

APPROVED

SEP 04 2014

**MARIN CLEAN ENERGY
BOARD MEETING
THURSDAY, July 3, 2014
7:00 P.M.**

**SAN RAFAEL CORPORATE CENTER, TAMALPAIS ROOM
750 LINDARO STREET, SAN RAFAEL, CA 94901**

MARIN CLEAN ENERGY

Roll Call

Present: Damon Connolly, City of San Rafael, Chair
Kate Sears, County of Marin
Bob McCaskill, City of Belvedere
Sloan Bailey, Town of Corte Madera
Larry Bragman, Town of Fairfax
Kevin Haroff, City of Larkspur
Garry Lion, City of Mill Valley
Denise Athas, City of Novato
Carla Small, Town of Ross
Ford Greene, Town of San Anselmo
Ray Withy, City of Sausalito
Emmett O'Donnell, Town of Tiburon

Absent: Tom Butt, City of Richmond

Staff: Dawn Weisz, Executive Officer
Jeremy Waen, Regulatory Analyst
Jamie Tuckey, Communications Director
Greg Brehm, Director of Power Resources
Greg Morse, Business Analyst
Meaghan Doran, Energy Efficiency Program Specialist
John Dalessi, Technical Consultant
Greg Stepanicich, General Counsel
Emily Goodwin, Director of Internal Operations
Darlene Jackson, Clerk

Public Session: 7:04 PM

Agenda Item #1- Board Announcements (Discussion)

None

Agenda Item #2 – Public Open Time (Discussion)

None

Agenda Item #3 – Report from Executive Officer (Discussion)

Executive Officer Dawn Weisz first thanked everyone for attending tonight's meeting in light of the long weekend ahead. She reiterated there would be no August Board meeting but we would be back to a full schedule in September which includes a full day with MCE at the Board retreat.

Ms. Weisz announced that she wanted to highlight three exciting things related to MCE's primary goals: 1) MCE has had 5 Feed-in-Tariff ("FIT") applications come in within the last two weeks and there has been significant momentum on the FIT front. More information will be shared about the applications as they work their way through the application review process; 2) the Novato Cooley Quarry project was approved by the San Rafael Planning Commission last week. This project will likely be filling the needs of MCE's SolShares project to provide MCE customers with a third energy product option. The SolShares product offering has seen over 30 customers sign up so far, it caps out at 200 so, MCE is well on its way to getting that subscribed.

She announced that Emily Goodwin had some Board-related events to announce.

Ms. Goodwin announced 1) in August MCE will be hosting the California Energy Choice Workshop which is a "nuts and bolts" kind of how to start and operate a CCA. We are looking to invite folks state-wide and are looking for several guest speakers to facilitate the workshop. Some of the persons who have volunteered are John Dalessi, Sonoma Clean Power, LEAN President, Shawn Marshall, the Sierra Club, and the CPUC. Additional information on this event will follow via email but she wanted to provide a heads up of what to expect at the workshop and, 2) on October 23, 2014 and even more exciting event will take place, MCE will host a field trip to CalPine which will likely be a day-long trip. MCE will rent a bus and lunch will be provided. More details are to come and she is hopeful that the Board can carve out some time to join us on this exciting field trip. It is an excellent way to see one of MCE's local resources.

Director Athas wanted to confirm that Ms. Weisz would be presenting to the League of California Cities. Ms. Weisz confirmed that she would in fact be presenting to the League on July 24th, invited all to attend and indicated she would electronically forward additional information to the Board. Ms. Weisz indicated the topic would surround CCAs in general and it would be nice to have a few Board members there to speak about their experience with the CCA community. Chair Connolly indicated he would be present at the event.

There were no questions from the Board or the public.

Agenda Item #4 – Consent Calendar (Discussion/Action)

- C.1 6.5.14 Board Minutes
- C.2 Monthly Budget Report
- C.3 Second Addendum to Second Agreement with Tosdal Law Firm

Director Greene expressed his appreciation for the detailed minutes and indicated the transparency provided is welcomed.

M/s Greene /O'Donnell (passed 12-0-0) approved all items on the consent calendar. Director Butt was absent.

Agenda Item #5 Resolution No. 2014-04 Approving the City of San Pablo as a Member of MCE and Authorization of Implementation Plan Changes (Discussion/Action)

Dawn Weisz, Executive Officer presented this item.

Ms. Weisz provided background on the City of San Pablo. Back in March 2014, staff received a letter from the City of San Pablo expressing interest in MCE membership. She reminded the Board that San Pablo is bordered on four sides by the City of Richmond and seems to be a good fit for a new member community within MCE. She shared that MCE undertook a membership analysis which has been completed; the overall positive results have been presented to MCE's Executive Committee.

Technical Consultant John Dalessi explained the New Membership policy established by the Board requires a quantitative study of any new application for MCE membership which is a core part of the evaluative process. He shared the primary focus of the quantitative study is looking at the expected net impacts to existing MCE customers, whether the additional load would be likely to allow for an overall reduction in MCE's rates and the environmental impacts in terms of reducing or accelerating Green House Gas ("GHG") emissions. He reminded the Board of the recent briefing on the same issues presented for the County of Napa.

Mr. Dalessi provided geographic data for the City of San Pablo and talked about MCE's customer base. He shared the projected 2014 key statistics for MCE's current customer base:

- Currently serves approximately 125,000 customers
- Sells about 1.3 million MWh of energy on an annual basis
- Peak demand approximately 250 MW
- RPS eligible procurement: 27% +
- Total renewable procurement: 50% +
- Carbon-free procurement: 60% +
- Portfolio emission rate: 370 lbs CO₂e/MWh (one of the lowest in the industry)

Mr. Dalessi reiterated the chronology of events from March 2014 – June 2014 and indicated the analytical findings as being favorable. The City of San Pablo is a relatively small city but he anticipates about a 1% rate reduction for all existing and prospective MCE customers if the City of San Pablo was to the MCE service territory. He also shared the prospective addition of San Pablo would result in an increase in use of renewable energy and a reduction in GHG emissions.

In relation to the City of San Pablo customer base, Mr. Dalessi shared 1) there are potentially 10,000 new customers which all are current PG&E bundled customers, 2) there have been no adjustment to these figures for anticipated participation or potential opt outs of the program, 3) the potential sales would be about 90,000 MWh/year, 4) the aggregate peak demand increase would be 15 MW, 5) there would be a higher proportion of residential accounts relative to MCE; a lower proportion of small commercial accounts in San Pablo, 6) San Pablo residential customer use approximately 28% less energy per account than MCE's current residential customer base and, 7) the average monthly usage across all accounts is 18% lower than MCE's current customer base.

Mr. Dalessi explained in comparing MCE's Hourly Load Profile with the City of San Pablo's, there is no significant difference. There would be some diversity of benefits but not as pronounced as Napa.

He also explained that the terms have included a few key assumptions used in the study for purposes of simplicity; it is assumed that the customer enrollments would occur at the start of the next fiscal year April 15, where the

actual enrollment date might be advanced or delayed a couple of months. For the purpose of the analysis, it is started at the beginning of the 2015 fiscal year with the assumption being:

- 85% participation rate
- Participatory rate translates to a retail sales increase of 76,000 MWh, or approximately 6%
- Small projected revenue surplus
- Revenue surplus was assumed to offset a share of MCE's fixed costs which would marginally reduce MCE's overall rates
- Incremental cost analysis accounts for: additional power supply, customer billing, call center support, PG&E service fees
- Overall rate reduction approximating 1% - there is a relatively small surplus due to fixed cost of the agency which translates into potential rate reduction

The incremental revenue from customers in San Pablo is estimated to be around \$6M in the next fiscal year.

Director O'Donnell asked as MCE grows will it be able to maintain a percentage of renewable content up at the 50% level or will it naturally slide down with growth? Mr. Dalessi said he does not see any problem keeping the renewal content up at that level, as we have plenty of renewal opportunities to choose from.

Director Lion asked if there is a higher percent of renters how do we expect that to affect the opt-out rate and are the tenants more likely to opt out than homeowners? Mr. Dalessi responded that as far as he knows, we do not compile any data at that level of opt out rates from various categories or sub-categories of the residential sector. He doesn't know why it would be different but what he has seen is a pretty consistent opt-out rate even across different types of customers.

Director Bragman asked if there were any costs that would be incurred due to expansion, 1) will MCE incur any staff cost increase and, 2) we're required to have power reserve to serve the load so as the load expands do we have to purchase additional reserves and what are the costs associated with that purchase? Mr. Dalessi responded to the questions in reverse order.

In terms of the reserves, we have capacity reserves which is the initial cost factored into our supply cost line item. We also have financial reserves that we target in our rate structure at about a 3% annual contribution to reserves so that is factored in as well to the 1% increase. We've assumed that these customers also have to support that 3% reserve level and the additional reserve beyond that would go toward rate reductions.

Mr. Dalessi responded to question #1 by sharing there will be costs associated with the implementation, power procurement, communicating to customers and marketing. There was an analysis of what was spent for Richmond and it was quantified at about \$450,000 for those types of costs. He expects that it will not exceed that amount because this is a significantly smaller community. Some of those costs are staff that are now onboard and, to some extent, could be repurposed. He indicated if this expansion could be completed at the same time as the County of Napa, some activities and costs surrounding expansion could be shared.

Director O'Donnell asked about the portion of Mr. Dalessi's presentation where there seems to be a couple of large commercial customers who use a lot of power. Does the agency believe they will be able to capture those customers? Mr. Dalessi's response was MCE historically has had success with large commercial customers. The rates MCE offers to those customers is competitive and actually will result in lower costs to those customers at this time. Frequently, those customers are the most price sensitive and go straight to the bottom-line of their business expense. He believes the rate competitiveness will help in attracting and retaining those customers. It's not that

we really need those customers for the expansion to be beneficial, because the fact is even though they are large users and great customers to have, the rate is also relatively low for those types of customers per kW basis.

Mr. Dalessi and Ms. Weisz responded to questions from the Board.

M/s Lions/Sears (12-0-0 passed) approved Resolution 2014-04 Approving the City of San Pablo as a Member of MCE and Authorization of Implementation Plan Changes. Director Butt was absent.

Chair Connolly asked about next steps and Ms. Weisz provided that information as being 1) to revise Implementation Plan to include the City of San Pablo along with the County of Napa before submitting to CPUC for approval, and 2) a final action that needs to be taken by the City of San Pablo to approve the Ordinance authorizing a CCA in their community and that reading is scheduled for the 22nd of July. Ms. Weisz will make sure the Board receives a clean, final version of the Implementation Plan.

Agenda Item #6 – Request for MCE Membership from City of Benicia (Discussion/Action)

Executive Officer Dawn Weisz presented this item.

Ms. Weisz shared the City of Benicia has been interested in the possibility of exploring a relationship with MCE for some of the reasons we saw in San Pablo of interest among their community members having a choice in their energy supply. Solano County is sandwiched between Napa County and Contra Costa County where Richmond and San Pablo are located. They've heard a lot about the program and are interested in the possibility of having a choice for their customers.

They also are very aligned as far as environmental objectives and interested in ways to reduce GHG emissions. They do have a large refinery in their community, Valero. We've seen similar sentiments in the community around clean energy solutions and creating a real awareness of energy generation within the community, as we did with Richmond. They are a small enough community that their size doesn't lend itself to creation of their own CCA program.

The City of Benicia's population of 27,000, representing approximately 10,700 households, is a bit smaller than Napa. It is also worth noting that in 2007 Benicia joined ICLEI-Local Governments for Sustainability's Cities for Climate Protection Campaign with a goal to reduce GHG emissions to 2005 levels by 2010 and reduce GHG emissions to 10% below 2000 levels by 2020. They recently adopted a GHG Inventory Update Report that outlined strategies to meet their 2020 reduction targets. This project is a top priority in a range of projects which the City of Benicia is looking to implement in the next few months regarding GHG reduction. In their meeting last month where Ms. Weisz was a participant, she noted they've done a comprehensive evaluation of about 30 different programs in the community that would help them to enable GHG reductions. They placed MCE at the top of the list with strong recommendations to their City Council about participation in MCE's program. The City Council subsequently voted to fund the membership study.

Ms. Weisz noted there is a very strong interest from the City of Benicia. Also Greg Brehm, Director of Resource Power has pointed out that Benicia is a great place for renewable resources and believes it is a good fit for MCE.

Ms. Weisz shared that several East Bay communities who have expressed interest in joining MCE but have put their efforts on hold watching to see what happens with Alameda County CCA effort. Last month the Alameda County Board voted unanimously to allocate \$1.3M towards a CCA study. It is very exciting that Alameda County has taken

that type leadership role in moving forward with a CCA. It creates an opportunity for some of the East Bay communities who are not close to MCE existing territory to join a CCA program. .

Chair Connolly asked if there was anything else on the horizon other than the City of Benicia and the City of San Pablo; Ms. Weisz confirmed there is nothing currently pending beyond those two requests.

Director Bailey asked since this would be a fourth county is approval of the City of Benicia necessary before January 1st or would the "grandfathering" language of AB 2145 apply? Ms. Weisz responded, yes, it would be necessary for the approval of the enabling ordinance to take place before January 1, 2015. Director Bailey asked if that would then open up any municipality within the Solano County to be considered for membership. Ms. Weisz responded yes, that is correct based on the current AB 2145 language.

Director Haroff asked about the communities who have placed their CCA interests on hold because of what Alameda County is doing and wondered if there any implications for MCE pursuing some East Bay opportunities as a result of the legislation that is now getting keyed up if Alameda County doesn't move forward with CCA plans? Ms. Weisz responded that if the legislation of AB 2145 goes forward in its current form and if it is ultimately approved by the Governor, we would be limited to only providing service in the counties who have passed an ordinance to join MCE by the end of the calendar year.

Director Haroff asked for confirmation: Unless the ordinance is passed somewhere in Alameda County and all those other communities come into play, then that puts a cap on our ability to serve the entire county. Ms. Weisz confirmed that as being correct.

Director Lion asked if MCE is restricted to three contiguous counties is Contra Costa contiguous? Ms. Weisz responded that there is grandfathering language in the bill as it currently exists and that would apply to MCE. The trigger is if an ordinance has been passed in a community of any county by the end of the calendar year then MCE would have the ability to serve the customers within those counties anytime in the future. The current language in the bill states that such would be allowed but if we received a request from a new county after January 1, 2015, we would not be able to serve that county.

Chair Connolly asked, as always, even moving forward with this approval step, Benicia's request for membership is contingent upon a positive membership study. Ms. Weisz responded that that is an important clarification to make. The action tonight would be to approve membership subject to the positive outcome of the membership study. If we were to complete the membership study and determine there would be a negative impact on our budget or on our rates we would not be able to move forward.

Ms. Weisz responded to questions from the Board.

M/s Sears/Bragman (12-0-0 passed) approved Request for MCE Membership from City of Benicia. Director Butt was absent.

Agenda Item #7 - Land Option and Lease Agreements with Chevron Products Company (Discussion/Action)

Greg Brehm presented this item.

As a result of MCE's ongoing search for new places to build solar facilities in our jurisdiction, Chevron offered us approximately 60 acres of land on their Richmond Refinery site, adjacent to Richmond Parkway and West Hensley Drive which is very visible and public site. There will be an opportunity to host a kiosk for public

engagement/museum/ technology demonstration facility with public access to obtain current information on programs and activities. The lease will be basically no cost, a \$1 per year lease and there would be a \$100,000.00 security deposit required per the contract. The site would be very easy to permit because it is in an M3 zoning which allows for major utility usage by right. With the help of Director Butt and the Richmond City Council passed a Resolution that permits any solar facility in any zoning district Subject only to a ministerial approval and no CEQA review.

MCE staff is talking to some folks about a "Utility Prepay Financing Package" which should get the rates down very competitive to current market prices. It is a very positive site with high visibility and he has received great feedback from folks at the City of Richmond.

Mr. Brehm shared the site does have some environmental concerns as there is a brownfield site landfill site and will require structures mounted on top of the ground so there won't be any disturbance of landfill contents or penetration of the landfill cap. Approximately 20 acres of the site is leveled filled fertilizer ponds that we can penetrate so it will allow ground penetration. Overall it is a very good site with few issues.

It will sponsor a minimum of 2MW and a maximum of 12 MW. We would probably develop in multiple phases over a 5-year period. He is certain the permitting and development will be done fairly easily.

Director Greene asked Mr. Brehm to talk about the actual plan for construction, who will do it and how it will be paid for. Mr. Brehm responded by saying we would basically do the design work for the facility itself and have an RFP for the construction labor and possibly financing. The agreement includes language supporting the appropriate City of Richmond's local hire policy. Part of the lease agreement states MCE is required to own the facility as soon as possible after tax equity investor has captured all available tax benefits.

Director Sears asked Mr. Brehm to talk about the bond financing that would be required for this. Mr. Brehm said it could be bond financing or it could be a loan. The decision has not been made as to which option is best. Roughly, we would have to prepay approximately 40-50% of the costs up front with the balance to be paid over the term of the contract.

Director Haroff asked what the benefits would be to Chevron. Mr. Brehm responded the benefits would be public relations for the most part but they are required under their Modernization Project's environmental impact report to host at least a 2MW solar project. Our Agreement is not contingent on the environmental impact report but we cannot exercise the option until after their EIR is approved under conditions acceptable to Chevron.

Mr. Dalessi shared it is important to note this is step one of many and approving this option is not saying that MCE is obligated to build or finance the project, project it merely gives MCE the right to perform due diligence. The Lease will not be exercised until MCE is satisfied that project is feasible.

Ms. Weisz shared that the option also gives us the ability to apply for interconnection with PG&E which could take approximately six months so this step allows us to get the process started.

Director Lion – It was mentioned this site once was a waste management landfill so by owning it, are there any risks involved to us if later it turns out there is toxicity associated with it? Mr. Brehm responded there is certain mutual hold harmless and indemnification language approved by external counsel. Ms. Weisz reminded the Board that we are not looking to own the land but lease it. We will own the solar equipment but the land remains Chevron's.

Director Bailey offered a word of caution and he is hopeful that MCE does a thorough study to determine what risks MCE may be subject to because of the site's preexisting contamination so that we don't assume any responsibility. In reviewing the contract language negotiating who's responsible for the contamination. The reciprocal indemnity might be an after the fact recovery but does not stop us from being the first stop in the event they later say pollution was released on the land. It means that we may have some recovery but initially we would be obliged to clean up costs.

General Counsel Greg Stepanicich shared that SHUTE, MIHALY & WEINBERGER LLP was the firm that reviewed the lease option and lease. Director Bailey's questions are valid and need to be looked at carefully before any decisions are made in exercising the option.

Director Bailey clarified that he was not expressing any disagreement with the content of the contract but based on his experience with these type situations he wanted to ensure potential liability surrounding contamination issues are covered.

Director Connolly asked for clarification. Director Bailey shared his interpretation is if you control and/or own the site and pollution is discovered on it, then under most State and Federal regulations, you can immediately be held responsible for the cleanup. You might subsequently have some right to pass off some contribution or allocation as to who is the true wrongdoer but in the first instance, if you're on it, you're responsible.

Director Sears indicated perhaps SHUTE, MIHALY could provide input as to the meaning of control in this matter.

Mr. Stepanicich shared if we would become owner of the land we could be held responsible but not as lessee.

Director O'Donnell shared he thinks using brownfield property for solar projects is a brilliant idea. It is a great policy for California and the Bay Area who have industrial sites that are ideal for this type application as long as all liability issues are closely looked at. He also said another reason to take a further look at the contract is if you move forward to develop the site and you bond the plans required by the lender to phase 1, phase 2, environmental studies will be part of your financing package.

Greg Brehm stated the because the site was a properly closed landfill with an existing maintenance plan, all existing condition on the site have been documented

Director Bragman commented the lease has language indemnifying Chevron but he did not see cross-indemnification. The Memorandum of Understanding talks about prior and subsequent acts and he believes the lease should call for that cross-indemnification distinction. He would like to discuss the project labor agreement mentioned to include some sort of prevailing wage condition. Is that one of the conditions we are imposing on subcontractors or our contractors? Ms. Weisz responded yes, it is to comply with the requirements of the City of Richmond. They have some very clear parameters that any developer needs to comply with when working in the City. We will be incorporating those provisions and City requirements. Per Mr. Brehm we are not subject to any existing Chevron labor agreements.

Chair Connolly asked timing wise, are we looking to get the analysis before taking next step of approving the option? The Board was in agreement that would be the best move. Chair Connolly directed Ms. Weisz to bring a legal analysis from SHUTE, MIHALY that is specific to MCE's potential liability and how to minimize any liability back to the full Board.

Director Greene suggested when the analysis is complete, have someone from SHUTE, MIHALY come in and answer any questions the Board might have concerning the analysis.

Ms. Weisz responded to questions from the Board.

This Item did not pass but the Executive Officer was instructed to bring analysis back to full Board for discussion with environmental attorneys available to answer questions.

Agenda Item #8 – MCE Prevailing Wage Policies (Discussion)

Dawn Weisz presented this item. She indicated that the discussion surrounding this item originated with Director Bragman who thought it would be helpful for us to start talking about the prevailing wage and labor practices that we have in house and essentially developing a policy. This is a discussion item to garner input and then bring it back to our Executive Committee to discuss in more depth.

Director Bragman had a conversation with the North Bay Labor Council around the time AB 2145 was heating up because it seemed like the impetus for legislation was obviously coming from I.B.E.W. so he figured he would get ahold of a friendly labor representative with whom he has had a relationship with for a number of years. He thought it would be a pretty decent sell and, not so. He got Jack Buckhorn who was immediately put in the conversation who Director Bragman found out was an I.B.E.W. officer. Mr. Buckhorn was very hostile to CCAs in general and repeated misinformation about CCAs not providing clean energy and the false story PG&E and other IOUs were putting out about MCE. They got into a fairly long email correspondence and Director Bragman kept reassuring Mr. Buckhorn that he (Bragman) would continue advocating for this because MCE is a public agency and should be held to the same standards as any other public agency and, to avoid the appearance that we are in some sense outsourcing union labor and green washing ourselves.

Director Bragman continued by saying if MCE has a policy and it is practical, we need to adopt it because we could eliminate that hostility from organized labor to CCAs. He thinks ultimately we need that kind of fusion of interests to make this organization grow, to nurture other municipalities to consider CCA's and provide living wages for the community.

He believes all MCE jurisdictions have prevailing wage policies, we're all obligated to follow prevailing wage policies and, it sounds like we're trying to promote prevailing wage policies with the new projects. At the end of the day if we move in that direction we may bring in more support from other unions and not face the kind of legislative tangles that we are now. That was the reason he requested this item be placed on the agenda.

Whatever policy that is developed needs to be studied it to ensure that it is practical but in the long run for our political wellbeing and realistically lasting in terms of benefits for the community; it is something we should be formalizing and adopting sooner rather than later.

Director Sears believes in this context that even the statement made by Director Bragman that "the appearance that we are outsourcing" to non-union workers is objectionable. She thinks it is important to this conversation to have a discussion so that everyone is informed that the union jobs are being created through everything we are doing so it is absolutely clear that we are not doing that. In fact there is a lot of misinformation floating around that does not change the reality that MCE is an existing operation. She wants to be clear while having this conversation she does not have a problem with prevailing wage. They have a living wage ordinance at the County

of Marin so that is not the issue, but this is not being driven by some sense that we are currently doing something that is at all inappropriate or has a negative impact on the union work force. If people need more information on this topic this would be the time to say so.

Ms. Weisz reminded the Board that what is in the staff report is nothing new that is being proposed but what is already in place. MCE's approach to union and organized labor has been supportive and she believes MCE has gone out of its way to ensure that we are utilizing local businesses, and local job training programs for energy efficiency and local solar projects. We also create a lot of jobs through our purchases through the market in the generation realm. Of all the false claims against MCE and its impact on union jobs, we have not caused diminishing of any union jobs. No one has been able to point to a single union job that has been lost because of MCE.

In addition to the confusion and misinformation there is a real misunderstanding of how CCAs operate even within the I.B.E.W., for example, 90% of their members are linemen that work on the Transmission and Distribution infrastructure which doesn't change in any way when CCAs begin service. I.B.E.W. members aren't being told this, they are being told to be afraid of CCAs and CCAs will jeopardize union jobs. It's a very basic level of information that is not true.

Ms. Weisz shared that she, at one time, was a labor organizer in Los Angeles before moving to Northern California and from a pretty deep level, understands and supports the importance of collective bargaining and fair compensation and all the things unions should stand for. She believes that MCE should and does stand for those things as well but what had been disheartening to see were the types of tactics that are being used in this campaign against MCE which are nothing less than extortion and based on nothing less than misinformation. They do not reflect the values of the original folks working in the labor movement and it almost makes a mockery of that movement.

Director Bragman shared he does not know what will happen with AB 2145 and he doesn't know what it will end up looking like by the time it reaches the Governor's desk but, if it gets there, he believes it will give the governor more pause if MCE has prevailing wage policy in place. He believes it inoculates MCE from an attack, false as it may be.

Director Bragman also shared another strand of the conversation between him and Jack Buckhorn was he (Director Bragman) told Mr. Buckhorn that the development of CCAs will increase linesman work because of the interconnection work that is going to be needed to be done in order to facilitate distributed power and the whole improvement of the infrastructure required to do that. MCE could actually be creating new prevailing wage jobs. We did pretty well in the senate with AB 2145 with what this bill will look like but it is difficult to predict what happens in Sacramento in terms of legislation. He believes this is a good way to protect our agency from that kind of attack as we go forward. If MCE can adopt a policy to do that, he strongly urges us to do that.

Director Small shared she knows this has been extremely stressful on the MCE staff and a tremendous amount of work but the good and the bad is because MCE has been so successful she believes that is what's brought this attack about. If MCE were not as successful, we wouldn't be experiencing this. For a lot of reasons they've chosen these types of PR tactics to come after this group and they are trying to limit what we can do in the future. She thinks whether it is more completeness or adopting something in a more formal way that we already do, anything we can do to help diminish the tactics they are going to continue to use, is beneficial and can only improve our situation.

Director Lion asked where the actual proposed policy verbiage came from. Ms. Weisz responded that it is a compilation of language that MCE staff had drafted last fall when we were working on what we wanted to have for our open season documents that went out in February 2014. This language is what was included in the open season distribution documents. Some of it was taken from what other utilities in the State use. We also looked at local hiring policies from the City of Richmond and pulled some language there as well as surveying various sectors and looking at best practices.

Director Lion asked if this has any legal requirements associated with it consistent with labor/employment laws. Ms. Weisz responded yes, it has gone through internal legal review but not in great depth. The plan is to do more of that as we get more input from the Board.

Chair Connolly wanted to clarify, that our current practice that is reflected in the discussion document is to ask for information from potential contractors about their labor practices and he thinks what is being proposed here is a little bit more than what the CPUC requires. He wondered if we should require prevailing wages, which would make the policy it slightly different. Ms. Weisz agreed that this is language that is rather open-ended and could be more prescriptive.

Chair Connolly shared that he agrees with Ms. Weisz about the misinformation that is being perpetrated against MCE and from a political standpoint we have to take a stand. As a matter of policy, there are some important issues as we develop policy to pay prevailing wage, notwithstanding the politics of it. It is important for the Board to know that we would be leaning in a different direction by requiring that rather than just asking for current information about it from prospective developers

Director McCaskill asked for clarity on one point. He believes it would be most beneficial if we had something formally in place before the Governor is asked to sign AB 2145. But he noted that it may not be practical to expect the policy to be signed by that time since we do not have an August Board meeting.

Greg Stepanicich explained that the bill would likely go to the Governor towards the end of September for signing.

Director Greene asked what would be the downside if the policy was adopted tonight. Greg Stepanicich explained that because this is a discussion only agenda item we are unable to take action. He also noted that, when things are constructed State law requires us to evaluate our own construction project. He cautioned us to make sure the prevailing wage language is right before adopting as the State will conduct a thorough legal review.

Chair Connolly directed MCE to work on the wording and bring the proposed document back to the Executive Committee in August.

Ms. Weisz shared that MCE does have a multiple examples of PLAs that are in place for development projects MCE has contracted for. The EDF solar facility project in Kings County will employ union locals that signed that PLA, and who initially wrote a letter of opposition to the bill. There were also a few other labor organizations that came in at the very end just before the Energy Committee Hearing in the Senate with letters of opposition to the bill that were not in the I.B.E.W. or energy sector. SEIU with 52,000 members in their local, the California Nurses Association with a letter of opposition, the International Longshoremen and a couple others were represented. We saw when we were able to have dialogue with organizations that weren't already being told to take a certain position, there was a lot of understanding of the issue and a strong interest in opposition; that is another interesting chain of events that will be important for the Governor to know.

Chair Connolly indicated putting that aside, as a policy matter the Board should decide whether it makes sense to have a prevailing wage aspect.

Director Sears indicated she does not have a problem with that but she does think we need more legal analysis and we want to think about project labor agreement piece of it. There may be projects in which a project labor agreement is not necessarily a benefit; encouraging project labor agreements but perhaps not requiring them allows more flexibility on each independent projects and relevant economics. It would be helpful for a little more thought and analysis to be put into 1) where it would be helpful for all parties to have a little flexibility and, 2) where is it necessary to absolutely have a requirement.

Ms. Weisz indicated it is worth noting that the IOUs do not have any union labor provisions in the PPAs with their vendors and developers. They do have prevailing wage and "best efforts" language. We will certainly look at prevailing wage provision language but what we've found is that it is not an industry practice to require prevailing wage of developers.

Director Bragman indicated a lot of sellers are not captive but we are the principal investor in a lot of these projects so it is not quite as small of an impact as it appears. He believes it goes along with the maturity of the agency; we're getting a little bigger, more revenue is coming in, our territory is expanding and he believes along with that comes a responsibility to step up and build in a little flexibility.

Chair Connolly indicated there is an interest in going forward with the prevailing wage policy. He directed Ms. Weisz to put together an analysis to present to Executive Committee. He said there are some ancillary benefits to getting something together quickly.

NOTE: DIRECTOR BAILEY LEFT MEETING AT THE END OF THIS DISCUSSION.

Agenda Item #9 – MCE Office Space Proposal (Discussion/Action)

Emily Goodwin, Director of Internal Operations presented this item.

Ms. Goodwin acknowledged and thanked Directors Sears, Connolly and Athas for assisting with this project by viewing sites and offering input and feedback. Ms. Goodwin provided brief history as to why MCE is looking to relocate. She informed the Board that Biomarin has purchased the San Rafael Corporate Center and is in the process of taking over the entire campus. The initial phase of construction has begun and they are looking vacate the 781 Lincoln Avenue building of all tenants as soon as possible. MCE has a lease that is in place until 2019 which includes a relocation clause within that lease. MCE has been working with the lead contact at Biomarin who plans to exercise the relocation clause unless MCE determines it is better for us to move out.

With the considerations made that this is happening fairly quickly and started in February, staff has spent the last couple of months looking at comparable commercial office space primarily in central San Rafael being the best fit. Criteria which makes this location a good fit include that we are close to public transportation, there is ease for the public to attend meetings, it is convenient for staff to commute to work, from a variety of communities in and near our service territory, and several other reasons. We have refined our search to two potential locations, 1) to relocate in the 750 Lindero building on the 3rd floor and gain a bit more square footage or, 2) relocate to 700 5th Avenue.

MCE does not at this time have a finalized lease for the Board to review and adopt. However, we believe that, after looking at the spreadsheet and other material provided, the Board could get a sense of the progress on this

project and what our best options are. We also ask that the Board consider delegating authority to sign the finalized lease to the July Executive Committee. That would allow additional time to fine tune the remaining details still outstanding.

Ms. Weisz shared that at this time because we have two options on the table we are looking for the counterparties on both sides to provide us with a compelling lease agreement. We do not yet have anything that is close enough to present to the Board tonight. We discussed this at the June Executive Committee meeting, talked about the different options and it was suggested that we might be able to finalize a lease agreement in time for the July Executive Committee meeting. She believes it is fair to say there could be a recommendation to go to either location but the counterparties for the 5th Avenue location have not moved quickly in providing us with the materials needed in order to move forward so because of that, it is looking like relocation to the Lindaro space may be the most logical step. Biomarin asked MCE to make a decision within the next 4-6 weeks.

Chair Connolly asked if it could be a month-to-month lease at Lindaro. Ms. Goodwin said that could potentially be an option whenever we find a location and are ready to leave. She also commented on the fact that this currently is not a renter's market and there are not a lot of lease opportunities out there to fit our needs especially in light of the mass evacuation from this campus. Maybe in a couple of years that might change and the market will flatten enough to provide other opportunities for us to get the deal that we want for the price we want with all the amenities included. So, she is not certain about the month-to-month option but she is sure Biomarin would be happy to see us leave. Cost-wise undertaking another move within a calendar year would not be a good decision and it is unlikely that the market would reflect any significant changes within that time frame.

Ms. Weisz stated that is a reason the 5th Avenue location is of interest to us. Biomarin wants to take over the entire campus and if we get to a place where we could expect to stay indefinitely it would be attractive, but we need it to be the right place.

Director Sears asked for clarification on the spreadsheet which shows 3 options: one states 750 Lindaro with a 5-year lease not saying we have to be out in 2 or 3 years, and then there is the A Street option which is not being discussed as an option here so she asked if we could start from the beginning. Ms. Goodwin shared that in looking at multiple Central Marin locations the 5th Avenue space has clearly been identified as the best fit and is what MCE really has had its eye on since last month. In the process, we looked all over San Rafael and 990 A Street was one of the closer contenders but requires a huge renovation project, greater than what the 5th Ave. location requires.

Director Sears asked if the spreadsheet was just a description of what we've done rather than a viable option. Ms. Goodwin indicated they all are options in the sense we've had proposals submitted and negotiation of lease language has already taken place. What we've found is while 900 A St. may not be the best option, it has allowed us to see comparative terms to understand other options. It is a huge undertaking but is far less expensive because of the space itself. We must be out of the Lincoln Avenue location by the end of the calendar year and could exercise the relocation option.

Chair Connolly asked if we could lease by the year and Ms. Goodwin said yes, we could stay up to 2019 at the Lindaro Street location with the option to extend that to 2023 because the other tenant on the 3rd floor is there until 2023. Part of BioMarin's strategy is that they are trying to vacate each floor of each building one at a time and move Biomarin staff in.

Ms. Goodwin said we will know more within the next week and extended her appreciation for the Board's input to date.

Director Haroff asked how much space we now have. He clarified that we would gain approximately 10% square footage by staying at Lindero and Ms. Goodwin responded yes, we would have more than 5,600 square feet which factors in growth for any new staff, possibly another conference room the size to allow for committee meetings and have one vacant for staff meetings as well. We were looking for a bit more space and 5,600 square feet no longer works for us.

Director Haroff asked in 10-15 years down the line with MCE being active in four different counties and expansion required of each additional jurisdiction, perhaps we should be thinking a bit further out.

Ms. Weisz added that one of the things we like about staying at the existing facility is that they've allowed flexibility in finding a space at the time we really need it. Although we don't know what our needs will be in 2-3 years at that time there will be less desire in downtown San Rafael as there won't be a lot of people leaving the Biomarin space looking for space nearby.

Ms. Goodwin added maybe Biomarin will honor our moving costs and relocation costs at our new place as they said they would do now. They are very eager for us to relocate but they are being fair and have been the best counterparty to deal with so far.

Director Haroff asked in our search has any consideration been given to locations outside of San Rafael. Ms. Goodwin said yes, we started looking outside of Central Marin but found that other locations with proximity to the Richmond Bridge had constraints including higher prices and limited commute options.

Ms. Goodwin responded to questions from the Board.

Agenda Item #10 – Energy Efficiency Update (Discussion)

Meaghan Doran, Energy Efficiency Specialist presented this item.

Ms. Doran presented updates on the following:

San Rafael Chamber Partnership – MCE Energy Efficiency team is conducting an outreach campaign with the Green Committee of the San Rafael Chamber. Program partner SmartLights, is out in San Rafael canvassing to encourage businesses to not only complete assessments but to complete energy efficiency upgrade projects. The Chamber has approximately 600 members and MCE has been targeting them for the last few weeks through eNewsletters, email blasts, event calendars, social media and other channels through the Chamber's website. The campaign will start on July 7th and will run through mid-August depending on how many commitments to assessments and projects are received.

The SmartLight team will be assessing businesses around San Rafael on Tuesdays and Wednesdays from 10:00AM – 4:00PM. Ms. Doran asked if anyone has a business in San Rafael and would like to schedule an assessment they can let the MCE Energy Efficiency Team know.

The Green Committee has volunteered to make calls to the 100 most hard to reach businesses of their membership. Those are places like lawyer offices, dentist offices, banks, and any business that does not like people coming in asking them to do things.

SmartLights has an ambitious target for its outreach campaign of converting 20% of the membership to complete an energy project. Ms. Doran announced they developed a property profile which has been made available to each of the Board. Bellam Self-Storage and Boxes in San Rafael recently completed an upgrade project and the profile tells their story as well as provides business owners with the bottom line of what the costs as well as what the savings look like.

PlanetEcosystems ("PEI") is rebuilding the MyEnergyTool User Interface basically from the ground up. It is a complete user interface redesign and will dramatically improve the ease in use of the tool as well as attract and retain more users.

Chair Connolly asked if the rebuilding of MyEnergyTool Interface is based on feedback. Ms. Doran shared last Friday PEI held a usability review with 10 people in San Francisco and Communications Director, Jamie Tuckey attended. The new user interface was very well received and additional adjustments will be made based on feedback from that review. They've gone through a lot of iterations and hired a subcontractor design firm to work with and they have worked with the MCE team extensively on getting the design right.

The new design is set for release in early Fall and as soon as that is released, PEI will also be launching a marketing campaign in order to drive people to the tool.

Ms. Doran shared MCE has developed a partnership with Populus who currently runs the home upgrade advisors service which is a phone line. They answer homeowner questions concerning energy upgrades and anything energy efficiency upgrade related that homeowners might be concerned with. Populus supports the interest in and helps facilitate energy efficiency project completion through the advanced home upgrade program. They've also been referring and making customers aware of Green Home Loan Program. MCE is very satisfied with the awareness that has been generated through their service.

Customers can actually choose if they want to receive this service through the MyEnergyTool giving Populus access to their customer information. Such as, if they are interested in completing home upgrades, if they are high energy users or other related data. Populus will obtain the data from PEI and then Populus reaches out to the customer and lets them know about available programs they would benefit from. The real intention of this partnership is for Populus to provide deeper engagement to MCE customers around the HURs or MyEnergyTool and encourage participation in and generate awareness around the Green Home Loan Program.

Ms. Doran reported on HR 4285, PACE Protection Act of 2014. As a follow up to questions raised by the Board at the June meeting, Ms. Doran provided an update. Ms. Doran reminded the Board that CaliforniaFirst is a financing tool that can be repaid directly on your property tax bill. Jurisdiction's currently offering the program are Larkspur, Novato, San Rafael and the County of Marin. The FHFA had rejected CaliforniaFirst's previous proposal which was a \$10M loan loss reserve that would mitigate any risk to lenders. HR 4285 allows PACE programs to continue by directing FHFA to rescind its earlier guidance regarding its program. This Bill requires stringent underwriting standards and ensures homeowners are able to afford the assessments before giving them the loans. This protects Fannie Mae and Freddie Mac from financial risks.

This Bill also supports local government in achieving their economic and environmental goals in their communities. Currently the Bill needs additional bipartisan support in order to get it out of Committee and get a hearing to have it voted on.

Ms. Doran and Ms. Menten recently attended En Banc at the CPUC which was convened by Commissioner Peevy in order to analyze the future of Energy Efficiency in California. Ms. Doran shared there was a lot of discussion around the 2016 Rolling Portfolio Cycle with the consensus being that the longer cycles would allow for continued improvements in the program as well as to better serve our customers.

Another focus was on creating better evaluation, measurement and verification procedures and policies. The final point worth noting is that the program should start shifting to a broader base as opposed to the deeper more comprehensive designs a lot of the energy efficiency programs currently have.

Ms. Doran shared that Commissioner let them know that he was disappointed that he had not heard any ideas for radical change in designing new programs.

Director Sears commented that she thinks the update on the multi-family pipeline report is really great. Ms. Doran added there was an additional interest this week as a result of the workshop hosted by MCE in Richmond last week around MCE's 2016 Program planning.

Director Sears noted the number of units involved and energy savings overall is extremely good news. It seems as though things are really moving now. Ms. Doran reported that in the last couple of weeks they've had 7 new applications for the program and next week she will be in the field 2 full days assessing properties.

NOTE: DIRECTOR GREENE LEFT MEETING FOLLOWING ENERGY EFFICIENCY PRESENTATION.

Agenda Item #11 – Communications Update (Discussion)

Jamie Tuckey, Communications Director.

Ms. Tuckey reported that all Deep Green customers were mailed an information packet by June 30, 2014, as is required annually for certification with Green-e Energy. Green-e is the nation's leading voluntary certification program for renewable energy. The packets included 1) Deep Green Price, Terms and conditions, 2) a product content label which tells our customers where our Deep Green energy is coming from (100% wind), and 3) a cover letter telling customers about the new Sol Shares 100% new, local solar program being offered by MCE.

MCE mailed joint cost comparison mailers with PG&E on June 9, 2014 and the Green-e mailer by June 30, 2014. MCE staff tracked account activity following these notices and found that the number of monthly Deep Green enrollments quadrupled in June compared to the typical number of monthly enrollments. The number of Light Green enrollments for accounts that were previously opted out also tripled in June compared to the typical number of monthly enrollments.

Ms. Tuckey reported that MCE also had 46 Sol Shares inquiries. They've been flooding in since the Deep Green notification to MCE customers were sent out. As of July 3, 2014, there are approximately 38 customers who are on the waiting list to get Sol Shares when it becomes available.

Ms. Tuckey indicated that a variety of customer service enhancements are underway. The first relates to the MCE call center. The call center system is being updated so that if someone has to wait on hold for 5 minutes or more, we now have technology that says "your hold time is estimated to be 5 minutes" and provides an option for the customer to be called back at a specified time or when the next representative is available. The customer would be able to choose that option and receive a call back at whatever number and time they want.

The second customer service enhancement relates to the process of opting out through our call center. When customers call the call center to opt out during office hours which is 7:00 A.M. – 7:00 P.M. Monday-Friday, and select the option to opt out they are directed to a person, which is good because it allows us to ask why a person is opting out and to answer any questions a customer might have. Currently, when the call center is closed and a customer requests to opt out they would be asked to call back during regular business hours. An automated telephone opt out system is being developed so that customers can opt out without speaking to a person when the call center is closed. Ms. Tuckey indicated that in 2013 our Call Center was open 24 hours a day, 7 days per week for 6 months to take opt out requests. That was because when we have an enrollment period for any new communities we make sure we have people available 24 hours a day, 7 days per week to take phone calls.

Ms. Tuckey talked about the new and improved MCE website. Ms. Tuckey reminded the Board of their approval of a contract with Marin Web Design a few months and the new website was released about 3 weeks ago. She shared a couple of snapshots of the new website and encouraged everyone to take a look at it at their leisure and provide candid feedback about content or user experience so that staff can continue to improve the site. MCE's short videos are also now displayed throughout the website.

With the new "Get in Touch" direct email tool on every page of the site, MCE is now being flooded with inquiries which is a great thing because direct contact with customers improves customer relationships and understanding. As a result, the Public Affairs team has been busy responding to the emails and the call center also is assisting with the response to those emails.

In addition to ongoing website maintenance and minor improvements, MCE has a few key next steps that we will be taking over the next few months. The first is to rebuild the Spanish website. Currently the Spanish site is live and being used but it hasn't been revised with a new look so we're working on completing that.

Ms. Tuckey reminded the Board that we have two different websites. We have mceCleanEnergy.org which is our customer-facing site and includes all our program information directed towards customers. We also have MarinCleanEnergy.org and which is our Board and government-facing site. It includes all of our MCE Board meeting and business materials. We plan to merge those two sites and still make information easily accessible. We are currently working on merging those two sites but before that happens everyone will be well informed so you will not have to needlessly search for things.

Another enhancement to the website will be an online chat functionality that will enable a customer to do direct chat with a representative online. The call center will handle that function but as internal staff is available they will also assist with the online direct chat feature.

Ms. Tuckey spoke about the Marin County Fair, themed this year as the "happiest fair on earth". MCE was a major sponsor of this year's fair. MCE is sponsoring the solar-powered carousel and solar-powered stage with signage on the panels indicating our sponsorship as well as signage throughout the entire fairgrounds. MCE's booth, which will be shared with the County of Marin, is at the entrance of the fairgrounds. MCE's theme at the fair is about energy efficiency and that is why we are sharing a booth with the County of Marin.

MCE will be placing advertisements in the Marin County Fair Magazine as well as having signage in a couple of places in the exhibit hall boasting the fact that the building is powered by solar energy and Deep Green 100% renewable energy.

Ms. Tuckey informed the Board that they should have recently received an email about including MCE information on their city, town, or county website. A lot of the MCE member communities already have information about MCE on their sites but some of them don't. She thinks it is a good idea if you're interested to include basic information about MCE since it is a local public program and it is being offered to your constituents because of your Council's vote and because it was a choice the Council's wanted them to have.

In relation to the Microdocumentary videos that have been aired at the last couple of meetings, MCE is negotiating a contract with Comcast to do an ad campaign with 30 second spots of those videos in the Marin County zone. The reason we are limiting it to Marin County this time around is because of the geographical constraints of television advertising. For example, if we added Richmond the commercials would also air in about 8 other East Bay cities that we don't provide service in. So, for the time being it is not financially appealing to expand beyond the Marin County zone nor is it an opportunity that is appealing to customer service since we would be advertising in communities we do not service.

Director Sears asked if MCE is negotiating particular times of the day in which those ads would be shown and Ms. Tuckey said yes, they are still working on the details of the contract but particular times of day, particular television shows as well as being strategic about targeting particular audiences.

Ms. Tuckey shared that in the next couple of months the time is ripe to do a print campaign throughout MCE's service area. We have so many amazing things to highlight and we want our customers to know about them. Some of the things to be highlighted are:

- Electric bill savings
- Sol Shares advertising
- Local solar projects
- Greenhouse gas reductions
- Energy efficiency programs

Agenda Item #12 – Regulatory and Legislative Update (Discussion)

Ms. Weisz briefly discussed the status of AB 2145. She reminded the Board that for the last several months the primary focus of this team has been AB 2145 and there has been significant movement on that Bill and significant changes to the Bill. She indicated that many are probably aware of the updates and, therefore, she will not spend a lot of time on it unless there are questions.

The Bill after making its way through the Assembly went to the Senate and its first stop was with the Energy Committee on the Senate side which had 11 members of the Senate. The date of that hearing was June 23, 2014 and leading up to that hearing was a lot of activity happening both from MCE staff and Board members as well as from a multitude of advocates and community based organizations.

This Bill has created a massive grassroots movement around CCAs across the State which has been exciting to see. Some of the efforts MCE was involved in were meetings with each of the Committee members, meetings with each of the offices multiple times (both staff and Senators), providing written material and becoming a fact sheet production house and more; we weighed heavily upon our "MCE PR Machine" who made our fact sheets look great, easy and clear to read, and we were involved in a little bit of discussion around potential amendments to the Bill that would make it less of a threat.

A few weeks leading up to the hearing we continued to get a huge number of opposing letters from various organizations around the State including the labor organizations previously mentioned. Many cities and towns and people who provide power to MCE were writing letters of opposition, overall there were over 230 organizations on the list of entities and about 30,000 individuals who signed petitions opposing the Bill. Ms. Weisz noted the Committee members were hearing loud and clear that the opt-in provision was the biggest problem and they were concerned about the opt in provision so there was a lot pressure on Committee members to get rid of that provision. On the Friday before the hearing, it was proposed that the opt-in language be taken out of the Bill. The analysis by the Committee Chair's staff included a recommendation on those lines.

On the day of the hearing the author of the Bill, Bradford, agreed to accept that amendment. Kind of a quid pro quo, while taking out the opt in provision, his team wanted to impose a geographic limitation on CCAs which didn't seem to have any logical basis, didn't seem to stem from the original concerns raised by supporters but was thrown into the Bill as language that would apply to CCAs. It was originally proposed that the limitations would be for CCAs to service in only one county. That language was being floated on Monday and most of the grassroots folks and others involved in the movement against this Bill spoke pretty strongly against the one county limitation. They were looking for a larger limitation or no limitation at all. At the hearing the focus was on that piece because the opt-in had been removed.

The big picture take away of the day is having the opt-in provision removed which was a tremendous victory for all CCAs in the State and MCE is thrilled with the outcome. Folks who work in Sacramento were surprised to see that kind of outcome considering the kind of forces MCE and CCAs were up against. We were fighting against a couple of entities who typically get what they want.

Ms. Weisz shared for those who were watching the hearing the initial votes that were passed right after the item was heard did change over a 2-hour period. She explained what can happen in these Committees is a hearing is held open until all items are closed and a vote often happens at the close of a hearing giving folks an opportunity to vote again or change their vote and that did happen in a few cases.

At the time the final vote happened, the author was proposing a 3-county restriction rather than a one county restriction and she thinks that was an effort to prevent the Bill from being killed. At the first vote there weren't enough votes to pass the Bill out of the Committee. In the end the author did get the 6 votes needed for the 3-county restriction to be added in so the Bill was not killed.

Ms. Weisz noted that yesterday morning the write up on the amendments was received and those were circulated to the Board today and because they are lengthy, she will highlight a couple of noteworthy things. First, the Committee staff did a fair job of writing out what was intended by the Committee. There is now a 3-county limitation in the amended Bill so any CCAs would be required to not go beyond a 3 county contiguous border. So, CCAs would only be able to expand in a contiguous way within a 3 county limit.

There was grandfathering language inserted stating because MCE is already in the process of helping a county (or cities within a County) become a CCA that would put us over the 3 county limit, the grandfathering language states that any city or county who has passed an ordinance to join an existing CCA program by the end of this calendar year would be grandfathered in to extend the three county limitation.

Ms. Weisz indicated there are two other provisions that remain in the Bill that were part of the initial language and have not been removed, these are provisions that we are concerned about and were concerned about from the beginning. Our concern with these two issues is: 1) a requirement that CCAs provide a 5-year rate forecast in every

piece of information that is sent out to customers to solicit their interest. What that means is a bit vague and seems to be tied to the opt-out language but could also be tied to joint cost comparison potentially. It is not a requirement of the IOUs in this legislation to provide a 5-year rate projection to customers.

It is unclear whether the rate projection would be binding and that is a concern for us as well. To make it clear why that is a problem, it is really not possible to forecast what rates will be 5 years in advance. You would not know what hydro-electric conditions would be, we purchase hydro-electric power and you don't know how much we'd be getting at that price. We do procurement throughout the year every year, we've hatched our power supply but we certainly don't know what our usage would be on a year to year basis. So it's really not possible to have an accurate rate projection. What that means is this would be a legislative mandate for us to provide the misinformation to customers and that is not going to make customers very happy if they receive information that is wrong. They will express their dissatisfaction and that dissatisfaction will be directed at the CCAs.

This provision is very problematic and she believes it should be struck or severely modified and they are working on a few scenarios but it would be better if the provision was struck. The second issue that remains in the Bill is a requirement that allows IOUs or any party to be able to file a complaint against CCAs under the expedited complaint procedure process with the CPUC that was built into a statute through SB 790 for IOUs. The expedited complaint process is something that was intended to level the playing field and ensure that if IOUs were not cooperating with CCAs in the way they should be that there could be an expedited process for the CPUC to deal with that. This is turning the idea on its head saying that a complaint can be filed against a CCA. The regulatory body for a CCA is the Board not the CPUC and our Board is a public body with public oversight. So creating this new regulatory layer of oversight isn't appropriate and is problematic.

With this issue we think there are some simple amendments that could correct the language and make it workable by limiting it to a service agreement we have in place with PG&E and have that as being the oversight could be appropriate; otherwise the language needs to be struck or not be so broad. Those are the two remaining provisions that are still a concern within the grassroots community among the cities and towns across the State regarding the 3-county limitation. The reason for concern there is it is hard to start a CCA so, creating new limitations around CCAs probably isn't a great policy for a State looking to achieve dramatic GHG reductions and more renewables. For small counties with small loads that would have more to aggregate procurement for having a 3-county limitation really could prevent them from being able to move forward on a CCA program. Ms. Weisz stated she knows that is an issue many will continue to push hard on as the Bill works its way through the Senate.

Ms. Weisz shared the next stop for this Bill the Appropriations Committee that is expected to occur sometime within the first two weeks of August but the date has not yet been set due to the legislative recess. The Bill will also need to go back to the Assembly side and then the Senate before going to the Governor's desk.

Director Haroff - it does seem that glancing through the language references are made to adopting ordinances in a county and other places references are made to an entity not being able to serve as a CCA and that language seems kind of sketchy. He realizes MCE has a view of how far the envelope can be pushed but is there some way to get clarification on the language?

Ms. Weisz responded by stating there are two scenarios about CCAs providing service in other communities and perhaps that is what he is referring to, or language that relates to a CCA itself expanding. There is also language that allows for a city or county to delegate authority to a CCA to operate a program for them. In that paragraph the grandfather language does not show up. She believes that is acceptable because it doesn't apply to MCE but maybe he is seeing something different. Language in Section 12.A and B was referenced.

Director Lion interpreted the language as saying if you are already serving a county outside of your contiguous county you may continue to serve them but it doesn't necessarily say you can go after other jurisdictions in that county or the fourth county. Ms. Weisz stated that the second sentence there might refer to a situation where a CCA is not expanding to a county but is providing service through delegated authority to CCA providing service to them. She believes that is a different situation than what is addressed at the end of the paragraph through the new language.

Technical Consultant, John Dalessi pointed out a more concerning interpretation in the beginning where it specifies the JPA has the grandfathering language which he believes is more favorable. There also are two models: the JPA can expand what we've been doing or a city could request MCE be an aggregator of that city but not join MCE. They are talked about differently in this paragraph. Ms. Weisz agreed with Mr. Dalessi and stated MCE does not want language that could be misinterpreted.

Director McCaskill asked for clarification of the how Bills progress through the State Senate versus the way they progress in Washington, DC. If this current bill without the opt-in language were to pass the Senate and goes back to the Assembly, unlike DC, a Conference Committee can't vote to put the language back in at the Assembly level. Ms. Weisz confirmed that is correct and there is no Conference Committee at the State level so the Assembly goes up or down in terms of what the Senate vote is.

Director Lion asked if PGE is still actively supporting this bill and Ms. Weisz responded MCE has not heard anything to the contrary. She also stated it has been rather quiet in the last two weeks in terms of not seeing any new letters of support or opposition coming in from either side. MCE is in wait-and-see mode waiting for this language to come out but does not expect their positions to change.

Director McCaskill asked what was the argument at Committee for the "contiguous county" provision, was it something PG&E wanted and did they make up some sort of logic as to why it should be included. Ms. Weisz said they attempted a connection and threw out some scenarios where MCE could expand to San Diego and, that was not the original intent of the law. Community choice needs to be community choice and there were some comments around protecting IOUs from CCAs becoming too big and from too much competition.

Jeremy Waen, Regulatory Analyst presented the Regulatory Update.

Ms. Waen indicated he would cover two topics on the Regulatory front:

The first is PG&E's 2014 General Rate Case Phase 1 which is the massive proceeding that happens every 3 years and where PG&E establishes their rates and revenue requirement so they can collect from their customers. Mr. Waen explained the General Rate Case (GRC) as being a 1) a 3-year cycle by which IOUs establish their overall revenue requirements and assign cost recoveries to customer groups and, 2) each IOU's GRC is evaluated on a different year with PG&E's cycle being 2014-2016. The IOU cycles are staggered which is a good reason from a Regulatory bandwidth perspective why MCE should continue serving one IOU service area.

He shared there are two separate filings Phase I and Phase 2. Phase I primarily addresses what is the overall amount of money PG&E needs to collect to from ratepayers to cover all the different types of costs they will face. Once they have this target pool of money they need to collect, Phase 2 is where PG&E determines who they are going to collect it from and how the breakdown of fund collections through rates will apply to different classes.

He also shared PG&E's GRC chronology and talked about 2 areas of concern for MCE within those proceedings. The first issue is, when PG&E decides of the revenue requirement, how much goes into the distribution, how much goes into generation, they do this by tallying how much labor they've paid for that is supporting the distribution side and how much labor they've paid for that is supporting the generation side. There are other types of labor that don't fall into either category. One example is the Public Purpose Programs labor, which among other things include Energy Efficiency Programs.

In MCE's case we have an Energy Efficiency Program and have no distribution monies to be collecting labor dollars for Energy Efficiency Programs so Energy Efficiency programs are either funded by the pot of money that the CPUC has given to us or it's funded through generation dollars we collect from our ratepayers. MCE found it was unfair for PG&E to collect labor costs from the distribution rate because in a way, our customers are paying twice for energy efficiency-related labor: once for MCE's program and once for PG&E's program. We are trying to get some traction amongst other parties to work towards a better solution.

The second issue we identified was with litigation proceeds between PG&E and the Department of Energy, which were of no small amount, relating with PG&E's nuclear facilities. It is dealing with fact that the federal government still does not have a good place to store nuclear waste so PG&E is stuck with storing all the excess waste from Diablo Canyon and other facilities that are no longer in operation. There are ongoing costs associated with having to store this radioactive material and those costs are being paid for by PG&E ratepayers and at this point we are past the point where the federal government promised they would have a nuclear waste storage facility up and running. These costs are unfairly being imposed on PG&E ratepayers and through litigation they are getting windfall back to offset these costs.

MCE's issue with the initial proposal by PG&E was allocate all of the litigation proceeds, less legal expenses, would be allocated to PG&E's generation customers, bring PG&E's generation rates down a bit. That didn't sit right since these litigation funds were intended to offset the incurred costs on all PG&E's customer for storing nuclear waste. MCE customers were paying for these nuclear waste storage costs long before there was a differentiation between PG&E and MCE customers. These concerns regarding the return of these litigation proceeds is another area where a better means of returning these monies to customers is sought so that this return would not create some competitive advantage to PG&E for subsidizing their generation rate.

In response to our testimony MCE, TURN and PG&E entered into settlement talks in an attempt to negotiate agreements on both issues and were able to determine a competitively neutral manner to return DOE litigation proceeds to all ratepayers.

Mr. Waen shared the CPUC decision, some of the settlement terms and overall savings to customers in general. He also shared the one remaining issue MCE is not thrilled about the request authorizing PG&E to recover through rates \$1.5M for Customer Retention expenses. Along with MCE, the City and County of San Francisco, the Office of Ratepayer Advocates, the Merced Irrigation District and the Modesto Irrigation District have all opposed this request which could potentially be used to discourage formation of publicly owned utilities.

The second topic is about Resource Adequacy and Flexible Capacity, where a decision was recently voted upon by the Commission that creates new procurement obligations that will impact MCE and the procurement that we will have to conduct within the next year. There is an ongoing proceeding to evaluate RA needs, Phase 3 has been exploring the need for Flexible Capacity resources and on June 26th the CPUC approved adopting Decision D.14-06-050 adopting Local Procurement and Flexible Capacity Obligations for 2015 for all Load-Serving Entities (including CCAs).

Mr. Waen shared that at the upcoming Technical Committee he and Greg Brehm would be sharing updates so that it is clear that MCE is prepared for these requirements and obligations.

Agenda Item 13 - Board Matters (Discussion)

Ms. Weisz reported that staff has been working with the Mahers and Director McCaskill on how formatting and how the MCE budget is presented to the Board. A draft of that document was left with each Board member and the item would be discussed at the August Executive Committee meeting.

Agenda Item #14 – Adjourn

9:37 PM



Kate Sears, Vice Chair

Attest:



Dawn Weisz, Secretary

APPROVED

SEP 04 2014

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