
BACKGROUND ON COMMUNITY CHOICE ENERGY PUBLIC MEETING CITY OF CHULA VISTA

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Presented by:

EES Consulting, Inc. (EES)

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 **EES** Consulting, Inc.

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AGENDA

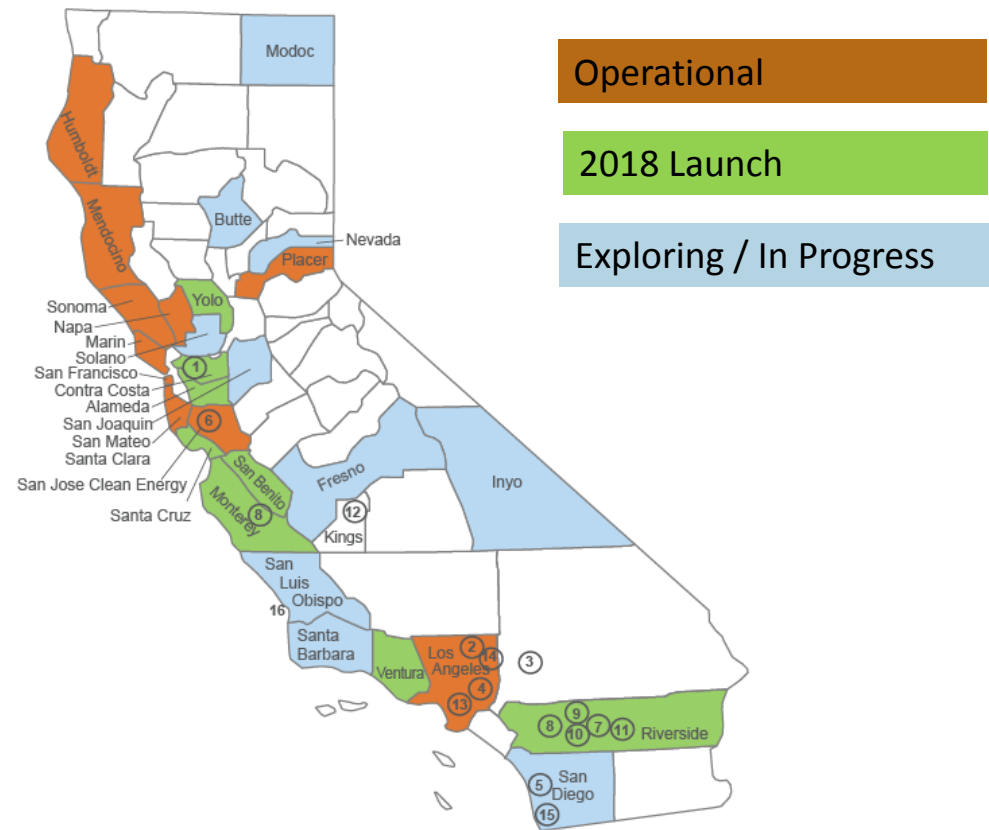
- **Background on EES Consulting, Inc.**
- **What is CCE and Where are CCEs Being Formed?**
- **How Does a CCE Operate?**
- **How to Set Up a CCE**
- **Overview of CCE Financial Feasibility Study**
- **Risk Analysis and Mitigation**
- **Governance Structures**
- **Management Structures**
- **Schedule for Cities' Feasibility Study**
- **Summary and Wrap-Up**
- **Questions/Answers**

BACKGROUND ON EES CONSULTING, INC.

- **EES Consulting, Inc. (EES) is a Registered Professional Engineering and Management Consulting Firm Founded in 1978 with a Focus on the Utility Sector with Heavy Emphasis on Electric Utility Operations**
- **EES has Extensive Experience with Community Choice Energy in California**
 - Business Plans
 - Los Angeles and Ventura Counties (Clean Power Alliance of Southern California)
 - Coachella Valley Association of Gov'ts (CVAG – DCE)
 - San Bernardino Associated Gov'ts (SANBAG)
 - Western Riverside Council of Gov'ts (WRCOG – WCE)
 - City of San Jose (SJCE)
 - Butte County
 - Alameda County (EBCE)
 - City of Irvine
 - Cities of Encinitas, Del Mar, Carlsbad, and Oceanside
 - Sustain SC
 - Chula Vista, La Mesa and Santee
 - Represented LA County, CVAG, WRCOG in resource adequacy and PCIA proceedings before California Public Utilities Commission
 - Peer reviews for King City, Solana Beach, and City of San Diego

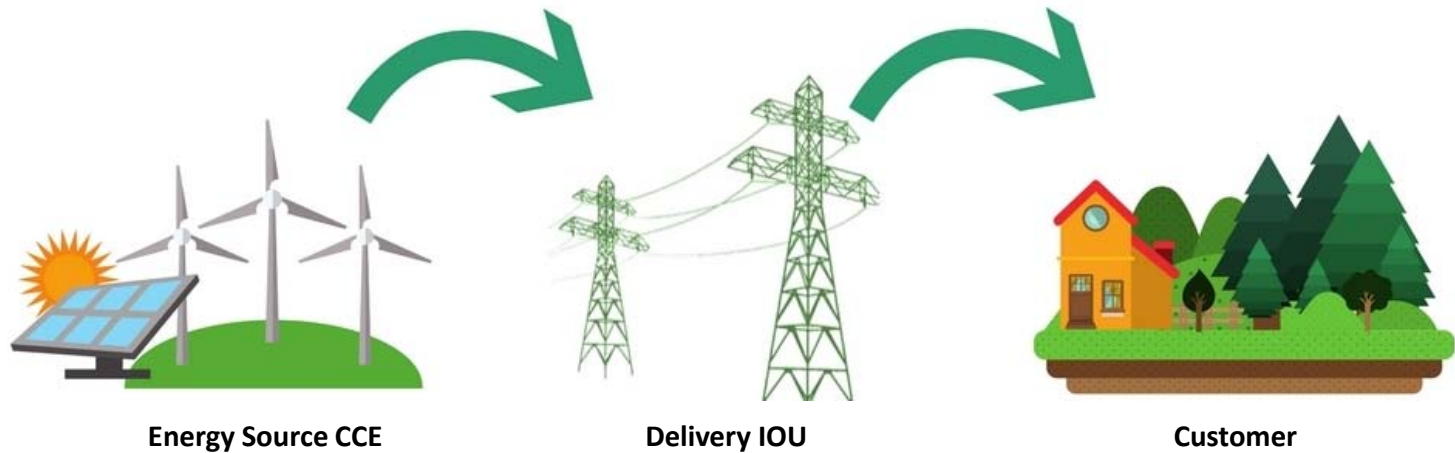
WHAT IS COMMUNITY CHOICE ENERGY (CCE OR CCA) AND WHERE ARE CCEs BEING FORMED?

- **History of Electric Utility Deregulation**
- **AB 117 (2002)**
- **Why are CCEs Being Set Up?**
 - Cheaper energy costs
 - Less Green House Gas emissions (GHG)
 - Encourage local economic development
 - Local control over power products, rates and programs
- **Opt-Out Protocol**
- **20% of CA Under CCE Currently**
- **80% of CA Under CCE in 2-3 Years**



Map courtesy of Lean Energy: <http://www.leanenergyus.org/cc-by-state/california/>

HOW DOES A CCE OPERATE?



CCE Potential Offerings:

- Energy Efficiency Programs
- Distributed Energy Resources
- Local Renewable Investment
- Electric Vehicle Programs
- Microgrid
- Fuel Switching Programs
- PACE (Property Assessed Clean Energy)
- Bulk Power Portfolio Choices

HOW TO SET UP A CCE

- **Load Data from Incumbent Utility Investor-Owned Utility (IOU – San Diego Gas & Electric)**
- **Feasibility Study/Business Plan**
- **Form CCE/Ordinance then Form JPA Most Times**
- **File Implementation Plan with California Public Utilities Commission (CPUC)**
- **Secure Start-Up Financing**
- **Hire Schedule Coordinator, Data Management and Technical Consultants plus Hire CCE Staff**
- **Arrange Billing/Payment Activities with Incumbent Utility (SDG&E)**
- **Issue RFP for Power Supply**
- **Enroll Customers**
- **Launch**
- **Usually Takes 12 – 18 Months**

OVERVIEW OF CCE FINANCIAL FEASIBILITY STUDY

- **Can a Chula Vista, Santee and La Mesa CCE be Financially Feasible Under a Range of Likely Future Conditions?**
- **Methodology: Conservatively Estimate CCE Revenues and Costs and Compare to Comparable Rates of SDG&E**
- **Results of Study Will Determine Financial Feasibility, Greenhouse Gas Reduction and Macroeconomic Impact Potential**

RISK ANALYSIS AND MITIGATION

Risk Category and Description	Mitigation Strategies
<p>Customer Participation</p> <ul style="list-style-type: none"> • Customers can choose to opt-out • High opt-out rates reduce sales, increase fixed cost per customer 	<ul style="list-style-type: none"> • Maintain competitive rates • Tailor programs to local customer priorities • Provide customers with a high-level of service and communication
<p>SDG&E Rate Competition</p> <ul style="list-style-type: none"> • Low customer participation rates • Unfavorable future power market conditions • Regulated charges could increase in the future (power cost indifference adjustment) 	<ul style="list-style-type: none"> • Diversify power contract portfolio • Maintain financial reserves and a rate stabilization plan • Monitor SDG&E rates and CCE charges • Ensure relatively low CCE overhead • Leverage CCE’s tax-exempt borrowing advantage to reduce long-term power supply costs
<p>Local, Agency, and State Policy</p> <ul style="list-style-type: none"> • PCIA and other regulated charges may reduce CCE competitiveness • State energy policy could create burdensome energy procurement requirements 	<ul style="list-style-type: none"> • Track and participate in relevant CPUC/CEC proceedings and legislation • Develop bi-partisan support with emphasis on both environmental/equity and financial/economic benefits associated with a CCE • Lobby for the same government-imposed charges on all CA utilities

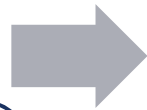
GOVERNANCE STRUCTURES

<i>Form a New City Department</i>	<i>Join Existing JPA (SEA, City of San Diego, CPA, LCE, etc.)</i>
<ul style="list-style-type: none"> ▪ Easy to set up 	<ul style="list-style-type: none"> ▪ JPA completes the work without much effort from the Cities
<ul style="list-style-type: none"> ▪ Total control of operations 	<ul style="list-style-type: none"> ▪ Potential cost savings due to shared services
<ul style="list-style-type: none"> ▪ General fund may be liable for CCE risks 	<ul style="list-style-type: none"> ▪ Cities may have less control over the process and operations
<i>Create Joint Power Authority (JPA)</i>	<ul style="list-style-type: none"> ▪ Risk transferred to the JPA
<ul style="list-style-type: none"> ▪ Provides Cities with local control 	<ul style="list-style-type: none"> ▪ Less ability to customize for each City's residents
<ul style="list-style-type: none"> ▪ Allows Cities to target programs specifically for residents 	<ul style="list-style-type: none"> ▪ Less ability to influence power supply options and choices
<ul style="list-style-type: none"> ▪ Greater effort associated with formation of CCE 	<ul style="list-style-type: none"> ▪ Ability for JPA to have more influence in regulatory issues
<ul style="list-style-type: none"> ▪ Ability to better target Cities' own residents in formation and future marketing 	<ul style="list-style-type: none"> ▪ Greater process in reaching agreement on decisions
<ul style="list-style-type: none"> ▪ More decision-making required by the Cities 	<ul style="list-style-type: none"> ▪ May take longer for formation and implementation due to the number of parties involved
<ul style="list-style-type: none"> ▪ More flexibility and timeliness in formation 	<i>Turnkey Operator</i>
<ul style="list-style-type: none"> ▪ Greater potential for local generation projects 	<ul style="list-style-type: none"> ▪ No cash up-front/going forward
<ul style="list-style-type: none"> ▪ Liability shield 	<ul style="list-style-type: none"> ▪ Small hassle for City staff
	<ul style="list-style-type: none"> ▪ Little control over operations/decision making

MANAGEMENT STRUCTURES

Full Staffing

- All CCE functions staffed internally
- CCE acquires its own financing
- **Pros:**
 - ⑩ Maximum control over quality of service and long-term decision making
- **Cons:**
 - ⑩ Full department needed/costs
 - ⑩ Hiring qualified people



Minimal Staffing

- CCE employs program managers to manage contractors
- CCE acquires its own financing
- **Pros:**
 - ⑩ Flexible staffing levels
 - ⑩ Less problem staffing
- **Cons:**
 - ⑩ Less control



Third-Party Turnkey

- CCE employs program managers to manage contractors
- CCE financing provided by third-party
- **Pros:**
 - ⑩ Relatively easy
 - ⑩ No up-front cash/cash working capital
- **Cons:**
 - ⑩ Possibility of third party abandoning venture
 - ⑩ Reduced control
 - ⑩ Higher rates due to higher 3rd party borrowing rate

SCHEDULE FOR CITIES' FEASIBILITY STUDY

Month	Task
April/May	Load Data for SDG&E, Begin Feasibility Study
June	Feasibility Study Analysis
June	Policy Questions Answered, Feasibility Study Completed
July/August	Public Comment & City Council Presentation



SUMMARY AND WRAP-UP

QUESTIONS/ANSWERS