

APPROVED

JUL 03 2014

MARIN CLEAN ENERGY

**MARIN CLEAN ENERGY
BOARD MEETING
THURSDAY, June 5, 2014
7:00 P.M.**

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

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
Tom Butt, City of Richmond
Katie Hoertkorn, Town of Ross, Alternate
Ford Greene, Town of San Anselmo
Ray Withy, City of Sausalito
Emmett O'Donnell, Town of Tiburon

Absent: Denise Athas, City of Novato

Staff: Dawn Weisz, Executive Officer
Jeremy Waen, Regulatory Analyst
Alex DiGiorgio, Community Affairs Representative
Beckie Menten, Energy Efficiency Director
Greg Brehm, Director of Power Resources
John Dalessi, Technical Consultant
Kirby Dusel, Technical Consultant
Greg Stepanicich, General Counsel
Emily Goodwin, Director of Internal Operations
Darlene Jackson, Clerk

Public Session: 7:10PM

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 reported on the following:

Ms. Weisz shared there would be a public hearing on June 9, 2014 concerning the Cooley Quarry solar project which is up for consideration at the County of Marin Planning Commission. A subsequent site visit will take place on June 23, 2014. Ms. Weisz encouraged anyone who might be interested to visit the site at that time since the site visit is open to the public.

Ms. Weisz shared that discussions in committee meetings concerning the Cooley Quarry looked at the potential for the 1-1.5MW solar project be a part of the MCE Feed-in-Tariff ("FIT") program and could potentially be diverted to the SolShares Program. Staff will follow up with information on the upcoming site visit and results of the Planning Commission's decision.

Ms. Weisz reminded the Board that the July Board meeting falls on the day before the July 4th holiday and asked Board members to let Darlene know if they will attend the meeting. The Technical Committee will take place on Monday, June 9th where the Green-E Audit and Energy Efficiency will be discussed; The Executive Committee will be held on Wednesday, June 18th and there will be no Board meeting in August.

There were no questions from the Board or the public.

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

- C.1 5.1.14 Board Minutes
- C.2 Monthly Budget Report
- C.3 Approved Contract Update
- C.4 Records Retention

Katie Hoertkorn, Town of Ross, Alternate expressed her concerns about the Monthly Budget Report. Ms. Hoertkorn is an alternate and does not have access to the full budget, so as an outsider looking in she does not find it particularly easy to interpret. If the budget is being presented as part of the consent calendar, then a new person coming in should be able to clearly determine where the agency stands financially.

Ms. Weisz, Executive Officer responded by saying one thing that is important when looking at budget is the start of MCE's fiscal year which is April 1, which helps with the percentage in respect to revenue. What is presented here is a budgetary comparison schedule for April 1 – April 30 budget.

Emily Goodwin, Director of Internal Operations shared that the budget to actual is for one month so it shows how it is pacing for the month based on projections. Ms. Goodwin said the staff would take a look at the process and see what new ideas could be incorporated and thanked Ms. Hoertkorn for her feedback. Ms. Goodwin shared that the staff report offers an analysis of the budget but they are willing to go deeper and provide more detail if that is what is being suggested.

Chair Connolly asked Ms. Hoertkorn to explain exactly what detail is needed. Ms. Hoertkorn would like to see comparative numbers presented from last year to be able to understand where MCE is currently.

Ms. Weisz offered that MCE has annual audited financials that are available with a lot more detail. Ms. Hoertkorn reiterated that she is not looking for more detail but a better summary.

Director Greene observed that while the recounting of staff presentations is complete, when it comes to the questions and/or comments from the Board, the only thing that is stated is the staff "responds to questions from the Board." Given the Board's role includes the functions of policy making and oversight, Director Greene believes there should be more substance as to points raised by the Board so that anyone would be able to go back and read what was said as opposed to having to view the video.

Ms. Weisz acknowledged and thanked Director Greene for his helpful feedback and indicated we would work on balancing the comments from both staff and the Board.

M/s Haroff/Greene (passed 12-0-0) approved all items on the consent calendar. Director Athas was absent.

Agenda Item #5 Ad Hoc Committee for Special Consideration Membership (Discussion/Action)

Dawn Weisz, Executive Officer presented this item.

Ms. Weisz shared from time to time MCE has the need to pull together an Ad Hoc committee for various topics. At this time we are proposing pulling together an Ad Hoc Committee for Special Consideration Membership to revisit the Special Consideration Membership concept that was brought up at the 2013 Board Retreat. Developing this committee is an appropriate next step at this time. While there is no urgent need for the committee to begin meeting, MCE is looking to have something in place in case there is a need during the summer to discuss special consideration membership.

Ms. Weisz shared that a couple of Board members expressed interest in the committee. There is room for more members so Ms. Weisz encouraged those interested in participating on the Special Consideration Membership Committee to let her know. At this time Directors Butt, Athas, Bailey, McCaskill, and Greene have expressed interest in being on this Committee.

Chair Connolly asked if there was a specific reason for this Ad Hoc Committee being formed or just to have something in place as issues arise. Ms. Weisz shared there are a couple of communities that do not fit into the Affiliate Membership criteria that our Board pulled together last fall. She reminded the Board that the current expansion policy was adopted to delineate both types of expansion.

The Affiliate membership communities are those communities within 30 miles of MCE existing jurisdiction and which have a customer base of 40,000 or less. At the time the policy was adopted, a relatively straightforward step by step process was established for affiliate membership: 1) membership study and, 2) adopt a resolution to become members of MCE. The other category was called Special Consideration Membership and there was never an official process set up for how special consideration members might approach joining MCE. A Special Consideration community is a community with a customer base of more than 40,000 customers or, farther away than 30 miles from our existing jurisdiction. Examples of such communities would be San Francisco, Arcata, and Santa Barbara who have inquired as to how MCE would handle special consideration.

Director Sears thinks it is a good idea to create this committee since it has been approved and there have been inquiries from other communities that fall within the Special Consideration category. This might enable a richer conversation surrounding this topic at the upcoming September Board retreat.

Director Greene thinks creating this committee is a good idea especially in light of AB 2145.

M/s Sears/Greene (12-0-0 passed) approved Ad Hoc Special Consideration Membership Committee. Director Athas was absent.

Agenda Item #6 – MCE Feed-in-Tariff Amendment (Discussion/Action)

Greg Brehm, Director of Power Resources, presented this item.

Mr. Brehm provided a summary of the start-up, approval and implementation of MCE's Feed-in-Tariff ("FIT"). The ("FIT") was established in 2010 for locally situated, smaller-scale renewable energy projects. The initial FIT was established as a pilot program and capped at 2 MW in consideration of MCE's relatively small customer base and annual energy requirements.

In 2011 the MCE Board approved a modification to the FIT tariff program increasing the capacity from 2MW to 10MW. Subsequent to that increase, the Board approved our SolShares program in April 2014 which requires us to modify the FIT Tariff again in order to establish a mechanism to divert select FIT projects to the SolShares program. SolShares projects would be subject to the FIT tariff but SolShares project capacity would not count against the capacity limits of the FIT price conditions.

Chair Connolly asked Mr. Brehm to explain what he meant by outside of the FIT.

Mr. Brehm explained that for each condition we have 2MW capacity available and right now we have a single 972 kW project online and 1,028 kW available so potentially, another two 1 MW projects could be approved before that capacity limit would be triggered. With this added SolShares mechanism of the FIT, we would select and move one project outside the FIT capacity so that more capacity would remain available within that limit.

Per Kirby Dusel, it would not count against the participatory cap that has been established but this essentially has the effect of expanding the cap slightly for a single project that would be hosting the SolShares 100% solar local program. Mr. Dusel considers this a great benefit for local solar developers in the sense that it does allow for additional capacity to be developed on a local basis and strengthens the price signal for local developers providing them additional incentives to develop these projects within MCE's service territory.

Chair Connolly indicated that while he agrees with that, he wonders if this would affect the new cap. Mr. Dusel responded no, this will exist outside of the cap and is a special treatment for a single project that will be used to source the SolShares program so it is not a new cap explicitly; it's just designation by staff of a particular project for hosting this SolShares program. To the extent such a project is designated it would receive essentially the current available FIT rate, and would not count against the cap for other development projects that might fall in line later.

Chair Connolly asked how big the anticipated SolShares project is and Mr. Dusel said it would be less than 1 MW. Mr. Brehm shared once that first MW was fully subscribed, we could then divert another FIT project at the then current FIT rate to the SolShares program. Per Mr. Dusel, in that process, as it is envisioned, the project could be presented to the Technical Committee for discussion and could be delivered to the Board, to the extent that becomes necessary. Chair Connolly asked for confirmation of this process being partially a way of expanding MCE's goals. Mr. Dusel responded yes, and further explained that it is a way of maintaining the strength of the current incentives that are being offered to local solar development projects.

Director O'Donnell asked how this process will affect the solar customers in the SolShares program and pricing. Mr. Dusel responded the price would remain the same as discussed and approved by the Board and there would

be no change in that regard. This is essentially a pass-through program so the price that is being paid to the vendor would also be paid by the customer.

Director Bragman asked for an explanation of the “right to divert” clause. Mr. Brehm explained that the intent behind the clause was to give staff the discretion to select projects that are most appropriate, most representative and most local for the SolShares program and had all the attributes we were trying to promote for the local solar development program. He used the Cooley Quarry project as an example and pointed out that because it is a local brownfield project, environmental review will be limited and there have been no protests, making the Cooley project a good benchmark for the SolShares program.

Director Bragman asked why it was being diverted. Mr. Brehm explained it applied under the FIT and staff has the option to select based on the discussion at Executive Committee where that project will be placed into the SolShares program. Ms. Weisz shared that when it is diverted to the Sol Shares category that means the FIT cap remains intact without diminishing it.

Director Bragman asked if part of the SolShares program is to provide ratepayer stability over the long-term, and how this modification is accomplishing this. Mr. Brehm said it is providing certainty for both the developers and the ratepayers so that at any point in time, the applicable FIT rate can be used to evaluate a project’s feasibility.

Director Bragman asked if we foresee any problems in terms of getting somebody on the other side to the bargaining table where staff is exercising the choice about how the SolShares status will be designated on MCE’s end or not. Per Mr. Brehm, it hasn’t been an issue so far with a pretty robust interest and we currently have about 4-5 MW of projects in various stages.

Per Mr. Dusel, at this point we are at the beginning of filling this cap and he does not see any issues in the foreseeable future creating conflicts or push-pull scenarios between different projects. He believes they all can exist; it’s simply a matter of whether or not we designate a particular one to be a SolShares project versus another one being a FIT project.

Mr. Brehm and Mr. Dusel responded to questions from the Board and the public.

M/Sears/Lion (12-0-0 passed) approved MCE Feed-in-Tariff Amendment. Director Athas was absent.

Mr. Brehm and Mr. Dusel responded to questions from the Board and the public.

Agenda Item #7A – A Resolution of the Board of Directors of Marin Clean Energy Approving the County of Napa as a Member of MCE (Discussion/Action)

Dawn Weisz, Executive Officer presented this item by providing some background and history on the MCE/Napa affiliation.

Ms. Weisz shared MCE has been working with the County of Napa over the last several months regarding a membership study. She reminded the Board that Napa came to MCE in the fall of 2013 with a request to be considered as a member. This triggered a membership study that MCE undertook at the beginning of 2014 with the results being presented to the Technical Committee and then to the full Board at the May meeting. Given the positive results of the membership study, the County of Napa was supported to move forward with their final

action. Napa County's final decision was made on Tuesday, June 3, 2014 which was to approve the enabling ordinance that allows them to become a part of a CCA program.

Ms. Weisz informed the Board of a few additional formalities that need to occur to allow MCE to move forward with the procurement and the enrollment process for the County of Napa. One of those actions will be updating the MCE Implementation Plan. Part of the Implementation Plan submittal will include the updated Joint Powers Authority ("JPA") agreement that each of our member jurisdictions have signed making them formally a part of the JPA.

She shared the item currently before the Board is a resolution approving the County of Napa as an MCE member and paving the way for them to be integrated into MCE's Implementation Plan which would then be submitted to the CPUC for approval. The Implementation Plan process takes about 30-90 days for CPUC turnaround and certification.

Chair Connolly asked if Ms. Weisz could lay out a timeframe for this process and she provided that the normal time frame that we would be looking at is:

- Submittal of the Implementation Plan later in the month of May following the County of Napa's final reading of the ordinance which is currently set for June 17, 2014, and MCE could be prepared to submit the Implementation Plan the next day.
- Following certification by CPUC of the Implementation Plan, a Napa representative then would be able to sit on the MCE Board.
- During the certification process, MCE would be working internally on the procurement side to ensure that we have resources in place to serve the load and planning on an enrollment that would happen sometime in the spring of 2015 to coincide with MCE's fiscal year, which would mean noticing customers in Napa beginning in January 2015.

Ms. Weisz spoke about AB 2145 that is working its way through the senate and that could have a big impact on CCA programs starting January 1, 2015. If that bill continues to move forward, MCE would need to look at accelerating the Napa enrollment so they won't be subjected to the new bill if it becomes law. If that becomes a likely scenario, then MCE would need to complete procurement by the end of the summer and begin its noticing in September. The noticing process takes a couple of months and we would begin cutting customers over on November 30, 2014 so they would be completely enrolled by the end of December. This would become MCE's "Plan B."

Director Haroff asked about the incorporated municipalities within Napa and would they be required to take their own actions? Ms. Weisz explained the way MCE's membership process is set up is one jurisdiction at a time. In this case, the County of Napa was the most eager to join MCE but some other cities within the County of Napa have expressed interest in joining MCE and that is something MCE could consider in the future if we get a formal request from the municipality.

Director Haroff suggested this could possibly provide a model for participation by other municipalities in Napa. Ms. Weisz agreed and shared that the City of Richmond was MCE's first example of adding a new community beyond the original boundaries. She shared the County of Napa is the first time MCE has added an unincorporated county beyond its original boundaries and that could lead to some cities formally expressing interest.

Director Greene suggested that unless MCE is certain that AB 2145 is not going to move, then "Plan B" is where our focus should be since Napa will be the last and we do not want to miss that opportunity. Chair Connolly indicated

that a full discussion should take place surrounding AB 2145. He also reminded the Board that there are additional communities in the pipeline. Ms. Weisz concurred and shared there are a few other East Bay communities expressing interest in joining MCE. San Pablo is in the pipeline and this week MCE received data from PG&E for that community and can now initiate the data analysis which typically takes about a month, so we may be able to bring information to the next Board meeting.

There are a couple other communities in the East Bay that may be interested in requesting membership and Alex DiGiorgio will cover those community interests in his upcoming Public Affairs report.

Ms. Weisz responded to questions from the Board.

M/Greene/Sears (12-0-0 passed) approved Resolution No. 2014-03 of the Board of Directors of Marin Clean Energy approving the County of Napa as a member of Marin Clean Energy subject to (1) the adoption by the County of Napa of the ordinance required by Public Utilities Code Section 366.2(c) (10) and such ordinance becoming effective and (2) the execution of the Marin Clean Energy (formerly "Marin Energy Authority") Joint Powers Agreement by the County of Napa (Agenda Item #7A). MCE's Revised Implementation Plan, subject to the noted revisions, and approved submittal of the Revised Implementation Plan to the California Public Utilities Commission after such revisions have been completed. Director Athas was absent.

Agenda Item #7B – Implementation Plan Update to reflect MCE Name Change and Membership Change (Discussion/Action)

Kirby Dusel, Technical Consultant presented this item.

When a CCA program launches service, it is required to submit an Implementation Plan to the CPUC describing the manner in which the organization will organize, staff, set rates, procure power supply and basically conduct business now and in the future. Each time a member is added, that Implementation Plan must be updated to reflect the addition of that new member as well as some projections related to that new member. In particular, 1) increased energy requirements that will be necessary in the future to serve the new member community, 2) increase customer accounts, 3) increase peak demands and various other items including renewable energy purchases, energy efficiency programs and how those programs will be affected.

In light of the recent decision by Napa to join MCE, the team is currently in the process of making these adjustments to the Implementation Plan. Due to AB 2145, time is of the essence in completing these updates as quickly but as accurately and deliberately as possible.

The staff report that is included outlines what these edits are going to entail throughout the document. The redlined version included in the packet shows where the edits will be made. There are a number of strikethroughs with tables and tabular information within the document. Those quantitative references are being updated now in consideration of the presentation that was delivered to the Technical Committee and subsequently to the Board at last month's full Board meeting in which we discussed the number of customers we anticipate adding as part of the Napa County expansion as well as the increased energy requirements and various other impacts to this procurement efforts stemming from this particular change. Those numbers will be pulled into these tables reflecting the increase in energy requirements going forward.

The scheduled submittal of the Implementation Plan will likely be lined up with the second reading of the County of Napa's ordinance which will trigger the 90-day clock for CPUC certification. To date, the CPUC has not taken the

full 90 days to review a document and we will be highly cooperative with them as they go through this administrative review and answer questions as expeditiously as possible so that we can complete the certification process as quickly as possible.

Mr. Dusel reminded the Board that one of the key updates listed is approval of the agency's name change which is administrative in nature.

Chair Connolly asked if there was a procurement plan in place for Napa. Mr. Dusel responded yes there is one in place inclusive of a broad range of energy products that are consistent with what MCE is already procuring for its customers including the energy commodity itself, renewable energy, and various other carbon-free energy sources in line with the MCE's commitment to its current customers to provide both light and deep green products.

Mr. Dusel responded to questions from the Board.

M/Sears/Butt (12-0-0 passed) approved Implementation Plan Update to reflect MCE Name Change and Membership Change. Director Athas was absent.

Agenda Item #8 – Power Purchase Agreements with Exelon Generation Company, LLC for Power Supply Including Renewable Energy (Discussion/Action)

Greg Brehm, Director of Power Resources presented this item.

Mr. Brehm provided background by explaining that Exelon Generation Company, one of the largest power suppliers in the country, merged with Constellation Energy a few years ago. This project transaction is for Bucket 2 or PCC2 renewable energy. Chair Connolly asked if Mr. Brehm could translate what Buckets 1 and 2 are.

Mr. Brehm shared Bucket 1 is where the physical energy and renewable attributes are transferred in one transaction contemporaneously. In a Bucket 2 transaction like this, the renewable attributes are generated and are then re-bundled with other generation to match the load profile that is needed. In this case, they will be scheduling a 25 MW block of power for all hours over a 4- 5 month period during the year. It is not necessarily energy from the renewable project, though it can be, but is bundled with PCC2 renewable attributes.

Mr. Dusel shared the Bucket 2 product very much counts toward and should be characterized as a bundled renewable energy product. This is one where we are getting the green or renewable attribute and the physical energy as part of bundled transaction. There are some emission reporting benefits that also are associated with this particular product; it is a relatively small piece of our renewable portfolio standard procurement obligation but unlike the Bucket 3 or unbundled renewable energy products, there is no limit as to what you can buy if you want to voluntarily exceed the State's RPS. Bucket 2 products are a great way if you want to go above and beyond the renewable portfolio standard in such a way that is relatively unobjectionable.

John Dalessi, Technical Consultant explained when thinking of renewables oftentimes when we deal with procurement premium on top of non-renewable power. A Bucket 2 premium is going to about 1/3 of what a Bucket 1 premium would be. It all fits into the RPS plan and it is a cost effective part of the renewable portfolio compliance requirements.

Director Sears asked if anyone had a sense as to why during open season so few offers for Bucket 2 offers were received. Mr. Brehm shared that his sense is that timing of our open season process is a bit out of sync with the

Bucket 2 market. A lot of agencies are closing out their prior year portfolio in the first quarter so the counterparties that MCE has dealt with don't really know what inventory they will have available until after the open season closes. So we've had much more success in finding deals in the second quarter after they've closed out the previous transactions.

Director Sears asked if there was more competition for Bucket 2 products than Bucket 3. Mr. Brehm explained because it is a more flexible product he believes there is more competition for it. Director Sears asked if there was a shortage of this type product on the market. Mr. Dusel shared that it is more thinly traded than a Bucket 3 or a bundled product but it is still available.

Per Mr. Dalessi, the Bucket 1 that was requested in open season was really geared towards new long term contracts for projects yet to be constructed because our Bucket 1 needs don't materialize until around 2017-2018. So, we are looking for different types of projects, there is a lot of interest in Bucket 1 from solar developers looking for a home, and that is a very active market. Bucket 2 is a bit more of an immediate, short-term market and it's active, but you don't see people banging on the door offering it.

Director Greene asked for clarification on whether Bucket 2 is a bundled product with energy on one hand and renewable energy certificates on the other hand. Mr. Dusel responded yes and there are a few key differences that differentiate Bucket 1 and Bucket 2. Bucket 1 is primarily a locational product with resources located predominately within the State of California. Bucket 2 resources are predominately located out of state but still within close proximity so they would be able to deliver to the State of California. The other difference between the two products is an issue of timing. So with Bucket 1 the renewable RECs and the energy are contemporaneously delivered and with the Bucket 2 product, the seller and the buyer, to their mutual benefit, have flexibility as to how and when energy is delivered with the renewable energy certificates.

Bucket 3 is the simplest of the renewable energy portfolio standard eligible products. It is purely a renewable energy certificate detached from the electric energy and it is an unbundled renewable energy certificate.

Mr. Brehm and Mr. Dusel responded to questions from the Board.

M/Sears/Greene (12-0-0 passed) approved Power Purchase Agreements with Exelon Generation Company, LLC for Power Supply Including Renewable Energy. Director Athas was absent.

Agenda Item #9 – Energy Efficiency Update (Discussion)

Beckie Menten, Energy Efficiency Program Director presented this item.

Ms. Menten provided an overview and update of the following:

Small Commercial

In the pipeline there are 77 completed projects, 731 audits with 170 of those in Richmond and 561 in Marin County. In an attempt to increase the audit to completed project conversion rate, the following are a few steps that will be taken in conjunction with MCE's program partners toward getting those projects to convert: 1) they are attempting to close projects before the code compliance deadline, 2) they are hosting a Contractor Workshop June 17th with an emphasis on finding more HVAC contractors, 3) they are increasing incentives to encourage projects and, 4) they will begin a San Rafael Chamber of Commerce Campaign in July.

Ms. Menten shared that one of the things that provides a compelling case is the 2013 Energy Efficiency Code which comes into effect on July 1, 2014. This was delayed initially and the building code was to take effect in January 2014 but because the Standards for Non-Residential Buildings represent a 30% increase over the existing Code, industry requested more time in which to comply.

There are a lot of changes in the way these small commercial Energy Efficiency programs will have to do business as a result of these Codes. One example is some things we used to be able to provide incentives for no longer will be eligible because the CPUC does not allow incentives for things that currently are required by law. They are working with the CPUC trying to demonstrate just because it is law doesn't mean it is reality and they are hopeful that there will be some loosening on that regulation. But currently, the way this system is structured is the policy. That will take away a lot of potential for projects in an already constrained market.

In addition to that, some projects that would have been very straightforward to complete before Code compliance now will trigger additional measures to be in compliance. This is a great tactic from a mandate point of view because if someone comes in for a significant remodel, you could use that opportunity to require other energy efficiency measures to be installed. It does make it more challenging to get projects done. So we are facing the problem that a project that would have been a lighting change-out may also now have to include controls and other technology that add to the cost and the scope. Often some of the projects that may not have had to obtain a permit now will need to obtain one, which adds to the cost.

Ms. Menten shared that these all are things we are working to stay in front of and we have been working closely with the County of Marin Sustainability Department which has been working hard to get up to speed on the Code and working with local building departments to help them understand the compliance changes and try and streamline projects such as the ones we are recommending. These are some of the things we have actively been working on since November of 2013, and we are confident that a lot of headway has been made.

Ms. Menten expressed excitement over a Contractor Workshop that they are working alongside PG&E to provide. She has found that it would be helpful to have contractors who do the work in the community know about and participate in the program so they can bring their projects to MCE. The workshop will take place on June 17th. This workshop is focused on lighting contractors but MCE has been working to get more HVAC contractors on board.

The Energy Efficiency Team is also working on increasing incentives to encourage new projects. They've worked with PG&E who initially proposed an incentive change. This will be tried in the East Bay to see how it works. The City of Richmond is increasing the incentives to match the East Bay design and MCE will watch the impact for tangible results.

The way PG&E has proposed the initial incentive for the increase is based on business size which is a good strategy. Small and medium sized businesses could have up to a 43% increase in incentives and larger businesses will actually experience a reduction in the incentive they would be eligible for.

Meaghan Doran, MCE's Energy Efficiency Specialist has been working closely with the Green Program at the San Rafael Chamber of Commerce to see if there is a way to use this trusted messenger to get the word out about the program and take some of the audits and get them converted into actual projects. The Chamber has been working with MCE for several months to try and prepare an outreach campaign that MCE will be launching in the next couple of weeks.

As a part of the outreach, folks from the Chamber will actually be calling Chamber members who have received an audit report but who have not actually converted it to a project. They are hopeful that using that messaging from the Chamber itself including, members who can report back on positive experiences, will provide for more projects. In addition to reaching out to folks who have received an audit, they will also be reaching out to a larger membership in general, making them aware of the opportunity through this structured message avenue.

Ms. Menten reported that the Multi-Family program is getting into construction season and they've had 16 projects come in, with four of them coming in within the last two weeks. Word of mouth continues to be the most consistent form of outreach for this program. Property owners who've had positive experiences are bringing multiple property owners into the program. Ms. Menten also talked about the phase-in program as being a positive step towards getting new projects started because property owners are able to start and phase-in project segments as desired based on a target toward completion date.

Ms. Menten shared an update on the direct install training program. She reminded the Board of MCE's contract with Marin City Community Development Corporation ("MCCDC"), who trains and staffs our direct install team. The direct install team is the team that actually does the work, going into the tenant unit and providing certain energy efficiency measures free. No matter what MCE is doing on the multi-family property, there is an opportunity for the tenant to participate in energy efficiency savings.

Ms. Menten reported there has been great success with this program since the people who have been trained are now able to seek full time employment. A new training session will begin in May 2014.

PACE Update

Ms. Menten reported at the May Board meeting the Governor's Office was working with the Legislature to establish an insurance program to try and mitigate the FHFA's concerns about the residential PACE. PACE is a program which serves as a senior lien on a property and because it is a senior lien it subordinates all other liens including mortgages. Because of the nature of these programs FHFA is very cautious and has indicated that Freddie Mac and Fannie Mae cannot finance a mortgage which has a PACE assessment on the property. Unfortunately, the FHFA rejected that proposed insurance plan. CaliforniaFIRST is still planning on launching a residential PACE option and they currently are reaching out to those jurisdictions that have approved CaliforniaFIRST in their area to work with them and make those jurisdictions aware of the opportunity.

Thus far, we have seen that when a homeowner with a PACE assessment tries to sell their property they aren't able to get a mortgage on that property until the PACE assessment is settled.

Director Sears stated that this FHFA issue has been going on now for 5 years and suggested, perhaps, MCE could consult or work with Congressional representatives to put pressure on the FHFA. Ms. Menten shared that this issue is one that she worked very actively on while at the CA Energy Commission and found that every level of California representatives have been working very closely not only with FHFA but with the Department of Energy and the Obama Administration throughout. They have been very supportive representatives but the problem with FHFA is they will not budge on the senior lien issue. They've indicated they will come to the table to talk about a junior lien program but they will not budge on the senior lien.

Director Sears asked if there is any legislation pending that we could participate in. Ms. Menten said she believes there is a bill pending this year and every year since 2010 addressing this issue. She indicated she would speak with the folks in Sonoma who actively track legislation and inquire about any pending bills to see if there is anything MCE can do and report back at the July Board meeting.

2016 Portfolio Planning

Ms. Menten provided a brief update on this process by reminding the Board that MCE received funding from the CPUC via an application cycle and we are currently in the midst of the 2013-2014 application cycle and are in the process of requesting a funding extension for 2015. The CPUC offered MCE this process of funding extension for 2015 because they are moving toward a different way of doing business in 2016 and beyond by shifting to a 10-year portfolio cycle. Ms. Menten is supportive of this move by the CPUC because it sends the right market signals to all of the actors that energy efficiency is something they should invest in for the future and it paves the way for long-term contracts. Additionally, it gives MCE an opportunity to have a good timeframe to work with our community development plans in 2016 and beyond.

The Energy Efficiency team is making an effort to have the 2016 plan drafted as soon as possible. The first step in the process is a week ago they held an invite-only meeting for stakeholders from various backgrounds: multi-family, single family, representatives from labor organizations, etc. and there was a lot of positive feedback. All attendees agreed to be a part of an Ad Hoc Committee moving forward so we could reach out to them and develop program plans with them.

The next step is to take the energy efficiency characteristics data and compile that into a set of straw proposals and bring those to public workshops, the first scheduled for June 23rd in the City of Richmond. The second workshop is planned for the 3rd week in July at the County of Marin. In addition to the two that MCE is hosting, we will also be working with different organizations to see if we can piggyback on their meetings.

Ultimately we are working toward an August – September timeframe to have a fairly vetted plan to move into machination of developing the program per the CPUC regulatory framework. That timeframe is subject to some change as, we had thought at this point that MCE would have received a decision on 2015 funding. That information has not been received and Ms. Menten has been working with the Energy Division of the CPUC and various Commissioners, offices and there is no indication as to when the decision is expected.

Director Bailey asked if the Small Commercial and the Multi-Family projects are on track to meet their goals? Ms. Menten shared that there are energy saving goals and we are far from those energy savings goals on the commercial side. MCE is not alone as many of the similar partnership programs are finding that the targets for the small commercial project may be unrealistic as assumed savings are not materializing. With diminishing margins, low hanging fruit is more frequently unavailable and thus the challenge they face is getting the small “Mom and Pop” businesses to sign on to larger projects. She anticipated the project being much farther along than where it currently is.

The multi-family program is not very far along on energy savings (approximately 20-25%) but they’ve committed to projects they believe will help close that gap.

Chair Connolly asked about the On-Bill Financing Program (“OBR”). Ms. Menten shared that the OBR program is a struggle and there are some program design issues that need to be worked out. For the small commercial/multi-family it is possible that the minimum size constraint leaves a lot of the small commercial projects out that would otherwise be able to apply. There is a \$10,000 floor for the OBR for multi-family and small commercial and a lot of the small commercial projects are coming in lower than the \$10,000. They have identified the projects that recommend a larger scope than that and are going back and working with those projects to see if they are aware of the financing options which could possibly help them move them forward. It is challenging because a lot of times there are incentives that bring the total project cost below \$10,000 and small businesses may not be comfortable taking on a 5-year loan.

For the single family program, MCE just started marketing the program in April and we are optimistic we will get movement. We were hesitant to move forward with marketing since we had been working with PG&E on an option for non-MCE customers to have this on their bill as well. Technical testing is currently underway and is on track to finish. Since that marketing campaign launched in April referrals have been made to the Home Upgrade Advisor service run by BayREN. As a result of the advertising campaign they have referred close to 53 folks to the program. Ms. Menten shared that it is possible the Home Upgrade Advisory program for single family may be too complex to be ready for full scale adoption. It takes a lot of time, effort and investment and it might be a good idea to have options for any energy efficiency projects.

Chair Connolly asked that Ms. Menten keep the Board posted on details of the Energy Efficiency projects.

Ms. Menten responded to questions from the Board.

Agenda Item #10 – Communications Update (Discussion)

Alex DiGiorgio, Community Affairs Coordinator presented this item.

Mr. DiGiorgio shared a Deep Green Champion video with the Board and explained that all Bay Area counties do not have the option to share in this Deep Green endeavor. Alex also reminded those in attendance that half of Deep Green customer revenues go directly toward the Deep Green Local Renewable Development fund to support projects in Richmond and Marin.

Mr. DiGiorgio discussed the MCE/PG&E Joint Cost Comparison and on June 9, 2014 it will be mailed. It will reflect the most recent rate changes. Those include increased rate generation by PG&E and their decreased delivery rate. On both sides of that equation, MCE customers are doing very well and will save almost \$6M in this fiscal year. In both Light Green residential and commercial, MCE customers experience savings.

Mr. DiGiorgio shared that deep green is still slightly more expensive than PG&E, but for commercial customers during the winter months, deep green is actually less expensive.

The Joint Cost Comparison also reflected MCE's lower carbon emissions factor, as compared to PG&E's.

Director Haroff asked for clarification of the "unspecified" section of PG&E rates. Mr. DiGiorgio explained that is 'system power,' which is already on the grid. The source of this energy is unidentifiable because it is a mixture of the energy already on the grid, and contains both clean and conventional sources. With those purchases, it is not possible to identify where the energy comes from, since electrons from renewable sources are not identifiable from those of non-renewable sources. This type of energy is distinguishable from unit-specific energy purchases from identifiable resource; these unit-specific purchases reflect transactions from specific generators (e.g., those indicated on the Joint Cost Comparison as percentages of wind, solar, biopower, geothermal, large & small hydro, etc.) Per Mr. Dusel, the California Energy Commission used to prepare an annual report that detailed out the various fuel sources that contributed to this unspecified resource, but the CEC has since stopped doing that. Now, per reporting guidelines, this particular category is referred to as 'unspecified.' If you're located in the State of California, that number is going to be increasingly tied to natural gas fuel sources. There will also be residual amounts of large hydro and residual amounts of renewables.

Mr. DiGiorgio discussed the Residential Joint Cost Comparison that is broken down into light green and deep green. He shared that prior to CCAs the public was not receiving detailed information of this nature and this is another public education mechanism.

Director Butt asked if this information was on the website. Mr. DiGiorgio explained if it is not currently on the website MCE would make sure that it gets on there. Director Butt asked that the information be forwarded via email until it is made available on the website.

Mr. DiGiorgio shared the Municipal Savings with MCE and how the City of San Rafael saved \$30,000 in 2013 and anticipates savings of approximately \$47,000 in 2014. He also shared that the City of Richmond's anticipated savings for 2014 are approximately \$60,000, and West Contra Costa Unified School District's 2014 savings will be approximately \$66,000.

Mr. DiGiorgio briefly discussed upcoming meetings and events and sponsorships, and added that MCE will serve as a major sponsor of the 2014 Marin County Fair on July 2-6. Some of the benefits include:

- MCE Solar Carousel
- MCE co-sponsored Ben & Jerry's Solar Stage
- Publicity includes Marin IJ, Pacific Sun, SF Chronicle, Marin Scope, and Marin Center Magazine. MCE will also be featured on the Fair's website and social media. Signage will include signs and banners all over fairgrounds. Direct Mail: Fair Magazine (mailed to 95,000 readers).
- Bonus: MCE and the County's Sustainability team will co-host a table focusing on Energy Efficiency efforts.

MCE will sponsor the 2014 APPLE Family Works/Film Night in the Park where MCE videos will be running throughout the evening. Benefits include:

- A full page sponsor message in the Film Night program
- Signage at the Film Night Greeters Table
- Acknowledgment of MCE on the Film Night Screen before all 14 films
- Pre-film video message (micro docs) prior to screening

Mr. DiGiorgio shared on CCA in new communities, specifically mentioning that on June 3, 2014, Alameda County Board of Supervisors approved \$1.3M to undertake a CCA technical study and program development. Both the City of El Cerrito and the City of Albany have expressed interest in joining MCE but Albany has decided to wait and see what the County of Alameda will do. A decision is expected by the end of June, although it is difficult to predict.

Member of the public, San Mateo County Planning Commissioner would like to receive information on CCA, and potentially how to join MCE. He extended an invitation to have MCE present in San Matteo. Mr. DiGiorgio thanked the speaker for the gracious invitation and told him he would speak with him offline.

A second MCE micro-documentary was shown, featuring Marin City Community Development Corporation partnership.

Mr. DiGiorgio and Ms. Weisz responded to questions from the Board and the public.

Agenda Item #11 – Regulatory and Legislative Update (Discussion)

Jeremy Waen, Regulatory Analyst presented this item.

Mr. Waen discussed the two topics: 1) the proceeding formerly called the Green Option, now referred to as Green Tariff Shared Renewables (“GTSR”) and Enhanced Community Renewable (“ECR”) and 2) 2014 Long Term Procurement Plan (“LTPP”).

Green Tariff Shared Renewables (GTSR)

Mr. Waen explained GTSR programs as opt-in premium electricity rates with higher renewable content than the RPS mandate offered by IOUs to customers. The programs broaden ratepayer access to higher renewable-based electricity and provide a competitive product for IOUs to counter green CCAs. GTSR programs are similar to the MCE Light Green and Deep Green programs.

Enhanced Community Renewables (ECR)

Mr. Waen explained ECR programs as opt-in premium electricity rates with higher renewable content than the RPS mandate from local generation sources closer to customers. The programs broaden ratepayer access to higher renewable-based electricity and tie ratepayers’ consumption to local renewable generation. These programs are similar to the MCE SolShares program.

Mr. Waen shared MCE’s Primary concerns as follows:

Non-participating ratepayers should not bear any costs due to GTSR/ECR programs per SB 43 and there should be no cost shifting or subsidization. All GTSR/ECR program costs must be transparently monitored and limited so there are no bottomless administrative and marketing budgets backed by IOU shareholders. GTSR/ECR programs should not be permitted to borrow resources from IOU RPS portfolios and there should be no shifting of program start-up risks and costs to non-participants.

Any program revisions must be reviewed through a transparent, public process via Applications rather Advice Letters. There are “Chilling effects” on CCA expansion and formation as already witnessed with CleanPowerSF that must be minimized. Protections for non-participants must be present in case of program failure, following the PGE ClimateSmart example.

Programs must comply with SB 790 and not create competitive advantages for IOUs, and must foster fair competition, not stifle it. The program is designed to protect CCAs from aggressive, unfair marketing tactics.

Mr. Waen presented the GTSR/ECR Chronology.

2012

- On January 17 - SDG&E filed an application with CPUC seeking approval for both GTSR and ECR programs
- On April 24th PG&E followed suit and filed an application with CPUS seeking approval for a GTSR program (Green Option)

2013

- On July 31st the CPUC grants MCE’s Motion to Consolidate SDG&E and PG&E applications
- On September 28th Governor Brown approves SB 43 Green Tariff Shared Renewables Program directing IOUs to propose both GTSR and ECR programs
- On October 25th the CPUC issues Scoping Memo to revise proceeding to evaluate both SDG&E and PG&E proposals for compliance with SB 43

2014

- On January 10th the SCE filed an application with CPUC seeking approval for a GTSR program (Green Rate)

- On January 28th ALJ Clark directs PG&E to propose an ECR program in order to comply with SB 43
- On February 10th ALJ Clark consolidates SCE's application with others and instructs SCE to propose an ECR program
- In March the CPUC creates Phase 1 to finish addressing SDG&E and PG&E GTSR and ECR proposals and Phase 2 to evaluate SCE GTSR and ECR proposals
- In April the final hearings for Phase 1 and 2 were held
- In March legal briefings were filed for both Phases
- In May an Assigned Commissioner Ruling established Phase 3 to evaluate all three IOU ECR proposals separately from and subsequently to the review of GTSR proposals
- On July 1st SB 43 compliance deadline for CPUC to issue a decision to approve or disapprove IOU proposals, with or without modifications

GTSR/ECR – Next Steps

Mr. Waen indicated the Proposed Decision(s) is expected by June 9 regarding PG&E, San Diego Gas and Electric (SDG&E) and Southern California Edison (SCE) GTSR proposals. There will be ex parte meetings during the week of June 16 with final commission approval July 10. Phase 3 regarding the ECR proposal will continue and MCE is aiming for minimal involvement.

Chair Connolly asked Ms. Weisz if MCE had any strategies that include ex parte meetings. Ms. Weisz responded yes that ex parte meetings are a strategy that MCE uses at the appropriate time and may be needed within the next month. She reminded everyone that MCE's position on these type programs is not that we are looking to stifle competition. We support choice, which is a part of our mission, but we've seen a lot of cost shifting happen in so many places with regard to PG&E, how they structure their rates and how they do cost recovery. We see a lot of places in this program as it unfolds that are very likely to create cost shifting to non-customers, with no plans to prevent it from happening. Inadvertently, it will happen if we don't monitor it. That has been our main purpose to ensure that our customers are not paying for something they are not receiving or having to pay twice for PG&E's program and our program.

Mr. Waen shared the IOUs are providing as little information as possible to get these applications through, to the point the Judge is calling them out by asking where specific information mandated by SB 43 can be found in the IOUs proposals.

Director O'Donnell asked if these programs have a PCIA component to them. Mr. Waen responded yes, there is a departing load charge for customers in this program for any bundled costs.

Long Term Procurement Planning 2014

Mr. Waen shared that on May 6, 2014 a Scoping Memo was issued establishing Phase 1: System Reliability Needs and Phase 2: Procurement Rules and Bundled Procurement Plans. Phase 2 includes: "Changes to the Commission's rules regarding the treatment of CCAs and DA, including those adopted related to the CAM per SB 695.5, SB 790, D.11-05-005 and any relevant previous decisions."

Mr. Waen responded to questions from Board.

Legislative Update

Ms. Weisz, Executive Officer presented this item.

Ms. Weisz revisited and discussed AB 2145 and its effects on CCAs. Until April there was really no substance to the Bill but in April the bill was set to go to the Utilities and Commerce Committee and the language that was released would, fundamentally, kill CCA activity in California going forward. The primary problem with the bill is the “opt-in” vs the “opt-out” language. There is some additional language in the bill worth mentioning surrounding some reporting obligations that are unworkable. They would require 5-year rate projections in comparison to the utilities and as all know the utility rates are not known 5-years in advance.

The fundamental issue with the opt-in language is you must have a critical mass of customers before you can procure for them; you need to have a customer base before you can buy power for them. It is worth noting that other CCA programs around the country exist and are all structured as opt-out programs and the original CCA legislation enabling CCAs in California intentionally structured the program as an opt-out program.

When the bill language was introduced in April, MCE was extremely concerned and put a lot of time into educating staff, our Board members and other groups asking about the bill and the implications. Within a week MCE received 40 opposing entities and we are now up to 150.

This bill was authored by Assembly Member Bradford who is the Chair of the Utilities and Commerce Committee that is the first Committee this bill went to. There was a very strong showing of opposition and multiple representatives from multiple jurisdictions such as Lancaster who is getting ready to launch a CCA program, and many advocates including Sonoma Clean Power advocates. There were no folks there to speak in support of the bill, except for the bill sponsors themselves, PG&E, the I.B.E.W and the Coalition of Electrical Workers.

Despite the strong opposition, the bill passed without any opposing votes and then went on to the Appropriations Committee. The Appropriations Committee put the bill on suspense because they did find some cost to the State associated with the bill (the CPUC implementation of the bill). MCE put together some numbers that were helpful in identifying savings to the State through taking power from a CCA. MCE has a number of State customer accounts within its portfolio and we were therefore able to quantify some projected additional savings to the State from CCA service (upward of \$500,000).

Ultimately the bill was removed from suspense and it was moved to the Assembly floor for a vote and was voted out of the Assembly 15-51. MCE has spent a lot of time refuting misinformation of MCE products, rates, and customers not knowing where they get their service. There was a push poll conducted in Richmond several months ago by I.B.E.W. which attempted to assess how many customers were familiar with MCE. They’ve not released the questions of the poll, they used the wrong name when asking the customers about MCE, and they used ‘Marin Energy Authority’ which has never been used in any marketing material in Richmond.

Ms. Weisz shared some activities that happened around the time the bill went to the Appropriations Committee: the I.B.E.W. launched attacks on MCE within the community focusing on procurement and misinformation surrounding our portfolio, and claiming that MCE rates are higher. In June I.B.E.W. sent CEQA threats to many of the communities exploring CCA. She explained how MCE asked the CPUC to do some fact finding to see if PG&E was in violation of the “code of conduct.” The code of conduct came out of the Leno Bill SB 790 also named the McGlashan Bill and was an attempt to help level the playing field for CCAs. It requires any IOU (“Investor Owned Utility”) who plans to market against a CCA first file a marketing plan to show how they are going to market and to ensure there is a firewall between their existing business operations and marketing activity. For example, an IOU could use customer phone numbers for phone banking against a CCA in the past. PG&E has not filed a marketing plan with the CPUC as required under SB7990, yet they do seem to be marketing against CCA programs. The CPUC

issued a letter to PG&E requesting responses to questions about their ties to I.B.E.W. and if they are using I.B.E.W. as a 3rd party intermediary to market on PG&E's behalf.

To respond to the issues surrounding AB2145 MCE pulled together a very comprehensive booklet about its program and about how the bill impacts us. The booklet was handed out to all the Assembly members and has since been updated and will be provided to all Senators and their staff. It has been a great reference point as we talk through the misinformation and other things. We've had a lot of meetings with the decision makers on the Assembly side. Ms. Weisz thanked Directors Bailey and Greene for their proactive approach in reaching out to key Sacramento contacts on behalf of MCE. She also recognized the County of Marin and the City of Richmond for utilizing their lobbyists on this issue, and Director Butt for the excellent work he is doing with the unions and key decision-makers.

There has been a lot of grassroots activity in opposition to this bill. Current action: Meeting with Senators and staff, next stop Senate Energy Committee meetings. If the bill gets out of the Assembly it will need to go to Appropriations and the Senate floor for a vote, and ultimately will need to go to the Governor's desk for signature.

Director Greene shared that he listened to the transcript of the April 28th meeting of the Assembly subcommittee which for weeks, was not available. When he listened to the tape it became apparent why it wasn't initially available. While Ms. Weisz was being very polite in her characterizations, the way that the PG&E lobbyist postured this presentation was really accusing MCE of fraud. It was blatant and clear. The way AB2145 was being described was tied to consumer protection. Director Greene noted that the presentation was very well organized, clear and detailed, and completely wrong. On its face, the presentation was clean. In his estimation what we are fighting is a very nasty campaign. It is not polite, it is not nice. That propaganda was reflected in the comments that were made to the initial Senate subcommittee. We may not have previously had a clear outline of what it is we have to confront and really have to take on. When those kinds of characterizations are postured in language that doesn't come out right and say that it is blatant, they don't have to. In his estimation, in order to be effective, we need to be very direct in our responses.

Chair Connolly agreed with Director and indicated that he saw the same thing.

Director Bailey shared that there were two primary arguments being thrown at MCE: 1) we are perpetrating half-truths and not exposing how green the product is and, 2) we somehow are depriving constituents of choice. He did make calls to anyone he could and it was terribly discouraging how the merits of AB 2145 were irrelevant. There was very little education about what the consequences were and very little care. He does not have a proposal of action as to how to fix this but he would like the Board as a group to do whatever it can because the truth is not enough.

Alternate Katie Hoertkorn asked what Governor Brown's position is.

Ms. Weisz shared that Governor Brown has not yet taken a position on this issue although he has supported CCA's in the past. However, he does have strong ties to the unions. She shared her puzzlement over I.B.E.W.'s approach since MCE is pro-union and supports what the union stands for. MCE has engaged the Governor's office to possibly broker a meeting with MCE and the I.B.E.W. since they've not been willing to meet with us to-date. She believes it might be helpful to the Governor to get all parties on the same page.

Director Butt shared that although he does not have all the facts, I.B.E.W. cut a deal with PG&E and in exchange the union agreed to become the 3rd party entity. He discovered a few days ago it is not only I.B.E.W. but they

signed on the State Building and Construction and Trades Council which is all the construction trades in California. The AFL CIO wrote a support letter to the Utilities and Commerce Commission on April 23, 2014. The problem is these construction trade unions are like blood brothers. He suggested this is not a fact-driven battle but a political battle. It was suggested that we work with some of the non-construction unions (S.E.I.U) to see if some headway can be made.

A member of the public, who is a retired labor organizer, stated that he has some information that might prove helpful to MCE and he will share it following the meeting.

Chair Connolly recapped AB 2145 discussion.

Ms. Weisz shared there are two weeks before the next committee meeting. She will send a list of names of Assembly members and contact information to Board members tomorrow along with some of the speaking points. She suggested reaching out to labor on any front, and getting letters of opposition from cities and towns or other entities would also be helpful.

Director Haroff believes that this problem should be exposed on a national level: "small community based organization doing battle with conglomerate" type article. Per Ms. Weisz that certainly is something to be considered. One thing that would be interesting at a national level or even through the Sacramento Bee is the amount of dollars that changed hands at the tail end of the decision on the Assembly side. Fortunately there are rules that require Assembly members to post cash donations within 24 hours. It was interested to see the donations that came in for the Chair for the Appropriations Committee, as there was about \$20,000 from labor.

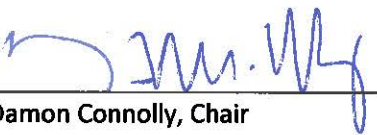
Member of the public, Leslie Aiden expressed her concerns and offered to assist in any way she could.

Agenda Item 12 - Board Matters (Discussion)


None

Agenda Item #12 – Adjourn

9:58PM


Damon Connolly, Chair

Attest:


Dawn Weisz, Secretary

APPROVED

JUL 03 2014

MARIN CLEAN ENERGY