

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 5

TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Sustainability Manager, City of Davis
Taro Echiburu, Community Services Director, Yolo County
Shawn Marshall, LEAN Energy US

SUBJECT: VCEA Implementation Update

DATE: February 14, 2017

BACKGROUND & DISCUSSION: At their January 17, 2017 the Board of Directors asked for updates on the following topics related to program implementation:

- A. Multi service RFP bid status.
- B. CEO search update.
- C. Insurance update.
- D. Banking and Credit Services update.

A. Multi service RFP bid status

On December 5, 2016, the City released an RFP seeking proposals in three service categories to support the launch and operation of VCEA. Nine proposals were received by VCEA with multiple responses in each of the three categories. On January 17, 2017 the Board appointed a three member subcommittee of the newly formed VCEA Advisory Committee to work with VCEA staff on the review and evaluation of RFP responses. The proposals are currently being reviewed and evaluated by VCEA staff and Subcommittee members Braun, Kristov, and Springer.

Interviews and recommendations to the Board will be made by VCEA staff and the Advisory Committee Subcommittee. Note: LEAN is not participating in the vendor RFP review, evaluation, and recommendation process. LEAN has previous and current working relationships with many potential contractors in the energy industry. It is not unusual for LEAN to have these contacts and business relationships given that it has been working in the CCA field for a number of years. While Staff and legal counsel do not believe that LEAN has a legal conflict of interest, Staff took this approach based on Staff's desire for a transparent process and to avoid any appearance or perception of a conflict of interest.

As noted in previous reports and Board meetings, the retention of vendors is considered a critical path timeline item. The vendors work provides the foundation for launching the program, including the

submission of the Implementation Plan to the California Public Utilities Commission. The Board and staff have acknowledged that the Fall 2017 launch was an unlikely stretch goal but that there was value in pursuing it. Upon review of the proposals and in consideration of the critical path timeline to launch service, the Subcommittee conveyed timing concerns to the Board and Staff. The Subcommittee memo to the Board is attached. In summary, the Subcommittee is recommending additional time for a more systematic consultant interview and selection process. Staff concurs with this recommendation due to the challenges of coordinating the review, scheduling/completing interviews, and crafting a recommendation for consideration by the Board within the three week window permitted by the current critical path timeline. This is a contributing factor to the recommendation discussed in agenda item 6.A to shift the program launch date to Spring 2018.

A tentative schedule for retaining vendors under a revised Spring 2018 launch date could be:

EVENT	DATE
Response Due	January 13, 2017
Evaluation Period	February/Early March
Vendor Interviews	March
Board Consideration Award Date	March/April
Contract Start Date	April/May 2017

Note: dates are approximate.

B. CEO Search

Initial screening of all CEO applicants for qualifications has been provided by VCEA staff. Based on general direction provided by the Board in December, applicants meeting basic qualifications are currently being reviewed by a panel of VCEA, Yolo County, City staff, external CCA experts and Advisory Committee members. Following initial screening, the panel will conduct initial interviews and forward a list of the most qualified candidates to the VCEA Board with a recommendation for final interviews. All applicant materials of candidates that meet initial qualifications will be made available to the VCEA Board of Directors. Final interviews would be conducted by a panel of the VCEA Board, with assistance as necessary from staff and the VCEA Advisory Committee. The anticipated VCEA recruitment efforts are currently on schedule with the critical path Option A (program launch of Fall 2017).

C. Agency and Director Insurance

As noted at the previous VCEA Board meeting, initial discussions with YCPARMIA for liability coverage for VCEA have been conducted confirming that VCEA Board members are all currently covered under either the City or County YCPARMIA policies. Staff are in the process of completing an application to YCPARMIA for coverage and will make a recommendation at a future VCEA Board meeting based on YCPARMIA's response.

D. Banking and Credit Services

At the Board’s direction, staff has prepared an RFP for VCEA banking and credit services that is currently under review by County Counsel and County Finance staff. It is anticipated that the RFP will be released in mid-February 2017 by the County of Yolo on behalf of VCEA and that evaluation, selection and credit negotiations will be complete in May. A tentative schedule is as follows:

PROPOSED SEQUENCE OF EVENTS

	Action	DRAFT Date
1.	Issuance of RFP	Mid-Feb, 2017
2.	Deadline To Submit Written Questions	March 1
3.	Response to Written Questions/RFP Addendum if applicable	March 10, 2017
4.	Deadline for Submission of Proposals	March 24, 2017
5.	Proposal Evaluation	March 27 – April 14, 2017
6.	Presentations and Interviews of Finalists	Week of April 23, 2017
7.	Final Negotiations and/or Best and Final Offer	End April 2017
8.	Award of Contract(s) by Board of Directors	May 2017

In addition, staff has included the following key components in the RFP:

- 1) Requesting a line of credit (LOC) for up to approximately \$7,000,000 which uses the estimated amount in the CCE technical study and incorporates anticipated costs associated with Woodland participating and contingency funds; this LOC will cover additional pre-revenue costs, credit for power contracts, and working capital for early operations. The final LOC amount, timing and terms will be negotiated with 1 or 2 bid finalists in April;
- 2) Stated preference to do business with a bank that has headquarter and/or branch operations within Yolo County;
- 3) Credit terms are requested with and without guaranty requirements; it is likely that a guaranty will be required for at least the pre-revenue portion of credit drawn down;
- 4) Lender is asked to provide capitalization limits and must be a member of the Federal Reserve System or Federal Deposit Insurance Corporation; and,
- 5) Credit and banking services may be awarded to a single or multiple financial institutions depending on operational and credit capacity and terms offered.

Attachment

1. VCEA Advisory Committee Subcommittee Implementation Schedule Memo

January 31, 2017

To: VCEA Board

From: VCEA Advisory Committee Technical Sub-committee

CC: VCEA Staff

Subject: Implementation Schedule

Our sub-committee is reviewing 9 proposals from prospective VCEA consultants, based on the assumption that final contractor selections must be made at your February 14th meeting in order to achieve a fall 2017 launch. We have two concerns we would like to commend to your consideration.

First, if contractor selection is approved before a VCEA CEO is hired and on the job, it will bypass what we feel is an essential function of the CEO, namely, to play a lead role in contractor evaluation and selection, and it may hamper the CEO's effectiveness to have to negotiate and manage contracts with vendors he or she did not select. Second, we do not feel there is sufficient time to perform a thorough evaluation of and conduct interviews with the RFP respondents, and provide you with final recommendations in which we are fully confident in time for your February 14th meeting.

We recognize that reversing the sequence of decisions in order to hire a CEO first and select contractors afterwards will likely make a fall 2017 launch impossible. We therefore recommend that you reconsider the fall 2017 launch target. To that end, we suggest that you ask the technical sub-committee to provide its opinion regarding the feasibility/advisability of an October 2017 launch date, which we could offer at the February 14 meeting. In addition, we can assist VCEA staff in drafting an implementation timetable that places CEO selection ahead of vendor selection, and can continue our review of the vendor proposals in order to have careful evaluations to offer the CEO once that person is hired.