

APPROVED

OCT 02 2014

MARIN CLEAN ENERGY

**MARIN CLEAN ENERGY
BOARD MEETING
THURSDAY, September 4, 2014
7:00 P.M.
SAN RAFAEL CORPORATE CENTER, TAMALPAIS ROOM
750 LINDARO STREET, SAN RAFAEL, CA 94901**

Roll Call

Present: Kate Sears, County of Marin, Vice Chair
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
Gayle McLaughlin, City of Richmond
Carla Small, Town of Ross
Ford Greene, Town of San Anselmo
Emmett O'Donnell, Town of Tiburon

Absent: Damon Connolly, City of San Rafael
Ray Withy, City of Sausalito

Staff: Dawn Weisz, Executive Officer
Elizabeth Kelly, Legal Director
Alex DiGiorgio, Community Affairs Representative
Greg Brehm, Director of Power Resources
Michael Maher, Maher Accountancy
John Maher, Maher Accountancy
Kirby Dusel, Technical Consultant
John Dalessi, Technical Consultant
Brian Goldstein, Technical Consultant
Sarah Estes-Smith, Administrative Associate
Emily Goodwin, Director of Internal Operations
Darlene Jackson, Clerk

Public Session: 7:04 PM

Agenda Item #1- Board Announcements (Discussion)

Director Sears called the meeting to order and extended a welcome to Mayor Gayle McLaughlin, Alternate for the City of Richmond.

Agenda Item #2 – Public Open Time (Discussion)

None

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

Executive Officer Dawn Weisz reported on this item.

Ms. Weisz welcomed everyone back from our August hiatus and explained that we have a full agenda tonight. She welcomed Brad Wagenknecht and Keith Caldwell, ME's Napa Board Member and Alternate, respectively. She shared that MCE is hopeful to have CPUC certification of the Revised Implementation Plan (reflecting the incorporation of Napa) by the next Board meeting and then have Brad sitting on the dais.

Ms. Weisz announced the anti-CCA bill that was under consideration this legislative session, AB 2145, has died on the Senate floor. MCE owes thanks to a lot of folks in helping this effort be successful. She extended a huge thank you to MCE staff, Keith Caldwell and Brad Wagenknecht, Directors Bailey, Green and Butt, and to those who brought this issue to their local councils for letters of opposition to the bill.

Director Sears acknowledged there was a tremendous amount of work by MCE and people all over the State of California on this bill. She believes the upside to the Bill is that it was a great opportunity to educate a lot of people about CCAs. There was an upside to the educational opportunity presented by the fight against this bill and now people are better informed about how important CCAs are in California. MCE and the Board should feel good about the result.

Ms. Weisz talked about the Property Assessment Clean Energy ("PACE") that is available in some parts of California which allows folks to do energy upgrades to their home or business; these can include renewable energy installations or energy efficiency upgrades and participants would then place those expenses as a property assessment on their property.

PACE Programs have been very successful in the Sonoma County area and are starting to gain traction in other parts of the State. There was a recent letter sent out by the Federal Housing Finance Agency ("FHFA") regarding PACE Programs. This letter was directed to the City of Mateo because they are moving forward on a PACE Program. The letter outlined the position of FHFA regarding how the lien placement may affect PACE properties. It doesn't state a new position of the FHFA, but MCE wanted folks to know about it because the Board may get related questions from other local elected officials or city or town managers.

MCE will be sending out a memo to City Managers within the next few days that outlines the FHFA letter and some of the talking points in response to it. Dawn noted that there is no change in policy at FHFA, but there does continue to be a situation that when properties have an assessment, they typically need to be paid off at the time of sale.

Ms. Weisz reported that there continues to be pressure from the Governor's office to try and change the FHFA's position regarding PACE and she will keep the Board posted on any new developments.

Director Sears indicated for all who have not read the letter, the FHFA is urging communities to inform potential borrowers about their policies. It seems if one did that, it might be good to also inform

borrowers of contact information of their Congressman so they can contact them and tell them what they think about the FHFA. She noted that a little grassroots pressure is always a good thing.

Director Athas stated the Marin Association of Realtors should be contacted for support as well. That is something they can stand behind and ask their California Legislative Association of Realtors to have them work on that political action via lobbyists in Sacramento.

Ms. Weisz mentioned that some of the Board participated in an MCE staff Brown Bag session where we had a presentation by Frank Lindt, the former General Counsel for the CPUC. It was a fantastic presentation. She wanted folks to know that the session was recorded so a copy will be made available to those who are interested in receiving it. Mr. Lindt spoke about the energy crisis and what was happening behind the scenes. Ms. Weisz indicated if any Board members are interested in receiving a copy they should contact Darlene.

Ms. Weisz reminded everyone of the Board Retreat that is scheduled for Thursday, September 18th. Folks are welcome to show up around 9:00 to grab some breakfast as the meeting will begin promptly at 9:30AM and wrap up around 4:00PM. Board members were asked to RSVP by September 11th if they had not already done so and to contact Darlene with any questions.

She also reminded those members of the Ad Hoc Special Consideration Committee of the meeting that is set for Tuesday, September 23rd from 10:00AM – 11:00AM in MCE's Conference Room.

Ms. Weisz announced MCE is planning a Field Trip to the Geysers to visit the Calpine facility, a local generation site of one of our most recent PPAs. The trip is scheduled for October 23rd, 8AM – 5PM. It is a long trip that will take a full day and a bus will be available to transport folks up to the site. Lunch is included along with a lot of good information and education on the way. There are a limited number of seats available on the bus so if you are interested in attending that event let Darlene know.

Ms. Weisz announced the Draft Climate Action Plan Update for the County of Marin has been posted to the website and contributors are looking for feedback. They will be hosting a public workshop on Monday, October 6th in the Marin Civic Center Exhibit Hall. There are many useful findings in the plan, some of which relate to their energy procurement and some related to the positive impacts MCE power supply has had on reaching or exceeding goals of the Climate Action Plan.

Director Sears asked Ms. Weisz to elaborate on the Board packet document regarding the MCE and North Bay Pre-Apprenticeship Program. Ms. Weisz shared that this item is on the Technical Committee Agenda set for Monday, September 8th but explained this is a proposal that has come to MCE from Bill Scott who Director Sears recommended we contact. It looks at ways to stimulate more apprenticeship program activity in Marin County. He will also be working with local high schools on developing the program and more details will be discussed at Technical Committee on Monday including a recent grant submission to support those efforts. Some graduates of the program will be heading down the track to join such trades as the I.B.E.W. and various other organized labor. It is certainly something that MCE wants to support in line with our approach to local jobs and union labor.

There were no questions from the Board or the public.

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

- C.1 7.3.14 Board Minutes
- C.2 Monthly Budget Report
- C.3 Monthly Contracts Update
- C.4 First Addendum to Second Agreement with Braun, Blasing, McLaughlin & Smith

M/s Bragman/Lion (passed 11-0-0) approved all items on the consent calendar. Directors Connolly and Withy were absent.

Agenda Item #5 MCE Audited Financials 2014-2013 (Discussion)

Dawn Weisz, Executive Officer introduced this item and the presenters, Maher Accountancy.

Ms. Weisz announced that every year MCE compiles audited financials through a third party and tonight we are presenting the results of that compilation. It is not an action item but we wanted to share the results and provide the Board an opportunity for questions.

John Maher, Accountant, shared brief details of the audited financials. Mr. Maher indicated they prepare the routine financials as non-independent accountants and MCE hires independent accountants to complete the audited financials. Mr. Maher directed the Board to the first two pages of the document, the auditors' report.

Mr. Maher shared that the report explains who is responsible for what, what various entities do in the process; the conclusion is the financial statement is fairly presented: the valuations are fair, the disclosures are proper and communications are clear. This means the financials were prepared in accordance with generally accepted accounting principles as required and used within the United States.

Mr. Maher further shared and explained one particular high-level overview and analysis in the report: a discussion of increases in the organization's net assets or as noted in this report, "Fund Equity." Fund equity is the excess of revenues/inflows over expenditures/outflows. There was a healthy modest increase in outflows, as was planned, but during the year the organization did have a large increase in revenues and the balance sheet changed quite a bit with the addition of the City of Richmond as a member.

The City of Richmond came in half way through the summer and MCE's fiscal year ends in March. Starting in April, the commercial rates are on the lower side and during the spring/summer they go up followed in the second half of the year with a decrease.

When Richmond came in with a relatively high volume, at that point in the annual cycle where the rates are a bit higher, MCE had a large increase in revenue but a modest increase in the gross margin or addition to the net assets. This is nothing that is abnormal or surprising. In the 2014-15 year we will be able to see the benefit of the full year and enjoy a larger volume with the better margins that we experience with the full summer rates.

Mr. Maher further discussed balance sheet comparisons for the last 3 years. There have been increases in cash from \$18M to \$22M and Mr. Maher explained that part of that increase is due to receivables. With an organization like MCE, when a new phase is launched by bringing in a new community, customers come in and maybe at a 60-75 day cycle between the time they are receiving energy and paying their bills,

the receivables grow during that increased volume faster than cash flows. That takes a little bit of time to digest because the suppliers generally want to have their money within 25-30 days of supplying. We have some equity/cash needs to reserve to prepare and accommodate for these growth spurts as new communities join MCE.

The key is the audit went well. The auditors liked the disclosure, the transparency and presentation. They had no concerns about internal controls and basically gave their stamp of approval with no adjustments. Bottom line, there is a clean opinion, finances are strong, the audit went well and this report should be very presentable to lenders or suppliers who would be looking at MCE's finances.

There were no questions or comments from the Board or the public.

Agenda Item #6 - Land Option and Lease Agreements with Chevron Products Company
(Discussion/Action)

Greg Brehm, Director of Power Resources presented this item.

Mr. Brehm reminded the Board that this item was brought to them at the July 3, 2014 meeting. The agreement and MCE Board's concerns were brought to Troutman Sanders, MCE's external counsel, to receive additional feedback regarding indemnification of liability for any existing contamination on the site. Ben Fisher, Counsel at Troutman Sanders, was on the conference line prepared to answer questions.

Counsel is of the opinion we are now well covered on this issue. The lease option has only a one-way indemnification whereby we are indemnifying Chevron for any liability resulting from testing that we do but the lease contains a cross-indemnification where both parties are indemnified by the other against liability for new contamination. However, liability for prior contamination remains with Chevron. The current draft lease provides additional new language limiting MCE to cooperating with Chevron in defending certain liability at no cost to MCE.

The staff report lists language that was added to this effect in section 6.2 of the lease itself that the landowner will take efforts to keep the facilities in order and defending against liability for existing contamination on that site; and more indemnification language in section 8.32 on MCE indemnification.

Ms. Weisz shared a couple of exciting things about this transaction. MCE had been looking for a location throughout our service territory for local solar for the purpose of building and owning a project. About a year and a half ago the Board made a decision to defer 50% of our deep green revenue into a local renewable revenue fund to use for building local generation projects. There are a couple sites MCE has been exploring and one that is still in process is the Richmond Port. This is another one that came to us as we were looking for a local solar site.

Chevron came to us with quite a bit of land for potential solar development. One of the great things about the site is it is definitely a Brownfield reuse site which has limited other potential use options. 60 acres will allow us to start with a small 2 MW facility initially but then incrementally add additional phases of more solar as needed. It also creates the ability for us to have less of a "stop-start" on the job development front. The great thing about being able to do multiple phases is that job opportunities will exist at different phases over multiple years. The opportunities for the site are large and the cost of the lease is only \$1 per year. Chevron has allowed us to use the site because they see it as a public community benefit.

Director Sears asked about next steps for this project. Mr. Brehm explained that once the option is approved MCE will submit the interconnection application to PG&E and then complete a site survey delineating all the areas MCE will take possession of per the lease, excluding any wetlands and the land fill maintenance infrastructure areas which are to be excluded from our site and remain under Chevron's control. There will be fencing and access gates installed. We will develop a work plan that we will take to Chevron and their safety team to get their approval. We will do some ground testing to see if there is any contamination but we have a plan to generally stay above the ground as much as possible. On most of the landfill sites there won't be any soil penetration but there are some areas where we will penetrate to accommodate larger structures while still ensuring there are no contaminants that might have future impact on health and safety of workers or the community.

Once the work plan is approved, MCE will then do testing to determine if it is feasible or not depending on what is found. Director Sears asked if MCE is doing all of the work or if we are partnering with a developer. Mr. Brehm said that MCE would probably bring in a developer that has more experience. MCE is currently doing pre-development work to develop basic reports stating what we can be built on the site, and we will then bring in a developer to carry the project to completion.

Director Lion mentioned per section 3.1 of the lease we have the opportunity for solar testing but it wasn't clear as to what recourse we have. He also asked that since this project is still in the feasibility stage, will MCE be able to terminate if this things don't go well. Mr. Brehm responded, yes we will be able to terminate.

Director O'Donnell asked who handles the long-term maintenance and security on the site. Mr. Brehm said that while Chevron would have access to the site, long-term maintenance and security on the site would be MCE's responsibility.

Director Bragman asked in regard to the landfill cap and the issue about penetrating the cap, is there any idea as to what type material we are dealing with, asphalt, etc. Mr. Brehm indicated the landfill area does have a membrane layer and then 18 inches of fill on top of that. It is a contoured site now and we are anticipating adding additional fill to that to make it level. The way it is currently laid out you couldn't put a ballasted system on as it would slip off the slopes; we will probably add additional fill on top of the existing cap.

Director Bragman said he would assume that whoever is doing this work has some experience handling Brownfields and even the equipment used to install the panels. Per Mr. Brehm, with the ballasted system we are looking at one system, with a small footprint, a plug and play system that holds two panels and can be carried easily by two men.

Director Bragman asked about the lease term. Mr. Brehm indicated the lease is a 25 year term with an option to renew for 5 additional years.

A member of the public, from the City of Richmond, shared that the City of Richmond has a history of contaminated sites that have impacted the community. He spoke at length about Chevron's history of owning the land in question. In terms of Chevron owning that site, it is a landfill and in regard to testing, if you have a site history or characterize a site history, how would you know or be objective enough an entity to know what to test for?

Director Sears asked Mr. Brehm to address the concern. Per Mr. Brehm the goal is to not penetrate that cap. The site is an officially closed landfill so there was extensive testing done before the closure and in the closure plan. The site has been closed for approximately 20-25 years and there is a maintenance requirement to maintain that cap. There is an extensive report that has been reviewed of all the contaminants that were found on the site before it was capped. They have a pretty good idea what exists there now and the depths of the soil to know how far they can go.

Director Sears asked if the testing would be done based on that list of contaminants. Mr. Brehm indicated MCE would be testing for everything as they do not know if the fill that sits on top of the cap has not since been contaminated.

Director Greene asked if there is any idea as to what is contained underneath the cap. Per Mr. Brehm about 24 acres of landfill was once a fertilizer pond so there are probably chemicals used in fertilizer. The contoured site contained petrochemicals. He explained there is a report indicating the various chemicals used on the site and would be happy to share that report with the Board.

Director Small asked if during the construction phase there was damage to the cap would there be any liability on our part. Per Ms. Weisz we will be hiring a developer to do that portion of the work and would make sure that liability was part of that agreement with the developer to maintain the integrity of the cap.

Alternate Director McLaughlin asked in terms of hiring for the construction and for the maintenance are there any plans to hire locally. Per Mr. Brehm MCE will adhere to the City of Richmond's local hire policies and also as a part of the lease agreement we will try for a minimum 50% local hires.

There were no additional questions regarding liability or indemnification so Ben Fisher ended the conference call.

Director Sears indicated that she was happy that there had been a couple of rounds of conversation about the concerns surrounding the Chevron lease agreement. Challenges aside, she expressed that she feels this is an excellent opportunity to be able to have a significant solar facility.

Beth Kelly, Legal Director clarified the motion would be to authorize staff to finalize and the Executive Officer to execute the lease option agreement with Chevron Products Company and the Solar Energy Facilities Site Lease with Chevron Products Company.

M/Greene/McLaughlin (11-0-0 passed) authorized MCE Staff to Finalize and the Executive Officer to Execute the Lease Option Agreement with Chevron Products Company and the Solar Energy Facilities Site Lease with Chevron Products Company. Director Connolly and Wlthy were absent.

Agenda Item #7 – Power Purchase Agreement with EDP (Discussion/Action)

Greg Brehm, Director of Power Resources presented this item.

Mr. Brehm shared that this PPA is a part of MCE's 2014 Open Season process. This is an opportunity for a substantial wind project; it is new construction and a California-based new generation resource. The project is about 198 mw and we will be off-taking about half of that project capacity.

In discussions with the Ad Hoc Contracts Committee and the expansions currently being considered as the open season is unfolding, MCE asked the Ad Hoc Contracts Committee to add the volumes needed for expansion and also consider possibly converting some of our initial bucket 2, bucket 3 purchases and voluntary purchases, and replace them with this bucket 1 resource. This would be a significant shift away from our initial plan of using the bucket 3 and bucket 2 resources to a bundled in-state resource (all bucket 1).

Mr. Brehm reviewed the different buckets previously discussed. He explained that bucket 1 is when energy and renewable energy credits (RECs) are transferred contemporaneously in real time; a bucket 2 product is where the RECS are generated at some point in time and then the physical power cannot be transmitted directly and is either shaped or firmed to match an existing load profile. The RECs are re-bundled with power that is delivered in a timeframe that suits our needs. The bucket 3 transaction would be just the RECs only with no actual energy purchase.

We are now in compliance period 2 in the RPS program so our bucket 3 is limited to only 15% of our overall load. The previous three years it was 25% and after 2016 it will drop to 10%. Over time the ability to use bucket 3 recs will drop off so we will try and increase our demand or use of bucket 1 resources sooner than later to adapt smoothly to the requirements.

Mr. Brehm shared that this product was a very competitive price compared to what current market prices were and with a very low premium for the bucket 1 resource. This is a four year power purchase agreement (PPA) coming online in July 2015. The project has an existing PPA with another counterparty after 2018.; So we will have a half year of production and then 3 full years of production.

The project itself will generate enough power annually to power about 37,000 customers and residential homes which is a very substantial portion of our load.

Mr. Brehm shared the project is called the Rising Tree Wind Farm because of its location in Kern County. It is currently under construction and there will be approximately 300 employees on the job site and 23% of those are expected to be union employees. Another 40-50% are expected to be local hires in the area. There is roughly \$80M of economic impact for the area.

The PPA will account for roughly \$1.1 - \$1.2M per month during the peak months of production so that will account for a substantial part of our budget for a few years to come.

Mr. Brehm further discussed EDP Renewables is a European-based developer from Portugal with extensive experience with wind projects globally. They have about 23,000 mw installed generation capacity worldwide and have about 7800 mw of capacity in the United States, most of that with generation. Their team is very experienced, and has been good to work with in negotiations. The wind based product is a variable resource so there is a program with the CAISO called the Variable Energy Resource Program. It will allow us to bring resources in for a minimum bid and the CAISO will use a forecast that they develop and schedule that energy for you. Wind energy is bid a day ahead of time so you have no visibility to the actual production, but with this type of scheduling you will have pretty much real time scheduling and if there is any negative dispatches the CAISO system will automatically turn off and turn back on when it is dispatched again which helps mitigate the inherent risk of scheduling variable resources such as wind.

Kirby Dusel, Technical Consultant further explained that this wind variability could pose a financial risk to counterparties like MCE and this program that CAISO has created minimizes that risk. As Mr. Brehm pointed out, this project will be participating in this CAISO program and thereby reduce such risks to MCE. This is, just to underscore again, in many respects a game as we're now not only shifting to more bundled resources, but also in-state resources. That is a significant transition and hopefully one we can maintain moving forward. He believes it increases the value of the product delivered to MCE customers much more.

Director Sears asked Mr. Dusel to talk a bit more about the scheduling portion and how it works in terms of handling that much energy on a variable basis. Mr. Dusel pointed out there is a forecast and under this program that schedule is essentially prescribed by the CAISO. They are taking into consideration meteorological effects and various other issues that would influence the production of wind energy at a particular site and essentially prescribing a schedule as long as you schedule according to their guidelines. Then you receive these financial benefits in the form of reduced and balanced energy costs. It has been a cooperative relationship between the CAISO and the generators in the Variable Energy Resource Program which is a new version of a similar program CAISO used to offer called Participating Intermittent Resource Program ("PIRP"). It is designed to accommodate these sorts of variable resources that do produce on a very intermittent basis. There is an acknowledgement of the value that these resources have from a policy perspective and there is obviously a huge interest in developing renewable energy assets in off-takers like MCE.

John Dalessi, Technical Consultant, shared that the changes made by CAISO to support these types of resources is consistent with the State's policy to move to a higher renewable content statewide. CAISO has moved to a 15 minute scheduling market so we are able now to schedule output from these generators much closer to real time. In the past, we've had to do a longer term forecast which was less accurate so you were subject to more imbalance and potential risk. With the new market designs you're able to monitor your wind resources in real time effectively and put a schedule in that is near term and that will avoid some of the imbalance risk.

Director Sears asked if this was EDP's first California project and Mr. Brehm indicated yes it is their first California project. Mr. Brehm also offered the generator provides every hour of the forecast of the next 60 hours going forward and then the CAISO uses that to feed into their models to forecast from there and they will adjust. CAISO actually makes the decision about what to schedule based on the generator's forecast and based on CAISO's own model.

Director O'Donnell asked about 2015 pricing. Mr. Brehm indicated it is very aggressively priced. Ms. Weisz added it is very competitively priced, at the lower end of our open season bids.

Director Haroff asked is that causing any concern? Mr. Dusel indicated he does not believe there are any concerns over the pricing. There is a close tie between the cost of the inputs and the cost of the result in energy. This is true for the solar industry in particular, with supply ramping up, manufacturing will bring the cost down. It is a situation where economic variables have finally synchronized and favorable economics have materialized so that as that supply curve has shifted you will see these lower prices, basically driving the market to where it needs to be to attract business at scale.

Director Sears mentioned that one of the attractions of this project is that we can reduce our reliance on RECs. Is there a plan to sustain the lowered reliance on RECs? Mr. Brehm indicated that are additional opportunities that may meet this need falling on the tail of this deal.

Ms. Weisz clarified that RECs are a part of renewable energy bundled transactions as well.

Director Bragman asked who manufactures the actual wind turbines? Are they domestic or coming through the parent company in Portugal? Per Mr. Brehm they from a French company but are assembled in the US.

Mr. Brehm also added that we are taking a much bigger portion than what we had planned for our bucket 1 transactions. The plan is to bank those RECs from the early years on this transaction and carry those forward to apply at the time there is a need for MCE. This will take us to our 33% RPS goal by the end of 2015. This transaction actually at 39% RPS compliance so we will bank the excess and carry that forward; doing so allows us to maintain 33% RPS all the way through 2020 and any new transactions from this project should be able to maintain that record beyond.

Ms. Weisz added the Ad Hoc Contracts committee discussed this item and the price as well.

M/Bailey/Lion (11-0-0 passed) authorize approval of the Power Purchase and Sale Agreement with EDP Renewables North America LLC for Renewable Energy Supply. Directors Connolly and Withy were absent.

Agenda Item #8 – MCE Office Space Proposal (Discussion/Action)

Emily Goodwin, Director of Internal Operations presented this item.

Ms. Goodwin had updated materials distributed and will provide other updates since the Board packet was distributed last week. She introduced MCE's Real Estate agents, Mark Carrington and Kevin Delahanty who have been helping us through the lease process with the 700 Fifth Ave. property. Mark is the local on-site agent and Kevin is from San Francisco both representing Newmark, Cornish & Carey.

Ms. Goodwin shared that MCE has made significant progress in the lease negotiations since the July Board meeting when she last presented this item. She began by thanking the Board members who have taken an active role in pushing this transaction along, providing guidance to MCE staff in a number of ways:

- Guidance on best practices – looking out for lease negotiation language, construction pitfalls, unmet deadline language, etc.
- Site visits – multiple visits to the property
- Construction build out protection
- Contractor/Architect referrals – not necessarily for the impending tenant improvements on the property but to act as representation for MCE to make sure the architect and contractor representing the landlord are reasonable

Special acknowledgement and thanks went out to Directors Connolly, Sears, Athas, McCaskill and Bailey for all of their work.

Ms. Goodwin discussed some of the key developments on this project. She shared that MCE has (1) fostered relationships with a local contractor and architect, (2) established good working relationship with the building owner, (3) established early March 2015 occupancy date, (4) negotiated language for build out delay damages, and (5) established early occupancy exceptions with the San Rafael Fire Department, Marin Municipal Water District and the San Rafael Planning Department. We were able to establish familiarity with our Board plans, the timing related to our required relocation here at SRCC or our move

out of the building, and some of the timing issues around the improvements needed at 700 Fifth Ave. space. All the key departments (and leadership met with) listed above are very sensitive and supportive to our cause and understand the timing issues that are tight with tenant improvements. These relationships recently fostered have been helpful to us by working outside the box to establish some important and necessary exceptions to existing requirements in order to meet timing deadlines on finalized work plans.

Ms. Goodwin discussed the Updated Cost Comparison Analysis and wanted to point out a couple of differences. The key difference is 750 Lindaro St. is the relocation site on the analysis and the base rent amount was changed to reflect an occupancy date in 2015. She further discussed some of the cost factors (base rent) and differences in space at the 750 Lindaro St. property versus the cost factor (base rent) and space at the 700 Fifth Ave. property. The rent at 750 Lindaro St. was initially offered as an extension opportunity to 2023 but that is no longer available (it would terminate on December 31, 2019). The lease term is now to 2019 at 750 Lindaro St. which made the option of staying on the campus less enticing for MCE. Important to note is that the 700 Fifth Ave. property rent requirement has allowed MCE to ramp up to paying for the full cost of the total building. We would not initially pay for the full price of the building of 10,000+ square feet but start with the 6,000 sq. ft. and incrementally increase until we have total occupancy of the building (within 3 years). That allows us time to settle in, find the right sub-leasing tenant and move forward comfortably with that large space.

Ms. Goodwin entertained questions prior to moving forward with the 700 Fifth Ave. renderings.

Dawn Weisz, Executive Officer stated she believes this packet of information is very useful and a great summary of key points. A lot of this information has been developed with the help of the Board and she thanked them for participating in the process.

Director Sears asked for clarification of the ramping up of the square footage at the 700 Fifth Ave. property in terms of the rent payment. Since we are assuming the tenant improvements will be completed by March 2015, the ramp up does not provide an opportunity for ongoing physical improvements during that period of time. Is that going to be completed prior to moving in? Ms. Goodwin indicated that assumption is correct: tenant improvements will be complete by move in date.

Ms. Goodwin discussed several other key components: (1) seismic retrofitting has been done on the 700 Fifth Ave. property, (2) language around damages should construction or permitting and force majeure cause delays in our move in date; we were able to negotiate any construction-related damages would be solely absorbed by the owner at \$775 per calendar day; any permitting or force majeure delays each would be split 50/50 between MCE and the building owner.

She reiterated that early occupancy date of March 2015 has been established so any key issue such as incomplete installation of elevators and fire sprinkler systems will not delay occupancy past March move-in. Of course this is not the preferred plan but instead allows a backup plan that we were able to negotiate with the San Rafael Planning and Fire Departments. In terms of construction associated damages, they would be totally absorbed by the owner. Any time after March 9, 2015 MCE would accrue and be paid delayed vacancy penalties by the owner, and MCE would split delayed vacancy penalties 50/50 with the owner if caused by permitting or force majeure.

Director Lion noted on the first floor of the 700 Fifth Ave. property there is a conference room noted and he asked how many people would that room accommodate? Ms. Goodwin indicated the room will allow

for more than regular committee meetings as well as Board meetings. We would also be able to rent the space to small community organizations, environmental or energy groups at a reasonable rate.

Ms. Goodwin pointed out other attractive features of the space are ample meeting room space, long term lease (10 years), substantial renovations and upgrades covered at base price, ability to sublet, opportunity to create incubator space for local organizations, and opportunity for an energy efficiency library and demonstration room.

Realtor Mark Carrington shared that the San Rafael downtown market has tightened considerably in the past two years and property options are somewhat limited. He considers the 700 Fifth Ave. property a good deal for MCE.

Director Athas thanked Emily, Dawn, Darlene and other staff for their efforts and the excellent job they've done and continue to do. She asked that Emily expand on the higher escalator on the rent and the fact that utilities are not included in the 700 Fifth Ave. building which is adding approximately \$30,000 by year 6 to the lease. What are our projections on how we are going to meet those additional costs? Do we have a 5-6 year plan that shows how we plan on meeting the added financial obligation and are we comfortable in knowing that we can meet the obligation or real plans on making sure some of those expenses are absorbed with a sub-tenant?

Per Ms. Goodwin she would say both. She explained that we vetted this with our accountants and see opportunity to take control of the extra costs most especially the utilities for some of the costs as an advantage for us for reasons of having incentives, the means to finance projects, reduce our energy use by putting solar on the roof and implementing energy efficiency measures. We also plan to offset the cost by subletting spaces. We need extra space so no matter where MCE goes we will incur additional costs. We are already at capacity and relocating to 750 Lindaro St. would not resolve that issue especially if we added another staff person, we would still be work-space deficient.

Ms. Weisz spoke to the plan indicating the fact that we have taken on responsibility of utilities, really is related to our core business. We were interested in taking that on partly because we would like to take the opportunity to potentially incrementally roll out some energy efficiency upgrades to the building. We would also like to eventually install solar, benefit from that financially and reduce energy bills over time so we wanted to have control of that line item. That is a line item we pay here but we do not control it as it is socialized among tenants so any changes we make within the office has no impact on our overall costs.

As far as long term trajectory she believes the main thing that we would love to be able to demonstrate at that building, to the extent that is possible, is energy efficiency. This would be an exciting opportunity to have. Long term she thinks this space is going to suit us well and accommodate the incremental growth we have over time. Having the ability to acquire some space that we are subletting is a great opportunity for us and will allow us to keep our costs under control and not have to deal with the uncertainty of a move 4 years down the road.

Director McCaskill asked Ms. Goodwin to speak to who bears the financial risk if the landlord due to construction delays does not allow us to move in by the final move in date. Ms. Weisz referred the Board to the spreadsheet that was prepared by Ms. Goodwin that spells out the build-out delay penalties that gives a summary. This item was very important to our Executive Committee and as a result we spent a lot of time working with the landlord to come up with an approach that seemed fair to both parties. The landlord was concerned that he wouldn't have control over some things. We delineated the types of risks

we were looking at and came up with two categories: (1) construction-related delays. If there were construction delays past the agreed upon occupancy date of March 9th, then the risk is fully absorbed by the landlord and the landlord would be responsible for paying our penalty to stay in this facility and, (2) permit-related delays. If there is a permit delay then MCE and the landlord would share those costs, split 50/50. They would cover half of the impact of MCE's move and we would cover the other half. We have already been engaged in an expedited permit process. A provision has been added to the lease Addendum that requires that we will be provided with all dialogue with the respective offices which gives MCE full visibility to project management and gives us the ability to determine if there have been legitimate permit delays. For force majeure MCE would split the impact there as well 50/50 with the landlord.

She added that MCE has done quite a bit of work with the construction company and the architect that will be used to flesh out a timeline for when we expect the permits to be received and how long the project will take. The March 9th deadline is one that the other party was very comfortable with and the other party is not interested in paying any of these damages and is very eager to get the project wrapped up so that we are in the building paying rent as soon as possible. We believe there are good incentives in place to make that happen and believe based on that reality check we've been doing with the permitting agencies that target date is achievable. We do not anticipate this will need to be used but we are glad that it is here just in case.

Ms. Goodwin talked briefly about the renderings shown of the renovated space explaining how removal of the solid walls of the staircase will tremendously open up lighting in the building and some of the other improvements such as sky lighting inside the building, raising of ceiling and MCE signage on the outside of the building.

Director Bailey asked Ms. Weisz to explain or provide an example of what is meant by permit delay. Ms. Weisz explained the information has been provided to from the permit agency and if their timeline is not adhered to and that causes the project to fall substantially behind schedule, such would constitute a permit delay. On the other hand, if there was a permit applied for on a certain component of the work but in order to get that permit finalized there was a request for more information from the contractor, but the contractor did not follow up quickly with that information, that would not be a permit delay but negligence on the part of the contractor. This example articulates why we will require evidence of any permit delays and have visibility to project management conversations and milestones so that we're made aware in real time .

Director Bailey asked if a permit delay is described in the agreement. Ms. Weisz indicated there is not a definition included in the agreement but there will be a new provision added regarding the requirement that the landlord keep the lessor informed of each step of the process in order for the lessor to determine if there has been a permit delay on our part.

Director Bailey indicated it is difficult and almost impossible to realistically separate construction issues from permit issues and it might be reasonable to accept that there are some things we may not be made whole from. In his experience as a construction attorney it is hard to separate whose responsibility it is when something is late.

Director Sears indicated it is often difficult to distinguish a permit delay from a failure to timely provide information. The goal is to make the contractor responsible for timely provision of information. There is

some tightening up and fine tuning of language that needs to take place to reflect this important detail in the lease addendum and work letter agreement.

After additional comments and suggestions by the Board it was determined and agreed that strong project management is the key and Director Bailey was asked to put eyes on the revised language to protect MCE.

Ms. Weisz and Ms. Goodwin addressed additional questions from the Board.

M/Bailey/Athas (11-0-0 passed) authorize finalization and execution of the Lease Agreement and Addendum to Lease Agreement for 700 Fifth Avenue in San Rafael subject to condition of modification of the definition the damages that impact delay or consequential damages. Directors Connolly and Withy were absent.

Agenda Item #9 – DRAFT Policy 011-MCE Sustainable Workforce Policy (Discussion)

Dawn Weisz, Executive Officer presented this item.

Ms. Weisz first thanked Director Bragman who brought this item to us a couple of months ago and we've had several discussions about this item at the Committee level. We've been able to pull together a draft sustainable workforce policy based on good input from Board members. This policy really supports four key areas: (1) Local businesses and the local workforce; (2) Union labor from multiple trades; (3) Apprenticeship programs; and (4) Green and sustainable businesses.

These are four components that all align with MCE's mission statement and the policy mindset of our Board. One other activity that has been happening at the staff level to develop this policy is a bit of due diligence to look at what other agencies are doing that have similar alignments with MCE, similar mission statements and goals.

Ms. Weisz and Legal Director, Beth Kelly met with SMUD early in August and talked about this policy. SMUD has had a lot of experience developing renewable projects, they are a local government agency and are highly regarded as trying to do the right thing with the environment and the community. Ms. Weisz and Ms. Kelly received some good input during their meeting with SMUD who suggested to make sure not to forget the local business workforce element. Ms. Weisz and other staff also met with union representatives and local businesses while developing this policy. Keeping that line of communication open when developing this policy was very important. Richmond has a model policy that articulates most of these important concepts quite well and that was used in a reference point when developing this policy.

The apprenticeship program is an element that came to us from discussions with Bill Scott and some involvement that we've had with the Workforce Investment Board. Over the last couple of years our Energy Efficiency team has been involved in meetings with the Workforce Investment Board and the Marin Economic Commission. They've been interested in seeing apprenticeship programs get started in our area.

Businesses that promote sustainability or are certified as a Green Business are also aligned with MCE mission and our goals. MCE is a certified green business and using the Marin County Green Business

Program and we want to support other green businesses that are making choices that are good for the environment.

Ms. Weisz shared that those are the elements we've tried to incorporate into this draft and the areas where it would touch our agency are the Power Purchase Agreements with Third Parties; MCE-Owned Generation Projects (projects we plan to build on at the Richmond Port and Chevron); the Feed-In-Tariff Projects which is another area where we have a bit of impact on what happens there; Energy Efficiency Projects, that's a programmatic component we would like to apply this policy to as well; and Services and Supplies. We buy supplies from a lot of folks and some of them are local and we gravitate towards the ones who have sustainable practices. Those are some of the highlights of the proposed policy.

Ms. Weisz deferred to Legal Director, Beth Kelley for additional comments.

Ms. Kelly indicated that Ms. Weisz basically captured the essence of their meeting with SMUD. It was a very interesting opportunity to understand better how to incorporate so many different interests into the policy. What they found was that many small local businesses don't necessarily use prevailing wage in union labor but that it is important to allow room to encourage both. She thinks it is an exciting policy because it is so comprehensive and further strengthens the mission of MCE.

Director Sears asked about reference to "fairly compensated opportunities for local graduates." Who are these "graduates" or should we say "local residents"? Ms. Weisz clarified these are graduates of the apprenticeship program and suggested cleaning up the language on graduates to make it a bit more broad. We want to provide opportunities for people in our communities as well as those who have gone through the apprenticeship program

Director Lion asked about direct hires other than those under MCE-owned generated projects that would be covered under this policy. Per Ms. Weisz this policy would apply to our internal team, vendors and those engaged through our Power Purchase Agreements to a degree but that language should be articulated and spelled out in the policy.

Alternate Director McLaughlin mentioned the policy started out stating we should be broader in the apprenticeship programs. It might be useful to include language that says we will support and use pre-apprentice as well as apprentice programs. If there could be a guideline to use pre-apprentice program people as well as apprenticeship program that would be ideal.

Director Bragman stated he is happy with the policy and thanked Ms. Weisz and Ms. Kelly for meeting with SMUD as that gives the Board a bit more confidence based on the quality of due diligence. He thinks Mayor McLaughlin's comment demonstrates this is a living document and as conditions change the document should reflect those changes. He stated this closes the loop on MCE's mission statement and this is something that all should be proud of.

Ms. Kelly clarified changes to policy as: revise language on "fair compensation" to include local residents, modify language to include pre-apprenticeship program as well as apprenticeship program participants and include standards for direct hire employees.

M/Bragman/Greene (11-0-0 passed) approve Policy 011 – MCE Sustainable Workforce Policy. Directors Connolly and Withy were absent.

Agenda Item #10 – Resolution 2014-05 Adopting Amendment 8 to Marin Clean Energy Joint Powers Agreement to Account for the County of Napa and the City of San Pablo (Discussion/Action)

Dawn Weisz, Executive Officer presented this item.

Ms. Weisz discussed this administrative action which is needed as a direct result of the membership action. MCE has already gone through the process of approving the County of Napa and the City of San Pablo as members but the last action is to make the amendment to the JPA Agreement which adds the signature page for the County of Napa and the City of San Pablo. It also changes a couple of the exhibits, the list of parties is modified to add those two communities and then the voting shares document that shows the amount of usage in each community and the weighted vote.

It is worth noting that the way our JPA Agreement is currently structured means we base that weighted vote calculation on overall usage in the community and not the MCE customer usage.

We are looking forward to having Napa represented at our Board Retreat on September 18, 2014.

M/Lion/Bragman (11-0-0 passed) approve Resolution 2014-05 of the Board of Directors of MCE Adopting Amendment 8 to the MCE Joint Powers Agreement subject to the final reading of the San Pablo CCA ordinance. Directors Connolly and Withy were absent.

Agenda Item #11 Request from the City of El Cerrito for Membership Analysis and Consideration as a Member of MCE (Discussion/Action)

Dawn Weisz, Executive Officer presented this item.

Ms. Weisz provided information and history on the City of El Cerrito and she referred the Board to page two of the report which shows a map of El Cerrito.

The City of El Cerrito has many goals that align with the MCE goals and the City of Richmond goals as far as sustainability initiatives and interest in greenhouse gas emissions. In 2006 they passed resolutions to endorse the Mayor's Climate Protection Agreement and GHG targets and the Global Warming Solutions Act.

The City of El Cerrito has submitted a request for membership to your Board and Ms. Weisz explained the process of membership. There are some benefits to taking on membership studies in a consolidated fashion because it provides us with the ability to bundle our procurement and enrollment efforts with multiple communities at one time. That is one reason during the staff analysis and consideration of the request it was determined it would make sense to recommend conducting a membership study for the City of El Cerrito.

We will talk more about it at the Retreat but we may be at a point where we go into a holding pattern for any future communities and focus on the ones that have come on in 2014.

Ms. Weisz briefly discussed things that are considered when deciding on incorporating new communities and what is factored into that decision.

Ms. Weisz described the next step in the process would be to undertake the membership analysis which takes a quantitative look at the usage data from the community. We look at the actual customer classes and plug that in to our existing model for rates, revenue generation and costs. That is how we determine whether the addition of the community will have a negative or positive impact on our existing rate structure and the agency as a whole.

We also look at opportunities that might be present in the community for additional energy efficiency activity and also opportunities for renewable energy generation projects.

If the Board is interested in pursuing the study, the results would be presented to the full Board.

M/Athas/Bailey (11-0-0 passed) approved the membership request of the City of El Cerrito. Directors Connolly and Withy were absent.

Agenda Item #12 – Communications Update (Discussion)

Alex DiGiorgio, Community Relations Coordinator presented this item.

Mr. DiGiorgio discussed the various meetings and events that the Public Affairs team have been and continue to be engaged in.

- Marin Coalition Luncheon Speaker Event - chaired by Damon Connolly
- Deep Green Solar Schools Campaign
 - Novato High School, Terra Linda High School, and Tomales High School
 - Competing to get the most Deep Green enrollments
 - Winner will receive a 3 kW solar system, installed by OneEnergy
 - Campaign ends on 9/28/14

Director McLaughlin asked if at the end of the campaign, we could start another one. Mr. DiGiorgio indicated there is a possibility but per Ms. Weisz it currently is a one-time campaign.

Mr. DiGiorgio discussed the Deep Green Champion Certificates

- From Marin Clean Energy
- From Municipal Councils and Supervisors

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

Agenda Item #13 - Legislative Policy (Discussion)

Beth Kelly, Legal Director presented this item.

Ms. Kelly presented the MCE Draft Legislative Policy Guidelines and reminded the Board that most of their cities and towns have these similar policies in place for staff and lobbyists as a user friendly guide on when and how to take legislation action.

The policy is broken into three areas which are driven specifically by our mission statement. Those areas are: Support California Community Choice Aggregation, Reduce Greenhouse Gas Emissions, and Promote Local Economic and Workforce Benefits.

This policy was originally brought to the Executive Committee where feedback was received and the policy was revised accordingly. With those important edits made, the policy is being brought to your Board for final consideration.

Ms. Kelly responded to questions and comments from the Board.

Director Sears commented that she thought the policy is quite good.

Director Haroff asked Ms. Kelly what she had in mind regarding the statement under Reduce Greenhouse Gas Emissions "Monitor and consider supporting efforts that accelerate bringing renewables ..." Ms. Kelly explained this came up because of this year's solar permitting process in Marin and one or two areas where there may be land use conflicts between the interests of MCE and the interests of the member communities. It is important for MCE to have streamlined permitting for renewable energy resources so that we can bring those new resources into our portfolio and achieve our GHG emissions goals. Local Government planning departments have to address this issue as well and since there is a potential conflict on those types of land use permitting issues, when land use issues come up, we will carefully evaluate and make a thoughtful recommendation for consideration by your Board prior to taking action.

Director Haroff asked if the kind of streamlining Ms. Kelly intended is to increase the installation of new solar projects in our service territory. Ms. Kelly confirmed that is correct; this effort would be to support MCE's pursuit of streamlined permitting for renewable energy facilities for the benefit of developers and our community.

Director Sears suggested adding that language to the sentence in question. Ms. Kelly will modify language accordingly under Reduce Greenhouse Gas Emissions.

M/Haroff/McCaskill (11-0-0 passed) approve Legislative Policy Guidelines. Directors Connolly and Withy were absent.

Agenda Item #14 - Regulatory and Legislative Update (Discussion)

Beth Kelly, Legal Director presented both the Regulatory and Legislative updates.

Ms. Kelly provided an update on the legislative front since the passing of bills through the House is now over. As noted by Ms. Weisz, Assembly Member Bradford's anti-CCA bill, AB 2145 was not brought to the Senate floor and has died.

SB 1139 which is a CA Renewable Portfolio Standards (RPS) bill that would have required additional geothermal procurement for all load serving entities has also died. We believe it is positive that the bill died because we want to procure from multiple sources of renewable energy and not be bound by a particular singular source at any given time. MCE did not take a specific position on that bill.

AB 2188, the solar permitting streamlining bill, passed both houses and is going before the Governor. The Governor has to sign or veto by September 30th.

SB 1414 which is an electricity demand response bill has passed both houses. This is a bill that would encourage additional demand response programs. The Governor has to sign or veto this bill by September 30th.

Ms. Kelly shared that on the regulatory front there have been some positive developments based on MCE's efforts. The only item she will mention in detail is a new Rulemaking proceeding that has been opened up by the PUC. It is the distributed resources proceeding. This proceeding was triggered by AB 327 which was a significant rate reform bill that was approved 2013. One component of that bill requires the investor-owned utilities to use distribution resource plans in order to enable and facilitate distributed resources. Those are distributed generation, energy efficiency, electric vehicles, energy storage and demand response.

MCE will be very involved in that proceeding, particularly because: (1) we have already been active on this proceeding and we will concentrate more effort moving forward based on the broad range of implications on our core programs this processing will have, and (2) each distributed resource has a significant opportunity to provide GHG reduction in our communities. MCE wants to ensure that in this proceeding, which is currently a showcase proceeding at the commission, the distribution plans the utilities put forward to help enable these distributed resources are competitively controlled. We, as a CCA, would like to see all sorts of players be able to participate in these distributed resources, and avoid another situation where the IOUs try to take over the whole plan and manage the deliberation process. MCE will be participating to ensure that CCAs, other energy providers, local governments and third parties all have equal access to provide important stakeholder feedback and guidance during the proceeding regarding these new resources and how the industry plans to accommodate their seamless integration onto the grid.

Director Sears commented on the format of the packet and that it is easy to follow and it is appreciated.

There were no questions or comments from the Board or the public.

Agenda Item 15 - Board Matters (Discussion)

Ms. Weisz introduced and welcomed new Pacific Energy Advisors team member, Brian Goldstein who will be working with John Dalessi and Kirby Dusel. He has many years of experience in the energy sector.

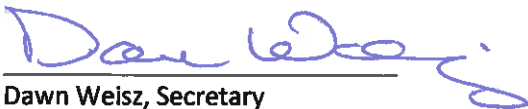
Agenda Item #16 – Adjourn

9:26 PM



Denise Athas, Treasurer

Attest:



Dawn Weisz, Secretary

APPROVED

OCT 02 2014

MARIN CLEAN ENERGY