

SONOMA CLEAN POWER -- BUSINESS OPERATIONS COMMITTEE

Record of Proceedings for October 25, 2013

Attendance: All committee members present; Geof Syphers as staff; 7 members of public

BOC Actions:

-- Meeting called to order by Chair Briski at 8:35

-- By Committee consensus, CM¹ Gogna appointed take "summary notes" of BOC² meetings in format approved by Committee; draft notes to be sent to Chair and CEO

-- By Committee consensus, Chair Briski designated as "liaison" to SCP Board and will attend SCP Board meetings to represent BOC; Chair may delegate liaison responsibility to another CM, in the Chair's discretion, from time to time

-- By unanimous vote, following motion and second, CM Mattinson designated as "liaison" to Ratepayer Advisory Committee

-- By unanimous vote, following motion and second, meeting adjourned at 11:33

BOC Recommendations to SCP Board:

-- None

¹ CM denotes "Committee Member"

² BOC denotes "Business Operations Committee"

BOC Meeting Minutes for October 25 Committee Meeting

1. Committee member introductions and discussion of responsibilities

CMs, Chair Briski and CEO Syphers did brief self-introductions, including educational and professional backgrounds, personal goal(s) for BOC and personal working styles. Potential goals for BOC activity included the following:

- Relieve SCP Board of some operational responsibilities (e.g., review and oversight of contracts, including contract negotiations, power purchasing strategies, etc.)
- Scheduling (including assessment of risk and cost associated with schedule delays),
- Identify opportunities to provide input and help shape overall approach and strategies for Phase II implementation.

Committee discussed protocols for holding and conducting BOC meetings, including protocols for interaction with SCP Board. Options discussed included: (1) having all communications and recommendations to SCP Board be directed through CEO Syphers; (2) having all recommendations to SCP Board be in written form; (3) designate a CM to serve as a liaison to the Board and be available at all SCP Board meetings; (4) request that SCP Board designate a liaison to BOC to attend all BOC meetings and report back to the Board. Following discussion, Committee consensus was to appoint a liaison (Chair Briski). BOC liaison will attend SCP Board meetings and participate in the presentation of materials and be available to answer questions.

BOC consensus was that all recommendations to SCP Board (e.g., contracts, budgets, etc.) be adopted by formal action (motion) and be forwarded to the SCP Board in written form. BOC activities should be included as part of regular staff reports that are prepared for the SCP Board. Decisions for which a BOC vote is taken that are forwarded to SCP Board should include rationale for any dissenting votes.

A discussion took place regarding how to accomplish committee work between BOC meetings while avoiding Brown Act issues. Committee consensus was that work done between meetings by any CM should be directed to, and coordinated through, CEO Syphers to avoid "serial meeting" problems. CEO Syphers indicated that Committee Counsel Shupe will provide training to BOC on some legal issues, including the Brown Act.

CEO Syphers expressed preference "to drive BOC agenda preparation", subject to input from CMs. CEO Syphers discussed future meetings schedule. The next meeting will be on Tuesday, Oct. 29th, from 9:00 - 11:00 and will focus on reviewing the form of power purchase contract and contract for data management services. Draft versions of those two contracts have been prepared with significant input from SCP consultants, including SCP special counsel, and from potential bidders. CEO Syphers will circulate a tentative BOC meeting schedule following the next SCP Board meeting (Nov. 7). CEO Syphers does not anticipate a need for another BOC meeting until early December.

Discussion regarding the interaction between BOC and Ratepayers Advisory Committee. Consensus formed around "liaison" concept, with each committee designating one of its members to serve as a "liaison" to the other committee. The liaison role will include attending the committee meetings of the other committee or ensuring that another CM attends. CM Brophy and CM Mattinson expressed interest in serving as liaison to the Ratepayer Advisory Committee. Following a brief discussion, a motion and second, CM Mattinson was selected to serve as liaison to the Ratepayer Advisory Committee. CM Brophy offered to attend Ratepayer Advisory Committee meetings if CM Mattinson was unable to do so. CEO Syphers indicated that SCP Board and both advisory committees will receive copies of each bodies agendas prior to a meeting.

Chair Briski suggested that at a future meeting (Jan. or Feb. of 2014) should include a discussion of topics for BOC responsibility to consist of a brainstorming session to identify opportunities for BOC focus and possible recommendations to SCP Board.

Public comment on the first agenda topic was received from Dick Dowd, Bob Williamson (not speaking on behalf of, nor representing, the Ratepayer Advisory Committee), and Woody Hastings. Comments were addressed to (1) the importance of the role of the BOC in terms of making SCP a successful business; (2) the extent to which BOC will review and comment on marketing and educational efforts and materials; (3) suggestion that BOC be a "leading edge" policy formulator that brings forward new ideas and concepts to SCP Board; and (4) request for clarification on degree to which BOC will get involved in both energy demand efficiencies as well as local renewable generation.

2. Discussion of contracting process for power supply agreements and data management services.

CEO Syphers identified the contracting process to date, including team members: Steve Hall, Esq. (Troutman and Sanders), John Dalessi (Dalessi Management Consulting), Kirby Dusel (Paradigm Energy), Steve Shupe (SCP General Counsel) and Geof Syphers (Interim CEO). The current status of the contract for data management services is final bids are due from bidders on October 25. The current status of the contract for power supply is the draft agreement is being put into final form for review. Draft versions of both contracts, along with a "summary objectives cover sheet", will be sent to BOC sometime on October 25. SCP will be starting the contracting process from two points that have been tried and tested in the market. One starting point (for the energy supply agreement) will be the form of Master Power Purchase and Sale Agreement from Edison Electric Institute. It has been used for years as an industry standard and contains the standard terms and conditions for power purchase agreements. The second starting point will be documents used by the Marin Energy Authority for its Community Choice Aggregation program.

CEO Syphers explained that because SCP has no assets and no credit, it will be using a secured account (or "lock box") structure of financing, a system that involves a bank, the energy supplier and SCP. Under the secured account process, the energy supplier has a "first priority" status over funds that are held by the bank in the secured account.

CEO Syphers suggested that BOC would be most productive by focusing its review of the contracts on the how the agreements achieve the agency's goals.

In response to a question from CM Brophy, CEO Syphers explained the structure of the initial three-year power purchase contract with the contract calling for a higher percentage of forecasted demand to be delivered in the first year and decreasing percentages for each of the next two years. The contract also allows SCP to "replace" contracted power with "local, renewable" energy. The selected energy supplier will also be providing SCP with scheduling services. An overall goal of the power purchase program is to achieve rate stability.

[Note: At 11:10 a.m., CM Davitian left the meeting and returned at 11:12 a.m.]

In response to a question from CM Davitian, CEO Syphers said that SCP will be contractually obligated to "take" the amount of power to be delivered. However, the estimates used for generating demand forecasts are "very conservative". The financial model used generously assumed 25% of customers will opt out of the program and stay with the current service provider. In addition, SCP is only contracting for 90% of the forecasted load for the first year. Finally, the energy supplier will be obligated to re-market any excess power that is purchased but not needed.

CEO Syphers indicated that BOC will receive a description of the tasks to be performed in evaluating and commenting on the two forms of contracts along with criteria and parameters for evaluating and commenting. This information will be sent when the agenda packet materials are sent out later today.

Public comment on the second agenda topic was received from Dick Dowd, Bob Williamson (not speaking on behalf of, nor representing, the Ratepayer Advisory Committee), Shirley Bennett, and Woody Hastings. A concern was expressed about the potential for "buyer's remorse" and damage control efforts over the course of the next three years. BOC recommendations need to include energy conservation opportunities. A request was made for further clarification of "category 3 renewable energy credits", and CEO referred the requestor to SCP's website (FAQ's).

Finally, a comment was offered on a recent CPUC decision that includes storage as a component of resource adequacy.

CEO Syphers responded to a final question regarding the availability of materials being distributed to BOC. All such materials will be posted on SCP's website when they are distributed to Committee members.

Meeting adjourned by Chair Briski at 11:33.