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BOARD MEETING MINUTES
Thursday, June 18, 2015
7:00 P.M.
THE CHARLES F. MCGLASHAN BOARD ROOM
1125 TAMALPAIS AVENUE, SAN RAFAEL, CA 94901

Roll Call: Chair Sears called the regular Board meeting to order at 7:05 p.m. An established quorum was met.

Present:
Sloan Bailey, Town of Corte Madera
Barbara Coler, Town of Fairfax
Tom Butt, Vice Chair, City of Richmond
Genoveva Calloway, City of San Pablo
Andrew McCullough, City of San Rafael
Ford Greene, Town of San Anselmo
Kevin Haroff, City of Larkspur
Gary Lion, City of Mill Valley
Bob McCaskill, City of Belvedere
Emmett O'Donnell, Town of Tiburon
Kate Sears, County of Marin
Carla Small, Town of Ross
Brad Wagenknect, County of Napa (arrived late)
Ray Withy, City of Sausalito
Alan Schwartzman, City of Benicia
Greg Lyman, City of El Cerrito

Absent: Denise Athas, City of Novato

Staff:
Dawn Weisz, Chief Executive Officer
Beckie Menten, Director of Energy Efficiency
Greg Brehm, Director of Power Resources
Nick Shah, Power Supply Contracts Manager
Michael Maher, Maher Accountancy
Kirby Dusel, Technical Consultant
John Dalessi, Technical Consultant
Jennifer Dowdell, Consultant
Rafael Silberblatt, Program Specialist

Katie Gaier, Human Resources Coordinator
Jose Perez, Administrative Assistant
LaWanda Hill, Administrative Assistant
Darlene Jackson, Board Clerk

1. **Board Announcements (Discussion)**

There were no Board announcements.

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

There were no public comments.

3. **Report from Executive Officer (Discussion)**
Dawn Weisz, Executive Officer gave the following suggestions for future Board discussion at its retreat:

- Holding a session on accomplishments;
- Strategic planning for the coming year;
- A dialogue on PACE programs;
- MCE expansion;
- Staffing and use of contracting;
- Power purchase strategies;
- CCA agreement; and
- Presentations from other outside parties regarding emerging technologies

Chair Sears asked that staff circulate the list to all Board Members for their input, and Ms. Weisz continued her report:

- Staff is working internally on changes to MCE's Deep Green portfolio, including a transition to use more in-state supply, more renewable technologies beyond wind with solar and shifting to a flat monthly premium. She said this had been discussed by the Technical Committee meeting and will be discussed again during the rate-setting process for next year.

4. **Consent Calendar (Discussion/Action):**
C.1 5.21.15 Meeting Minutes
C.2 Approved Contracts Update
C.3 Policy 012: Dogs in the Workplace

Board Member Lion requested the following amendment to Item C.1:
- Page 15, "...way to use the Tesla car battery to feedback ..."

ACTION: It was M/S/C (Greene/Haroff) to approve the Consent Calendar consisting of Items C.1, as amended, and Item C.2 through C.3. Motion carried by unanimous roll call vote: (Absent: Athos and Wagenknect; Abstain on C.1: Coler, O'Donnell, and Small).

5. **Budget Reports (Discussion)**
A. Preliminary Year End Budget for Fiscal Year FY 2014/15

Michael Maher, Maher Accountancy, said the operating budget numbers are preliminary and overall MCE came close to its budget expectations. He reported an increase in the fund balance of $2.4 million.

The biggest revenue item is electricity sales which came in close to their estimations and about $255,000 under budget.

He reviewed various revenue items, stating the costs of energy came in just slightly over budget, staffing under budget, legal and communications which vary, and their loan item came in slightly over budget due to the costs to move which was anticipated. Operating expenses were where they believed they would end up.

Regarding capital outlay, most costs relate to improvements in the new building. Termination funds from the old lease were intended to cover most of these costs, and debt service was paid on schedule with no variance.

Regarding the energy efficient budget, it has historically been a reimbursement grant. There is a deficit where some of the costs this year were towards granting writing activities which funds can be used for. The local energy development fund is also under budget.

B. Monthly Budget Report for April 2015

Mr. Maher reported that this will be the first month where they have the rate increase beginning in April, with anticipated new targets for revenue. They are close to budget numbers and are currently at 98% of their budget revenues with construction-related expenses which are tapering off.

Regarding debt service, MCE paid off its existing debt ahead of maturity, to which Board Members gave a round of applause.

6. Master Agreement and Confirmation Letter with East Bay Municipal Utilities District (Discussion/Action)

Greg Brehm, MCE Director of Power Resources said in January EBMUD sent to MCE a request for expression of interest in the purchase of renewable energy from two California RPS qualified small hydroelectric facilities for a total of 40 megawatts of capacity. Staff responded to that request and MCE was shortlisted by EBMUD. The item was discussed by the Ad-Hoc Contracts Committee in April and was included in their evaluation of open season offers received. Subsequently, they got approval from the Ad-Hoc Committee to continue with negotiations, which were successfully completed.

Mr. Brehm explained that the contract was based upon an EEI master agreement and renewable energy confirmation letter and that an additional confirmation letter for resource adequacy capacity is still under consideration and may be executed in July. He introduced the newest member of the procurement team; Nick Shah who he said comes from PG&E.

Nick Shah, MCE Power Supply Contracts Manager gave a brief overview of the Pardee Power Plant and Camanche Power Plant purchase details. The Pardee Power Plant's location is within 100 miles of MCE's service territory and the capacity is up to 30 MWs. Expected annual production is between 30,000 and 180,000 MWhs. They expect a dry season this year and because of the generation variability, there is a price differential which he briefly explained noting that anything above 90,000 MWhs will be paid at a reduced renewable energy premium.

Key strengths are that EBMUD has been around since 1923, and this resource adds technological diversity to MCE's portfolio. Mr. Shah said the EEI master agreement is an industry standard contract. The Camanche Power Plant is very similar to the Pardee Power Plant. It is within 100 miles of MCE's service territory, and is not dispatchable, is 10.6 MWs and the annual energy fluctuates with actual water runoff conditions. The pricing is the same and the term is the same 10 years.

Mr. Shah said MCE will have the option of extending up to 6 additional years depending on market conditions and what MCE's portfolio needs are at the time. He then referred to the first graph which shows that they can assume an average of 60,000 MWhs they expect going forward; however, this will vary according to actual precipitation and runoff.

Chair Sears asked Mr. Shah to talk about the chart on the bottom; hydro generation by EBMUD facilities for various years. Mr. Shah said the Board Members will see 12 bars for each facility which indicates each month's generation. There is a huge amount of fluctuation but on average, they can anticipate about 60,000 MWhs.

Chair Sears pointed out that they are in Year 4 of a California drought yet the fluctuation and availability of hydropower is still dramatic. She asked for an explanation of why this is a good resource. Mr. Shah explained there are large capacity reservoirs upstream of these power plants and their operations have an impact on the EBMUD projects. Greg Brehm, Director of Power Resources, added that because these reservoirs have some regulatory constraints on water flows for fish hatcheries and certain requirements for flows. EBMUD also has the ability to operate the plants to take advantage of market prices. Their best forecast will come in March and April of each year and this is when MCE staff will make decisions on taking additional volumes to fill its power portfolio for the year.

Board Member Greene said assuming that the drought continues, in terms of snow melt there was almost none. The 10 year contract is a long time, and he asked to discuss how the contract addresses cost allocation if there is not the water to drive it. He recognized the range of between 30,000 and 180,000 MWhs, but said this is assuming water is going to be present.

Board Member Greene said his other question is that they talk about the percentage of which their overall portfolio will align on this agreement and asked if there is a backup plan in the event they have a lack of available water problems.

Mr. Brehm explained that in their open position with the 30,000 MWhs and they are assuming this is the worst case production even in the driest period. In an average year they get 45,000 to 60,000 MWhs. They are also going out for another 30,000 MWhs from a solar project so this provides a backup plan to the contract. He said there is no cost to MCE if there is no production and MCE simply passes any CAISO revenues generate through the market to EBMUD. The only actual cost is the renewable premium on top of the CAISO revenues so if there is no generation, there is no cost to MCE.

Board Member Lyman said one of the things that came out of the Ad-Hoc Committee was that last year there was a cap on how much they must buy. He asked if Mr. Shah could expand on this. Secondly, he recalled that hydroelectric delivers a specific time of year and he asked if this is when their highest demand is.

Mr. Brehm pointed to the top chart and said the average year of the actual production aligns well with their Marin load profiles. With the addition of Napa, they have a somewhat flatter profile but typically for Marin customers this will match their generation profile.

Regarding the cap, Mr. Brehm said they are concerned with the fluctuation. They specifically negotiated the renewable premium, which is the lowest renewable premium paid to date. When production gets above the 90,000 MWhs mark MCE pays a reduced REC premium on anything above the 90,000 MWhs.

Mr. Brehm added that under the RPS rules, a 10-year contract or longer is considered a long-term contract. They also were afforded some banking flexibility with regard to renewable energy under this contract. So if there are low deliveries one year and then a peak volume the following year with unexpected rainfall, they could have the opportunity to hold the RECs and use them in future years which are the additional benefits of having the contract set up in a 10-year term.

Board Member O'Donnell asked for an explanation of the market index pricing point rule. Mr. Brehm said it is actually tied to a specific nodal price in the ISO, so they are just passing through the revenue which shifts every 15 minutes. MCE holds the revenue for one month because it is variable, and then they pass the revenue on to EBMUD.

Mr. Shah said one other feature not covered in the presentation is any renewable generation that is in excess of 120,000 MWhs per year. He explained that MCE has the option of whether they want to take it or not. This is another way of mitigating the risk of being stuck with too much renewable energy.

Noted Present:
Board Member Wagenknecht arrived and was noted present at 7:30 p.m.

Board Member McCullough asked if "run of river" hydropower is more environmentally preferred as a matter of policy. Mr. Shah said typically a run of river hydro facility would not have the flexibility in terms of real time dispatch or any other services bought from a facility that can respond to real time pricing to dispatch. He would think the dispatch would have more value, but from a green perspective, when getting less than 30 MWs from a hydro facility in California, it is considered RPS eligible, so there is not a distinction there.

Mr. Shah said if the agreement is approved by the Board tonight, EBMUD will sign on Tuesday, June 23, 2015. They are looking to bridge the existing contract, create a seamless transition and continue operating by July 1st.

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

ACTION: It was M/S/C (Lion/Bailey) to approve the Master Agreement and Confirmation Letter with East Bay Municipal Utilities District. Motion carried by unanimous roll call vote: (Absent: Athas; Abstain: Wagenknect).

7. MCE Pilot Residential Battery Storage Program and Electric Schedule PBST: Pilot Battery Storage Tariff (Discussion/Action)

Rafael Silberblatt, Program Specialist, gave a PowerPoint presentation and displayed the new Tesla Powerwall residential battery system which Tesla introduced to the market in April. He said this is big news because traditionally batteries of this kind have not been marketed to the residential sector. Two batteries will be offered; one is a 7kWh battery and the other is a 10kWh battery. The big distinction between the two is how often power can be drawn down from them. The 7kWh battery is warrantied for 10 years and one can charge and discharge it every day. The 10kWh battery is meant for a battery backup in the event of a major outage.

The cost of the battery is approximately $3,000 and customers will need an inverter which will cost about $1,500 as well as installation costs. Therefore, the cost will be approximately $7,000 for customers who don't already have a compatible inverter.

Mr. Silberblatt discussed use of the battery and its ability to power various items. For example, a solar customer could keep themselves powered in the event of a blackout. The battery might be of interest to people who live in remote areas, people who want to go off the grid or people who are concerned about earthquakes or disasters. If someone not in the MCE territory wanted to buy a battery they would need to go through a retailer. This is a value to existing customers where they can purchase batteries at cost with no overhead.

Mr. Silberblatt indicated that MCE staff will alert customers of the availability of the battery, ask for a non-refundable deposit and then once they have at least 20 batteries they would place the order with Tesla. They will also offer customers financing and installation services, and a battery storage tariff wherein the customer will receive either a $5/month or $10/month credit depending on how much of the battery they allow MCE to remotely dispatch. They will operate the battery in certain parameters so as not to violate the warranty and they will be working with third parties to optimize dispatches for MCE's benefit and the customer's benefit.

Regarding next steps, they are working with Tesla on the contract and, once in place, will conduct marketing outreach to customers. Depending on the update they may then target specific demographics.

Chair Sears asked when the batteries might be available from Tesla. Mr. Silberblatt replied that Tesla has indicated the batteries will be available this fall.

Board Member Lion asked if there is anything financially that can be done to better support the program. Mr. Silberblatt said the only solar Time of Use customers are likely to pay back the cost of the battery – assuming they dispatch the battery when rates would be most beneficial to do so. Tesla has estimated it will be a 10-year payback for solar Time of Use customers and they tout the non-economic benefits of the battery for other types of customers.

Board Member Lion asked if MCE dispatch energy from the battery. Mr. Silberblatt said they would work with a third party optimizer within certain parameters but would not use the battery if there was an expected storm that might down power lines or when the grid is down.

Board Member Lion asked if it is possible for people to have an 85kWh battery to use it as an alternative source of energy. Mr. Silberblatt said he was unsure if someone would want to do that because it might drain the battery faster than it was worth and commented that this is 'V to G' or vehicle to grid which is a technology that may be available within the next few years.

Board Member Lion asked if it is the intent to drain the batteries by MCE constantly or only in the event that MCE was running short of power delivery to its customers. Mr. Silberblatt said it is MCE's intent to follow the price and drain them when the grid needs extra power and is willing to pay for it.

Ms. Weisz added that one of the things important to recognize is that this is a pilot and something MCE intends to learn from over the next year. Ultimately, there is going to be a need for flexibility. As more renewables get added to the grid there is sometimes too much power on the grid during the middle of the day but it varies from month to month and day to day. It is not possible for customers to keep up with when are the right time is to use and not use power. If MCE can automate that for them, they will be able to provide real value to the grid, screen out gas emissions, and also provide a small amount of revenue stream for MCE.

Board Member Butt said it is his understanding that they are not intimately connected with an individual user. He asked why it wouldn't make sense to put many together and manage them like that instead of having them located in individual structures. Ms. Weisz said creating a battery system not behind the meter is a different exercise altogether and something they want to explore further.

Board Member Lion asked if there was a limit on the number of orders that can be placed. Mr. Silberblatt noted that at this time there is a limit per the tariff to the first 20 on a first come, first served basis.

Board Member Small asked what would be the case if someone initially allowed MCE to access their battery for 6 months or up to a year and then they decide they would forego the $5/month benefit. Mr. Silberblatt said they would not need to lock into any long-term deal, and he believes it can be month to month. If customers did not like the way it was working they would simply withdraw their request.

Chair Sears said this is exciting pilot program, new technology and a great way for MCE to be able to participate in energy storage. She asked if there were any public comments and there were no speakers.

ACTION: It was M/S/C (Greene/Wagenknecht) to approve the MCE Pilot Residential Battery Storage Program and Electric Schedule PBST: Pilot Battery Storage Tariff. Motion carried by unanimous roll call vote: (Absent: Athas).

8. New MCE Staff Position: MCE Community Power Organizer (Discussion/Action)

Ms. Weisz said in early June 2015, MCE applied the San Francisco Foundation or funding to support a part-time community organizer to help further MCE Community Power's mission. She said the grant was awarded and at the last Board meeting, the Board voted to accept this award. Since that time, staff developed a job description for the position. In doing an internal review of the job description and developing the proposed compensation range, they realized the description was very similar to another part-time job description to provide support to the Community Outreach staff. An internal decision was made to put these two positions together and create one full-time position.

The proposal before the Board is to create a new staff position called "Community Power Organizer". The position would be in place for a year but MCE would advertise it as a temporary, one-year position knowing they need to evaluate it and whether there is a continued need for the position, as well as continued funding for it. This was discussed in their Executive Committee meeting last month and she was available to answer questions.

Katie Gaier, Human Resources Coordinator, commented that one requirement of the position is to be able to speak both Spanish and English which are languages within MCE's service areas and will better serve these communities.

Board Member Greene asked to expand on the increase in pay rate from the $20-$25/hour which the Executive Committee approved and the $27 to $40/hour advertised.

Ms. Weisz said over the last 6 months staff had been seeing a trend that compensation ranges are well below the market. As a result, staff has had to make adjustments and bring people in towards the top of the range. For that reason, they discussed a comprehensive compensation analysis for the agency on a parallel track which is under review currently. In the interim, they want to be sure they are attracting the right candidates for the positions they need to fill so they do not have too much disconnect between positions recruited for on staff and new positions. They looked at the market and existing levels to determine the right range and said the higher end of the range will allow them to bring on a candidate with more experience.

Board Member Coler noted that the San Francisco Community Foundation grant award is only for a year for roughly half of the position. She said MCE has been adding many positions and while she realizes it is only a one-year position it is also hard to let someone go at the end of the year. She questioned if there has been any consideration of hiring a contractor instead.

Ms. Weisz said because this position would be working day to day in the office there are some legal parameters they must follow so it does not appear they are taking advantage of wages, benefits, or not providing overtime for a person who is acting as a staff person. The other thing they have seen is that typically those people working on a contract basis do have to charge a bit higher than staff salaries because they must pay their own taxes and benefits so it is not necessarily a savings. We must make sure it is clearly communicated to the candidate that it is a temporary position and is not planned to continue after the first year.

Chair Sears said she thinks this is a good step forward. It is true that MCE has been adding staff which is positive as this organization was so lean for so long. Adding this position and some of the newer hires is a reflection of how far this organization has come with maturation of their business model. She suggested assessment in a year to determine where they are.

ACTION: It was M/S/C (Greene/Butt) to approve the new MCE Staff Position: MCE Community Power Organizer. Motion carried by unanimous roll call vote: (Absent: Athas).

9. Adjustment to MCE Retirement Plans (Discussion/Action)

Jennifer Dowdell, Consultant, gave a brief staff report, stating that at the last Board meeting, adjustments to MCE's retirement plan, which consists of both a 401(a) defined employer contribution plan, and a 457(b) voluntary employee contribution plan, were discussed. Together the retirement plans total roughly $900,000 and have grown significantly since MCE's launch.

Plan asset growth creates an opportunity to review the plan features and management to determine if MCE is getting the most value from their structure, investments offered to employees, and the administrative platform on which the plans are delivered.

Ms. Dowdell conducted outreach to various large plan providers such as Schwab, Fidelity and Vanguard. Because plans are still individually under $1 million in assets, and because MCE uses a 401(a) plan, the number of options at a reasonable cost, providing the desired level of service, including advisory and educational meetings with employees and management, individual account maintenance, and on-going compliance support is limited.

Staff is recommending that the Board direct the Executive Director to negotiate final contracts with two providers; Genovese, Burford & Brothers to provide financial advisory services and PenServ Administrative Plan Services to provide administrative services. Additionally, staff is recommending that MCE take on the administrative costs of the plan, given it is fairly common for plan sponsors to pay these costs as an added benefit to employees as these costs are relatively small. Ms. Dowdell confirmed with an industry contact, having experience with mid-sized companies and smaller public utilities, that company-paid administration fees are common, but not universal. She added this may be the case because plan asset forfeitures do offset some of these costs, and that based on historical MCE data, forfeitures would have fully covered MCE's administrative costs if the agency had chosen to pay these in the past.

In the packet is a summary of costs and benefits. The recommended administrator, PenServ, has an annual cost of $5,850 and they dropped this cost in the first year to $4,950. Ms. Dowdell completed discussion of the report and asked for Board questions.

Board Member Lion asked if Ms. Dowdell looked at more than two administrators and two investors. Ms. Dowdell said yes. However in terms of receiving proposals, one factor was the small size and the 401(a) plan, as many administrators deal primarily with large 401(k) plans. One of the three administrators she found who manage non-401k plans deals primarily with schools. The second one, Admin Partners, provided a proposal but did not respond when asked to confirm that pricing was still valid. PenServ was the first choice of both fiduciary advisors MCE considered. PenServ is a national organization focused only on administration. Their platform is very flexible, allowing funds from any institution or broker/dealer to be offered.

Board Member Lion noted that Admin Partners proposal was significantly less expensive than PenServ's. Ms. Dowdell responded that Admin Partners was not responsive to request to confirm their pricing. In addition, Ms. Dowdell indicated she was concerned that all costs may not have been reflected in their proposal. Since they were not responsive when she tried to validate their proposal, she was reluctant to recommend them. She indicated she was most comfortable with the PenServ as they responded each time they were called, 'sharpened their pencil' when requested to reduce costs, and was the first choice of the fiduciaries she spoke with.

Board Member Schwartzman asked if staff contacted any references. Ms. Dowdell said she has a list, but has not gone through them as she was awaiting Board approval and to go through the final contracts process.

Chair Sears asked for public comment and there was none. She thanked Ms. Dowdell for her work on the matter.

Board Member Coler said one of the things the contract is missing are insurance requirements and suggested requiring General Liability and Errors and Omissions, which is not standard in the contract.

Were the Board to approve this, she asked staff to include this provision. Ms. Weisz agreed that staff will follow up and require these insurance provisions.

Board Member Schwartzman questioned administrative costs, and Ms. Dowdell said MCE's cost will increase approximately $3,600 for the financial advisor. Currently, MCE is operating a plan without a third party financial advisor so this is an additional amount for these services. At a certain plan size, over $1 million, the larger plan providers waive administration fees given significant assets. Under the current recommendation as assets increase MCE will pay more fees because MCE does not have $1 million in assets per plan.

Board Member Coler asked if at a time when MCE grows, a clause in the contract could be inserted such that fees would not be charged. Ms. Dowdell said once they get to $1 million, they could look to move to a bundled plan to provide the highest level of service at the lowest cost.

ACTION: It was M/S/C (Coler/Greene) to negotiate agreements retaining two firms to provide administrative and fiduciary services to MCE's retirement plans: Genovese Buford & Brothers as an investment advisor and PenServ Plan Services as administrator. Motion carried by unanimous roll call vote: (Absent: Athas).

10. Energy Efficiency Update and Approval of Energy Efficiency Business Plan (Discussion/Action) (Discussion)

Beckie Menten, Energy Efficiency Director, asked for a moment of silence from everyone to acknowledge the recent tragic events in South Carolina. She said she presented at a CPUC hearing on the MCE low income proposal which was well received at the CPUC.

Ms. Menten updated the Board on energy efficiency, stating that the Business Plan is the result of a lot of work, discussion with the public and staff and advisors of the CPUC. She said MCE has been administering over $5 million worth of programs in its service territory since 2012 and main programs in MCE's Energy Efficient portfolio include multi-family, small commercial, single family utility demand reduction pilot program and four financing pilot programs. Within the small commercial program, MCE is exploring collaborating with the San Rafael Chamber of Commerce and the team plans to provide outreach to other Chamber of Commerce offices, as well.

Ms. Menten discussed MCE's new mobile app which is a feature to save energy; Ms. Menten encouraged Board Members to provide feedback on the tool to ensure that the mobile app can be functional and useful. Their action plan informs people what they can do in their home as well as financing products like PACE programs. It allows customers to also determine which areas of their plans are eligible for financing. They are also excited about an upcoming equipment marketplace in the Action Plan. They can compare things like refrigerator models on line and determine their energy output and identify rebates.

Moving into Energy Efficiency 2.0, she said MCE currently has authorization for $5.6 million for energy efficiency funding programs between 2012 and 2015. However, the CPUC traditionally offers programs on a 2-3 year basis and they are considering dramatic changes and switching to a 10-year funding cycle. This requires a different review and instead of approving each single program they would rather see utilities and administrators come to them with a Business Plan which articulates their long-term vision, strategy and common objectives throughout all programs. The Business Plan is the document that the Commission would vote on. Separately, there are implementation plan documents, as well.

Ms. Menten discussed the need to achieve cost-effectiveness and staff determined it is not possible to achieve cost effectiveness in the small, largely residential service territory as compared to investor utilities unless they have the opportunity to select the most cost-effective programs to combine with the less cost-effective programs first to meet the CPUC guidance.

She presented the Business Plan to Board Members and acknowledged the Potrero Group representatives who assisted in development of the plan. They drafted the content and MCE completed its final formatting.

Ms. Menten said the document will be submitted formally to the CPUC for review and approval which would approve MCE's Energy Efficiency program for the 10-year cycle, and she briefly described components in the Business Plan which seeks to achieve greater integration in energy services delivery. She discussed feedback and lessons learned from workshops held in individual customer regions. In looking at various programs, energy efficiency is often treated as a subsidy based program. Customers want well designed programs and MCE needs to articulate their strategies toward energy efficiency, understand the value proposition of the customer. What MCE found important is a single point of contact or an energy advocate. They serve to recommend a suite of services to customers and facilitate access to programs. MCE has recommended that incentives per measure decline as participation increases and as the program meets certain targets. If the program does not meet targets, MCE can review participation levels and adjust the program goals and costs.

The single point of contact also allows access to multiple program offerings, which Ms. Menten briefly described, stating they want to build on this to offer a suite of opportunities for resource conservation strategies, given the fact that over 10 years they will see dramatic changes.

Ms. Menten said the Business Plan includes a budget break out the first two years and then the third and fourth year, and then the five year summary. For tonight's presentation, she provided the 10-year summary, noting that it averages out to $8 million a year which is a significant increase of what they are offering, but they are also offering a significant increase in the suite of programs offered. Instead of just focusing on multi-family, commercial and single family web based tools, they would like to have a rebate offering for any customer in their service territory.

Chair Sears asked and confirmed that numbers presented in the draft Business Plan do not correctly add up, but they do total correctly in the Business Plan distributed to Board Members.

Ms. Menten described residential programs and the need for MCE to capture cost-effective programs to balance the service territory. She described agriculture programs which though a small proportion of accounts, is very important to the local character. She also noted that building infrastructure is aging and it pre-dates building energy standards, and this serves as an opportunity to focus on building retrofits.

Board Member Coler commented that Western Propane offers many rebates for switching out, and she noted water districts were offering rebates as well. She asked if the single point of contact would provide more opportunities to partner for additional rebates. Ms. Menten said they envision developing this for the programs and finding all funding streams to facilitate access for customers.

Ms. Menten then discussed integration of homes and services and they believe web-based technologies will provide opportunities for this. Regarding multi-family, they want to be able to integrate more with solar providers and electric vehicles.

Board Member Coler suggested staff work to meet with HOA organizations to reach the single homeowners. Ms. Menten said staff currently works with HOAs and individuals where they can.

Ms. Menten said they also want to get as many people on high efficiency electrical equipment so people are not reliant on natural gas. They are looking at heat pump water meters that could be integrated for demand response which can be an alternative to lithium ion batteries. She then discussed key offerings in commercial buildings and said they want to incorporate on-going strategic management with retro-commissioning. Regarding agriculture, they need to tailor offerings by industry and understand individual markets. In order to get an agricultural rate, 70% of on-site use needs to be only agriculture. For vineyards they may have one set of solutions but wineries may have another set, as well as dairies, and this is an area where they see a lot of combination with their commercial industrial programs. They also want to look into offering support for farmworker housing efficiency and transportation benefits.

Regarding the industrial program there are much smaller numbers of these customers but they get much larger savings for these single customers. What is key is a highly customized approach and pay for performance programs will be worked towards their advantage.

Lastly is workforce development. She said they envision a program that helps provide meaningful opportunities for the local community. It helps people get back in the sense of working a full day and staff training and continuing education opportunities that provide a path for people. They also must do demand activities which markets the value of a licensed contractor or a green contractor, codes and standards and it may involve working with jurisdictions and ordinances.

Ms. Menten stated they would like approval of the Business Plan tonight. Following approval, they will move into Implementation Plan development. A draft is currently in place which will be reviewed by the Technical and Executive Committee in early July. After the Implementation Plan is vetted and approved by MCE's Technical Committee and Executive Committee, staff anticipates developing a Motion for Consideration which would request resolution of several outstanding issues MCE raised in a Petition for Modification to the CCA Energy Efficiency Decision which the Commission has yet to consider. Staff requests that the Board delegate authority to approve the Implementation Plans to the Executive Committee. Staff will bring draft plans for review in early July and provide MCE service territories with the opportunity to comment. Comments will be incorporated into final drafts expected in early August.

Chair Sears asked how the Board will know it has fulfilled its Business Plan, and Ms. Menten said the Implementation Plans will provide additional metrics focused on some of the more quantitative and qualitative things they cannot measure, as opposed to energy savings. Participation targets are set in the E3 calculators. They are tied to specific measures and the output of calculators can be reviewed. The calculators help them define participation targets for individual measures which are tied to the incentive levels.

Board Member O'Donnell said an overriding concern of his is whether MCE is reaching for too much. There are extremely ambitious tasks in all categories as well as statements about social justice and workforce integration. He said he would rather see energy efficiency find one avenue it is good at and exploit what it does well over doing a variety of things that does not add up to the level of quality he would rather see.

Ms. Menten said in a very short time, they built a great Energy Efficiency department, have seen a very sharp uptrend in savings they have been able to achieve and strengthened their ability to identify departments to work with to accomplish this work. There is an equal share of internal staff time in external contracting with other stakeholders, as well as ramp up anticipated. This provides a chance to build as they go and get increasing partnerships with high levels of participation. This also allows them to identify a track record and address new areas they have not had much experience in, such as industrial energy programs.

Chair Sears said possibly one of the challenges here is this is a 10-year plan and it is looking at many great ideas. If the Board comes back to the Implementation Plan staff is working on, she asked and confirmed that the plan will have priorities for each year to better focus, given Board Member O'Donnell's concerns. Ms. Menten said the Implementation Plan spells out more specificity and they are avoiding focusing in on one strategy too extensively because customers cannot navigate easily on many programs. Instead, they want to offer measures and focus customers into a strategy that would make the most sense for the customer.

Chair Sears asked Ms. Menten to discuss responsibilities among staff in the department moving forward. Ms. Menten said they have an organization chart contained in the plan for the first two years of the program and the appendix contains subsequent years as they anticipate ramping up. They are also considering contracting externally like a call center that can support certain roles. What is not articulated but would show up in the budget level are the external contracting levels for each program. They also plan to be contracting with community outreach partners as participation increases. They also have a budget for education and training partnerships, with feedback and satisfaction surveys, which she briefly described.

Board Member Coler said placemats are talking about estimated direct implementation incentives and electric savings, etc. She thinks these are broad and she suggested having specific metrics in the Implementation Plan in Year 1. Rather than delegating the Implementation Plans to the Committees, there may be an opportunity for the Board to review this to ensure MCE is meeting those targets. Ms. Menten clarified the Board would see the line item budget details as well as qualitative and quantitative measures. Board Member Coler suggested presenting the metrics at the August meeting and said she thinks the Business Plan has been done very well.

Ms. Weisz said they are at a point where their interests in taking this program to a full scale and much more comprehensive offering is happening to coincide with the CPUC's interest in shifting to a 10-year cycle. It is a unique opportunity and the CPUC is also re-thinking about how they want to think about energy efficiency and demand side services and functions like energy efficiency, battery storage, EV's, and this is very new. Therefore, MCE is in an extremely rare and fortunate position to take advantage of this new thinking of the CPUC. The CPUC is looking for something bold and comprehensive and MCE is ready to take on the programs, even if they are things that PG&E has offered in the past. Their track record has proven MCE can do this and she thinks they have demonstrated they are in a very good position. She would caution against taking a piece meal approach or one step at a time approach because this is not what the CPUC is looking for. She likened the situation to a grocery store that does not only offer a produce section but a variety of things for people to choose from.

Board Member O'Donnell returned to discussion about pro forma evaluation. He understood Ms. Menten's comments to indicate that the way they contemplate the measurement taking place is on a measure by measure basis. There are large numbers of items that are implemented and individual items will be tracked. Ms. Menten clarified that within this document what they see is a high level demonstration of the declining incentives by participation level in a sector by sector way, but this is not actually how they plan on tracking it. They plan on being more aware and looking at measures or bundles of measures and pitting participation targets to those.

Board Member O'Donnell said after the meeting on Monday, Sustainable Marin circulated a suggestion of ten ways they can improve implementation. He asked if these suggestions would be considered in the Implementation Plan. Ms. Menten said yes; some relate to high level strategies for tracking and reporting, but there are many specific strategy items they are already doing.

Board Member McCullough asked if there are any opportunities behind the architecture to find economies or efficiencies in some fashion to partner with PG&E. Ms. Weisz said they have partnered with PG&E in their small commercial program and their goal was to create some efficiency and simplify things for the customer. There are difficulties with that but in her experience in another CCA in Massachusetts is there are a lot of inefficiencies and customer confusion that come from doing that and ultimately they ended up taking up all EE functions in the community and found more success that way. She said in their experience in partnering with PG&E in the past, there has not been an alignment in goals, as they tend to be interested in thinking of less expensive measures rather than measures that should be done at the same time.

Ms. Menten agreed there are challenges in partnering with PG&E, given the incredible number of programs they have in their portfolio. Part of the problem in achieving the deep retrofit programs is PG&E would refer out their HVAC program, or a separate energy management system to a separate program and it goes on and on. So it is difficult to achieve penetration with them that MCE is looking to get at because they have so many silos within their existing portfolio. They are being encouraged by the CPUC in the direction MCE is moving with consolidation on a sector level basis, but she thinks it will be painful to them given their size.

That said there are programs MCE has not proposed to take on that do not make as much sense on a regional level, such as upstream lighting programs, where the investor utility has a consortium that will work directly with the manufacturer to provide a rebate before the light even hits the market. This is more difficult to do in a service territory as discrete as MCE's. She is also waiting to see if they can achieve economies of scale on financing programs and thinks that working with credit driven organizations, better interest rates can be achieved.

Another important component of the draft Business Plan is the opportunity to re-evaluate frequently to determine whether they need to adjust their targets and approach. There is a lot of flexibility that can be made along the way and they may decide on new components or take away components.

Board Member Green asked to define the term "silo". Ms. Menten said the way she envisions silos as having different funding streams, program proceedings and everything that are managed in a completely separate place.

Board Member Haroff expressed appreciation on all of the work done on this. MCE has a real opportunity to do something very bold and that asserts this organization into a leadership role which is an important part of MCE's mission. Prior to making a motion, he cautioned all Board Members to not focus on quantitative metrics and measurements. They are in an early stage and they do not know what those quantitative measurements will be until they actually get into it. They will look to staff to provide guidance on what makes sense going forward and it is the Board's job to provide an oversight role.

Board Member Coler concurred with Board Member Haroff's comments and she suggested staff check in every six months to let the Board know how it is proceeding. Ms. Menten said lastly, they have worked hard to present monthly updates with metrics to the Board and will be providing this on their website and this will continue.

ACTION: It was M/S/C (Haroff/Greene) to approve the 2016 Energy Efficiency Business Plan for submission to the CPUC. Motion carried by unanimous roll call vote: (Absent: Athas).

11. Electric Schedules COM-19-R and COM-20-R (Discussion/Action)

Chair Sears announced that this item will be deferred to a later date.

12. Creation of Ad Hoc Committee on Expansion Guidelines (Discussion/Action)

Ms. Weisz introduced the item, stating this matter was discussed briefly and staff felt it important to have a subcommittee of the Board created to discuss expansion, as they did not want the planned Retreat to dominate the subject. She expects that the committee will meet 2-3 times between now and September, with the meetings lasting 1.5 hours on average at MCE offices and they plan to fit the meetings around Board Member schedules. They cannot have a quorum of the Board or a quorum of any existing committee on the ad-hoc committee. Also, to the extent possible, they would like to offer seats to new members that are not currently on a committee and she suggested nominations.

Board Member Coler asked and confirmed with Ms. Weisz that the Expansion Guidelines Ad-Hoc Committee will discuss if MCE will want to increase its service territory. Yolo County and the City of Davis are both requesting consideration of membership. In addition, there has been a lot of activity in Napa County and a couple of cities received staff presentations and are talking about doing a joint request to keep costs down for their individual communities. They do have an expansion policy in place which states the Board is supportive of incremental expansion to increase the amount of GHG reductions that can be accomplished within some parameters. The policy delineates two types of membership types; the affiliate membership which are communities with a customer base of 40,000 or less and are within 30 miles of the existing jurisdiction. There is an affiliate member process, as well, which new members went through. Also to be discussed is a process for agencies further than 30 miles outside their jurisdiction or with a customer base of more than 40,000 customers.

Chair Sears asked for nominations and Board Members Coler, Wagenknect, McCullough, Lion, and Withy all volunteered to serve on the Ad Hoc Expansion Committee.

ACTION: It was M/S/C (Wagenknect/Greene) to appoint Board Members Coler, Wagenknecht, McCullough, Lion and Withy to the Expansion Guidelines Ad Hoc Committee. Motion carried by unanimous roll call vote: (Absent: Athas).

13. Board Member & Staff Matters (Discussion)

Chair Sears called attention to the Board packet which contains a regulatory summary which has great graphics and a legislative summary, the format of which is very helpful.

Ms. Weisz reminded the Board that July's Board meeting is canceled. She said the Technical and Executive Committee July meeting agendas will only contain a discussion on energy efficiency and in August the committees will consider approving Energy Efficiency Implementation Plans, along with a couple of other items. The Board will reconvene together in August on the 20th, and the Retreat will be held on September 17, 2015.

Board Member Butt announced that he spent the afternoon at a pre-U.S. Conference of Mayors' Session called the City's Climate Action Dialogue. He bestowed the virtues of CCA's in general and MCE in particular which was well received.

14. Adjournment:

The Board of Directors adjourned the meeting at 9:41 p.m. to the next regular Board meeting on August 20, 2015.

Kate Sears

Kate Sears, Chair

APPROVED

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Attest:

Dawn Weisz

Dawn Weisz, Secretary