

DRAFT

East Bay Community Energy Board Briefing on Policy Issues – Session #1

June 21, 2017

Presented by:

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Agenda

- **Introductions and Session Objectives**
- **Background on Planning and Policy Decisions Needed from EBCE Board for Implementation Plan**
- **Detailed Discussion of Tonight's Agenda**
 - Governance
 - Administrative/finance
 - Organizational Structure
 - Rates
 - Customer Enrollment/Phase-In
- **Preview of Issues on Next Session's Agenda (July 19??)**
- **Wrap-Up**
- **Questions/Answers**

Introductions and Session Objectives

- **Introductions**
- **Session Objectives**

Background on Policy Decision/Big Picture

- **EBCE Launch by 1Q 2018 is Tight**
- **Critical Path Issue is Getting Data Management/Billings Aligned with PG&E**
- **In Order to Get Data Alignment Started, Must Have:**
 - Data management vendor hired
 - PG&E administrative paperwork completed
 - EBCE Implementation Plan certified by California Public Utilities Commission
- **Proposed EBCE Decision Making Process**
 - Session #1 (June 21) – Governance, Administrative, Financing, Rates, Phase-In
 - Session #2 (July 19??) – Load Forecast, Power Supply Portfolio Options, Programs
 - Session #3 (TBD) – Financial and Power Supply Risk Management Parameters

Policy Decisions Needed for Implementation Plan (Session 1)

■ Introduction

- Initial Board direction is focused at getting the Implementation Plan (Plan) filed
- All decisions can be adjusted later as circumstances/policy changes via a Plan amendment to the CPUC
- CCA course correction common in dynamic market with start-up entities
- Some EBCE issues easy and will be raised briefly
- Others will require discussion

AB 117 Cross References: SVCE

AB 117 Requirement	Implementation Plan Chapter
Statement of Intent	Chapter 1: Introduction
Process and Consequences of Aggregation	Chapter 2: Aggregation Process
Organization Structure of the Program, Its Operations and Funding	Chapter 3: Organizational Structure Chapter 4: Startup Plan & Funding Chapter 7: Financial Plan
Disclosure and Due Process in Setting Rates and Allocating Costs Among Participants	Chapter 8: Rate Setting
Rate Setting and Other Costs to Participants	Chapter 8: Rate Setting Chapter 9: Customer Rights and Responsibilities
Participant Rights and Responsibilities	Chapter 9: Customer Rights and Responsibilities
Methods for Entering and Terminating Agreements with Other Entities	Chapter 10: Procurement Process
Description of Third Parties that Will Be Supplying Electricity Under the Program, Including Information About Financial, Technical and Operational Capabilities	Chapter 10: Procurement Process
Termination of the Program	Chapter 11: Contingency Plan for Program Termination

EBCE Decision Schedule

Action Item	2017								2018			
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
EBCE Development	█											
CPUC Implementation		█	█	█	█	█						
CPUC Regulatory Filings			█	█	█	█	█	█	█	█	█	█
Financing			█	█	█	█						
Power Scheduling & PPA Negotiation						█	█	█				
PG&E Departure Process							█	█	█			
Resource Planning - IRP							█	█	█	█	█	
Customer Communication & Enrollment										█	█	█

Key Board Decisions:

- Org Structure
 - Rate Design
 - Admin/Finance
 - Phase-in
- Decide power product offerings and power sourcing strategy
- Select Financing Partner
- Select Power Supply Contractor
- Financial and Power Supply Risk Management Decisions

Launch

Policy Decisions Needed for Implementation Plan (Session 1)

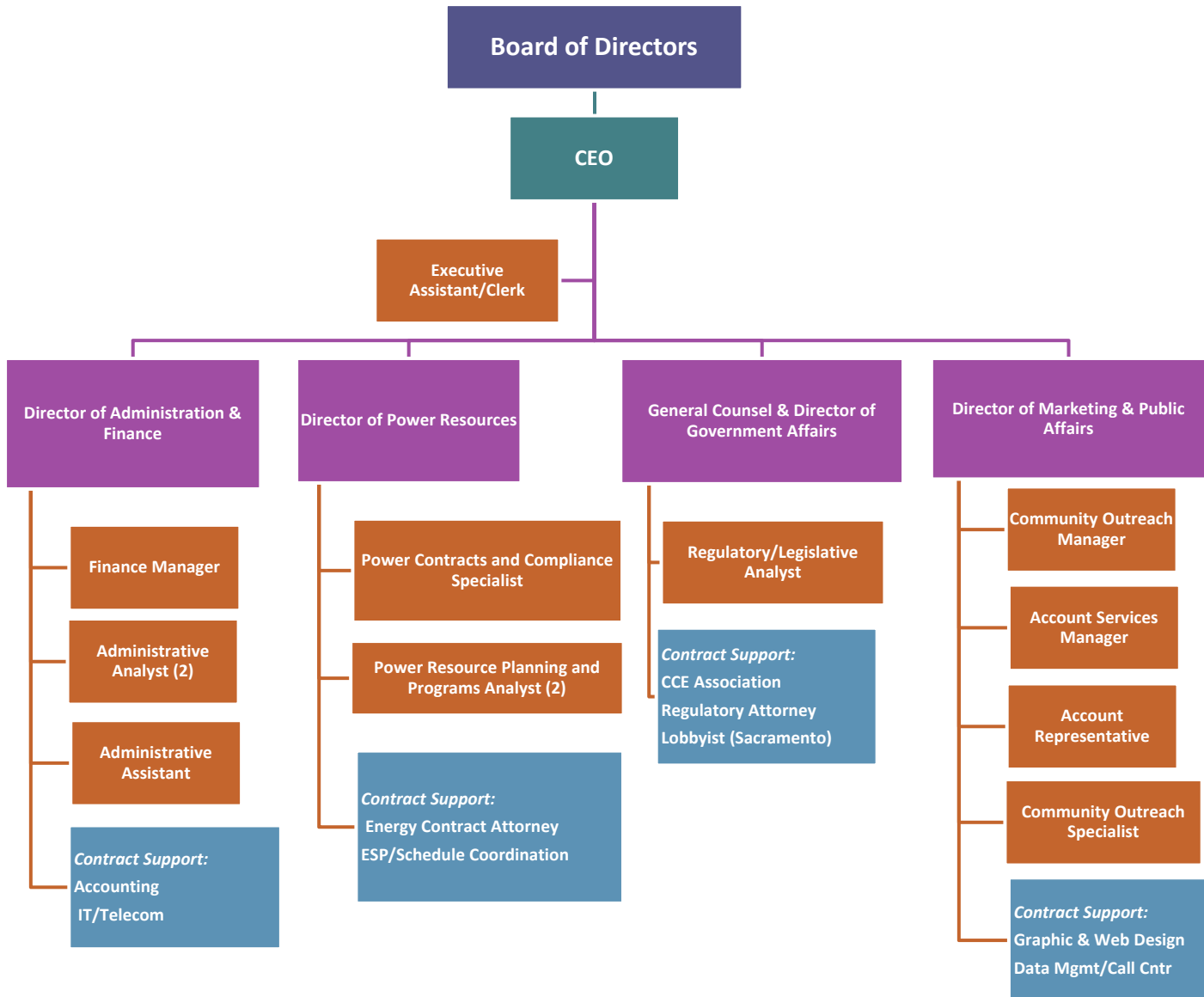
■ Governance

- Statement of intent from JPA agreement
 - Secure electrical energy supply and rate stability for customers
 - Address climate change by reducing GHG emissions
 - Foster local economic benefits: job creation, local energy programs
- Proposed service territory
 - 11 cities
 - County
- Termination of JPA from JPA agreement
 - JPA agreement may be terminated by mutual agreement of all Parties
 - Surplus assets in possession of the Authority shall be returned to the then-existing Parties in proportion to the contributions made by each once all liabilities, costs, expenses, and charges incurred are paid
- Staff recommendation
 - Repeat terms of JPA agreement

Operational Structure Options



Sample Org Chart – Full Internal Staffing



Staff Recommendations

- **Select CEO**
- **5 – 10 Staff Initially**
- **Add More In-House Staff as EBCE Matures**

Administrative/Finance

■ Financing

- Short-term start out
 - County loan
- Longer-term/roll out
 - RFP for financial advisor
 - RFP for loan
 - RFP for line of credit, deferred payment plans from vendors
 - Select least costly option
- Exit fees for customers/cities that leave EBCE after two months
 - Customers and cities – administrative fee
 - Assessment of stranded costs
- Staff recommendation
 - Per process noted above
 - Exit fee – customers – \$5 - \$25 administrative fee / no stranded costs
 - Exit fee – cities – pursuant to JPA Agreement

Rates

■ Structural Options

- PG&E rate with % discount
 - Pros
 - ✓ Easy to design, explain and verify discount
 - ✓ All operating CCAs follow the incumbent IOU's rate structure
 - Cons
 - ✓ Does not match cost causation
 - ✓ Possible revenue instability issues with DER/DSM/EE
- Cost based rates – perform cost of service analysis and follow
 - Pros
 - ✓ Matches cost causation
 - ✓ Stabilize revenues
 - ✓ User pays/equitable
 - Cons
 - ✓ Hard to compare to PG&E rates
 - ✓ Winners and losers

Rates (cont'd)

■ Process

- Staff recommendation/Citizens' Advisory Committee input
- Public notice
- Public vetting
- Final determination

■ Staff Recommendation

- Start with straight discount off of PG&E rates
- Net energy metering and feed-in tariffs initially
- After stable operations are achieved, analyze possible transition to cost-based rates specific to EBCE or stay with PG&E rates with discount

Customer Enrollment/Phase-In

■ Structures/Number of Phases

- Depends on PG&E billing process
- Want to consider cash flow/three-year budget coming on July 19
- No opt outs, no angry customers, timely payments important

■ Options

- All at once
- Phase-in

■ Considerations

- Walk before you run
- Other CCA experience
- Customer reaction
- Cash flow

Customer Enrollment/Phase-In (cont'd)

■ Options

- All at once
- Phase-in – 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
- Phase-in – 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

Customer Enrollment/Phase-In (cont'd)

- **Staff Recommendation – Initial before Budget Information Available**
 - Phase 1 – Muni + county accounts
 - Phase 2 – Large commercial/industrial
 - Phase 3 – Balance
 - Consider allowing customers to become “early adopters” by voluntarily enrolling once EBCE is operational
 - Time between phases – 4 to 6 months
 - Timing could be condensed based on PG&E interaction
 - Phase participants could change based on three-year EBCE budget

Next Session Preview – July 19??

■ Program Options

- Demand response
- Electric vehicle incentives
- Distributed Energy Resources incentives
- Energy Efficiency incentives
- Energy Storage incentives
- Others

■ Load Forecast

- Starts with updated PG&E customer load data
- Who's in?
- Rate of growth in new customers
- Average use per customer trends

Next Session Preview – July 19?? (cont'd)

- **Resource Portfolio Options**
 - How much carbon free?
 - How much renewable?
 - How much market?
 - What is default option?
 - 100% opt-up option
- **Power Supply Purchasing Strategy (Not Needed for Plan)**
 - Long term vs. short-term power purchase agreements (PPA)
 - Fixed vs. variable market pricing
 - Quantity fixed (take or pay) vs. flexible take
 - What RECs to pursue
- **Financial Metrics (Not Needed for Plan)**
 - Reserves – how much and how quickly accumulated
 - How to finance capital – cash vs. debt

Wrap-Up

Questions/Answers

Implementation Plan Elements – Examples from Operational CCAs

	MCE	SCP	PCE	SVCE	RCEA
Match PG&E tariff structure?	Yes	Yes	Yes	Yes	Yes
Enrollment phases	3	3	3 (did it in 2)	3 (did it in 2)	1
% Renewable at launch	25%	33%	50%	50%	37%
% GHG free at launch	17% below PG&E	30% below PG&E	75% (~10% below PG&E)	100%	5% below PG&E
Gen Rates: % lower than PG&E (incl. PCIA)	Same	10%	5%	1%	2.6%
Reserve goals in first year (% of total revenues)**	unknown	10%	14%	15%	13%
Unbundled RECs?	Yes	Yes	No	No	No