energy Commission (CEC) and Forward Power Market Costs (slide 14).

Mr. Sears introduced VCE Staff Lisa Limcaco. Ms. Limcaco reviewed financial obligations (slide 15) in summary: SMUD contract requiring a reserve account; River City Bank (RCB) credit agreement - Line of Credit; and, RCB credit agreement converts to a term loan, a minimum Debt Service Cover Ratio (DSCR) must be met.

Mr. Sears reviewed Staff recommendations of policy modifications (slide 16): adopt a minimum net margin target of 5%; postpone enrollment of NEM customers until at least January 2020 with a reassessment in mid 2019; for 2019, VCE match PG&E generation rates less PCIA fee; and, study adoption of new rate structure featuring an annual dividend rate structure starting in fiscal year end 2020. Please note that the operating cost savings for 2019 have been incorporated into the Board approved budget.



Ms. Limcaco reviewed operating costs savings (slide 17); the impacts of policy modifications on VCE financials (slide 18); and, results of policy modifications from Base Case (slide 19). Directors raised questions about 1) possible loan revisions, 2) meeting VCE's long term goals, and 3) broader conversation with RCB. Ms. Limcaco stated that she would like to wait until PG&E rates come out before talking about revisions to the loan with RCB. Mr. Sears informed those present that RCB is very experienced in this arena and they are comfortable with our plan and projections. He stated that more detailed conversations are anticipated to occur.

Mr. Lawson reviewed briefly PCIA rates and power costs. Other items that were discussed were: 1) details of scenarios presented, 2) short- and long-term electricity generation costs, 3) potential of PCIA charge going down in the future, 4) the need for future analysis if customer base goes up or down, 5) costs associated with bringing on NEM customers, and 6) load forecasting.

Mr. Lawson commented that it is very difficult to forecast whether PCIA charges will go down. Mr. Sears reiterated that formal talks with RCB are in the works; and, VCE is being proactive and has not used all of the line of credit. A question was asked when would the 3 jurisdictions be paid back their loan amounts to VCE. Ms. Limcaco reminded those present that RCB must be paid back first before the jurisdictions and that the financial forecast shows that they would be paid back in five (5) years instead of three (3) years. Mr. Sears stated that there will be opportunities to address additional issues, such as PG&E load costs being spread across to all, even to those who recently entered into the process.

Director Chamberlain departed at 6:10 p.m.

Mr. Sears reviewed the impact of PCIA change to VCE revenues in 2018 and 2019 (slide 20); the benefits of deferring NEM enrollment and matching PG&E electric generation rates (slide 21); timing of CPUC decision on PG&E electric rates, including PCIA (slide 22); and, reviewed draft outreach strategy (slides 23 and 24).

Chairperson Frerichs opened the floor for public comment.

Ms. Christine Shewmaker introduced herself speaking as an individual resident, not as a CAC Member. Ms. Shewmaker expressed her frustration that bringing on NEM customers has again been postponed a second time. She commented that Senate Bill 2037 – Direct Access, will have an impact during the next few years. In addition, she commented that VCE's customer outreach will be difficult and will most likely not be received well.

There being no other public comments, Chairperson Frerichs closed the public comment period and opened the floor to the Board.



Director Carson made comments that VCE needs to address the issues as delaying does not help; he supports Staff's recommendations because of the financial projections are so drastic; he would like to restore some type of discount; long-term planning should be at the top of VCE's priority list; and, he would like to review in six (6) months what other CCAs are doing as he thinks it will be helpful for the long-term planning.

Director Saylor commented that we should look at bringing back in those people that opted out, educating the residents, and making it well known to the Legislature that VCE is new and will be effected by others' actions. He also commented that during our Customer outreach efforts we need to keep in mind that reactions will be mixed and some will be confused.

Chairperson Frerichs made a motion to approve Staff's recommendations, seconded by Director Stallard. After a motion was made and seconded a discussion followed.

Director Stallard commented that it is very disconcerting that the CPUC came to a decision that detrimentally effects CCAs, with ten (10) newly formed CCAs in 2018 - more than half are new. He thanked the CAC for their assistance. He commented that the policy recommendations are good ones; likes the dividend at the end of the year idea; wants to give back to the customers; and, would like to do programs in the future. He also stressed the important of communicating effectively with others on what is going on.

Director Davies commented that he is struggling with postponing NEM customer enrollment. Mr. Sears and Ms. Limcaco reviewed postponing NEM customer enrollment and the impacts to the financials.

Director Carson commented that he would like to persue a 1% dividend rebate and for Staff to look at the numbers in six (6) months to see if this is possible.

Chairperson Frerichs commented that there are additional changes forthcoming, such as in the energy market due to fires and PG&E stock prices going down. He commented that VCE are well served by expertise of SMUD and of the CAC Members. He also commented that VCE will need to continue to monitor and reassess monthly; marketing outreach is huge with all customers; legislative work has to occur with CalCCA and as an individual CCA; and, we need to look at local incentive programs too. The SACOG grant application was a strong because all three (3) agencies came together.

Director Stallard commented that of the SACOG grant award, VCE's application received $\frac{1}{4}$ of the total amount which is a huge recognition to our Agency. Director Saylor commented that \$40 million was requested in applications and Yolo County received a large portion of the grant award.



To recap, Chairperson Frerichs made a motion to approve Staff’s recommendations as follows:

1. Adopt a minimum VCE net margin (after bank loan principal payments) target of 5%;
2. Postpone enrollment of Net Energy Metering customers until at least January 2020 with a reassessment of enrollment date in mid-2019;
3. For 2019, adopt electric generation rates identical to PG&E, after factoring the Power Charge Indifference Adjustment (PCIA) imposed by regulatory agencies;
4. Study adoption of a new rate structure featuring an annual dividend rebate structure to be implemented starting in July 2019;

Motion was seconded by Director Stallard. Motion passed unanimously by the following vote:

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

Approval of Consent Agenda

Motion made by Director Stallard to approve the Consent Agenda, Items 4-12, seconded by Director Carson. Motion passed unanimously with Directors Barajas and Chamberlain absent. Chairperson Frerichs introduced Susan Bierzychudek of Green Ideals, the new VCE customer outreach and marketing services consultant. Ms. Bierzychudek introduced herself, thanked the Board for the opportunity to assist Valley Clean Energy, and asked if the Board had any questions. There being no questions, the Board moved onto Item 13 – SACOG grant.

Approval of Minutes from October 18, 2018 Special Board Meeting

Director Stallard made a motion to approve the October 18, 2018 Special meeting minutes, seconded by Director Carson. Motion passed unanimously with Directors Barajas and Chamberlain absent.

Long Range Calendars

Director Stallard made a motion to receive the long-range calendars, which include the remaining months in 2018 and the 2019 calendar year, seconded by Director Carson. Motion passed unanimously with Directors Barajas and Chamberlain absent.

Receive Financial Update – September 30,

Director Stallard made a motion to receive Financial Update – September 30, 2018 (unaudited) financial statements with revised comparative information from prior periods and Actual vs. Budget for the quarter ending September 30, 2018,



2018 (unaudited) financial statements	seconded by Director Carson. Motion passed unanimously with Directors Barajas and Chamberlain absent.
Regulatory Update	Director Stallard made a motion to receive the regulatory monitoring report dated November 7, 2018 from Keyes & Fox, seconded by Director carson. Motion passed unanimously with Directors Barajas and Chamberlain absent.
Customer Enrollment Update	Director Stallard made a motion to receive the Customer Enrollment Update dated November 7, 2018, seconded by Director Carson. Motion passed unanimously with Directors Barajas and Chamberlain absent.
Community Advisory Committee Meeting Update, Summary of November 1, 2018 Board PCIA Workshop, and First Year Progress Report	Director Stallard made a motion to receive the Community Advisory Committee’s (CAC) October 29, 2018 meeting summary; comments on the November 1, 2018 Special Board meeting / Power Charge Indifference Adjustment workshop; and, First Year Progress Report, seconded by Director Carson. Motion passed unanimously with Directors Barajas and Chamberlain absent.
Approve Revised Community Advisory Committee Charge / Resolution 2018-029	Director Stallard made a motion to approve a resolution titled “a Resolution of the Valley Clean Energy Alliance approving the Updated Community Advisory Committee Charge”, seconded by Director Carson. Motion passed unanimously with Directors Barajas and Chamberlain absent.
Approve Solicitation and Appointment process to the Community Advisory Committee and confirm appointments of current CAC Members / Resolution 2018-030	Director Stallard made a motion to approve a resolution titled “a Resolution of the Valley Clean Energy Alliance approving the solicitation, selection and appointment to the Community Advisory Committee and appoint the current members to terms of service”, seconded by Director Carson. Motion passed unanimously with Directors Barajas and Chamberlain absent.
Approval of Marketing and Outreach Vendor and Authorization /	Director Stallard made a motion to approve a resolution titled “a Resolution of the Valley Clean Energy Alliance approving the selection of Green Ideals as the communications and outreach vendor for VCEA program and operations and authorizing the VCEA Interim General Manger to negotiate a services contract with Green Ideals and to approve and execute the agreement under the terms set



Resolution 2018-031 forth herein”, seconded by Director Carson. Motion passed unanimously with Directors Barajas and Chamberlain absent.

Presentation on Collective Grant Application to SACOG for Regional, Community Design, and Green Region funding programs (Informational) VCE Staff Jim Parks introduced this item. He reviewed the background of the SACOG grant (slide 2) and thanked everyone who assisted in getting this application together with Kerry Loux (City of Davis) really getting this application together. He informed those present that there were numerous applications asking a total of \$39.155 million and \$11.670 million was recommended for awardship (slide 3). The total amount to be awarded to VCE and its partner Agencies is \$2.9 with \$380,000 (11.47%) in cost share. Current project activities and grant schedule (slides 5 and 6) were reviewed. Mr. Parks commented that the projects lay the groundwork in Yolo County for future expansion. Chairperson Frerichs asked that Staff have the CAC provide input for their ideas. Director Saylor commented that there are other exciting projects coming from the SACOG grant and that Staff need to be involved in the next few months prior to the award to answer questions. Mr. Sears reiterated that Staff will be asking for CAC’s input when looking at the value that could be brought to VCE.

Board Member and Staff Announcements Mr. Sears informed those present that Executive Director, Beth Vaughn, of CalCCA visited VCE’s administrative offices and provided a new handout recognizing the energy suppliers, such as CCAs, within the State. Collectively CCAs are strong and there is a future for CCAs in California.

Director Saylor informed those present that he attended a ribbon cutting event at Muir Commons Community in West Davis, a co-housing, multi-family complex, which recently installed charging stations in their parking lot, one for each unit.

Announcements The next VCEA Board meeting has been scheduled for Thursday, December 13, 2018 at 5:30 p.m. at the City of Davis Community Chambers, 23 Russell Blvd., Davis, CA 95616.

Meeting was adjourned at 7:00 p.m.

Alisa Lembke
Board Clerk/Administrative Analyst