COMMUNITY CHOICE ENERGY FEASIBILITY STUDY RESULTS

Presentation to the County of Santa Barbara Board of Supervisors

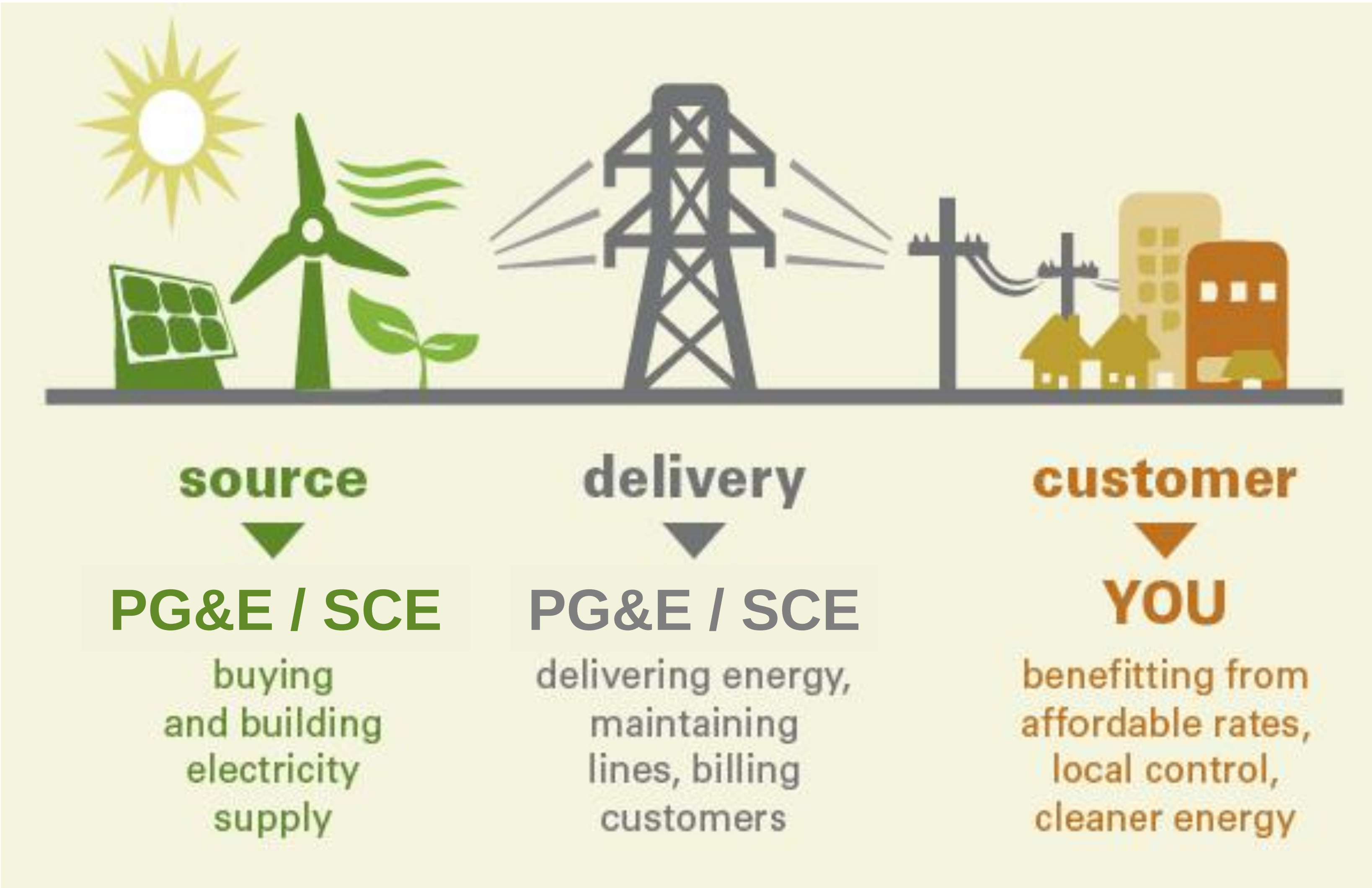
Energy & Sustainability Initiatives Division

October 3, 2017

Agenda

- CCE Background
- Regional Approach
- Feasibility Study Overview
- Feasibility Study Results
- Drivers of Infeasibility
- Options for Consideration

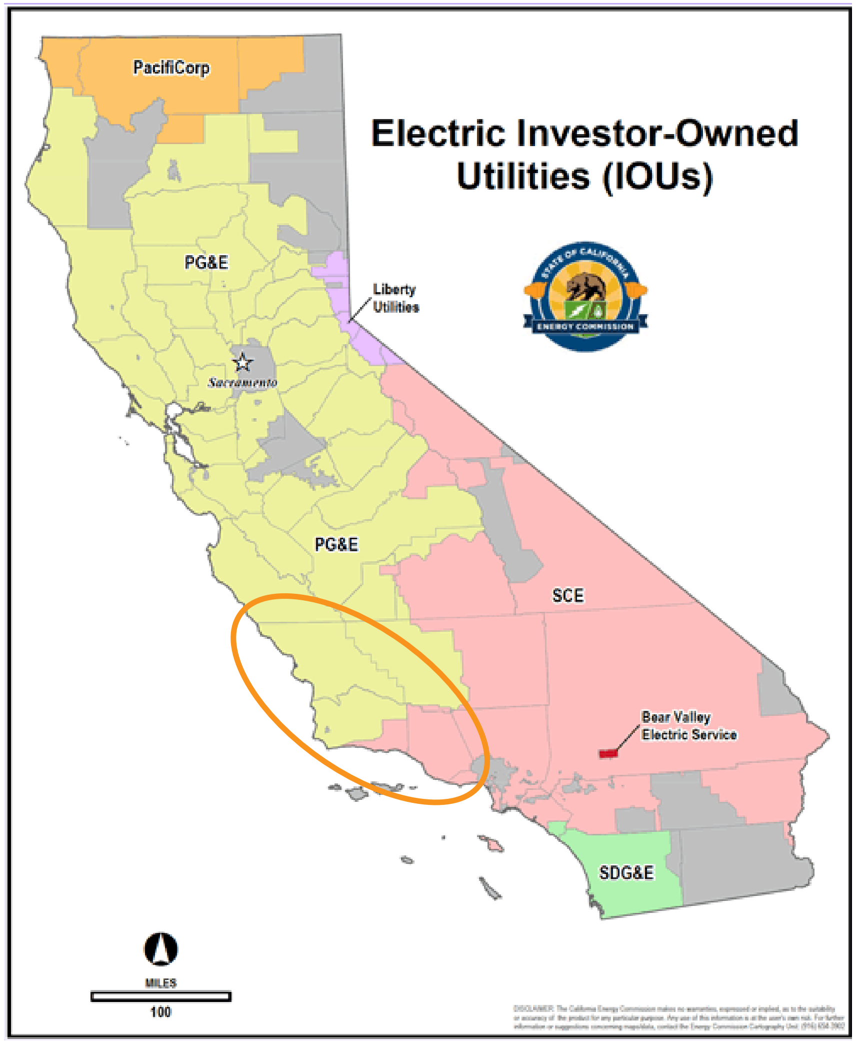
How Community Choice Energy Works



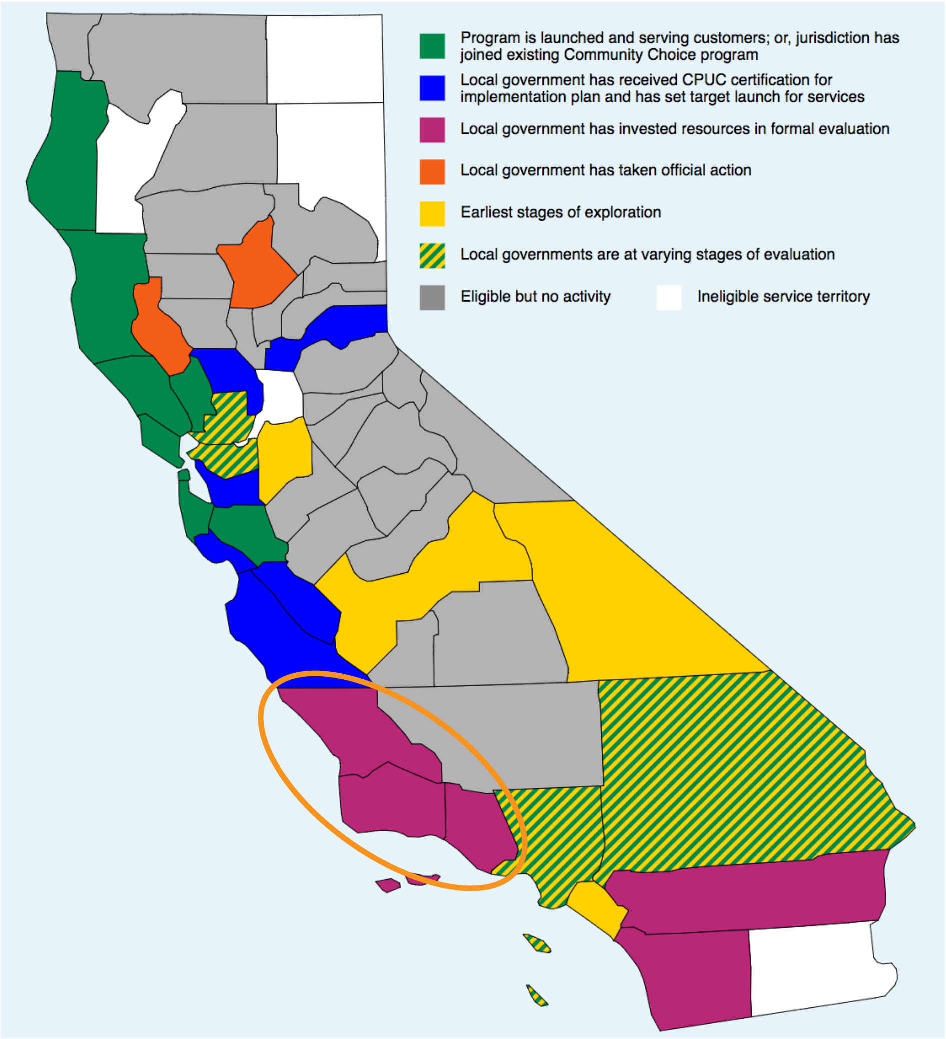
CCE vs IOU: Who Does What?

	CCE	IOU
Electricity Generation		
Purchase/generate electricity for customers	✓	
Balance supply and demand	✓	
Electricity Distribution		
Build/maintain grid infrastructure		✓
Deliver electricity to customers		✓
Transaction		
Install/maintain/read meters and bill customers		✓
Respond to customer outages		✓
Provide customer service	✓	✓
Demand Side Management		
Administer EE/DR programs	✓	✓
Provide incentives for onsite generation (NEM, FIT)	✓	✓

CCE and IOU Service Areas



Source: California Energy Commission



Source: Center for Climate Protection, September 2017

How CCE Competes with IOU: Rates

Generation (Energy) Charge

+

"Exit Fees"

Typically ≤ IOU generation charge

+

Delivery (T&D) Charge

+

Other Taxes/Fees

Same for all CCE & IOU customers

=

Total Bill

How CCE Competes with IOU: Choice

- Potentially higher renewable energy content *for all customers*

	RPS-eligible Renewable	Carbon-free
PG&E	33%	69%
SCE	28%	40%
CCE	35-50%	Up to 100%

- Potentially more voluntary premium renewable energy options
  - Lower-cost 100% renewable opt-up option
  - Higher payments for excess rooftop solar production (Net Energy Metering)
  - Higher payments for new renewable energy projects (Feed-In Tariff)
- Potentially more energy efficiency offerings
- Potentially more transportation electrification incentives

Regional CCE Progress to Date

May 2015
SB County BOS received CCE staff & community reports.

June 2015
SB County BOS authorized Phase 1 CCE evaluation funding; directed staff to explore regional interest in CCE study.

Summer-Fall 2015
SLO & Ventura counties and eight cities committed to contribute to CCE study.

December 2015
First CCE Advisory Working Group meeting held.

Winter 2015-16
CCE feasibility study RFP issued and consultant selected.

May 2016
Willdan & EnerNex engaged to perform CCE feasibility study.

Spring-Winter 2016
Electricity load data obtained from utilities; QA/QC performed.

Winter-Spring 2017
Draft feasibility study developed and reviewed by Advisory Working Group.

Summer 2017
Draft feasibility study received; peer review and CCA interviews conducted.

Fall 2017
Feasibility study results presented to boards and councils.

Regional Approach: Advisory Working Group

- Ten jurisdictions—plus the Community Environmental Council—helped fund the feasibility study
  - Counties of San Luis Obispo, Santa Barbara, and Ventura
  - Cities of Camarillo, Carpinteria, Moorpark, Ojai, Santa Barbara, Simi Valley, Thousand Oaks, and Ventura
- All 27 eligible jurisdictions across Tri-County Region included in feasibility study
- Advisory Working Group (AWG) oversaw the feasibility study and provided outreach and CCE monitoring support
- Early outreach included:
  - Community feedback on feasibility study scope
  - 2 Community Leader meetings
  - Website (www.CentralCoastPower.org)
  - Listserv

Feasibility Study Background

- Foundational first step in pursuing CCE
- Addresses these questions:
  - What are our expected costs given our unique characteristics?
  - Can we cover our costs while offering competitive rates and meeting policy goals?
- Commitment to thorough, unbiased analysis
  - Willdan (feasibility study): Lancaster, San Diego, San Francisco
  - MRW (peer review): Alameda County, San Diego

Feasibility Study Scope

- 24 different scenarios
  - 8 city/county combinations
  - 3 renewable energy content levels (+ 100% opt-up)
- 10-year study period: 2020-2030
- Pro forma assessment (forming **<u>new</u>** CCE program only)
  - Power purchase costs
  - Operational costs
  - Reserve/contingency fund
  - Debt service
- Greenhouse gas emissions comparison
- Risk analysis

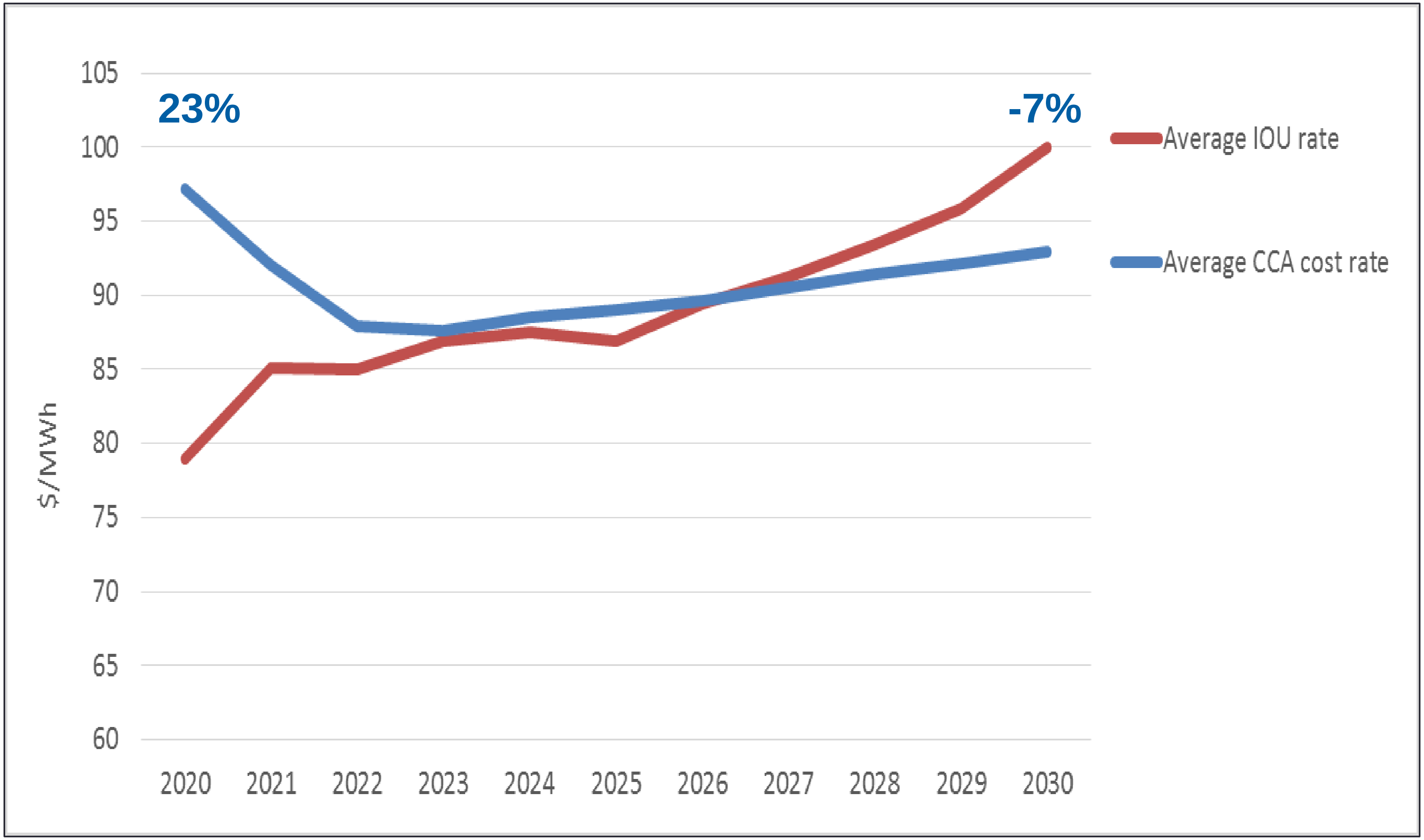
Feasibility Study + Peer Review Results

- Willdan found that none of the 24 scenarios proved viable
  - Holds true even when adjusting for lower power + staffing costs and higher IOU rates
- MRW concurs for SCE jurisdictions, but suggests PG&E jurisdictions may be rate competitive after a couple years
- As renewable energy content increases, power costs increase and rate competitiveness decreases
- Increasing participation size helps economies of scale, but not significantly
- Focused on 50% renewable option for AWG participants and unincorporated Santa Barbara County

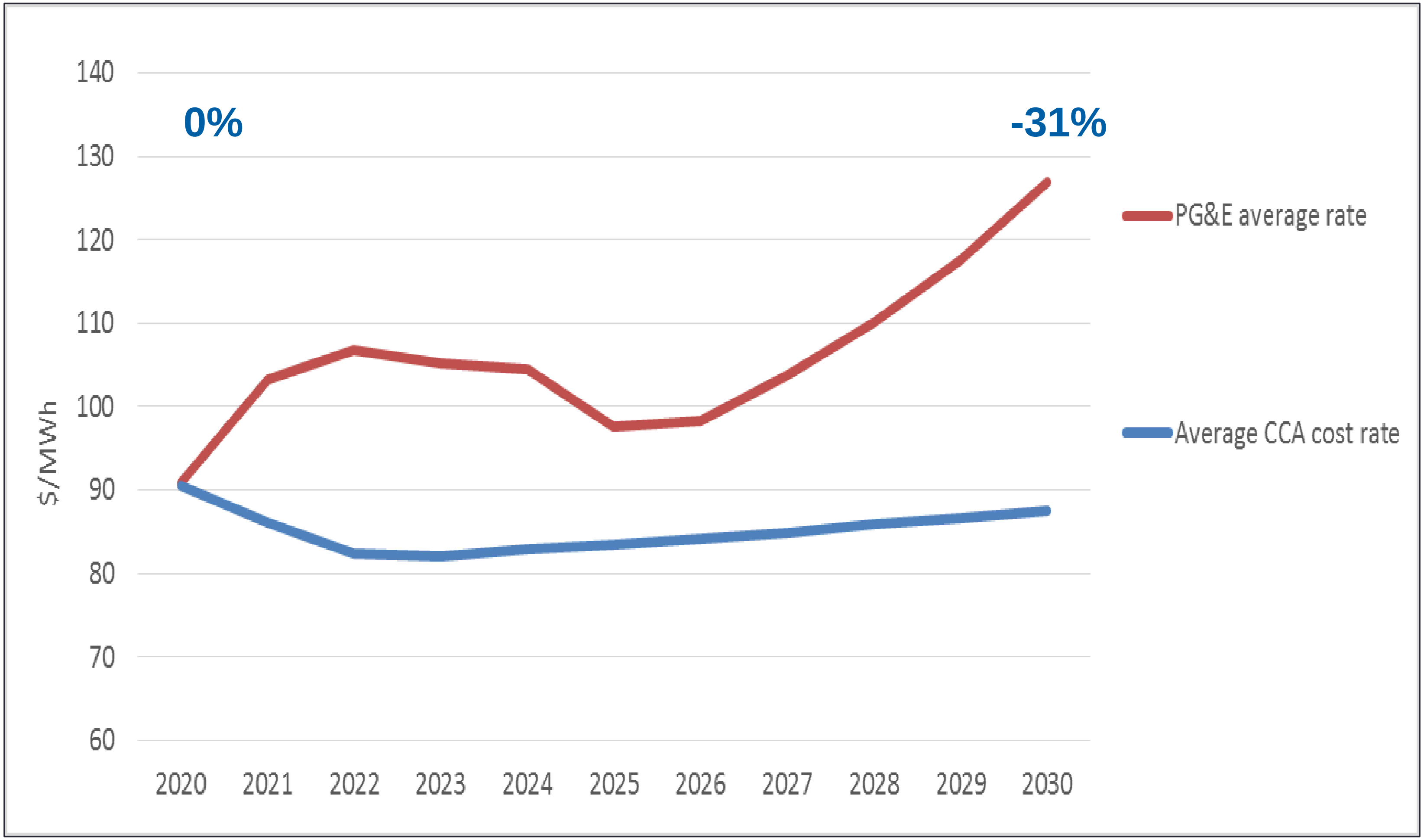
Willdan $ and GHG Summary for Residential Customers in 2020, AWG and Unincorporated County

Participation Scenario	Renewable Energy Content	Pacific Gas & Electric: Generation Rate Comparison (% Increase/Decrease for CCA Customers)	Pacific Gas & Electric: Bill Comparison ($ Increase/Decrease for CCA Customers)	Southern California Edison: Generation Rate Comparison (% Increase/Decrease for CCA Customers)	Southern California Edison: Bill Comparison ($ Increase/Decrease for CCA Customers)	Proportional GHG Comparison
Advisory Working Group Jurisdictions	RPS Equivalent	22%	$12.21	41%	$16.08	6%
	50%	29%	$15.92	50%	$19.79	-9%
	75%	43%	$23.68	70%	$27.64	-55%
Unincorporated Santa Barbara County	RPS Equivalent	26%	$15.08	47%	$19.29	7%
	50%	33%	$18.97	56%	$23.23	-9%
	75%	47%	$27.11	76%	$31.44	-54%

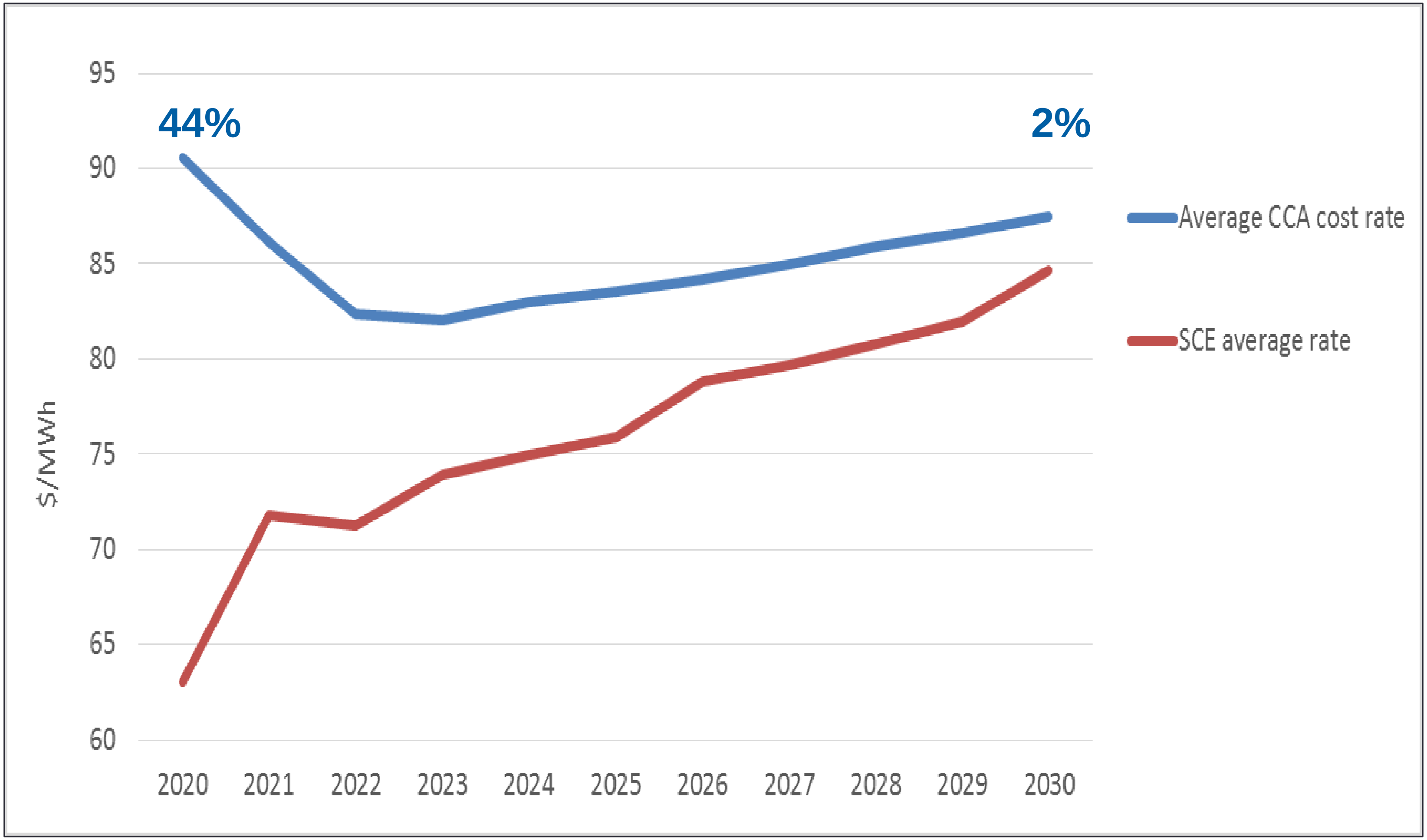
MRW Rate Comparison for All Customers, AWG 50% Renewable



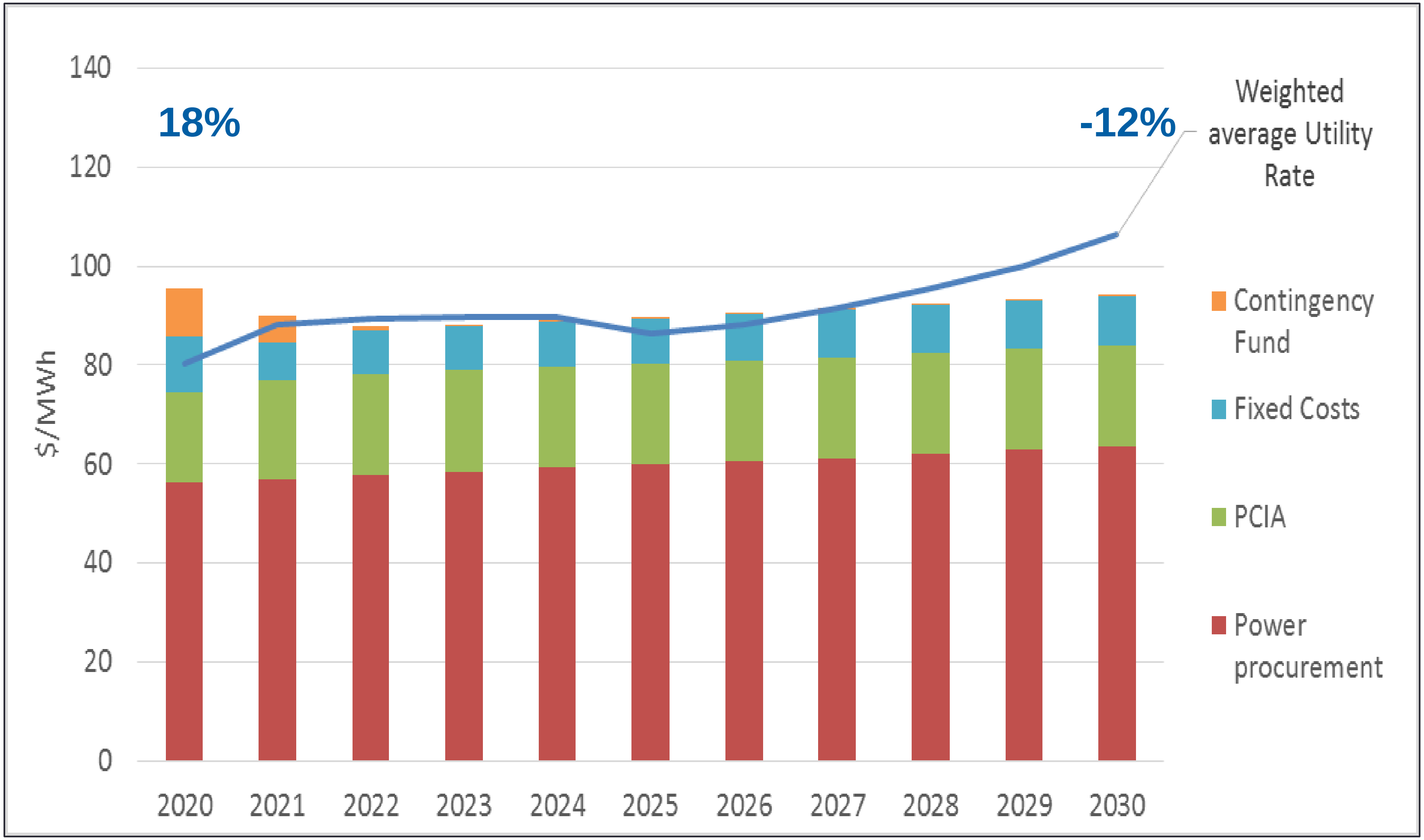
MRW Rate Comparison for PG&E Customers, AWG 50% Renewable



MRW Rate Comparison for SCE Customers, AWG 50% Renewable



MRW Rate Comparison for All Customers, Unincorporated County 50% Renewable



Drivers of Infeasibility

- We’re in 2 IOU service areas.
  - Differing rates are problematic, especially with SCE’s low rates
  - Coordinating with 2 IOUs and their billing systems is complicated
- As a region, we’re big.
  - For the Advisory Working Group scenario, we’d be more than 1.5x the next biggest CCE program upon launch
  - Upfront capital costs to serve such a large load could require a bond issuance
- IOUs have had time to adjust.
  - Potential cost shifting among generation and delivery charges
  - Regulatory/legislative action drives uncertainty and potentially increases costs related to PCIA and other exit fees

CCE Options for Consideration

- **Option 1.** Join 2 Existing CCE Programs
- **Option 2.** Form a New CCE Program
- **Option 3.** Not Implement a CCE Program at This Time and Explore Other CCE-related Options
- **Option 4.** Not Implement a CCE Program at This Time and Discontinue CCE Evaluation

Option 1. Join 2 Existing CCE Programs

- Feasibility study did not evaluate joining an existing program(s)
- North County (PG&E): Monterey Bay Community Power
  - Structure: JPA of 19 jurisdictions across Santa Cruz, Monterey, and San Benito Counties
  - Electricity content: RPS-equivalent + 100% carbon-free at rate parity with PG&E
  - Next steps: ordinance, JPA agreement, and 2/3 vote of existing JPA board
    - **Join by Thanksgiving to start July 2018**
  - Cost: $0-$50,000 (to amend implementation plan)
- South County (SCE): Los Angeles Community Choice Energy
  - Structure: JPA of 5+ jurisdictions across LA County
  - Electricity content:
    - RPS-equivalent at 4% rate savings compared to SCE
    - 50% renewable at 1% rate savings compared to SCE
    - 100% renewable at 5% rate increase compared to SCE
  - Next steps: ordinance, JPA agreement, and 2/3 vote of existing JPA board
    - **Join by New Year's to start Q2/Q3 2018**
  - Cost: $0-$4M loan (to cover incremental power costs, etc.)

Option 2. Form a New CCE Program

- Feasibility study found this option infeasible
- Option 2a. Unincorporated County CCE Program
  - Structure: Enterprise fund within new or existing County department
  - Electricity content: TBD at County Board discretion
  - Next steps: Develop implementation plan for CPUC review
  - Cost: $41.7M (3 months working capital) to $60.8M (5 months)
- Option 2b. Regional CCE Program
  - Structure: JPA of 2+ jurisdictions
  - Electricity content: TBD at JPA Board discretion
  - Next steps: Determine if other jurisdictions want to pursue; develop implementation plan
  - Cost: $175.6M (3 months) to $255.8M for AWG (5 months)

Option 3. Not Implement CCE at This Time and Keep Exploring CCE Options

- “Wait and see” approach lets market and policy environment stabilize before further considering CCE
- Can continue exploring local renewable energy generation, green job creation, and greenhouse gas reduction opportunities
- Additional CCE Study Options:
  - Feasibility of serving residential and government customers only
  - Feasibility of self-generating power for CCE customers upon CCE launch
  - Legislative options for offering CCE to a portion of the unincorporated county
  - Cost: $25-50,000+ for additional study; legislative cost unknown
- Other CCE-related Options:
  - Aggregation of government accounts (e.g., RES-BCT)
  - Renewable energy development on County land and/or facilitation of private development
  - Legislative options for expanding Direct Access to allow the County to purchase power from non-IOU providers
  - Cost: unknown

Option 4. Not Implement CCE at This Time and Stop Exploring CCE Options

- Next steps:
  - Discontinue CCE Advisory Working Group and return unspent outside contributions
  - Staff to shift to other policy/program priorities (e.g., Energy and Climate Action Plan, emPower, possible Regional Energy Network)
- Cost: none

Options Analysis: Summary of Benefits and Risks

Options	Benefits	Risks
1. Join 2 Existing CCE Programs	• May offer cleaner electricity product than IOUs • May ameliorate negative impact of SCE's lower rates on CCE rates for North County • May be less time-consuming than creating a new program • May lower rates due to lower start-up costs and spreading costs over more customers • May allow programs and electricity products to be better tailored to North and South County • Spreads risk among JPA participants	• Carries greater risk of CPUC rejecting program • May not find willing host for both parts of the county • Dilutes local control • May increase rates (who's study is right?) • May require more complex logistical coordination • May create customer/brand confusion • Any new generation and economic development may not occur in SB County
2. Form a New CCE Program	• May offer cleaner electricity product than IOUs • Increases local control (especially Option 2a) and may increase accessibility of customers to decision-makers • Simplifies and streamlines decision-making • (Option 2a) May be less time-consuming than forming a JPA • May stimulate local economic development and new generation	• Not shown to be financially viable • Increases County's financial risk exposure • May increase rates and provide less financial stability due to smaller, less diverse customer base, reduced purchasing power, and possibly less advantageous credit terms • Presents fewer resources due to smaller size
3. Not Implement CCE at This Time and Keep Exploring CCE Options	• May identify other more cost-effective options for achieving similar policy goals • May avoid significant market and policy risk and cost	• May miss opportunity to offer CCE to community
4. Not Implement CCE at This Time and Stop Exploring CCE Options	• May avoid significant market and policy risk and cost • Can reallocate funding to other policy priorities	• May miss opportunity to offer CCE to community

Recommended Action

Provide staff with direction regarding CCE options:

- **Option 1.** Join 2 Existing CCE Programs
- **Option 2.** Form a New CCE Program
- **Option 3.** Not Implement a CCE Program at This Time and Explore Other CCE-related Options
- **Option 4.** Not Implement a CCE Program at This Time and Discontinue CCE Evaluation

Provide other direction to staff.

QUESTIONS?