



TO: Mayor and Councilmembers

SUBMITTED BY: Peter Imhof, Planning and Environmental Review Director

PREPARED BY: Dana Murray, Sustainability Manager

SUBJECT: Central Coast Community Energy Governance Structure Update and Discussion

RECOMMENDATION:

Receive an update and provide feedback and/or direction regarding proposed amendments to the Joint Exercise of Powers Agreement for Central Coast Community Energy related to the number and method of apportionment of Policy and Operations Boards directors.

BACKGROUND:

Assembly Bill 117, Community Choice Energy, allows cities, counties and other authorized entities to aggregate electricity demand and purchase and/or generate electricity supplies for residents and businesses within their jurisdictions, while maintaining the existing electricity provider for physical transmission and distribution services.

Central Coast Community Energy (“3CE”) was established as a Joint Powers Authority (or “JPA”) through a Joint Exercise of Powers Agreement in 2017. 3CE provides service to more than one million people throughout the Central Coast, including residential, commercial, and agricultural customers in communities located within Monterey, San Benito, San Luis Obispo (“SLO”), Santa Barbara, and Santa Cruz counties.

3CE sources competitively priced electricity from clean and renewable energy resources for sale to customers within its service territory. Revenue generated by 3CE stays local and helps keep electricity rates affordable for customers, while also funding innovative energy programs designed to lower greenhouse gas (GHG) emissions and stimulate economic development. 3CE also provides energy programs to its member agencies that incentivize building and vehicle electrification.

3CE Governance and City of Goleta Membership

3CE is locally controlled and governed by its Policy and Operation Boards. The Policy Board is comprised of elected officials while the Operations Board is comprised of executive level staff from member agencies. When 3CE was first created, it had 17

member agencies represented by 11 seats on each board. 3CE currently has 35 member agencies represented by 19 seats on each Board.

Since its founding, the JPA has been amended six times to add additional jurisdictions as members. On August 20, 2019, the Goleta City Council voted to join 3CE. On December 4, 2019, 3CE accepted 11 jurisdictions as new member agencies, including the Cities of Goleta, Carpinteria, Guadalupe, Solvang, Santa Maria and the County of Santa Barbara. Effective September 4, 2020, the name of the agency changed from Monterey Bay Community Power to Central Coast Community Energy to better reflect the expanded service area.

The City of Goleta shares its Policy and Operations Board seats with the City of Carpinteria. Per the terms of a Memorandum of Understanding, Goleta and Carpinteria rotate membership on these Boards based on alternating two-year terms, ending on November 30 in odd-numbered years. Councilmember Richards is currently seated as the Council-appointed Policy Board member and Carpinteria City Manager Mike Ramirez is seated as the Operations Board member, with terms ending on November 30, 2025. At that time, the City of Carpinteria appointed Councilmember will rotate into the Policy Board seat and the Goleta City Manager or his designee will be seated as the Operations Board member.

August 14, 2024 Operations Board Action

At its August 14, 2024 regular meeting, the 3CE Operations Board, on a split vote (11 ayes, 4 noes, 4 absent), passed the recommendation of an Ad Hoc Operation Board Subcommittee recommending the 3CE Policy Board consider reducing the size of the Policy and Operations Boards back to 11 member each, with seat-sharing by jurisdictions with populations of less than 50,000, as was contemplated in the original Joint Powers Agreement prior to 3CE's expansion. While the recommendation passed, there were "strenuous concerns" raised and ultimately San Luis Obispo's entire County delegation voted against the proposal.

The Operations Board recommendation would have allocated these 11 seats as follows:

- 4 Permanent County Seats to Monterey, SLO, Santa Barbara, Santa Cruz Counties
- 4 shared City Seats to cities within Monterey, SLO, Santa Barbara, and Santa Cruz counties.
- 2 permanent Large City Seats to Salinas and Santa Maria, and
- 1 Shared Seat to San Benito County and its two cities (Hollister and Prunedale).

The shared seats would be appointed by the City Selection Committee or through an agreement of the parties. The recommendation also included other components, such as developing a Code of Conduct, formal Board Procedures, and regional communication and outreach efforts.

The Ad Hoc Committee and Operation Board perceived several benefits to smaller boards, including:

1. Greater ownership and accountability among seated board members. Smaller boards encourage greater participation while reducing the potential for deferment.
2. Enhanced communication through closer working relationships and opportunity for more meaningful discussion regarding complex and often nuanced topics.
3. More efficient Board meetings with greater opportunity to evaluate detailed staff proposals. Smaller boards can enable focused discussions and lead to more efficient meetings.
4. Increased opportunities for involvement in leadership positions on subcommittees, engagement with the other board, and individualized dialogue with staff.

August 26, 2024 3CE Special Board Meeting

3CE noticed a Special Meeting of the Policy Board for August 26, 2024 to consider the Operations Board recommendation and/or alternative proposals addressing improvements to 3CE governance, including potential changes impacting Board composition. In addition to the 11-member proposal, the staff report also included for Policy Board consideration an alternative 14-member proposal, which would add one additional seat each for Monterey, Santa Cruz and San Luis Obispo counties (but not Santa Barbara County, given its smaller average city size). 3CE invited all member jurisdictions, including non-seated jurisdictions, to attend. (See Attachment 1, 3CE Policy Board Staff Report.)

Councilmember Kyle Richards, City Manager Robert Nisbet, and PER Director Peter Imhof all attended the Special Board of Directors meeting. Following the 3CE staff presentation, public comment and almost three hours of Policy Board discussion, the Policy Board provided direction and took three key actions:

1. By motion and unanimous vote, approved and directed 3CE staff to implement 3CE's "General Recommendations" in Item A, addressing steps to improve staff communications with Board members, adopt a Board Code of Conduct; Board Procedures, expanded Annual Meeting attendance, and enhanced Board member onboarding and engagement.
2. By motion and split vote, provided direction to the Chair not to place any proposed JPA amendments on the September 19 Policy Board meeting agenda.
3. By motion and nearly unanimous vote (only 1 no vote), directed the Chair to appoint an Ad Hoc Policy Board committee including members on both sides of the discussion (for and against governance changes) to work on proposed consensus recommendations to help inform a future Board's consideration of the issue.

The Policy Board discussion was respectful and included a wide range of views, perspectives, and suggestions. Broadly speaking, comments fell into two camps: (1) Policy Board members favoring the 3CE Operations Board recommendation or some variation to reduce the current size of either the Policy Board, Operations Board, or both; and, (2) Policy Board members voicing reservations about or opposition to changes to

3CE governance structure and timing. While a majority of member agencies, including smaller cities, supported the Operations Board proposal or a variation, a sizeable minority of at least nine jurisdictions, expressed misgivings and opposed it.

On September 10, in response to the Policy Board's direction to appoint an Ad Hoc Committee representing differing views on issues related to Board size and governance, Chair Williams appointed the following Ad Hoc Committee members:

1. Mary Adams (County of Monterey)
2. John Hamon (City of Paso Robles)
3. Jimmy Dutra (City of Watsonville)
4. Kollin Kosmicki (County of San Benito)
5. Dawn Ortiz-Legg (County of San Luis Obispo)

DISCUSSION:

This item seeks Council discussion and feedback and/or direction regarding 3CE's proposed amendments to the 3CE JPA regarding 3CE governance, specifically, the number and method of apportionment of Policy and Operations Board seats. The Council-appointed 3CE Policy Board member, currently Councilmember Richards, can convey any Council feedback and/or direction to the 3CE Policy Board when this item returns following ad hoc committee consideration. On the one hand, smaller governing boards are generally more efficient and can be more nimble in a competitive energy market and rapidly evolving regulatory environment dictated principally by the California Public Utility Commission. Dedicated Board members with less turnover can develop subject matter familiarity and make more informed decisions.

On the other hand, concentrating decision-making in a smaller subset of CCA members dilutes the voice of individual member jurisdictions and reduces local control in favor of a smaller number of jurisdictions with standing Board representation and stronger agency executive staff.

City of Goleta staff researched CCA governance of the eleven largest CCAs in California, utilizing information from the individual CCAs websites (Attachment 3). Of the top 10 green power electricity providers in the U.S., four are CCAs in CA (Clean Power Alliance #1, Ava #5, MCE #7, San Diego Community Power #8). From basic research on California CCAs, it appears that 10 out of 11 of California's largest CCAs have one Board of Directors with voting seats for each of the local government member agency. 3CE is the exception. The largest CCAs usually have 2-4 Board committees as well.

The proposal to shrink the 3CE Board from 19 members to 11 members (or 14 members, under the alternative proposal) would further dilute Goleta's voice on 3CE's governing Boards, as the City would be required to share its seat with additional cities. Meanwhile, member counties and the two largest cities (Salinas and Santa Maria) would receive permanent seats. The proposal would shift participation away from city-level governance, which would counter the principle of local control that is a key feature of 3CE and other CCAs.

GOLETA STRATEGIC PLAN:

City-Wide Strategy: Support Environmental Vitality

Strategic Goal:

- Promote renewable energy, energy conservation and local energy resiliency
 - Implement the Strategic Energy Plan in furtherance of the City's adopted 100% renewable energy goals
- Adopt best practices in sustainability
 - Participate in Central Coast Community Energy (3CE)

FISCAL IMPACTS:

There is no fiscal impact associated with this item.

ALTERNATIVES:

1. Decline to provide feedback and/or direction at this time and allow 3CE Policy Board ad hoc committee process to play out. The Council-appointed Policy Board member would not bring back comments from the full Goleta Council.
2. Appoint an ad hoc committee of the City Council to develop a letter to the 3CE Policy Board conveying the City Council's feedback and/or direction regarding the proposed amendments to the JPA.

LEGAL REVIEW BY: Megan Garibaldi City Attorney

APPROVED BY: Robert Nisbet, City Manager

ATTACHMENTS:

1. 3CE Policy Board Special Meeting Staff Report 8-26-2024
2. City of SLO Comment Letter to 3CE 8-23-2024
3. California CCA Governance
4. 3CE Operations Board Meeting Report 8-14-2024

ATTACHMENT 1

3CE Board Special Meeting Staff Report 8-26-2024



Staff Report Item 1

TO: 3CE Policy Board of Directors

FROM: Robert M. Shaw, CEO

SUBJECT: Consider and provide staff direction regarding the Operations Board recommendation and/or additional alternative proposals addressing improvements to 3CE governance, including potential changes impacting Board composition

DATE: August 26, 2024

RECOMMENDATION:

It is recommended that the Policy Board consider and provide staff direction regarding the Operations Board recommendation and/or additional alternative proposals addressing improvements to 3CE governance, including potential changes impacting Board composition.

BACKGROUND:

Agency Expansion Timeline

3CE, originally Monterey Bay Community Power, was formed in 2017 as a 19-member, tri county joint action agency governed by a Policy Board and Operations Board of 11 members each.¹

The cities of San Luis Obispo and Morro Bay joined in 2018 as the 20th and 21st members, sharing a twelfth board seat.

¹ Members included: Counties of Santa Cruz, Monterey, and San Benito, as well as the cities of Scotts Valley, Santa Cruz, Capitola, Watsonville, San Juan Bautista, Hollister, Marina, Seaside, Sand City, Monterey, Pacific Grove, Carmel-by-the-Sea, Salinas, Soledad, Greenfield, Gonzalez.

In 2019, 11 more jurisdictions joined, raising the number of members to 32 and the number of board seats to 17.² The shared Morro Bay/San Luis Obispo seat was expanded to include Paso Robles, and the shared Marina/Seaside/Sand City seat was expanded to include Del Rey Oaks.

The City of Buellton joined in 2020 raising the number of members to 33 but retaining the board size, as Buellton was absorbed into the Solvang/Guadalupe shared seat. The City of Atascadero joined in 2022, raising the number of members to 34 and increasing the Boards to 18 seats with the cities of Paso Robles and Atascadero reconsolidated into their own shared seat. The County of San Luis Obispo joined in 2023, raising the number of members to 35 and the number of seats to 19.

Staff does not anticipate further expansion of 3CE.³

2020 Governance Recommendations

In 2020, the Policy Board of Directors formed a Governance Subcommittee, chaired by Policy Board Director Bruce McPherson (Santa Cruz County), to consider questions of improved governance. The Committee reviewed governing structures of similarly sized CCAs, evaluated reduced and reconstituted boards, and considered process improvements designed to enhance broader membership participation in 3CE.

Ultimately, the Committee and Policy Board elected to retain 3CE's two board governance structure and regional seat allocation methodology, rejecting a 1:1 jurisdiction to seat allocation with weighted votes.

The Policy Board, however, did adopt certain recommendations from the 2020 Governance Committee including, the creation of Limited Memberships; establishment of a Joint Annual Meeting; providing annual member agency presentations; providing guidance to shared seat members regarding rotations; developing a new member onboarding packet; and other minor administrative changes.

² Additional members included: County of Santa Barbara and cities of Del Rey Oaks, Paso Robles, Pismo Beach, Grover Beach, Arroyo Grande, Santa Maria, Guadalupe, Solvang, Carpinteria, Goleta.

³ Barring the unanticipated and unlikely circumstance that a smaller Community Choice Aggregation agency within our existing footprint seeks to consolidate. Expansion outside of the five counties is not recommended.

Operations Board Ad Hoc Governance Committee

During last year's administrative review process, opportunities to improve 3CE's governance structure were identified as a topic for future consideration. Specifically, board turnover and size were named as obstacles to board members' ability to "dig in" on complex topics including long term strategic planning. As a result, the Board set a fiscal year 2023-2024 agency goal to develop governance recommendations for their evaluation.

During the May 8, 2024, regular meeting of the Operations Board, CEO Shaw requested Chair Goldstein (City of Capitola) empanel an Ad Hoc Committee⁴ comprised of a diverse set of Operations Board members. The Committee met several times to develop and consider recommendations for improved governance, including board structure, to achieve greater communication, engagement, and oversight of 3CE, with the goal of ensuring future stability, operational effectiveness, and long-term success for the Agency. The Ad Hoc Committee was comprised of Operations Board Chair Goldstein, Vice Chair Mona Miyasato (County of Santa Barbara), Directors Carlos Palacios (County of Santa Cruz), Rene Mendez (City of Salinas), and Megan Hunter (City of Soledad). The Ad Hoc Committee also sought input from former Director Matthew Bronson (City of Grover Beach).

The Committee ultimately formulated several recommendations for policy improvements and recommended reducing each Board to eleven members subject to a new allocation method.

August 14, 2024 Operations Board Meeting

On August 14, 2024, the Operations Board met to review the Ad Hoc Committee's recommendation and to decide whether they would support forwarding it to the Policy Board. The Operations Board amended the Ad Hoc recommendation to remove a "right of refusal" for cities larger than 100,000 and to allow shared-seat cities to make selections by agreement (rather than the City Selection Committee). Among other things, the amended recommendation (discussed in more detail below) limited the board membership to eleven

⁴ As used here, the term Ad Hoc Committee is used in its colloquial sense and not as an official action of the Operations Board. Often when people refer to an "Ad Hoc Committee" that is formed by action of a legislative body, they are officially known as advisory committees, and are defined in the Brown Act as: "...advisory committees, composed solely of the members of the legislative body that are less than a quorum of the legislative body are not legislative bodies, except that standing committees of a legislative body, irrespective of their composition, which have a continuing subject matter jurisdiction, or a meeting schedule fixed by charter, ordinance, resolution, or formal action of a legislative body are legislative bodies for purposes of this chapter." Gov. Code 54952(b).

seats. The Operations Board supported moving the amended recommendation to the Policy Board by a vote of 11 to 4 with 4 members absent.

To preserve the Policy Board's option to act at its next regularly scheduled meeting, staff provided the required notice of potential changes to the Joint Powers Agreement to all 35 member agencies on August 16, 2024. Simultaneously, staff solicited additional feedback and options for the Policy Board's consideration, in an effort to identify alternative solutions and processes capable of achieving a broader consensus than the Operations Board recommendation achieved.

DISCUSSION/ANALYSIS:

A. General Recommendations for Improved Communication and Engagement

Included in the Operations Board recommendation are implementable measures to enhance communication, reduce the impact of board turnover, and improve board effectiveness. Staff believes these measures should be considered, regardless of any board changes, as a means to improve operations and communication.

Develop a 3CE Code of Conduct: A code of conduct can establish clear standards, obligations, and expectations for the Boards' and staff's commitment to each other, the agency, and non-seated member agency jurisdictions. For example, a code of conduct could establish a seated board member's obligation to keep non-seated jurisdictions informed and solicit input on important matters.

Develop Formal Board Procedures: Board procedures can provide stability in decision making and processes, ensuring the Boards operate consistently, regardless of member turnover or leadership changes. The procedures can also facilitate better communication among both seated and non-seated jurisdictions. Creating a clear procedure, for example, for non-seated jurisdictions to raise items for the Board's consideration can support broader agency engagement.

Improved Onboarding: 3CE onboarding continues to improve and staff is actively working to create a more robust onboarding, which can be offered at different times of the year, which will help new members better understand the agency, their role, and key areas of focus.

Greater Regional Communication: We re-craft staff positions to better support and communicate with all member agencies. Potential regional open-house and informational events could provide a relaxed setting where members can learn about focus areas, programs, and initiatives directly from staff.

B. Board Size Reduction Recommendation and Alternatives

In its deliberations, the Operations Board considered the Ad Hoc Committee's identified benefits of smaller boards, which included:

1. **Greater ownership and accountability** among seated board members. Smaller boards encourage greater participation while reducing the potential for deferment.
2. **Enhanced communication** through closer working relationships and opportunity for more meaningful discussion regarding complex and often nuanced topics.
3. **More efficient Board meetings** with greater opportunity to evaluate detailed staff proposals. Smaller boards can enable focused discussions and lead to more efficient meetings.
4. **Increased opportunities for involvement** in leadership positions on committees, engagement with the other board members, and individualized dialogue with staff.

These enumerated benefits were responsive to the broader feedback received from both Boards, namely that turnover and board size made it difficult to plan, engage, and thoroughly analyze complex topics.

The Operations Board further considered the guiding principles behind the Ad Hoc Committee's recommendation that any proposed board structure must:

1. Support 3CE's unique and exceptionally fast paced business and operational needs.
2. Ensure stability and continuity of the Boards to allow for longer-term strategic engagement.
3. Board representation should reflect population size.
4. Board selection should be transparent and representative.

The Ad Hoc Committee discussed (and rejected) two separate 9-member board alternatives. One option would not have provided for rotation to the cities of San Juan Bautista or Hollister. The other did not allocate seats to the significant population centers of Salinas or Santa Maria.

B.1 Eleven Seat Board Recommendation (Operations Board)

The Operations Board recommendation, based largely on that of the Ad Hoc Committee, evaluated the original 3CE structure as outlined in the Joint Powers Agreement (two Boards capped at 11 members each), the current structure (two Boards with 19 members each), the communication and engagement of both seated and non-seated member agencies, allocation of shared seats, and the pace and complexity of 3CE's operations.

Following valuable discussion and debate among the Directors, the Operations Board voted to recommend that the Policy Board consider reducing both the Operations and Policy Boards to 11 seats as set forth below.

1. Effective February 1, 2025, reinstate JPA limit on Operations and Policy Boards to 11 directors each and restructure the seat allocation methodology as follows:
 - a. Four individual non-rotating seats allocated as follows: one per County to Santa Barbara County, San Luis Obispo County, Monterey County, and Santa Cruz County.
 - b. Large city jurisdictions with a population of greater than 100,000 (currently, Santa Maria and Salinas) allocated each an individual non-rotating seat.
 - c. Four rotating shared seats allocated as follows: one per county to the cities within the counties of Santa Barbara, San Luis Obispo, Monterey, and Santa Cruz. Such seats shall have a term of two years and be appointed by agreement of the parties or through the City Selection Committee within the appropriate County.⁵
 - d. One seat shared among the County of San Benito and the cities of Hollister, and San Juan Bautista. The seat shall rotate as determined through agreement of the parties every two years.

⁵ City Selection Committee is routinely established pursuant to California Government Code section 50270 for the purpose of appointing city representatives to boards, commissions, and agencies as required by law.

| 11 BOARD SEAT ALLOCATION | | | | | | | |
|------------------------------|------------------------|----------------------------|------------------------|---|---------------------|----------------------------|---|
| Four County Individual Seats | | Four Rotating Shared Seats | | Two Large Cities Individual Seats >100,000 pop. | | One San Benito Shared Seat | |
| 1. | Monterey County | 5. | Monterey cities | 9. | City of Santa Maria | 11. | San Benito County Hollister San Juan Bautista |
| 2. | San Luis Obispo County | 6. | San Luis Obispo cities | | | | |
| 3. | Santa Barbara County | 7. | Santa Barbara cities | 10. | City of Salinas | | |
| 4. | Santa Cruz County | 8. | Santa Cruz cities | | | | |

Pros of an 11 Seat Board:

1. Supports the guidelines and goals considered by the Ad Hoc and Operations Board.
2. Can support more direct engagement on issues and with staff.

Cons of an 11 Seat Board:

1. May underrepresent smaller cities.
2. May require jurisdictions to work beyond the regional parties they typically engage.

B.2 Fourteen Seat Board Recommendation

In the week that followed the Operations Board meeting, numerous discussions throughout 3CE’s service area brought forth an alternative proposal for a 14-seat board structure.

The 14-seat board proposal builds on the Operations Board recommendation by allocating three additional shared seats to the small cities within the counties of Monterey, San Luis Obispo, and Santa Cruz. After considering the aggregate populations of small cities (< 100K) within each of the member counties, it was determined that Monterey, San Luis Obispo, and Santa Cruz counties had an average small city population of roughly 150,000, whereas San Benito and Santa Barbara’s average small city population was roughly 55,000.

Proponents of the 14-seat proposal address the potential for voting ties by requiring a 9 of 14 majority to pass important or significant items.

| 14 Seat Board Allocation | | | | | | | | | |
|------------------------------|------------------------|----------------------------|------------------------|---|---------|---------------------------------|------------------------|----------------------------|------------------------------|
| Four County Individual Seats | | Four Rotating Shared Seats | | Two Large Cities Individual Seats (>100,000) pop. | | Three Small Cities Shared Seats | | One San Benito Shared Seat | |
| 1. | Monterey County | 5. | Monterey cities | 9. | Salinas | 11. | Monterey cities | 14. | San Benito County and cities |
| 2. | San Luis Obispo County | 6. | San Luis Obispo cities | | | 12. | San Luis Obispo cities | | |
| 3. | Santa Barbara County | 7. | Santa Barbara cities | | | 13. | Santa Cruz cities | | |
| 4. | Santa Cruz County | 8. | Santa Cruz cities | | | | | | |

Pros of a 14 Seat Board:

1. Supports the guidelines and goals considered by the Ad Hoc and Operations Board.
2. Can support more direct engagement on issues and with staff.
3. Better represents small city populations and supports regional partnerships in some counties.

Cons of a 14 Seat Board:

1. The 9 of 14 majority required to pass budget, rates, or other financial items could have a negative rating impact on the agency, which in turn could significantly impact contracting and capital terms.
2. Does not support regional comity matters in all counties.

B.3 Consider Reduction of Operations Board Only

A second alternative proposal is to leave the Policy Board at 19 members and reduce only the Operations Board to 11 members and re-evaluate the structure of the Policy Board at a future date.

The Operations Board, comprised of the region’s professional public sector managers, meets more times a year (regularly ten compared to the Policy Board’s three). Increasing the

efficiency and productivity of these meetings can promote more effective operational decision-making.

Pros of reducing only the Operations Board

1. May promote goals considered by the Ad Hoc and Operations Board with respect to the Operations Board.
2. Can allow members to evaluate the impact of board reduction recommendations as part of a future broader evaluation of board structure.

Cons of reducing only the Operations Board

1. Does not fully address broader concerns regarding high turnover preventing longer-range strategic planning and member engagement.

C. Additional Items for Consideration

The Policy Board may want to consider two additional proposals that arose during this process.

First, extending the rotation term for shared seats from two to three years for the Operations Board members. This extension would give Operations Board members more time to engage and “come up to speed” on 3CE issues. The election cycle may make it infeasible to extend this recommendation to the Policy Board shared seats.

Next, imposing a requirement for geographic diversity between primary and alternate seats and/or between Operations and Policy Board appointments to have more jurisdictions directly engaged with 3CE. Currently, the practice is split between shared seats. Seven shared seats appoint Operations and Policy Board members from the same jurisdiction. Three shared seats appoint their Operations and Policy Board members from different jurisdictions.

D. Alternatives for Direction

Staff seeks Policy Board direction regarding the broader governance discussion and the proposals summarized in sections A and B above. Direction may include one or a combination of the following:

D.1: Direct staff to take steps to implement the general recommendations set forth in section A above.

D.2: Direct staff to prepare necessary amendments to the 3CE Joint Powers Agreement and/or Operating Rules to implement:

1. Either the 11 or 14 seat Operations and Policy Board recommendations set forth in section B.1 and B.2 above.
2. A reduction to the Operations Board only as set forth in section B.3 above.
3. Changes in rotational terms or geographic diversity as set forth in section C above.

The Policy Board may consider adopting changes to the JPA, subject to any modifications, at its September 19, 2024, regular meeting. Approval of such amendments requires two-thirds affirmative vote of the present Directors of the Policy Board.

D.3: Direct staff to prepare necessary amendments to the 3CE Joint Powers Agreement and Operating Rules to reduce the Operations Board ONLY to either the 11 or 14 seat Operations recommendations set forth in section B above. Approval of such amendments requires two-thirds affirmative vote of the present Directors of the Policy Board.

D.4: Direct staff to further study one or more of the alternatives discussed herein, or other alternatives developed during the August 26, 2024 special meeting.

D.5: Direct staff to table the issue and leave the governance structure unchanged.

CONCLUSION:

Governance is an important component of a large and complex business operation such as 3CE. The Policy Board's careful consideration and weighing of benefits and drawbacks regarding changes to the board composition structure is a critical part of maturing as an agency and is an ongoing business concern. The Board's consensus and direction will guide staff's actions to ensure the lasting success of 3CE and its continued benefit to all 35 member agencies.

ATTACHMENTS: Member Population and Load Distribution

ATTACHMENT 2

City of SLO Comment Letter to 3CE 8-23-2024



Office of the City Council

990 Palm Street, San Luis Obispo, CA 93401-3249
805.781.7114
slocity.org

August 23, 2024

VIA ELECTRONIC MAIL

Central Coast Community Energy
70 Garden Court, Suite 300
Monterey, CA 93940

RE: Ad Hoc Committee and Operations Board recommendations for board composition

Honorable Chair Das Williams and Policy Board:

On August 21, 2024, the San Luis Obispo City Council held a special study session to review the Central Coast Community Energy Operations Board's recommendation concerning Item 12 from their August 14 meeting. The video of that meeting can be found [here](#). Council reviewed the Ad Hoc Sub-committee's recommendation, both on substance and on the process undertaken to arrive at it, and reached the following consensus position:

The 3CE Policy Board should reject the Ad Hoc Sub-Committee's recommendation and remove it from the agenda of the September 19th Policy Board Special Meeting. The proposal is counterproductive to the goals and collaborative spirit of the 3CE initiative. Instead of undertaking a Board restructuring via an expedited process, the Policy Board should direct staff to first undertake process improvements focused on developing a code of conduct, investing in member agency connectedness, information sharing, and improving staff report timeliness.

This position is based on the following observations about the Operations Board's recommended proposal:

1. **Lack of Clear Problem Definition:** There has not been a clear articulation of how the existing Board structure has been problematic. 3CE is focused on achieving 100% carbon free electricity by 2030, providing cost savings relative to the incumbent utility, and providing programs to accelerate the region's decarbonization efforts in an equitable manner. It is not clear how the current governance structure impedes progress towards achieving these goals. The City remains committed to participation in open and inclusive discussions on effective improvements to overall governance.

2. **No Clear Nexus to Outcomes:** The August 14 Operations Board agenda noted that the Ad Hoc Sub-Committee considered attributes of smaller boards, and concluded that the benefits include, 1) greater ownership and accountability, 2) enhanced communication, 3) more efficient Board meetings, and 4) increased opportunities for involvement. While the goals of accountability, communication, efficiency, and involvement are laudable, it is not clear how the Operations Board's recommendation leads to these outcomes, nor is it clear why a smaller board is the primary method for achieving these outcomes.
3. **Process Concerns:** The process leading up to the proposal was insufficient given the magnitude of the proposal. The Ad Hoc Committee lacked the appropriate representation from currently seated Operations board members in our area. Additionally, the discussion has been unnecessarily swift and key community stakeholders have not been adequately engaged. This pace has limited the consideration of other, potentially better, ideas. Future direction on this topic should originate from the Policy Board at a public meeting and should be supported by a process that has the benefit of commensurate time and resources to be successful.
4. **Local Control Reduction:** The proposal shifts participation away from city-level governance, which counters the principle of local control emphasized to members as they were considering joining the agency. The change would reduce the influence of the 35 cities involved, leading to less access for residents to decision-makers and diminished local engagement.

The concerns expressed in this letter position also reflects conversations held over the last week, and in one-on-one conversations with other Mayors, Council Members and City Managers in the region.

We continue to be a proud member of Central Coast Community Energy and look forward to supporting our progress on the path to a clean energy future.

Sincerely,



Mayor Erica A. Stewart



Council Member Jan Marx

ATTACHMENT 3

California CCA Governance

California CCA Governance

California top 11 CCA's Governance/Board of Directors

Overview:

- California has 25 operational CCA programs that serve more than 14 million customers in over 200 cities and counties.
- Clean Power Alliance (CPA) is California's largest community choice aggregator (CCA), serving around 3 million customers
- Of the top 10 green power electricity providers in the U.S., 4 are CCAs in CA (Clean Power Alliance #1, Ava #5, MCE #7, SDCP #8)*
- Highlights from below:
 - o Appears that all these CCAs have one Board of Directors composed of directors from each of the communities they serve (except 3CE)
 - o Most CCAs appear to also have alternates for each of the communities/jurisdictions
 - o Most larger CCAs also have 2-4 Board Committees
 - o Most CCAs have a Community Advisory Council composed of community members (not jurisdiction electeds)

MCE (formerly Marin Community Energy) *U.S. top 10 green power provider

- 38 jurisdictions, including 4 counties
- "We are governed by a [Board of Directors](#) that **represents each of the member communities that MCE serves.**"
- Board meets monthly
- 2 Board committees (Exec and Technical)

Clean Power Alliance of Southern CA *U.S. top 10 green power provider

- 35 jurisdictions, including 2 counties (L.A. County and Ventura County)
- 35 seats on Board of Directors, **one seat per jurisdiction** (and 2 alternates per jurisdiction)
- Board meets monthly
- 4 Board committees (Exec, Finance, Energy Planning & Resources, Legislative & Regulatory)
- Committees meet monthly
- Community Advisory Committee (15 members, representing different sub-regions)

Central Coast Community Energy

- 35 jurisdictions, including 5 counties
- 2 Boards of Directors (Policy & Operations)
 - o 19 on Policy
 - o 19 on Operations
 - o Some cities alternate years in certain Board seats
- "3CE is governed by a Policy Board and an Operations Board comprised of elected officials, city managers, and city administrators as a public agency. This governing structure assures that the voices from each city and county served by 3CE will have a seat at the table when important decisions regarding 3CE policies and operations are being made."
- Community Advisory Council

Peninsula Clean Energy

- 22 jurisdictions, including one county (County has two seats)
- “Board of **Directors consists of elected officials from each of the 20 cities** within the County of San Mateo, plus the city of Los Banos, and from the county (representing unincorporated areas of San Mateo County).”
- Board meets monthly
- 2 Board Committees (Exec, Audit/Finance)

Ava Community Energy (formerly East Bay Community Energy) *U.S. top 10 green power provider

- 15 jurisdictions, including one county
- “Board of Directors is made up of **an elected official from each of the participating jurisdictions** and one representative (non-voting) from the Community Advisory Committee.”
- Board Member & Alternate from each jurisdiction
- 3 Board Committees (Exec, Marketing/Reg/Leg, Finance/Admin)
- Community Advisory Committee

Silicon Valley Clean Energy

- 13 jurisdictions, including one county
- “Board of **Directors is made up of local representatives from all participating communities**. Each Director is an elected public official, and the Alternate Director can be an elected official, city staff, or member of the public appointed by the community.”
- 3 Board Committees (Exec, Finance/Admin, Audit)
- Customer Program Advisory Group

Sonoma Clean Power

- 13 jurisdictions, including 2 counties
- “All City Councils, Boards of Supervisors, and Town Councils in Mendocino and Sonoma counties voted to join SCP’s service. **Each has representation on our Board of Directors.**”
- Community Advisory Committee ~10 volunteers, appointed by the SCP Board

Pioneer Community Energy

- 11 jurisdictions, including 2 counties
- Board Member and Alternate from each jurisdiction
- 4 Board Committees (Audit/Finance, Energy Procurement Review, Expansion, Risk Oversight)
- Community Advisory Committee

Redwood Coast Energy Authority

- 11 jurisdictions
- “RCEA Board members are appointed by and serve at the pleasure of their respective Member Agencies. Member Agencies also appoint alternate Board members to attend RCEA Board meetings when the primary Board member is unavailable.”
- Board Finance Committee
- Community Advisory Committee

San Diego Community Power *U.S. top 10 green power provider

- 7 jurisdictions, including one county
- **“Board of Directors is made up of one elected official from each of the communities we serve.”**
- Board Finance/Risk Committee
- Community Advisory Committee

Orange County Power Authority

- 4 jurisdictions
- **“Our Board of Directors is made up of elected officials from each of the communities we serve.”**
- 2 Board Committees (Leg/Reg, Marketing/Comms)
- Community Advisory Committee
-

ATTACHMENT 4

3CE Operations Board Meeting Report 8-14-2024

Staff Report Item 12

TO: 3CE Operations Board of Directors

FROM: Robert M. Shaw, Chief Executive Officer

SUBJECT: Recommend that the Policy Board consider and adopt the Ad Hoc Committee’s recommendations regarding improvements to governance related matters, including board composition, engagement, and communication

DATE: August 14, 2024

RECOMMENDATION:

That the Operations Board support recommending that the Policy Board consider and adopt the Ad Hoc Committee’s recommendations regarding improvements to governance related matters, including board composition, engagement, and communication.

BACKGROUND:

Last year during an administrative review process, several opportunities for 3CE governance structure improvements were identified for future evaluation. Following that process, CEO Shaw requested Operations Board Chair Goldstein empanel an Ad Hoc Committee comprised of a diverse set of Operations Board members. The Committee met several times to develop and consider recommendations for improved board structure that would provide greater oversight, communication, and engagement regarding 3CE, with the goal of ensuring future stability and operational effectiveness for 3CE’s long-term success.

The Ad Hoc Committee was comprised of Chair Goldstein, Vice Chair Miyasato, Directors Palacios, Mendez, and Hunter. The Ad Hoc Committee also sought input from former Director Bronson.

DISCUSSION/ANALYSIS:

The Ad Hoc Committee evaluated the original 3CE structure, as outlined in the Joint Powers Agreement (two Boards capped at 11 members each), the current structure (two Boards with 19 members each), the communication and engagement of both seated and non-seated member agencies, allocation of shared seats, and the pace and complexity of 3CE’s operations.

The Ad Hoc Committee identified that smaller Operations and Policy Boards, coupled with a transparent and representative selection process could significantly enhance the Boards' oversight and control of 3CE.

The Ad Hoc Committee determined, as part of its review, that the original intention of the Joint Powers Agreement was to limit the Operations and Policy Boards to no more than eleven (11) members. Section 3.1.4, addressing seat allocations, provides, for example, that seats are to "be allocated on a one jurisdiction, one seat basis until such time as the number of member jurisdictions exceeds eleven [11]." After eleven (11) member jurisdictions, seats transition to an allocation of "one seat for each jurisdiction with a population of 50,000 and above, and shared seats for jurisdictions with populations below 50,000."

The Joint Powers Agreement further anticipated that 3CE could further expand and that such expansion could require "that a shared seat expand to include new parties" (Section 3.1.5, addressing Director representation in the event of board seat transition or shared seat dilution).

Despite the Joint Powers Agreement's original intention, 3CE's Operations and Policy Boards have expanded from 11 to 19 seats.

The Ad Hoc Committee considered attributes of smaller boards, and concluded that the benefits include:

1. **Greater ownership and accountability** among seated board members. Smaller boards encourage greater participation while reducing the potential for deferment.
2. **Enhanced communication** through closer working relationships and opportunity for more meaningful discussion regarding complex and often nuanced topics.
3. **More efficient Board meetings** with greater opportunity to evaluate detailed staff proposals. Smaller boards can enable focused discussions and lead to more efficient meetings.
4. **Increased opportunities for involvement** in leadership positions on subcommittees, engagement with the other board, and individualized dialogue with staff.

The Ad Hoc Committee further determined 3CE's long-term stability continues to be best served through a mixture of permanent and rotating shared-seats with those shared seats selected through a transparent and structured selection-process. The City Selection Committee, as established for each county under California Government Code section 50270, enables the cities in each county to meet and select board members(s) for the cities within their respective county.

Recommendations for the Board Governance Restructuring:

1. Effective February 1, 2025, reinstate JPA limit on Operations and Policy Boards to 11 directors each and restructure the seat allocation methodology as follows:
 - a. Four permanent non-rotating seats allocated as follows: one per County to Santa Barbara County, San Luis Obispo County, Monterey County, and Santa Cruz County.
 - b. Four shared seats allocated as follows: one per County as selected by the City Selection Committee in Santa Barbara County, San Luis Obispo County, Monterey County, and Santa Cruz County. Such seats shall have a term of two years and be appointed by the City Selection Committee within the appropriate County.
 - c. Any large city jurisdiction with a population of greater than 100,000 (currently, Santa Maria and Salinas) allocated a right of refusal (RoR) to accept a full seat allocation (both Policy and Operations). If the large city jurisdiction declines its seat, the declined seat shall revert to the City Selection Committee for the County in which the large city jurisdiction is located (Santa Barbara and Monterey, respectively). The large city jurisdiction must confirm or decline the allocated seat every two years. If the large city jurisdiction declines the seat that seat shall be appointed by the appropriate City Selection Committee for a two-year term coinciding with the other City Selection Committee appointed seats. At the conclusion of the two-year term, the large city jurisdiction will be re-allocated a right of refusal to accept a full seat allocation.
 - d. One shared seat allocated to the County of San Benito, Hollister, and San Juan Bautista. The Ad Hoc Committee recommends the seat rotate every two years between the County of San Benito and an appointment of the City Selection Committee (as between the City of Hollister and San Juan Bautista).

| Recommended 11 Board Seat Allocation | | | |
|--|--|--|---|
| Permanent County Seats (4) | City Selection Committee (CSC) Shared Seats (4) | Large Cities (RoR >100,000 Pop.) (2) | San Benito Shared (1) |
| Santa Barbara (1) San Luis Obispo (1) Monterey (1) Santa Cruz (1) | Santa Barbara CSC (1) San Luis Obispo CSC (1) Monterey CSC (1) Santa Cruz CSC (1) | Santa Maria (1) Salinas (1) or – Revert to CSC | Shared Seat (1) for San Benito Hollister San Juan Bautista |

2. Direct staff to prepare necessary amendments to the 3CE Joint Powers Agreement and Operating Rules to reinstate the 11 seat Operations and Policy Board as set forth above. Such Amendments would be provided to the Policy Board for their consideration as provided for in the JPA amendment procedures.
3. Direct staff to consider processes and procedures to successfully implement and achieve the Ad Hoc Committee's desired outcome of improved oversight, communication, and engagement. Such requirements would include deadlines for City Selection Committee appointments, a Board Member Code of Conduct that would formalize responsibilities and expectations of all Board members, and Board Procedures that would enable non-seated jurisdictions to raise issues for the Operations or Policy Board to address.

The Ad Hoc Committee considered but does not currently recommend mandating whether primary and alternate board appointments must be from the same or different jurisdictions represented by a shared seat. Similarly, the Ad Hoc Committee is not currently recommending whether the Policy and Operations Board appointments must be from the same or different jurisdictions. We note, however, appointing members from different jurisdictions represented by a shared seat would reduce the number of non-seated members and necessitate greater coordination and communication between jurisdictions.

Anticipated Process:

Implementation of the Ad Hoc Committee's recommendations would require amendments to the Joint Powers Agreement, as well as ancillary modifications to the Operating Rules and Regulations. Such amendments would detail the allocation methodology as set out above. Pursuant to Section 3.7.1 of the Joint Powers Agreement, any proposed amendments require 30 days' written notice to all 3CE member agencies, and a two-thirds affirmative vote of the present Directors of the Policy Board. Should the Operations Board decide to support the Ad Hoc Committee's recommendations, staff would issue the written notices of the proposed amendments to all members no later than August 19, 2024.

CONCLUSION:

The Operations Board's support of the Ad Hoc Committee's recommendation to reduce the size of the Operations and Policy Boards will enhance the boards' oversight and control of 3CE and help ensure future stability and operational effectiveness for 3CE's long-term success.

ATTACHMENT(S):

1. Sixth Amended Joint Powers Agreement
2. Illustration of Board Seat Allocation

