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50 Old Courthouse Square, Suite 605
Santa Rosa, CA 95404

**Sonoma Clean Power Authority
Joint Meeting of the Ratepayer Advisory Committee
and Business Operations Committee
Meeting Minutes
May 15, 2014**

I. CALL TO ORDER:

Meeting called to order by RAC Chair Dick Dowd at 9:04 A.M

Committee Members Present:

RAC Members: Dick Dowd, Margaret Spaulding, Chris Romo, Tim Holmes, John Parry. (RAC members Susan Amato and Bob Williamson absent with notice.)

BOC Members: Susan Briski, Mike Gogna, Paul Brophy, Harry Davitian, and Bill Mattinson

Staff/Consultants Present: CEO Geof Syphers, Executive Assistant Stephanie Reynolds, Kelly Foley, Regulatory Director, Kirby Dusel and John Dalessi of Pacific Energy Advisors.

II. JOINT MEETING CALENDAR:

1. *Legislative update on AB 2145 (Bradford). (CEO Syphers, Regulatory Director Foley)*
Discussion on the genesis of AB2145 and what impacts to California CCAs there would be if the legislation passes as it is currently written. Some key issues to CCAs include the change to an opt-in program instead of an opt-out program and the requirement to provide customers with a 5-year rate analysis and the use of renewable energy credits. The opt-out provision is the only collateral that new CCAs would have when purchasing power. Kelly Foley reported on work being done to defeat the bill includes working with other organizations, such as CPC and LEAN, meetings with legislators and she is hoping to defeat the bill in the Senate.

Kelly Foley will be sending an article to committee members that explains renewable energy credits (RECs), which are another aspect addressed in AB 2145.

Public Comment: Art Deicke

2. *Business Operations Committee recommendation on proposed contract for power market services with Pacific Energy Advisors. (CEO Syphers, John Dalessi and Kirby Dusel from Pacific Energy Advisors)*

RAC member Tim Holmes recused himself from the meeting due to a possible conflict of interest (9:37 A.M.)



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CEO Syphers recapped the proposed contract, including changes suggested by the committees and Board at prior meetings. A key change includes a shorter termination period, from six months to three months. The overall price has not changed but is now at a flat dollar-per-month rate.

Comments received from the RAC members: Parry, in support of contract; Romo, concerned about cost, but feels contract is necessary so no overall objection; Spaulding, no objection; Dowd, discussed sole-source contracting vs. the RFP process. As SCP is in start-up phase with limited staff, sole-source contracting is appropriate at this time. CM Amato sent comments through CEO Syphers expressing her concerns about not using a competitive process. A letter was received from June Brashares, which was distributed at the meeting, which echoed the sentiment regarding concerns about not using a competitive process.

Comments from the BOC: Bill Mattinson echoes the concern about not following a competitive process and remaining transparent and open to the public. Questions regarding some language in the contract and the need to include a timeframe to go out to RFQ/RFI or similar process to do a comparison of rates and services. CM Davitian also expressed concern regarding public perception of sole sourcing. He also stated that due to the specific circumstances with SCP during startup, he did support the current contract. Discussion on fee payment schedule based on power usage. CM Davitian also suggested waiting approximately two years before going to RFP may be an appropriate time period. CM Brophy would be more in favor of restricting the length of the contract and going out to RFP. He suggested going to RFP after full phase roll-out, whenever that time occurs, to keep in mind the best interests of SCP during that time period. Regulatory Director Foley reminded that time periods may need to be adjusted based on the outcome of AB 2145. CM Davitian noted that the time period from beginning of an RFP process to complete transition would need to be taken into consideration when establishing a time to go out to RFP. CEO Syphers noted that the comments and suggestions made at the last meeting have been integrated into the current contract. He also noted that a main point of the discussion, setting a point in time to research alternatives and/or go out to RFP, has been noted by staff. John Dalessi noted that a determined point of time is necessary for PEA's own planning with regards to staff and workflow. CM Gogna commented he has confidence that staff has performed due diligence on its statements, the value is not in question and the experience of PEA warrants a sole source contract at this time. He also noted that alternatives should be discussed within one year.

CEO Syphers stated that SCP staff is always open to alternatives and new ideas. CM Gogna also asked for clarification on how to satisfy the requirement of the BOC to review contracts without seeing the draft contract. CEO Syphers stated the only changes from the current contract have been noted and discussed. Chair Briski inquired into the risk to the contract as proposed if a time period shorter than 3 years, such as 2 years, was considered. CEO Syphers and Regulatory Director Foley



stated it was not appropriate to discuss this due to confidentiality. Discussion on holding a BOC meeting prior to the next Board meeting. CEO Syphers stated that due to time constraints, another meeting is not possible before June 5th. Discussion continued as to whether or not the meeting can be held immediately before the June 5th Board of Directors meeting.

RAC Chair Dowd commented on the fact that the negotiations have already occurred and previous BOC recommendations were acknowledged and integrated into the contract. He suggested that the BOC members need to vote on the current 3-year contract as presented and move forward with a renewal or RFP process in the future.

Conclusion of the discussion included direction to staff to return to the BOC in approximately one year to research PEA performance and consider alternatives such as an RFI or using in-house staff.

Public Comment: Art Deicke, June Brashares

Chair Briski asks for a vote to recommend contract as stated with direction to staff to return to the BOC within a year to review PEA performance and look at alternatives.

Vote results (no motion made): BOC 5-0-0

CM Holmes returned to meeting prior to Item #3.

3. *Ratepayer Advisory Committee (RAC) and BOC recommendation on policy governing the use of excess income for operating reserves, debt repayment and establishment of a project fund. (CEO Syphers, Regulatory Director Foley)*

Discussed the policy and that it is intended as a guide to SCP on how to use surplus income. The policy was developed using input from both the RAC and BOC, as well as the Board of Directors.

BOC Comments: CM Davitian asked what occurs when the 50M mark in reserves is reached and debt is repaid. CEO Syphers stated that the surplus would continue to go to reserves. Clarification needed in language. CM Davitian opposes to SCP taking on capital investments and the risk connected to those types of investments. He also objected to the setting up of a fund for projects and suggested a 50/50 split between operating reserves and debt repayment. CEO Syphers stated that the project fund does not limit spending to capital projects. The JPA states that SCP is to provide local support of renewable energy and job creation on renewable energy projects. CEO noted the intent of the project development fund would be to support the construction of renewable energy in Sonoma County, but does not state that SCP would own any part of the project(s). He stated that he will add clarification on the fund in the upcoming board packet. CM Brophy suggested changing the term "project development fund" and suggested having surplus kept



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in the operating reserves to allow for flexibility. CM Gogna questioned the language of the resolution. CM Brophy requested clarification on how reserves are built into rates. CEO Syphers clarified the minimum to be put into reserves is set at 1.5%, with any changes to be authorized by the Board. He will also be adding clarification in the policy stating where surplus funds will go when there is no remaining debt to be repaid.

RAC Comments: CM Spaulding stated the public perception is that helping fund local projects is a priority for SCP and supports the policy. CM Romo supports the idea of funding local city, school, or low-income projects with reserves. CM Holmes agrees with the term project development fund and would like it to stay in the policy. CM Parry stated that the measure of SCP's success is not how much money can be made, but how much we can contribute to greenhouse gas reductions. Chair Dowd is satisfied with the policy as written.

Public Comment: June Brashares

RAC: Motion by Tim Holmes to approve policy with minor clarifications, without substantial edits.

Seconded: CM Parry

Motion Carried by the RAC: 5-0-2 (Williamson and Amato absent)

BOC: Discussed not voting.

Public Comment: None.

Motion by BOC Chair Briski to approve policy as-is with the intent to better define the project development fund and how to administer the fund.

Seconded: CM Mattinson

Motion not carried: 2-3-0 – Ayes Briski, Mattinson No - Gogna, Brophy, and Davitian

Motion by CM Brophy to approve surplus income to go to operating reserves and debt repayment but not the project development fund. Further details will be submitted to the Board of Directors.

Seconded: CM Gogna

Motion passed 4-1(Mattinson)-0



4. *RAC and BOC recommendation on proposed changes to CEO contracting authority. (CEO Syphers)*

BOC Comments: Question from CM Davitian regarding language on expenditures. CM Brophy requests future revisions coming to the BOC (on any items) be in redline. CM Gogna is not comfortable with the limit of 5M for contracts for power. Clarification by CEO Syphers on why additional power would be needed. If participation rates are higher than expected, then additional power would need to be purchased. Chair Briski did not express concerns.

RAC: No comments

Public Comment: None.

RAC: Motion to approve proposed changes to CEO contracting authority by CM Spaulding.

Second by CM Romo

Motion carried 5-0-2 (Williamson and Amato absent)

BOC Motion to approve by Chair Briski

Seconded by CM Davitian

Motion Carried 4-1(Gogna)-0

5. *BOC recommendation on amended contract with revised scope of work and budget for professional services from the Sonoma County Water Agency. (CEO Syphers)*

CEO Syphers stated there were no modifications from the last version. Staff was directed by the Board of Directors to be open to an increase if needed.

BOC Comments: CM Davitian questions the need to use Water Agency staff instead of SCP staff and consultants for work. CEO Syphers reviewed the Water Agency staff's history working on energy issues.

Public Comment: June Brashares

Motion to recommend the amended contract to the Board of Directors: Chair Briski



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Second by: CM Davitian

Motion Carried: 5-0-0

6. *RAC and BOC recommendation on proposed annual budget for Fiscal Year 2014-15 to include budget cap on proposed feed-in tariff program expenses. (CEO Syphers)*

Chair Dowd discussed the budget and how staff has included recommendations from the BOC, RAC, and Board in the draft budget. No other comments from the RAC.

BOC Comments: Chair Briski requests more time to review the FIT proposal. CEO Syphers stated the budget shows an illustration of what the program may be. A detailed proposal would be brought to the committee for discussion. CM Gogna noted that there will be a link between budget and rates in the future and appreciates the change. CM Brophy would also like the NEM and FIT programs listed as line items. He also suggested removing calculations on the footnote on the emissions factor. CEO Syphers suggests removing the footnote to avoid confusion. CM Davitian questioned why debt repayment and reserves are not listed on the budget. CEO Syphers stated the amounts are not listed because they would have to be determined on a forecast basis.

Public Comment: Art Deicke

RAC – Motion to approve draft budget as submitted by CM Spaulding.

Seconded by CM Romo

Motion carried: 5-0-2 (Williamson and Amato absent)

BOC – Motion by CM Gogna to recommend to the Board to adopt the budget as submitted.

Second: CM Davitian

Motion carried: 5-0-0.

7. *Form ad hoc committee of the BOC to review Phase 2 power supply negotiations, pending delegation of that authority from the Board of Directors. (Chair Briski, CEO Syphers)*

This item anticipates that in time the Board would delegate more authority to the BOC. This Ad Hoc, subject to the Board's authority, would replace the previous Ad Hoc, which was made up of Board members, to be available for and assist in Phase II power negotiations. This would be made up of two committee members and



those members would need to be under a legal requirement to keep negotiations confidential.

(12:10 P.M., CM Spaulding left meeting.)

Public Comment: None

Paul Brophy and Bill Mattinson both self-nominated to serve on the committee.

Motion by CM Gogna to have CM Brophy and CM Mattinson to serve on the Ad Hoc Committee to conduct the preliminary preview of Phase II negotiations.

Second by: CM Davitian

Motion approved 5-0-0

8. *Review of RAC and BOC Duties and Powers.*

This item was tabled at the request of Chair Dowd, in the interest of time.

9. *Establish dates for future committee meetings.*

Secretary Reynolds to distribute confirmed future meeting dates via email.

10. *Approve minutes of April 23, 2014 joint RAC and BOC meeting.*

RAC – Motion to approve minutes with minor corrections by CM Romo

Seconded by CM Holmes

Motion carried: 4-0-3 (Amato, Williamson, and Spaulding absent)

BOC – Motion to approve minutes with minor corrections by CM Davitian

Seconded by CM Brophy

Motion carried: 4-0-1 (Gogna abstained)

III. Public Comment on Matters Not Listed on the Agenda:

No public comment.



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IV. Adjournment: 12:23 P.M.

Respectfully submitted,

Stephanie Reynolds
Executive Assistant, SCP