

**APPROVED**

**APR 16 2015**

**MARIN CLEAN ENERGY**

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**BOARD MEETING MINUTES**

**Thursday, March 5, 2015**

**7:00 P.M.**

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

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**Roll Call:** Chair Sears called the regular Board meeting to order at 7:00 p.m. An established quorum was met.

**Present:** Denise Athas, City of Novato  
Sloan Bailey, Town of Corte Madera  
Tom Butt, Vice Chair, City of Richmond  
Genoveva Calloway, City of San Pablo  
Barbara Coler, Town of Fairfax  
Ford Greene, Town of San Anselmo  
Larry Chu (Alternate to Kevin Haroff), City of Larkspur  
Garry Lion, City of Mill Valley  
Greg Lyman, City of El Cerrito  
Bob McCaskill, City of Belvedere  
Andrew McCullough, City of San Rafael  
Emmett O'Donnell, Town of Tiburon  
Alan Schwartzman, City of Benicia  
Carla Small, Town of Ross  
Keith Caldwell (Alternate to Brad Wagenknecht), County of Napa  
Ray Withy, City of Sausalito  
Kate Sears, Chair, County of Marin

**Absent:** None

**Staff:** Dawn Weisz, Executive Officer  
Elizabeth Kelly, Legal Director  
Beckie Menten, Director of Energy Efficiency  
Greg Brehm, Director of Power Resources  
John Dalessi, Technical Consultant  
Meaghan Doran, Energy Efficiency Specialist  
Emily Goodwin, Director of Internal Operations  
Darlene Jackson, Clerk

**1. Swearing in of New MCE Board Member**

Ms. Weisz gave the Oath of Office to new MCE Board Member Greg Lyman, City of El Cerrito.

**2. Board Announcements (Discussion):**

There were no Board member announcements.

**3. Public Open Time (Discussion):**

Sam Sparrow spoke about an FBI investigation and a video relating to the PG&E electrical industry, corruption and hidden PG&E charges.

**4. Report from Executive Officer (Discussion)**

Dawn Weisz, Executive Officer, gave the following report:

- She presented media announcements regarding the City of El Cerrito's membership, an announcement from the Pt. Reyes Light in West Marin, and Main Street Moms;
- Discussed pre-enrollment activities in El Cerrito and San Pablo which are going smoothly and with significant outreach over the last month;
- There is tremendous interest in the MCE Deep Green Program and the City of El Cerrito has the highest number of signups;
- On March 24<sup>th</sup>, staff will make a presentation at the El Cerrito City Hall at 6:30 p.m. On April 15<sup>th</sup> a presentation is planned at the El Cerrito Community Center, and events are planned for Benicia and San Pablo as well as follow-up events in unincorporated Napa. Information can be found on the MCE website;
- Many items on the Consent Calendar are contract renewals. March is the time of year MCE renews annual contracts which expire at the end of the fiscal year. The new fiscal year begins on April 1<sup>st</sup> and staff is seeking renewal with many vendors with existing agreements.

Ms. Weisz introduced Greg Brehm, Director of Power Resources, who discussed the results of their Open Season process which was completed on Monday:

- Mr. Brehm reported receiving a total of 24 proposals. Of these, there were 12 solar proposals ranging from 10 MW to 65 MW. There were 3 proposals for in-state wind ranging from 42 MW to 151 MW, one geothermal proposal for a capacity of 3-200 MW, had 3 offers for carbon free energy in-state and a couple of out-of-state. They had 2 Product Content Category 2 proposals for out of state wind, and overall they have more than enough resources to cover their open positions under all categories. Generally speaking, the overall energy market is down 24% from last year, solar prices are down 20% from last year's market, wind prices were up slightly, and geothermal was down about 13%. Bucket 2 prices came in at about 50% higher than paid for in previous years;
- This week MCE signed their first confirmation for specific purchase of natural gas. While not high on MCE's priority list at the beginning of their growth, this came in at a good price that fits well with their portfolio and it comes with a lower carbon emission factor than the California system power mix, which is a good next step for the agency;

- MCE is in the process of preparing for the office move sometime next week. As a result, the next Board meeting will likely be held in the new location. However, in case furniture does not arrive, staff will notify Board Members as to whether or not they will need to meet in the San Rafael Corporate Center one more time.

**5. Consent Calendar (Discussion/Action):**

- C.1 2.5.15 Meeting Minutes
- Chair Sears referred to page 4 and said her comments regarding the fact that “MCE also has a line of credit in addition to reserves” is correct, however, it should be noted that MCE does not have a current line of credit.
  - Board Member Coler referred to page 2 and asked that the vote be corrected to reflect her abstention.
- C.2 Approved Contracts Update
- C.3 First Amendment to Lease Agreement with 700 Fifth Avenue, LLC
- C.4 Seventh Agreement with Maher Accountancy
- C.5 Fourth Agreement with Jay Marshall
- C.6 Third Agreement with Braun Blaising McLaughlin & Smith
- C.7 Fifth Agreement with Niemela Pappas & Associates (formerly Lehman, Levi, Pappas & Sadler)
- Board Member Coler cited no hourly rate on services, and she confirmed with Ms. Weisz that the vendor is paid on a monthly retainer.
- C.8 Sixth Agreement with Richards Watson & Gershon
- Board Member Coler commented that the Town of Fairfax’s hourly rate is lower than the rate reflected in the agreement and she suggested staff consider negotiating for lower rates in the future.
- C.9 Third Agreement with Troutman Sanders
- C.10 Sixth Agreement with Green Ideals
- Board Member Coler commented that on the agenda is a designer position and she asked if the contract would phase out services given the addition of a staff member. Ms. Weisz stated the full-time recommended staff position will allow the contractor to reduce the amount of service hours in the contract.
- C.11 Second Amendment to Power Purchase Agreement with Cottonwood Solar, LLC
- C.12 Second Amended and Restated Attorney-Client Fee Agreement with Morris Polich & Purdy LLP
- Board Member Coler asked if MCE has a travel expense policy. Ms. Weisz stated MCE has a policy covering employee travel, but vendors have their own guidelines they follow. MCE screens invoices for any charges that seem out of line.
- C.13 First Agreement with North Bay Office Furniture LLC

**ACTION:** It was M/S/C (Butt/McCaskill) to approve the Consent Calendar consisting of Items C.1 through C.13. Motion carried by unanimous roll call vote: 17-0 (Abstained on Item C.1: Lyman, Coler, Chu and Greene).

## **6. Monthly Budget Report (Discussion)**

John Dalessi, Technical Consultant, presented the year-to-date budget for 10 months ending January 21, 2015. At the last meeting, the Board adopted amendments to the budget. Revenue and cost of energy continue at levels that are slightly below what was budgeted which is primarily due to slightly lower sales of about 2 1/2%. As compared to financials last year, there has been significant growth and benefit. Revenues are up \$11.7 million relative to this time last year and the surplus to the Fund Balance is up by \$3.3 million.

A Board Member questioned costs for a communications consultant given the level of staffing in the Communications Division. Ms. Weisz explained this is the first year MCE will be offering service for new communities. MCE strives to ensure staff conducts outreach through print media, radio media, development of content for their website, visiting and presenting to communities, noticing to customers and creating literature for events. Moving forward, the budget will remain stable and she noted that the budget amount for this coming fiscal year is the same amount spent in the last fiscal year.

A Board Member referred to the first page of the staff report which states the energy budget is funded through a portion of the Deep Green service provided to customers. She asked why it is funded through a portion of this program, given they have 100% renewable solar program. Mr. Dalessi explained that the rates that were designed for 100% solar are essentially a direct pass through of costs and those monies are directly funding specific projects. What this relates to are the Deep Green customers, and half of those revenues are being earmarked for additional local projects.

## **7. MCE Rates for FY 2015/2016 (Discussion/Action)**

John Dalessi, Technical Consultant, noted that the proposed rates were discussed in detail at last month's meeting and he presented a brief PowerPoint and discussed the 9 customer rate groups, terminology used for different types of customers, cost service analysis and competitor analysis, rate changes by rate group, an overall savings of \$10.6 million by MCE customers over PG&E service customers despite rate increase, adjustments, and band charges to reflect cost and capacity MCE needs to procure. He recommended the Board approve the rates for FY 2015/2016 which becomes effective April 1, 2015.

The following questions and comments ensued:

- A Board Member asked about the adjustment of the Com-6 rate. Mr. Dalessi said this rate is well below PG&E across the board and they are trying to increase the on-peak to off-peak price differential to be more comparable or in alignment with the rate from PG&E.
- A Board Member asked if greater economic benefit will be given to customers in the future, given rate increases. Mr. Dalessi said looking forward, they have a good handle on what MCE's costs should be over the next few years and they do not anticipate the

need to push for large rate increases. Regarding how hard they should push to keep rates as low as possible versus MCE's quest for more renewable energy, they want to look at rates to fund new energy sources, which is a policy discussion that took place this year and which can be evaluated as to what the appropriate balance should be.

- A Board Member commented that MCE is substantially below PG&E's rates, but the PCIA makes up for much of the difference. Board Members voiced interest to discuss PCIA in future meetings.
- A Board Member asked if PG&E has flexibility to take advantage of lower costs now and therefore have a lower cost mix into their portfolio. Mr. Dalessi said his experience in evaluating and monitoring PG&E rates is that they are volatile and PG&E does not release any details about procurement other than to regulators, so this is difficult to answer.

Chair Sears called for public comment.

Sam Sparrow referred to the article on Former CPUC President Peevey and the PCIA and asked if MCE can further discuss the relationship between PG&E and the PCIA.

A Board Member referred to MCE's mission and suggested debate on how to balance short term needs with long term goals so current customers can enjoy the best rates possible. Chair Sears agreed and said she thinks the proposed rate setting this year was thoughtful. She supported the policy debate as an item to be covered in September.

**ACTION:** It was M/S/C (Bailey/O'Donnell) to approve the MCE Rates for FY 2015/2016. Motion carried by unanimous roll call vote: 17-0.

#### **8. MCE Board Committee Membership (Discussion/Action)**

Ms. Weisz presented the MCE Board Offices and Committees list. MCE now has a Board of 17 members and there is space for one (1) Board Member to participate on the Technical Committee and space for three (3) Board Members to participate on the Proposed Ad Hoc Contracts Committee for 2015 Open Season. The Technical Committee meets once a month at 5:00 p.m. on Mondays (subject to change), with the focus on technical issues. The Ad Hoc Contracts Committee focuses on open season responses and agreements in the open season. The Committees have not yet been formalized and those identified on the list volunteered.

Board Member Lyman volunteered to serve on the Technical Committee. Board Members Lyman, Schwartzman, Lion, Bailey, Greene, Haroff and Calloway individually volunteered to serve on the Ad Hoc Contracts Committee.

**ACTION:** It was M/S/C (Bailey/O'Donnell) to add Board Member Lyman to the Technical Committee and Board Members Lyman, Schwartzman, Lion, Bailey, Greene, Haroff and Calloway to the Ad Hoc Contracts Committee. Motion carried by unanimous roll call vote: 17-0.

**9. Power Purchase Agreement with Stion Corporation (Discussion/Action)**

Greg Brehm, Director of Power Resources, gave the staff report, stating this is the first project MCE will end up owning. They negotiated with Stion Corporation to do the development and they will finance and operate the system for the first 7 years, with MCE having an option to buy the system at Year 7.

A Board Member noted that the CPUC changed the Green Attributes definition in the summer and Mr. Brehm agreed to follow-up and revise as needed. In response to a question regarding environmental impacts in the design of the solar farm, Mr. Brehm confirmed that the environmental assessment will address any and all impacts.

A Board Member asked what guarantee does the developer provide for the project to be completed on time before the federal tax credit expires. Mr. Brehm said the developer will post securities and they will have most of the agreements in place in a timely manner. He added that they have located all potential environmental impacts outside of the development envelope so it should be a straight-forward process.

In response to a question regarding the pre-payment option, Mr. Brehm said once they break ground, MCE is prefunding part of the development because they have a much lower construction cost which helps in bringing the rate and debt down, and the different options for consideration will be brought to the Ad Hoc Contracts Committee.

Chair Sears called for public comment.

Sam Sparrow said the IRS has changed some of the definitions for tax incentives and opportunities in the solar industry renewables and has made it possible that some of the larger solar arrays are now traded on Wall Street as 5 different types of yield codes. They have the same tax benefits as the oil industry because it has been proven they work, are guaranteed and they estimate a trillion dollars will go towards renewable energy, much of it towards solar.

In response to a Board Member question regarding the Board's initial concern about penetrating the envelope within which there is substantial contamination, Mr. Brehm referred to the PowerPoint presentation of the tracking array which is closest to the road on the 20-acre parcel, as well as the array on the landfill site and said there is no penetration and they are free from contamination risk.

**ACTION:** It was M/S/C (Butt/Athas) to approve power purchase agreement with Stion Corporation for local renewable energy supply. Motion carried by unanimous roll call vote: 17-0.

**10. New MCE Staff Positions (Discussion/Action)**

Ms. Weisz introduced the item on behalf of Katie Gaier, Human Resources Coordinator. Four new positions are being presented, two of which fall under the Public Affairs Division of the agency. Given their growth of the organization, staffing is needed. She described the two positions in Public Affairs which include 1) a Manager of Business and Community Development and 2) a Creative Content Designer. The third position relates to a position the Board approved last fall for a Power Supply Contracts Manager Tier I, which has not been filled. During the recruitment, they came across higher level candidates that would fit into a Tier II range, and this will provide MCE with more flexibility. The last position is an Administrative Assistant position, given more communities and growth and the position would provide more support towards assisting the Administrative team. Ms. Weisz said she was available to answer questions relating to compensation and job descriptions for each position.

Board Members questioned and confirmed that MCE complies with all personnel laws, that the positions were included in the approved budget, and the total MCE staff will be 25 with the added positions.

Chair Sears called for public comment, and there were no speakers.

**ACTION:** It was M/S/C (Athas/Greene) to approve the proposed four new positions: 1) Manager of Business and Community Development; 2) Creative Content Designer; 3) Power Supply Contracts Manager Tier II, and 4) Administrative Assistant. Motion carried by unanimous roll call vote: 17-0.

#### **11. MCE New Board Meeting Time and Location (Discussion/Action)**

Ms. Weisz said because of the needs of some existing Board Members, the regular Board meeting date will be changed from the first Thursday of the month to the third Thursday of the month, effective April 16<sup>th</sup>. The second change relates to the relocation of offices and board room in downtown San Rafael to 500 Fifth Avenue. The actual entrance from the street and address will be changed to 1125 Tamalpais Avenue, San Rafael.

**ACTION:** It was M/S/C (Lion/McCaskill) to adopt Resolution 2015-02 establishing the date, time and location of the MCE Board Meetings. Motion carried by unanimous roll call vote: 17-0.

#### **12. Energy Efficiency Update (Discussion)**

Beckie Menten, Director of Energy Efficiency, gave the MCE Energy Efficiency Programs Monthly Update as follows:

- The CPUC in November approved a decision which extends funding for MCE existing programs through 2025;
- They have made some revisions to their energy efficiency savings goals to be more achievable while maintaining their cost effectiveness;

- They are setting internal quarterly goals to track progress on program performance metrics in addition to energy savings goals. An example is staff's follow-up on high quality referrals from contractors;
- She presented a sample of their revised monthly update for each program which is now more user-friendly and graphical, and she presented a sample residential water nexus project which they work and coordinate with MMWD.

Board Members questioned MCE's attempt to work with Novato's Water District and confirmed the ability for commercial and local government water nexus projects where cities must work with Marin County and PG&E.

- Ms. Menten continued and discussed the small commercial program and their successful contractor sales training;
- Single Family Program – staff mails out home utility reports to compare energy costs with other homes of similar size. They are undergoing a review of the program to ensure high quality performance;
- User Experience Update or UX Update – User suggestions for redesigning and making the web portal flow better;
- Added two new features to the web tool; 1) the Financing market place which links to a matrix of financing options and matching programs; and 2) Equipment market place which provides information about energy savings and replacement of refrigerators and other equipment;
- Planning and update of their CCAC operational programs to a ten-year rolling portfolio cycle. They expect to file their first new application in May 2015 and get their new programs authorized in July;
- Staff is working on a new low income program which is funded separately from energy efficiency programs, and they are doing a pilot program to leverage more funding. They are looking to focus on hidden or segregated communities where people are not willing to do income verification to capture more populations;
- They are taking the web app and putting it on a local platform in order to provide access, energy alerts and information to those without computers.

Board Members posed the following questions and responses given:

- Competitiveness in energy efficiency has increased over the last six months. Staff continues to work with PG&E on specific cases involving partnership and relationship issues.
- A Board Member asked that staff continue presenting case studies, noting that they are very helpful. Ms. Menten confirmed and then described a rebate program for a huge project in a 100-unit neighborhood facility.
- A Board Member suggested staff approach some of the organizations that manage certain housing programs and Ms. Menten said existing low income policy requires staff to go to every door to get verification from all tenants, which is a barrier, and they are



suggesting the use of proxies and are also reaching out and working with Housing Authorities and EAH.

- A Board Member referred to the 2014 annual goal and asked what the actuals were for 2014. Ms. Menten said she believes they ended up with 10% to 15% of their actuals for 2014. They transfer figures into MW hours and will post the consolidated version on their website which will have these figures.

Chair Sears called for public comment, and there were no speakers.

### **13. Regulatory and Legislative Update (Discussion)**

Elizabeth Kelly, Legal Director, gave an overview of MCE's role with the California Public Utilities Commission which is the regulatory agency MCE is most engaged with. Three core issues they address and work with the CPUC includes:

1. Jurisdictional issues, such as PG&E which is fully regulated by the CPUC. MCE is partially regulated, but resource planning is determined by the Board;
2. Cost shifting where they often see PG&E wanting to move generational costs into the distribution rate and utilities wanting to shift costs from third generation customers to our generation customers through the PCIA; and
3. Competitive issues and whether there is a fair playing field for energy efficiency.

Ms. Kelly stated energy is broken into two parts—electricity and capacity. PG&E can pass on electricity costs to MCE customers through Power Charge Indifference Adjustment (PCIA) and pass through capacity costs through the Cost Allocation Mechanism (CAM). These are two areas MCE has been very involved with for a long time. With regards to the PCIA, historically, PG&E has not assumed that any customers would part their service and this year they have made assumptions about future CCAs departing. Since the PCIA is based on unavoidable electricity costs and if they assume customers will depart, this will reduce the unavoidable costs borne by CCA customers since PG&E will not have procured for that departing load.

Another area MCE has worked on relates to methodology for PCIA "vintaging" for MCE customers. A customer's "vintage" is the date when a customer is assumed to have departed from PG&E service. If a house is built which is entering and using MCE service from day one, that customer is considered a customer departed from PG&E even though they never have been served by PG&E. Therefore, the PCIA is applying to customers it should not and MCE has succeeded in getting a venue at the CPUC to discuss these issues.

They seek to add a significant issue which is that in PG&E's service territory, PG&E imposes the PCIA on CARE customers. In SCE and SDG&E territory, those CARE customers do not pay the PCIA, which is significant because the charges are impacting their most vulnerable customers. It should also be noted that medical baseline customers are exempted from the PCIA in all service territories. She reported that MCE will be filing a motion tomorrow in the proceeding called the

Energy Resource Recovery Account to have this brought within the scope to be corrected, as CARE customers have paid over \$1.5 million in PCIA fees to PG&E since MCE launched.

Board Members and Mr. Dalessi discussed reasons that the PCIA charge on a per kilowatt hour basis is significantly higher for residential customers than it is for commercial and industrial customers. Mr. Dalessi noted that it is a rate design methodology issue. It reflects a monopoly attitude because its operating assumption is that all accounts belong to PG&E and therefore must pay whether or not such accounts ever actually happen. Also, Ms. Kelly said when fees were put in place many years ago the CPUC was thinking about the direct access market and large commercial customers. At the time, the CPUC assumed that exit fees would be as close to zero as possible. MCE is working on getting traction on projection differences, the vintage issue and the CARE issue.

While not a core CCA issue, an issue which raises a significant number of competitive issues is that the three major utilities in California have put in applications asking for hundreds of millions of dollars each to implement EV charging infrastructure, which Ms. Kelly briefly discussed. SDG&E and PG&E are asking to not only build out to stub but also own the charging infrastructure which will have negative impacts on EV charging. PG&E has asked for over \$600 million to implement this and MCE will be involved to ensure there are not added budget impacts in the EV market and that it is fair for ratepayers.

Senate Bill 350 introduced in the legislature would implement the Governor's "50-50-50" benchmarks by raising California's renewable portfolio standard from 33% to 50%, striving for a 50% reduction in petroleum use and increasing energy efficiency in buildings by 50% by the year 2030. MCE is working to get the pass-through of Capacity costs of renewable projects stricken from the bill but in general they are supportive of the Governor's bills.

Ms. Kelly also reported that MCE presented to the Senate Energy Committee this last month, they are ramping up to bring renewable energy local, and bringing cost savings to school districts, cities and many agencies. They also highlight the significant interest and growth of CCA and the impact it will have in the future. Ms. Weisz commented that after the hearing many people were inquisitive about PCIA and she noted that the level of dialogue has deepened since last year. She stated they hold annual update meetings with each of the Commissioners to update them on MCE's growth and new projects, and at the CPUC, ex parte communications are permitted and they utilize this as a tool to explain their position, as well. She confirmed they also clarify inaccurate information, such as disseminating facts about SB 2145.

#### **14. Board Member & Staff Matters (Discussion) - None**

#### **15. Adjournment:**

The Board of Directors adjourned the meeting at 9:00 p.m. to the next regular Board meeting on April 16, 2015.

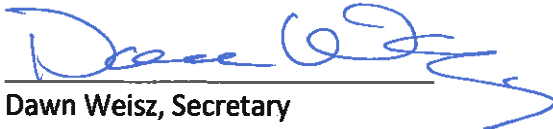
  
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Kate Sears, Chair

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Attest:

  
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Dawn Weisz, Secretary