Community Choice Aggregation
Considerations

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January 9, 2019

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Operational *(as of June 2018)*

MCE Clean Energy
Marin, Napa and Contra Costa Counties, City of Benicia

Sonoma Clean Power
Sonoma and Mendocino Counties

Lancaster Choice Energy (1)

Clean Power San Francisco

Peninsula Clean Energy
San Mateo County

Silicon Valley Clean Energy
Most of Santa Clara County

Redwood Coast Energy Authority
Humboldt County

Apple Valley Choice Energy (2)

Clean Power Alliance of Southern CA
Phase 1 - Municipal LA County

Monterey Bay Clean Power
Santa Cruz, Monterey, San Benito Counties

Pioneer Community Energy
Placer County

Pico Rivera Municipal Energy (PRIME) (3)

San Jacinto Power (4)

Rancho Mirage Energy Authority (5)

East Bay Community Energy
Alameda County

Valley Clean Energy Alliance
Unincorporated Yolo County, Cities of Davis and Woodland

Solana Beach Energy Alliance (6)

2018 Launch *(anticipated)*

Clean Power Alliance of So CA
Phase 2 - Unincorporated LA County, South Pasadena, Rolling Hills

Desert Community Energy (7)
Cities of Palm Springs, Cathedral City, Palm Desert

King City (8)

San Jose Clean Energy (9)
Phase 1

2019/2020 Launch *(anticipated)*

Clean Power Alliance So CA
Ventura County and 20+ additional cities

San Jose Clean Energy
Phase 2

San Luis Obispo/Morro Bay

Unincorporated Riverside County

Western Community Energy / WRCOG (10)

Investigating

Cities of:	Counties of:
Baldwin Park	Butte
Carlsbad	Fresno
Commerce	Kings
Del Mar	Modoc
El Monte	Nevada
Encinitas	San Joaquin
Hanford	Santa Barbara
Oceanside	Solano
Pomona	
San Diego	
Santa Paula	

Status of CCA in San Diego County

- Solana Beach Energy Alliance
  - https://solanaenergyalliance.org/
- Encinitas, Del Mar, Oceanside, Carlsbad
  - Four city feasibility study
- La Mesa and Chula Vista
  - Two city feasibility study
- City of San Diego
  - Announced regional JPA

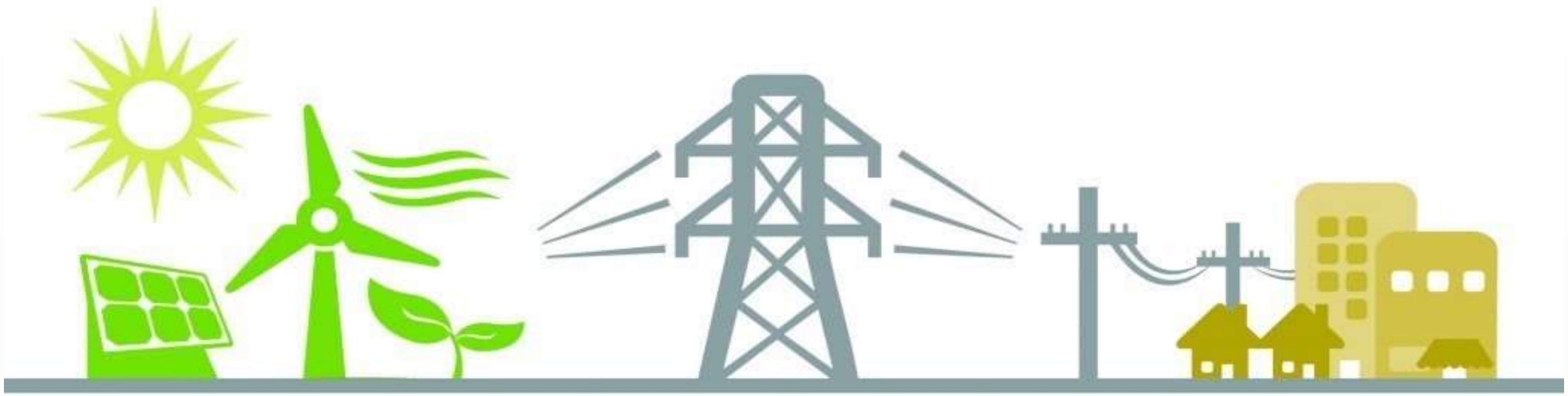
What is community choice aggregation?

- Allows cities, counties, and cities and counties through a joint powers authority to aggregate the electric load of their residents and businesses and provide retail electricity (AB 117, Migden, 2002)
- Buy wholesale power through power purchase agreements (PPAs) and/or generate power
- Also known as community choice energy

Why was CCA adopted?

- Law was passed during California energy crisis allowing communities to purchase wholesale power and/or generate local power
- An alternative to forming a municipal electric utility and condemning existing utility transmission and distribution
- Retail electricity is a natural monopoly. Large institutional consumers can participate in Direct Access market but residential and most business consumers don’t have choice in electric providers

How Local Energy Aggregation Works



source	delivery	customer
CCA	UTILITY	YOU
buying and building electricity supply	delivering energy, maintaining lines, billing customers	benefitting from affordable rates, local control, cleaner energy

Reasons to Form

- Consumer choice
- Provide residents with lower energy rates (generation) than the IOU
  - CCAs have offered 2-5% savings or more
- Offer customers greater renewable energy options
  - CCAs offer 50% and 100% renewable plans
- Faster progress toward community environmental goals
  - Satisfy AB 32 requirements
- Offer energy efficiency, conservation and climate change programs

Reasons to Form

- Economic development tool
  - Brings electricity revenues directly to the community
  - Attract businesses through rate savings
  - Municipal utility bill savings
  - Develop local power sources and facilitate rooftop solar growth
  - Energy efficiency programs, EV rebates, EV charging, purchase street lights

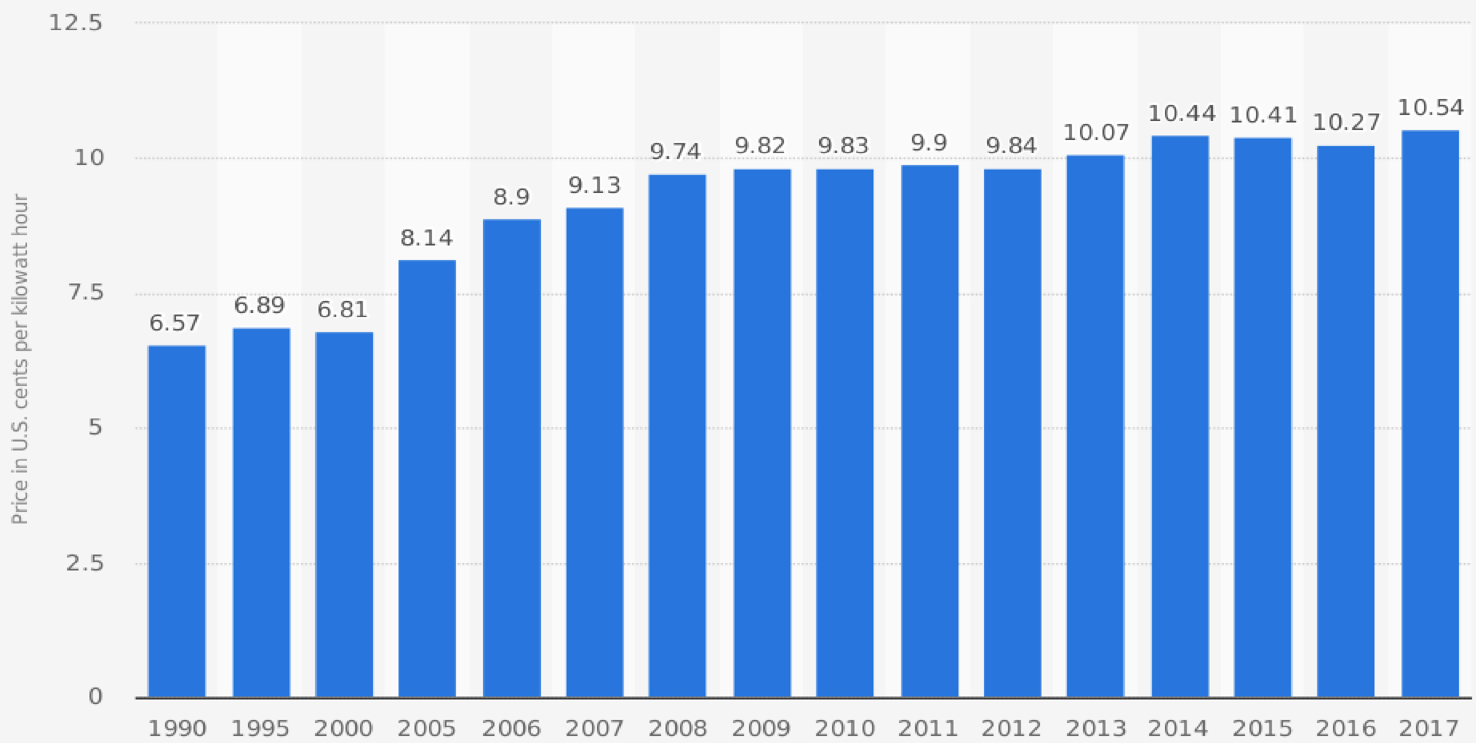
Reasons to Form

- Local control
  - Public decision-making is local/regional
  - City Council or CCA board of directors is directly accountable for decisions
  - IOU customer service, CPUC complaint process

Competing Priorities

- Rate savings – GHG reduction – Building reserves – Community Programs
- Some communities may only be focused on cost, others on programs
- Higher renewables costs more
- Offering additional rate savings may cause more time to build up reserves

Average retail electricity prices in the U.S. from 1990 to 2017 (in U.S. cents per kilowatt hour)



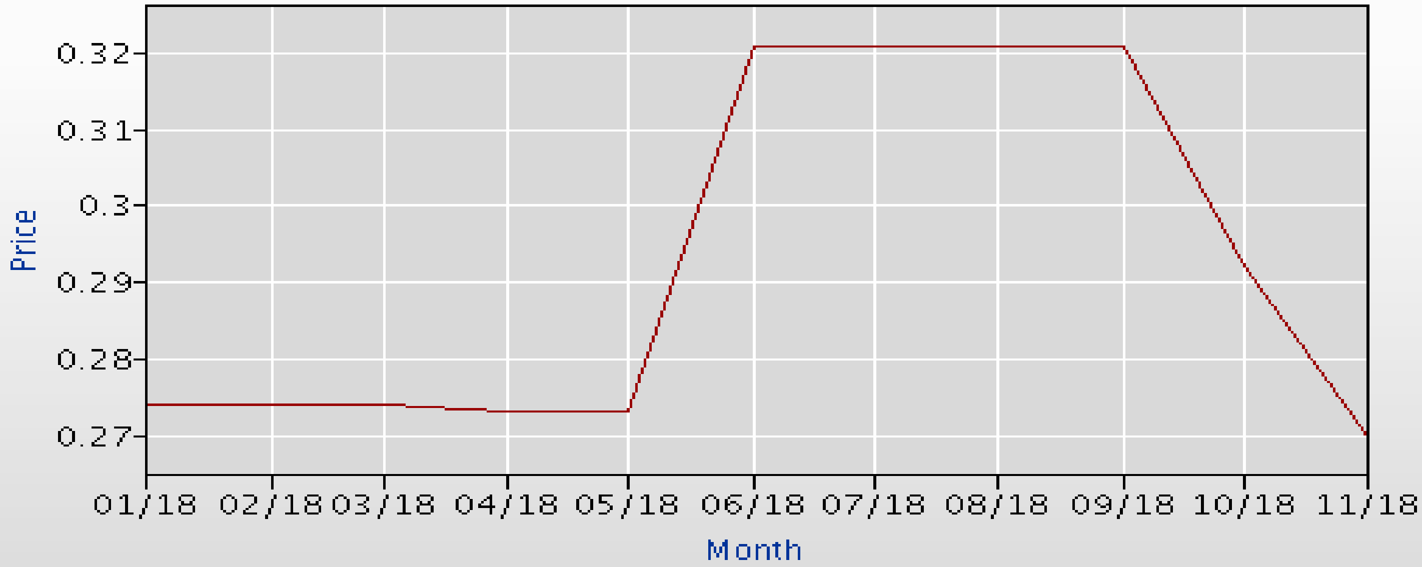
Source
EIA
© Statista 2018

Additional Information:
United States; EIA; 1990 to 2017

Average Retail Electricity Price

U.S. Bureau of Labor Statistics

California	$0.152 kWh
Los Angeles	$0.184 kWh
San Diego	$0.292 kWh



Governance Structure

- Individual city or county (enterprise fund)
- Joint powers authority (JPA)
- Special legislation
  - Sonoma County Water Authority
  - Kings River Conservation District
  - Public agency that has authority to provide retail power can provide to cities contiguous to it
- Operations - In-house management, consultants, hybrid, turn-key models

Basic Steps

- Feasibility study
- Public deliberation period
- Pass ordinance or resolution
- Form enterprise fund or JPA
- CPUC approved implementation plan
- Customer outreach
- Launch

Customers, Billing & Collections

- Residents and businesses are automatically enrolled in CCA (ordinance)
- Customer must affirmatively opt-out
- CCA provides two notices prior to enrollment and two notices after enrollment
- Opt out within 60 days after service commences with no charge
- Customer must wait 12 months before returning to CCA
- IOU provides all metering, billing and collection
- IOU provider of last resort

Business Considerations

- What is the City’s projected load?
- What types of ratepayers are within the City?
- What are current and projected energy prices?
- Are there projected savings?
- What are market risks?
- Do City ratepayers desire greater choice in renewable options products?
- Climate action plan?
- Is the City interested in retaining CCA revenues for CCA related projects and programs?
- CCA management

Financial Considerations

- CCA with a 60,000 population
  - $300,000 to $500,000 for upfront costs through launch
  - Line of credit for approx. $10M for cash working capital at launch and collateral for power purchase agreements, resource adequacy.
- Larger regional CCA of 5-7 cities
  - $1,000,000 for planning costs and $2M to $5M for launch
- CCA providers have loaned start-up CCAs the necessary start-up costs at 5% interest. Other CCAs have been funded by one or two banks through lines of credit. Larger CCAs have had advances from larger public agencies like a county or a county water agency.

Legal and Liability Considerations

- Governance structure
- Solely responsible for all generation procurement
- Must serve all residential customers
- Proposition 26 and rate setting
- Liability to City General Fund
- Termination of CCA program – obligation to buy power once procured
- Creditworthiness for long-term power agreements
- Risk management policy
- Withdrawal from JPA prior to launch

Regulatory Considerations

- CPUC registration timelines for CCAs (CPUC Resolution E-4907) – Implementation plan submitted to CPUC one year prior to launch
- Participation in CPUC's year-ahead Resource Adequacy planning process
- IOU exit fees (power charge indifference adjustment)
- Load forecast and GHG reduction filings
- Compliance filings
- Creeping CPUC jurisdiction
- Centralization of energy procurement

Power charge indifference adjustment (PCIA)

- aka “IOU exit fees”
- Statutes prohibit IOU and CCA customers from being financially impacted from load departing to CCAs
- Customer indifference
- IOUs allowed to charge CCA customers for “stranded costs” of IOU generation that was purchased or built to serve customer that has now left for CCA

PCIA Historical

- PCIA has historically been 2-3 cents kWh
- Not transparent, predictable or stable

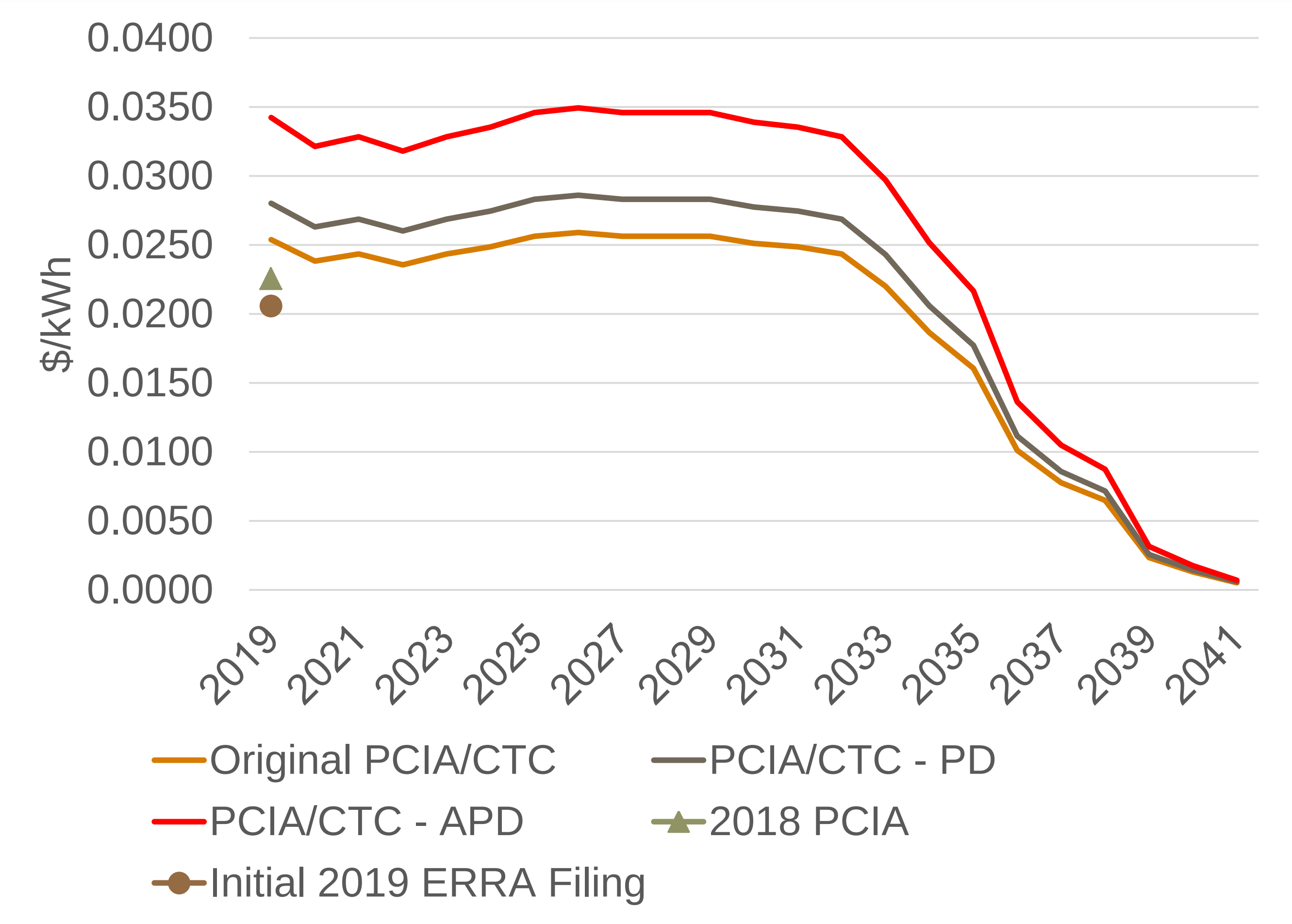
CPUC PCIA Decision

- IOUs can include utility owned generation assets that were in place prior to 2002
- No sunset period on cost recovery (formerly 10 years)
- Cap and Floor
  - No floor, PCIA can be negative
  - Cap of $0.005/kWh for annual increases beginning in 2020
- True-Up
  - Adds uncertainty for CCAs but more certainty for IOUs to avoid under-recovery of costs
- Prepayment options to be expanded in Phase 2

2018 PCIA Exit Fees

	PG&E	SCE	SDG&E
Residential	0.03346	0.01877	0.02547
Small Commercial	0.02466	0.01204	0.02613
Medium Commercial	0.02502	0.01565	0.02033
Large Commercial	0.02104	0.01296	002033
Industrial	0.01888	0.01049	0.02033
Lighting	0.00589	0.00002	0.00000
Agriculture	0.02463	0.01165	0.01441

PCIA Post-CPUC Decision



Questions?

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