WORLD BUSINESS ACADEMY
Taking responsibility for the whole

October 2, 2017

Board of Supervisors
County of Santa Barbara
105 East Anapamu Street
Santa Barbara 93101

Attn: Das Williams (1st District),
Janet Wolf (2nd District),
Joan Hartmann, Chair (3rd District)
Peter Adam (4th District),
Steve Lavagnino (5th District)

Dear Supervisors of the Board:

The World Business Academy is a public interest, non-profit corporation that aims to accelerate the adoption of solutions to climate change. We have been active in the effort to create a Community Choice Energy program here in Santa Barbara for the last few years, in order to help our region achieve both its renewable energy and resiliency goals.

Although we are dismayed at the incongruous conclusions reached by Willdan in the feasibility study, we believe there are several significant improvements to Willdan's methodology that will yield more accurate results in line with the past experience of operating CCAs.

Specifically, we echo the concerns of Don Dame, a CCA consultant with 40 years of experience in the power industry, including oversight of Power Management real-time dispatch, scheduling, planning, forecasting and contracting functions for a 10-member power pool integrated within the CAISO-controlled grid. His technical review (attached) include, but are not limited to, the following issues related to inputs and assumptions areas that need further review, explanation and verification **(our emphasis in bold)**:

1. "Reserve Fund. Any new CCA will need to establish a reserve fund, the target amount of which will likely be a function of risk management policy and Board direction. Once a sufficient account balance is established annual funding will be unnecessary until and unless market conditions change or amounts are withdrawn from the fund for some reason. **Willdan's model seems to annually fund CCP's reserve fund in perpetuity. This biases the result against CCA.** This needs to be explained and verified, and possibly corrected.

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2. Franchise Fees. Willdan's study appears to estimate **franchise fees at approximately $35 million/ year (Table 55, II-84). This amount appears off by a factor of 10.** And franchise fees are nearly identical given either SCE or CCP. This biases the result against CCA. This needs to be explained and verified, and possibly corrected.

3. Non-Bypassable Charges. **Willdan's study appears to include the CTC and DWR-BC as a charge to CCA customers (page II-94). Potential CCA customers pay these charges currently under existing SCE tariffs and these amounts would not change under a CCA**, and indeed would still be billed by SCE. The only "new" component of the Customer Responsibility Surcharge (CRS) is the PCIA, and this is the only CRS related charge that should be included in the analysis. This biases the result against CCA. This needs to be explained and verified, and possibly corrected.

4. Wrong Pricing for Load. Under CAISO controlled markets load is priced at the Default Load Aggregation Point (DLAP) --- essentially the average of the particular IOU's service territory. **The Willdan study appears to price load at "pNodes" in the affected counties (page II-50) and these are prices paid to generators, not the prices paid by load.** The incorrect conclusion is that each county pays a different price within a given IOU territory. This may bias the result against CCA. This needs to be explained and verified, and possibly corrected.

5. Renewables Priced Too High. **Willdan's study appears to assume renewables prices averaging about $80 / MWh (study Figure 33). Current prices for wind and solar PV are closer to $40 / MWh. The the $40 / MWh difference adds about $40 million / year to CCP CCA costs.** This biases the result against CCA. This needs to be explained and verified, and possibly corrected.

6. 45 Person Organization. Willdan's study assumes a 45 person CCA staff. While this is potentially possible, it would likely be 5-10 years before staffing reaches these levels and then, subject to CCA then performed tasks and Board direction. **The more likely case is about a 10 person staff initially, augmented as needed by service providers and specialized consultants. The "extra" 35 staff positions adds about $3-$4 million in annual CCA costs.** This biases the result against CCA. This needs to be explained and verified, and possibly corrected."

As Mr. Dames concludes, "In sum, all above points sway against CCP economic viability. If all are deemed to need revision, CCP operating costs decline by about 25% and the economic result for a new CCP approaches parity with SCE and PG&E ---- which is where pragmatic intuition leads."

The above issues are substantive and must be fully vetted through a comprehensive peer review process before the Board can be confident that it is making an informed decision on behalf of its constituents.

We realize that energy forecasting and modeling are very complex exercises, and after consulting with other CCA experts from around the state, we recommend that Santa Barbara County retain MRW & Associates to conduct a more extensive peer review by applying their own model to our region's load data in order to determine whether or not Willdan's conclusions about Central Coast Power's feasibility are accurate – and that a couple of additional analysts be allowed to review MRW's methodology in order to achieve maximum transparency on this project going forward.

Also, Santa Barbara County might consider issuing a single RFP for energy vendors to enter into an "at-risk contract" for the provision of all CCA services, similar in approach as recently adopted by Redwood Coast, Riverside and Valley Clean Energy Authority with huge success. Under this approach, Santa Barbara County would be shielded from any additional expenditures until a successful program is designed and successfully launched. Indeed, why not let the market decide, at very little risk to the County, if a CCA program is viable?

Furthermore, we recommend that County staff cooperate fully with all participating municipal jurisdictions to expedite the release of individual municipality's load data for analysis, so that each municipality will be able to explore all available options to benefit their constituents.

In closing, it is critical to note the speed and breadth of regulatory change within California's energy industry and infrastructure. What may have been true a year, or even a few months ago, may no longer be applicable when the Central Coast CCA, or some derivation thereof, is finally launched by this body. Before the Board makes a final decision, we urge all Supervisors to first consider the full range and diversity of Community Choice approaches under consideration and/or being implemented by other cities and counties within California.

Sincerely,

Matt Renner
Executive Director, World Business Academy