

***SONOMA CLEAN POWER -- BUSINESS OPERATIONS COMMITTEE
(BOC)***

Record of Proceedings for October 29, 2013

Attendance:

All committee members, Interim CEO Geof Syphers, SCPA Counsel Steve Shupe, consultants John Dalessi and Kirby Dusel, and 10 members of public were present.

BOC Actions:

- Meeting called to order by Chair Briski at 9:04

- By unanimous vote, following motion and second, approved form of energy supply agreement and data management services agreement, substantially in the forms presented for review (see "BOC Recommendation to SCP Board", below)

- By unanimous vote, following motion and second, approved meeting minutes of October 25, 2013 with minor amendments

- Following motion to adjourn and second, meeting adjourned at 11:18

BOC Recommendations to SCP Board:

- The recommendations are being made with the following qualifications:
 - The BOC had the majority, but not all, of the documents related to contracting energy supply and data management services before the meeting,
 - Limited time was available to study related documents before the meeting and to discuss and ask questions during the meeting.
 - No issues of substance were identified.
 - The BOC questioned the technical experts and CEO to better understand their expertise and feels they have excellent qualifications. The recommendation to approve the agreements relies on this in large part.

- Approve form of power supply agreement, including all exhibits and sub-agreements, in a form substantially similar to that presented to the Committee for review, with changes as deemed appropriate by staff following comments from Committee

- Approve form of data management services agreement, including Exhibit A and Addendum for Data Management Service, in a form substantially similar to that presented to the Committee for review, with changes as deemed appropriate by staff following comments from Committee

Items for Future BOC Consideration:

- Consideration of issues relating to customer service functions, particularly an internally-staffed customer call center, including the timing of a transition from contracted service
- Interaction with Ratepayer Advisory Committee and rate proposals
- Discuss appropriate level of detail in meeting minutes

BOC Meeting Minutes for October 29 Committee Meeting

1. Introduction of Consultants and proposed timeline for agency actions

Steve Hall, Esq. (Troutman Sanders LLC) -- dedicated practice in power and energy fields; advised on form and substance of draft agency contracts

John Dalessi (Dalessi Management Consulting) -- has worked in power/electricity/energy field for over 20 years with last 10 in a consulting role, including community choice aggregation programs and power purchase contracts; assisted in formation of Marin Energy Authority with a primary focus on resource adequacy, power supply and financing.

Kirby Dusel (Paradigm Energy) -- Has worked for over 13 years in the electric utility industry, including administration of power purchase contracts; served as a lead technical advisor to the Marin Energy Authority.

CEO Syphers indicated that staff intended to take the form of the two contracts being considered to SCPA Board on November 7 along with recommendations from this Committee. Staff will be seeking Board authorization to execute a power purchase contract within 24 hours of receipt of "price bids". Executing a power purchase contract beyond a 24-hour "hold" period requires the payment of significant premiums.

2. Discussion of proposed form of Master Power Purchase Agreement

CEO Syphers explained that the form of power purchase contract distributed to the Committee for review consisted of five agreements, all of which were distributed as a "package". Mr. Dalessi explained that the "Confirmation" document contains most of the commercial terms of the purchase transaction while the Master Agreement contains "industry-standard" terms and conditions. Category of products to be purchased are energy, renewable energy resources and capacity; purchases will be for fixed prices and fixed volumes, with a built-in opportunity to adjust volumes. Any adjustments in volumes will be at "then current" market prices. Purpose of finalizing power purchase contract is to provide four prospective bidders with one set of specs.

In response to request from CM¹ Davitian to identify differences between the SCPA draft agreement and the Marin Energy Authority power purchase agreement, Mr. Dalessi explained

¹ CM refers to BOC Committee Member

that a primary difference was that the MEA agreement has a five-year term for energy purchases; SCPA is proposing a 3-year term. There is a significant premium associated with a term beyond three years. Another difference is that the SCPA draft agreement specifies declining volumes to be delivered over time, the intent being to allow for purchase transactions from local generation sources within the 3-year term, if feasible. A third difference between the SCPA draft agreement and the MEA purchase contract is that SCPA negotiated for a 2-month lag between actual purchase/delivery and payment, which is approximately how long it takes for customers to receive and pay their energy bills. The MEA contract has only a 1-month lag. This change results in SCPA being able to carry a significantly reduced loan.

CEO Syphers explained the financing portion of the power purchase agreement, which uses a "lock box" structure (similar to what was used in Marin County). This form of security is used in lieu of more traditional types of collateral (e.g. letters of credit, cash, etc.) and is particularly helpful for a start up entity (such as SCPA) that has no established credit or track record. Contract will specify minimum reserve amount to be kept in a secured account that will be available to the supplier as additional security.

In response to a question regarding phasing of program implementation, CEO Syphers explained that Phase 1 (currently planned for May, 2014) is anticipated to serve about 20,000 primarily commercial customers, with some residential customers. Phase 2 (currently planned for early 2015) and Phase 3 (currently planned for around the beginning of 2016) are each expected to serve an additional 60,000 customers. Selection of Phase 1 customers will use current PG&E "account types". Selection of Phase 2 customers will be based on (1) location within participating cities, and (2) usage and payment profiles. Community Choice Aggregation legislation allows for "phasing", as long as service is made available to residential customers.

There was a detailed discussion regarding the use of renewable energy credits ("RECS") as part of program flexibility to generate revenue, including the relationship between purchasing RECS (or a supplier providing RECS to SCPA in lieu of actual renewable energy) and how SCPA would then acquire the necessary power. It was explained that the RECs will appear as a separate line item in the contract pricing so it can be used in decision-making regarding trade-offs between how much is being spent on RECs versus non-renewable energy can be made. Mr. Dusel explained that "unbundled" RECs (the environmental attributes of the renewable energy separated from the actual energy generated) are less expensive than "bundled" RECs (those that pair the environmental attributes with the energy generated).

Public comment was received on the form of power purchase contract from the following individuals: Dick Dowd, Woody Hastings, Alan Strachan, and Margaret Spaulding. A suggestion was made that SCPA consider including SCPA Board and Committee members as part of the Phase 1 customer population. Clarification was requested regarding the difference between the "Confirmation" form and the "Confirmation Letter". In response to a question as to where e-mails with additional comments should be sent, CEO Syphers said that e-mails with additional comments should be directed to him. Staff confirmed that the current plan allows for a customer to purchase "100% green" energy in Phase 1. A suggestion was made that the Committee address opportunities for providing financing for energy efficiency programs (like

current SCEIP program). A comment was made that the current plan provides no incentive for those customers who are already "totally green" to become customers of SCPA.

3. Discussion of proposed form of contract for data management services.

Mr. Dusel described the services to be provided under this contract. The data management services provider will provide the data interface between SCPA, PG&E, CAISO and customers and will be responsible for customer relations. A discussion followed regarding the timing of SCPA staffing the call center and it was decided that this topic should be a future agenda item.

CM Mattinson questioned "excess labor rate" (\$150 per hour) for services beyond those described in contract, suggesting that it is more typical to see tiered labor rates, depending on the type of services required. Staff response was that the type of "excess labor" that is contemplated is "senior technical services" and that proposed rate was reasonable for those services.

CM Gogna inquired about mutual indemnification for a consulting contract. Staff and consultants explained that this was a point of discussion and negotiation with potential bidders. Agency counsel Shupe felt that mutual indemnification was fair, given that the data services vendor would be dependent upon information from SCPA. CM Brophy questioned whether policy limits of \$1 million was adequate for professional liability insurance. Staff responded that liability limits was a "heavily negotiated" issue and that \$1 million in coverage seemed adequate.

There was Committee discussion regarding how to proceed with recommendations to SCPA Board on the two forms of contract, given the limitations of time constraints and information that was not available for the Committee to review. CM Davitian suggested that staff identify the following for SCPA Board as being qualifying factors on the Committee's recommendations:

1. Identify information that the Committee did not have and didn't review
2. Time constraints limited Committee's ability to accomplish a more thorough review
3. Committee received a fairly thorough description of the process used in drafting the two agreements, an overview of the structure of the agreements, the key points of negotiations, an explanation of differences between these agreements and the corresponding MEA contracts, and adequate responses to questions that were raised, many of which were for "clarification".

There was Committee consensus that this was a fair description of qualifying factors to be forwarded to SCPA with the Committee's recommendations. There was also consensus to have a further discussion (at a future meeting) on providing a locally-staffed customer service capability, although this is not a "focus" initially.

Public comment was received on data management services contract from the following individuals: David Keller, Margaret Spaulding, Alan Strachan. A comment related to making internal staffing for the customer call center a priority; it was suggested that SCPA provide "supervisory support" to this service. CEO Syphers indicated that SCPA would monitor and oversee the call center function and that SCPA staff would be available for responding to questions that the vendor could not address. It was also suggested that future contracts be distributed with sufficient time to allow Committee to undertake "due diligence" in performing the review function, as that it should be a priority to develop a "contract review" process.

A question was posed as to whether the call center would include Spanish-speaking capability. Staff responded that Spanish-speaking capability was included in the contract, as well as the ability to provide assistance in other languages through an AT&T translation service that will be used by our contracted data services company.

It was suggested that the Committee give consideration at a future meeting to the topics of resource adequacy and capacity and how those factors impact rates.

CM Davitian pointed out that the Committee had 99% of the contract materials to review prior to the Committee meeting.

There was no public comment on non-agenda items.

Meeting adjourned by Chair Briski at 11:18.