

MAR 17 2016

MARIN CLEAN ENERGY

MARIN CLEAN ENERGY

BOARD MEETING MINUTES Thursday, February 18, 2016 7:00 P.M.

THE CHARLES F. MCGLASHAN BOARD ROOM
1125 TAMALPAIS AVENUE, SAN RAFAEL, CA 94901

Roll Call: Director Kate Sears called the regular Board meeting to order at 7:01 p.m. An established quorum was met.

Present: Denise Athas, City of Novato
Sloan Bailey, Town of Corte Madera
Tom Butt, City of Richmond
Barbara Coler, Town of Fairfax
Kevin Haroff, City of Larkspur
Rich Kinney (Alternate to Genoveva Calloway) City of San Pablo
Bob McCaskill, City of Belvedere
Sashi McEntee, City of Mill Valley
Andrew McCullough, City of San Rafael
Emmett O'Donnell, Town of Tiburon
Kate Sears, County of Marin
Carla Small, Town of Ross
Brad Wagenknecht, County of Napa
Ray Withy, City of Sausalito

Absent: Ford Greene, Town of San Anselmo
Greg Lyman, City of El Cerrito
Alan Schwartzman, City of Benicia

Staff: Greg Brehm, Director of Power Resources
John Dalessi, Operations & Development
Sarah Estes-Smith, Director of Internal Operations
Kirby Dusel, Resource Planning & Renewable Energy Programs
Anne Hendry, Administrative Assistant
Darlene Jackson, Board Clerk
Elizabeth Kelly, General Counsel
David McNeil, Finance and Project Manager
Dawn Weisz, Chief Executive Officer

1. Swearing in of New Board Member Sashi McEntee

CEO Weisz conducted the Oath of Office with new Board Member Sashi McEntee from the City of Mill Valley. A round of applause followed and Directors welcomed Director McEntee.

2. Board Announcements (Discussion)

APPROVED
MAR 1 2016

Director Coler stated she recently learned of a SMUD energy efficiency program whereby energy efficiency measures are installed in disadvantaged communities. She suggested MCE look into a similar program for communities in its service territory.

Ms. Weisz thanked Director Coler and confirmed MCE is using SMUD program examples in its territory as well as other areas. MCE has a focus on low income energy efficiency programs through the multi-family program and also under a separate application in the low income proceeding at the CPUC.

Director Butt announced that he and Ms. Weisz were part of a presentation in Portland, Oregon at the New Partners for Smart Growth Conference, which was about MCE Solar One. They discussed the project which was very well received. Ms. Weisz commented that especially highlighted in the presentation was talk of the work of the City of Richmond and its Richmond Build program.

3. Public Open Time (Discussion):

Jim Bitter, Mill Valley, spoke of his attendance at the Town of Corte Madera Council meeting wherein their draft Climate Action Plan was discussed. He referred to the lack of understanding about energy efficiency and lack of transparency that results from using the word "Marin" only, when MCE's territory extends to counties other than Marin. He suggested every City Council be educated on the many facets of MCE's portfolio and how it affects residents and businesses. He also suggested cities hold workshops where Councilmembers can then explain to their constituents what community choice aggregation is and the various programs under MCE.

4. Report from Chief Executive Officer (Discussion)

Dawn Weisz, Executive Officer gave the following report:

- Staff is able to provide a limited number of copies of the PowerPoint presentations upon request. All other material is available on the MCE website.
- She reported that the cities of Lafayette, Oakley and Walnut Creek in Contra Costa County have completed the first readings of their ordinances to join MCE. A scheduled first reading of an ordinance in the Town of Moraga will occur on February 24th. The Town of Yountville will be the 5th Napa County community and they have scheduled their first reading of their ordinance for March 1st.

Chair Sears referred to the article in the Marin IJ which made it sound like as soon as a city adopted an ordinance they were part of MCE. She asked Ms. Weisz to comment on the process.

Ms. Weisz explained that the first reading of an ordinance is the first step by a city or county and a second reading also needs to occur. At the conclusion of the March 31st deadline, MCE will need to conduct an economic analysis to determine if those cities requesting membership would be a net benefit to MCE budget-wise and rate-wise. Staff will request data from PG&E, conduct an analysis and staff will first present this information to the Board at the committee level and, thereafter, to the full Board as early as April. The Board will then be determining whether to move forward in accepting these cities requesting membership based on the results of the analysis.

- Ms. Weisz further reported that MCE has held two energy efficiency workshops since the last Board meeting, on January 28th and February 4th.

- Workshops were held on MCE's energy efficiency application to the CPUC, and were well-attended with participants from ABAG, the Office of Ratepayers Advocates, PG&E representatives and PCUC representatives, as well as representatives from the local government partnerships that run energy efficiency programs under PG&E in many of MCE's member counties.
- A pre-hearing conference was held on February 1st at the CPUC to discuss MCE's \$80 million energy efficiency proposal which was submitted late last year. Good progress was made at this hearing. Staff expects to see more developments in the coming months and will present an energy efficiency update at the next Board meeting.
- Staff has submitted an application to ABAG and the Transportation Authority of Marin (TAM) to fund the installation of 5 EV chargers at the MCE parking lot. Their application to TAM has already been approved and MCE will be receiving \$12,000 towards the installation in their parking lot. MCE's request of \$60,000 from ABAG should be responded to within the next two months.
- Regarding upcoming events, the March 7th Technical Committee's agenda will include a presentation from the Marin Carbon Project. MCE is doing some cross-pollinating between counties and cities that are part of their service area. At the Board's Retreat, some interesting activity was discussed relating to water conservation in Benicia. Exciting programmatic projects are occurring in many service areas. She encouraged attendance, as people will be very interested in the Marin Carbon Project which is a strategy for carbon mitigation.
- At the March 17th Board meeting, a soft launch will take place for the Energy Efficiency Demonstration Room. MCE will be dedicating the room to Barbara George, a long-time energy efficiency advocate in the community. Cynthia Mitchell from TURN, (The Utility Reform Network) will provide some background on Ms. George and Lew Tremaine, an MCE founding Board Member from Fairfax will be attending.

Director Haroff asked Ms. Weisz to briefly comment on Mr. Bitter's comments regarding the organization's name and branding used over the years to reflect how MCE's scope is growing and how its naming has changed to reflect that.

Ms. Weisz explained that prior to the enrollment of customers in Richmond, MCE staff spent some time looking at its name and whether they wanted to make a complete change to the name. Staff had already used a marketing firm prior to Richmond's enrollment to provide consulting services. One of the items that came from the analysis was the recommended shift to using MCE as the brand when marketing in new communities. However, it was determined at that time that MCE was not at a point where they wanted to undergo a complete name change, given they were a relatively new brand in the Marin region and changing the name at that point would have some challenges. However, as was noted by Director Athas, the word "Marin" was not used for any marketing in non-Marine Counties, and "My Community, My Clean Energy" was used instead as the tag line for "MCE".

Ms. Weisz said there may come a time in the future where this can be revisited in light of the recent growth in other communities and, ideally, it would be great to find a replacement word that began with an "M". The word "Municipal" has been discussed and all ideas are welcome. She noted the other area this subject becomes important is during discussions at the CPUC and in Sacramento. The name makes it appear they are only representing a small subset of California so there could be some advantages and more transparencies in making the change.

5. Consent Calendar (Discussion/Action):

- C.1 1.21.16 Meeting Minutes
- C.2 Approved Contracts Update
- C.3 Monthly Budget Report
- C.4 Second Agreement with River City Bank for On Bill Repayment Services

ACTION: It was M/S/C (Athas/McCaskill) to approve Consent Calendar Items C.1 through C.4. Motion carried by unanimous roll call vote: (Abstain on Item C.1: Withy; Absent: Greene, Lyman & Schwartzman).

6. Proposed Budgets for FY 2016/17 (Discussion/Action)

Finance and Project Manager David McNeil displayed a PowerPoint presentation and stated the budget was approved by the Executive Committee at its last meeting and available for public comment prior to it returning to the Board at its March 17th Board meeting.

Mr. McNeil highlighted changes to the format of the FY 2016/17. The changes include; comparing the proposed budget to estimated full year revenues and expenditures for the current fiscal year, reporting energy revenues, energy expenses and net energy revenues, reporting expenses separately from non-expense expenditures, reporting the expected change in net position that would result from approval of the proposed budgets.

A total of four budgets are presented in the packet: Operating Budget, Energy Efficiency Budget and two budgets relating to renewable energy projects. Included are details and explanations for changes in the 2016 compared to projections for 2017.

Regarding energy revenues, MCE is projecting \$144 million which is down from \$147 million in 2016. In 2016, MCE had higher revenues than expected which occurred for various reasons which will most likely not be repeated. The cost of energy in 2016 was lower because of renewable projects coming on board more slowly than expected as well as higher demand for electricity due to weather conditions.

Director Athas asked why MCE does not expect unexpected revenues to be repeated in 2017.

John Dalessi explained that revenues coming in during the summer season were a little above projection which they believe was weather-driven. Therefore, staff was conservative in their original projection going into next year and assumes MCE will not see this again next year.

Director Small said she understands the issue with weather, but with hot summers, revenues could rise on a sustained basis. She also could understand the situation where MCE has increased its numbers of participants but did not understand lowered revenues because of weather patterns.

Mr. Dalessi explained that the fundamental issue is that they have a forecast and actual sales will vary. Last year MCE had a positive variance and revenues came in higher than projected. Next year, revenues could come in lower than projected and MCE is trying to be conservative with its estimates. He explained that there is a natural variability in sales and that additional kilowatt hour sales are not necessarily something that will persist. If they see additional revenues coming in next year, staff would adjust the forecast at that point, but it is a matter of judgement and being conservative.

Director Small asked how this affects what MCE procures in power, given that MCE purchases power far in the future. Mr. Dalessi said if sales come in higher than projected the net effect to the bottom line would be positive because revenues exceed cost of power. From a budgeting perspective it is important to be somewhat on the low side in regard to the kilowatt hour sales forecast because if sales come out better it will be beneficial to the net surplus generated. He also explained there is also always variation in sales and MCE does its best to project one year ahead as well as prepare an integrated resource plan with a 10-year sales projection.

When they procure power they try to buy close to what they expect will be needed for the coming year but recognize that there will be some variation and those differences settle through the market. If they need more power they would buy more power in the spot market and if they have excess and sales are lower than projected, that excess resource would be sold in the spot market. As a percentage of the overall power supply costs this is possibly 2% in terms of variance, and the vast majority of those costs budgeted are known. Sales variation is unpredictable and natural variation will occur as a result of weather and customer participation.

Director Small asked if historically costs are more or less than the average of the other costs of power when purchasing in the spot market. Mr. Dalessi said costs are typically less.

Chair Sears said she thinks it is prudent to take a conservative approach. She asked about the timeframes for purchase.

Mr. Dalessi said their customer base is changing which complicates the forecasting exercise. They have historical data for Marin consumers going back to 2010. The customers in Napa County and Contra Costa County use energy differently than MCE's historical customer base. Therefore, they put emphasis on the last 12 months and also look at the prior years and, again there will be natural variation.

Chair Sears concluded that this was more of an organic process. MCE has more of a sense of the patterns for those customers who have been an MCE member for a longer period of time. Mr. Dalessi concurred.

Ms. Weisz said if MCE ends up buying more power than they need, the outcome is not as beneficial as they may have to sell it at a loss. Buying exactly what is needed results in better outcomes, thereby the need for a conservative approach.

Mr. McNeil then asked if there were questions regarding operating expenses.

Director McEntee stated she knows there are greater legal expenses because MCE is conducting more regulatory advocacy which benefits many CCAs. She asked Mr. McNeil to comment about the potential for another organization performing that advocacy in the future which could offset those costs.

Ms. Weisz replied that MCE has been carrying the efforts that have helped other CCAs. This has some automatic benefits to them because the more CCAs that exists the louder voice they have generally. In addition, there has recently been discussion about CCAs forming an alliance or coalition which will enable cost sharing, using that structure to apply to other things CCAs are doing jointly and result in more efficiencies. Staff will be providing more information in the coming months.

General Counsel Elizabeth Kelly recognized the increase in the legal budget line item and noted that the main cost drivers include: 1) moving lobbying services from Other Services to the Legal Counsel line item 2) increased numbers of power purchase agreements requiring legal review and 3) an influx of Public Records Act Requests. MCE has not had to face those types of litigation costs in the past and this allows for headroom to spend legal budgets appropriately in case of litigation.

Director Coler said she heard San Diego will launch their CCA which will involve San Diego Electric's territory and suggested MCE look to them as a potential advocate.

Director Withy asked if the Net Position was primarily liquid. Mr. McNeil said liquidity is a function of how quickly items are cash or turned into cash and MCE's liquidity is good. The amount of cash on the balance sheet is about \$10 million; however, accounts receivable convert to cash quickly and he thinks the right number to look at is the working capital.

Mr. McNeil then presented the \$1.2 million Energy Efficiency Program Fund which is money MCE receives from the CPUC and expenditures that MCE spends which equal each other. He then discussed the Local Renewable Energy Development Fund and said revenues are transferred from the Operating Fund via a formula and the capital outlay associated with results from the Solar One project in Richmond. He then presented the Renewable Energy Reserve Fund and said staff is proposing not to make any changes to expenditures from this fund; however, this may change over time.

Director O'Donnell complimented Staff on the overall presentation and bullet points which provide good information. He asked if staff will return with a budget amendment if new communities come on in the next fiscal year or changes are proposed.

Mr. McNeil said yes and he noted that staff will come to the Board during the year with contracts and new positions and all of this will be included in the budget. If not included or revised, staff will return with a budget amendment.

Chair Sears stated the Executive Committee discussed the budget and she complimented the work of Staff stating that the way it is organized makes it easily understandable.

Ms. Weisz clarified that no action is required tonight of the Board. The recommendation is being carried over to the following month, as typically Staff introduces the budget in February and it is approved in March.

Chair Sears opened the public comment period and there were no speakers.

7. Proposed Rates for 2016/17 (Discussion/Action)

John Dalessi, Operations & Development, gave a PowerPoint presentation and report, stating that January and February are a busy time in MCE's rate setting process. Staff starts preparing the preliminary budget for the coming fiscal year and preliminary rates associated with that budget.

He said at last month's Board meeting he briefed the Board on PG&E's rate changes and how MCE's rates stack up to them, including changes to the PCIA. This informs their proposed draft rates they bring forth in February and it kicks off a public review period and rates are then adopted at the March meeting to go into effect in April.

Mr. Dalessi said in terms of rate-setting policies that have been adopted by MCE, they strive to propose rates that cover the budget, ensure rates are competitive with PG&E's rates, take into consideration rate stability to minimize changes year to year, understanding customers and ensuring equity among customers, and encourage time of use rates and other rate options.

The rate setting process starts with a forecast where overall energy use and needs are projected and they use this forecast to project how much revenue is collected at the current rates as well as how much revenue the new rate would generate. Once the revenue requirement is adopted, there is a process of rate design where the revenue requirement is allocated to different customer groups and charges applicable to those groups are designed to recover those allocated charges. He said MCE categorizes customers into uses and he presented and described the various rate groups.

Mr. Dalessi then presented a summary of MCE's projected revenues based on just over 170,000 customers served in each category which does not take into account expansion at this time. MCE projects collection of a little just over \$145 million in the fiscal year. He displayed a graphic example of revenues and said almost 45% comes from the residential sector, industrial and commercial at 15% each, industrial at 8% and the remaining agricultural, street lighting and traffic control.

In the coming fiscal year, some adjustments need to be made and these are associated with revenue deficiencies related to the net metering program and also uncollectable accounts where rates need to be set a big higher than their expected costs because there is less revenue from some customers due to non-payment. The revenue requirement for FY 2017 is exactly equal to what they project the present rates would recover, meaning there is no need to change rates which is good news.

Director Bailey asked how different are rates generally on a per kilowatt basis between a large commercial versus residential usage. Mr. Dalessi said the structure is very different. For residential, the generation rate they charge is a single cents per kilowatt hour regardless of usage and season. For industrial Comp 20 rate, it is a seasonal rate with higher rates during summer months May-October. It is a time of use rate for energy consumed during peak, mid-peak and off peak hours of the day and includes a demand charge.

Depending upon how industrial customers use energy rates may be lower than an average residential customer, but much of it depends on the time of use rate and the fact that industrial customers use more energy during off-peak than during peak periods.

Director Withy said in this budget approximately \$6 million will go into the operating fund balance. This current year it was \$12 million. Therefore, in a 2 year period MCE has added \$18 million to the reserve. He asked to what extent there is a policy of determining what the accumulated reserve should be so instead of being the end result of what is left over it is prescriptively based on what MCE needs. Chair Sears pointed out this is Item 9 on the agenda.

Mr. Dalessi said it is not so much a residual but staff builds that in intentionally. Generally, they target a 3% contribution toward the reserve and, while this has not been a firm policy, this year they are seeing a larger reserve contribution.

Director Haroff commented that when Mr. Dalessi indicates that rates will not increase this does not take into account what is happening with the PCIA and he suggested this as relevant. Mr. Dalessi noted

this increase imposed by PG&E has already occurred January 1, 2016 and will not be increased again this year. There is no additional increase moving forward unless PG&E raises rates.

Director McEntee said she appreciates the desire to not raise rates but MCE has had increases to expenses that were presented. She asked why not propose a modest increase in rates to reflect these moving forward. Mr. Dalessi replied that MCE is slightly above PG&E's rates and that was not the case up until January 1st. As a result of the increase in surcharges PG&E applies to customers, MCE is, on average, 4% higher in cost to customers which plays into their recommendation. When discussing this with the Ad-Hoc Rates Committee and Executive Committee the overall consensus was to remain competitive and not increase rates.

Director McEntee asked if rates have been kept flat. Mr. Dalessi said this is the first year that rates are not proposed to be increased.

Director Butt referred to the rate table schedule and asked how customers fall into any particular schedule. Mr. Dalessi said they are assigned by PG&E. Their eligibility for MCE rates are tied to PG&E's rates. If it is an E1 PG&E rate schedule, it is a Res1 customer for MCE.

Director Butt asked how the time-of-use rate schedules are assigned and referred to Res-TOU-A and Res-TOU-B. Mr. Dalessi said he would be discussing this next.

Director O'Donnell pointed out that there is another positive story that MCE is also increasing its portfolio of renewable energy and keeping rates flat, which is an important story that MCE should advertise to its customer base.

Mr. Dalessi then discussed the residential time of use rates, stating there has been a movement afoot to reform the residential time of use rate options available. Starting March 1st PG&E will be eliminating 3 rate schedules of E7, E8 and E9. He said E7 and E9 are time of use and E8 is a seasonal rate, but those schedules will be eliminated and customers will be transferred to one of two new time-of-use rate schedules. The new time of use schedules are ETOU-A and ETOU-B, with the default being the ETOU-A option.

Regarding their differences, the higher rate season or summer season is shortened to 4 months from 6 months or June through September and the highest priced or peak period is an hour shorter and also shifted to later in the day. Under Option A, the peak is 3PM to 8PM and Option B's is 4PM to 9PM. The reason is due to grid changes. All solar that is being put on roofs is producing a lot of power during peak sunlight hours. The true peak on the system is shifted and no longer is the noon to 6PM but to the time when some of that solar starts to come off and especially when the residential load is starting to come on when people come home from work. This ensures retail rates are aligned with wholesale system conditions so customers use energy efficiently, and the primary motivation is to revamp these time of use periods to more closely align with the conditions on the grid overall.

Mr. Dalessi said because MCE mirrors PG&E and their rate structures and PG&E's bills relating to service and delivery surcharges, it is important that MCE be consistent in a time of use schedule, as PG&E provides MCE with usage data in order for MCE to calculate bills for customers. When customers are transferred to a rate with a different time of use period, MCE must have a consistent schedule and the proposal here is to adopt comparable rate schedules of Res-TOU-A and Res-TOU-B. Rates are designed so there would be parity for customer of what MCE and PG&E offers.

In terms of how customers will be impacted, MCE has about 2,430 customers that are served on the Res-7 rate that would be transferred to the new Res-TOU-A rate. About 748 of those customers are net energy metering (NEM) customers or solar customers so it is not the majority, but what MCE expects is that the non-solar customers would see lower cost than they would with the old rate because of shortened peak periods. The NEM customers will see lower compensation for their solar generation given times of peak periods. He added that the majority of their solar customers are served under other rate schedules and they will not be impacted at all, but the 748 NEM customers currently on Res-7 will see lower compensation for their solar. In terms of impact to MCE, staff expects to see a less than 1% impact on revenue.

Director McEntee said she understands wanting to map MCE's time of use to PG&E's, but since MCE has a greater renewable mix she asked if their peaks are different than what PG&E's are. She also asked if it would benefit MCE to have different peak periods. Mr. Dalessi said for the most part MCE is operating in the same market. When looking at what it costs to serve a customer he did not think there was much cost optimization for residential, but for commercial there can be through demand response programs where they can encourage through technology controls to encourage customers to reduce usage at certain peak times or increase storage purposes. He thinks these types of programs can be better fine-tuned than the rate structure.

Director Small asked if any MCE customer opt into time of use and she asked if there is a period of time one would opt in. Mr. Dalessi said yes; for a standard residential customer, they can opt into a time of use rate and MCE would automatically serve the customer on an equivalent time of use rate MCE offers.

Director Small asked and confirmed that if a customer wanted to go to a time of use schedule, they would contact PG&E. This would automatically trigger a change in MCE's schedule.

Director Butt said the other part of this is that his solar installer contacted him recently and told him the rates are changing. PG&E will put a customer into a certain default unless the customer contacts them and tells them something else. He recommended doing this because it is a better deal than where customers will be put automatically. He wondered if this is information MCE should let its customers know, assuming it is good advice. Mr. Dalessi said he thinks a NEM customer would be better served to move to E6 which has been the default time of use schedule. However, this E6 will be closed to new customers in March so the window is very short.

Director Athas asked if somebody wanted to change to the Res-TOU-A or B, before they go through the trouble of contacting PG&E and changing their schedule she asked if there is something that would indicate the benefit of doing this. Mr. Dalessi said he knows PG&E has that capability where a customer can log into their account, review rate options, and based on metering history can check on this. The new rates are not in there yet. MCE has rate calculator tools but he was not as familiar with them, but said PG&E rates are very similar to MCE's.

Ms. Weisz added that once MCE rates are approved they will be plugged into their calculator and customers can compare that way. Customers should think about when they tend to be home and using energy the most which can have a lot to do with what works better.

Director Kinney noted that the time of use A and B schedules show they are only one hour difference from each other. Mr. Dalessi confirmed that there is a more significant difference but it is all on PG&E's side of the bill. The A option includes a baseline credit and the B option does not. The baseline credit is

on the delivery side so for MCE this is irrelevant and the hour difference is subtle. He thinks this change in the time period is more associated with generation services and customers want to know when the most efficient time to use energy which is done through pricing differences. The shift is really to indicate that under current grid conditions, they prefer a customer not use as much power during the 3PM to 8PM window. The old window used to be noon to 6PM because of resources on the grid.

ACTION: It was M/S/C (Bailey/Wagenknecht) to approve the ResTOU-A and ResTOU-B rates to be effective March 1, 2016. Motion carried by unanimous roll call vote: (Absent: Greene, Lyman & Schwartzman).

8. Electric Schedule Local Sol – 100% Local Solar Electricity Supply (Discussion/Action)

Kirby Dusel, Resource Planning & Renewable Energy Programs, said the Electric Schedule Local Sol is a new service option available to customers that is primarily focused on the availability of 100% locally generated photovoltaic solar electricity which dates back to the first Board Retreat where this concept was discussed about the program that existed within the Sacramento Municipal Utility District service territory called Solar Shares and its success. The program is designed to remove barriers for solar customers that were not well-equipped to put photovoltaic panels on their homes or businesses.

In April 2014, the Board discussed this subject and the Board approved the principles for such a program. Since that time a lot of work has been done, focusing on the identification of an MCE Feed-in-Tariff project that could support the Local Sol program. A suitable project has been identified at the Cooley Quarry Plant in Novato, which is a 1 megawatt project and will be the initial host site for Local Sol.

To implement the project the Board needs to adopt terms and conditions in the form of a tariff and in the packet is a draft of electric schedule Local Sol that outlines the terms and conditions of the program.

As background, Mr. Dusel said the purpose of the program is to provide MCE customers with an opportunity to purchase on a voluntary basis locally generated photovoltaic solar electricity from the Cooley Quarry facility located in Novato. The idea is to remove barriers to the extent customers have overly shaded rooftops and roof orientations that are not optimal in terms of solar installations; other interested customers may not own the structures in which they reside or operate business, and Local Sol presents an opportunity for such customers to support a locally situated solar project without having to install it at their home or business. The energy product will be a bundled product and the customer is buying a portion of both electricity and the environmental attributes produced by the project.

Participation is limited, as MCE has over 172,000 customers, and a 1 MW project will only support a small subset of such customers. Local Sol will not be desirable for everyone because it comes at a significant cost premium directly tied to MCE's Feed-in-Tariff program – the price paid by MCE for Feed-in-Tariff production at the host site is directly passed through to customers along with a modest adder to support program administration. The Board is likely aware that Feed-in-Tariff rates reflect local development costs, which are generally higher than they are elsewhere in the state as well as other financial incentives to attract developers. For customers that choose to participate, PG&E's delivery services and charges will continue to apply.

Mr. Dusel said staff has researched this particular program, discussed it with SMUD, MCE's Technical Committee, and read applicable tariff examples. Within SMUD's service territory, a similar program was

very well received. The Technical Committee discussed this and weighed possible benefits, as well as the Board in April 2014 where program elements and general terms were approved, and as a result, have gone through the process of adapting MCE's feed & tariff to accommodate more capacity.

Mr. Dusel showed a comparison of MCE's Local Sol program as contemplated, the Deep Green program and PG&E's Solar Choice program which is their green tariff people have heard about. They have recently made this available and they also offer a Regional Solar Choice program. He displayed a comparison chart and pointed out that when looking at the different options available, PG&E's Solar Choice is the more general program of their two solar options but will be comparable to MCE's Local Sol program, the Solar Choice program is located anywhere in PG&E's Northern California service territory and not within the County of the participating customer. Regional Solar Choice, PG&E's alternative green pricing option, provides customers with an opportunity to purchase solar electricity generally located in the same county, and it is likely more costly (but pricing will ultimately be based on direct contractual arrangements between customers and "local" project developers). The product and certification is generally equivalent and, while staff has not determined whether or not they are going to pursue renewable certification of the Local Sol program, it is a program very well-suited for that certification, should be easily achieved and the Board may want to consider this in the future.

Also noteworthy, in terms of differentiating the various product options available to MCE customers and PG&E customers, Local Sol is a new project built this year and expected to come on line in April or May of 2016. With PG&E's Solar Choice program for the time being they are relying on existing projects to support program participation. With regard to the PG&E option, this will change over time as new projects come online. Also, the Local Sol project has exclusive production of solar electricity whereas with MCE Deep Green they are talking about a combination of resources and they expect it will include both wind and solar and over time an even broader use of resources.

In terms of customer bill impacts, they are not insignificant. This is truly a premium green product with a price that reflects that. He presented a fully loaded price which reflects the cost of MCE's Feed & Tariff which is paid to the project developer for all energy produced at the site, plus a modest administrative amount, plus the PCIA. Deep Green by comparison is much less expensive and he presented MCE's residential rate plus the PCIA. When moving over to PG&E, they have a variety of extra costs embedded which is the general program cost and also the PCIA. Therefore, when looking at premiums paid, the Board can see how they relate and ultimate costs to the customer.

Director Kinney asked if MCE is selling the customer the bundled product. Mr. Dusel said much like they treat their certified Deep Green product MCE will be treating this similarly. MCE is obligated to deliver a certain quantity of their RPS-eligible energy to these customers because the Cooley Quarry project will be an RPS-eligible facility. He noted 25% of that power will be reflected in MCE's RPS and 75% will not be, given it is a voluntary purpose, but this is truly for the benefit of customers and not to benefit MCE at large or the RPS reporting metrics that MCE will represent annually.

Mr. Dusel reiterated that participation is limited. A 1 MW project is expected to produce about 1.8 million KW hours a year. They will carve out 90% of that so MCE does not oversell which equates to sufficient supply for approximately 100 to 200 accounts, depending upon the mix of residential and commercial customers. As seen in the Local Sol schedule, there is a limitation contemplated in terms of average energy use by participating customers. To the extent they have a very large customer that wants to participate MCE reserves the right to back those customers out in the event that their usage exceeds 3,000 KW hours a month or more as averaged over a 3 month period.

In terms of pricing, it is pass-through of their Feed & Tariff price and this is a not to exceed \$.0142 cents which will remain in effect so long as the customer participates in the program up to a 20 year term. In terms of rate stability, it is high in the beginning but it will remain fixed up to a 20-year period so long as the customer continues participation over that period of time. It could go down to the extent MCE gets a lot of interest in the Local Sol program and MCE decides to expand beyond the 1 MW. If the next resource that is included as a host site comes in at a cost below the current number, MCE could reduce that rate for the Local Sol program based on an average cost to support customers.

As with any Feed & Tariff program there are always economic development opportunities. MCE has already received applications from 100 accounts and the project is not even commercially operational which is good news, but to the extent they have robust participation in the Local Sol program exceeding the 1MW allocated, they could conceivably expand the Feed & Tariff program to accommodate additional projects.

In response to a question, Mr. Dusel confirmed that the 100 customers represent less than half of what the 1 MW facility can produce. Mr. Dusel said they agreed at the staff level that once they get to the 50% threshold and determine the amount of energy from early enrollees, they closely monitor this in rounding out the program, but they could accommodate more residential customers at this time.

In terms of annual reconciliation, Mr. Dusel said he wants to make sure they keep the accounting completely clear and transparent regarding production of the facility and usage of participating customers. They will track this and ensure where they need to be over time and not overselling the program and will return to the Board with a report periodically and also send related communications to Local Sol customers as well.

Regarding billing, because it is a flat price it may simplify billing for certain customers that are used to paying different rates at different times of day and different seasons. He thinks it is worth noting that some customers, particularly commercial customers, are subject to demand charges on a monthly basis based on the specific instance where they use energy most intensely during that month, and those charges will continue to apply. He then clarified the PCIA, the program charge and the total bill in terms of cost which again are not insignificant. Local Sol compared to Solar Choice is a 24% premium and Local Sol compared to Deep Green is a 43% premium. He said he was happy to answer any questions.

Director O'Donnell asked how staff came up with the pricing structure, stating it seems to hedge against the future with an RPS benefit. He added that it flies contrary to what an actual customer does when they put solar on their own roof where they pay a large upfront fee to have that done, and therefore, their cost of energy goes down to zero or on the plus side. He asked if staff thought about charging a large premium for the next 5-7 years to be part of this program and then drop the rates dramatically lower to be well below the level or down to zero, stating that in his opinion, customers would be more interested in that than they would knowing that they would be paying forever for a higher charge unless suddenly the market went up above theirs which it has been.

Mr. Dusel said they thought about a number of pricing structures and the SMUD pricing structure for the Solar Shares program is the most interesting but is also a structure that can only be implemented by a fully integrated utility. Because MCE does not control all sides of the bill it is very hard to implement a similar pricing structure where people basically pay a capacity charge and renting a share of that facility, and whatever that facility produces the customer receives an allocation of electric output in proportion to their investment facility. This is then credited against the energy used. That structure does not work

for MCE because they do not have the necessary relationship with PG&E, and unfortunately from PG&E's perspective (with regard to Local Sol), the customer's meter is never going to roll backwards.

He noted that the Tucson Electric Program is similar to this structure where there is the intent to pass through the cost with a small subsidy by the utility but it is a pass-through cost where customers can participate in 500 KW blocks. Mr. Dusel said with the Local Sol program, 75% of the 100% solar supply to the customer will be voluntary and MCE cannot include this in their RPS report, so there is no inflation to MCE's reported RPS numbers as a result of customer participation. It is the customers alone that benefit for all voluntary renewable energy volumes.

In terms of alignment, even though rates have been low for the past couple of years historically they have increased a few percentage points every year, so the idea here is that the price is not only reflective of the premium product now but over time as other costs increase there may be a point which customers will cross over.

Director O'Donnell asked how an over-subscription would work. Mr. Dusel said they would monitor solar usage of enrollees which is critical because MCE wants to ensure they remain at or below the 90% expected production at all times and have some buffer given weather-related events may cause usage a bit higher. In determining whether to enroll additional customers, they would first establish a waiting list and would return to the Board.

Director Withy asked and confirmed that the 100 current enrollees are MCE customers. He asked how many Light Green and Deep Green customers there were. Mr. Dusel said unfortunately he did not have a breakdown on this.

Director Kinney asked what happens to the remaining 10% produced from the Local Sol program. Mr. Dusel explained that MCE will buy 100% of the output regardless of the program's subscribership so long as they do not have participation that fully subscribes to the project.

Customers in the program would account for 90% of the power being produced and MCE will buy the remaining amount which will be included as part of its overall resource mix.

Noted Absent:

Directors Kinney and Butt were noted as absent at this time, and were noted present to participate in Item 9.

Chair Sears opened the public comment period.

Jim Bitter, Mill Valley, referred to the comment regarding the 10% and said this leads him to believe MCE does not store electricity in the grid. He also thought that Directors and the public could not explain what feed-in-tariff is.

Chair Sears acknowledged Mr. Bitter's comments and commented that Directors and many community members were knowledgeable about the feed-in-tariff.

ACTION: It was M/S/C (Bailey/Coler) to approve the 100% Local Sol electricity supply schedule. Motion carried by unanimous roll call vote: (Absent: Butt, Greene, Kinney, Lyman & Schwartzman).

9. Draft Reserve Policy 013 (Discussion/Action)

David McNeil, Projects and Program Manager, stated staff is presenting the Draft Reserve Policy for the Board's consideration. He said MCE has been accumulating reserves in its Net Position which he displayed on the balance sheet. When revenues exceed expenses, the resulting surplus is contributed to the Net Position. If expenses exceed revenues, the Net Position is reduced.

He said reserves have a number of important functions for any organization and are critical to allowing MCE to meet its obligations. The reserve policy sets out a methodology for computing what the reserve target is which is based upon a percentage of operating expenditures and a separate calculation based on a percentage of annual revenues. Staff expects to finish this year with a Net Position of \$25 million. The reserve target is approximately \$56 million based on funding formulas.

Director McCaskill asked if the total reserve requirement shouldn't be termed total reserve "target", given some people could interpret "requirement" as something MCE must achieve as opposed to something MCE hopes to achieve. Mr. McNeil suggested Board discussion and said he would not be opposed to this revision.

Mr. McNeil asked and confirmed that Director McCaskill was referring to page 1 of the staff report. He noted that the request of the Board is to approve the Policy. The only reference where it shows up in the policy is in the last sentence, which he read into the record. In its context in the policy, he was comfortable with the word "target" in that case.

Mr. McNeil also noted that MCE's reserves will only grow and contract consistent with an approved budget. This is the mechanism by which the Board would approve growth or contraction of reserves.

Director McEntee asked Mr. McNeil to explain where 90 days came from as opposed to 6 months, and she also about how the 4% annual contribution towards reserves was determined.

Mr. McNeil explained that staff is comfortable with the 4% target. Regarding 90 days for cash, this is the low end of convention. They looked at various organizations and it seemed reasonable given where MCE is currently. The formula sets a target of \$50 million and MCE is a long way from there. If and when they reach the target, they will then think about whether the 90 days increased to support larger reserve accumulation.

Mr. McNeil clarified this is a methodology of arriving at a number rather than being sub-categories of the reserve. It is intended to signal some of the uses of Net Position or reserves which are described more fully in the policy.

Director O'Donnell said he thinks it is an amazing theoretical discussion given where MCE was 4-5 years ago.

Director Withy said if the Board does not factor in the distorting effects of expansion and just thinks of a natural growth in the revenue projections, he asked how long it would take with a 4% policy to get to the targeted reserve level.

Mr. McNeil said MCE needs roughly an additional \$30 million and they are investing about \$6 million a year in current revenue levels. With revenues expected to change, this would take about 5 years or more, depending on fluctuations.

Director Small asked how unrestricted reserves are invested.

Mr. McNeil said this goes back to a question asked earlier about cash reserves cash. The Net Position is a residual number or the difference between assets and liabilities. Reserves “invest” in cash receivables, leasehold improvements and other assets.

Chair Sears thanked staff for the wording of the policy which she thinks strikes a nice balance in providing guidelines, identifying the purpose of the reserves and their conceptual uses without restricting its use.

ACTION: It was M/S/C (Butt/Bailey) to approve the Reserve Policy 013. Motion carried by unanimous roll call vote: (Absent: Greene, Lyman & Schwartzman).

10. Update on Voting Shares for MCE Service Area Communities (Discussion)

David McNeil gave the staff report, stating that the JPA agreement sets out the manner in which Board Members are able to vote and the weighting of their votes. The weighting is determined by the electric usage in their respective communities. Staff receives this information annually from PG&E and this year it is late. The JPA agreement requires that no later than March 1st, they must have updated information to update those voting shares. Staff consulted with legal counsel who advised staff to postpone the matter until MCE receives this information.

Chair Sears asked if there was an expected date to receive the information. Ms. Weisz stated staff expects to have the data by June or July at the latest. She also clarified that the data lag from PG&E is only an issue when MCE has new communities they have not served for a complete calendar year and this is the case for the early months of 2015. Going forward, if MCE were not to expand during the course of a year, they would not need to wait for PG&E. If this continues to be an issue in future years, they may want to consider a JPA amendment, but at this time legal counsel did not think it was necessary.

11. Regulatory and Legislative Updates (Discussion)

General Counsel Elizabeth Kelly presented a PowerPoint presentation and provided a regulatory and legislative update. She referred to PG&E’s PCIA increased charge to customers and background on the PCIA which essentially doubled the charge from \$4.50 to \$10.00. Within that CPUC decision the CPUC committed to hosting a workshop on March 8, 2016. In advance of that workshop, the CPUC allowed questions surrounding the PCA and MCE’s recommendations for reform. This was due this week and was not included in tonight’s packet but will be included in next month’s packet. The gist of the 40 pages of proposed solutions includes:

- Requests to increase transparency: PG&E has a tendency to heavily redact information that would help MCE better understand the cost drivers and what the PCIA will look like in the future.

- Request disclosure of non-confidential information so MCE has a better understanding of the PCIA charge.
- Exclude avoidable costs: The PCIA should capture only unavoidable costs of PG&E which is what is in the statute. The challenge here is for years PG&E has not made projections of CCA departing load which means that additional costs were included that should not have been. There are other areas where PG&E has the ability to avoid costs but has not been incentivized to do so.

Chair Sears asked if it is clear what confidential versus non-confidential information is. Ms. Kelly said the CPUC rules are being revisited. She said staff did not find a high enough value area to engage in but what PG&E does not want are market participants to have commercially-sensitive data.

Ms. Kelly then discussed a form which is a disclosure to the federal government about actual power costs and how MCE can use those to get a better grasp on the PCIA costs, which would be an improvement to what is currently provided. Another example is to make an exception in the confidentiality rules for CCAs or folks in MCE's position. Since MCE is not trying to compete for contracts with PG&E, the level of sensitivity is not applicable to MCE so they may be able to get information that way. If they get that exception, MCE will be able to get full sweep of confidential information which would provide more information about future PCIA costs.

- Limiting the duration of the PCIA. Currently, the PCIA can extend for the life of renewables contracts which was intended to support the jump-starting of the renewables sector. Now it is a mature space and there is no need to have a 25-year cost recovery period from departing load for that 10 years, which is what PG&E's long-term procurement plan horizon is so there are other ways PG&E can look at the duration of contracts and other resources.
- Limiting PCIA volatility. This is methodological fix that will smooth out the PCIA more so customers do not end up with a doubling this year or other years. This makes planning difficult and does not benefit anybody.
- Another set of solutions offered are alternative PCIA calculations. One of the ideas is to look at the net present value of the PCIA charges, come up with a number, and they can amortize it over a period of time, which is a flat KWHP. It gives them the money they are expecting and it gives MCE certainty for rate design and future planning purposes.

Director Withy suggested an argument to that would be that PG&E does not know how many new CCAs there will be so how could they know. Ms. Kelly said that calculation for exit fees for departing municipal load results in a lump-sum amount. In the CCA case it would be based upon vintages. The year which a customer leaves is called a vintage. When municipal load departs, they end up with a negotiating settlement on what the exit fees are for that load departure and it is settled up on the departure of that load. MCE is looking for the same concept instead of revisiting it every single year.

Ms. Kelly noted that more than \$36 million will be paid to PG&E by MCE customers in 2016, so people have reason to be upset about this charge. The CPUC should pay attention to the fact that there are now enough PCIA customers.

Director Haroff asked what opportunities are there for public participation at the March 8th workshop. Ms. Kelly said it is a public workshop and people can participate. There will be an agenda and set speaking and presentation times. The CCAs have a single presentation time and MCE will be sharing the stage with Sonoma Clean Power and others.

Director Haroff asked and confirmed that it would be a benefit for MCE Board Members to attend the meeting and that staff could further discuss how a more formalized approach could be developed for Board Members wishing to attend.

- Staff has completed a Petition for Modification of an earlier decision that approved MCE's existing 2015 program budgets. MCE is asking for an increase in funding by 30% on an annual basis which reflects they are now serving more communities. This is a proportionate increase proportionate to their customer base. There is not as clear as a timeline as there could be for resolution on this petition but recently the proceeding has been assigned to a new Administrative Law Judge who tends to deal with issues quite swiftly.
- Regarding energy storage, there was a decision that made a change in their favor at the beginning of this year that related how storage is calculated and what counts towards their storage targets. Basically there are storage projects that are funded through SGIP (Small Generation Incentive Program). All of those projects will be attributed to the investor-owned utilities. MCE has done significant leg work in helping to facilitate the installation of a major storage project that does use SGIP funds but without their efforts it would not have come to being. Therefore, MCE petitioned the Commission for a change in how the methodology works. The CPUC did say that 50% of all SGIP funded projects would be attributed to MCE as a CCA so this was a significant change to that decision that does reflect MCE's efforts in terms of bringing storage and new technologies on line.

Chair Sears and Board Members thanked Ms. Kelly for her update.

12. Board Member & Staff Matters (Discussion)

Ms. Weisz thanked those Board Members who participated in the Cool California Challenge. Some went so far as to be featured on a video for the challenge, and she played one of the videos featuring Director Haroff. A round of applause followed.

13. Adjournment

The Board of Directors adjourned the meeting at 9:35 p.m. to the next Regular Board Meeting on March 17, 2016.



Kate Sears, Chair

Attest:



Dawn Weisz, Secretary

APPROVED

MAR 17 2016

MARIN CLEAN ENERGY