

San Diego Regional Community Choice Energy Authority

Inaugural Meeting of the Board of Directors

October 31, 2019 10:00 am

La Mesa Council Chambers

8130 Allison Avenue, La Mesa, CA 91942

San Diego Regional Community Choice Energy Authority (SDRCCEA) Board meetings comply with the protections and prohibitions of the Americans with Disabilities Act and are accessible to people with disabilities. Individuals with a disability who require a modification or accommodation, including auxiliary aids or services, in order to participate in the public meeting may contact RegionalEnergy@sandiego.gov or (858) 492-6005. Requests for disability-related modifications or accommodations require different lead times. Please keep this in mind and provide as much advance notice as possible in order to ensure availability.

Late-Arriving Materials: Late arriving documents related to a SDRCCCEA Board meeting agenda item which are distributed to the legislative body prior to and during the Council meeting are available for public review. Until SDRCCCEA obtains offices, the Board has designated the City of San Diego Sustainability Department, located at 1200 Third Avenue, Suite 1400, San Diego, CA 92101, for the purpose of making those public records available for inspection. The documents will also be also available on SDRCCCEA's temporary website located at: <https://www.sandiego.gov/sustainability/clean-and-renewable-energy/ccea>. This relates to those documents received after the agenda is publicly noticed and during the 72 hours prior to the start of the meeting. Late-arriving materials received during the meeting are available for review by making a verbal request of the Interim Clerk located in the meeting room.

If you have anything that you wish to be distributed to the Board please hand it to a SDRCCCEA interim staff member at the meeting who will distribute the information to the Board members and other staff.

- 1. Welcome and Oath of Office**
- 2. Board Roll Call**
- 3. Introduction of SDRCCCEA Interim Implementation Team**
- 4. Public Comment For Items Not on the Agenda**

This item is reserved for persons wishing to address the Board on any SDRCCCE-related matters that are not otherwise on this meeting agenda. Public comments on matters listed on the agenda shall be heard at the time the matter is called. As with all public comment, members of the public who wish to address the Board will be limited to three minutes per speaker, but an adjustment can be made at the discretion of the Chair.

CONSENT AGENDA

There are no consent agenda items.

REGULAR AGENDA

- 5. Election of Interim Chair**
- 6. Approval of Interim Executive Officer**
- 7. SDRCCCEA Operations and Administration – Report and Discussion**
- 8. SDRCCCEA Formation Timeline and Implementation Budget**
Request the Board review and adopt the SDRCCCEA Formation Timeline and Implementation Budget.
- 9. SDRCCCEA Implementation Plan – Overview and Discussion**
Request direction from Board regarding the SDRCCCEA Implementation Plan.
- 10. Discussion of Regular Meeting Location, Time and Schedule**
- 11. Board Member and Staff Announcements**
- 12. Adjournment**

SAN DIEGO REGIONAL COMMUNITY CHOICE ENERGY AUTHORITY

Staff Report – Item 5

To: SDRCCEA Board of Directors

From: Cody Hooven, SDRCCEA Interim Executive Officer
Director/Chief Sustainability Officer, Sustainability Department, City of San Diego

Subject: Elect an Interim Chair of the Board

Date: October 31, 2019

Recommendation

Elect an interim Chair of the Board until officer elections have been completed.

Analysis and Discussion

Pursuant to Section 5.2 in the San Diego Regional Community Choice Energy Authority Joint Powers Agreement, the Board of Directors of the Authority shall elect a Chair and Vice Chair from among the Directors. The Chair shall be the presiding officer of all Board meetings, and the Vice Chair shall serve in the absence of the Chair.

Because SDRCCEA officers will be elected at a subsequent Board meeting, staff's recommendation is to elect an Interim Chair to preside over Authority Board meetings until officer elections have been completed.

SAN DIEGO REGIONAL COMMUNITY CHOICE ENERGY AUTHORITY

Staff Report – Item 6

To: SDRCCEA Board of Directors

From: Cody Hooven, SDRCCEA Interim Executive Officer
Director/Chief Sustainability Officer, Sustainability Department, City of San Diego

Subject: Appointment of SDRCCEA Interim Executive Officer

Date: October 31, 2019

Staff Recommendation

Appoint Cody Hooven to serve as Interim Executive Officer of SDRCCEA until a permanent Chief Executive Officer has been hired.

Background

Pursuant to Section 5.5 in the San Diego Regional Community Choice Energy Authority Joint Powers Agreement, the Board of Directors of the Authority shall appoint a Chief Executive Officer for the Authority, who shall be responsible for the day-to-day operation and management of the Authority and the CCA Program.

Staff's recommendation is to appoint Cody Hooven, currently the Director/Chief Sustainability Officer of the City of San Diego, to serve as SDRCCEA's Interim Executive Officer to manage day-to-day operations and represent the Authority in matters of regular business until the SDRCCEA Chief Executive Officer position has been permanently filled.

It is anticipated that time and expenses attributable to Ms. Hooven's interim executive role will continue to be tracked as a component of the City of San Diego's reimburseable expenses associated with the formation of SDRCCEA.

SAN DIEGO REGIONAL COMMUNITY CHOICE ENERGY AUTHORITY

Staff Report – Item 7

To: SDRCCEA Board of Directors

From: Cody Hooven, SDRCCEA Interim Executive Officer
Director/Chief Sustainability Officer, Sustainability Department, City of San Diego

Subject: SDRCCEA Operations and Administration Update

Date: October 31, 2019

Recommendation

Receive update and provide direction and feedback as needed.

Background

Staff will provide regular updates to the Board of Directors regarding the San Diego Regional Community Choice Energy Authority (SDRCCEA or Authority) organizational development, administration and start-up activities. The following is a brief overview of this month's discussion items, which are informational only.

Analysis and Discussion

A) Board of Director Next Steps and Reminders

All new Board members and alternates for SDRCCEA will be sworn in at their first meeting. Board officers including Chair, Vice Chair, interim Secretary and interim Treasurer will be nominated and elected at the November 21 Board meeting. Please note that the roles of interim Secretary and Treasurer may be appointed by the Board and need not be a seated member of the Board. Staff will follow up with Board members about filing of their Statement of Economic Interest – Form 700 which is required for Directors of public agencies within 30 days of being sworn in.

B) Interim Staff Support

Staff is working on a plan for interim staff support to be provided by City of San Diego staff and/or member city staff in the roles of project management and administration, financial services/treasury, and potentially others until such time that permanent staff is hired in 2020. We will return to the Board with a detailed MOU/cooperative services agreement codifying the interim roles and plans for reimbursement at its November or December Board meeting. Interim staff will also present a recommendation for Chief Executive Officer (CEO) recruitment and hiring process at an upcoming meeting. Once hired, the CEO will assume responsibility for hiring additional Authority staff throughout the remainder of 2020 and 2021.

C) SDG&E Billing System Update

As you may be aware, San Diego Gas & Electric (SDG&E) has been planning a significant billing system upgrade which will hopefully result in a smooth transition for its bundled service and community choice customers. SDG&E has sent letters to member agencies of SDRCCEA notifying them of their system upgrade plans, and the City of San Diego sent a memo on behalf of SDRCCEA outlining our program timing and plans as well. SDRCCEA and SDG&E staff will be meeting in the coming months to discuss this and other planning items. A copy of the memo sent to SDG&E and their response is attached.

D) Vendor RFPs

Staff recently issued a request for proposals (RFP) for credit and banking services through which to secure approximately \$45M in working capital to support SDRCCEA implementation and program launch, including power procurement. Proposals are due on November 1 and we will work with our financial advisory consultant, Public Financial Management (PFM), on bid review and selection. Staff anticipates seeking Board approval to move forward with a credit and banking partner by its December meeting. Staff is also working on an RFP for power and energy services which it expects to release in November. This will be followed in the new year by RFPs for regulatory and legislative support, data management and call center services, as well as marketing and communications services.

E) Authority Financing

As noted above, SDRCCEA issued an RFP on October 14, 2019 seeking a line of credit and banking services to support Authority start-up and operations. It is anticipated that the initial, pre-revenue line of credit will be approximately \$5,455,000, followed by a significantly larger working capital loan of up to \$40,000,000 to cover the cost of power and early operations. The RFP seeks bank loans that are unsecured, mitigating the need for the City of San Diego to post a letter of credit for the initial \$5,455,000, but terms are unknown at this time. The goal is to have a bank partner selected and line of credit secured by January or February 2020.

F) JPA Amendments

Staff anticipates bringing recommended changes to the JPA Agreement to the Board in the first quarter of 2020. Near-term Board actions will focus on filing an Implementation Plan and other start-up activities through the end of this year. The Board workshop planned for November 2019 will also provide key insights and background for the Board from which they can make informed amendments going forward.

G) Committees

SDRCCEA Committee formation will be addressed in the first quarter of 2020 to allow the Board to maintain focus on development of the Authority's Implementation Plan and other organizational logistics through the remainder of 2019.

H) Board of Directors Workshop

Staff is facilitating an "Energy Briefing" workshop for SDRCCEA Board members and alternates, currently scheduled for Saturday, November 16, 2019. Topics will range from basics and trends

in energy markets to an overview of CCA operational and compliance requirements. As the Board is embarking on directing a new organization in the complex arena of energy, and will be making a series of decisions in the coming year around energy procurement policy amongst other items, this workshop is designed to ensure a base of foundational knowledge for SDRCCEA Board members. Members of the public are welcome to attend. Additional details will be posted on the website soon.

I) Public Outreach/Communications

Staff have created a temporary website to host meeting agendas and other information relevant to Community Choice Energy and the Authority's operations. The website can be found at <https://www.sandiego.gov/sustainability/clean-and-renewable-energy/ccea>. Each member city has provided a link from their website to this site in order to facilitate public information. It is anticipated that the Authority will adopt a more public-friendly name and develop a stand-alone website as one of its early start up activities.

Attachments:

- A. Memo sent to SDG&E regarding SDRCCEA launch and coordination request – dated Oct. 11, 2019
- B. Response memo from SDG&E – dated Oct. 14, 2019

Sustainability

October 11, 2019

To:

Warren Ruis
Director, Regional Public Affairs
San Diego Gas & Electric Company
wruis@semprautilities.com

Subject: Request to formally coordinate and engage on CCA formation and launch

Dear Mr. Ruis:

As you know, the City of San Diego is partnering with the cities of Chula Vista, La Mesa, Encinitas, and Imperial Beach as founding members of a Joint Powers Authority (JPA) to operate a regional Community Choice Aggregation (CCA) program. The JPA agreement was formalized on September 17, 2019 and the City of San Diego adopted an ordinance to form a CCA program on October 1, 2019. The City of San Diego is lending operational and staffing support to the JPA until such time the JPA hires its own staff.

The JPA Board of Directors will submit the CCA's Implementation Plan, Statement of Intent, and other required registration materials, by January 1, 2020, to the California Public Utilities Commission (CPUC) to formally register the CCA as a loading serving entity. The CCA program plans to start serving customers in 2021, currently envisioned in three phases commencing in March 2021 with full customer enrollment by the end of 2021. This timing aligns with findings in the 2006 CPUC Resolution E-4013 which indicates utilities are to ensure their respective systems are ready for CCA implementation within six months from the date the first CCA files its Implementation Plan with the CPUC.

It is critical for the CCA and San Diego Gas and Electric (SDG&E) to coordinate closely and in a timely fashion to ensure a successful launch of the CCA program and a smooth transition for the customer experience. As such, on behalf of the JPA Board of Directors, we are requesting formal coordination and engagement with SDG&E on all the tasks and processes involved for the CCA program to start serving customers in 2021 through a senior staff-level working group or other collaborative structure.

SDG&E has already conveyed to some JPA members that it is currently replacing its billing and data system. It is essential that projects affecting CCA implementation and customers, such as a new information technology system, are communicated clearly to City of San Diego and JPA staff to ensure mutual understanding of project timelines, concerns and mitigations, and potential impacts on the CCA customer enrollment schedule. Additional areas of possible coordination and engagement include regulatory advocacy, resource planning, compliance filings, data management and sharing, customer outreach, and procurement planning.

Sustainability

The JPA members and SDG&E have a long history of strong partnerships and we look forward to a close working relationship with the SDG&E team to kick off this endeavor without delay. Please contact me at 619-236-6563 or chooven@sandiego.gov to schedule a meeting with our respective teams.

Thank you in advance for your responsiveness and commitment to a successful program launch and smooth customer transition in 2021.

Sincerely,



Cody Hooven
Director/Chief Sustainability Officer
619-236-6563

Cc: Paloma Aguirre, Councilmember, Imperial Beach
Bill Baber, Vice Mayor, City of La Mesa
Catherine Blakespear, Mayor, City of Encinitas
Dr. Jennifer Campbell, Councilmember, City of San Diego
John McCann, Councilmember, City of Chula Vista
Monica Montgomery, Councilmember, City of San Diego
Joe Mosca, Councilmember, City of Encinitas
Steve Padilla, Councilmember, City of Chula Vista
Mark West, Councilmember, City of Imperial Beach
Greg Humora, Assistant City Manager, City of La Mesa
Tony Cruz, Senior Council Aide to Councilmember Padilla
Henry Foster, Chief of Staff to Councilmember Montgomery
Andy Hall, City Manager, City of Imperial Beach
Jenny Lybeck, Sustainability Analyst, City of La Mesa
Venus Molina, Chief of Staff to Councilmember Campbell
Crystal Najera, Climate Action Plan Program Administrator, City of Encinitas
Samantha Trickey, Senior Council Aide to Councilmember McCann



Warren Ruis
Director, Regional Public Affairs
8330 Century Park Court, CP31D
San Diego, CA 92123
tel: 619-696-2562
WRuis@semprautilities.com

October 14, 2019

Cody Hooven
Director, Chief Sustainability Officer
Staff contact for the San Diego Regional Community Choice Energy Authority
1200 3rd Avenue, Suite 1400 MS 56D
San Diego, CA 92101

Delivered via email to: chooven@sandiego.gov

Dear Cody:

Thank you for your letter dated October 11, 2019. On behalf of my 4,000 colleagues, we look forward to partnering closely with the City of San Diego-led Joint Powers Authority and your member agencies as you implement a Community Choice Aggregation program. SDG&E has a long history of supporting customer choice, and this effort will be no different. You have my commitment that SDG&E will be a ready, willing and able partner in this endeavor.

As we initially outlined to City of San Diego staff on October 24, 2018 and on July 30, 2019; SDG&E is currently in the process of replacing our customer and billing information technology systems. This effort is designed to modernize our systems – and specifically to enable customer choice programs, like CCAs. Over the last couple months, SDG&E has met in person with each agency identified in your letter. In these meetings, we highlighted this system replacement project and our goal to work closely to align an onboarding and implementation program that ensures system stability and customer success.

As we shared in the past, SDG&E stands at the ready to form a working group to facilitate implementation and specifically to start working on technically feasible timelines. We will reach out to your office to identify a couple date options that hopefully work for you and any consulting partners you may have retained.

Very truly yours,

A handwritten signature in black ink that reads "Warren Ruis". The signature is written in a cursive, flowing style.

Warren Ruis

Copies to:

Paloma Aguirre, Councilmember, Imperial Beach
Bill Baber, Vice Mayor, City of La Mesa
Catherine Blakespear, Mayor, City of Encinitas

Dr. Jennifer Campbell, Councilmember, City of San Diego
John McCann, Councilmember, City of Chula Vista
Monica Montgomery, Councilmember, City of San Diego
Joe Mosca, Councilmember, City of Encinitas
Steve Padilla, Councilmember, City of Chula Vista
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Venus Molina, Chief of Staff to Councilmember Campbell
Crystal Najera, Climate Action Plan Program Administrator, City of Encinitas
Samantha Trickey, Senior Council Aide to Councilmember McCann

Eugene “Mitch” Mitchell, Vice President of External & State Government Affairs, SDG&E
Scott Crider, Vice President of Customer Services, SDG&E
Vanessa Mapula-Garcia, Senior Public Affairs Manager, SDG&E
Joe Britton, Public Affairs Manager, SDG&E
Dinah Willier, Public Affairs Manager, SDG&E
Katie Scanlan, Public Affairs Manager, SDG&E

SAN DIEGO REGIONAL COMMUNITY CHOICE ENERGY AUTHORITY

Staff Report – Item 8

To: SDRCCEA Board of Directors

From: Cody Hooven, SDRCCEA Interim Executive Officer
Director/Chief Sustainability Officer, Sustainability Department, City of San Diego

Subject: Adoption of SDRCCEA Implementation Timeline and Budget

Date: October 31, 2019

Recommendation

Adopt San Diego Regional Community Choice Energy Agency (SDRCCEA or Authority) formation timeline and implementation budget as presented in Attachments A and B.

Background

The SDRCCEA, a California Joint Powers Authority (JPA), was formed on October 1st with the goal of launching community choice aggregator (CCA) service in Spring 2021. There are a myriad of steps and expenditures that will be required to move SDRCCEA from its recently completed approvals phase to a fully functioning, independent Authority serving over 700,000 customers in ~18 months.

To support these efforts, interim staff and consultants have developed a detailed timeline organized within the six core functional areas required for Authority start up and early operations. These include: JPA Administration/Project Management, Technical and Energy Services, Finance and Banking, Data Management/Call Center, Communications/Marketing and Regulatory/Legislative engagement. Staff also prepared a detailed Operations and Administrative expense budget to elucidate start-up expenditures and provide support for the initial \$5,455,000 line of credit requested in SDRCCEA's banking services RFP, a copy of which the Board received on October 15, 2019.

Analysis & Discussion

A. **Formation Timeline.** Attachment A offers a detailed overview of the key functions, primary tasks, and timing required to bring SDRCCEA from concept and adoption to an independent public agency running a mature utility business. As noted above, the timeline is built around six core functions that are common to CCA start-up and early operations. There are thousands of additional tasks that will be completed within each functional area, but the attached Gantt chart provides an effective visual summary of the formation components and their timing. A few items of note:

1. The attached timeline covers a 27-month period from October 2019 – December 2021 which takes us from JPA adoption in October 2019, to initial program launch in March 2021, to the anticipated completion of customer enrollments by the end of 2021.
2. Like all timelines, it is subject to change. A key issue that staff is tracking is SDG&E's billing system conversion. This is an issue that could impact SDRCCEA's launch timing and subsequent phasing schedule. Staff will keep the Board and public apprised of ongoing conversations with SDG&E on this topic.
3. The attached timeline contemplates customer enrollments in 3 phases beginning in March 2021, followed by phase 2 in July and Phase 3 in November 2021. This enrollment schedule is subject to change based on market conditions that may dictate a more economically advantageous phase-in schedule or other issues that may arise. In any case, the goal is to have all customers successfully enrolled within a 12-month period. Staff will keep the Board apprised of any changes in SDRCCEA's proposed enrollment schedule.

B. Implementation Budget. The attached start-up budget was prepared to support the development of a 10-year operating proforma which will be included in SDRCCEA's Implementation Plan. It also provides the basis for the Authority's near-term credit request of \$5,455,000 to support all non-power related expenses associated with Authority formation prior to launch and revenues. These expenditures are in line with the start up costs of other recently formed CCAs in the State and the current costs of various vendor services. This budget is tentative for now simply because it will be reaffirmed by the Board once credit and banking services are finalized. A few items of note:

1. The attached 24-month budget covers the calendar years 2020 and 2021. 2020 is a planning and organizational development year leading into 2021 which is focused on pre-launch power purchases and customer noticing, launch activities and subsequent customer enrollments throughout the remainder of 2021.
2. The attached implementation budget does NOT include the cost of power, which will comprise approximately 90% of the Authority's expense budget once operational. It also does not include the repayment of founding member costs, interim staff costs, banking and credit costs, nor the costs of SDRCCEA programs. These costs are not yet known, and it is assumed they will be part of the Authority's more formal FY 20-21 budgeting process that will take place next summer or subsequent budgets to that.
3. There is a substantial increase in non-power expenditures anticipated in 2021. This jump is the result of four additional expenditures that don't show up in 2020: 1) data management and call center costs which are billed monthly on a per account basis starting in March 2021, 2) CAISO scheduling fees of \$500,000, 3) SDG&E billing service fees that are billed monthly on a per account basis once service commences, and 4) the cost of customer notification which includes a statutory minimum of four mailed notices to approximately 720,000 accounts over the 120-day enrollment period.

4. The year one (2020) projected costs of \$3,315,000 are below the requested credit line of \$5.4M. This leaves some breathing room in the implementation budget to cover 2021 expenses incurred prior to issuance of the larger working capital loan.

Attachments

- A. Proposed Implementation Timeline
- B. Proposed Implementation Budget

[illegible]

Workplan Timeline by Task Area

San Diego Regional Community Choice Energy Authority Implementation Timeline (updated October 26, 2019)	Q4 2019			Q1 2020			Q2 2020			Q3 2020			Q4 2020			Q1 2021			Q2 2021			Q3 2021			Q4 2021		
Workplan Timeline by Task Area	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
Develop related energy programs including NEM, EE, DR etc.																											
Complete all regulatory registrations for program compliance (CPUC, CAISO, WREGIS etc)																											
Coordinate with program staff and all other vendors as needed																											
Regulatory/Legislative																											
Secure contract with regulatory and legislative attorney/firm TBD																											
Continue tracking CCE-related regulatory activity and participating in statewide efforts																											
RA Proceeding: Central Procurement Entity																											
PCIA Proceeding: Working Groups 1, 2, and 3																											
DA Proceeding: Expansion																											
Integrated Resource Planning Proceeding																											
Continue tracking CCE-related legislative activity and participating in statewide efforts																											
Register with the CPUC and obtain party status for priority regulatory proceedings																											
Work with technical services vendor to ensure full regulatory/program compliance and reporting																											
Data Management/Call Center																											
Secure Data Mgmt and Call Center Contract																											
Infrastructure and Application configuration																											
EDI certification (utility and bank)																											
Call center training/go live																											
List of Phase 1 customers																											
1st opt-out period (60 days out)																											
2nd opt-out period (30 days out)																											
Program rates and reports																											
Utility account set up (dead period)																											
Account Switches/Customer enrollments																											
1st Full Billing Cycle																											
3rd opt-out period																											
4th opt-out period																											
2nd full billing cycle																											
Communications/Marketing																											
Update FAQs, website and basic program collateral																											
Secure marketing firm; develop public outreach and marketing plan (including multi-lingual, multi cultural)																											
Messaging, branding																											
Develop website 2.0 with translation and opt-out features																											
Community education – presentations to community groups, public workshops, tabling, stakeholder meetings, etc.																											
Press outreach/earned media (op-eds, feature stories, local radio and TV)																											
Develop and launch advertising campaign (paid media, social media, et al)																											
Develop call center script/Call center live in when first notice drops																											
Prepare/design customer enrollment notices																											

Workplan Timeline by Task Area

[illegible]

San Diego Regional Community Choice Energy Authority 24 Month Implementation Budget: January 1, 2020-December 31, 2021		2020 Estimate	2021 Estimate
Organizational/Admin.			
Professional Services/Consulting (LEAN Energy, Accounting, Other)		\$125,000	\$ 200,000
JPA Board Meeting Costs		\$25,000	\$ 25,000
Staffing (6-8 ppl for ~6-7 months in 2020; 16-20 ppl for full year in 2021)		\$1,000,000	\$ 4,500,000
G&A costs (office rent, deposits, equipment, software, insurance, etc.)		\$500,000	\$ 800,000
TOTAL:		\$1,650,000	\$ 5,525,000
CAISO/CPUC/Utility Fees			
CAISO deposit (to be a CRR holder; one time payment)		\$0	\$ 500,000
Financial Security "Bond" (CPUC; one time payment)		\$150,000	\$ -
SDG&E billing service fees (@\$0.28 per account/month)		\$0	\$505,562
TOTAL:		\$150,000	\$ 1,005,562
Technical/Energy Services			
Power contracting, portfolio and rate design, scheduling, CRR management, et al		\$600,000	\$ 1,600,000
Integrated Resource Plan/Long-Term Procurement		\$0	\$ 650,000
TOTAL:		\$600,000	\$ 2,250,000
Communications/Customer Enrollment			
Marketing strategy and brand development		\$75,000	\$ 50,000
Website 1.0/2.0		\$45,000	\$ 20,000
Collateral Design/Video		\$60,000	\$ 25,000
PR/Advertising Campaign -- print, social, paid and earned media		\$175,000	\$ 350,000
Materials for tabling and events (design/print)		\$30,000	\$ 50,000
Customer Notifications (4 x 720k @ \$ 0.80 each)*		\$0	\$ 2,304,000
Community Sponsorships, etc.		\$0	\$ 50,000
TOTAL:		\$385,000	\$ 2,849,000
Data Management/Call Center			
Data Management/Call Center (\$1.00/account/month)		\$0	\$1,805,578
TOTAL:		\$0	\$ 1,805,578
Legal			
General Counsel Services		\$120,000	\$ 180,000
Legal review of power supply and other vendor contracts		\$150,000	\$ 200,000
TOTAL:		\$270,000	\$ 380,000
Regulatory/Legislative			
Cal-CCA Membership		\$50,000	\$ 350,000
Regulatory Monitoring and Reporting		\$120,000	\$ 144,000
Participation in Regulatory Proceedings /Compliance Matters		\$90,000	\$ 200,000
Lobbyist		\$0	\$ 120,000
TOTAL:		\$260,000	\$ 814,000
O&M/G&A TOTAL:		\$3,315,000	\$ 14,629,140

*Assumes 4 notices to ~720,000 customers in SDRCEE service territory (design, print, mail)

Budget to be considered tentative until credit and baking services are secured. Budget does NOT include: 1) Cost of Power, 2) Reimbursable expenses for City of San Diego or other Founding Members, 3) Banking fees, debt service or interest, 4) Local Programs.

SAN DIEGO REGIONAL COMMUNITY CHOICE ENERGY AUTHORITY

Staff Report – Item 9

To: SDRCCEA Board of Directors

From: Shawn Marshall, LEAN Energy US
Mark Fulmer, MRW & Associates

Cc: Cody Hooven, SDRCCEA Interim Executive Officer
Director/Chief Sustainability Officer, Sustainability Department, City of San Diego

Subject: Discussion of SDRCCEA Implementation Plan

Date: October 31, 2019

Staff Recommendation

This item is informational only, however staff encourages the Board to consider and provide direction on the “Key Decisions” listed below, which are needed to draft the Implementation Plan for review and adoption by the Board in December, 2019.

Background

The California Public Utilities Commission (CPUC) requires all new and expanding Community Choice Aggregators (CCAs) to submit an Implementation Plan that describes the key features of their CCA program. This staff report discusses what is typically included in an Implementation Plan and identifies the direction staff needs from the Board in order to complete it. The Implementation Plan itself must be formally approved by the Board before it is submitted to the CPUC in mid-December (no later than January 1, 2020). Once submitted, the CPUC has 90 days to certify the Plan, which is by the end of March 2020, unless Commission staff responds with questions or requests for additional information. This is unlikely as SDRCCEA’s Plan will follow the same format and include similar, best-practice content of other successfully certified CCA Implementation Plans in California.

Analysis and Discussion

The Implementation Plan is a statutory requirement under Public Utilities Code, Section 366.2.(c)(3). The required content of an Implementation Plan is described below. However, it’s important to note that much of the language in the Plan will be written in general terms, so as to conform with CPUC requirements but not provide so much detail that it either constrains the Authority in the future or the Plan itself becomes rapidly outdated. For example, the Implementation Plan will discuss a target range for rate discounts and the process for setting rates, but it will not specify a precise rate discount or what the rates will be because we don’t yet know. Furthermore, the Implementation Plan is not a detailed business plan for all of

SDRCCEA's procurement strategies and programs; it is a regulatory compliance document meant to outline the foundational framework and features of SDRCCCEA's CCE program without being overly prescriptive in this early stage of formation.

To meet statutory requirements, the CPUC Code states:

"A community choice aggregator establishing electrical load aggregation pursuant to this section shall develop an implementation plan detailing the process and consequences of aggregation. The implementation plan, and any subsequent changes to it, shall be considered and adopted at a duly noticed public hearing. The implementation plan shall contain all of the following:

- a) The organizational structure of the program, its operations, and funding strategy
- b) Plan for rate setting and other costs to participants.
- c) Provisions for disclosure and due process in setting rates and allocating costs among participants.
- d) The methods for entering and terminating agreements with other entities.
- e) The rights and responsibilities of program participants, including but not limited to, consumer protection, credit issues and shutoff procedures.
- f) Termination of the program.
- g) A description of third parties that will be supplying electricity under the program, including but not limited to general information about financial, technical and operational capabilities."

Key Decisions for the SDRCCCEA Board:

1. *Energy Supply:* The Implementation Plan should state the intended level of renewable and carbon-free energy in SDRCCCEA's initial supply mix. As an example, Peninsula Clean Energy's plan stated, "PCE's initial resource mix will include a renewable energy content of at least 50%." This statement was made before the energy services provider (ESP) was selected, so the decision was based on the initial technical study and current market conditions, which showed that a 50% renewable energy level was possible with rates lower than the incumbent utility. This statement established the *minimum floor* for renewable content but enabled PCE to procure higher levels of renewable and carbon free power if it so chose. Like PCE, SDRCCCEA's Implementation Plan will be adopted prior to contracting with its energy service provider, so the Board may wish to consider a somewhat conservative floor for renewable energy content in the Implementation Plan, knowing that it can exceed that estimate once power supply bids are received and renewable content options and pricing are better known.

Existing CCAs have specified different levels of renewable and carbon-free content for their standard/default offerings, generally ranging from a low of 35% to a high of 75% depending on desired rate discounts and the current portfolio of their incumbent utility¹. All CCAs have included a voluntary 100% renewable energy offering at a modest price premium. Staff

¹ For comparison, SDG&E's current RPS content for their default service is 45%

suggests that SDRCCEA consider a minimum renewable content of 50% for its initial default offering and include a voluntary 100% renewable option. If the Board wishes to consider a third product offering at time of launch, we can discuss that option as well.

In addition, SDRCCEA's Implementation Plan will need to provide a summary-level proposed resource plan, highlighting its energy resources (including energy efficiency) as well as proposed renewable energy purchases. PCE's initial resource plan is provided as an example below. It's important to note that these initial estimates are *targets* which will be amended at a later date through additional power resource planning and fully documented in the Agency's Integrated Resource Plan which will be developed by SDRCCEA's energy services and procurement team.

Peninsula Clean Energy Proposed Resource Plan (GWh) 2016 to 2025										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
PCE Demand (GWh)										
Retail Demand	-253	-2,447	-3,382	-3,399	-3,416	-3,433	-3,451	-3,468	-3,485	-3,503
Distributed Generation	0	0	3	4	6	7	9	10	12	13
Energy Efficiency	0	0	0	3	7	10	14	17	21	25
Losses and UFE	-15	-147	-203	-203	-204	-205	-206	-206	-207	-208
Total Demand	-268	-2,593	-3,582	-3,595	-3,608	-3,621	-3,633	-3,646	-3,659	-3,672
PCE Supply (GWh)										
<u>Renewable Resources</u>										
Total Renewable Resources	127	1,223	1,691	1,700	1,708	1,803	1,898	1,994	2,091	2,189
<u>Conventional Resources</u>										
Total Conventional Resources	142	1,370	1,891	1,895	1,900	1,818	1,736	1,652	1,568	1,483
Total Supply	268	2,593	3,582	3,595	3,608	3,621	3,633	3,646	3,659	3,672
Energy Open Position (GWh)	0	0	0	0	0	0	0	0	0	0

Peninsula Clean Energy
RPS Requirements and Program Renewable Energy Targets
(MWh)
2016 to 2025

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Retail Sales (MWh)	253,061	2,446,569	3,382,353	3,399,265	3,416,261	3,433,343	3,450,509	3,467,762	3,485,101	3,502,526
Annual RPS Target (Minimum MWh)	50,612	489,314	676,471	679,853	741,329	799,969	862,627	936,296	1,010,679	1,085,783
Program Target (% of Retail Sales)	50%	50%	50%	50%	50%	53%	55%	58%	60%	63%
Program Renewable Target (MWh)	126,530	1,223,284	1,691,177	1,699,632	1,708,131	1,802,505	1,897,780	1,993,963	2,091,060	2,189,079
Surplus In Excess of RPS (MWh)	75,918	733,971	1,014,706	1,019,779	966,802	1,002,536	1,035,153	1,057,667	1,080,381	1,103,296
Annual Increase (MWh)	126,530	1,096,754	467,892	8,456	8,498	94,374	95,275	96,183	97,097	98,018

Finally, the Plan will describe the process for procuring SDRCCEA's initial energy requirements, including issuing RFP(s) for energy services and power supply. If an RFP has been issued and a short-list of potential energy service providers has been identified by the time the Plan is submitted, that information can be included, but it is not required for Plan submission.

2. Customer Phasing Schedule: One key element of the Implementation Plan is the proposed phasing schedule for customer enrollments. This discussion is best informed by additional market and revenue analysis to be done by SDRCCEA's designated technical and energy services provider, once hired. As an example, below is the phasing schedule articulated in Silicon Valley Clean Energy's (SVCE) Implementation Plan. SVCE's phasing strategy was unique to their operational plans, their utility's capabilities, and their credit capacity, just as SDRCCEA's recommended phasing strategy will be unique to its own set of conditions.

Silicon Valley Clean Energy
Enrolled Retail Service Accounts
Phase-In Period (End of Month)

	Apr-17	Jul-17	Oct-17
SVCE Customers			
Residential	37,627	103,475	188,136
Small Commercial	16,497	16,497	16,497
Medium Commercial	2,180	2,180	2,180
Large Commercial	141	1,007	1,007
Industrial	<15	37	37
Street Lighting & Traffic	743	743	1,376
Agricultural & Pumping	-	-	814
Total	57,192	123,939	210,048

Staff and consultants are recommending a three-phased enrollment strategy for SDRCCEA that starts modestly with municipal account enrollment in Phase 1 (to work out any issues in the data switching or billing systems), followed four months later by Phase 2 commercial accounts, and four months thereafter with Phase 3 to include all residential accounts as the largest enrollment over a 12 month period.

It is important to note that, like the power supply discussion above, the phasing schedule sets an *intended* enrollment schedule. Language will be included in the Plan that ensures SDRCCEA's flexibility and maintains its ability to modify the enrollment schedule if market, utility and/or economic conditions dictate a change in enrollment strategy.

Other Elements of the Implementation Plan:

3. General description of service offerings: default product, voluntary green pricing option(s), and others, if applicable: For purposes of CPUC certification, this section of the Implementation Plan will address, in general terms, how SDRCCEA will develop energy efficiency and demand reduction programs, a net energy metering option for participating customers and plans for local, distributed energy resources (DERs) that could be supported through feed-in-tariffs or other relevant DER programs. However, specific details and timing of such programs are not required in the Implementation Plan, and will not be fully known prior to Plan submission.

4. General description of rate/pricing strategy: will SDRCCEA generally match SDG&E's rate structure or will there be substantial differences? The Implementation Plan will specify SDRCCEA's general rate design strategy and pricing goals. Typically, new CCA programs start out with a rate design/tariff structure that mirrors their incumbent utility so as not to cause customer confusion or the inability to compare rates. As an example, PCE's Implementation Plan states that it will mirror PG&E's rate structure and that rates will be "at or below" PG&E's rates at the time of program commencement. In reality, PCE launched with a 5% rate discount across all customer classes, but that level of specificity was not known when their Implementation Plan was submitted so it was not included. Staff and consultants recommend a similar approach for SDRCCEA.

5. Description of SDRCCEA's organizational structure: This section will provide detail on the Board of Directors and its responsibilities, a description of proposed advisory committees, a description of Authority staffing plans with proposed organization chart, and which functions will be initially outsourced to third-party vendors while the SDRCCEA brings staff aboard.

6. Financial Information: The Implementation Plan must also provide financial information, including total projected start-up costs and how they will be funded. This section will reference the City of San Diego's initial funding allocation, as well as the plan to obtain a working capital line of credit to cover additional start-up costs and initial power purchases. A proforma budget will be provided to show that SDRCCEA has developed a robust cash-flow analysis for the first ten years of operations. This proforma is consistent with that developed for SDRCCEA's credit and banking services RFP, which was issued and shared with the Board in mid-October.

Fiscal Impact

The cost of drafting the Implementation Plan and making any necessary revisions to obtain CPUC certification is estimated at \$25,000 and is included in the City of San Diego's current budget and contract with MRW & Associates. This amount will be updated and shared with the Board as work progresses.