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BOARD OF DIRECTORS MEETING MINUTES

November 19, 2020 -Thursday, 3:30 p.m.

Notice of this meeting was posted on November 16, 2020. Chair Austin Allison called a regular meeting of the Board of Directors of the Redwood Coast Energy Authority to order on the above date at 3:33 p.m., stating that the teleconference meeting was being conducted pursuant to Brown Act waivers included in Governor Newsom's COVID-19 State of Emergency Executive Order N-29-20 of March 17, 2020, and the Humboldt County Health Officer's March 30, 2020, Shelter-in-Place Order. Chair Allison stated that the posted agenda contained public teleconference meeting participation instructions.

PRESENT: Chair Austin Allison, Chris Curran, Dean Glaser, David Grover, Frank Wilson, Alternate Director Mike Wilson, Michael Winkler, Sheri Woo. ABSENT: Stephen Avis, Vice Chair Estelle Fennell. STAFF AND CONSULTANTS PRESENT: General Counsel Nancy Diamond, Power Resources Director Richard Engel, Executive Director Matthew Marshall, Community Strategies Manager Nancy Stephenson, Board Clerk Lori Taketa. OTHERS PRESENT: Consultants Dr. Erick Eschker and Dr. Will Fisher.

REPORTS FROM MEMBER ENTITIES

Director Winkler reported that the Arcata City Council directed the Energy Committee to investigate implementation of mandatory all-electric construction.

ORAL COMMUNICATIONS

Chair Allison invited public comment. No member of the public came forward to speak or submitted public comment. Chair Allison closed the public comment period.

CONSENT CALENDAR

3.1 Approve Minutes of October 22, 2020, Regular Board Meeting
3.2 Approve Disbursements Report.
3.3 Accept Financial Reports.
3.4 Accept Staff Report on Adjusted RCEA Power Generation Rates, Maintaining the Previously Approved 1% Discount Relative to PG&E's Generation Rates, Effective October 15, 2020.
3.5 Approve Selection of Aiqueous to Provide Database Development and Operation Services to RCEA for an Amount Not to Exceed $250,000 Through June 2023, and Authorize the Executive Director to Prepare and Execute a Professional Services Agreement with Aiqueous for These Services, and All Applicable Documents, Including Contract Extension Provisions.

Director Woo requested that item 3.3 be removed from the consent calendar. There was no public comment on consent calendar items.

M/S: Grover, Woo: Approve all consent calendar items except item 3.3.

The motion passed with a unanimous roll call vote. Ayes: Allison, Curran, Glaser, Grover, F. Wilson, M. Wilson, Winkler, Woo. Noes: None. Absent: Avis.

REMOVED FROM CONSENT CALENDAR ITEMS

To Director Woo's inquiry about the profit and loss statement's 444% reported net revenue, Executive Director Marshall explained that the CCE program's strong revenue numbers for 2020 are forecasted to be offset in the later part of the fiscal year by income shortfalls in 2021. There were no public comments on this item.

M/S: Woo, Grover: Approve consent calendar item 3.3.

The motion passed with a unanimous roll call vote. Ayes: Allison, Curran, Glaser, Grover, F. Wilson, M. Wilson, Winkler, Woo. Noes: None. Absent: Avis.

COMMUNITY CHOICE ENERGY (CCE) BUSINESS

Chair Allison confirmed that a quorum was present to conduct CCE business.

OLD CCE BUSINESS

5.1 COVID Load Impact Analysis Report by HSU Consultants (Information only)

The directors received a presentation by Drs. Erick Eschker and Will Fisher of Humboldt State University's Economics Department, who created spreadsheet models of electricity demand during the COVID pandemic to help more accurately predict future electricity loads during pandemic situations. While the electricity use model matched other parts of the country, the researchers found large differences between local economy sectors in magnitude of load reduction and how quickly the sectors returned to normal. Much uncertainty remains about changes in energy consumption from future shutdowns and businesses' ability to adapt their operations during the pandemic.

OLD BUSINESS

7.1 DG Fairhaven Power Purchase Agreement Expiration

Executive Director Marshall noted to the Board and public that Director Woo recused herself at 4:04 p.m. because of a remote conflict of interest. DG Fairhaven is a client of Director Woo's employer, SHN. Director Woo is a minority SHN shareholder and does not supervise any SHN employee working with DG Fairhaven.

Power Resources Director Engel reported on DG Fairhaven's contract with RCEA which expires at the end of the year. The plant is currently shut down and the owner is not planning to restart the plant as the current market prices for power make the costs of needed equipment repairs unfeasible. However, the plant's grid interconnection capacity and proximity to Samoa Peninsula industrial developments are valuable. A potential buyer has expressed interest in RCEA extending the contract and accepting a contract assignment to support the conversion of the site to battery energy storage, possibly paired with solar. Director Engel requested Board direction, presenting options without a DG Fairhaven contract or with the plant idle:

- Extend the contract to facilitate new buyer, non-biomass energy development;
- Include the procurement reduction as part of a 2021 renewable energy ramp down;
- Procure renewable energy at market prices, resulting in $750,000 of savings;
- Maintain current local biomass procurement levels by increasing the volume of energy purchased from Humboldt Redwood Company (HRC), thereby maintaining local mill waste management levels; or
- Procure biomass power from the Blue Lake biomass plant.

The directors discussed: that DG Fairhaven and HRC power purchases prices are about the same; that the Blue Lake plant proposes to sell the same amount of power (10MW) that DG Fairhaven was contracted to produce; that the Blue Lake plant would need go through Air Quality Management District and City of Blue Lake approval processes; and that the City of Blue Lake has no interest in renewing the power plant's lease, which expires in a few years.

Community Advisory Committee member Colin Fiske, speaking as a member of the public, supported investigating potential uses of the Fairhaven site and letting the DG Fairhaven contract lapse. Mr. Fiske opposed replacing the contract with above-market biomass and purchasing power from the Blue Lake plant.

Member of the public Dr. Wendy Ring opposed renewing DG Fairhaven's contract due to negative health consequences of local biomass plants' fine particulate pollution. Dr. Ring supported replacing the contract with more clean renewable energy and opposed purchase of more HRC or Blue Lake biomass energy. Dr. Ring stated that finding alternative disposal for mill waste was beyond RCEA's mission and described California wood waste to hydrogen test sites and wood chips' value in composting, which will be important starting in 2022 when SB1383 will require jurisdictions to compost or recycle organic waste.

A member of the public identifying herself as Martha opposed any increase in biomass power procurement. She supported RCEA's continued phase out of biomass power.

David O'Neill of Redwood Coast Power LLC, the owner of the Blue Lake biomass plant, submitted a letter as public comment and stated at the meeting that the Blue Lake biomass plant's lease was in effect until the end of 2025, until which time the facility could operate as a carbon sequestration plant and manufacture biochar if RCEA would purchase the plant's electricity. Mr. O'Neill stated that past violations took place prior to improvements and that the plant's lease and permit allow it to operate in compliance with the Air Board standards.

Community Advisory Committee member and Blue Lake resident Kit Mann submitted written comment as a member of the public refuting claims made in Mr. O'Neill's November 18 letter and opposing restarting the Blue Lake power plant.

Member of the public Daniel Chandler submitted written comment opposing restarting the Blue Lake power plant, supporting replacement of DG Fairhaven's contracted load with wind or solar power, and supporting planning alternative sawmill waste uses such as biochar and energy production with modern equipment.

The directors discussed that, unlike wind and solar energy, biomass is an important local baseload power source, and that the DG Fairhaven contract should be allowed to lapse. The directors requested analysis of HRC's offer to increase output from the Scotia biomass plant, exploration of other local renewable baseload options, and inquired whether it was in RCEA's realm of work to investigate mill waste management options. The directors were informed that RCEA consultant Michael Furniss was investigating forest and mill waste options and working with a Community Advisory Committee subcommittee to develop recommendations to the Board. Staff was requested to present options regarding DG Fairhaven as they arise at subsequent meetings.

Director Woo returned to the meeting at 4:44 p.m.

NEW BUSINESS

8.1 2021 Community Choice Energy Program Budget Outlook and Options

Executive Director Marshall reported that while current forecasts indicate RCEA will experience net revenue losses in 2021 due to lower PG&E rates and increased exit fees, the losses are expected to be less severe than previously forecasted. Staff recommends fiscal conservatism in short-term power purchasing during the 2021 bridge year while the agency's long-term renewable power sources such as the Sandrini solar project, local feed-in-tariff solar projects and the airport microgrid are under construction, and before those projects' stable prices go into effect.

The agency has two primary ways to improve next year's fiscal outcomes: 1) reducing the CCE program's environmental procurement targets, and 2) reducing RCEA customer rate discounts relative to PG&E's rates. Staff recommended environmental procurement target reduction to compliance requirement levels and reducing RCEA's customer discount from 1% to 0.5% relative to PG&E's rates. In this scenario, the agency would continue to moderately build the financial reserves needed to survive fiscally-lean years. Rate setting changes require a two-month public comment period.

The directors discussed the exit fee, how PG&E may be using this fee to eliminate Community Choice Energy competition, and the importance of a customer rate discount to keep local customers from switching back to PG&E.

Director Winkler stated that having a lower greenhouse gas portfolio relative to PG&E is a higher priority than a rate discount and supported maintaining current renewable and carbon-free power procurement levels with no rate discount relative to PG&E rates.

Member of the public Colin Fiske stated that reducing the clean and renewable energy level in RCEA's power mix should be done as a last resort. He requested state-level exit fee advocacy to protect CCE customers, and stated that PG&E shareholders, not CCE customers, should shoulder stranded contract costs. Mr. Fiske supported renegotiating expensive biomass contracts and replacing DG Fairhaven power purchases with market rate renewable energy contracts.

Member of the public Dr. Wendy Ring stated that measures should be taken in this order: 1) renegotiate biomass contracts for better pricing, 2) reduce large hydro power purchasing, then 3) reduce renewable energy percentages as a last resort. Dr. Ring requested a $750,000 investment in a demand-response program that shifts customer energy use to a less expensive time of day, and more RCEA involvement in California CCA advocacy.

M/S: Glaser, F. Wilson: Approve scenario 2 directing staff to reduce procurement of renewable and carbon-free power from 80% to 36% and preserve the customer rate discount at 1% below PG&E rates.

The directors further discussed the importance of CCE survival. The directors requested community education that, even with a minimal customer discount, RCEA's CCE program results in significant reinvestment of revenues into Humboldt County that do not occur through PG&E's bundled generation service.

Dir. Glaser moved to amend the motion, F. Wilson seconded: Approve scenario 3 directing staff to reduce procurement of renewable and carbon-free power to as low as minimum compliance levels and reduce the customer rate discount to as little as 0.5% below PG&E rates, with final reduction amounts to be determined once complete 2021 PG&E rate forecasts are available.

The motion passed with a roll call vote. Ayes: Allison, Curran, Glaser, Grover, F. Wilson, M. Wilson, Woo. Noes: Winkler. Absent: Avis.

8.2 Long-Duration Storage Procurement, "Super JPA" Formation, and Creation of Ad Hoc Review Committee

Power Resources Director Richard Engel explained that Board members previously requested staff explore ways to improve the transparency around proposed power purchase agreement prices and terms prior to contract approval. In general, divulging this information in public meetings or documents would harm RCEA's ability to compete in the energy market and procure advantageous power pricing for the agency's customers.

Staff proposed formation of an ad hoc, non-Brown Act subcommittee of Board directors during an upcoming long-duration storage request for proposals (RFP) process through contract execution or December 31, 2021, whichever comes first. This RFP has been issued by a group of eight Community Choice Aggregators, with the intent to form a "super JPA" to contract with any selected project. To enable RCEA to participate in this and other future joint procurement efforts, staff will ask the Board to consider membership in this joint-procurement JPA at the December meeting.

The directors tabled the decision to form an ad hoc long-duration storage procurement review subcommittee until the Board's January 2021 meeting to allow new directors the opportunity to participate.

As this meeting was Chair Allison's last, the directors thanked him for his service. Chair Allison thanked the Board, praised RCEA for doing important work, and added that if every community engaged in energy issues as much as does Humboldt County, the planet would be a better place.

Chair Allison invited public comment on the closed session items. There being no public comment, the Board went into recess at 5:49 p.m. and adjourned to closed session at 6 p.m. to discuss the following:

11.1 CONFERENCE WITH REAL PROPERTY NEGOTIATIONS Pursuant to Government Code § 54956.8 in re: APNs 001-104-001-000, 001-114-006-000, 003-062-027-000, and 001-011-021-000; RCEA negotiator: Executive Director; Owner's negotiating party: Kramer Investment Corporation, Coldwell Banker Pacific Partners, and the City of Eureka; Under negotiation: price and terms.

11.2 Public Employee Performance Evaluation, pursuant to Government Code Section 54957(b)(1): Executive Director.

No member of the public nor of the Board of Directors was present when the closed session ended at 6:50 p.m. Executive Director Marshall reported that there were no reports for either closed session and adjourned the meeting at 6:52 p.m.

Lori Taketa
Clerk of the Board