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BOARD MEETING MINUTES
Thursday, January 21, 2016
7:00 P.M.
THE CHARLES F. MCGLASHAN BOARD ROOM
1125 TAMALPAIS AVENUE, SAN RAFAEL, CA 94901

Roll Call: Director Tom Butt called the regular Board meeting to order at 7:00 p.m. An established quorum was met.

Present:
Denise Athas, City of Novato
Sloan Bailey, Town of Corte Madera
Tom Butt, City of Richmond
Genoveva Calloway, City of San Pablo
Barbara Coler, Town of Fairfax
Ford Greene, Town of San Anselmo
Kevin Haroff, City of Larkspur
Greg Lyman, City of El Cerrito
Bob McCaskill, City of Belvedere
Andrew McCullough, City of San Rafael
Emmett O'Donnell, Town of Tiburon
Alan Schwartzman, City of Benicia
Katie Rice, (Alternate to Kate Sears), County of Marin
Carla Small, Town of Ross
Brad Wagenknecht, County of Napa

Absent:
City of Mill Valley Representative Not Yet Assigned
Ray Withy, City of Sausalito

Staff:
Greg Brehm, Director of Power Resources
John Dalessi, Operations & Development
Alex DiGiorgio, Community Development Manager
Carol Dorsett, Administrative Assistant
Katie Gaier, Human Resources Manager
Brian Goldstein, Resource Planning & Implementation
LaWanda Hill, Administrative Assistant
Darlene Jackson, Board Clerk
Michael Maher, Maher Accountancy
David McNeil, Project and Finance Manager
Beckie Menten, Director of Energy Efficiency
Jamie Tuckey, Director of Public Affairs
Dawn Weisz, Chief Executive Officer

1. Board Announcements (Discussion)

Director Butt wished CEO Dawn Weisz a happy birthday, and a round of applause followed.

2. Public Open Time (Discussion):

Stan Sparrow, an electrician working on the Buck Institute Solar project, drew the Board's attention to new PG&E tariffs impacting commercial customers. Mr Sparrow suggested that media coverage of tariffs and PCIA charges and municipally sponsored ballot surveys would help draw public attention to the issues and promote the success of solar energy in California.

3. Report from Chief Executive Officer (Discussion)

Dawn Weisz, Executive Officer gave the following report:

- MCE is streaming the Board meeting live for the first time. She briefly spoke about the video technology and said meetings are uploaded and posted to MCE's website.
- On Tuesday the City of Napa voted unanimously to adopt an ordinance to join MCE subject to the approval of the MCE Board. Four cities in Napa have now taken this step, with Yountville expected to take action in the next 4-6 weeks.
- Last Wednesday the San Francisco PUC signed power supply contracts to supply their CCA program, Clean Power SF, which is expected to launch in May of this year. They feature a green program and a 100% renewable super-green product. They will start by serving 30 MW in May, add another 20 MW in August and then they will be phasing in additional customers in future phases.
- The Ad Hoc Rate Setting Committee discussed the proposed rates for the 2016/17 fiscal year. These will be presented along with the proposed budget at the February Board Executive Committee meetings..

4. Board Introductions for 2016 (Discussion)

Ms. Weisz stated that in some of her individual discussions with Directors at the beginning of the year it was suggested it might be helpful to do a roundtable at the beginning of each year so Directors have an opportunity to introduce themselves. Directors introduced themselves and each provided a brief description of their backgrounds and qualifications.

5. Consent Calendar (Discussion/Action):

C.1 12.17.15 Meeting Minutes

C.2 Approved Contracts Update

C.3 Monthly Budget Report

C.4 MCE New Staff Legal Team Positions for 2016

C.5 2nd Addendum to 2nd Agreement with Rincon Consultants

ACTION: It was M/S/C (Wagenknecht/Bailey) to approve Consent Calendar Items C.1 through C.5. Motion carried by unanimous roll call vote: (Abstain on Item C.1: Small; Absent: Withy).

6. Formation of 2016 Ad Hoc Contracts Committee (Discussion/Action)

Greg Brehm, Director of Power Resources, stated that the Ad Hoc Contracts committee is part of the MCE Open Season process and reviews and recommends MCE's longer term contract opportunities of 5 years or longer in duration. MCE expects to have a significant year of contracting with expansion of the light green program to include a higher percentage of renewables starting in 2016 and continuing over the next 5 years and also filling MCE open positions for 2018 and beyond.

Ms. Weisz explained that MCE can have up to 7 members, but they must ensure they do not violate the Brown Act by constituting a quorum of any MCE standing committee or a quorum of the MCE Board.

Mr. Brehm asked if there were questions from the Board regarding the Open Season process, noting that most Directors have already been exposed to it. There were no questions and Director Butt asked for volunteers.

Director Bailey asked about the number of times the group meets and Mr. Brehm said he expects the Ad Hoc Contracts Committee will hold 3-5 meetings this year.

Director Coler asked whether the committee will meet to approve the contracts or was it making decisions as to which suppliers to contract with. Mr. Brehm replied that the Ad Hoc Contracts Committee typically reviews Staff proposals, conducts an analysis, and then recommends which proposals are presented to the Board of Directors. Director Coler commented that she sometimes gets concerned about where MCE is heading on certain power purchases. She asked and confirmed that the Committee makes those decisions and thereafter voiced her interest in volunteering.

Director Butt confirmed the composition of the Ad Hoc Committee based on volunteers:

- Director Bailey
- Director Greene
- Director Lyman
- Director Haroff
- Director Coler
- Director Wagenknecht
- Director Schwartzman

Director Calloway questioned whether the current slate of volunteers constituted a quorum of the Executive Committee. Ms. Weisz stated Directors Bailey, Green, and Haroff are on the Executive Committee, and Director Lyman is on the Technical Committee. The proposed members of the Committee therefore do not comprise a quorum of any other committee.

ACTION: It was M/S/C (Athas/Greene) to approve 2016 Ad Hoc Contracts Committee comprising of Directors Bailey, Greene, Lyman, Haroff, Coler, Wagenknecht and Schwartzman. Motion carried by unanimous roll call vote: (Absent: Withy).

7. Budget Amendment for FY 2015/16 (Discussion/Action)

David McNeil, Project and Finance Manager, said the item before the Board is consideration of a Budget Amendment. The purpose of the Amendment is to seek the Board's approval of additional expenditures in the current fiscal year ending March 31, 2016. These amendments are relatively common occurrences and he noted this was the second Amendment brought forward for the Board's consideration this year.

Mr. McNeil summarized and provided an explanation for increases outlined in the Staff Report. He stated that expenditure increases total $487,000 and are offset by expected lower energy costs. The net impact on the Operating Fund balance is zero.

Michael Maher, Maher Accountancy, suggested comment be given about how MCE expects to finish the year. Mr. McNeil said MCE expects higher total revenues and lower total expenditures than budgeted.

Director Bailey noted that the proposed amendments were discussed at the Executive Committee. He stated that the Committee reviewed each line item individually. He complemented Ms. Weisz and Staff for their explanations and expressed support for approval of the Budget Amendment.

ACTION: It was M/S/C (Bailey/Wagenknecht) to approve the Budget Amendment for FY 2015/16. Motion carried by unanimous roll call vote: (Absent: Withy).

8. Rates Update (Discussion)

John Dalessi, Operations & Development, provided a PowerPoint presentation and update on PG&E's rate changes. At the end of each year PG&E files an advice letter which consolidates all of the various rate changes approved by the CPUC. Those rates become effective on January 1st.

Mr. Dalessi presented a table identifying MCE customer electric costs for each component of the bill, as projected for FY 2017. This compares costs of a bundled PG&E customer and a MCE customer. PG&E's generation rates on average went down 5%. The delivery charges increased about 12% from prior year levels, and the total bill for PG&E customers increased about 6%.

For FY beginning April 1, 2016 and ending March 31, 2017 MCE projects that for every dollar of a customer's electric bill, 43 cents goes to MCE in generation services MCE provides for the program. About 46 cents of every dollar goes to PG&E for delivery, transmission, distribution and other services they provide as the local distribution utility. And, 11 cents of every dollar goes to the PCIA. On average, MCE projects a total of about $36 million in PCIA costs will be paid by MCE customers in the coming fiscal year.

As of January MCE's generation rates are 14% lower on average than PG&E's generation rates and services. This does not account for the PCIA and he said it is important to keep in mind that MCE is relatively low cost and it does a good job in managing its rates. If it were not for the PCIA, MCE could be saving customers $23 million in the coming year.

Mr. Dalessi then presented a slide on the Annual Generation Cost Comparisons which compares PG&E and MCE generation costs by customer Rate Group. MCE's generation costs are approximately $24 million or 14% less expensive than PG&E

Director Bailey asked for an example of the Com-10 structure. Mr. Dalessi replied that it would be applicable to a customer the size of a bank or a restaurant.

Director Butt asked for an explanation on the two categories at net 0% which are Com-6 and SL-1. Mr. Dalessi stated a Com-6 customer might include small commercial buildings such as a strip mall. SL-1 customers are street lighting accounts. He said some differences from the way the PCIA is allocated to the different groups by PG&E's rate design, noting that streetlight usage is all nighttime demand so their contribution to peak demand is low. As a consequence, the PCIA charge for the Streetlights Rate Group is low. The opposite applies to residential customers. He said the costs for MCE customers including the PCIA is about 4% above that of PG&E as rates stand today.

Mr. Dalessi then presented average bills for an average residential customer over the year. Since 2010 when MCE launched it had identical rates at parity with PG&E inclusive of the PCIA at that time. He explained the graph which includes the MCE light green program, other delivery, PCIA/FFS fees, and PG&E costs. The graph shows that over time MCE rates have varied below and above comparative PG&E rates. Costs were highest in 2012. MCE has been fortunate to have lower costs in recent years despite offering a higher renewable energy content. Now given the increased PCIA customer costs are a bit higher; however, staff considers the rate comparisons to still be within a competitive range.

Another change from PG&E relates to residential time of use rates and setting the right pricing signal, when to use and when to conserve energy and how that aligns with conditions on the electric system as a whole. What people are finding is that the old traditional peak definition of noon to 6PM in summer months is less and less applicable. The peak time is also shifting, some of which is due to solar coming onto the system, both small and large, which is generating the bulk of energy during those daylight hours.

Partially as a consequence of this PG&E has proposed to eliminate a couple of their residential time of use schedules. The E-7 rate is being eliminated and PG&E will move those customers onto newly adopted schedules that have a peak period that is shifted later in the day and shortened by one hour. The summer season is also shortened from 6 months to 4 months which will take effect in March.

MCE staff plans to propose a comparable schedule so when a customer is taking delivery service on the new ETOU schedule, MCE has a generation schedule that aligns with those time of use periods. Therefore, staff anticipates bringing comparable time of use options in February to the Board for approval to be effective in March to ensure there is a seamless transition for these customers.

Mr. Dalessi said this has generated a bit of controversy because of the shifts in peak periods and shorter summer period, this tends to make rooftop solar less attractive and valuable to the NEM consumer. Some of the existing time-of-use schedules are going to be grandfathered and kept open for a period of 5 years so the E-6 schedule will remain open. MCE has a comparable schedule to Res-6 but the E-7, 8 and 9 schedules are disappearing which MCE will be discussing in February.

Director Greene stated this is a substantial difference in the cost comparison between what it costs MCE and what it costs PG&E. MCE is $23 million less expensive for generation, but he said what is not broken out exactly is that PG&E gets fairly compensated for using its infrastructure to deliver MCE's cheaper energy. Basically, PCIA costs are awards of money to PG&E because MCE's customers are not theirs any longer.

Mr. Dalessi stated in theory this is correct; the PCIA's justification is so that remaining PG&E customers do not see rate increases as a result of PG&E losing customers to CCA's.

Director Greene said the end result is that the costs for all customers are increasing which is resulting in it being more difficult to MCE to compete with PG&E, and Mr. Dalessi agreed. He likened it the handicap system in golf; if one is a better golfer one is penalized. In that sense, it makes it hard to gain a competitive advantage even if they can buy power cheaper which MCE does by 14%. By attaching the PCIA charge, it makes it difficult to get closer to parity or, in this case, a bit higher.

Director Greene thanked Mr. Dalessi for his explanation and noted that he did not think the Board could be educated too much about the vagaries, the consequences and how the PCIA factors into this endeavor MCE is seeking to perform in terms of providing clean energy at a competitive if not cheaper rate, and this is making MCE's job much more difficult.

Director Lyman referred to the E-7 rate changes and the disincentive or the less attractive position for new NEM customers. He asked and confirmed with Mr. Dalessi that PG&E customers are going to have the same disincentive as MCE customers.

Director Rice referred to questions about the PCIA and she clarified that this fee is helping to backfill revenue as PG&E continues to lose customers so it does not have to charge its remaining customers. She asked what the forecast is for the PCIA as PG&E loses more and more customers to CCAs.

Mr. Dalessi said MCE has made its best attempts to forecast reasonable expectations of the PCIA in moving forward. There is a lack of data availability from PG&E and they claim this is confidential and does not release it to MCE. As a result, there is a lot of participation in the regulatory process. Late last year the CPUC established a workshop scheduled for March focused on the PCIA and data availability is one of the key issues in transparency generally. MCE has put in a data request to PG&E for that very information and questions how long the PCIA charge will go on and at what levels. Thus far, PG&E has not responded and they are still claiming confidentiality but MCE is hoping to receive better insight at the workshop. He said MCE's own projections are that the PCIA is not being reduced anytime soon. They think it is reasonable to assume that it will stay at this level for the foreseeable future.

Ms. Weisz added that while PG&E is not providing MCE with the amount of the PCIA going forward, they have responded to data requests asking when they expect it will terminate. For 2010 vintages, they are expecting it to terminate in 2043, and 2045 for other vintages.

Director O'Donnell asked if there are variable rates for different CCAs such as Clean Power SF. Mr. Dalessi said yes, depending on when the customer departs the PG&E system there is a different charge. It is not specific to a CCA. For instance, MCE has some 2010 vintages and more recent vintages, so any customer who leaves PG&E in the same year would get that same charge regardless of the program they are participating in. He clarified that cost differences among the vintages are marginal, looking at data for the past 5-6 years.

Director Coler referred to the pie chart showing the generation rate cost comparisons and the electric cost comparison. She asked how much of the difference is PCIA fees versus PG&E infrastructure costs.

Mr. Dalessi displayed the chart and said the PCIA is $36 million and the cost premium is all due to the PCIA fee. He added that infrastructure charges do not disadvantage MCE because the rates are the same if someone is a bundled or CCA customer. The only charge that really works to MCE's disadvantage is the PCIA. If it were not for the PCIA MCE customers would actually be saving almost $24 million. Because of the PCIA their customers are paying $12 million extra which is the result of the PCIA.

Director Athas clarified with Mr. Dalessi that for a customer that came in 2010 PG&E is saying they purchased power for them 33 years out. She said for groups who can promote what is being done out there, that terminology and the PCIA charge projection of over $36 million alone are the figures the Board should focus on and will make sense to people. She was not sure where Directors fall, but said for other groups, to tell someone they are going to pay out for 33 years when she has seen articles since 2010 where PG&E had to buy more power because they did not have enough is just ludicrous. She thought these were the things MCE should focus on.

Director Haroff said the PCIA has been part of the overall discussion since he joined the MCE Board 2 years ago. This is the critical issue for MCE going forward in the future. It is having a disparate, adverse impact on their customer base that puts MCE in a non-competitive position and this is an intolerable situation.

He said MCE has an opportunity with the workshop on March 8th which is currently the single best opportunity MCE has to address this issue on behalf of their customers. He hopes the message is conveyed back to respective constituents in respective jurisdictions to get the kind of support they got from the public in connection with the last CPUC hearing. He said this is much more important because the issues are broader ranging. MCE continues to have opportunities to engage with individual CPUC commissioners and he said he was pleased to be able to participate in a meeting yesterday. It was educational for commissioners and said while commissioners are smart and sophisticated they do not have a good sense of the impact this is having on customers. Therefore, MCE's engagement with individual commissioners and with the public is critical towards the survival of MCE and other CCAs into the future.

Director Butt said in addition to the upcoming workshop some Directors have had discussions with their State Legislators, and there is a core interested in looking at some kind of legislative remedy to this. While speculative, at the end of the day there might be a legal remedy to it as well. Therefore, he suggested waiting to see how the workshop plays out in March and depending on what relief if any it gives, the Board should be looking at legislative and legal remedies and share this with other existing CCAs. He thanked Mr. Dalessi for the thorough presentation.

9. Energy Efficiency Update (Discussion)

Beckie Menten, Director of Energy Efficiency, gave a PowerPoint presentation. She provided the following updates:

- MCE has had a 7 ½-fold increase in savings in 3 years which has been phenomenal, given they went from a brand new program to a program that has exceeded its targets. She mentioned that the slide showing the results is also being used in CPUC Commissioner "meet and greets".
- She displayed the steep trajectory over the last couple of months in MCE's multi-family program and identified slides showing buildings that have been audited, total rebates distributed and number of units provided with free energy savings equipment, all of which have exceeded targets.
- MCE's commercial program often drags down savings given that inefficient lighting upgrades emits less heat therefore resulting in negative therm savings and increased usage of natural gas. However, the multi-family program has done so well in terms of therms that the program at large has achieved targets.
- She reported on consistent savings in the small commercial programs.
- Regarding the single-family program almost 2,000 people have logged on to the web portal and have been able to develop a customized individual action plan to save energy in their homes.

- MCE will have a soft launch for Directors in March regarding the Energy Efficiency Learning Center. Staff has been working with interns and developing interpretive displays in conjunction with the Marin Sanitary District and Marin School and Environmental Leadership, which is a charter school within a high school. She presented coloring books developed by MIG with guidance and contributions from an intern to match this year's and the next few years' theme for the Energy Efficient Learning Center. An owl named SPOC (Single Point of Contact) is MCE's new energy efficiency mascot. SPOC will help to draw in families and children to make the program more relatable to people in their service territories.
- MCE staff is also preparing for a large launch for Earth Day and is working with communities to add to their planned activities.

Regarding MCE's 2016 application:

- MCE received a pre-hearing conference schedule for their 2016 Application which means the CPUC is making forward action on their application.
- The CPUC noticed the pre-hearing conference in the service list associated with their Application, as well as in the larger energy efficiency service list, which indicates they are inviting stakeholders across the state to discuss policy issues raised in the Application and possibly create some consolidation between the two proceedings. This allows them to draw in a larger group of stakeholders aligned with MCE and it allows them to make the case to other emerging CCAs that they should be getting engaged as well.
- The downside of the possible consolidation in the main proceeding is that this proceeding is moving very slowly. Initially they were to be accepting business plans and applications from all administrators in the first quarter of this year. This has been pushed to September or further into the year.
- MCE has a list of policy questions they will be responding to. They have also requested other CCAs to engage and staff has been working with them about energy efficiency programs to help educate them on issues and get their voices heard.
- Independent of the pre-hearing conference, the EE team assumed people would like to know more about MCE's application and they moved forward in setting up workshops of their own. Next Thursday the EE team will host a workshop open to the public which will be on webcast and the exact same content will be presented February 4, 2016 at Richmond City Hall. The content of the workshops will focus on the actual application, the proposal, and nuts and bolts of implementing such a large scale expansion of MCE's program and to provide stakeholders with an opportunity to attend. They hope this provides a chance to build some consensus and engagement with stakeholders.

Director Athas congratulated Ms. Menten on their program. She said now there are more cities and counties on line she asked if staff had an idea of where those energy programs are the most successful. She also asked if they are seeing the majority of success in Richmond versus Marin County.

Ms. Menten said it has been pretty evenly split. Their programs are specifically targeted and it is not a geographic area in terms of the City boundary. It tends to be more about composition of the neighborhood. MCE tends to get more success in the smaller commercial programs in concentrated, small commercial parks, and have had a less aggressive approach toward the new communities. But, MCE is looking to ramp-up activities in those new communities and she expects some East Bay communities to have a lot of opportunity in the small commercial sector.

Director Athas commented on the new forms for the California Association of Realtors which have now included lien items in these programs so they can disclose directly to their clients what happens if there is a PACE program and what happens with the sale of that and assessment of that charge. She asked about the disclosure of all of these programs, given they are seeing more leased programs than lien programs which are specifically different things, but they are affecting the sales of real estate.

Ms. Menten said the programs are very much incentive based. A rebate is paid to the participant to cover the upfront cost as opposed to more of a financing structure or leasing structure. There are programs like the PACE program and Solar City programs that lease solar panels. She would like to explore those programs in the future as they move into more streamlined delivery models. She also thinks there is opportunity to engage the real estate community on communicating the value of energy. As they ramp up more single family opportunities, there will be more relevance, but currently there is not a lot of engagement with the realtor community.

Director Haroff echoed Director Athas' comments on the terrific work done and he thanked the Energy Efficiency team and for keeping the momentum as they go through the application proceeding. He asked what role if any do they expect PG&E to seek to play in that context and asked whether this may have implications for their success. Ms. Menten said she definitely sees a role with PG&E and all investor-owned utilities. Thus far, what the utilities have done is suggest MCE's Application should be held and considered on the same schedule of the rest of the administrators. MCE strategically filed early so direction can be given to the utilities to work around MCE. She expects all investor owned utilities to "throw everything they have" at MCE in this proceeding and staff is trying to anticipate and prepare comments about MCE's results, benchmark against utility programs and they are trying to work actively with stakeholders to try to build a coalition.

Director Haroff offered his support in anticipation of the proceedings. Ms. Menten thanked him and stated that in looking at the trajectory of savings they have always achieved a new milestone when a new member of MCE's great staff came onboard.

Director Butt asked Ms. Menten to email him a copy of the PowerPoint presentation.

10. Communications Update (Discussion)

Jamie Tuckey, Director of Public Affairs, discussed the following updates:

- The MCE website has a new look and feel. It has been updated to make sure it is functioning at the highest capacity and she presented the Board with snapshots of the website.
- Videos advertisements are now running in movie theaters throughout MCE's service area. They launched in November and are running in Napa, Corte Madera, Larkspur, Mill Valley, Richmond, San Rafael and Sausalito though March. The videos will air 20,000 times during this period.
- Later on in the year MCE will consider a second campaign of movie theater advertisements in additional cities and towns in MCE's service area.
- Many local solar projects are under development in MCE's service area including MCE Solar One, Cooley Quarry, Buck Institute, and Cost Plus.
- She displayed a time lapse video of the Cooley Quarry solar construction and said cameras are placed at development sites in order to watch the construction over time. She confirmed this video is on the MCE website home page.

- In the next few days she will be sending out highlights of all local projects that are currently under development to the Board.
- MCE will be electronically distributing the second or winter version of their quarterly newsletter called the "RE-Source" next week and delivering hard copies to cities, counties and towns later this month and in early February. She asked for Directors' help in distributing them to their respective city offices.
- Catahoula Coffee is a popular café in the East Bay and recently got a special logo created for them which they put on all of their coffee bean bags stating they choose 100% renewable energy. Staff hopes to be able to implement this sort of branding opportunity with other commercial customers.
- She presented a slide showing the variety of upcoming community meetings and presentations to City Councils throughout the East Bay and in Napa to talk about MCE.

Director Haroff asked if Ms. Tuckey could discuss the Cool California outreach some Directors have been participating in.

Ms. Tuckey reported that Directors Haroff, Coler and Butt volunteered to be in videos promoting the Cool California Challenge. These are being placed online and on social media. She explained that the Cool California Challenge is a challenge where 9 MCE communities have agreed to participate and compete among California cities who want to compete for energy savings within their communities. The way people are saving their energy is using the My Energy Tool where users create action plans. They also have special events in Richmond, Benicia, El Cerrito and San Pablo promoting the Cool California Challenge. She stated the top 3 participating MCE communities are El Cerrito, Benicia and Fairfax.

Director Athas thanked Justin Kudo for identifying what the cost would be for her home if they went to the Deep Green program. They added onto and remodeled their home for 5 months, and even with that, it was $8 more per month to go 100% renewable. She and her husband are therefore going to sign up for it and she encouraged other Directors to consider this and sign up.

11. Board Member & Staff Matters (Discussion)
Director Lyman stated he and Director Butt attended the League of Cities Environmental Policy Committee today. There were several comments about energy, how unfair NEM policies were and how much the exit tariff is causing issues with CCAs. The League of Cities' northern and southern agencies are generally supportive of CCAs, and he hoped for discussion to occur this year about the current League's policy that the PCIA should be fair.

12. Adjournment
The Board of Directors adjourned the meeting at 8:29 p.m. to the next Regular Board Meeting on February 18, 2016.

Kate Sears

Kate Sears, Chair

Attest:

Dawn Weisz

Dawn Weisz, Secretary

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