



## Staff Report Item 8

**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:** Implementation Plan Policy Discussion Session #1 – Governance & Administrative Matters

**DATE:** June 7, 2017

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### **Recommendation(s)**

1. View and accept the Staff Memorandum and Slide Presentation from EES / RS2 Energy.
2. Take public comments on the presentation and policy from the public.
3. Policy decisions as follows:
  - a. Organizational Structure: launch EBCE with lean staffing and support from consultants where needed.
  - b. Rate Design: Rate structures for EBCE should match those of PG&E.
  - c. Program Offerings: Launch EBCE with minimal program offerings.
  - d. Finance: Emphasize build-up of cash-reserves and pay off debt in early years.
4. Long-Term: Transition to more investment in these areas as program matures and builds reserves

### **Background**

All Community Choice Aggregation (CCA) programs in California are statutorily required to file an Implementation Plan (IP) for certification by the California Public Utilities Commission (CPUC). The IP describes key operational features of the proposed CCA organization, but does not represent a full business plan or power resource plan. This presentation reviews the first round of decisions this Board will need to make prior to completing the IP. At the June 21<sup>st</sup> board meeting, more decisions will be needed regarding the EBCE load forecast, phase-in schedule, power portfolio options, and power supply product offerings.

### **Analysis and Discussion**

This presentation addresses key policy decisions for Board consideration needed to complete the Implementation Plan.

## Overview

In this policy recommendation brief, Staff and RS2/EES makes four recommendations on policy decisions needed to complete the implementation plan:

### **1. Finance: emphasize build-up of cash-reserves and pay off debt in early years.**

Staff and RS2/EES recommends EBCE remain financially conservative during its first year of operation and focus on building up a cash reserve. Cash reserves have proven critical to other CCAs in the past for weathering abrupt changes in regulated fees from the incumbent IOU as well as changes in energy prices. Once cash reserves have been accumulated and debts are paid off, EES/RS2 recommends beginning to invest in each of these programmatic area.

### **2. Organizational Structure: launch EBCE with lean staffing and support from consultants where needed.**

CCA's operate on a continuum from lean internal staff supported by consultants to having a full internal staff serving functions including in-house power procurement, regulatory and government affairs counsel, and marketing and public affairs. Staff and EES/RS2 recommends launching EBCE with lean staffing and support from consultants where needed. EBCE can then add new staff departments and internal resources as its financial security improves.

### **3. Rate Design: rate structures for EBCE should match those of PG&E**

CCAs have the freedom to design their own electric rate structures. To date, all operating CCAs offer rates that exactly match the rate structure of their incumbent investor-owned utility (IOU) with some discount. This ensures easy comparison between rates. The alternative option would be to design a cost-based rates system that follows the cost causation for EBCE to supply power. This can theoretically stabilize revenues and allow users to pay for a more accurate slice of their costs. However, providing a unique rate system would require extensive in-house staff or additional external consulting support. Moreover, it will be harder for EBCE to ensure all customers will be uniformly better off with them than with PG&E. For these reasons, Staff and RS2/EES strongly recommends that EBCE follow PG&E rate structures during their first years of operation.

### **4. Program Offerings: launch EBCE with minimal program offerings.**

CCAs have the freedom to offer many types of utility programs to their customers either to advance environmental goals, emphasize economic development, or support vulnerable populations. Some of the most common program types include energy efficiency programs, net energy metering, feed-in tariffs, demand response, electric vehicle incentives, distributed energy resource incentives, and energy storage pilots. In the short-term, Staff and RS2/EES recommends offering only a net-energy metering program to match the offerings of PG&E and other CCAs, while avoiding overextending the organization in its early years. Once cash reserves have been built and debt paid off, EBCE should consult with its staff and launch new programs.

**Timing:**

Once the EBCE Board makes decisions on these items and a subsequent round of power supply-related decisions on June 21<sup>st</sup>, EES will prepare a draft Implementation Plan for Board review. This Plan is scheduled to be filed with the CPUC in early July 2017.

**Fiscal Impact**

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