



Staff Report

March 14, 2017

TO: Honorable Mayor and Town Council
FROM: Roger Carroll, Treasurer/Finance Director
DATE: March 8, 2017
RE: Placer County Community Choice Aggregation Program

ACTION REQUESTED

Hear presentation from Placer County Treasurer Jenine Windenhausen regarding Placer County's Community Choice Aggregation program.

BACKGROUND

CCA Overview

Assembly Bill 117 was passed in 2002 authorizing Community Choice Aggregation (CCA) programs to operate in California. This legislation enables California cities, counties, and joint powers agencies to aggregate the electricity demand of its constituents and to procure or generate the electricity to meet their electricity demand. The CCA sets rates, determines rebates and incentives, and can provide other energy related programs and services based on local goals and priorities. Most PG&E customer programs continue to be available to the CCA's customers. The host utility, Pacific Gas & Electric (PG&E), continues to provide transmission, distribution, maintenance and repair, and billing services.

The main purposes and benefits of CCA programs in Placer County are that it:

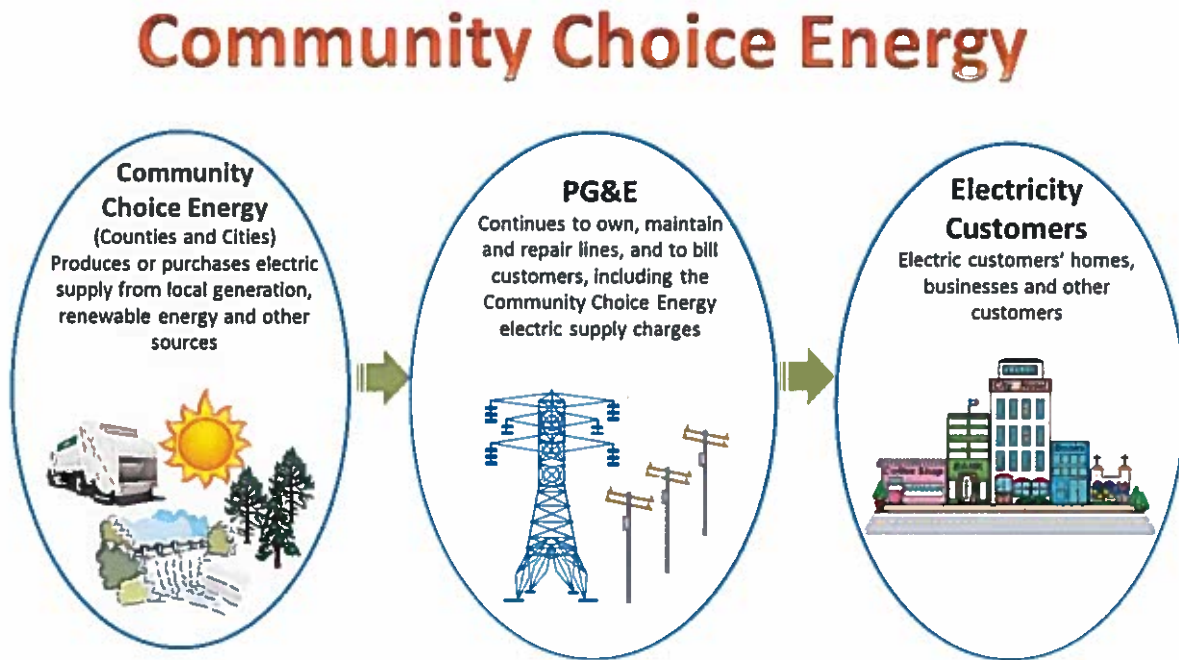
- offers consumers a choice of energy providers and sources,
- provides local control over rates, programs, rebates and incentives,
- provides an opportunity to utilize and develop local energy resources for the benefit of Placer County residents and businesses,
- has the potential to provide economic benefits, such as job creation, economic incentives and other programs with the potential to provide additional benefits such as environmental and social benefits based on local goals and priorities.

Under California law, enrollment in a CCA is automatic for electricity account holders. However, if customers do not want to participate in the CCA and prefer to continue purchasing their power from PG&E, customers may opt-out of the CCA program at any time. In the jurisdictions that have implemented a CCA, the participation rates have been high, ranging from 90% to 99%.

CCA Operations

A CCA replaces energy procurement and energy generation that are currently provided by PG&E. PG&E continues to deliver the energy to the customer. It maintains and repairs the transmission and delivery lines and responds to outages. PG&E also continues to provide customer billing, including the CCA energy charges. Figure 1 illustrates the energy procurement and delivery process under a CCA. The customer does not receive any duplicate charges, because the CCA and PG&E provide unique services.

Figure 1: CCA Energy Delivery Process



The customer receives a PG&E bill that includes the CCA's electric charges. Figure 2 is an example of a PG&E bill with Sonoma Clean Power charges. Item 3 in Figure 2 shows the Sonoma Clean Power Electric Generation Charges. The CCA enters into a service agreement with PG&E for billing services. Each billing cycle, PG&E remits to the CCA the amounts collected for electricity supplied by the CCA.

Figure 2: CCA Billing (Sonoma Clean Energy Example)



ENERGY STATEMENT
www.pge.com/MyEnergy

1 Account No: 0000001
Statement Date: 09/19/2016
Due Date: 10/10/2016

Service For:

Your Account Summary

Amount Due on Previous Statement	\$60.58
Payment(s) Received Since Last Statement	-60.58
Previous Unpaid Balance	\$0.00
2 Current PG&E Electric Delivery Charges	\$37.84
3 Sonoma Clean Power Electric Generation Charges	20.83
4 Total Amount Due by 10/10/2016	\$58.67

Questions about your bill?

24 hours per day, 7 days per week
Phone: 1-866-743-0335
www.pge.com/MyEnergy

Local Office Address

111 STONY CIR
SANTA ROSA, CA 95401

A CCE Program customer's electricity bill charge has several components:

- 1 Customer retains existing account number
- 2 PG&E delivery and transmission charges, including PCIA charge
- 3 Energy Cost (including CCE operational costs)
- 4 Total bill

Existing CCA Programs

There are currently five CCAs operating in California: Marin Clean Energy (2010), Sonoma Clean Power (2015), and Lancaster Choice Energy (2015) (Los Angeles County), CleanPowerSF (San Francisco County) (2016), Peninsula Clean Energy (San Mateo County) (2016), and Silicon Valley Clean Energy (Santa Clara County) (2017). Many other municipalities are currently exploring CCAs. It is estimated that 60% to 80% of investor owned utility territory will come under a CCA within the next five years.

Figure 3: CCAs in Operation, Launching and In-Process



Operational CCAs

MCE Clean Energy (includes Napa County, parts of Contra Costa and Solano Counties)
Sonoma Clean Power
Lancaster Choice Energy
Clean Power San Francisco
Peninsula Clean Energy (San Mateo County)

2017 Launch

Santa Clara County / Silicon Valley Clean Energy
Alameda County / East Bay Community Energy
Humboldt County / Redwood Community Energy
Mendocino County (as member of Sonoma Clean Energy)
Los Angeles County (Phase 1)
Placer County
Yolo County--City of Davis / Valley Clean Energy Alliance
Town of Apple Valley

Exploring / In Process

Butte County
City of Hermosa Beach
City of Pico Rivera
City of San Jacinto
City of San Jose
Contra Costa County
Fresno County
Kings County
Monterey County*
Riverside County
San Benito County*
San Bernardino County
San Diego County
San Joaquin County
San Luis Obispo County**
Santa Barbara County**
Santa Cruz County*
Solano County
Tulare County
Ventura County**

*Monterey Bay Tri-County
**Central Coast Tri-County

Source: www.leanenergyus.org

All the CCA programs that have been implemented to-date have rates that are at or below PG&E's rates, and all of them have achieved positive net revenues within two-years of implementation. As local government entities, CCAs do not pay income taxes nor do they make distributions to shareholders. These savings are passed on to customers as discounts or program benefits.

Due Diligence and Financial Analysis Findings

Placer County first began to investigate the feasibility of a CCA in early 2015. The County's analysis and findings of the County's investigation are included in the *Placer County Community Choice Energy Due Diligence and Financial Analysis* which was provided to the Town in September 2016. Based on current market prices, the County's *Due Diligence and Financial Analysis* concluded that a community choice aggregation program could provide both customer cost savings and significant economic development opportunities, as well as, the potential for environmental and social benefits based on local goals and priorities.

The conclusions of the *Due Diligence and Financial Analysis* for a CCA in Placer County are based on due diligence research, risk assessment, energy consumption data analysis, financial modeling and analysis, and economic analysis. The conclusion is that a CCA in Placer County is financially, economically and operationally feasible in Placer County, and a CCA is highly likely to produce additional economic, environmental and social benefits.

The financial modeling was conservatively constructed and the analysis projects that a CCA can become net revenue positive, and net cash flow positive by the end of the second fiscal year. The financial modeling also indicates that by the end of the fifth fiscal year, net revenues may begin exceeding \$10,000,000 per year.

Placer County has a number of distinct advantages associated with local control of energy supply and management through the implementation of a CCA program. Placer County advantages include a unique mix of natural energy-supply-resources, and financing which is available through the Placer County Treasury. This unique mix of natural and man-made resources includes forest fuel load biomass, hydroelectric power, waste-to-energy, large scale solar, and demand-response programs.

Local control of the power supply for Placer County residents and businesses can result in achieving local policy goals and objectives, based on local needs and priorities. A CCA could be a significant tool, facilitating partnerships to leverage local resources and providing solutions to local challenges. Specifically, a CCA can focus on:

- Utilization of local energy resources, such as hydroelectric power and demand reduction, to keep financial resources from being drained out of the county,
- Development of biomass generation to reduce fire danger and health hazards associated with wildfire smoke. A Placer County CCA that uses electricity generated from local biomass facilities can help address the human and environmental issues of deteriorating forest problems brought on by successive drought years and bark beetle infestations
- Analysis and feasibility of developing energy projects that may significantly reduce the amount of materials going into the landfill and, at the same time, reduce landfill-

produced odors by using municipal solid waste streams (garbage) as fuel for energy production

Keeping energy resources and development local, not only provides solutions to existing challenges, it creates new, permanent, non-exportable jobs for Placer County residents and keeps the economic benefits that are derived from these resources from leaving Placer County. Through local control and management, a CCA in Placer County can provide benefits that are not currently being realized. A CCA can also provide many of the services and programs that a municipal utility provides.

The County's analysis and due diligence findings related to implementation and operation of a CCA in Placer County are:

- CCA customers will be provided a choice in electricity providers, and a choice in the source of their electrical power supply that does not currently exist.
- A CCA is financially viable and sustainable under a range of market conditions and various energy supply portfolio compositions and is likely to produce positive net revenues within two years.
- Local resources are expected to provide significant economic, environmental and social benefits including development of local generation, economic development inducements, and customer rebates and incentives that can be provided through various CCA programs and services.
- However, these benefits were not included in the financial analysis, in order to present findings based solely on the merit of a CCA by itself.
- The financial model was based on the potential of a 5% reduction in the energy cost portion of the CCA customer bills. The financial model reflects that this level of customer savings is sustainable over time.

Sierra Valley Energy Authority CCA Program

Placer County and the City of Colfax have launched a CCA for Placer County through the Sierra Valley Energy Authority (SVEA) Joint Powers Authority (JPA). The SVEA JPA Agreement allows for eligible cities in Placer County to become voting members for the purpose of providing a CCA and a Property Assessed Clean Energy (PACE) program (more commonly known as the mPOWER program).

Placer County has provided funding for the CCA implementation which will be repaid from future SVEA revenues. The eligible cities have been invited by the County to join the SVEA and launch the CCA in their jurisdiction.

Specifically, the SVEA JPA agreement provides:

- No requirement of the member cities to advance costs
- No financial or legal recourse to the County or member cities
- Each city is entitled to a seat on the JPA Board
- Town residents and business will have a choice in who provides their energy

Consumer Choice

Joining the SVEA CCA program would provide Town residents and businesses with a choice of electric providers and energy supply. As indicated above, enrollment in the CCA is automatic for customers. Customers don't need to do anything to begin receiving the benefits of the CCA.

CCAs are required by law to provide four written notices to customers. Two written notices must be provided at 30 and 60 days prior to program conversion, and two written notices must be provided 30 and 60 days after program conversion. The notices must include instructions for opting-out of the CCA for those customers who wish to remain with PG&E. SVEA plans to provide additional outreach and information to ensure that customers have ample opportunity to learn more about the SVEA CCA program prior to program launch. Customers are able to return to PG&E without any disruption of service at any time. There are limitations on how often a customer can go back and forth between the CCA and PG&E which is likely to be once every twelve months.

Competitive Electricity Rates

The SVEA is committed to providing electric generation cost savings for customers. SVEA's customer electric generation rates are planned to be lower than those of PG&E. The County's financial analysis demonstrates the SVEA ability to provide lower electric generation rates. The SVEA has the advantage of not paying shareholder dividends, or income taxes that are required of investor-owned utilities. The CCA has the opportunity to purchase electric power at historically low rates, and to develop generation facilities which further stabilize rates. As a result, electric generation rates for SVEA customers are expected to be stable and decreasing over time. PG&E rates change several times a year, CCA's have generally adjusted their rates once per year, offering a greater measure of rate stability and certainty for CCA customers.

The County anticipates the SVEA electric generation rate savings to continue because PG&E's electric generation rates are projected to increase again in the near future. PG&E will still have the ability to change their rates on their electric distribution.

SVEA residential customers are estimated to realize approximately five percent reduction in monthly electric generation rates compared to current rates. Participating business customers are also projected to have a reduction in electricity costs of approximately five percent. Rate decisions will be made by the SVEA governing board.

Incentive Programs

Because PG&E will still provide SVEA customers with transmission and generation services, customers are still PG&E customers and will have access to energy efficiency, rebates and other programs provided by PG&E. Customers on Medical Baseline and CARE programs will continue on these programs without interruption.

In addition, the SVEA will operate its own energy efficiency and other programs. The SVEA will allocate a portion of its budget to local projects and programs based on local goals and priorities. The CCA may be able to offer a variety of energy efficiency programs that also

include rebates and incentives, including a solar net energy metering (NEM) program. Ultimately the SVEA governing board will determine any additional programs to be offered.

Figure 4: CCA/PG&E Service Comparison Chart

Services Provided by PG&E <small>(source: PG&E website)</small>	Before CCE	With CCE
Electricity Transmission, Distribution, Maintenance, Repair and Outage Response	X	X
Meter Reading	X	X
Billing (including eBills and Automated Payment Plan)	X	X
Balance Payment Plans	X	X
Energy Efficiency Rebates	X	X
California Alternative Rates for Energy (CARE) and Medical Baseline	X	X
Solar Net Metering and California Solar Initiative	X	X
Residential Smart Rate	X	X
Services Provided by CCA		
Ratepayer choice		X
Local Control over Rates resulting in the Same or Lower Rates		X
Local Control over Expanded Energy Efficiency and Other Ratepayer Programs		X
Local Control over Electric Supply		X
Previous shareholder profits & income taxes retained in Placer County for ratepayer benefit		X

Considerations of Joining the Authority

Should the Town wish to participate in the program, Town staff and the Town Attorney would need to review the *Due Diligence and Financial Analysis*, and the SVEA JPA Agreement.

Legal Considerations for the Town

The SVEA JPA Agreement expressly provides for limited liability for its members, as well as its directors, officers, and employees of the SVEA. The Agreement states that:

“the debts, liabilities or obligations of the Authority shall not be debts, liabilities or obligations of the individual Members unless the governing board of a Member agrees in writing to assume any of the debts, liabilities or obligations of the Authority.”

This language in the Agreement protects the Town from actions or liabilities of SVEA. To further mitigate any potential legal risks to the participants, SVEA has stated in the Agreement that it:

“shall acquire and maintain such insurance coverage as is necessary to protect the interests of the Authority, the Members, and the public. The insurance shall also contain a written endorsement to such policy or policies, which names each of the [Voting Members] as additional insureds. The Authority shall defend, indemnify, and hold harmless the Members, and each of their respective Board or Council members, officers, agents and employees, from any and all claims, losses, damages, costs, injuries, and liabilities of every kind arising directly or indirectly from the conduct, activities, operations, acts, and omissions of the Authority under this Agreement.”

Financial Considerations for the Town

The Authority feasibility and implementation costs have been advanced by Placer County. The County expects, and the Authority Agreement provides, that these expenditures will be reimbursed from SVEA revenues derived from customer charges once SVEA is serving customers. If the SVEA does not become operational, the County will not recover its costs, and the member cities are not obligated to reimburse the County under the terms of the Agreement.

The Town's financial risks are limited during the evaluation, implementation and operational stages of the SVEA. However, there are a few specific situations where the Town might incur costs if it chooses to withdraw from the JPA.

After formation and implementation of the SVEA, the agreement states that there may be continuing financial obligations to any member city that chooses to withdraw, or is involuntarily terminated by a two-thirds vote of the other member directors.

The Agreement specifically provides that a withdrawing or terminated member city:

“. . . shall remain responsible for any claims, demands, damages, or liabilities arising from the Member's membership or participation in the CCA Program through the date of its withdrawal or involuntary termination. . .”

The major financial obligation is for losses from the resale of power contracted for by the Authority to serve the Town's load. However, this section of the Agreement also explicitly provides that, upon notice of a member city's desire to withdraw, the SVEA is obligated to provide a minimum waiting period during which the member would be required to remain a part of the CCA program in order to withdraw without financial consequence. Thus, the Town is free to withdraw from the CCA program at any time and pay for the power already contracted for on its behalf, or remain in the program until such time that the Town has fully used, or that the SVEA has disposed of or otherwise utilized the Town's share of the contracted power. This provision provides the Town with the opportunity to terminate its participation in an orderly manner to avoid incurring costs to the Town.

Finally, the Agreement provides that a withdrawing Member is additionally responsible for costs or obligations associated with any specific program which the agreed to be a part of prior to the date of its withdraw.

Financial Considerations for CCA Customers

As stated above, customers in operational CCAs have enjoyed electricity cost reductions. Customers rejoining PG&E could face charges, exit fees, or re-entry costs should they choose to return to PG&E provided power after the initial conversion period. Subject to the SVEA Board approve, the SVEA may institute exit fees for any customer that chooses to opt out after the 60-day free period. PG&E typically institutes both a re-entry fee and market rate energy charge for any customer returning to PG&E, and mandates a one-year commitment to remain with PG&E after returning.

Should customers choose to leave after the free opt-out period during the initial conversion, they could potentially face fees from both the SVEA and PG&E.

Regulatory Considerations

The CPUC oversees the creation and inception of all CCAs and promulgates all regulations that apply to energy generation and energy supply in the state. The CPUC is guided by the increase-in-utility-competition and customer-rate-reduction principles outlined in Public Utilities Code.

The CPUC and other state agencies also determine regulations for electric market transactions and the delivery of electricity on the electric grid. The *Due Diligence and Financial Analysis* considered compliance with all existing regulations. Since CPUC regulations affect all market participants, it is unlikely that new regulations would be implemented in a manner that would be less than orderly or disruptive.

SVEA Governance

Joint Powers Agreement

As discussed above, SVEA is a legally and financially separate entity from the jurisdictions of its members and those that it serves. The Authority will be governed by a Board comprised of one elected official serving as a Voting Member and one alternate Voting Member from each of SVEA's member cities and two members of the Board of Supervisors and one alternate. The Board will be responsible for setting electric rates, programs and policies.

Voting Structure

Each member city has one vote on behalf of their city, and the County is granted two votes, due to its share of electrical load. The Agreement does provide for an alternate voting procedure which is weighted by shares based upon the annual energy used by each member city or the County, in relation to each SVEA members' total energy usage. The weighted vote would only be used if a member is not satisfied with the outcome of an initial vote. The member may call for a second vote using the weighted shares method.

CEQA AND ENVIRONMENTAL COMPLIANCE

The action of a local government to join SVEA is an administrative action that will not result in a direct physical change to the environment or a reasonably foreseeable indirect change to the environment, and thus is not a project as defined by the California Environmental Quality Act (CEQA) Guideline Section 15378. CEQA Guidelines Section 15378(b)(5) states that a project does not include "Organization or administrative activities of governments that will not result in

direct or indirect physical changes in the environment." Per CEQA Guidelines Section 15378, there cannot be a project unless the proposed action will result in "either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment."

Recommendation/NEXT STEPS

If the Town Council wishes to join, it must introduce an ordinance authorizing its intention to implement a CCA, and adopt a resolution approving the execution of the JPA agreement and appointing a Board Member and Alternate Board Member to the CCA JPA Board.