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BOARD OF DIRECTORS MEETING MINUTES

August 27, 2020 - Thursday, 3:30 p.m.

Notice of this meeting was posted on August 22, 2020. Vice Chair Estelle Fennell called a regular meeting of the Board of Directors of the Redwood Coast Energy Authority to order on the above date at 3:32 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. Vice Chair Fennell stated that the posted agenda contained public teleconference meeting participation instructions.

PRESENT: Chair Austin Allison (arrived 3:40 p.m.), Stephen Avis, Chris Curran, Vice Chair Estelle Fennell, Dean Glaser, David Grover, Frank Wilson, Michael Winkler, Sheri Woo. ABSENT: None. STAFF AND CONSULTANTS PRESENT: General Counsel Nancy Diamond, Power Resources Director Richard Engel, Power Resources Manager Jocelyn Gwynn, Executive Director Matthew Marshall, Accounts Services Manager Mahayla Slackerelli, Community Strategies Manager Nancy Stephenson, Board Clerk Lori Taketa. OTHERS PRESENT: Leapfrog Chief Development Officer Andrew Hoffman, Viridity Energy Solutions Western U.S. Director of Business Development Mark Stout.

REPORTS FROM MEMBER ENTITIES

Directors Avis, Wilson, Winkler and Woo reported that their cities and agency were applying for Self-Generation Incentive Program funds to help pay for, or fully cover the costs of, solar power battery storage at wastewater treatment plants, a water pump station and a turbidity reduction facility.

Director David Grover reported that he will be on the ballot in the upcoming Trinidad City Council election.

Director Michael Winkler reported that he participated in a recent CalCCA meeting for elected officials where he learned of potentially large exit fee increases in San Diego Gas & Electric's service area. Director Winkler stated that it was important to address this matter.

Director Sheri Woo reported that the Humboldt Bay Municipal Water District Board received a presentation by Executive Director Marshall on the district's large rise in power expenses.

Chair Austin Allison joined the meeting at 3:40 p.m. due to computer difficulties. Vice Chair Fennell agreed to continue facilitating the meeting.

Vice Chair Fennell requested more information on differing power levels available during heat events mentioned in a recent CAISO briefing, and on managing the current electrical grid with its large percentage of renewable energy.

ORAL COMMUNICATIONS

No member of the public made a comment.

CONSENT CALENDAR

3.1 Approve Minutes of July 23, 2020, Board Meeting.

3.2 Approve Disbursements Report.

3.3 Accept Financial Reports.

3.4 Approve Ten-Year Resource Adequacy Sales Contract for 0.6 MW of Capacity from the Sandrini Sol 1 Solar Project with the Regents of the University of California, and Authorize the Executive Director to Execute All Applicable Documents.

3.5 Approve a 20-year Power Purchase Agreement with the Marshall Ranch, LLC for the 430 kW Marshall Ranch Solar Array Project, and Authorize RCEA's Executive Director to Execute All Applicable Documents.

3.6 Approve Ground Lease Agreement with the County of Humboldt for an Area Located at the California Redwood Coast-Humboldt County Airport for the Airport Microgrid Project, Contingent on FAA Approval; Authorize the Executive Director and General Counsel to Approve Any FAA Recommendations that are Consistent with the MOU Entered into March 19, 2019, Between the County of Humboldt, Redwood Coast Energy Authority, and the Humboldt State University Sponsored Programs Foundation / Schatz Energy Research Center; and, Authorize the Executive Director to Execute All Applicable Documents.

3.7 Accept Quarterly Budget Report.

There was no public comment or director discussion of consent calendar items. Executive Director Marshall requested tabling item 3.4 until the September meeting when the contract would be ready for review and removing item 3.5 to allow staff to give a brief report.

M/S: Grover, Winkler: Approve consent calendar items except 3.4 and 3.5.

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

REMOVED FROM CONSENT CALENDAR ITEMS

Account Services Manager Mahayla Slackerelli reported on the Marshall Ranch's feed-in-tariff program application. Sale of electricity generated by their 430 kW solar array in Briceland will help fund the project's Redwood Creek flow enhancement work to improve coho and steelhead salmon habitat. Redwood Creek is a tributary to the south fork of the Eel River. The solar project is expected to be operational in November of 2021.

The directors expressed support for the project, stating that it set a good example for achieving self-sufficiency and was very timely.

There were no responses to Vice Chair Fennell's invitation for public comment. Vice Chair Fennell closed the public comment period.

M/S: Avis, Glaser: Approve consent calendar item 3.5.

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

COMMUNITY CHOICE ENERGY (CCE) BUSINESS

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

OLD CCE BUSINESS

6.1. 2020 Integrated Resource Plan Approval

Power Resources Manager Jocelyn Gwynn reported on RCEA's Integrated Resource Plan, a year-by-year plan to meet customer electricity load for the next ten years that is required by the California Public Utilities Commission (CPUC). RCEA's plan fits into a statewide plan that considers the intermittent nature of renewable energy supply, introduction of new energy sources to the grid and retirement of older resources. Load-serving entities (LSEs) were required to create two power portfolios meeting their respective share of two statewide greenhouse gas (GHG) emission targets for the electric sector, 46 MMT and 38 MMT. The lower emissions target is close to, but higher than, a portfolio reflecting RCEA's goals and strategic plan. Staff recommended Board approval of the lower-than-38 MMT emission portfolio as the agency's procurement plan.

Staff worked with The Energy Authority to analyze potential power portfolios that include current long-term contracts and Board-approved programs. Staff's recommended portfolio includes reliable energy sources such as biomass and small hydro, sources with fewer likely implementation barriers, and a moderate amount of offshore wind. Manager Gwynn explained that this year's sale of 50,000 MWh due to COVID-reduced customer load lowered GHG emissions and thereby caused an apparent emission increase in future years, when biomass is assumed to be part of RCEA's portfolio. The recommended portfolio's total emissions are still below the CPUC's 2030 CO2 benchmark. The 2026 to 2030 criteria pollutant emissions increase is caused by a higher percentage of intermittent renewable resources which may trigger a reliance on unspecified system power, often from natural gas, to meet evening peak energy demand. The plan development process description will be posted on the RCEA website.

The directors expressed concern with CPUC-assigned benchmarks, commended staff for meeting those targets, and inquired about current and potential long-duration storage technologies. Director Woo stated that the Humboldt Bay Municipal Water District received inquiries about pumped water storage in the county. The geography around the Ruth Lake dam does not allow for this type of long-term storage.

Vice Chair Fennell invited public comment. No member of the public commented and Vice Chair Fennell closed the public comment period.

M/S: Grover, Winkler: Adopt Resolution No. 2020-5 Approving the 2020 Integrated Resource Plan Portfolios.

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

END OF COMMUNITY CHOICE ENERGY (CCE) BUSINESS

OLD BUSINESS

7.1 Long-Term Resource Adequacy Contracts with Ormat/Viridity Energy Solutions and Leapfrog Power

Power Resources Director Richard Engel explained that the CPUC directed all California LSEs to procure incremental resource adequacy (RA), or energy-generating capacity beyond resources already on the CPUC’s baseline list. LSEs must procure different amounts of RA by 2021, 2022, and 2023 deadlines. Staff partnered with Valley Clean Energy (VCE), the Yolo County community choice aggregator, in RCEA’s first joint-procurement solicitation. Two very different companies were selected based on financial experience, credit worthiness, expected impacts, economic benefit and their ability to diversify RCEA’s and VCE’s portfolios. Director Engel and company representatives described the proposals.

Leapfrog Power lowers its residential and non-residential customers’ electricity use in response to peak demand periods by controlling their smart thermostats, HVAC systems, EV chargers and water pumps. Leapfrog aggregates and bids this resource into the California energy market. Demand-response payments are sent to Leapfrog’s customers, some of whom reside in RCEA and VCE service areas. Leapfrog Chief Development Officer Andrew Hoffman expressed a desire to see Leapfrog’s product fill intermittent resource gaps. Leapfrog does not currently aggregate heat pump water heaters because many units would be required to have a significant aggregate impact, due to these devices’ high efficiency.

Viridity Energy Solutions, a subsidiary of the 55-year-old renewable independent power producer Ormat, is developing the Tierra Buena utility-scale battery storage project on roughly one-third of an acre in Sutter County. Director of Business Development for the Western U.S. Mark Stout said Ormat, which owns and operates almost 1 gigawatt of generating capacity across ten countries, is best known for geothermal power development and entered the solar energy market in the last decade. Most recently, Viridity has begun developing utility-scale energy storage.

The 2023 deadline RA requirement will be met by the Board-approved EDPR Sandrini solar project in Kern County. If approved, the Leapfrog and Tierra Buena contracts complete RCEA’s fulfilment of challenging RA obligations from 2021 through 2023. As CCAs have not previously entered into long-term RA contracts, contract terms were based on projections of short-term RA prices. The contract commitments were deemed to be reasonable by staff and TEA and will not change RCEA's financial outlook.

The directors expressed excitement about managing existing resources through new technology as a sustainable solution. A request was made for Board members to view proprietary market information such as contract prices to ensure accountability.

No member of the public responded to Vice Chair Fennell's call for public comments and the public comment period was closed.

M/S: Avis, Grover:

Approve Ten-Year Purchase Agreement for 5.5 MW of Resource Adequacy with Leapfrog Power, Inc., and Authorize the Executive Director to Execute All Applicable Documents.

Approve Ten-Year Purchase Agreement for 2.5 MW of Resource Adequacy with VESI 10 LLC, and Authorize the Executive Director to Execute All Applicable Documents.

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

STAFF REPORTS

9.1. Staff Report by Executive Director Matthew Marshall on the heatwave, the challenge of meeting California's energy demands during heat events, and ways to conserve power.

Executive Director Marshall explained how the recent energy emergency differed from Public Safety Power Shutoffs (PSPS). In PSPS events, parts of the grid in high fire risk areas are shut off to prevent fires. If there is no immediate fire risk in Humboldt County, the Humboldt Bay Generating Station and the Willow Creek and Hoopa substation microgrids can generate enough electricity to meet the local load.

In the recent emergency, a heatwave affected the entire western U.S. causing an extremely large energy demand increase. The states from which California imports energy needed that energy to satisfy their own state's needs. California entered a stage two emergency, the last of which occurred in 2006, where there was not enough energy to meet demand. In stage three emergencies, the energy shortage triggers controlled rotating outages to maintain manageable energy demand. These rolling blackouts, the last of which took place in 2001, are preferable to more disruptive, uncontrolled blackouts. Some natural gas plants experienced outages and failed to ramp up production when they were needed to transition from solar energy generation at sunset. The CPUC, California Energy Commission and CAISO are investigating the planning failure that caused the recent outages which occurred despite adequate resources. There is an opportunity to plan better for energy emergency decision-making, coordination and communication at the state level.

Locally, the high-risk period was much shorter and not county-wide. More than half of all customers live in blocks connected to a critical facility which are not prioritized for deenergizing. Block information is available on PG&E's website and RCEA is creating a map to clarify grid service blocks. Staff would like to continue planning with PG&E and County staff on handling different energy emergencies. During the recent heatwave, HBGS and the Scotia biomass plant were operating at full capacity to export electricity above local needs to other parts of the state. If rolling blackouts are ever implemented locally during grid emergencies, it will be done to export electricity toward Redding and the Central Valley.

Upon inquiry about grid changes, Mr. Marshall responded that California's electricity grid is very different than it was in 2001. With the dramatic increase in solar energy production, California's net peak energy demand, or total demand minus what is contributed by intermittent solar and wind generation, now occurs around sunset instead of during the hottest part of the day. Natural gas plants currently ramp up to provide energy during peak evening hours. Natural gas plants with significant air quality and other environmental impacts are being retired, however, and the statewide trend is towards fewer natural gas plants. Planning for robust power during the evening transition from solar power is needed as more intermittent, renewable resources are brought online. Demand-response and energy storage will be key to balancing the grid during the early evening hours.

In response to a question regarding the power charge indifference adjustment (PCIA) or exit fee issue in San Diego, Executive Director Marshall explained that the CPUC created the PCIA to enable investor-owned utilities (IOUs) to honor their existing, long-term power contracts despite loss of customers to community choice aggregators. The CPUC established a PCIA cap to prevent volatility, and a trigger which allowed for the PCIA to be increased should exit fee collections not meet legacy contract payment requirements. The trigger point was reached in the San Diego Gas & Electric service area and the utility proposed an exit fee that would recoup three months of shortfall all at once, resulting in a monthly $200 exit fee increase per customer. The CPUC's imminent decision on this proposal is highly anticipated because it would apply to PG&E and other IOU territories. Statewide and local government advocacy may be required should the decision be unreasonable.

FUTURE AGENDA ITEMS

Director Wilson requested a report on the investigation of California's electricity grid and the recent rolling blackouts.

Director Winkler requested information on the long-term future of D.G. Fairhaven's biomass plant.

Vice Chair Fennell adjourned the meeting at 5:13 p.m.

Lori Taketa
Clerk of the Board