



Staff Report Item 13

TO: East Bay Community Energy Board of Directors

FROM: Bruce Jensen, Alameda County Community Development Agency (CDA)

SUBJECT: Request for EBCE Membership Information from Contra Costa County

DATE: January 30, 2017

Staff Recommendation

Consider the information below, and direct Staff to research impacts and prepare new member terms and conditions for Board action at its February meeting.

Background

The EBCE Board of Directors has been asked by the Board of Supervisors in Contra Costa County to consider allowing their jurisdictions to join EBCE. The staff requests direction from the EBCE Board on its willingness to consider additional members from outside the County and the timing and terms of any new members.

Analysis and Discussion

In Spring 2016, the Contra Costa County Board of Supervisors directed County staff to assess three potential Community Choice options: 1) Join MCE as 5 other Contra Costa County jurisdictions already have, 2) Create a new CCE program in the County, and 3) Join the CCE effort underway in Alameda County. At that time, the Contra Costa County Board also authorized funds to conduct a technical study, a draft of which was completed in November, 2016. The results of the draft study were presented to the Board of Supervisors on January 17, and the consensus of the Board was that the County would not create a new, stand-alone CCE program and would instead narrow its focus on the MCE and EBCE options.

At the Board's direction, the director of Contra Costa County's Department of Conservation and Development sent a letter to Chris Bazar, director of Alameda County's Community Development Agency, requesting that the EBCE Board consider and specify the terms of membership for Contra Costa jurisdictions. Please see Attachment 13-A for a copy of the letter and its attachments. The letter requests a written response from EBCE by March 3, 2017 indicating any costs for new jurisdictions seeking membership, information on Board representation, the required actions and steps in the membership process, and the estimated date when electricity service would commence in jurisdictions accepted as members.

MCE has been actively encouraging additional Contra Costa jurisdictions to join their program. MCE staff has attended all Contra Costa Board of Supervisor and City Council meetings where CCE has been on the agenda. MCE is offering membership at no cost if new jurisdictions join by May 31, 2017.

In addition to the specific membership terms that Contra Costa County is requesting, the EBCE Board will want to consider the following potential impacts on the new Agency: 1) expanded Board participation and voting impacts, 2) budget and fiscal impacts, 3) project management and administrative impacts, and 4) the need for expanded public outreach and larger customer enrollments. If so directed by the Board, additional analysis on these topics as well as recommended terms and conditions for new members will be presented to the EBCE Board at its next meeting.

Discussion of Potential Terms of Membership

The Contra Costa County letter has requested that EBCE address four items, which are discussed in more detail below:

- 1) *Cost to Join:* In the early days of MCE expansion, it charged a modest fee – in the low tens of thousands of dollars –to conduct a load analysis and evaluate the prospective member’s impact on existing Agency operations and rates. This is required to understand the power procurement needs and any other features of the jurisdiction’s load that may have a material impact on program operations. In the last couple of years as its budget has expanded, MCE has changed its policy and now absorbs the costs associated with new membership and customer enrollment. Staff recommends that if EBCE is serious about adding new members in the near term, that it consider a no-cost membership policy to match MCE’s policy. However, more analysis is needed to clearly understand the implications of such a policy on EBCE’s implementation budget and future credit capacity because the costs of adding new members, contracting for additional power, and enrolling customers is substantial and must be accounted for.
- 2) *Board Representation:* It is assumed that Board representation and other governance elements as stipulated in the existing JPA Agreement will be the same for new EBCE members. Section 4.12 of the JPA Agreement indicates that Board representation shall be one seat for each member agency and that voting shall be 1 member/1 vote with simple majority carrying unless otherwise specified or three Board members call for a weighted vote based on load size.

The voting power of existing EBCE members will be diluted by the addition of new members, regardless of where they are located. As an example, if Contra Costa County and all 14 eligible cities were to join EBCE, Contra Costa County members would have more voting authority than Alameda County members on the “1 member/1 vote” basis. However, given the size of Alameda County’s electrical load, Contra Costa County collectively would have only about one third of the “voting shares vote” authority. It is unlikely that the County and all cities in Contra Costa will have interest in joining EBCE, but this is offered as an illustrative example of potential governance impacts.

- 3) *Required Steps for Membership:* On its face, this item is fairly straightforward as the required actions, such as passing a CCE ordinance and resolution to join the EBCE JPA would essentially be the same as Alameda County jurisdictions. However, Board members may wish to consider other elements such as establishing an inclusion period that allows for smooth program integration, requesting local staff support for public outreach and EBCE coordination, and clearly understanding the administrative impacts of an expanding geographic footprint on the current implementation workplan and workload of Alameda County staff and contractors.

- 4) *Estimated Date of Service Commencement:* The answer to this question is predicated on two main factors: 1) the date that EBCE plans to launch service, be it Fall 2017 or Spring 2018, and 2) the plan to integrate new member accounts into the overall customer enrollment plan, which is anticipated to occur over a period of 12 months and potentially in three enrollment phases. This information is required for the EBCE Implementation Plan which will be drafted in the coming months. Thus, there is not a clear answer that can be given at this time. However, it is safe to say that commencement of service would not likely occur until sometime in 2018, in the Spring at the earliest, and possibly later in the year as part of Phase 2 or 3 enrollments.

Fiscal Impacts

Should EBCE invite all eligible Contra Costa County jurisdictions to join – and should all potential members accept that invitation – the fiscal impacts cut both ways.

- A) **Costs:** There are significant short term costs associated with integration of new members including, but not limited to: the cost of additional load forecasting and economic analysis, project coordination and administration, additional consultant fees, public outreach, media and customer enrollment costs. These costs do not include the need for additional power procurement and are likely to be in the low \$1M range, depending on how many new members come on board.
- B) **Revenues:** The revenue potential associated with additional customer accounts and the ability to spread fixed operational costs over a larger customer base will vastly exceed the costs associated with new member integration and program start up, especially once the Agency is established and operationally more mature. Additional revenue potential associated with Contra Costa County jurisdictions can be found in their draft technical study and will be included in next step analysis should the Board decide to move ahead on this item.

Next Steps:

If the Board is inclined to move forward with new member expansion it will need to:

- 1) Determine how additional start-up costs are covered, and what, if any, financial obligations or contributions will be asked of new member jurisdictions;
- 2) Understand the costs and trade-offs as well as the benefits and upside of adding new members;
- 3) Determine how the addition of new members will affect EBCE's current implementation process, interim staffing levels, and timeline; and
- 4) Determine a near term strategy for local government outreach and engagement of Contra Costa communities.