

MINUTES OF A WORKSHOP MEETING OF THE BOARD OF DIRECTORS
OF THE VALLECITOS WATER DISTRICT
THURSDAY, OCTOBER 31, 2019, AT 3:00 PM AT THE DISTRICT OFFICE,
201 VALLECITOS DE ORO, SAN MARCOS, CALIFORNIA

President Martin called the Workshop Meeting to order at the hour of 3:00 p.m.

Director Evans led the pledge of allegiance.

Present: Director Elitharp
Director Evans
Director Hernandez
Director Sannella
Director Martin

Staff Present: General Manager Pruim
Legal Counsel Gilpin
District Engineer Gumpel
Finance Manager Owen
Capital Facilities Senior Engineer Morgan
Development Services Senior Engineer Scholl
Executive Secretary Posvar

Others Present: Kevin Ross, Vice President, TerraVerde Energy

ADOPT AGENDA FOR THE WORKSHOP MEETING OF OCTOBER 31, 2019

19-10-16 MOTION WAS MADE by Director Hernandez, seconded by Director Sannella, and carried unanimously, to adopt the agenda for the Workshop Meeting of October 31, 2019.

PUBLIC COMMENT

None.

ITEM(S) FOR DISCUSSION

POWER PURCHASE AGREEMENT

General Manager Pruim stated the Board would receive an update at this workshop on the District-wide solar project. Staff has been working with the consultant, TerraVerde Energy, for quite some time. Approval of a Power Purchase Agreement (PPA) is scheduled for the November 6 Board meeting.

District Engineer Gumpel provided an overview of the District-wide solar project to date. TerraVerde Energy was awarded the contract in January 2018 to review three possible sites: Twin Oaks Reservoir; Lift Station 1 (LS1); and Mahr Reservoir. After further evaluation and completion of a feasibility study, TerraVerde Energy presented information to the Board in September 2018 at which time the Board decided to move forward with the Twin Oaks Reservoir and LS1 sites. In March 2019 the Board took action to move forward with the Mitigated Negative Declaration which the Board will be certifying at the November 6 Board meeting. After going through the Request for Proposal process for solar site developers, staff conducted interviews with three firms in September 2019 and presented the results to the Engineering/Equipment Committee on October 1, 2019.

District Engineer Gumpel stated that actual savings based on the proposed PPA rates would be presented to the Board. He introduced Kevin Ross of TerraVerde Energy who facilitated a presentation on the Solar Energy PPA Project Review as follows:

- Definitions
- Feasibility Study Results – May 2018
- Interconnection Status
- PPA Provider Selection Process
- Benefits of the Solar Energy PPA
- Project Description – Lift Station 1
- Lift Station 1 Proposed Array Layout
- Project Description – Twin Oaks Reservoir
- Twin Oaks Reservoir Proposed Array Layout
- Economic Projections Comparison
- Explanation of Savings Projections
- Project & PPA Risks
- Board Meeting Agenda
- Next Steps – Design/Build
- Questions & Answers

General question and answer took place during the presentation including:

- When will the interconnection construction begin and end, and when will the District start receiving credit? Mr. Ross reviewed the process once the PPA is signed. The deadline for commercial operation is September 30, 2020. There are provisions in the contract for delays.
- The District will have the ability to reallocate where energy produced is credited at the Twin Oaks site. Are there limits on how/when/frequency of doing this? Mr. Ross stated the District can make as many changes as it wants but only once per year.

- What does mitigate energy production shortfall mean? Mr. Ross stated the PPA defines the value of the energy in the event the performance guarantee is not met, using the value as a multiplier for determining the amount of the check that would be provided to the District.
- Can additional panels be added in the future? Mr. Ross stated the PPA does provide for future changes.
- If there is a shutdown/repair of the system, is there a timeframe to collect full credit during that time? Mr. Ross stated there is a period of time which is allowed for annual regular maintenance during which the system would be shut down. The PPA includes a response time of 48 hours and specifies how much time the provider has for maintenance and repairs.
- Why doesn't energy storage make sense? Mr. Ross stated that at the time of the analysis, the cost of battery systems and available state incentives were not as robust as they may be in the near future. TerraVerde Energy will continue to advise the District on eligibility for those incentives and may recommend performing a feasibility assessment on batteries in the future. The addition of batteries, which would be owned by the District, will have no impact on the operation of the solar.
- How many accounts are allowed under the Renewable Energy Self-generation Bill Credit Transfer (RES-BCT) tariff? Mr. Ross stated the number of accounts is limited to 50. Eleven accounts are currently identified as part of the allocation, selected based on their overall consumption and the time of use rate they are on.
- How much savings will be realized at the LS1 site? Mr. Ross stated that depending on system size, the first-year savings would be approximately \$30,000 for the 236.52 kWdc system. Over a 25-year period, taking system degradation into consideration, savings would be a little less than \$1 million. Director Hernandez and President Martin recommended staff talk with the City of San Marcos to determine if there will be additional costs at that site such as fencing or a wall around the facility.

General Manager Pruim stated the Board will consider approval of the PPA at the November 6 Board meeting during which staff will provide information focused on questions brought up during this workshop that need further explanation.

President Martin asked what would happen if the Board decided not to go forward with the LS1 site? Mr. Ross stated the provider would allow removing the LS1 project from the contract, and the PPA rate, terms, and conditions would remain the same.

Mike Hunsaker, member of the public, addressed the Board stating the consultant's presentation is by far the clearest, most detailed analysis he has seen. He stated the District has various maintenance issues with reservoirs from time to time. Will there be enough access to make repairs that occur in the ceiling or underwater? Is it advisable to allow access for the future? He further stated that 80% of the cost of power is related to distribution, not to the energy cost. Is the consultant talking about just the power component or is there a distribution credit? He commented on the REC and the fact that these credits are now substantial and are increasing dramatically. Who gets the benefit

of those credits? He requested clarification on what Time of Use (TOU) is being grandfathered.

District Engineer Gumpel and Mr. Ross responded to Mr. Hunsaker's questions. The layout on the reservoirs allows access wide enough for a vehicle or equipment for repairs. With the RES-BCT project, the commodity (energy) is received. With the Net Energy Metering (NEM) project, the full credit including distribution charges is received. The District will receive REC credits. The TOU from 12:00-6:00 p.m. will be grandfathered until July 2027 and is more valuable to the District in terms of solar production than the 4:00-9:00 p.m. TOU currently and into the foreseeable future.

USES FOR LIFT STATION #1 PROPERTY

General Manager Pruim stated it has come to his attention that other uses for the Lift Station 1 (LS1) property have been proposed. The property is approximately three acres and is zoned MU-3 for mixed use which does not allow residential. LS1 is located on the property and diverts sewer flows from the main sewer outfall to Meadowlark Reclamation Facility. Also on site are chemical storage and injection equipment, a grit dewatering area, waterman valves, a paved area for all weather access, and enhanced landscaping.

General Manager Pruim further stated that other proposed uses for the LS1 site include solar as discussed today, a septage receiving facility, commercial/industrial development, potable water reuse treatment, and wastewater flow attenuation (underground storage for use during peak flows). If used as a PPA site for solar, the property would be encumbered until the buy out option in 10 years. Current zoning does not appear to provide unique or exceptional development opportunities as there are many similarly zoned properties along San Marcos Boulevard that are vacant. Direct potable reuse potential is at least 10 years away. The cost of flow attenuation may be greater than the cost to upsize downstream facilities.

Staff recommended the Board proceed with the PPA. As the City of San Marcos is currently updating their general plan, this might be a good time to talk about zoning and potential uses for the property. The Board may also consider exploring potential uses prior to the PPA buy out options at 10, 20 and 25 years.

General discussion took place regarding the first PPA buy out option at 10 years, possible temporary uses for the LS1 property, zoning, and the pros and cons of not pursuing solar at the LS1 site at this time. Directors Evans, Sannella and Elitharp recommended the District move forward with the solar project at Twin Oaks Reservoir and LS1 as proposed. President Martin stated he would like the LS1 property to remain a passive use with an option in 10 years and in the meantime, the District would receive some money from the solar production.

Mike Hunsaker requested clarification on the REC value and buy out option. He believes that will be a major component that may make doing much of anything in the future a question. Director Hernandez's question about fencing is germane and it calls for bifurcation. A third option would be to go with Creekside and it's going to come very quickly. There is little parking. It's been on the back burner for a long time but can't wait much longer. There is going to be a massive need for parking for all of these apartments. We've had a lot of problems in Lake San Marcos just from student parking issues. He believes this is a very good site for a major parking structure. Before anything is done that can't be undone for 10 years, more coordination with the City is necessary as to what they are planning for parking and other potential uses. The REC is a major concern to him.


OTHER BUSINESS

None.

ADJOURNMENT

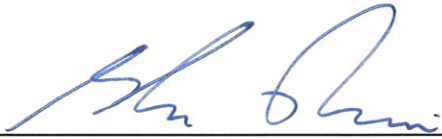
There being no further business to discuss, President Martin adjourned the Workshop Meeting of the Board of Directors at the hour of 5:14 p.m.

A Regular Meeting of the Vallecitos Water District Board of Directors has been scheduled for Wednesday, November 6, 2019, at 5:00 p.m. at the District office, 201 Vallecitos de Oro, San Marcos, California.



Hal J. Martin, President
Board of Directors
Vallecitos Water District

ATTEST:



Glenn Prui, Secretary
Board of Directors
Vallecitos Water District