



Valley Clean Energy Board Meeting

December 14, 2017

Davis City Council Chambers

Item 6 – Regulatory and Legislative Update

New item: CPUC Draft Resolution – E-4907 (issued Friday December 8, 2017; Comments due Dec 29, 2017; CPUC Action Jan 11, 2018)

- Stated purpose: address Resource Adequacy (RA) planning
- Sets new rules for launching CCA programs – does not have an immediate impact on VCEA
- Potential impacts if VCEA expands in the future;
- Limits local control – choice of when to launch
- Direct and immediate impacts to multiple CCA programs across the state (e.g. Riverside, LA, San Diego, MCE expansion, SLO/Santa Barbara, Coachella)
- CPUC Process/Analysis. Vague reference to impacts it is trying to solve; offers no substantive analysis of alternative approaches considered; no description of outreach to impacted CCA programs.

- Direct staff to set meetings with CPUC to express VCEA concerns; direct Chair and Staff to submit comments to the CPUC and/or sign-on to CalCCA comments.

Item 11 – Approval of Credit and Banking Services Vendor and Authorization of Contract Negotiations

Recommendations:

1. Adopt resolution to:

- Approve selection of River City Bank as the credit and banking services vendor for VCEA program launch and operations;
- Authorize the VCEA Interim General Manager, in consultation with VCEA Legal Counsel, to negotiate a contract with River City Bank for credit and banking services, including for banking and deposit (deposit of public funds) services; and
- Authorize the VCEA Board Chair to approve and execute the contract.

2. Authorize the Interim General Manager to execute a letter of intent and enter into negotiations for final contracts with River City Bank for VCEA credit facilities. Financing documents will be submitted to the Board for final approval.

Item 11 – Approval of Credit and Banking Services Vendor and Authorization of Contract Negotiations (cont.)

Discussion and Rationale for Selection of River City Bank:

- Lowest cost of financing and most flexible credit terms
- Has extensive experience providing deposit and treasury services to several CCAs in northern CA
- Is a regional bank and has the largest assets compared to competing bidders
- Fulfills local preference with branch locations in both Woodland and Davis

Item 12 – Approval of VCEA Staffing Plan and Direction to Proceed with VCEA Employee Recruitment

Recommendation:

- Approve updated VCEA staffing plan and direct staff to proceed with VCEA employee recruitment

Next Steps:

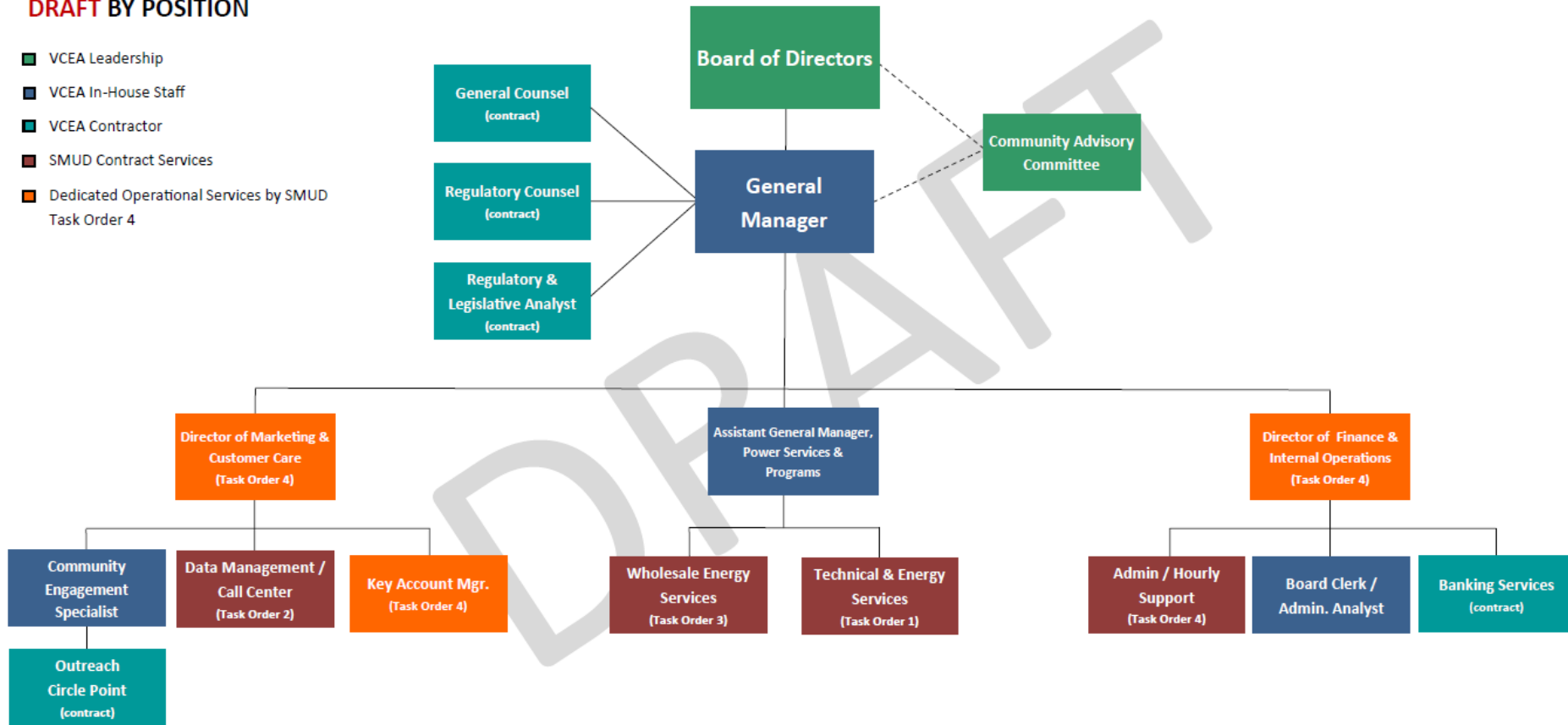
- Secure office space, develop employee policies, draft job descriptions and determine VCEA employee benefits
- Target start date for SMUD contract support under Task Order 4 is January 16, 2018. Additional three positions to be filled with the goal of having them filled as early as mid-January and as late as early March 2018.

Item 12 – Approval of VCEA Staffing Plan and Direction to Proceed with VCEA Employee Recruitment (cont.)

VCEA ORGANIZATION CHART

DRAFT BY POSITION

- VCEA Leadership
- VCEA In-House Staff
- VCEA Contractor
- SMUD Contract Services
- Dedicated Operational Services by SMUD Task Order 4



Item 12 – Approval of VCEA Staffing Plan and Direction to Proceed with VCEA Employee Recruitment

CAC Summary Recommendation on Initial VCEA Staffing – Dec 4, 2017:

- Energy expert group recommendation on organization chart: Support staff recommendation, subject to comments on needs, i.e.:
 - 1) Permanent staff subject matter expertise,
 - 2) GM and AGM full time permanent status,
 - 3) leg/reg not reporting to SMUD,
 - 4) annual review to achieve near term/long term capacity balance, and
 - 5) Planning/plan to build local capacity.
- Recommendation approved by CAC 7-0-1

Item 12 – Approval of VCEA Staffing Plan and Direction to Proceed with VCEA Employee Recruitment

Detailed Recommendation on VCEA Staffing – CAC Dec 4, 2017:

- The committee agrees that all the positions in the staff recommended organization chart are needed. The position description for the AGM should require subject matter expertise in VCEA core business topics. Other needs include:
 - depth of subject matter knowledge and experience among VCEA employees
 - more than one person on the chart to be ready to step in when gaps arise, especially in cases involving permanent VCEA staff.
- The general manager and any assistant general managers should be full time and permanent.
- It will remain important to emphasize the separation of legal and leg/reg from SMUD by ensuring these functions do not report through a SMUD employee or SMUD contractor.
- While the initial organization chart is adequate for the short term, i.e. launch phase and first year, it is not yet ideal in terms of preparation for the longer term. It will be important to review and if needed update it, annually at a minimum, to ensure adequate staffing for near term operations as well as planning related to goals outlined in the long-term portion of the vision statement.
- The committee recommends that staff start work on a plan for building local VCEA capacity, including band-width and technical/managerial expertise to engage with local companies that are actively delivering energy services and developing energy projects.

Item 13 – Approval of SMUD Services Agreement Task Order 4 Related to VCEA Organizational Staffing

Recommendation:

Adopt a resolution authorizing the VCEA Interim General Manager, in consultation with VCEA Legal Counsel, to finalize Professional Services Agreement Task Order 4 with SMUD.

Analysis:

- Task order 4 will provide dedicated operational SMUD staff in the following positions: Director of Finance and Operations, Director of Marketing and Customer Care, and Key Account Manager.
- The Task Order 4 also provides the ability to access additional SMUD services on an as-needed, hourly basis. in various operational areas.
- Please note that bookkeeping and accounting services are not proposed as part of Task Order 4

Item 14 – Financial Reserve Policy

Recommendation:

Adopt a resolution approving the proposed Financial Reserve Policy

Proposed Reserve Policy:

- Sets an initial minimum level of 30 days cash
- Longer term target of repaying startup capital 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

Item 15 – Power Mix Targets and Target Rates for CY 2018

Recommendation:

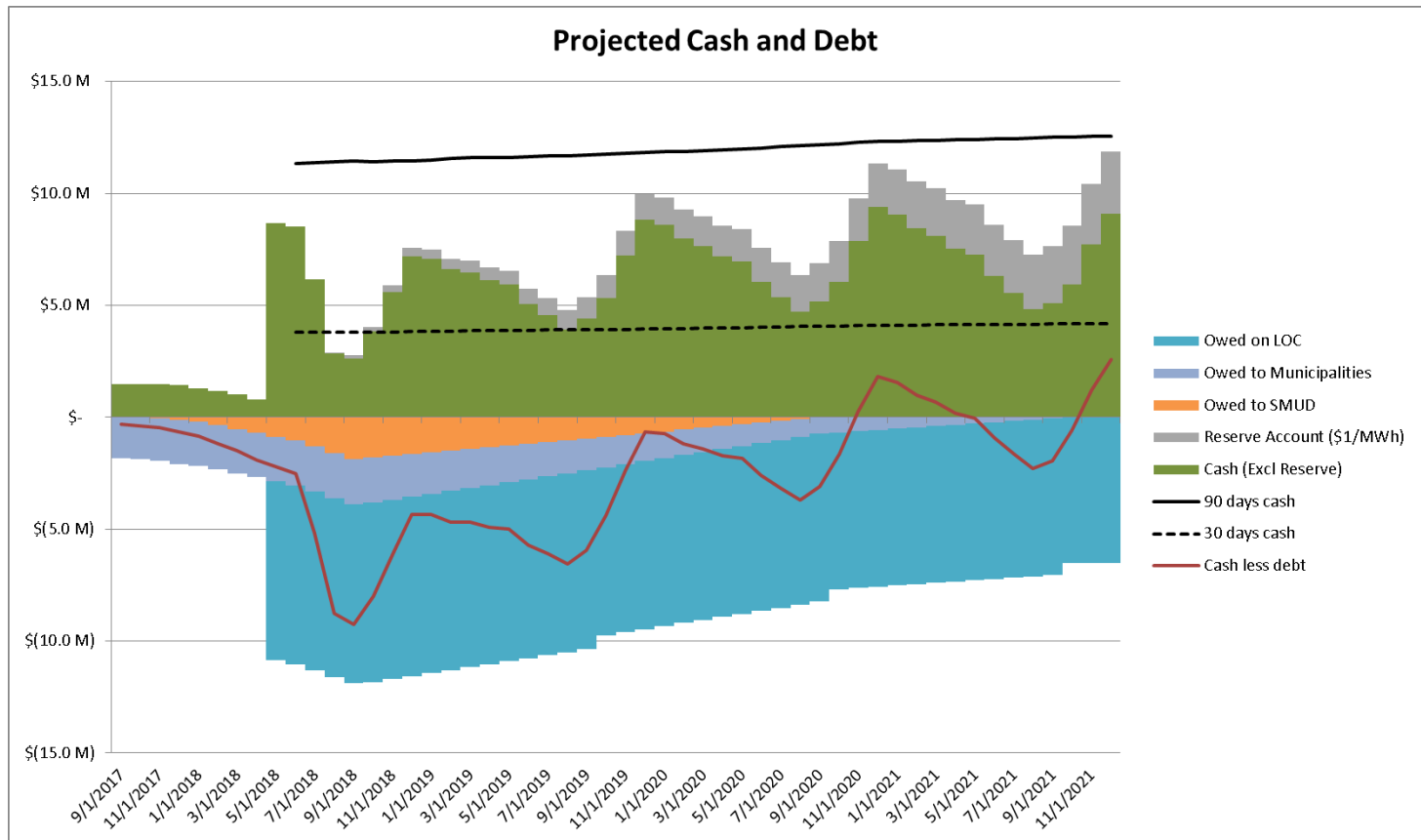
Adopt a resolution approving:

- Power Mix Target for calendar year 2018 that has a total 75% clean energy supply, comprised of the following components:
 - 42% renewable energy
 - 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.

Item 15 – Power Mix Targets and Target Rates for CY 2018

Reserve Accumulation/Targets with Proposed Power Mix and Rate Discount

Rate Discount	1.00%
Resource Portfolio	E-Alt
PG&E Scenario	Low 1/1/1
PCIA Scenario	Low 3/3/3/0



Item 15 – Power Mix Targets and Target Rates for CY 2018 (cont.)

Resource Scenarios Evaluated

Scenario	Renewable Content	Renewable Mix			Non RPS Clean	Total	Characterization
		PCC-1	PCC-2	PCC-3			
A	35%	100%	0%	0%	40%	75%	Minimum desirable renewable content. Total clean content greater than PG&E.
A Alt	35%	75%	25%	0%	40%	75%	Minimum desirable renewable content. Total clean content greater than PG&E.
B	50%	75%	25%	0%	25%	75%	Meets 2030 RPS goals now. Total clean content greater than PG&E.
C	50%	100%	0%	0%	25%	75%	Meets 2030 RPS goals now at increased cost. Total clean content greater than PG&E.
D	75%	100%	0%	0%	0%	75%	All clean content supplied by renewables. Highest cost. Total clean content greater than PG&E.
E	42%	75%	25%	0%	33%	75%	Middle range renewable content. Total clean content greater than PG&E.
E Alt	42%	52%	48%	0%	33%	75%	Middle range renewable content. Total clean content greater than PG&E.
F	40%	54%	46%	0%	35%	75%	Middle range renewable content. Total clean content greater than PG&E.

Item 15 – Power Mix Targets and Target Rates for CY 2018 (cont.)

Selected Resource Scenario

			2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
E-Alt	Total Renewable Content		42.0%	42.0%	42.0%	42.0%	42.0%	42.0%	42.0%	42.0%	43.3%	45.0%
	PCC 1	Calculated	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
	PCC 2	Calculated	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
	PCC 3	Calculated	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	RPS Required Minimums		29.0%	31.0%	33.0%	34.8%	36.5%	38.3%	40.0%	41.7%	43.3%	45.0%
	PCC 1		75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
	PCC 2		25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
	PCC 3		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Incremental Renewables		13.0%	11.0%	9.0%	7.2%	5.5%	3.7%	2.0%	0.3%	0.0%	0.0%
	PCC 1		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	PCC 2		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
	PCC 3		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	Non Renewable Carbon Free		33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	31.7%	30.0%
	Total Carbon Free		75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%

Item 15 – Power Mix Targets and Target Rates for CY 2018 (cont.)

CCA Comparison of Resource Mix and Rate Discount

CCA	Accounts ¹	Launch Year	Rate Discount	Default Product Resource Mix ²		
				Renewable	Non-Renewable Clean	Total Clean
Marin Clean Energy	260,000	2010	0.62%	55%	13%	68%
Sonoma Clean Power	227,000	2014	2.17%	42%	49%	91%
CleanPowerSF	76,000	2016	0.25%	40%	38%	78%
Peninsula Clean Energy	300,000	2017	5.00%	50%	30%	80%
Silicon Valley Clean Power	240,000	2017	1.00%	50%	50%	100%
Redwood Coast Energy Authority	60,000	2017	2.70%	42%	40%	82%
City of Lancaster	52,000	2015	-5.35%	35%	0%	35%
Apple Valley	29,000	2017	-4.35%	35%	Not Disclosed	35%
Pico Rivera Innovative Municipal Energy	17,000	2017	-4.35%	50%	Not Disclosed	50%
Pacific Gas & Electric			0.00%	33%	36%	69%
Southern California Edison			0.00%	28%	12%	40%

Notes:

1 - Represents Customer Accounts as reported by CalCCA

2 - As reported on CCA's websites



Item 15 – Power Mix Targets and Target Rates for CY 2018

Energy task group recommendation:

1. default mix to start @ 42% RPS qualifying resources;
2. alternative mix @ 100% RPS qualifying resources and GHG emissions 10% lower than PG&E;
3. additional all-local-renewables product by end of year 1; and
4. accelerate toward 50% RPS qualifying, by adding 50/50 mix of local/import

CAC action:

- Motion to support staff recommendation (35% RPS qualifying) failed 3-4-1.
- Motion to support staff recommendation with change in default mix to 42% RPS qualifying passed 5-2-1.
- Both motions called for evaluating overall RE percentage increases and beginning local RE deployment in year 1
- Additional power mix recommendations will focus on RE portfolio and RECs.

Item 16 – Wholesale Energy Risk Management Policy

Recommendation:

Adopt a resolution approving the proposed Wholesale Energy Risk Management Policy

Key Elements:

- Enterprise Risk Oversight Committee
- Business Practices
- Functional Separation Criteria for Wholesale Energy Services Provider
- Delegations of Authority
- Risk and Credit Monitoring

Item 17 – Community Advisory Committee Report

CAC Charge:

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.

Launch Phase Task Groups:

1. Energy. CAC energy experts include Beck, Braun, Flynn, Kristov, Springer. An energy experts sub-group (Braun, Kristov, Springer) reviewed staff recommendations as to initial power mix, organization and operating reserve.
2. Outreach. Task Group: Aulman (Chair), Baird, Hunter
3. Public Forum. Task Group: TBD
4. Legislative and Regulatory: Hunter (Chair), Flynn, Kristov, Shewmaker. Interim task group (Hunter, Kristov, Shewmaker) developed a draft process for CAC and board consideration.



Item 17 – Community Advisory Committee Report

November 27, 2017 CAC Meeting Minutes Highlights

- SMUD Agreement Task Order 4 – Task group to review
- CAC Workplan: Reviewed and approved updates
- Staff and Consultant Briefings: power mix targets; reserve policy; wholesale energy risk and trading policies; initial organization and staffing
 - Power Mix Targets – Requested analysis of portfolio starting at 42% increasing over time to 50%
 - Risk management – Expressed interest in CCA risk management experience to date and policies of operating CCAs
- Task Group Reports: Leg/Reg and Energy groups to meet prior to 12/4 CAC meeting.

Item 17 – Community Advisory Committee Report

Dec 4, 2017 CAC Meeting Minutes Highlights (Part 1 of 2)

- Committee Workplan:

- Updates to synch with board workplan
- Settled on “Community Advisory Committee” name
- Targeting three launch phase task groups with elected chairs

- Power mix:

- Energy task group recommendation: 1) default mix to start @ 42% RPS qualifying resources, 2) alternative customer option including 100% RPS qualifying resources and producing GHG emissions 10% lower than PG&E, 3) additional all-local-renewables customer option by end of year 1, 4) accelerate toward 50% RPS qualifying default mix, by adding 50/50 local/imported supply
- Motion to support staff recommendation (35% RPS qualifying) failed 3-4-1.
- Motion to support staff recommendation with change in default to 42% RPS qualifying passed 5-2-1.
- Both motions called for evaluating overall RE percentage increases and beginning local RE deployment in year 1
- Additional power mix recommendations will focus on RE mix and REC category split.

Item 17 – Community Advisory Committee Report

Dec 4, 2017 CAC Meeting Minutes Highlights (Part 2 of 2)

- Operating reserve:
 - Motion to support staff recommendation passed 6-1-1.
- Wholesale Power Procurement and Risk Management
 - No task group recommendation and no committee discussion.
- Organization Chart:
 - Task group recommendation: Support staff recommendation, subject to comments on needs, i.e.: 1) Permanent staff subject matter expertise, 2) GM and AGM full time permanent, 3) leg/reg not reporting to SMUD, 4) annual review to achieve near term/long term capacity balance, 5) planning to build local capacity.
 - Recommendation approved 7-0-1
- Legislative and Regulatory Policies and Procedures
 - Unanimous approval of task group recommendation
 - Energy experts group to engage in support of Leg/Reg group as needed, esp. in support of regulatory priorities.