VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 4

TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Interim General Manager, VCEA

SUBJECT: Approval of Minutes from March 22, 2018 Board Meeting

DATE: April 25, 2018

RECOMMENDATION
Receive, review and approve the attached draft minutes from the March 22, 2018 Board Meeting

MINUTES OF THE VALLEY CLEAN ENERGY ALLIANCE
BOARD OF DIRECTORS
March 22, 2018

The Board of Directors of the Valley Clean Energy Alliance met in regular session beginning at 5:30 p.m. in the Woodland Council Chambers, 300 First Street, Woodland CA 95695.

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

Approval of Agenda

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

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

Public Comment

None

Approval of Consent Agenda

Approval of
- Minutes from February 8, 2018 Board Meeting
- Regulatory and Legislative Update
- Correct Typographical Error on Delegation for 2018 and 2019 Power Procurement
- Authorization to Contract for and Retain Regulatory and Legal Services
- Long Range Calendar

D. Saylor 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: None

Recommendation to the Board on Adoption of an Enterprise Risk Management Policy for VCE

Staff recommends the Board adopt a resolution approving the draft Enterprise Risk Management Policy.

The draft Enterprise Risk Management Policy was revised for clarity following the CAC and Board review in February. The updated version, contains two new sections: Business Practices and Management Reporting and Metrics.

- Introduction: This section introduces the value of ERM as a structured approach to managing risk and uncertainty. It lays out the objectives of VCEA's ERM function, providing the framework for evaluating and managing risk in the organization's decision-making process.
- ERM Roles and Responsibilities: The ERM roles are consistent with the Board-approved Wholesale Power Procurement & Risk Management Policy. The Enterprise Risk Oversight Committee (EROC) has primary responsibility for the implementation of ERM. The policy lays out the

scope of the EROC's risk management authority.

- Business Practices: This section identifies the steps of risk management and the basic process associated with each step. The intent is to provide a high-level framework.
- Specific tools and techniques for implementing enterprise risk management will be recommended by the portfolio manager following approval of the policy.
- Management Reporting and Metrics: The policy defines two enterprise risk reports that will be provided on a regular basis: a semi-annual report to the EROC and annual report to the Board.

On March 12, the CAC provided feedback on the policy document and unanimously recommended Board adoption of the Enterprise Risk Management policy.

Board questions and staff responses are summarized below:

- The thinking behind this policy is very clearly articulated in the slide presentation. Recommend appending the slides to the policy so that future board members are aware of the thinking behind the policy.

Public Comment
None

T. Stallard moved, seconded by D. Saylor to approve Enterprise Risk Policy. Motion passed by the following vote:

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

Recommendation to the Board on Adoption of the VCE UltraGreen Policy/Rate for the 100% Renewable Energy Customer Option

Gary Lawson, Manager, Energy Commodity Contracts, SMUD

The "UltraGreen" product will provide customers with 100% renewable energy. Staff determined that a flat fee was inequitable and that a volumetric charge was most fair to the customers. Staff proposed $0.015/kilowatt hour. This price puts VCE in the range of similar products offered by other CCAs. NEM customers charges would be assessed UltraGreen premium only on their net energy usage.

Staff expects 3-5% of VCE customers will choose to enroll in the "UltraGreen" 100% Renewable Energy program. The program will generate a fund of $200-$300k/year that will be allocated to pursue local energy generation.

Staff is recommending the Board adopt a resolution establishing a voluntary 100% renewable program that:

- Charges an additional $0.015/kWh for both residential and commercial customers
- Is sourced with a mix of PCC-1 and PCC-2 resources equivalent to VCEA's overall renewable portfolio
- Uses any excess net revenue to fund local renewable projects

- Is Green-e certified

Board questions and staff responses are summarized below:

- When Green-e conducts an annual audit, will the results be shared with customers?

  Green-e does not share those results automatically. VCE will want to promote this certification.

- How can CCAs offer a 100% wind program if the wind is not always blowing?

  CCA programs look at the energy consumed across a whole year, and that much energy is generated by their wind program. It is not tied to time of usage.

- How would the 1.5 cents/ kWh surcharge apply to the different rates?

  It will be applied to all customers based on their usage.

- How was this cost developed?

  The cost was developed by considering the underlying costs of procuring additional renewables.

- But it also generates reserves. Did we have a target for those reserves or did it just happen?

  Staff sought to keep the program cost based. The higher the charge, the less attractive the program will be. Another consideration was the cost of PG&E's 100% Solar product.

- How will the marketing and outreach work for the 100% Renewable Program?

  It will be an option on website, included in the presentations, and will be included in the first notice. The marketing for this specific program can be augmented as VCE moves forward.

- Is there any projections for how many numbers of customers we can expect to opt up?

  Based on similar programs in other CCA's, we are projecting 3-5% for the first year.

- In the future, how would VCE cover marketing costs fro this program?

The excess revenues could be used for both marketing and local energy generation programs.

- How does the proposed NEM treatment -- in which NEM customers who choose to opt up to UltraGreen would have charges assessed UltraGreen premium only on their net energy usage -- compare to other CCAs?

  It is fairly common.

- Does the annual cost for the Green-E certification vary based on the size of the organization?

  No, it is a fixed cost.

- Are SMUD's program Green-E certified?

  Yes, SMUD's renewable programs are Green-E certified.

- There is no cap on how many customers can enroll in this program. What would happen if the enrollment was 10% rather than 3-5%. Would we run into difficulties covering renewables for these customers?

  No. VCE would just procure additional renewable energy.

Public Comment
None

Board Discussion

R Davis moved, seconded by D. Saylor, to approve staff recommendation. Motion passed by the following vote:

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

Recommendation to the Board on Program Launch related to Energy Rates, Power Mix and Budgets

Gary Lawson, Manager, Energy Commodity Contracts, SMUD

The VCE board initially set a policy of a 2% generation rate discount, which allowed us to achieve our goal for a 90-day operating cost reserve fund fairly quickly. However, PG&E increased their generation rate on March 1.

Under this new situation, a 4% discount would allow us to maintain our original projections in developing a reserve. However, since adopting this initial policy, VCE has proceeded in procuring a bank loan with a rolling line of credit. River City Bank insists on being repaid before the municipalities. This means that the repayment of each municipality's loan of $500,000 will be delayed.

VCE needs to be cautious of the debt service coverage ratio. The debt service coverage ratio (DSCR) has a minimum of 1.25. A 4% discount would move VCE's

DSCR to 1.8. In addition, we do not know how PG&E rates might shift in the future, and PCIA is also a large variable.

However, another balancing point is that the opt-out rate will likely be lower if the discount rate is higher.

Staff is recommending that the Board adopt a resolution establishing the following:

- VCEA rates, included as Attachment 1, which are set at a 2% discount from PG&E's generation rates placed into effect March 1, 2018, net of PCIA and Franchise Fees.
- A Power Mix of 42% renewable, 75% clean for the default product.
- An Operating Budget of $1.62M for March-June 2018.
- Administrative authority for VCEA staff to consolidate the Operating budget and the Implementation budget and direction to return to the Board for approval of a consolidated 2017-18 budget.
- A Delegation of Authority to the Interim General Manager to put in place new comparable rates schedules for any new rate schedules that PG&E may put in place at a level of 2% below PG&E's generation rate for such new tariff, net of PCIA and Franchise Fees.

Board questions and staff responses are summarized below:

- Is the difference between 2% and 3% enough to make customers not opt-out?

  Staff does not have data on what the impacts of increasing the discount 1% might be on customer choices. Shawn Marshall, LEAN Energy has shared anecdotally that with MCE the difference between 1-2-3-4% did not make a significant change in the customer opt out rate. San Mateo's CCA developed their projections based on a 15% opt out rate. They are seeing only a 2% opt out.

- When will the VCE Board be setting 2019 rates?

  Staff plans to bring forward the 2019 rates for board approval in November or December 2018.

- The rate that we set for launch will only be in place for six months?

  Correct. The VCE board can adjust the rates when they choose. Staff suggests that the rates be set annually.

Board comments are summarized below:

- In the future, the board requests that staff please print the presentations in color.
- VCE would like to pay down the debt, and repay the founding municipalities, as swiftly as possible.
- At this juncture, VCE needs to be overly cautious and build reserves.

- I will advocate for increasing the discount. 2% is underwhelming for our customers who we are trying to attract and energize.
- Our customers are all automatically enrolled, unless they opt out. There's no guarantee that 3 or 4% generates enthusiasm.
- I wonder why a customer would give up a 2% discount, just because it's not a larger discount. Turning down a small savings seems unlikely.
- I would rather pass the savings directly to our rate payers rather than to future VCE decision-makers.
- The value of VCE is not just lower rates. It is also about local control and increasing renewables. We want rates to be lower, but I don't want VCE to pay interest on the debt.
- It is important to remember that this discount only applies to the energy generation cost. For my bill, that is only about 40% of my bill. A 2% discount on 40% of my bill is insignificant.
- Increasing the discount is one of the most effective ways to distinguish VCE from PG&E.
- Sustaining the current rate of 2% sends a good signal to the bank and our founding municipalities that we are serious about repaying our loans.
- We are trying to balance different values – we want to move more quickly to enable local programming, we want to build our reserve, and we want to minimize our opt-out rate. I appreciate the conversation.

Public Comment

Christine Shewmaker.
Appreciated the board's discussion of balancing building reserves, paying down debt, increasing rate discounts for customers, and building local programs. Suggested the board wait six months and then either increase discount or increase the level of renewable energy in the default rate.

The board chose to take up the first bullet point of the staff recommendation first, and then consider the rest of the staff recommendation.

D. Saylor moved, seconded by A. Barajas, that VCE increase the discount to a 3% discount from PG&E's generation rates.

T. Stallard made a substitute motion, seconded by L. Frerichs, that VCE remain at a 2% discount from PG&E's generation rates.

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

Per section 3.7 of VCE Joint Exercise of Powers Agreement, the motion fails. Due to the requirement that board action shall require the affirmative vote of at least one director appointed by each member jurisdiction.

D. Saylor moved, seconded by L. Frerichs, that VCE increase the discount to a 2.5% discount from PG&E's generation rates.

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

T. Stallard moved, seconded by A. Barajas to approve balance of staff recommendation. Motion passed by the following vote:

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

The board requested an informational item be placed on the agenda for the next meeting on the possibility of VCE engaging with local, small energy providers.

Integrated Resource Plan – Introduction and Schedule

Olof Bystrom, Manager, Energy Research and Development, SMUD

The Integrated Resource Plan (IRP) is a long-term plan which will help set VCE's futre energy procurement strategies. The plan will be returning to the board several times over the next six months for review, input and eventual approval in June.

In February, the CPUC has adopted a process that requires all load-serving entities under their jurisdiction to adopt an IRP. The IRPs are due in August 2018. This process will be about 1-year shorter than these planning processes usually take, so VCE will to build in flexibility.

Key Dates for Integrated Resource Plan (IRP) Process

- February 8 – CPUC IRP Decision
- June 1 – CCA go-live
- July – VCEA Board Approves IRP
- August 1 – VCEA Submits IRP to CPUC

Key Issues for VCEA

- Articulates the long term Vision/Mission/Objectives and Action Plan with respect to
  - Resource mix
  - Local sources
  - Battery storage
  - Demand-side programs (EV, EE DR, etc.)
  - Costs / Rates
  - GHG targets

- Regulatory Compliance
- Approval and public stakeholder review process
- Retaining operational and strategic flexibility

CPUC-Required IRP Features (per February 2018 adoption by CPUC)

- Covers 2018-2030
- Must include at least one conforming portfolio based on 2017 IEPR Mid Demand Case
- 1-3 year action plan

- Report on GHG emissions of portfolio
- Methodology explanation
- Demonstrate compliance with PUC 454.52(a)(1), i.e. GHG, RPS, Just and reasonable rates, minimize ratepayer bills, reliability, diversity and sustainability, local pollution, distribution systems

Proposed IRP Milestones

- April – CAC meeting to review and discuss resource options and preferences
- End of May – Draft IRP Report
- June Board Meeting – discussion and feedback on draft IRP
- July – Board Approves IRP
- August 1 – VCEA Submits IRP to CPUC

The Community Advisory Committee (CAC) will be holding a workshop on April 26, 2018 to begin developing the IRP. The board will review, discuss and offer feedback on the draft IRP at their June meeting. VCE will need to file an IRP every two years.

Public Comment
None

Board Comments

- This is the type of planning discussions that the board has been talking about having.
- This is a compliance document, but we have the opportunity to use it to identify what the key policy decisions will be.
- It will be interesting and exciting to get into the some of the long term questions.

Community Advisory Committee Report

Gerry Braun, Chair, Community Advisory Committee (CAC)

The Chair and Vice Chair of the CAC will meet early next week with the VCE Board Chair and Vice Chair and the Interim Genereal Manager for a check-in meeting. The CAC charge was focused on the launch phase. Now we are transitioning to operations phase, so this meeting will help clarify how the CAC can be most helpful in this next phase.

The CAC is looking forward to the IRP workshop and the IRP development process.

The board requested that the IRP workshop agenda be sent to the board.

General Manager's Report

Mitch Sears, Interim General Manager

- Staff recruitment: We are in the interview process for the outreach specialist. We hope to make an offer next week or the week after. We have gone thru initial screening for Board/Admin. Making progress on the Assistant General Manager position.
- VCE has fully procured energy for 2018.

- Vicky and the SMUD team have worked hard to identify staff who will be serving VCE under the SMUD contract.
- Introduced Lisa Limaco as VCE's Finance and Operations Director.
- Introduced Chris Cole as VCE's Key Accounts Representative
- Outreach to the 200 largest energy customers in the VCE service area has begun.
- Chad Rinde will be drafting a subordination agreement to go to each jurisdiction, outlining that the cities and Yolo County will be subordinating their loans until after bank loan is repaid. We anticipate repayment will take place within the five year window that was originally discussed.

Board Member and Staff Announcements

Duane Chamberlain
Please ensure that the first notice letter is clear that the discount is 2.5% off the generation rate, not the full rate.

Lucas Frerichs
Recently attended the Yosemite Policymakers Conference and presented about Valley Clean Energy and the partnership with SMUD. Monterey Community Power have a Community Advisory Committee (CAC) that has been operating on an ad hoc basis. They requested, and we have sent, our CAC charter to them, which they greatly appreciated.

Tom Stallard
Also attended the conference and greatly enjoyed Lucas' presentation. CCA's are a wonderful trend statewide. During the last week of February, attended a program at the Teton Science School which is a 100% renewable community. Hopefully VCE can help move us in this direction.

Mitch Sears
Met with Farm Bureau. A letter will be sent out by Farm Bureau to their members, at VCE's cost, with the details of VCE.

Emily Henderson
Due to schedule conflicts, the VCE board will meet next on Wednesday, April 25. Due to room availability, this meeting will take place at Woodland Council Chambers, 300 First Street, Woodland. Please note that not all board members will be able to attend.

Meeting was adjourned at 7:23pm

Emily Henderson
Administrative Assistant