



Redwood Coast Energy Authority
633 3rd Street, Eureka, CA 95501
Phone: (707) 269-1700 Toll-Free (800) 931-7232 Fax: (707) 269-1777
E-mail: info@redwoodenergy.org Web: www.redwoodenergy.org

BOARD OF DIRECTORS MEETING MINUTES

Humboldt Bay Municipal Water District Office
828 7th Street, Eureka, CA 95501

June 27, 2019
Thursday, 3:30 p.m.

Chair Michael Winkler called a regular meeting of the Board of Directors of the Redwood Coast Energy Authority to order on the above date at 3:30 p.m. Notice of this meeting was posted on June 23, 2019. PRESENT: Vice Chair Austin Allison, Alternate Director Chris Curran, Estelle Fennell, Dwight Miller, Robin Smith, Frank Wilson, Chair Michael Winkler, Sheri Woo. ABSENT: Dean Glaser. STAFF PRESENT: General Counsel Nancy Diamond; Power Resources Director Richard Engel, The Energy Authority Client Services Specialist Jaclyn Harr, Executive Director Matthew Marshall, Account Services Manager Mahayla Slackerelli, Clerk of the Board Lori Taketa.

REPORTS FROM MEMBER ENTITIES

Director Smith reported that opposition to Humboldt Wind's Monument Ridge wind energy project is strong in Ferndale and that RCEA might want to send a representative to Ferndale to clarify the agency's position.

Director Woo reported that the Humboldt Bay Municipal Water District is meeting with the State Water Resources Control Board to move forward on dedicating a portion of the District's water rights to instream flow for fish and wildlife benefits.

Director Allison reported that the Eureka City Council elected not to opt up to RePower+ based on city staff's projections of the resulting increase to the city government's electricity costs. The Council approved a 100% renewable electricity by 2025 goal so the transition is only delayed.

Director Fennell reported that Humboldt County joined the Sonoma County Water Agency, California Trout, and the Mendocino Inland Water and Power Commission, in a notice of intent to file for an operation license for the Potter Valley Project, a regional approach to assuming PG&E's project. Director Fennell stated the importance of finding a two-basin solution to the Project's relicensing and of expanding regional membership to include tribes and other interested parties. Director Fennell will contact Executive Director Marshall about including an overview presentation by the County's consultant on a future RCEA Board meeting agenda.

Director Wilson reported that the Rio Dell City Council will appoint a candidate to replace a Councilmember who moved away from the city.

ORAL COMMUNICATIONS

Member of the public Walt Paniak of Arcata stated that an explanation of renewable energy credits should be added to the RCEA website.

CONSENT CALENDAR

- 3.1 Approve Minutes of May 23, 2019, Board Meeting.
- 3.2 Approve Disbursements Report.
- 3.3 Accept Financial Reports.

Chair Winkler invited public comment. No one came forward to speak. Chair Winkler closed public comment.

M/S: Miller, Fennell: Approve Consent Calendar items 3.1, 3.2 and 3.3.

The motion passed on a unanimous voice vote. Ayes: Allison, Curran, Fennell, Miller, Smith, Wilson, Winkler, Woo. Noes: None. Absent: Glaser. Abstentions: None.

OLD BUSINESS

5.1 FY 2019-2020 Budget

Executive Director Marshall presented a staff report on the proposed annual budget, pointing out roughly \$4 million in construction costs for the airport microgrid project, which will be funded through a California Energy Commission grant, and a USDA loan to be repaid by RCEA using ratepayer funds. Electricity sales remain the largest source of revenue; wholesale power purchases are the largest expense.

The Energy Authority Client Services Specialist Jaclyn Harr reported on the Community Choice Energy program's power mix, on how the CCE program is meeting state renewable requirements well, and on factors impacting wholesale power costs.

The Directors discussed how regional and national, rather than global, energy issues such as Pacific Northwest precipitation and natural gas prices, affect RCEA's power procurement. Director Woo reported that the Board Finance Subcommittee examined program costs in detail as they reviewed the proposed budget and commended staff for preparing the budget document so the public can see what RCEA does.

Chair Winkler invited public comment. No one came forward to speak. Chair Winkler closed public comment.

M/S: Allison/Woo: Adopt the RCEA fiscal year 2019-2020 annual budget.

The motion passed on a unanimous voice vote. Ayes: Allison, Curran, Fennell, Miller, Smith, Wilson, Winkler, Woo. Noes: None. Absent: Glaser. Abstentions: None.

5.2 Comprehensive Action Plan for Energy Update

Executive Director Marshall presented a staff report on updating the 2012 Comprehensive Action Plan for Energy (CAPE), which will include the Board-approved 100% renewable electricity by 2025 goal, input received from current countywide Climate Action Plan (CAP) development and community outreach, and consolidation of qualitative and still-current

quantitative strategies from RCEA's strategic planning documents. Findings from this update will inform the Community Choice Energy Program's next Integrated Resource Plan, which will be submitted to the CPUC by May 2020. Staff identified a need to refine high-level CAPE strategies, develop quantitative targets and milestones, determine targets for the power mix make up for the next ten years, and to work with the County to coordinate a community and stakeholder discussion around the many interconnections between forest lands and climate change mitigation.

The directors discussed how electric vehicle incentives are the only cap and trade auction proceeds to be distributed in Humboldt County to date, how the Board-approved goal of achieving 5% less greenhouse gas emissions than PG&E's power portfolio becomes moot when the program achieves 100% clean and renewable electricity in 2025, that building and transportation fuel switching can be included in the CAPE strategies and quantitative analyses; how PG&E's natural gas-powered Humboldt Bay power plant is the only back-up source of electricity during service interruptions to the transmission lines connecting the County to the rest of state grid at Cottonwood, the need for local renewable energy development given the restrictions of importing electricity on the Cottonwood lines, and the lack of non-fossil fuel-based local energy options other than wind and biomass.

Chair Winkler invited public comment.

Member of the public Scott Frazer stated that many local residents are producing more electricity than their homes require through solar panels, and that it is possible to produce a lot of energy locally on rooftops.

CCE customer and member of the public Diane Ryerson stated that she installed solar electric panels and a hot water thermal pump to stop using natural gas. Her definition of clean energy does not include biomass, which she stated produces carbon faster than can be sequestered. Ms. Ryerson would like to see alternate uses of forestry byproducts that keep carbon in the soil, a reduction in biomass energy and inclusion of offshore wind in the CCE power mix as soon as possible, and local energy storage. Given a choice between dirtier local or out-of-area clean energy, she prefers out-of-the-area clean energy.

Member of the public Walt Paniak of Arcata asked the directors to consider: health problems caused by emissions from diesel and natural gas cogeneration at the PG&E, Scotia and DG Fairhaven power plants; and the increasing cost of biomass as a fuel source as opposed to wind and solar, which are free.

Member of the public Dave Carter stated that the electric grid requires consistent 60hz frequency provided by large rotating machines with inertia in order to support wind and solar power. Both renewable energy sources lack this grid inertia and stable frequency. PG&E's Humboldt Bay Generating Station and the biomass plants provide these essential functions. Mr. Carter stated that while the local biomass plants are old and need upgrades to be cleaner, if the community moves away from biomass and loses the PG&E plant, there will be no grid inertia. With biomass, the community has a chance to regulate grid frequency locally without the PG&E plant.

Chair Winkler closed public comment.

5.3 Special District Risk Management Authority Board Election

Executive Director Marshall presented a staff report and recommendations to support the local candidate and the two incumbents.

The directors discussed the local candidate's qualifications, the possibility of assigning a director to research the candidates and the willingness to support the incumbents if they are performing well.

Chair Winkler invited public comment. No one came forward to speak. Chair Winkler closed public comment.

M/S: Allison, Smith: Defer consideration of the 2019 SDRMA Board of Directors election votes until the July 25 RCEA Board meeting.

The motion passed on a unanimous voice vote. Ayes: Allison, Curran, Fennell, Miller, Smith, Wilson, Winkler, Woo. Noes: None. Absent: Glaser. Abstentions: None.

COMMUNITY CHOICE ENERGY (CCE) BUSINESS

Chair Winkler stated that a quorum was present to conduct CCE business.

OLD CCE BUSINESS

7.1 Community Choice Energy Updates on Rate Change, Regulatory Compliance and Public Disclosure (Information only)

Account Services Manager Mahayla Slackerelli reported that PG&E was implementing its third and presumably final rate adjustment for the year on July 1, and that RCEA customers will receive a 1% discount on PG&E's generation rate. The power charge indifference adjustment (PCIA) is also changing. Overall, electricity rates will increase slightly.

Staff Manager Slackerelli clarified that PG&E charges Community Choice Aggregators in its service area the PCIA because PG&E was required by the CPUC to enter into high-priced energy contracts in the past. PG&E expected to serve its customers into the future but as they moved to CCAs, removing load, PG&E was left "holding the bag." The PCIA helps PG&E honor those legacy contracts.

Power Resources Director Richard Engel reported that the CPUC is scrutinizing CCAs more closely as they become a larger segment among load serving entities and staff is coordinating with other CCAs, The Energy Authority and energy legal counsel Braun Blaising Smith Wynne to fulfil the increased state renewable energy portfolio filing requirements in a consistent manner. In order to obtain a greenhouse gas emissions factor for the public to use to compare the CCE program's different electricity sources, RCEA enrolled with The Climate Registry (TCR) and will eventually perform a third-party verified audit on greenhouse gas emissions as part of its emissions disclosure practices through TCR.

Upon inquiry by member of the public Ellen Golla about the 12% biomass figure for the RePower+ portfolio, staff clarified that biomass constituted 12% of the total 2016 energy

portfolio, a figure that was projected to increase to 24% with the addition of the DG Fairhaven procurement contract. However, in 2018 the plants' actual output was less than the full contract maximum so biomass' portfolio portion grew to only 20%. To keep the RePower+ power content mix consistent the amount of biomass in the RePower+ portfolio is being kept at 12%. Around 1% of RCEA customers have opted up to the RePower+ service, minimizing its impact on the total CCE program energy portfolio.

Chair Winkler closed public comment.

7.2 Energy Risk Management Plan Quarterly Report

The Energy Authority Client Services Specialist Jaclyn Harr reported on changes to the CCE program revenue and load forecasts since the last quarterly report in April. The current report incorporates more recent load forecast data and, with the adoption of a newer, more accurate method for assessing load, projects a 6.6% decrease in RCEA customer energy demand for 2019 and into the future, which will impact revenues.

Discussion ensued about how the PG&E rate changes have a positive influence on RCEA revenues and how summer weather projections, precipitation and hydropower availability affect electricity use and prices. Ms. Harr reviewed summer stress scenarios developed by CAISO, the organization that assesses whether California has sufficient energy resources to meet demand. Ms. Harr also reviewed California hydro conditions, their effect on power prices, and carbon-free power price increases due to a below-average hydropower year in the Pacific Northwest.

Chair Winkler invited public comment.

The directors discussed PG&E public safety power shutoffs and how they are more likely to affect customers in large electricity grid sections this summer during high winds, especially in central California, than system overload.

Chair Winkler closed public comment.

M/S: Fennell, Allison: Accept the Energy Risk Management Quarterly Report.

The motion passed on a unanimous voice vote. Ayes: Allison, Curran, Fennell, Miller, Smith, Wilson, Winkler. Noes: None. Absent: Glaser. Abstentions: Woo.

7.3 Renewable Power Request for Proposals Update

Director Woo recused herself from discussion of agenda item 7.3 due to a remote conflict of interest and left the dais at 5:14 p.m. Director Woo's conflict arises from her employment at SHN Engineers and Geologists, which performed work for Terra-Gen, of which Humboldt Wind, LLC is a subsidiary.

Power Resources Director Engel provided a staff report on the renewable energy request for proposals issued earlier this year which followed RCEA guiding document direction, specifically by the 2012 Comprehensive Action Plan for Energy, the RePower Humboldt strategic plan, and the CCE program's launch period guidelines, the latter of which set a

100% local renewable energy by 2030 goal, and the recent Board resolution revising the clean and renewable goal date to 2025. Director Engel described state mandates for renewable energy portfolio standards and long-term renewable energy contract duration, which also affect the CCE program's procurement. The request for proposal process, selection criteria, and reasons for selecting the finalists such as risk minimization based on projected prices, timing of other local power source availability and energy source diversification were described.

The directors discussed: how offshore wind, smaller scale feed-in tariff projects and biomass fit into RCEA's long-term procurement strategy; the standard industry practice of treating power purchase prices as proprietary information; how the combination of proposed power sources match fluctuating daily energy demands well; the portion of total projected load the proposed projects would meet until 2030; the limitations of total solar energy dependence; and the relative seasonal consistency of wind power.

Jaclyn Harr described in detail TEA's modeling and analysis of the different renewable energy proposals to determine the quantitative value of the projects and the different possible portfolio combinations. Ms. Harr stated that RCEA's financial outlook remains positive with the proposed power purchase agreements.

Upon inquiry by Director Miller, Ms. Harr stated that the projected cost savings from the three renewable energy contracts would result in net revenues increasing in future years as the projects come online, and the Board may choose to reduce customer electricity rates in the future.

The directors discussed concerns and potential benefits of locking in prices for long periods; how 15 to 20-year renewable energy contracts have become standard; high start-up costs for California energy projects due to environmental and permitting requirements; the difficulty for energy developers to get financing without longer term contracts; how the proposed contract prices are much lower than PG&E's long-term contracts with then-new technology renewable energy providers; and the state requirement to maintain a percentage of portfolio power purchase agreements of 10 years or longer to encourage new renewable energy development. The directors agreed to allow the finalist power producers a chance to speak.

Chair Winkler invited public comment.

Humboldt Wind Energy Project community liaison Natalynne DeLapp, speaking as a private citizen, stated that she was honored to work with the community on the Terra Gen project, that the wind project is evolving in response to community input to address cultural and biological impacts, and that she supports moving forward with this project which will provide tax revenue, new jobs and local renewable energy to meet greenhouse gas reduction goals.

Jim Zoellick, a Managing Research Engineer at the Schatz Energy Research Center who spoke as a private citizen, expressed support for the staff recommendation and stated that Humboldt County needs to develop local energy because the transmission system is inadequate to import enough electricity to meet the area's average, much less peak, needs. Mr. Zoellick outlined the technical and cost considerations making increased residential rooftop solar cost-prohibitive as a large-scale local renewable energy alternative. Mr. Zoellick stated his support for developing utility-scale wind energy with Terra-Gen at the proposed

location and acknowledged that there will be project impacts which the company is doing a good job of working with the community to mitigate. He added that it will be up to the County whether the project is permitted and that the biggest impacts the community is facing are from climate change, which the Terra Gen project can help address in a short time frame.

Schatz Energy Research Center Managing Research Engineer Dave Carter, who also spoke as a private citizen, commended RCEA for its 100% clean and renewable electricity by 2025 goal and expressed the necessity of incorporating the Terra Gen wind project into the CCE power mix. Mr. Carter stated that it was difficult to express this support because the Wiyot Tribe has opposed the project, and that it was important for RCEA and CCE customers to acknowledge that they are asking, because of the climate crisis, to take something from the Wiyot Tribe after many other things have been taken from them.

An unidentified member of the public inquired whether it was possible for the public to know the cost of Terra Gen's wind power compared to solar and small hydropower and whether the Board was aware of the pricing. Staff responded that while biomass power purchase prices were made public previously, it was normal industry practice to treat pricing information as confidential; that an ad hoc Board subcommittee could be formed to analyze pricing information on behalf of the Board; that the proposed project contract prices are lower than what the CCE program is currently paying for other renewable energy; and that, not counting grid congestion, fluctuating time of day power and other risk factors, industrial-scale solar energy is cheapest, then wind, then other renewables.

Member of the public Ellen Golla strongly encouraged local wind development and expressed support for contract negotiations with Terra Gen. She urged RCEA to counteract misinformation circulating about the project and stated that the genuine environmental concerns being raised can be addressed.

Director Miller requested that staff address the most frequently circulated rumors with accurate information that also explained the project's complexity and was informed that staff published a frequently asked questions section on the agency website's Power Procurement page. Director Miller further requested that RCEA consider compensating the Wiyot Tribe and the project neighbors for project impacts and expressed support for the staff recommendation.

Director Allison expressed support for the Terra Gen project and stated that while many of the project's negative commenters are older, younger generations must live with climate change repercussions. Director Allison stated the need to consider the bigger picture, the greatest means of benefitting the community, his hope that every community does all it can to reverse negative climate change impacts, and that there are community members supporting the project who are unable to participate in public meetings.

Director Fennell expressed support for negotiating with the three project finalists and stated that it is extremely important for supporters to present clear information in their public testimony to correct any misinformed narrative when the Humboldt County Planning Commission and Board of Supervisors consider the project permit, as other decision makers may not be as steeped in the climate crisis concept. Director Fennell stated that Terra Gen is trying to address the concerns that are being raised.

Director Wilson expressed support for moving forward with contract negotiations and agreement with staff's analysis. He stated that people need to consider what they will do if PG&E turns off the power and that the community must make trade-offs if it wants electricity.

Director Smith described the high level of unrest in the Ferndale community and stated that it is RCEA's responsibility to fully inform the public of the project's advantages and refute inaccurate statements with data.

Chair Winkler acknowledged concerns expressed by Mr. Carter and Directors Smith and Allison and stated that the majority of fossil fuel consumption in human history occurred during his lifetime, leaving his generation with a great responsibility. Chair Winkler expressed support for staff negotiation with the three companies, stated that the wind project presents an opportunity to keep energy dollars in the community, that impacts must be reduced until they are less than significant, and that if an onshore wind project is to be created in Humboldt County, there is no other location for it. For the longer term, Chair Winkler stated his desire to move away from reliance on outside companies for local renewable energy production.

Chair Winkler closed public comment.

M/S: Allison, Miller: Approve renewable energy RFP respondent short list of Terra-Gen LLC, Candela Renewables LLC, and Snow Mountain Hydro LLC and authorize staff to negotiate power purchase agreements to present to the Board for final approval.

The motion passed on a unanimous voice vote. Ayes: Allison, Curran, Fennell, Miller, Smith, Wilson, Winkler. Noes: None. Absent: Glaser. Abstentions: Woo.

Executive Director Marshall stated that public advocacy efforts were limited prior to Board approval and that staff resources could now be used to counter false energy-related information with factual information and engage the Ferndale and Scotia communities. Staff Director Marshall will contact Wiyot Tribe leaders directly to see if concerns can be mitigated.

Director Woo returned to the dais at 6:47 p.m.

Due to the late hour, the Board agreed to meet in closed session with legal counsel per Government Code Section 54956.9(d)(4), in re PG&E, Bankruptcy Court, 19-30088, Northern District of California, at the July 25 meeting.

Chair Winkler adjourned the meeting at 6:48 p.m.

Respectfully Submitted,

Lori Taketa
Clerk of the Board