

**MINUTES OF THE VALLEY CLEAN ENERGY ALLIANCE
BOARD OF DIRECTORS
SPECIAL MEETING
August 31, 2017**

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

Board Members Present: Angel Barajas, Duane Chamberlain, Robb Davis, Lucas Frerichs (arrived 5:36 p.m.), Don Saylor, Tom Stallard

Board Members Absent: Skip Davies (Alternate)

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

Public Comment None

Approval of Consent Agenda M. Sears: Consent calendar item removed from agenda—Approval of July 25, 2017 minutes. Item will return on September 20.

R. Davis: Move consent calendar item—Regulatory and Legislative Update. To be discussed after Item 11.

Revised Board Meeting Schedule
Long Range Calendar

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

L. Frerichs arrived at 5:36 p.m.

VCEA Implementation and Operational Services VCEA Interim General Manager M. Sears outlined service needs for VCEA and presented the two VCEA implementation and operational service options under consideration:
1. Multiple vendor services
2. Sacramento Municipal Utility District (SMUD) Bundled-Service Option
Consultants Shawn Marshall and Don Dame expanded on evaluative criteria used in comparative analysis.

SMUD CEO Arlen Orchard introduced SMUD team. Outlined SMUD's experience, values, approach. Recognized VCEA's full control, autonomy in any agreement.

VCEA Advisory Committee Chair Gerry Braun: VCEA Advisory Committee (AC) has had two fully-attended meetings. Advisory Committee RFP subcommittee supports recommendation of staff and consultants. Want to continue to be involved leading up to the actual contract. Important that member jurisdictions start thinking about their own energy futures and how VCEA can be instrumental in shaping where they want to go. Would like Advisory Committee to help Board with those projects.

D. Saylor: Request that VCEA Advisory Committee report to be a standing item on all future VCEA Board agendas. Request VCEA AC meeting schedule so Board members can attend.

Commissioner questions are summarized as follows:

- How much variability is there in the service cost estimates?
- One benefit of multiple vendor service option is greater autonomy for VCEA Board, but for SMUD option, VCEA still retains full decision-making authority. Please highlight differences.
- Any discussion about SMUD staff attending these board meetings?
- Does an agreement like this require action by SMUD's board?
- This is the first time that a public utility in California has engaged with a Community Choice Aggregation (CCA). Does SMUD plan to be involved with other CCAs as well?

Responses from staff, consultants, SMUD CEO A. Orchard are summarized as follows:

- Varies from CCAs depending on size, approach to hedging power, complexity of loads, etc. Varies from \$2.50/MWh to \$4.50/MWh.
- Multiple vendor approach leaves VCEA in charge of end-point aspects: agreements, schedule coordinator, risk-management, etc. You could get different vendor to do each of those things. You will have to be sufficiently schooled in each of those areas. With SMUD option, you are still overseeing items, but a little less autonomy.
- Multiple vendor approach allows VCEA to be more directly involved, which takes time. SMUD option will provide less autonomy, but June 2018 launch will be easier to achieve.
- Local control: with either option, VCEA Board/staff maintains full control over operations, policy matters, fiduciary oversight.
- SMUD staff would attend critical meetings.
- Our board will meet in September, authorize me to enter into CCA service agreements.

- We will consider opportunities to be involved with other CCAs as they arise.

The following members of the public made comments: Christine Shewmaker, Mark Braley, Jim Skeen and Mark Aulman. Their comments are summarized as follows:

- Due to timing of meeting date, full VCEA Advisory Committee not able to be consulted on SMUD proposal.
- SMUD proposal significantly different from options we had previously reviewed.
- Subcommittee recommendations need to be reviewed by full committee. Request that process be followed in the future.
- Full committee review is needed to maintain complete transparency.
- In favor of SMUD contract.
- Want to be sure goal of 100% renewable energy is reached as soon as possible, hope plan to reach goal will be available for public comment soon.
- SMUD's obligation is to their customers, but local autonomy is important, and will disappear with SMUD option.

Commissioner comments:

R. Davis: Suggest amendment to motion: Direct staff to engage the Advisory Committee RFP subcommittee in the ways outlined in their recommendations in the staff report.

D. Saylor/T. Stallard: We need to move quickly to achieve the June 2018 launch date.

L. Frerichs: Need to be mindful of keeping full VCEA Advisory Committee engaged moving forward.

A. Barajas/R. Davis: Excited to move forward with contract negotiations with SMUD because of efficiency, expertise, renewable energy track record, fewer of our staff needed.

D. Saylor: SMUD's interests are aligned with our own.

R. Davis/D. Chamberlain: Suggest SMUD rep attend all VCEA Board meetings to get a feel for our organization, answer questions.

R. Davis: Need to keep in mind this is a contractual relationship, not a partnership; VCEA gives direction in the relationship.

Process needed for possible conflicts between VCEA and SMUD over regulatory/legislative issues.

D. Saylor: Need to ensure that contract allows for process to enter into good faith discussion of future decisions.

A. Barajas moved, seconded by L. Frerichs to accept staff recommendations as amended to consult VCEA Advisory Committee RFP Subcommittee as follows:

1. Receive the comparative analysis report evaluating the implementation and operational service options for VCEA (See: Item 8, Attachment A); and
2. Based on the findings of the Implementation and Operational Service Options Report, direct Staff, working with the VCEA Board ad hoc Subcommittee, to commence contract negotiations with the Sacramento Municipal Utility District (SMUD) for technical and energy services, data management/call center services, wholesale energy services, credit support services, and up to five years of CCA business operations support; and
3. Consult with the VCEA Advisory Committee RFP subcommittee on an ongoing basis during the contract negotiation to obtain the subcommittee's assistance in developing contract provisions in areas that are (a) central to the original decision to implement a JPA comprised of local jurisdictions rather than join an existing CCA in another part of the state, and (b) innovative and without precedent in CCA service agreements, and therefore require the expertise the subcommittee can provide; and
4. Authorize the Interim General Manager to enter into a letter of intent to negotiate a services contract with SMUD.

Motion passed unanimously.

Administrative/
Organizational
Update

- a. Implementation Plan
S. Marshall: Implementation Plan must be adopted at a public meeting and it must be submitted before Thanksgiving. California Public Utilities Commission has up to 90 days to certify plan. You need certified implementation plan to sign contracts, enter into the market. Recommend two Board meetings in October to consider drafts of plan.
- b. CAC – Proposed scope and meeting report
M. Sears: VCEA Advisory Committee has met twice. Will have draft Committee Charge available for review at next Board meeting.

Adoption of FY
2017-2018
Budget

Yolo County Accounting Manager Chad Rinde: Provided background on VCEA Implementation Budget and Fiscal Management. A more accurate report of expenditures will be available at October meeting after member agencies have submitted their reimbursements through September quarter.

- L. Frerichs moved, seconded by R. Davis to accept staff recommendations as follows:
1. Approve budget allocations for the fiscal year ended 2017-18 for the period of VCEA program implementation (See: Item 10, Attachment A);
 2. Approve authorization for 2017-18 for interim program staff, Mitch Sears from the City of Davis and Taro Echiburu from Yolo County,

- to continue as authorized officials to approve payments and costs of the VCEA as per Board approved contracts and budget; and
3. Direct Interim VCEA staff on the process for the reimbursement of member agency costs.

Motion passed unanimously.

VCEA Branding and Marketing Discussion and Overview	Circlepoint representatives Sarah Seward and Nathan Wheadon introduced themselves, outlined marketing timeline. Will be back at September Board meeting with marketing and communications plan.
Regulatory / Legislative Update	<p>R. Davis: Request information regarding emails received by Board members concerning legislation that would freeze Community Choice Energy (CCE) development.</p> <p>M. Sears: There are rumors, no details. California Community Choice Association (CalCCA) is addressing issue at statewide level. Staff reaching out to representatives at local level.</p>
Board Member and Staff Announcements	<p>M. Sears: introduced Emily Henderson, who is helping with administration of VCEA and Advisory Committee.</p> <p>Press release tomorrow and updating website FAQ regarding Board's action at this meeting.</p> <p>R. Davis: Thanks to VCEA subcommittee for their work in moving discussions forward with SMUD proposal.</p> <p>M. Sears: Plan to continue to utilize VCEA subcommittee as we move through contract phase.</p>

Meeting was adjourned at 7:11 p.m.

Nancy Stephenson
Interim Board Secretary

Valley Clean Energy Alliance

Service Option Comparative Analysis Summary Table - August 2017

Criteria / Findings	VCEA Consultant Supported Option	SMUD Bundled-Service Option
<p>1. VCEA Mission Alignment</p> <p><i>Finding: SMUD provides closer overall alignment with VCEA's Mission.</i></p>	<p>Existing CCE programs have utilized separate private sector vendor contractors to successfully launch and provide on-going operational support services. These vendors have shown a commitment to CCE formation and operation and have established a growing business niche for these services. Overall, generally aligned with and supportive of VCEA Mission.</p>	<p>SMUD shares a public sector, not for profit framework with VCEA and has a demonstrated a commitment to local control, competitive rates, environmental leadership, emerging technologies, and enterprise risk management (excerpt from SMUD Core Values). Overall, SMUD offers close alignment with VCEA Mission.</p>
<p>1.1 Local Control</p>	<p>Supportive as demonstrated by services provided to existing CCA programs.</p>	<p>SMUD Board adopted core value.</p>
<p>1.2 Not for Profit</p>	<p>Supportive as demonstrated by services provided to existing CCA programs.</p>	<p>SMUD is a not for profit organization.</p>
<p>1.3 Cost Competitive Clean Electricity</p>	<p>Able to assist VCEA with power planning and contracting and to help establish programs like Net Energy Metering (e.g. rooftop solar), Feed in Tariff (e.g. direct energy purchase from larger scale renewable energy producers), and Distributed Energy Resources (e.g. energy storage).</p>	<p>Directly involved in power procurement process with deep experience procuring cost competitive clean electricity for its customers. Potential to offer direct procurement expertise with wholesale energy services option for launch and operational services. Able to help establish programs like Net Energy Metering (e.g. rooftop solar), Feed in Tariff (e.g. direct energy purchase from larger scale renewable energy producers), and Distributed Energy Resources (e.g. energy storage). Offers guidance on the establishment of community solar programs based on its Solar Shares program. Significant investment in emerging technologies that may benefit VCEA customers.</p>
<p>1.4 Electricity Product Choice</p>	<p>Have established multi-tiered energy programs for existing CCA programs (e.g. customer choice of 75% renewable/100% renewable/ 100% local renewable options).</p>	<p>History of establishing energy choice programs (e.g. Solar Shares), and setting innovative rates, prepared to help VCEA establish multi-tiered energy programs. In addition, offers customer benefit analysis to guide program design and tariff specifications.</p>
<p>1.5 Price Stability</p>	<p>Able to offer guidance on advantages/disadvantages of fewer rate changes than PG&E.</p>	<p>Able to offer guidance on advantages/disadvantages of fewer rate changes than PG&E.</p>
<p>1.6 Energy Efficiency</p>	<p>Able to offer general guidance.</p>	<p>SMUD Board adopted core value and decades of experience in design and deployment of energy efficiency programs. Significant investment in research and deployment of energy efficiency programs may benefit VCEA customers.</p>

<p>1.7 GHG Reductions</p>	<p>Have established multi-tiered energy programs and procurement strategies for existing CCA programs to significantly reduce GHG content of electricity portfolios.</p>	<p>SMUD Board adopted core value. Have established policy to provide leadership in the reduction of greenhouse gases throughout all SMUD activities and are supportive of national, State, and regional climate change policies and initiatives.</p>
<p>2. Technical and Organizational Experience/Capacity</p> <p><i>Finding: Neutral. Private sector vendor CCA experience is offset by SMUD's technical and organizational advantages.</i></p>	<p>Existing CCE programs have utilized separate private sector vendor contractors to successfully launch and provide on-going operational support services. Based on such past performance, private sector vendors are capable of supporting VCEA launch and operations. Note: The current combinations of private sector vendors under consideration would not meet VCEA's wholesale side services needs which include: schedule coordination, portfolio management, CAISO interface and settlements, credit support, and operational reporting and analysis. Attaining these services would require one or more additional RFP and/or direct negotiations with potentially interested power service counterparties.</p>	<p>SMUD has over 600,000 customer accounts, a peak load exceeding 3,000 MW, and over 2,000 employees. SMUD routinely performs business and technical functions required by a CCA, and much more. And although SMUD does not have direct CCA experience, its proposal realistically reflects technical, data management/call center, power portfolio activities, and managerial skills required to perform these activities.</p>

<p>3. Implementation and Ongoing Cost Estimates</p> <p><i>Finding – Implementation: SMUD provides stronger overall value to VCEA based on cost competitiveness, fewer additional service vendors to address VCEA’s wholesale side service needs, and efficiency of working with a single vendor.</i></p> <p><i>Finding – Operations: SMUD provides a stronger overall value to VCEA based on comparisons to existing CCA program costs combined with staff capacity and the efficiency of working with a single vendor.</i></p> <p>Note: the VCEA RFP allowed for selection of the service vendor(s) that provided the greatest value for VCEA, not necessarily the lowest bidder.</p>	<p>Attaining quality services in a timely fashion is essential to meeting VCEA startup timelines and business success. Amongst RFP responders and including the SMUD proposal, expected cost spreads are not dramatic and fall within the expected range experienced by other existing and emerging CCAs. Generally, private sector vendors offered technical and energy services roughly 5% lower to parity with SMUD, and data/call center services roughly 10% higher. Staff does not consider these to be significant differences in the context of an estimated annual VCEA program budget of \$25M and the overall value proposition of the service options being proposed.</p> <p>Note: Some vendors did not provide service or pricing in some categories of the RFP and thus comparing “total” bids is difficult. Nonetheless, the total cost estimates give a relative indication of cost ranges to be expected. And, as with any RFP, all dollar estimates are notional until contract terms and conditions are negotiated and executed.</p>	<p>Attaining quality services in a timely fashion is essential to meeting VCEA startup timeline and business success. Amongst RFP responders and including the SMUD proposal, the cost spreads are not dramatic and fall within the expected ranges experienced by other emerging and operational CCAs.</p> <p>In addition, SMUD provided optional budget proposals for full launch and business and wholesale operations for VCEA.</p> <p>SMUD offers the general administrative efficiency of working with one service vendor for both launch services and on-going operational services.</p>
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<p>4. Ability to Meet Timelines and Objectives</p> <p><i>Finding : SMUD provides greater benefit if VCEA chooses to select its Wholesale Energy Services (WES) which would reduce the time needed to procure energy supply prior to launch. Neutral if SMUD's WES option is not selected.</i></p>	<p>Existing CCE programs have utilized staff and separate private-sector contractors to successfully launch programs within VCEA's current approximately 10-month lead time (June 2018).</p>	<p>SMUD possesses the experience and staffing capacity to meet VCEA's launch timeline of June 2018.</p> <p>If VCEA chooses to select the optional Wholesale Energy Services (WES) offered by SMUD, this would reduce time needed to procure energy supply prior to launch. The RFP process and subsequent negotiations with potential wholesale services and energy suppliers is a significant task that would be virtually eliminated under the WES option since VCEA would "piggyback" on SMUD's procurement expertise for the purpose of launching the program. Post-launch, longer-term energy purchase decisions would be made by VCEA based on its resource planning process and the transparent utilization of SMUD's wholesale expertise.</p>
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5. Normative Risks and Benefits

Finding: Overall, SMUD provides higher value proposition to VCEA with greater benefit and perceived lower risk

Benefits:

- Greater autonomy to develop, manage and revise program over time
- Choice of vendors with demonstrated CCA experience
- Ability to build internal staff and credit capacity sooner
- Less potential for “brand confusion”
- Less potential for “getting lost” in a large organization ● Most local option

Risks:

- Availability of qualified vendors/staff
 - Must establish enabling agreements/credit with multiple wholesale suppliers
 - Subsequent RFPs required for wholesale power services
 - Limited credit capacity
 - Need to develop risk management policies from the ground up
 - Organizational capacity is stretched; program timing could be impacted
- Administrative burden of coordinating multiple vendors

Benefits:

- VCEA Board/General Mgr. remains “in charge”
- Requires fewer VCEA staff
- Solid financials and wholesale market credit support
- Positive public and industry reputation
- Integrated full utility operations experience
- Experience with management systems, controls and reporting
- Utilization of SMUD’s wholesale procurement arrangements
- Established and adaptable risk management policies
- Established EE programs and willingness to innovate/support tailored VCEA programs
- Flexible staffing alternatives including local presence
- Avoids additional wholesale service RFPs and negotiations
- Non-profit, public agency --culturally similar ● Supports June 2018 launch date

Risks:

- Subject to successful contract negotiations; unknown contract risk
- May sidetrack current VCEA efforts and result in delays
- No direct CCA implementation or ops experience
- Could result in branding/customer confusion
- Could result in utility “push-back” or mixed press; reputational damage
- Potentially differing regulatory/ legislative positions (CCA v. POU);
- Possible dilution of local control
- Could constrain implementation of VCEA specific/tailored programs
- Potential regional proximity conflicts
- If SMUD approach reaches impasse, VCEA must revive RFP processes

<p>Additional Considerations</p> <p>1. VCEA Autonomy</p>	<p>VCEA will maintain full control over its operations and policy matters including power supply mix/renewable energy and carbon free targets, its power portfolio, rate design and rate setting, fiscal oversight/audits, community outreach and account management, and legal services. It will also have the ability to allocate use of excess revenues toward reserves, implementation of local energy programs and investments in local power infrastructure.</p>	<p>In both service options, VCEA will maintain full control over operations and policy matters as noted in the left hand column. SMUD will provide services under contract at the discretion and under the direction of VCEA staff and leadership.</p>
<p>2. Branding/Public Interface</p>	<p>VCEA will establish its own brand, marketing and customer outreach approach. Circlepoint has been hired to assist with this effort and VCEA will hire staff to support marketing and account services.</p>	<p>To avoid potential brand or customer confusion, VCEA will establish its own brand, marketing and customer outreach approach. Circlepoint has been hired to assist with this effort and VCEA will hire staff to support marketing and account services. SMUD has indicated a willingness to help and be supportive of VCEA’s marketing and outreach efforts “behind the scenes” as needed.</p>
<p>3. Staffing/HR Issues</p>	<p>VCEA will assume responsibility for hiring approx. 8-12 employees and managing outside vendors; VCEA will maintain a local office. Org chart and job classifications.</p>	<p>SMUD is offering up to 4 full time staffers “on loan” during contract period to augment a smaller VCEA staff. SMUD employees would report to VCEA GM and work in VCEA’s office.</p>
<p>4. Contract Provisions</p>	<p>VCEA contracts with outside vendors likely to be shorter term (i.e. through implementation phase) and straightforward given existing CCA contracts and experience.</p>	<p>SMUD is offering both implementation services and up to five years post launch operational services. SMUD has indicated a willingness to negotiate contract terms and revisit service costs/scope before the start of the third contract year. Legal provisions re: contract termination and power supply costs at end of contract are TBD.</p>
<p>5. Reg/Leg Conflicts</p>	<p>VCEA positions are solely its own, though some service providers could take differing/opposing positions to that of VCEA. Need to establish reg/leg firewall and full disclosure requirement.</p>	<p>Slight risk that SMUD will take opposing positions in the legislature. But SMUD’s involvement could also lend credibility at the legislature.</p>

Recommendations (from August 2017 VCEA Implementation and Operational Service Options Assessment Report):

- Staff and consultants recommend the Board direct staff to commence contract negotiations with SMUD for implementation services, data management/call center services, and up to five years of wholesale power services, the terms of which are to include provisions for periodic pricing and service level review and an option to terminate the contract at the end of year three.
- Pursuant to Board direction, staff will begin negotiations with SMUD and simultaneously move into next steps for a June 1, 2018 CCA program launch. Staff will provide an update at VCEA’s September Board meeting with focus on securing final contract approval at the October Board meeting.

Valley Clean Energy Authority Proposed Implementation Budget		Account Reference
Program Planning, Strategy and Project Management		
LEAN Energy US - Project Advisors	\$70,000	501165
Subcommittee and Board Meeting Expenses	\$5,000	501110
TOTAL:	\$75,000	
JPA Formation		
JPA Agreement/Legal Services	\$25,000	501156
Executive/staff salaries:		
General Manager (50% of year - Jan to Jun 2018)	\$104,000	See right
City of Davis - Interim General Manager (Calendar year 2017)	\$187,000	502121
City of Davis - Administrative Support	\$18,750	502121
County of Yolo - Energy & Sustainability Manager (Jan 17 - Jun 18)	\$123,000	502125
City of Woodland - Environmental Manager (Jul 17 - Jun 18)	\$78,000	502123
Start up administrative costs (office rent, equipment, insurance, etc.)	\$50,000	See right
TOTAL:	\$585,750	
Technical and Energy Services		
Implementation Plan	\$35,000	501165
Operating Budget/Proforma	\$5,000	501165
Power Supply RFP, vendor selection and contract negotiations	\$100,000	501165
Rate Design/Rate Setting	\$60,000	501165
Assistance with NEM/FIT programs, registrations and compliance	\$50,000	501165
TOTAL:	\$250,000	
Communications/Customer Enrollment*		
Logo/Branding/Subbrands	\$11,960	501020
Website	\$25,887	501020
Collateral Design/Video	\$33,638	501020
Paid Media/Pre-Launch Marketing	\$61,951	501020
Community Outreach	\$70,415	501020
Customer Notifications	\$196,558	501020
TOTAL:	\$400,407	
Finance/Legal		
Banking and Credit Services - RFP, Selection, Negotiation and Paperwork	\$25,000	501154
Power Supply Contract - Legal Services	\$50,000	501156
County of Yolo - Department of Financial Services	\$25,000	501151
Financial Audit (FY17 & FY18)	\$20,000	501151
TOTAL:	\$120,000	
Regulatory/Legislative		
Participation in Regulatory Proceedings/Legal	\$15,000	501156
Monitoring and Reporting	\$10,000	501165
TOTAL:	\$25,000	
Contingency		
Contingency	\$54,716	503300
TOTAL:	\$54,716	
TOTAL:	\$1,510,873	

*Assumes 4 notices to 50,000 customers in Davis and unincorporated County and additional 23,500 customers in Woodland

Executive Staff/Salaries

500100	\$69,680
500400	\$34,320
Total	\$104,000

Start Up Administrative Costs

501191	\$20,000
501210	\$20,000
501053	\$10,000
Total	\$50,000