Memorandum
Office of Jenine Windeshausen
Treasurer-Tax Collector

To: The Honorable Board of Supervisors
Date: June 7, 2016
From: Jenine Windeshausen, Treasurer-Tax Collector
Subject: Update and Authorizations Related to A Countywide Community Choice Aggregation Program

ACTION REQUESTED:
1. Receive a presentation on community choice aggregation (CCA) and an update on Phase 1-Assessment, Due Diligence and Planning
2. Authorize discussions with the cities of Rocklin, Lincoln, Loomis, Auburn and Colfax regarding participation in a countywide CCA.
3. Approve expenditures related to planning, outreach and development of an Implementation Plan and Statement of Intent.
   a. Approve a contract amendment with Tibbs Consulting in a not to exceed amount of $170,000 (increase of $60,000) and authorize the Purchasing Manager to sign.
   b. Approve a contract amendment for Steven J. Nichols in a not to exceed amount of $110,000 (increase of $60,000) and authorize the purchasing Manager to sign.

BACKGROUND:
What is Community Choice Aggregation (CCA)?
In 2002, AB117 was enacted authorizing cities and counties to aggregate electrical loads through community choice aggregation programs. AB117 gave cities and counties the ability to establish programs to purchase and/or generate electricity and manage power supply portfolios to meet the load (energy demand) requirements of ratepayers in their jurisdictions. A city, a county, or a joint powers authority (JPA) comprised of cities and counties may establish a CCA program. CCA's are now more commonly called Community Choice Energy, or CCE, in an effort to be more explanatory.

The primary benefits of a CCE program are local control over rates and incentives, local control over energy sources, and local economic benefits.

A CCE program establishes rate structures and, through data exchange with the local investor owned utility (IOU), passes on the economic and environmental benefits of managing the energy portfolio to serve the energy load of its ratepayers. Ratepayers continue to receive a utility bill from the investor owned utility (IOU). In the case of Placer County, this would be Pacific Gas and Electric Company (PG&E) or Liberty Energy.
Overall, CCE energy rates are expected to be competitive when compared to the IOU rate. The CCE program can purchase power, develop, and own and operate energy generation projects, including large scale solar, biomass, land-fill gas, and waste-to-energy. Through development of its own rate structure, a CCE can provide rebates, performance based incentives and economic development incentive rate structures. Most of the PG&E and Liberty Energy's rebate and incentive programs, such as time-of-use, remain available to ratepayers.

A CCE program purchases and manages an energy portfolio based on its ratepayer load. The IOU remains responsible for the transmission, distribution, metering, billing and most customer services. CCEs provide power by managing an energy portfolio consisting of purchase contracts, spot market purchases, and ownership and operation of generating plants and projects.

Currently, there are three CCE programs operating in California and over twenty under consideration or in the development process. The CCEs currently operational in California are the Marin Energy Authority, Sonoma Clean Power and the City of Lancaster's Lancaster Choice Energy. Programs under exploration or development include:

- Peninsula Clean Energy (San Mateo County)
- Silicon Valley Community Choice Energy Partnership (Santa Clara County)
- Redwood Coast Energy Agency (Humboldt and Mendocino Counties),
- Clean Power SF (City and County of San Francisco)
- the Counties of Alameda, Contra Costa, Lake, Los Angeles, Monterey, Napa, San Benito, Santa Cruz, San Diego, Ventura, and Yolo

It is expected that, within the next five years, 60% of California electricity ratepayers will be covered by a CCE program.
The main premise of CCE is aggregation of energy load and the economic sale created by the combined load of the unincorporated area, and the cities which would be beneficial to the overall energy portfolio management of a CCE in Placer County. If a CCE program is implemented in Placer County, the CCE could include the cities of Rocklin, Lincoln, Loomis, Auburn and Colfax, in addition to the County's unincorporated area. Roseville is precluded by law from participating in a CCE due to its own Roseville Electric utility. Below is the breakdown of the combined load of the five cities and the unincorporated area of Placer County.

<table>
<thead>
<tr>
<th>Unincorporated Placer County</th>
<th>653,797,756 KWh</th>
<th>49.2%</th>
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</thead>
<tbody>
<tr>
<td>Rocklin</td>
<td>314,622,151 KWh</td>
<td>23.7%</td>
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<tr>
<td>Lincoln</td>
<td>218,317,922 KWh</td>
<td>16.4%</td>
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<tr>
<td>Auburn</td>
<td>89,588,179 KWh</td>
<td>6.7%</td>
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<tr>
<td>Loomis</td>
<td>37,331,980 KWh</td>
<td>2.8%</td>
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<tr>
<td>Colfax</td>
<td>14,541,320 KWh</td>
<td>1.1%</td>
</tr>
<tr>
<td>Roseville*</td>
<td>1,674,675 KWh</td>
<td>0.1%</td>
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<tr>
<td><strong>Total:</strong></td>
<td><strong>1,329,873,983 KWh</strong></td>
<td><strong>100.0%</strong></td>
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*PG&E accounts within Roseville City limits.

A locally controlled CCE program could be directed to increase investment in these local resources and result in increased economic development and other benefits for both homeowners and businesses in Placer County. A CCE program also creates the opportunity to help achieve certain policy goals such as reducing forest fuel loads and landfill deposits. A Placer County CCE program can provide increased local control over electricity rates, incentives and regulatory compliance. Rate structures and incentives can be tailored to local economic, environmental and social goals, and to meet or exceed regulatory requirements such as renewable and non-carbon portfolio standards. A Placer County CCE would be designed to meet or exceed all mandated renewable and non-carbon energy portfolio standards and could help the County meet its AB 32 requirements related to managing greenhouse gas emissions.

Below, the PG&E energy statement from Sonoma County illustrates the relationship between the ratepayer, PG&E and Sonoma Clean Power, who is the CCE provider in Sonoma County.
Sonoma Clean Power Example PG&E Bill:

**ENERGY STATEMENT**

Account No: 1023456789-0
Statement Date: 03/09/2015
Due Date: 03/30/2015

<table>
<thead>
<tr>
<th>Your Account Summary</th>
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<tbody>
<tr>
<td>Credit Balance on Previous Statement</td>
</tr>
<tr>
<td>Payment(s) Received Since Last Statement</td>
</tr>
<tr>
<td>Previous Unpaid Balance</td>
</tr>
<tr>
<td>Current PG&amp;E Electric Delivery Charges</td>
</tr>
<tr>
<td>Sonoma Clean Power Electric Generation Charges</td>
</tr>
<tr>
<td>Current Gas Charges</td>
</tr>
</tbody>
</table>

4. Total Amount Due by 03/23/2015 $284.73

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

Important Messages
Your charges on this page are separated into delivery charges from PG&E and generation or procurement charges from an energy provider other than PG&E. These two charges are for different services and are not duplicate charges.

A CCE program customer’s electricity bill charge has several components:
1. Customer retains existing account number
2. PG & E delivery and transmission charges
3. Energy Cost (including CCE operational costs and PCIA charge)
4. Total Bill

The PCIA charge, or Power Charge Indifference Adjustment, is an “exit fee” imposed on departing load that is intended to protect ratepayers in the IOU’s remaining geographic areas. The California Public Utilities Commission (CPUC) has granted PG&E and other IOUs the ability to charge a fee to departing energy customers to compensate for energy purchase commitments previously entered into on behalf of the departing energy customers. PCIA has been granted under the notion that there is a cost related to the disposition of these energy purchase commitments. Staff has studied and tracked the policy issues surrounding the CPUC’s approval of the PCIA, and has also studied and incorporated the economic impacts of the PCIA in the analysis of developing and operating a CCE program in Placer County.

CCE Development Phases:
Staff has delineated three phases from initial investigation to operations for a CCE in Placer County. Those phases are:

1. Phase I – Assessment, Due Diligence and Planning
2. Phase II – Implementation and Start-Up
3. Phase III – Operations

The major components of Phase I – Assessment, Due Diligence and Planning include:
1) assessment of economic feasibility
2) due diligence related to opportunities and risks
3) planning, which will result in timelines, tasks, and budget and finances, necessary to establish a CCE

Incorporated in Phase I are several reports and check-ins with the Board, as well as certain authorizations by the Board necessary to complete the due diligence.

The major components of Phase II - Implementation and Start-up include:
1) finalizing joint powers authority (JPA) agreements with partner cities
2) finalization and approval of the Implementation Plan and Statement of Intent (CPUC approval required)
3) approval of start-up budget and financing plans
4) approval of staffing and outsourcing plans
5) initial hiring and execution of outsourcing contracts
6) execution of service agreements with IOUs
7) posting of collateral deposits, letters of credit, and other credentials necessary for energy transactions
8) establishment of energy contracts and energy portfolio management programs

Upon approval of a JPA agreement by the participating entities, the JPA board will begin governance.

The major components of Phase III - Operations include:
1) initiation of service including data and financial transfers between IOU and the CCE and ongoing customer support
2) energy portfolio management and energy market and trading transactions
3) purchase, development and ownership (including management and operations) of energy generation facilities

Operations continue under the JPA board.

Phase I – Assessment, Due Diligence and Planning Update:
In July 2015, a Declaration Regarding Investigation, Pursuit or Implementation of Community Choice Aggregation was sent by Placer County to Pacific Gas & Electric (PG&E) as the initial step in requesting electrical load data for Placer County. Similar correspondence was sent to Liberty Energy in late October 2015. Outreach and discussions with PG&E and Liberty Energy have been ongoing since then. During the third week of November 2015, the first data set was received from PG&E, as well as initial data from Liberty Energy. The initial
analysis and key findings of the PG&E data was completed in early February of this year.

As part of the Board Priorities Workshop in January, the Board received a brief presentation on CCE and approved continued work on Phase I.

Since the data was first requested of PG&E and Liberty Energy, further investigation and assessment of the costs, risks, benefits and resources related to the establishment and operation of a CCE program in Placer County have been ongoing. This investigation and assessment process has included:

- development of budget and finance pro-forma
- identification and assessment of Placer County's local resources and advantages, such as hydroelectric, biomass, solar, waste-to-energy, and co-generation
- ongoing communication and data collection related to PG&E and Liberty Energy service in Placer County
- ongoing communications with the California Public Utilities Commission (CPUC) related to regulatory requirements for establishment of a CCE
- development of timelines and budgets related to analyzing Placer County energy load data
- energy market, financial and regulatory risk analysis
- communication, data and information from Marin Energy Authority and Sonoma Clean Power, including several meetings with the executive management of Sonoma Clean Power
- legal review of regulatory requirements
- obtaining and reviewing technical and financial information related to the development and operation of a CCE program
- assessment and feasibility of outsource services, including
  - Independent System Operator (ISO) schedule coordination
  - customer service
  - data management, billing and collection
  - energy contracts, transactions and portfolio management

Phase I has also included identifying the potential for development and utilization of local resources such as biomass, waste-to-energy, large scale solar, and hydropower.

The resources of two primary consultants, Dean R. Tibbs, Ph. D. and Steven J. Nichols, have been utilized to accomplish most of the Phase I - Assessment, Due Diligence and Planning work. On December 8, 2015, the Board approved contract amendments for Dean R. Tibbs, Ph. D. and Steve Nichols to continue work related to Phase I. Dean R. Tibbs, Ph. D. has provided technical review and development of energy load, energy portfolio development and market risk
analysis and CCE business planning. Steven J. Nichols has provided relationship management with PG&E, Liberty Energy and the CPUC, risk analysis, CCE business planning and development of the Implementation Plan and Statement of Intent. Additionally, Pacific Energy Advisors, LLC were utilized for detailed technical analysis of PG&E energy load data and existing rate structures which has been peer reviewed by Dean R. Tibbs, Ph. D. County Counsel has provided legal support.

The more significant benefits and risks of a CCE for Placer County are presented on the graphic below. An important aspect of evaluating the CCE is determining the potential magnitude of the benefits, and identifying and developing possible mitigation techniques that limit exposure to risks. Some mitigation techniques have already been identified and will be evaluated and presented in the Implementation Plan and Statement of Intent.

The Implementation Plan and Statement of Intent will include evaluation of risks as well as mitigations.
Findings from the assessment, due diligence and planning for a Placer County CCE have been positive. The approach in Phase I has been to compile findings that can be incorporated into the Implementation Plan and Statement of Intent.

Developing and submitting an Implementation Plan and Statement of Intent to the California Public Utilities Commission for approval is a required step in the process of developing a CCE program.

To complete Phase I, the following tasks need to be completed:

a. Incorporate load data and financial feasibility into the Implementation Plan
b. Determine participation of cities and JPA structure
c. Complete the Implementation Plan and Statement of Intent, including staffing, outsourcing, budgets, financing and business plan
d. Commence public outreach, market research, and education including presentations to city councils
e. Monitor legislative and regulatory activities

<table>
<thead>
<tr>
<th>Feasibility, Assessment &amp; Initial Planning Costs</th>
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<tr>
<td>Consultants*</td>
</tr>
<tr>
<td>Data Analysis, Phase I: General Characterization of Load; Prelim Portfolio cost forecast</td>
</tr>
<tr>
<td>Estimated Initial Market Research and Public Outreach</td>
</tr>
<tr>
<td><strong>Total Feasibility Assessment &amp; Initial Planning</strong>:</td>
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*Feasibility assessment, regulatory inquiry, operations analysis, load data review & evaluation, Implementation Plan development, utility company outreach & coordination

**Does not include reimbursable internal cost allocation

Operational revenues and expenditures are being incorporated into a phased implementation plan pro-forma. It is expected that the operational pro-forma and financing plan will be presented to the Board at the June 21st meeting. The financing plan provides for the County to be reimbursed for expenditure and staff costs if a CCE is implemented.

The feasibility analysis indications are that a CCE established and operated in the PG&E territory of Placer County is likely to produce revenues sufficient to cover energy portfolio costs, administrative costs, operational costs, and additionally, provide economic development incentives while lowering energy costs to ratepayers.

While staff and consultants have been working with Liberty Energy, it has become apparent that including the Liberty Energy territory requires additional
effort and time. Initial information from Liberty Energy has no discernable impacts on the overall findings, to date.

FISCAL IMPACT:
The total cost associated with Phase I is expected to be $325,000 as noted above. Approximately $160,000 has been spent to date, not including reimbursable staff costs. Approval of today’s requested actions would increase the existing contracts related to Phase I by a total of $120,000. Approval of the contract for Tibbs Consulting will bring the not to exceed amount to $170,000. Approval of the contract amendment for Steven J. Nichols will bring the total contract not to exceed amount to $110,000.

CONCLUSION:
Based on preliminary findings, a CCE in Placer County is likely to optimize development, expansion and utilization of local energy resources leading to greater economic benefit and opportunities for the residents and businesses of Placer County. A Placer County CCE can provide: ratepayer choice, economic incentives for business location, expansion and retention, and provide at least marginal reductions in overall rates. A Placer County CCE would be designed to meet or exceed all mandated renewable and non-carbon energy portfolio standards and contribute to the County’s AB 32 requirements related to managing greenhouse gas emissions over time. A Placer County CCE could prove to be a useful tool in helping to make communities in Placer County more economically robust. It may also be a catalyst for innovative partnerships with other jurisdictions and the private sector.

RECOMMENDATION:
It is recommended that your Board:
1. Authorize discussions with the cities of Rocklin, Lincoln, Loomis, Auburn and Colfax regarding participation in a countywide CCE.
2. Approve expenditures related to planning, outreach and development of an Implementation Plan and Statement of Intent.
   • Approve a contract amendment for Tibbs Consulting in the amount of $60,000 bringing the total contract not to exceed $170,000.
   • Approve a contract amendment for Steven J. Nichols in the amount of $60,000 bringing the total contract not to exceed $110,000.

Contract with Tibbs Consulting and Steven J. Nichols on file with Clerk of the Board.