Memorandum

Office of Jenine Windeshausen
Treasurer-Tax Collector

TO: The Honorable Board of Supervisors

DATE: June 21, 2016

FROM: Jenine Windeshausen Treasurer-Tax Collector

SUBJECT: Community Choice Energy Analysis and Findings and Ordinance to Proceed with Implementation and Draft Joint Powers Agreement

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ACTION REQUESTED

1. Receive a presentation on the detailed analysis and findings for a Community Choice Energy (CCE) program in Placer County based on Phase I- Assessment, Due Diligence and Planning.
2. Approve the preliminary financing plan and authorize the mPOWER program to be reimbursed Phase I and Phase II costs for a CCE program contingent upon implementation of a CCE program
3. Introduction of a ordinance authorizing the implementation of a CCE program in Placer County and development of a draft joint powers authority agreement.

BACKGROUND

On June 7, 2016, your Board heard a presentation on Community Choice Aggregation (CCA), now more commonly referred to as Community Choice Energy or CCE. Your Board also received an update on progress to date on Phase I – Assessment, Due Diligence and Planning, and also authorized discussions with cities regarding participation in a countywide CCE.

Over the past several months, staff has been engaged with three consultants in the Phase I -Assessment, Due Diligence and Planning evaluation of a CCE for Placer County. The purpose of the analysis was to determine if net revenues can be achieved and sustained to provide sufficient program revenues to support economic and environmental policies. The analysis did not make determinations about specific economic or environmental policies or programs. Specific economic and environmental policies and programs will be determined by the future CCE joint powers authority (JPA) Board, if a CCE program is implemented.

The presentation today will include an overview of the electrical load profile for the geographic territory of PG&E in Placer County, a review of the budget and financial modeling, the risk assessment and mitigation analysis, an outline of the next steps, and a review of the proposed formation timeline, as well as other findings and conclusions of the Phase I – Assessment, Due Diligence and Planning activities.

The analysis revealed that:

- a CCE is viable and sustainable under a range of market conditions and various energy supply portfolio compositions,
- a CCE is financially feasible and likely to produce positive net revenues within two years,
- local resources provide additional economic and environmental benefits,
- ratepayers will be provided increased choice in electricity provider and in the source of their electrical supply,
- ratepayer energy cost savings are estimated to be at least 5%,
- additional revenues are available to provide further economic, environmental and social benefits, including development of local generation, economic development inducements, and rebates and incentives which can be provided through various programs and services.

Additionally, approximately three million dollars per year is available from the CPUC public goods charge for energy efficiency programs if the Placer CCE is able to apply by the November deadline to participate in the next distribution of public goods charge funds.

The findings also confirm that Placer County has a number of distinct advantages associated with local control of energy supply and management due to its unique mix of energy supply and potential energy supply resources. These resources include forest fuel load biomass, hydroelectric power, waste-to-energy, and large scale solar.

Dean Tibbs, PhD, has assisted with development of budget and financial models, and analysis and projections for electricity supply portfolio costs and availability. Pacific Energy Advisors has provided technical analysis of energy use based on hourly load modeling in the Pacific Gas & Electric Company (PG&E) territory, including energy demand, seasonality, and rate structure and revenue forecasting. Steve Nichols has provided strategic support, including relationship management with California Public Utilities Commission (CPUC), PG&E, and Liberty Energy, as well as market analysis and business administrative and operations planning. The team has also met with a number of outsourced service providers and representatives of potential local energy suppliers.

Due diligence and risk assessment considerations include:

- Uncertainty related to PG&E rates
- Uncertainty of the Power Charge Indifference Adjustment fee (PCIA), or PG&E exit fee
- Energy supply market pricing and availability
- Regulatory requirements and legislative changes
- Opt-out rate
- Availability of outsource vendors

The risk assessment revealed equitable head-room between current PG&E rates and energy supply costs, including the PCIA fee. Timing is key to minimizing risk associated with market pricing and availability, as overall energy prices are at historic lows and several of the local energy suppliers are currently considering their next power sale agreements. As more CCE programs come on-line, there will be increased competition for energy supply and for CCE service providers. To date, opt-out rates have been less than 15% for established programs. Conservative assumption has been included in the financial analysis.

The conclusions drawn from the technical analysis, due diligence, risk assessment and planning is that a CCE program that provides local control and optimization of local resources will result in a CCE program that will provide Placer County with significant economic, environmental and social benefits.

CCE authorizing legislation requires cities and counties to adopt an ordinance before implementing a CCE program. Specifically, statue states "An entity authorized to be a community choice aggregator, as defined in Section 331.1, that elects to implement a community choice aggregation program within its jurisdiction pursuant to this chapter, shall do so by ordinance. A city, county, or city and county may request, by affirmative resolution of its governing council or board, that another entity authorized to be a community choice aggregator act as the community choice aggregator on its behalf. If a city, county, or city and county, by resolution, requests another authorized entity be the community choice aggregator for the city, county, or city and county, that authorized entity shall be responsible for adopting the ordinance to implement the community choice aggregation program on behalf of the city, county, or city and county." Therefore, each of the participating cities will also need to adopt an ordinance.

The attached ordinance provides for drafting a JPA agreement with the participating cities as required by AB 117. The ordinance does not compel the county to proceed with a CCA program if a CCA is no longer financially feasible. The purpose of the ordinance is to require formal action in a public meeting that serves as notice to the public that a city or county is contemplating the implementation of a CCE program.

FISCAL IMPACT

The table below shoes the estimated cost and timeframe for each phase. The presentation before the Board will provide a more detailed outline of the tasks and timelines.

Phase	Estimated Cost	Estimated Timeframe
Phase I – Assessment, Due Diligence and Planning	$325,000	July 2015 – September 2016
Phase II – Implementation	$1,222,688	October 2016 – May 2017
Phase III – Operations	$27,010,338	May 2017 -

The attached Financing Plan provides the plan for both short-term financing for Phase I and Phase II, and the long-term financing plan for Phase III. The plan calls for the Placer County Treasury to provide financing for Phase I and Phase II, including an amount necessary for the JPA to reimburse the County for Phase I and Phase II costs. The long-term financial plan for Phase III – Operations calls for the Treasury to provide financing for necessary collateral deposits and other security for energy purchases and transactions. The analysis and plan indicate that the CCE program is not likely to require the financial support of the Treasury after three years. After three years, CCE program net revenues are estimated to be sufficient to cover future collateral deposits and other required security.

Attachments:
Operations Financial Analysis
Financing Plan

Before the Board of Supervisors
County of Placer, State of California

In the matter of: An ordinance
ORDINANCE AUTHORIZING THE IMPLEMENTATION OF A COMMUNITY CHOICE AGGREGATION PROGRAM

Ordinance No.: ____________

Introduced:____________

The following Ordinance was duly passed by the Board of Supervisors of the County of Placer at a regular meeting held June 21, 2016, by the following vote on roll call:

Ayes:

Noes:

Absent:

Signed and approved by me after its passage.

____
Chair, Board of Supervisors

Attest:

____
Clerk of said Board

THE BOARD OF SUPERVISORS OF THE COUNTY OF PLACER, STATE OF CALIFORNIA, DOES HEREBY ORDAIN AS FOLLOWS:

SECTION 1. FINDINGS. The Board of Supervisors of the County of Placer has investigated options to provide electric services to ratepayers within the County including the incorporated and unincorporated areas, with the intent of achieving: greater local control and involvement over the provision of electric services, competitive electric rates, the development of clean, local, and renewable energy projects, reduced greenhouse gas emissions, and the wider implementation of energy conservation and efficiency projects and programs; and hereby finds and declares as follows:

WHEREAS, the County of Placer has evaluated financial feasibility, assessed risk, and provided due diligence for a community choice aggregation ("CCA") program in Placer County under the provisions of the Public Utilities Code section 366.2. The financial feasibility, assessed risk, and due diligence indicates that implementing a community choice aggregation program would provide multiple benefits including:

- Providing ratepayer choice of electrical service providers; and
- Increasing local control and involvement in and collaboration on electric rates and other energy-related matters; and
- Providing more stable and competitive long-term electric rates; and
- Optimizing local energy resources for local use; and
- Increasing local renewable generation capacity; and
- Increasing and optimizing energy efficiency and conservation projects and programs, including the mPOWER program and becoming a Program Administrator for the local public goods charged collected in Placer County; and
- Increasing local energy independence; and
- Increasing local economic benefit derived from the optimization of local energy resources, energy conservation and efficiency projects, and local investment; and
- Reducing greenhouse gas emissions from electricity consumption in Placer County; and

WHEREAS, the County of Placer proposes to draft and enter into a Joint Powers Agreement creating a Community Choice Aggregation energy authority ("Authority"). Under a Joint Powers Agreements, cities and towns within Placer County may participate in the CCA program by adopting the resolution and ordinance required by Public Utilities Code section 366.2; and

WHEREAS, the Authority will enter into Agreements with electric power suppliers and other service providers, and based upon those Agreements, the Authority will be able to provide power to residents and business at rates that are competitive. Upon approval by the California Public Utilities Commission of the implementation plan created by the Authority, the Authority will provide service to ratepayers within the unincorporated area of Placer County and within the jurisdiction of those cities who have chosen to participate in the CCA program; and

WHEREAS, under Pubic Utilities Code section 366.2, ratepayers have the right to opt-out of a CCA program and to continue to receive service from the incumbent utility. Ratepayers who wish to continue to receive service from the incumbent utility will be able to do so; and

WHEREAS, on June 7th, and June 21, 2016, the Placer County Board of Supervisors held public meetings at which time interested persons had an opportunity to comment on implementation of a CCA program in the unincorporated area of Placer County, and

WHEREAS, this ordinance is exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to the CEQA Guidelines, as it is not a "project", as it has no potential to result in a direct or reasonable foreseeable indirect physical change to the environment. (14 Cal. Code Regs. § 15378(a)). Further, the ordinance is exempt from CEQA, as there is no possibility that the ordinance or its implementation would have a significant effect on the environment. (14 CAL. Code Regs. § 15061 (b)(3)). The ordinance is also categorically exempt because it is an action taken by a regulatory agency to assume the maintenance, restoration, enhancement or protection of the environment. (14 Cal. Code Regs § 15308). The Placer County Treasurer shall cause a Notice of Exemption to be filed as authorized by CEQA and the CEQA guidelines.

NOW, THEREFORE, LET IT BE RESOLVED the County of Placer Board of Supervisors does ordain as follows:

SECTION 1. The above recitations are true and correct and material to this Ordinance.

SECTION 2. Authorization to Implement a Community Choice Aggregation Program.

Based upon the forgoing, and in order to provide business and residents within the unincorporated area of Placer County with a choice of power providers and with the benefits described above, the County of Placer Board of Supervisors ordains that it shall implement a community choice aggregation program within the jurisdiction of cities and towns as described above in the Community Choice Aggregation Agreements.

SECTION 3. This Ordinance shall be in full force and effective 30 days after its adoption, and shall be published and posted as required by law.

Placer CCA Operations Financial Analysis

	FY 15-16	FY 16-17	FY 17 - 18	FY 18 - 19	FY 19 - 20	FY 20 - 21	FY 21 - 22
Total Assessment and Planning	$ 325,000						
Total implementation and Start-up		$ 1,222,688					

Placer CCA Pro-Forma

			FY 17 - 18	FY 18 - 19	FY 19 - 20	FY 20 - 21	FY 21 - 22
Revenues		Pct of CCA Load	32%	98%	100%	100%	100%
MW of Load	2.0%		240.0	244.9	249.8	254.8	259.9
MWh of Energy			374,278	1,153,130	1,176,406	1,199,933.7	1,223,932.4
Annual Energy Revenues (net of Allowance for Doubtful Accts)	1.5% $	91.09	34,431,393	107,672,375	111,493,358	115,429,074	119,503,720
Less: PCIA, etc. Charges	1.0% $	21.16	-$ 7,998,928	-$ 24,890,684	-$ 25,647,018	-$ 26,421,558	-$ 27,219,489
Revenues from Sales of Energy			26,432,465	82,781,691	85,846,340	89,007,516	92,284,231
		Net Rev per MWh	$ 70.62	$ 71.79	$ 72.97	$ 74.18	$ 75.40
Energy							
Commodity (commodity, capacity, ISO, etc.)	2.5% $	53.23	$ 19,921,649	$ 62,911,900	$ 64,181,736	$ 65,465,370	$ 66,774,678
Data Management (billing, reconciliations, etc.)	2.5% $	1.46	545,766	1,723,511	1,758,299	1,793,465	1,829,334
PG&E Fees related to CCA Activities	$	0.47	$ 177,102	$ 559,281	$ 570,570	$ 581,981	$ 593,621
Total Energy Purchase Costs			$ 20,644,516	$ 65,194,692	$ 66,510,604	$ 67,840,816	$ 69,197,633
Ongoing Operations (Commencement: 2017, Q-II)							
Personnel			$ 1,268,566	$ 1,796,963	$ 2,169,800	$ 2,224,045	$ 2,279,646
Facilities, Equipment and Supplies; communications			$ 60,000	$ 61,500	$ 63,038	$ 64,613	$ 66,229
Outreach and Communications			$ 500,000	$ 625,000	$ 831,250	$ 852,031	$ 873,332
Required Noticing			$ 400,000	$ 500,000	$ 665,000	$ 681,625	$ 698,666
Other Professional Services							
Legal			$ 150,000	$ 187,500	$ 249,375	$ 255,609	$ 262,000
Accounting			$ 125,000	$ 156,250	$ 207,813	$ 213,008	$ 218,333
Technical			$ 250,000	$ 312,500	$ 415,625	$ 426,016	$ 436,666
Program Development			$ 80,000	$ 100,000	$ 133,000	$ 136,325	$ 139,733
Other Consultants			$ 150,000	$ 187,500	$ 249,375	$ 255,609	$ 262,000
Programs							
Program Development and Implementation			$ 25,000	$ 75,000	$ 100,000	$ 102,500	$ 105,063
Program Expenditures			$ -	$ -	$ 400,000	$ 750,000	$ 1,000,000
Other Uses							
Collateral Deposits			$ 1,500,000	$ 1,875,000	$ 2,493,750	$ 2,000,000	$ 1,000,000
Capital Outlay			$ 50,000	$ 150,000	$ 125,000	$ 166,250	$ 221,113
Debt Service			$ 430,000	$ 590,000	$ 631,000	$ 694,100	$ 763,510
Total Ongoing Operations			$ 4,988,566	$ 6,617,213	$ 8,734,025	$ 8,821,732	$ 8,326,289
Contribution to Reserves		4.0%	$ 1,377,256	$ 4,306,895	$ 4,459,734	$ 4,617,163	$ 4,780,149
Total Ongoing Energy and Operations			$ 27,010,338	$ 76,118,799	$ 79,704,364	$ 81,279,711	$ 82,304,070
Net Revenues from Operations			$ (577,873)	$ 6,662,892	$ 6,141,977	$ 7,727,805	$ 9,980,161
Net Cash Flow			$ 2,299,383	$ 12,844,787	$ 13,495,461	$ 15,094,968	$ 16,760,310
Cummulative Net Cash Flow				$ 15,144,170	$ 28,639,631	$ 43,734,598	$ 60,494,908

Placer County CCA
Financing Plan

	FY 2015 - 16	FY 2016 - 17	FY 2017 - 18	FY 2018 - 19	FY 2019 - 20
Use of Funds					
Loan from PC Treasury					
Phase I: Assessment and Planning	$ 400,000	$ 30,750			
Phase II: Implementation and Start-up		$ 1,415,688	$ 141,947		
Total PC GF	$ 400,000	$ 1,846,438	$ 1,988,385	$ 1,988,385	$ 1,988,385
Letter of Credit					
Phase III: Ongoing Operations					
Deposits and Collateral					
Energy from ISO			$ 5,161,129	$ 16,298,673	$ 16,627,651
Note or Bond					
Operating Reserves			$ 3,308,606	$ 4,367,012	$ 4,410,866
Investments in Generation --- Note/Bond					
Solar FIT				$ 500,000	$ 1,000,000
Biomass, WTE, etc.					$ 500,000
Total Gen Investment	$ -	$ -	$ -	$ 500,000	$ 2,000,000
	$ 400,000	$ 1,846,438	$ 10,458,120	$ 23,154,070	$ 25,026,902

Debt Service Schedule

Annual Debt Service					
Loan from PC Treasury	$ 30,750	$ 141,947	$ 152,859	$ 152,859	$ 152,859
Letter of Credit	$ -	$ -	$ 64,514	$ 203,733	$ 207,846
Note or Bond - Operating Res	$ -	$ -	$ 254,353	$ 335,719	$ 339,090
Note or Bond - Generation	$ -	$ -	$ -	$ 59,639	$ 238,554
Annual Debt Service Payments	$ -	$ -	$ 471,726	$ 692,312	$ 699,795