

Community Choice Aggregation Development and Implementation Update



City of Solana Beach
City Council Meeting
10/11/17

Background

- May 24, 2017 - City Council authorized the execution of professional services agreements with The Energy Authority (TEA) and Calpine to enter into Phase 1 of the CCA development and implementation efforts.

Phase 1

Phase 2

Phase 3

Program Development	Program Launch	Operations
0-6 Months	6-12 Months	Years 2-5
<ul style="list-style-type: none"> • Technical study completed • Community and local government outreach • Implementation Plan drafted • Operations, budget, and staffing plan developed 	<ul style="list-style-type: none"> • Implementation Plan certified • Data management, accounting, and back office functions established • Utility service agreement, regulatory registrations, bond posting • Power procurement and contracting • Rate design/rate setting • Public outreach and marketing campaign • Customer notifications/enrollment period 	<ul style="list-style-type: none"> • Ongoing power supply services (scheduling, etc.) • Customer account management • Community outreach and marketing • Regulatory and legislative affairs • Net energy metering and feed-in tariff • Enrollment of additional communities

Statewide CCAs

To date, there are thirteen (13) operational CCA programs in California:

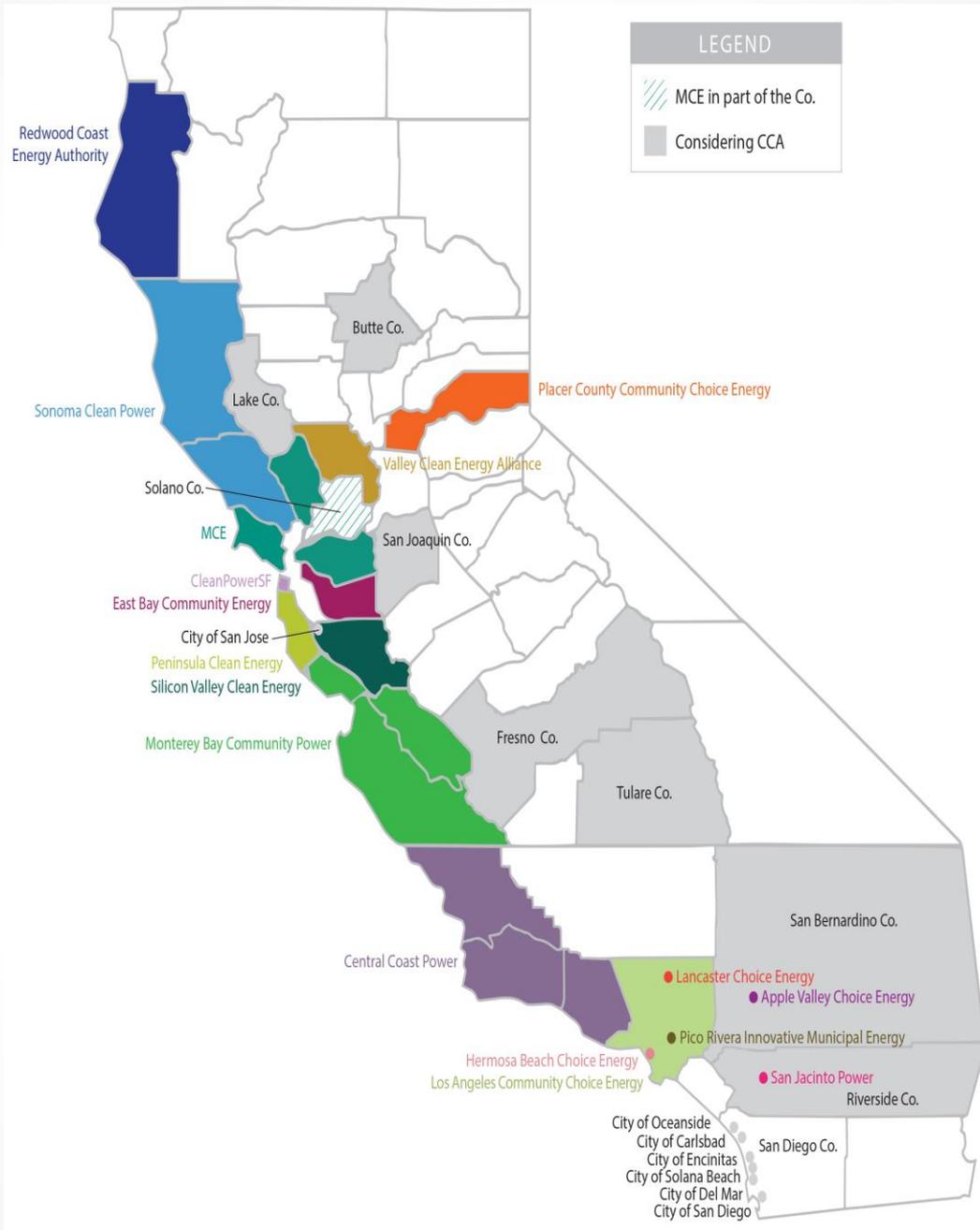
- Marin Clean Energy
- Sonoma Clean Power
- Lancaster Choice Energy (City-only CCA)
- CleanPowerSF
- Peninsula Clean Energy
- Redwood Coast Energy Authority
- Silicon Valley Clean Energy
- Apple Valley Choice Energy (City-only CCA)
- East Bay Community Energy
- Los Angeles County Choice Energy
- Monterey Bay Community Power
- Pioneer Community Energy
- Pico Rivera Innovative Municipal Energy (PRIME)

Projected that CCA's will account for approximately 70% of total energy load in entire State by 2020

There are another five (5) emerging CCA programs actively being developed:

- Central Coast Power
- San Jose Clean Energy
- South Bay Clean Power
- Western Riverside Association of Governments (WRCOG), Coachella Valley Association of Governments (CVAG)
- San Jacinto Power

CCA today...



Current Operational Member* Overview

Member	Customer Accounts	Peak Load MW	Minimum RPS	Unbundled RECs	Annual Load 2017 GWh
Apple Valley Clean Energy**	29,000	70	35%	8%	235
CleanPowerSF**	76,000	95	40%	0	535
Lancaster Choice Energy	52,000	198	35%	8%	590
Los Angeles County Community Energy***	285,000	877	50%	0	3,470
MCE**	260,000	520	55%	0 - 3%	2,900
Monterey Bay Community Power***	307,000	680	TBD	TBD	3,800
Peninsula Clean Energy	300,000	660	50%	0	3,800
Pico Rivera Innovative Municipal Energy	17,000	50	50%	0	215
Silicon Valley Clean Energy	240,000	680	50%	0	3,700
Redwood Coast Energy Authority**	60,000	140	40%	0	730
Sonoma Clean Power	227,000	510	43%	0	2,434
CalCCA Member Totals	1,853,000	4,480 MW	45% (avg)	1.8% (avg)	22,409 GWh

* East Bay Clean Energy and Pioneer Clean Energy are also Operational Members of CalCCA with data forthcoming in 2017/18

** Represents partial enrollment with additional phases planned for 2018

*** Represents estimates for program launching in 2018

Current CCA state resources...



KEY

- WIND
- BIOGAS
- SOLAR
- UNION JOBS

CCA Accomplishments

Building California Renewables

- Constructing renewables quickly
- Takes 3-4 years of operations to create a diverse long-term portfolio
- Over \$1 billion in construction to date
- Majority of spending on projects with project labor agreements

Job Creation

- 2,800+ California jobs supported by MCE since 2010
- 80 jobs created by Lancaster Choice Energy since 2015
- 1.2 million union labor hours created through MCE renewable projects in 2016



Lock Box Account

- Lock Box Pledge Account & Reserve Account
 - These are primary components of the Credit Support and financial backing for both TEA and the CCA itself.
 - The Lock Box would be the account into which all customer payments would be placed.
 - The CCA would grant to TEA a first priority security interest in and lien upon the funds and payments made by the CCA customers.
 - These funds would provide operational security as well as funding for ongoing energy purchases made by TEA on behalf of the CCA.
 - The Lock Box would accumulate funding over time for a Reserve Account and Rate Stabilization Fund for any unforeseen changes to future costs.
 - The Lock Box and its reserve requirement is the vehicle that protects the City's General Fund from the operations of the CCA.
 - If, for whatever reason, the CCA is disbanded, only the money in the Lock Box is at risk, not the General Fund.

Solana Beach CCA Development Process

- Initial step was completion of a Feasibility/Technical Study
 - City's Feasibility/Technical Study was completed in May 2016
 - Demonstrated the feasibility of a CCA in Solana Beach
- City hired EES Consulting Inc. to conduct an independent, third-party peer review of Technical Study
 - Concluded that "Overall, the CCA Study provided an adequate level of analysis for decision-making given the early stage of consideration by the City. In the opinion of EES, the CCA Study is a good basis for making policy decisions about proceeding with the CCA for the City."
 - The cost of renewables and the escalation rate appear to be too high
 - The PCIA (Power Charge Indifference Adjustment) levels are expected to be higher in 2017 and beyond
 - The SDG&E rate is too simplistic

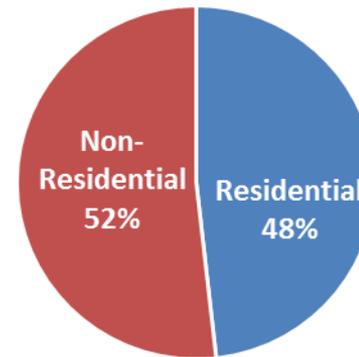
Overview

- Developed new, up-to-date Pro Forma
- Determined that CCA still feasible
- Example Supply Portfolio & 100% Opt-Up Rate
- Risk from PCIA Uncertainty

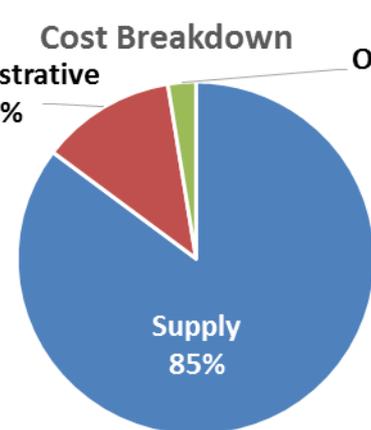
Base Case Scenario (RPS Compliant)

Five Year Total (2018-2022)	
Total Revenues	\$21,958,707
Total Costs	\$18,969,038
Retained Revenue	\$2,989,669
% of Revenue	13.6%

Revenue Breakdown

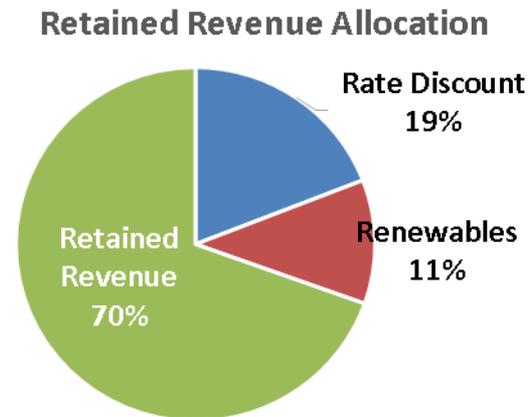


Cost Breakdown



50% RPS & 2% Rate Savings

Five Year Total (2018-2022)	
Rate Discount	\$571,166
Renewables	\$339,419
Retained Revenue	\$2,079,083
% of Revenue	9.7%



100% Renewable Opt-Up

- CCA Opt-Up Rate
 - Between \$0.003/kWh-
\$0.010/kWh
 - Based on 50% default
portfolio
 - Depends on mix of
renewable technologies
& sources

Typical Monthly Bill (non T&D) - 2018	
Residential Usage (kWh)	437
CCA Rate	\$0.07
PCIA + Franchise Fee	\$0.03
Average Bill	\$43.29
Opt-Up Rate	\$0.01
Opt-Up Cost	\$4.37

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	A	B	C	D	E	I	J	K	L	M	N	O	P	Q	R
1															
2															
3															
4															
5	\$	Costs													
6		Load													
7		Day Ahead Energy @ SP-15	\$ 2,375,115	\$ 2,482,666	\$ 2,583,791	\$ 2,425,480									
8		SDG&E DLAP Premium to SP-15	\$ 125,635	\$ 126,891	\$ 128,160	\$ 123,418									
9		Hourly Load Premium	\$ 117,839	\$ 119,018	\$ 120,208	\$ 114,978									
10		Swap/Forward Transaction Mark to Market	\$ -	\$ -	\$ -	\$ -									
11		RA	\$ 476,527	\$ 490,895	\$ 507,142	\$ 477,203									
12		CRR	\$ -	\$ -	\$ -	\$ -									
13		CA Energy Resources Surcharge	\$ 21,674	\$ 22,329	\$ 23,003	\$ 21,685									
14		All Other Charges	\$ 63,385	\$ 64,019	\$ 64,659	\$ 61,836									
15															
16		Supply													
17		Solana Beach Resource #1	\$ -	\$ -	\$ -	\$ -									
18		Bucket 1 RECs	\$ 273,254	\$ 292,402	\$ 312,210	\$ 286,148									
19		Bucket 2 RECs	\$ 39,079	\$ 41,818	\$ 44,651	\$ 40,923									
20		Additional Zero Carbon Supply	\$ 2,194	\$ 2,325	\$ 2,458	\$ 2,263									
21															
22		CCA-paid													
23		Wholesale Services	\$ 230,565	\$ 237,482	\$ 244,607	\$ 230,360									
24		Data Management	\$ 127,606	\$ 132,748	\$ 138,098	\$ 129,242									
25		Internal Admin	\$ 150,000	\$ 150,000	\$ 100,000	\$ 122,222									
26		Local Programs	\$ -	\$ -	\$ -	\$ -									
27		SDG&E Billing Services	\$ 48,608	\$ 49,585	\$ 50,581	\$ 47,954									
28		Performance Bond	\$ -	\$ -	\$ -	\$ 11,111									
29		Cost of Credit for Procurement	\$ 70,428	\$ 71,132	\$ -	\$ 36,294									
30		Startup Loan Repayment	\$ -	\$ -	\$ -	\$ 13,889									
31		Customer-paid													
32		PCIA	\$ 1,329,005	\$ 1,239,243	\$ 1,322,707	\$ 1,355,389									
33		Franchise Fee	\$ 73,478	\$ 74,941	\$ 76,695	\$ 74,174									
34															
35		Total Costs	\$ 5,524,393	\$ 5,597,494	\$ 5,718,971	\$ 6,015,100									
36		Total Gen Costs	\$ 4,121,910	\$ 4,283,311	\$ 4,319,568	\$ 4,492,347									
37															
38		Wholesale Revenues													
39		Solana Beach Owned Resources													
40		Solana Beach Resource #1	\$ -	\$ -	\$ -	\$ -									
41		Total Revenues	\$ -	\$ -	\$ -	\$ -									
42															
43		Net													
44		Annual Spend	\$ (5,524,393)	\$ (5,597,494)	\$ (5,718,971)	\$ (6,015,100)									
45		Annual Spend (Gen Only)	\$ (4,121,910)	\$ (4,283,311)	\$ (4,319,568)	\$ (4,492,347)									

Pro Forma incorporates, detailed, hourly-level forecast of load and supply costs. Forecasts are updated daily with new prices. When operational will be trued up to actuals to track performance vs. budget, forecast cash flows, etc.

Summary Imp Plan Change Log Monthly Summary PCM SDG&E Rates Load Weighted Pricing Back Office and Other ... 80%

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CHART TOOLS
DESIGN FORMAT

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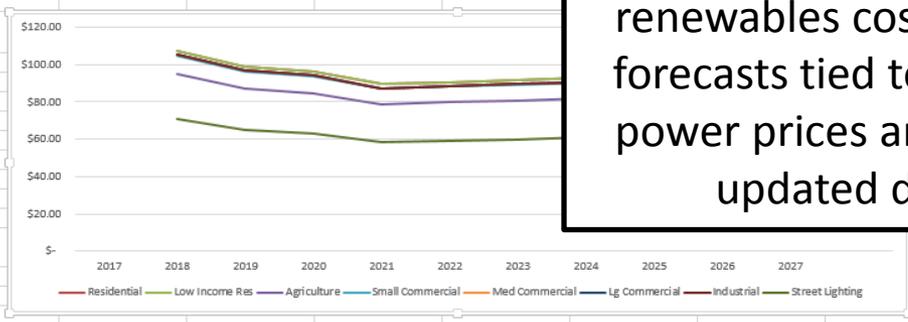
Chart Styles

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Chart 1

Generation	Residential	Low Income Res	Agriculture	Small Commercial	Med Commercial	Lg Commercial	Industrial	Street Lighting	y/y change
2017	\$ 107.62	\$ 107.62	\$ 94.90	\$ 104.92	\$ 105.13	\$ 105.13	\$ 105.13	\$ 78.55	
2018	\$ 99.02	\$ 99.02	\$ 87.31	\$ 96.53	\$ 96.73	\$ 96.73	\$ 96.73	\$ 78.55	
2019	\$ 96.24	\$ 96.24	\$ 84.86	\$ 93.83	\$ 94.02	\$ 94.02	\$ 94.02	\$ 78.55	
2020	\$ 89.45	\$ 89.45	\$ 78.87	\$ 87.20	\$ 87.38	\$ 87.38	\$ 87.38	\$ 78.55	
2021	\$ 90.63	\$ 90.63	\$ 79.91	\$ 88.36	\$ 88.53	\$ 88.53	\$ 88.53	\$ 78.55	
2022	\$ 91.57	\$ 91.57	\$ 80.74	\$ 89.28	\$ 89.46	\$ 89.46	\$ 89.46	\$ 78.55	
2023	\$ 92.86	\$ 92.86	\$ 81.88	\$ 90.53	\$ 90.72	\$ 90.72	\$ 90.72	\$ 78.55	
2024	\$ 94.02	\$ 94.02	\$ 82.90	\$ 91.66	\$ 91.84	\$ 91.84	\$ 91.84	\$ 78.55	
2025	\$ 95.09	\$ 95.09	\$ 83.84	\$ 92.70	\$ 92.89	\$ 92.89	\$ 92.89	\$ 78.55	
2026	\$ 98.39	\$ 98.39	\$ 86.76	\$ 95.93	\$ 96.12	\$ 96.12	\$ 96.12	\$ 78.55	
2027	\$ 102.38	\$ 102.38	\$ 90.27	\$ 99.81	\$ 100.01	\$ 100.01	\$ 100.01	\$ 78.55	

Annual SDGE Gen Rate and PCIA Forecasts by rate class based on forecasted SDGE portfolio changes and renewables costs. Rates forecasts tied to forward power prices and will be updated daily.



	Residential	Low Income Res	Agriculture
2018	21,303	0	0
2019	32,427	0	0
2020	32,751	0	0
2021	33,079	0	0
2022	33,409	0	0
2023	33,743	0	0
2024	34,081	0	0
2025	34,422	0	0
2026	34,766	0	0
2027	35,114	0	0

	Residential	Low Income Res	Agriculture
2018	48%	0%	0%
2019	49%	0%	0%
2020	49%	0%	0%
2021	49%	0%	0%
2022	49%	0%	0%
2023	49%	0%	0%
2024	49%	0%	0%
2025	49%	0%	0%
2026	49%	0%	0%
2027	49%	0%	0%

Load Weighted Rates	Generation	T&D	Other
2018	\$ 97.61	\$ -	\$ -
2019	\$ 94.89	\$ -	\$ -
2020	\$ 88.19	\$ -	\$ -
2021	\$ 89.36	\$ -	\$ -
2022	\$ 90.29	\$ -	\$ -
2023	\$ 91.56	\$ -	\$ -
2024	\$ 92.70	\$ -	\$ -
2025	\$ 93.75	\$ -	\$ -
2026	\$ 97.01	\$ -	\$ -
2027	\$ 100.94	\$ -	\$ -

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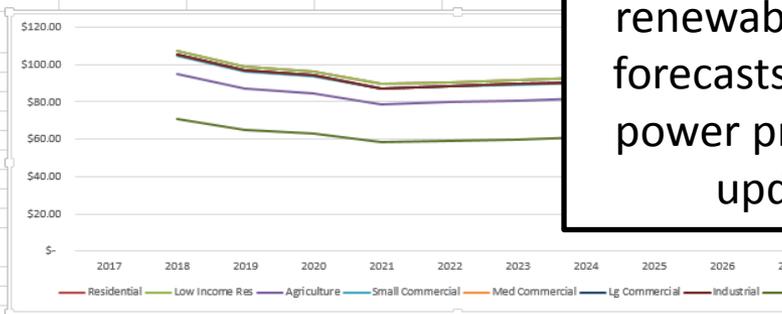
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2027	35,114	0	0

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2022	49%	0%	0%
2023	49%	0%	0%
2024	49%	0%	0%
2025	49%	0%	0%
2026	49%	0%	0%
2027	49%	0%	0%

Generation	T&D	Other
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\$ 94.89	\$ -	\$ -
\$ 88.19	\$ -	\$ -
\$ 89.36	\$ -	\$ -
\$ 90.29	\$ -	\$ -
\$ 91.56	\$ -	\$ -
\$ 92.70	\$ -	\$ -
\$ 93.75	\$ -	\$ -
\$ 97.01	\$ -	\$ -
\$ 100.94	\$ -	\$ -

Current PCIA, and new PCIA forecast significantly higher than assumed in previous studies.

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John Putz

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	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1															
2															
3		Year	Date	CA RPS	SDG&E Renewable	CCA Renewable Target	REC Price	CA RPS Obligation	CCA RPS Target	REC Gen	Net Annual RPS Obligation			Bucket 1 Obligation	Resources
4		2018	01/01/2018	29%	44%	29%	\$13.13	-	-	-	-	-	-	0	0
5		2018	02/01/2018	29%	44%									0	0
6		2018	03/01/2018	29%	44%									0	0
7		2018	04/01/2018	29%	44%									0	0
8		2018	05/01/2018	29%	44%									1,094	0
9		2018	06/01/2018	29%	44%									1,101	0
10		2018	07/01/2018	29%	44%									1,282	0
11		2018	08/01/2018	29%	44%									1,338	0
12		2018	09/01/2018	29%	44%									1,293	0
13		2018	10/01/2018	29%	44%									1,188	0
14		2018	11/01/2018	29%	44%									1,143	0
15		2018	12/01/2018	29%	44%									1,183	0
16		2019	01/01/2019	31%	44%									1,303	0
17		2019	02/01/2019	31%	44%									1,246	0
18		2019	03/01/2019	31%	44%									1,227	0
19		2019	04/01/2019	31%	44%	31%	\$13.26	1,555	1,555	-	-	-		1,166	0
20		2019	05/01/2019	31%	44%	31%	\$13.26	1,575	1,575	-	-	-		1,181	0
21		2019	06/01/2019	31%	44%	31%	\$13.26	1,585	1,585	-	-	-		1,189	0
22		2019	07/01/2019	31%	44%	31%	\$13.26	1,846	1,846	-	-	-		1,384	0
23		2019	08/01/2019	31%	44%	31%	\$13.26	1,926	1,926	-	-	-		1,444	0
24		2019	09/01/2019	31%	44%	31%	\$13.26	1,861	1,861	-	-	-		1,396	0
25		2019	10/01/2019	31%	44%	31%	\$13.26	1,710	1,710	-	-	-		1,282	0
26		2019	11/01/2019	31%	44%	31%	\$13.26	1,646	1,646	-	-	-		1,235	0
27		2019	12/01/2019	31%	44%	31%	\$13.26	1,703	1,703	-		20,442		1,277	0
28		2020	01/01/2020	33%	45%	33%	\$13.39	1,868	1,868	-	-	-		1,401	0
29		2020	02/01/2020	33%	45%	33%	\$13.39	1,787	1,787	-	-	-		1,340	0
30		2020	03/01/2020	33%	45%	33%	\$13.39	1,759	1,759	-	-	-		1,319	0
31		2020	04/01/2020	33%	45%	33%	\$13.39	1,672	1,672	-	-	-		1,254	0
32		2020	05/01/2020	33%	45%	33%	\$13.39	1,693	1,693	-	-	-		1,270	0
33		2020	06/01/2020	33%	45%	33%	\$13.39	1,705	1,705	-	-	-		1,278	0
34		2020	07/01/2020	33%	45%	33%	\$13.39	1,984	1,984	-	-	-		1,488	0
35		2020	08/01/2020	33%	45%	33%	\$13.39	2,071	2,071	-	-	-		1,553	0
36		2020	09/01/2020	33%	45%	33%	\$13.39	2,001	2,001	-	-	-		1,501	0
37		2020	10/01/2020	33%	45%	33%	\$13.39	1,838	1,838	-	-	-		1,379	0
38		2020	11/01/2020	33%	45%	33%	\$13.39	1,770	1,770	-	-	-		1,327	0
39		2020	12/01/2020	33%	45%	33%	\$13.39	1,831	1,831	-		21,978		1,373	0
40		2021	01/01/2021	35%	46%	35%	\$13.53	1,984	1,984	-	-	-		1,488	0
41		2021	02/01/2021	35%	46%	35%	\$13.53	1,898	1,898	-	-	-		1,423	0
42		2021	03/01/2021	35%	46%	35%	\$13.53	1,860	1,860	-	-	-		1,401	0

RA, RPS & GHG-free supply costs based on TEA experience in the market procuring on behalf of CCAs & other CA LSEs.

SDG&E Rates Load Weighted Pricing Back Office and Other CRR RA RPS GHG PCIA Retail Revenue Solana Beach

Setting Up Problem... 90%

PCIA Status

- New CPUC Rulemaking on PCIA initiated this summer
 - Review, Revise & Consider Alternatives
- IOUs contend not being fairly compensated for procurements made on behalf of departing load
- CCAs contend process does not account for IOUs poor management of contracts/resources
- Workshops begin in October
- Decision targeted for July, 2018

Possible Outcomes

- Status Quo or Reduced PCIA
 - CCA continues to be feasible meeting all objectives
- Somewhat Higher PCIA
 - Manage by cutting costs; accruing reserves; raising rates but keeping competitive with SDG&E
- Much higher PCIA
 - CCA's find it hard to maintain competitive rates; community determines if willing to pay more for local control & higher renewables

CCA Outreach Efforts

- Climate Action Plan Workshop #1 – Nov 2016
- Climate Action Plan Workshop #2 – May 2017
- Climate Action Commission Meetings – Standing monthly Agenda Item for CCA Discussion/Update
- Developed a CCA Specific Website
- Climate Action Commission Special CCA Presentation – July 19, 2017
- Civic and Historical Society Annual Meetings – 2016 and 2017
- Solana Eastside Community Group HOA Meetings – various monthly meetings and annual “General Meeting” in 2016 and 2017

Phase 1 Community Engagement Efforts

- Conducted by City Staff with assistance from the City's consultant team and Climate Action Commission members.
- Focused primarily on gauging general community interest in CCAs
- Conducted at various community events over the past several months.
 - Concerts at the Cove – August 10, 2017
 - Concerts at the Cove – August 17, 2017
 - Farmer's Market – August 20, 2017
 - Beach Blanket Movie Night – August 26, 2017
 - Chamber of Commerce Business Expo – September 20, 2017

Community Engagement Survey

- Developed a basic survey to gauge community interest in implementing a CCA and, if interested, to assess the respondents' priorities in developing the program.
- Respondents not in favor of a CCA were asked to state their reasons for opposing a CCA.
- To date, the City has received 108 responses

Community Engagement Survey Results

1) Are you interested in having a CCA program in Solana Beach?

- Yes – 90 (83%)
- No – 18 (17%)

2) If yes, what do you believe is the most important?

- | | | |
|--|----|-------|
| ○ Customer Choice | 49 | (46%) |
| ○ Local Control (i.e.: Rate Setting, Policy Decisions, etc.) | 52 | (49%) |
| ○ Competitive or Lower Prices | 61 | (57%) |
| ○ Local Benefits | 37 | (35%) |
| ○ Increase in Renewable Energy / Reducing Greenhouse Gas Emissions | 76 | (69%) |
| ○ Other | | |
| • Lowest cost possible | 1 | |
| • Higher \$ return for KWHs our solar panels add to the grid | 1 | |
| • Long term stability to rates and service | 1 | |

3) Would you like to learn about CCA and/or receive updates on Solana Beach's progress?

- Yes – 100 (93%)
- No – 8 (7%)

Community Engagement – Next Steps

- If Council authorizes the City to move into Phases 2 and 3 of CCA development, many of the technical questions can be addressed including:
 - Potential rates
 - How the CCA might affect current solar customers (net energy metering)
 - Determining the renewable energy content options
- A major focus of the Phases 2 and 3 outreach efforts will be engaging the business community.
- At least one community workshop will be held to gather input from the community on CCA priorities

Draft Implementation Plan

- TEA developed a draft Implementation Plan and Statement of Intent.
- The Implementation Plan describes the City's plans to implement a voluntary CCA program for electric customers within the jurisdictional boundary of Solana Beach.
- As required by Public Utilities Code Section 366.2(c)(3), the Implementation Plan details the process and consequences of aggregation and provides the City's statement of intent for implementing a CCA program.

Next Steps

Task	Date
Finalize Implementation Plan and Submit to Council for Approval	November 2017
File Implementation Plan with CPUC	December 2017
CPUC Certifies Implementation Plan	February/March 2018
Complete Initial Power Procurement	February/March 2018
Finalize Program Budget, NEM Tariff and Approve Rates	March 2018
Send First Enrollment Notices	March/April 2018
Send Second Enrollment Notices	April/May 2018
Program Launch	June/July 2018

- Community Engagement/Outreach to occur throughout the process
- Council/Board to be engaged in public meetings to determine program structure, rates, local programs, etc.

CCA Structure

- Single-City CCA
 - Lancaster Choice Energy
 - CleanPowerSF
 - Apple Valley Choice Energy
- City remains engaged in discussions of potentially forming a JPA with other San Diego jurisdictions
 - North Coastal Region (Del Mar, Encinitas, Carlsbad and Oceanside)
 - City of San Diego

Fiscal Impact

- Phase 1 services were completed with no upfront costs.
 - City can choose to stop now with no financial implications to the City.
- If the City Council authorizes the City to move into Phases 2 and 3, then financial obligations will begin to accrue.
 - Costs will be deferred until the CCA is launched and revenue is available to pay for these costs.
 - If the City moves into Phase 2 and, for whatever reason, decides to not launch, the City will be liable for costs incurred up to that point, up to a maximum of \$156,000.
- To date, the City has spent \$61,031 on consultants:
 - contract negotiations
 - third-party independent review of Technical Study
 - program development and outreach

Staff Recommendation

- Staff recommends the City Council consider authorizing the City to move into Phases 2 and 3 of CCA program development and implementation

