



Staff Report Item 5

TO: East Bay Community Energy Board of Directors

FROM: Bruce Jensen, Alameda County Community Development Agency
Gary Saleba, President, EES Consulting, Inc.
Ryan Ramos, President RS2 Energy

SUBJECT: EBCE Implementation Plan Discussion #1– Board Direction, Timing and Process

DATE: June 21, 2017

Recommendation(s)

1. Accept report and approve Implementation Plan approach and timeline
2. Provide feedback and direction on core content items as follows:
 - a. Governance
 - b. Administration and Finance
 - c. Financing Plan
 - d. Rate Design and Process
 - e. Customer Enrollment/Phase In Strategy
 - f. Power Product Offerings and Clean Power Targets
 - g. Complementary Energy Programs
3. Direct EES/RS2 to prepare a three-year operating budget to get initial feedback from the Board on power supply issues, rate discounts, financial plan, and near-term energy programs. This budget will also be used later to guide risk management and financial decisions.

Background

Development and certification of an Implementation Plan (Plan) is a requirement of Public Utilities Code, Section 366.2(c)(3) that provides detail regarding the process and plans for a new CCA program proposed in a certain service territory. It is primarily a compliance filing that must be considered and adopted by the Board at a public hearing and certified by the California Public Utilities Commission (CPUC) before a CCA program can begin serving customers.

The Plan is NOT a detailed business plan, strategic plan or integrated resource plan, and can be amended if the CCA operations expand to include other communities and/or other material changes. As such, the Plan describes initial operational features of EBCE; the Plan is not required to include specific information on power supply contracts or an enumeration of all CCA programs, since these will be developed over time as EBCE matures. The Plan should, however, include program goals and power supply targets related to renewable and greenhouse gas free content, address EBCE administration and governance issues, discuss EBCE's procurement approach and customer enrollment plan, and provide a list of possible programs that EBCE will consider upon completion of its local development business plan and financial analysis, subject to Board approval.

Development of Plan Content/Recommendations:

To date, the CPUC has certified eight implementation plans, all of which generally follow similar structure and content. It is recommended that EBCE not "reinvent the wheel" and follow the lead of other successfully certified plans while highlighting features that are unique to EBCE.

There are a number of elements within the Plan that require feedback and direction from the EBCE Board. Some of these items are administrative in nature, and others are related to EBCE's plans and targets with respect to customer rates, power supply, renewable content, greenhouse gas reductions and local energy programs.

Over the course of the next two EBCE Board meetings, staff and consultants will be seeking direction from the Board in the following key areas. Except as noted, this Board direction is needed to complete the Plan. *Notes providing context and staff/consultant recommendations are provided in italics under each sub category:*

1. Governance Matters

- a. Statement of intent and EBCE program goals (included in the JPA Agreement)
- b. Proposed service territory (established by membership in JPA)
- c. Termination of the JPA (included in the JPA Agreement)

Recommendation: Use the adopted EBCE JPA Agreement as the basis for above-referenced information.

2. Administrative and Finance Matters

- a. EBCE's proposed staffing structure
- b. Whether and how much to charge for administrative exit fees post enrollment
- c. EBCE's source of start-up capital and financing plan

Recommendations:

2 a. Review sample organization chart from operational CCAs (see attachment A) and develop a customized but similar staffing framework for use in the Plan. Recommend launching EBCE with CEO, 5-10 initial staff members and consultant support. As the program matures, bring operational functions in-house and add staff commensurately.

2 b. Review per-account administrative exit fee practices of other CCAs (see Attachment B). Recommend following PCE and RCEA's practice of waiving per account admin fees for up to one year post-enrollment and imposing modest fees thereafter. Follow the language of the JPA Agreement related to stranded costs in the event that an entire community leaves EBCE service.

2 c. Include required information regarding the County's start-up loan, repayment terms and plans for initial working capital.

3. Tariff Structure and Rate Design

- a. Whether EBCE will match (or not) PGE's current tariff structure
- b. Desired rate savings for default product offering (i.e. % discount from PG&E generation rates)
- c. Ratesetting public process including net energy metering and feed-in tariffs

Recommendations:

3 a. As is the practice of all other operating CCAs, recommend initially matching PG&E's rate/tariff structure to ensure easy customer comparison between EBCE and PG&E rates. Consider language that allows EBCE to introduce specialized tariff design to better serve the needs of specific customers (e.g. large commercial accounts) that may require different incentives to remain with EBCE and engage in its programs.

3 b. Review generation rate discounts offered by other CCAs and consider in the context of overall customer savings, community and environmental goals; Recommend targeting a generation rate discount below PG&E generation rates (for example between 2-5%) pending market conditions, renewable/carbon free content targets, and upcoming budget analysis.

3 c. Describe ratesetting process and indicate inclusion of Net Energy Metering (NEM) rates plus other appropriate rate forums.

4. Customer Enrollment/Customer Phase-in Strategy

- a. Enrollment by customer class and/or municipality
- b. Number of accounts and projected load forecast by phase
- c. Proposed number of phases (e.g. 2 or 3) and projected timing of each

Recommendations:

- 4 a.** Review recent enrollment strategies of other Bay Area CCAs; study the economics and logistics of two possible enrollment strategies consisting of 3 phases:

Option A:

Phase 1- All municipal and county accounts

Phase 2 – All commercial and industrial accounts

Phase 3 –All residential accounts and any remaining customer classes

Option B:

Phase 1 - All municipal/county accounts plus small commercial accounts

Phase 2 - Large commercial and industrial accounts plus some percentage of residential accounts

Phase 3 - Remaining residential accounts and any remaining customer classes

Consider allowing customers to become “early adopters” by voluntarily enrolling at any time once EBCE commences service.

- 4 b.** Provide estimated number of accounts and commensurate load projections for each phase as directed by the Board at the July 19 Board meeting.
- 4 c.** Due to the large number of accounts and load size of EBCE, staff and consultants recommend Phase 1 launch occurring in April/May 2018. The timing of each subsequent phase will occur 4-6 months afterwards depending on program economics, credit availability, energy market conditions, organizational capacity and billing accuracy of PG&E. The time between phases could also be shortened based on PG&E billing performance.

5. Power Product Offerings and Clean Power Targets

- a. Determine number of product options (i.e. Default voluntary 100% renewable options)
- b. Determine order of priority and renewable/GHG-free content targets
- c. Discuss potential use of unbundled RECs
- d. Outline procurement approach - initial (Phase 1) procurement and longer term (Phase 2 and beyond) plans
- e. Include local power preference subject to contract terms, cost and timing parameters

Recommendations:

- 5 a.** Consider practices of other CCAs. Recommend starting with 2 product options – 1) a default product that would be priced equal to or below PG&E and offers better clean power attributes, and 2) a voluntary “opt-up” product that would be 100% carbon free and/or 100% renewable and offered at prices determined by subsequent power supply offers.

Consider including the option for whole communities to be enrolled in 100% renewable product subject to resolution by the City Council or Board of Supervisors of that jurisdiction.

- 5 b. Consider practices of other CCAs as well as current supply pricing; Recommend placing priority on carbon-free resources (to achieve greater carbon reduction) followed by renewables. Consider how this impacts power portfolio, customer messaging and costs.*
- 5 c. Recommend including language from JPA Agreement regarding EBCE's policy on category 3 RECs.*
- 5 d. Review approach to this section in other Implementation Plans; Recommend issuing an RFP for power supply management and CAISO scheduler/dispatcher as well as an RFP for power supply in Fall 2017. These initial service contracts would be in place for 2 years to get EBCE started. RFPs for phase 2 and 3 power supply would be issued upon completion of the local development business plan and integrated resource planning, soon after the commencement of EBCE operations.*
- 5 e. Recommend including a reference to EBCE's local development business plan and its goal to include/develop as much local power for its power supply portfolio as is financially feasible. Specific projects and sites are not required for the Plan.*

6. Energy Programs

- a. Include a list of programs that EBCE plans to implement informed by the Local Development Business Plan. These programs would include things like: net energy metering (NEM), feed in tariffs, energy efficiency, electric vehicle incentives, demand response, energy storage projects and distributed energy resources.

Recommendations:

Consider how this section has been handled in other Implementation Plans. Recommend including a discussion of a range of possible programs that EBCE may implement over time.

Recommend that at the outset, EBCE focus on its NEM and Feed in Tariff offerings and build from there based on findings in the Local Development Business Plan and financial capability. Specific projects and timelines for each program are not required for the Implementation Plan.

7. Risk Management (not needed for Implementation Plan but for future discussion)

EBCE needs to develop a risk management policies. These policies are NOT needed for the Plan but direction from the Chief Executive Officer and Board will be needed at some time in the near future (2-3 months).

- a. Power Supply – EBCE will need policy direction on its power purchase portfolio. Direction in short-term vs. long-term contract terms, local vs. regional renewables, fixed vs. market pricing alternatives, and fixed delivery vs. variable will be needed.
- b. Financial – EBCE will need policy direction on various financial metrics to include what amount of financial reserves are needed and how quickly should they be

accrued, how much debt vs. cash should be used to finance new projects, should a line of credit be pursued by EBCE, and how much power supply purchasing authority should be given to EBCE staff.

Again, the resolution of these risk management issues is not needed for the Implementation Plan but will need CEO and Board consideration well before launch.

Proposed Timing and Approach:

Staff is recommending that the Implementation Plan be prepared in five steps

- 1) Follow the lead of other successfully certified implementation plans to assure timely certification by the CPUC
- 2) June 21 Board meeting – Discussion # 1: Review overall Plan content and solicit Board and public feedback on above referenced matters
- 3) July 19 Board meeting – Discussion # 2: Present initial 3-year operating budget as backdrop for power supply and local program discussions; finalize direction regarding power supply options, renewable and GHG free content, customer phasing, and any other remaining items relevant to the Plan. Other policy issues such as risk management will be discussed as time allows but may be continued to subsequent Board meetings.
- 4) August 2 Board meeting – Present draft Plan for Board approval
- 5) Week of August 7– Submit approved Plan to CPUC for 90-day review and certification.

Practices of Operational CCAs

Please see Attachment B for a comparison of implementation plan elements from other operational CCAs.

Fiscal Impact

The cost to develop Implementation Plan estimated at \$14,800 which is included in the EBCE implementation budget.

Attachments:

Attachment A: Sample CCE Staffing Chart

Attachment B: Operational CCA Comparison Matrix