

COMMUNITY CHOICE ENERGY UPDATE

Presentation to the County of Santa Barbara Board of Supervisors

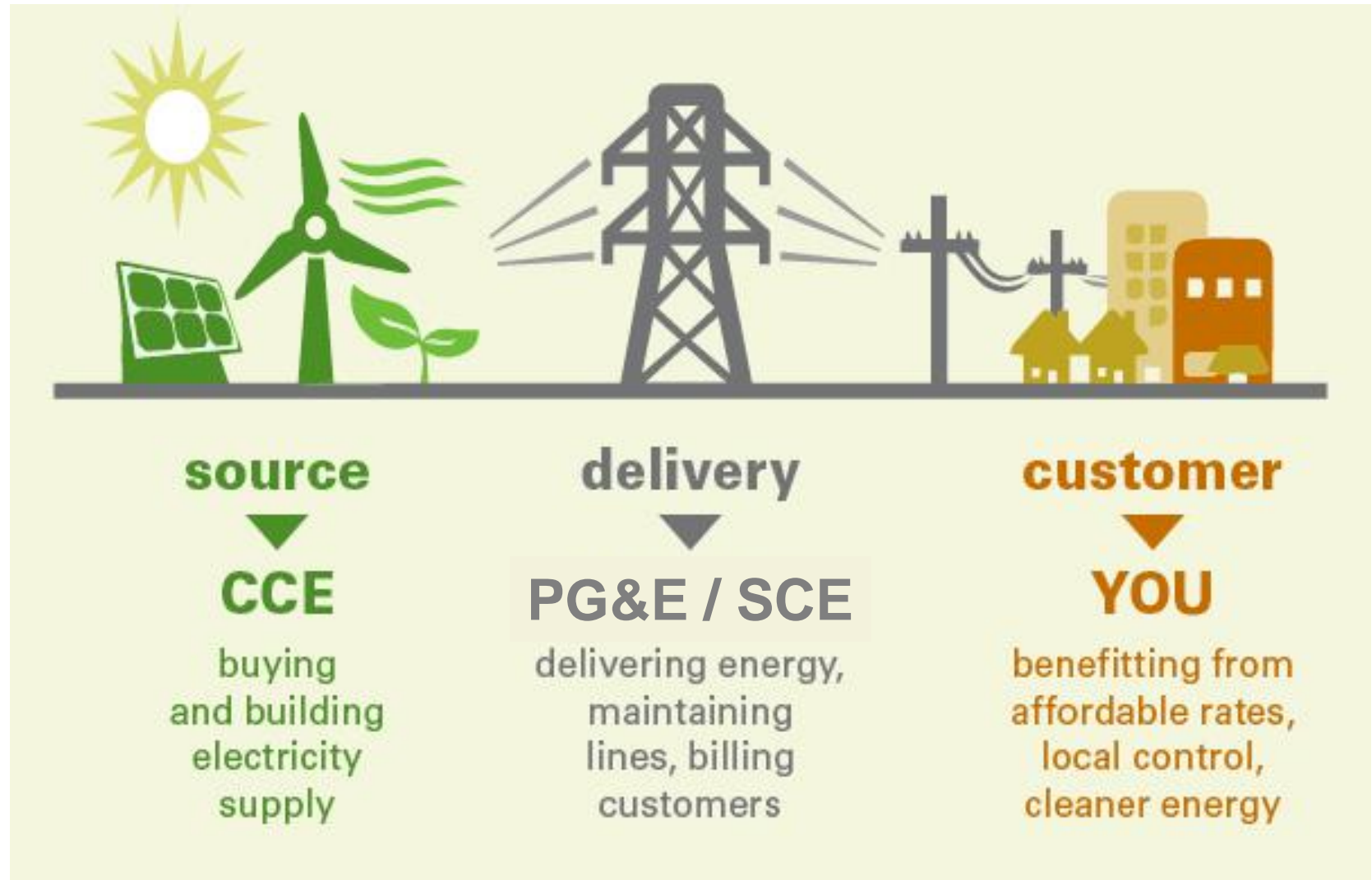
July 16, 2019



Agenda

- CCE Background
- Updated Feasibility Study Results
- Options for Consideration
- Board Direction

How Community Choice Energy Works



Policy Goals Potentially Achieved with CCE

- Provide greater local control of energy decisions
- Increase renewable energy delivered to customers
- Lower greenhouse gas emissions
- Local renewable energy generation/resiliency
- Generate funding for new sustainability programs
- Save customers money
- Stimulate economic development

Board and Regional Action Related to CCE

- Board directs staff to explore regional interest in CCE (2015)
- CCE feasibility study (2017) – Not viable
- SB County-only CCE study (2018) – Viable, Board direction to proceed with JPA
- Staff conducts outreach to all SB County cities (2018) – South County cities remain interested; North County cities appear not interested in local CCE
- Policy and market changes threaten CCE formation (2018/19)

Board and Regional Action Related to CCE

CCE formation plans paused due to:

- Expected increase in Power Cost Indifference Adjustment (PCIA) or “exit fee”
- Changes to PG&E and SCE generation rates
- Increased competition due to Direct Access program expansion
- Accelerated State renewable and GHG-free electricity goals
- No North County city participation

Updated Feasibility Study Scope

- Unincorporated County + Santa Barbara, Goleta and Carpinteria
- Electricity mix
 - 85% GHG-free
 - 50% renewable to start, increasing to 60% by 2030
- 12-year study period: 2020-2031
 - Assumes launch in 2021, but 2022 more likely with JPA
- Pro forma assessment
 - Power purchase costs
 - Operational costs
 - Financing costs
 - Reserve/contingency fund

Updated Feasibility Study Key Findings

- A local CCE program remains viable under revised conditions
- Less favorable financial position

	2018 Study (all customers)	2019 Study (all customers)
Positive Operating Margins	Year 1	Year 3
Financing Paid Off	Year 2	Year 11
Full Credit Support Required	No	Likely
Reserve Target Reached	Year 10	Year 11

Updated Feasibility Study Key Findings

- The financial reserve and financing challenges could be mitigated by:
 - charging rates higher than PG&E and SCE (3%)
 - providing electricity service to residential customers first

	2018 Study (all customers)	2019 Study (all customers)	2019 Study (residential only)
Positive Operating Margins	Year 1	Year 3	Year 1
Financing Paid Off	Year 2	Year 11	Year 8
Full Credit Support Required	No	Likely	No
Reserve Target Reached	Year 10	Year 11	Year 7

Monterey Bay Community Power

- Interested in unifying the Central Coast under one CCE program
- Service in MBCP's territory began in early 2018
- County contribution of \$5K-7.5K to update Implementation Plan and JPA agreement
- 2% of revenue invested into local energy programs
- Reserve levels of approximately \$57M

CCE Options Analysis

	Option 1. Local CCE	Option 2. MBCP	Option 3. No CCE
Cost	\$2.5M (residential only) \$9M (all customers) + can recoup investment to date ¹	\$5,000-\$7,500 + lose investment to date ¹	\$0 + lose investment to date ¹
Launch Timing	2021 (County only) 2022 (JPA with cities)	2021	N/A
Local Control	Yes, but State is lessening local control through resource planning oversight and central procurement	Limited regional control; one of potentially 13 to 20 seats on JPA board ²	No
Customer Rate Impact	0% (rate parity) +3% (cost recovery)	SCE: - 2% PG&E: - 8%	0%
Job Creation	10 FTEs (residential only) 17 FTEs (all customers)	Likely minimal; may open SLO or North County office if all cities join	0

¹ Total County CCE expenditures through FY18/19 are \$577,000.

² Current JPA membership consists of 21 jurisdictions and 12 board seats. Each county has a seat and each city with a population over 50,000 has a board seat. Cities with populations under 50,000 share seats. The total number of seats will increase if San Luis Obispo County and additional cities join MBCP. MBCP plans to re-examine the board structure in the coming year.

CCE Options Analysis

	Option 1. Local CCE	Option 2. MBCP	Option 3. No CCE
Cleaner Electricity (by IOU territory)	PG&E: 50% renewable, 100% GHG-free SCE: 50% renewable, 75% GHG-free	PG&E/SCE: 34% renewable, 100% GHG-free	PG&E: 43% renewable, 99% GHG-free SCE: 41% renewable, >50% GHG-free
Local Generation	Utility-scale: likely no Distributed: maybe long-term once financial reserve targets reached	Utility-scale: likely no Distributed: maybe near- term through microgrid program	Utility-scale: likely no Distributed: maybe pending Strategic Energy Plan (SEP)
Local Programs	Maybe, long-term once financial reserve targets reached	Yes, immediately upon joining	Continue existing programs (e.g., 3C-REN, potential SEP programs)
Fiscal Risk Exposure	High (County only) Full exposure due to lack of shielding from JPA Medium (JPA with cities) JPA shields member agencies. Risk spread across multiple jurisdictions	Medium-Low JPA shields member agencies. Risk spread across a larger number of member jurisdictions. Larger revenues and reserves provide protection against unexpected price shocks.	None

Recommended Action

Provide staff with direction regarding CCE options:

- **Option 1.** Continue engagement with interested cities to form a new joint powers authority (JPA) to create and administer a new CCE program
- **Option 2.** Discontinue formation of a new JPA and instead join an existing JPA, Monterey Bay Community Power Authority, to provide a CCE program for the unincorporated parts of Santa Barbara County only; or
- **Option 3.** Discontinue JPA formation and not implement a CCE program at this time.

Provide other direction to staff.

QUESTIONS?
