



WESTERN COMMUNITY ENERGY

YOUR NEIGHBORHOOD POWER AUTHORITY

Western Community Energy Joint Meeting of the Board of Directors and Technical Advisory Committee

**Wednesday, April 10, 2019
1:00 p.m.**

**Western Riverside Council of Governments
3390 University Avenue, Suite 450
Citrus Conference Room
Riverside, CA 92501**

In compliance with the Americans with Disabilities Act and Government Code Section 54954.2, if special assistance is needed to participate in the Board of Directors meeting, please contact WRCOG at (951) 405-6703. Notification of at least 48 hours prior to meeting time will assist staff in assuring that reasonable arrangements can be made to provide accessibility at the meeting. In compliance with Government Code Section 54957.5, agenda materials distributed within 72 hours prior to the meeting which are public records relating to an open session agenda item will be available for inspection by members of the public prior to the meeting at 3390 University Avenue, Suite 450, Riverside, CA, 92501.

The Board of Directors may take any action on any item listed on the agenda, regardless of the Requested Action.

- 1. CALL TO ORDER / ROLL CALL**
- 2. PLEDGE OF ALLEGIANCE**
- 3. PUBLIC COMMENTS**

At this time members of the public can address the Board of Directors regarding any items within the subject matter jurisdiction of the Board of Directors that are not separately listed on this agenda. Members of the public will have an opportunity to speak on agenda items at the time the item is called for discussion. No action may be taken on items not listed on the agenda unless authorized by law. Whenever possible, lengthy testimony should be presented to the Board of Directors in writing and only pertinent points presented orally.

4. MINUTES

- A. Summary Minutes from the March 27, 2019, Special Joint Meeting of the Board of Directors and Technical Advisory Committee are Available for Consideration. P. 1

Requested Action: 1. Approve the Summary Minutes from the March 27, 2019, Special Joint Meeting of the Board of Directors and Technical Advisory Committee.

5. CONSENT CALENDAR

All items listed under the Consent Calendar are considered to be routine and may be enacted by one motion. Prior to the motion to consider any action by the Board of Directors, any public comments on any of the Consent Items will be heard. There will be no separate action unless members of the Board of Directors request specific items be removed from the Consent Calendar.

- A. Financial Summary Update *Andrew Ruiz, WRCOG* P. 3

Requested Action: 1. Receive and file.

6. REPORTS / DISCUSSION

- A. Overview of the Draft Energy Risk Management Policy (ERMP) *Barbara Spoonhour, WRCOG* P. 9

Requested Action: 1. Receive and file.

- B. Discussion on Draft ERMP Chapter 1: Policy Overview *Jeff Fuller, The Energy Authority* P. 11

Requested Action: 1. Discuss and provide input regarding the development of strategic policy goals for WCE's Energy Risk Management Policy.

- C. Program Schedule Update *Tyler Masters, WRCOG* P. 17

Requested Action: 1. Receive and file.

- D. Marketing and Outreach Update *Tyler Masters, WRCOG* P. 19

Requested Action: 1. Receive and file.

- E. Regulatory and Legislative Update *Ryan Baron, Best Best & Krieger* P. 21

Requested Action: 1. Receive and file.

7. REPORT FROM THE EXECUTIVE DIRECTOR *Rick Bishop*

8. ITEMS FOR FUTURE AGENDAS *Members*

Members are invited to suggest additional items to be brought forward for discussion at future Board of Directors meetings.

9. GENERAL ANNOUNCEMENTS *Members*

Members are invited to announce items / activities which may be of general interest to the Board of Directors.

10. NEXT MEETING: The next Joint Meeting of the Board of Directors and Technical Advisory Committee is scheduled for Wednesday, May 8, 2019, at 1:00 p.m., at the Western Riverside Council of Governments, Citrus Conference Room, 3390 University Avenue, Suite 450, Riverside.

11. ADJOURNMENT

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Western Community Energy
Special Joint Meeting of the Board of
Directors and Technical Advisory
Committee
March 27, 2019
Summary Minutes

I. CALL TO ORDER / ROLL CALL

The Special Joint meeting of the Western Community Energy Joint Meeting of the Board of Directors and Technical Advisory Committee was called to order at 1:00 p.m. by Chair Ben Benoit at WRCOG’s Office, Citrus Conference Room.

Board Members present:

- Todd Rigby, City of Eastvale
- Chris Barajas, City of Jurupa Valley
- Ted Hoffman, City of Norco
- Rita Rogers, City of Perris (2:11 p.m. departure)
- Ben Benoit, City of Wildomar (Chair)

Technical Advisory Committee (TAC) Members present:

- Clara Miramontes, City of Perris (1:53 p.m. departure)
- Gary Nordquist, City of Wildomar

Staff present:

- Steve DeBaun, Legal Counsel, Best Best & Krieger
- Barbara Spoonhour, WRCOG Deputy Executive Director - Operations
- Andrew Ruiz, WRCOG Interim Chief Financial Officer
- Casey Dailey, WRCOG Director of Energy and Environmental Programs
- Janis Leonard, WRCOG Administrative Services Manager
- Tyler Masters, WRCOG Program Manager

Guests present:

- Ryan Baron, Best Best & Krieger
- Mark Cloud, Southern California Edison

2. PLEDGE OF ALLEGIANCE

Board member Rita Rogers led the Board and Committee members and staff in the Pledge of Allegiance.

3. PUBLIC COMMENTS

There were no public comments.

4. MINUTES – (Norco / Perris) 5 yes; 0 no; 0 abstention. Item 4.A was approved. The Cities of Canyon Lake and Hemet were not present.

A. Summary Minutes from the March 13, 2019, Joint Meeting of the Board of Directors and Technical Advisory Committee are Available for Consideration.

Action: I. Approved the Summary Minutes from the March 13, 2019, Joint meeting of the Board of Directors and Technical Advisory Committee.

5. CONSENT CALENDAR – (Perris / Norco) 5 yes; 0 no; 0 abstention. Item 5.A was approved. The Cities of Canyon Lake and Hemet were not present.

A. Western Community Energy Legislative Platform

Action: *I. Approved the 2019/2010 Western Community Energy Legislative Platform.*

6. CLOSED SESSION

The Board of Directors authorized staff to initiate proceedings.

5 yes; 0 no; 0 abstention. Item 6 was approved. The Cities of Canyon Lake and Hemet were not present.

7. REPORT FROM THE EXECUTIVE DIRECTOR

Rick Bishop reported that the California Public Utilities Commission has approved the Implementation Plan.

8. ITEMS FOR FUTURE AGENDAS

There were no items for future agendas.

9. GENERAL ANNOUNCEMENTS

There were no general announcements.

10. NEXT MEETING: The next Joint Meeting of the Board of Directors and Technical Advisory Committee meeting is scheduled for Wednesday, April 10, 2019, at 1:00 p.m., at Western Riverside Council of Governments, Citrus Conference Room, 3390 University Avenue, Suite 450, Riverside.

11. ADJOURNMENT: The Joint Meeting of the Board of Directors and Technical Advisory Committee adjourned at 1:37 p.m.



Western Community Energy Joint Meeting of the Board of Directors and Technical Advisory Committee

STAFF REPORT

Subject: Financial Summary Update

Contact: Andrew Ruiz, WRCOG Interim Chief Financial Officer, aruiz@wrcog.us, (951) 405-6741

Date: April 10, 2019

The purpose of this item is to provide an update on the Fiscal Year 2018/2019 Agency Budget.

REQUESTED ACTION:

- I. Receive and file.
-

Financial Report summary through February 2019

The Agency Financial Report summary through February 2019, a monthly overview of WCE's financial statements in the form of combined Agency revenues and costs, is provided as Attachment I.

PRIOR ACTION:

March 13, 2019: The WCE Board of Directors received and filed the Financial Report summary for January 2019.

FISCAL IMPACT:

This item is for informational purposes only; therefore, there is no fiscal impact.

ATTACHMENT:

- I. Financial Report summary – February 2019.

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Item 5.A

Financial Summary Update

Attachment 1

Financial Report summary - February 2019

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**Monthly Budget to Actuals
For the Month Ending February 28, 2019**

	Approved Budget 6/30/2019	Thru Actual 2/28/2019	Remaining Budget 6/30/2019
Expenditures			
Wages and Benefits			
Salaries & Wages	203,148	93,751	109,397
Fringe Benefits	80,947	52,431	28,516
Total Wages & Benefits	284,095	146,182	137,913
General Operations			
General Legal Services	150,000	76,437	73,563
Program/Office Supplies	2,336	2,569	(233)
Parking Validations	38	38	1
Membership Dues	1,500	1,500	-
Meeting Support Services	500	132	368
Postage	1	1	-
Insurance - Gen/Bus Liab	6,579	6,579	-
Seminars/Conferences	1,000	429	571
Travel - Mileage Reimbursement	2,000	916	1,084
Travel - Ground Transportation	1,500	839	661
Travel - Airfare	2,000	1,792	208
Lodging	2,441	2,566	(124)
Meals	1,000	257	743
Other Incidentals	62	232	(170)
Consulting Labor	490,794	115,735	375,059
Total General Operations	661,751	210,020	451,731
Total Expenditures	945,846	356,202	589,644

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Western Community Energy Joint Meeting of the Board of Directors and Technical Advisory Committee

STAFF REPORT

Subject: Overview of the Draft Energy Risk Management Policy (ERMP)

Contact: Barbara Spoonhour, Deputy Executive Director - Operations,
bspoonhour@wrcog.us, (951) 405-6760

Date: April 10, 2019

The purpose of this item is to provide an overview of specific elements of the Draft Agency Energy Risk Management Policy. Once staff has received all necessary input from the Board, staff will bring the entire Policy back for adoption.

REQUESTED ACTION:

- I. Receive and file.

As WCE moves forward with an anticipated 2020 launch, an Energy Risk Management Policy will need to be added to the Agency's Administrative Policies to ensure Agency operations are consistent with California State law, CCA regulatory requirements, and operational best practices.

An essential function for WCE will be to manage the risks associated with power procurement activities. Jeff Fuller of The Energy Authority will provide an overview of the elements of an Energy Risk Management Policy.

Once finalized, the Policy will define the parameters of the Agency's goals and objectives (i.e., savings goals, renewable energy mixture, reserve policy, etc.) and what types of energy contracts can be brought forward for approval.

The Policy contains eight Chapters, which include 1) Policy Overview, 2) Organizational Structure, 3) Risk Exposures, 4) Business Practices, 5) Delegation of Authority, 6) Credit Policy and Counterparty Suitability, 7) Position Tracking and Management Reporting, and 8) Policy Revision Process.

To keep the discussion focused, staff is bringing forward Chapter 1 under Item 6.B in this agenda packet, which is the policy and goal setting chapter of this Policy and one of the main areas where input from the Board is requested. Input from the Board on this Chapter will guide the development of the remaining chapters, which will be brought back to the Board at the May meeting for discussion and input. The final draft Policy will be brought to the Board in June for approval.

PRIOR ACTION:

None.

FISCAL IMPACT:

This item is for informational purposes only; therefore, there is no fiscal impact.

ATTACHMENT:

None.



Western Community Energy Joint Meeting of the Board of Directors and Technical Advisory Committee

STAFF REPORT

Subject: Discussion on Draft ERMP Chapter 1: Policy Overview

Contact: Jeff Fuller, Client Services Director, The Energy Authority, jfuller@teainc.org, (425) 460-1110

Date: April 10, 2019

The purpose of this item is to discuss Chapter 1: Policy Overview of the Energy Risk Management Policy so that staff and its consultants can finalize a Policy that will be brought back at the June meeting for adoption.

REQUESTED ACTION:

- I. Discuss and provide input regarding the development of strategic Policy goals for WCE’s Energy Risk Management Policy.

Jeff Fuller with The Energy Authority will lead a discussion on Chapter 1 of the Energy Risk Management Policy. Chapter 1 (Attachment 1) outlines WCE’s strategic goals for its Program, as well as goal prioritization. The goals that WCE establishes will provide background and context and help guide WCE’s procurement and risk management strategies.

For a focused discussion, staff would like to the Directors to discuss and provide direction on the Policy goals.

Policy goals: To help ensure long-term viability of WCE, the following Policy goals have been developed. These goals establish metrics that will be used for modeling and measuring risk exposures.

- WCE will target to **maintain competitive retail rates** with Southern California Edison after adjusting for the Power Cost Indifference Adjustment (PCIA).
- WCE will target, during the initial years of operation, to fund financial reserves for the purpose of meeting the following objectives:
 - Establish long-term business sustainability
 - Build collateral for power procurement activities
 - Establish an investment grade credit rating
 - Develop a source of funds for investment in generation and other local programs after the reserve amount has been met
 - Help to stabilize rates and dampen year-to-year variability in procurement costs

The goals outlined above will be incorporated into the financial models that are then used in modeling and measuring risk exposures. It is important to note that the goals listed above are not intended to be a comprehensive list of goals for WCE. Rather, the above reflect a subset of goals critical to long-term business viability of WCE.

Discussion point: Staff seeks input on what the Board believe to be considered “competitive retail rates.” WCE’s proformas have consistently shown a 2% to 3% potential discount off a customer’s total bill; however, these figures are based on assumptions of future market prices, operating costs, and SCE generation and PCIA rates. Only operating

costs are within the full control of WCE. The potential for actual results to deviate from projected results is a risk that needs to be understood and managed.

As we move closer to launch and procuring energy contracts, staff is seeking discussion and direction from the Board regarding the importance of being able to offer a rate discount to customers. Staff is also seeking guidance regarding the relative importance of different program goals to help inform actions if different objectives are in conflict.

Examples of questions to be explored with the Board include:

- 1. If energy costs increase as WCE is procuring its power supplies, and actual purchased power costs result in WCE needing to set rates at less than a 2% discount, does the Board still want to move forward?*
- 2. If the discount that WCE can offer decreases to 1% off the customer's bill, would the Board still be comfortable with moving forward? What if rates need to be set at parity? A premium?*
- 3. If WCE is able to achieve a 2% rate savings in its initial year, but the PCIA true-up results in customers paying 2% above SCE in the second year, does the Board still want to move forward?*
- 4. Is the Board willing to accept more price uncertainty in one year to help mitigate the potential PCIA true-up in the following year?*
- 5. What if WCE was able to only build financial reserves to one-half the level required to achieve an investment grade credit rating while maintaining a 1 percent rate discount? Would WCE accept a lower rate discount to achieve its financial reserve objectives? Would WCE seek to accept lower financial reserves?*
- 6. Would the Board accept a higher renewable (and/or lower GHG emission factor) than SCE's portfolio in lieu of a rate discount?*

PRIOR ACTION:

None.

FISCAL IMPACT:

This item is for informational purposes only; therefore, there is no fiscal impact.

ATTACHMENT:

1. Chapter 1: Policy Overview of the Draft Energy Risk Management Policy.

Item 6.B

Discussion on Draft ERMP Chapter 1: Policy Overview

Attachment 1

Chapter 1: Policy Overview of the Draft Energy Risk Management Policy

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1. POLICY OVERVIEW

1.1. BACKGROUND AND PURPOSE

Western Community Energy (WCE) is a joint powers agency located within Western Riverside County, specifically charged with procuring energy for its communities, known as a Community Choice Aggregation (CCA) program, for cities in Western Riverside County that have elected to become participants. WCE provides its members an opportunity to procure electricity supplies and implement local programs that meet the goals of the local communities. Electricity procured to serve customers will continue to be delivered over SCE's transmission and distribution system.

Presently, WCE's Members include the following:

- Canyon Lake
- Eastvale
- Hemet
- Jurupa Valley
- Norco
- Perris
- Wildomar

Providing retail electric generation service to customers enrolled in the CCA program exposes WCE to risks such as retail load uncertainty (due to weather, customer opt-out, and other factors), energy market price, counterparty credit, SCE generation and PCIA rate competitiveness and other regulatory risks. The Energy Risk Management Policy (Policy) establishes policies and procedures to manage the risks associated with power procurement activities. The ultimate purpose of this Policy is to help WCE increase the likelihood of achieving its goals by specifying management responsibilities, organizational structures, risk management standards, and operating controls and limits necessary to properly identify and manage WCE's exposure to risk.

1.2. OBJECTIVE

The Policy objective is to provide a framework for conducting procurement activities that maximizes the probability of WCE meeting the goals listed in Section 1.3.

1.3. POLICY GOALS

To help ensure long term viability of WCE, the following Policy goals have been developed. These goals establish metrics that will be used for modeling and measuring risk exposures.

- WCE will target to **maintain lower and competitive retail rates** with Southern California Edison after adjusting for the Power Cost Indifference Adjustment
- WCE will target, during the initial years of operation, to fund financial reserves with the following objectives:
 - Establish long-term business sustainability
 - Build collateral for power procurement activities
 - Establish an investment grade credit rating
 - Develop a source of funds for investment in generation and other local programs after adequate reserves have been established

- Stabilize rates and dampen year-to-year variability in procurement costs

The goals outlined above are incorporated into the financial models that are used in modeling and measuring risk exposures. It is important to note that the goals listed above are not intended to be a comprehensive list of goals for WCE. Rather, the above reflect a subset of goals critical to long-term business viability of WCE.

1.4. SCOPE

Unless otherwise explicitly stated in this Policy, or other policies approved by the Board, this Policy applies to all power procurement and related business activities that may impact the risk profile of WCE. The Policy documents the framework by which management, staff, consultants and The Energy Authority (TEA) will:

- Identify and quantify risk
- Develop and execute procurement strategies
- Create a framework of controls and oversight
- Monitor, measure and report on the effectiveness of the Program

To ensure successful operation, WCE has partnered with experienced consultants to provide energy-related services. Specific to power procurement, WCE has partnered with TEA. At the outset of WCE, TEA will be executing the preponderance of front- (transacting), middle- (monitoring) and back-office (settlement) related activities on WCE's behalf as discussed in Chapter 2, Section 2.4. In providing these services for WCE, TEA will adhere to and be governed by this Policy. TEA maintains its own risk management policies and procedures, following industry practices of segregation of duties, which also govern activities executed on WCE's behalf.

1.5. POLICY ADMINISTRATION

This Policy document has been reviewed and approved by the WCE Board of Directors. The Risk Management Team (RMT) and Board must approve amendments to this Policy, except for the appendices, which may be amended with approval of only the RMT. The RMT must give notice to the Board of any amendment it makes to an appendix or a reference policy or procedure document.



Western Community Energy Joint Meeting of the Board of Directors and Technical Advisory Committee

STAFF REPORT

Subject: Program Schedule Update

Contact: Tyler Masters, WRCOG Program Manager, tmasters@wrcog.us, (951) 405-6732

Date: April 10, 2019

The purpose of this item is to provide an update on the Program Schedule and major milestones for WCE through 2019 to pursue a January 2020 launch.

REQUESTED ACTION:

- I. Receive and file.

Background: The following highlights the schedule of program events through December 2019. The community events will be discussed in greater detail in Item 6.D in this agenda packet.

April:

- WCE files annual load forecasts to CEC and CPUC
- 4 community events currently scheduled (*detail on community outreach will be discussed as part of Item 6.D of this agenda*)

May:

- Submit historical load data to CEC
- 5 community events currently scheduled

June:

- 2 community events currently scheduled

July:

- 6-month implementation meetings (forecasting January 2020 launch date) will commence with SCE, and Calpine to ensure proper electronic data interchange (EDI) connectivity between SCE and WCE.
- 1 community event currently scheduled

August:

- WCE receive Resource Adequacy (RA) obligations
- WCE files revised annual load to CEC and CPUC

September:

- WCE receives final RA obligations
- 2 community events currently scheduled

October:

- WCE shows CPUC its procured applicable RA adequate for 2020.
- 2 community events currently scheduled

November:

- WCE Call Center will be open
- Pre-implementation enrollment notification #1

December:

- Pre-implementation enrollment notification #2
- 4 community events currently scheduled

PRIOR ACTION:

March 13, 2019: The WCE Board of Directors received and filed.

FISCAL IMPACT:

This item is for informational purposes only; therefore, there is no fiscal impact.

ATTACHMENT:

None.



Western Community Energy Joint Meeting of the Board of Directors and Technical Advisory Committee

STAFF REPORT

Subject: Marketing and Outreach Update

Contact: Tyler Masters, WRCOG Program Manager, tmasters@wrcog.us, (951) 405-6732

Date: April 10, 2019

The purpose of this item is to provide an update on marketing and outreach events scheduled to occur with each of the member jurisdictions in 2019.

REQUESTED ACTION:

- I. Receive and file.

Background: Staff will provide a presentation on the marketing efforts anticipated to occur April through December 2019. Staff will also provide the Board with a number of the promotional, education, and marketing materials that have been developed to date for distribution at community events by WCE or the City.

Upcoming Events:

April:

- 4 community events currently scheduled
 - Healthy Jurupa Valley Extravaganza (Jurupa Valley)
 - Horse Week (Norco)
 - Ramona Bowl (Hemet)
 - Health Fair (Perris)

May:

- 5 community events currently scheduled
 - Wildomar City Council Presentation
 - Craft Brew Festival (Wildomar)
 - Wildomar Chamber of Commerce presentation
 - Farmer's Market (Jurupa Valley)
 - Healthy Jurupa Valley Collaborative (Jurupa Valley)

June:

- 2 community events currently scheduled
 - Rodeo (Jurupa Valley)
 - Rods N' Rails (Perris)

July:

- 1 community event currently scheduled
 - Day of the Cowboy (Norco)

August:

- No community events currently scheduled

September:

- 2 community events currently scheduled
 - Mariachi Night (Wildomar)
 - Norco Fair (Norco)

October:

- 2 community events currently scheduled
 - Fall Festival (Eastvale)
 - Harvest Festival (Hemet)

November:

- No community events currently scheduled

December:

- 4 community events currently scheduled
 - Winter Wonderland (Eastvale)
 - Christmas Event (Jurupa Valley)
 - Christmas Parade (Hemet)
 - Parade of Lights (Norco)

Staff is working with each of your city staff to ensure that we attend the most effective local events during the year. Staff will continue to provide the Board with updates on these events and add to the schedule as additional events are scheduled.

PRIOR ACTION:

March 13, 2019: The WCE Board of Directors received and filed.

FISCAL IMPACT:

The costs associated with implementing the marketing and outreach components are currently reflected in the Consulting line item of the Agency's 2018/2019 Budget.

ATTACHMENT:

None.



Western Community Energy Joint Meeting of the Board of Directors and Technical Advisory Committee

STAFF REPORT

Subject: Regulatory and Legislative Update

Contact: Ryan Baron, Of Counsel, Best Best & Krieger, ryan.baron@bbklaw.com,
(941) 263-6568

Date: April 10, 2019

The purpose of this item is to provide an update on recent regulatory and legislative activities that have occurred that may affect WCE and other CCAs.

REQUESTED ACTION:

- I. Receive and File.

This is a placeholder in the event staff needs to provide or needs an action from members regarding any recent regulatory and/or legislative activities that have occurred since the last Board of Directors meeting.

PRIOR ACTION:

March 13, 2019: The WCE Board of Directors received and filed.

FISCAL IMPACT:

This item is for informational purposes only; therefore, there is no fiscal impact.

ATTACHMENT:

None.

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