INTRODUCTION

Staff will provide an update to City Council regarding the Public Works Commission’s and the Public Works Liaison Committee’s discussions related to joining Los Angeles Community Choice Energy (LACCE).

During the September 14, 2017, Public Works Commission Meeting, staff presented the benefits and risks of joining LACCE and addressed questions that City Council posed at the June 29, 2017, Study Session. City Council asked staff to take the matter and provide the additional information to the Public Works Commission. City Council also asked staff to seek the recommendation of the Public Works Commission of whether or not to join LACCE. Staff and LACCE representatives presented the risks, benefits, policies and potential business operations to the Commission and sought its recommendation to join LACCE. A motion was made to recommend joining LACCE; it failed with a 2-2 vote. (One member of the Commission was absent for the meeting.)

On October 6, 2017, the item was taken to the Public Works Liaison Committee led by Vice-Mayor Gold and Council Member Wunderlich. The meeting was to seek the recommendation of the liaison to present the item to City Council for direction to join LACCE during the open enrollment period. The liaison discussed the risks and benefits of joining LACCE and questions of the City Council. Staff presented these during the meeting and recommended that this item be taken to City Council for further discussion and to seek direction based on the information available in joining a Community Choice Aggregation (CCA) in this case, LACCE.
BACKGROUND

Community Choice Aggregation is a program through which local jurisdictions and/or special districts can pool their electricity needs and purchase electricity on behalf of the residents, businesses, and municipal agencies. The primary goals of agencies that choose to join CCAs are to provide their constituents with a choice of what energy resource they wish to support through their energy purchases and to improve the environmental impact of the community. Each electric utility is operated through three distinct functional areas—generation, transmission, and distribution. The CCA focuses solely on the generation portion of the utility business. This purchased electricity is transmitted to the residents through the existing power grid and power lines managed by the existing utility; the existing utility continues to transmit electricity and provide customer billing and customer service. Customers can also choose to remain with the existing utility—in this case, Southern California Edison (SCE)—if they so choose. The goal of the CCA is to provide residents with additional choices and the option to purchase electricity that is greener. In most existing CCAs in the State, the electricity is also less expensive.

In June 2016, Los Angeles County (County) completed its business plan and feasibility study. The completed study and business plan were provided to City Council at its December 20, 2016, meeting. The Business Plan and Feasibility Study concluded that a CCA would be feasible and would promote the sustainability goals of the region, so the County Board of Supervisors directed County staff to work with interested cities to develop a joint-powers authority CCA. Staff provided an overview of CCAs, as well as an update on the County’s progress to City Council Study Sessions at its meetings on January 24, 2017, and February 7, 2017. The City Council staff report from the February 7, 2017, study session provided an overview of the benefits and concerns with the City joining the joint-powers authority (JPA). Attachment 1 includes the staff report and references to the County’s feasibility study and benefits of joining the CCA. In early 2017, the County worked with interested cities to develop a joint-powers agreement that would govern the county-wide JPA—called the Los Angeles Community Choice Energy (LACCE)—and which interested cities could approve in order to join the JPA.

The joint-powers agreement negotiation was completed in April 2017, and the County of Los Angeles Board of Supervisors adopted the agreement at its April 18, 2017, meeting, becoming the first member. As part of the agreement, the JPA becomes official when more than two entities pass the joint powers agreement. When it becomes official, the six-month “open enrollment” period begins, of which there will be no initial cost to join and the entities would be able to be part of the initial decision making as part of the JPA board. After the six-month window, cities may have to pay or fulfill other requirements in order to join LACCE. The requirements for those cities joining after the six-month initial enrollment period would be determined by the LACCE JPA Board. The six-month open enrollment period ends at the end of December 2017.

In June 2017, the City of Rolling Hills became the second entity to join LACCE, which officially formed the LACCE JPA. They were followed by the cities of Alhambra, Calabasas, Rolling Hills Estates, Sierra Madre, South Pasadena, and West Hollywood. These cities assessed the benefits and risks of joining LACCE and determined that the benefits outweigh the risks for the following reason:

1. Their community will be demonstrating leadership in renewable energy and sustainability.
2. Their community will have a voice in policy on the growth and distribution of renewable energy in their community.

3. Their community will have the choice to set rates that are favorable for their customers while reaching renewable energy growth in their community.

At the June 29, 2017, Study Session, staff reported these developments and staff was given a number of questions regarding LACCE. Staff was directed to conduct additional analysis of CCAs over the coming months and return to the Public Works Commission and City Council for a determination as to whether the City should join LACCE. City Council directed staff to return within three to four months to ensure that there was sufficient time for City Council to make a decision prior to the end of the six-month open enrollment period. While City Council agreed with the sustainability goals of a CCA, it did have several questions and concerns related to the administration and roll-out of the CCA to be addressed prior to the City’s participation. City Council directed staff to look closely at existing CCA’s for comparison and to answer specific questions and concerns, listed below:

1. How to ensure that Beverly Hills residents and businesses are not burdened during a transition to a CCA;
2. How to ensure that LACCE is competitive in the power market with SCE;
3. Does joining LACCE create more or less flexibility;
4. How to ensure that the City had adequate governance power;
5. What will be lost if the City does not join immediately;
6. What are the risks to the City in joining at this time;
7. Whether there are other alternatives for a CCA that the City could consider.

City Council directed staff to return with answers to these questions and seek the recommendation from the Public Works Commission to whether or not to join LACCE.

Staff again presented LACCE and answers to City Council’s concerns during the September 14, 2017, Public Works Commission meeting. The Commission failed to recommend with a 2-2 vote with Commissioner Aronberg absent from the meeting. Commissioners Felsenthal and Shalowitz voted against recommending joining LACCE and Commissioners Wolfe and Greer recommended joining LACCE.

Commissioners Wolfe and Greer based their decisions on the following:

1. The Commission agreed with City Council about the sustainability goals of the CCA.
2. The City will have a policy voice on renewable energy delivered to its customers.
3. The risks are manageable. With the hiring of an experienced interim director, LACCE has credible leadership that will help steer the LACCE board for making the best decision on policy and business operations of LACCE. The energy costs to customers are showing to be cost-competitive based on the LACCE RFP and existing CCA rates. The withdrawal costs or “exit” fee conditions are manageable during the early phase of the program.
4. The governing standards/systems are consistent throughout other CCAs and appear to be fair and equitable.
5. If the City joins during the open enrollment, we assure there is no entry fee for the City of which the entry fee for later enrollment will still be determined by the LACCE Board.

On the other hand, Commissioners Felsenthal and Shalowitz, who opposed this recommendation, have the following concerns:

1. The City, staff and elected officials are entering into a new utility and may not have the resources to make the decisions in the best interest of the community.

2. The energy cost savings for the customers are very minimal and the impact would not be great to the customers.

3. Joining LACCE is equivalent to investing in a start-up company that has unknown financial risks that the City may not be prepared to cover.

4. Customers may have difficulty understanding the mechanisms and consequences in enrolling and un-enrolling from LACCE and SCE and vice-versa.

5. There is an impact on City staff and City officials. If the City chooses to join LACCE, it will need to appoint a City official to serve as a voting board member and two alternate directors. The alternate directors can be an elected official, appointed official (commissioner), staff member or members of the public provided they meet certain qualifications such as having demonstrated knowledge in energy-related matters through significant experience. The commissioners feel that this is a new venture for the City and it will take a lot of time for the elected official to learn and understand the utility business in order to make the best decision for the community. There will be a necessity for staff member(s) to support the elected official in LACCE board meetings.

DISCUSSION

Staff has researched and compiled answers to address City Council’s questions during the June 29, 2017, meeting and the Public Works Commission and liaison meetings. Below is the summary addressing those items:

Ensuring Beverly Hills Residents are not Burdened during a Transition to a CCA

The California Public Utilities Commission (CPUC) requires that a CCA make it easy for customers to opt-out of a CCA program. A CCA is required to send opt-out notices to all customers 60 days prior to program launch, 30 days prior to program launch, 30 days after program launch and 60 days after program launch. City staff could also conduct additional outreach to residents and customers to ensure they are aware of the program launch and how to opt-out.

In addition, in the LACCE program, each individual participating city would be able to decide its own “base” level of power—i.e. power that meets the minimum renewable portfolio standard (RPS) requirement, power that is 50% renewable and power that is 100% renewable. If the City decides to join LACCE, all Beverly Hills customers would be automatically enrolled at the base renewable energy determined by the City and have to the option to move to a power level of their own choice. Again, City staff could also conduct additional separate outreach to ensure that customers were aware of the base level and of their opportunity to modify their own power level selection.
One of City Council’s concerns is whether customers can have the flexibility to go back and forth between the LACCE and the existing utility. The LACCE JPA does allow this flexibility, but both parties may impose fees, requirements and limitations on the transition between the two entities. For example, in northern California, Pacific Gas & Electric (PG&E) has imposed a six-month waiting period for a customer departing to a CCA to return to PG&E and a $1.50 fee. Likewise, Marin Clean Energy (MCE) has adopted a $5 termination fee for residential customers that opt-out following the initial sixty-day enrollment period. Southern California Edison (SCE) can impose fees for a customer to enter back into SCE.

Ensuring LACCE is Competitive in Power Market with SCE

LACCE would have the expertise necessary to be successful in the market. LACCE hired Bill Carnahan, former director of the Southern California Public Power Authority (SCPPA), as its interim Executive Director. He will be in attendance at the November 7, 2017, Study Session. In addition, LACCE released a request for proposals (RFP) for Power Supply and an RFP for a Scheduling Coordination order to obtain the greatest expertise possible for important roles. LACCE received six proposals for power supply products for Phase 1 Accounts, and at its October meeting, the LACCE Board selected Exelon Generation Company LLC (Constellation), which has been providing services to California CCAs for the last four years. LACCE received five proposals for scheduling coordination and energy-related services, ultimately selecting The Energy Authority (TEA), a Washington State-based non-profit power marketer that is owned by eight municipal utilities located throughout the nation, at its October LACCE Board Meeting. TEA is also providing services for the Redwood Coast Energy Authority, which launched services on May 1, 2017.

Flexibility for the City in Joining LACCE

Another concern expressed by City Council was whether joining LACCE would provide sufficient flexibility for the City. The LACCE joint powers agreement would allow the City—with an affirmative vote of City Council—to withdraw its membership from LACCE. However, the JPA also prescribes the potential consequences for leaving LACCE. If the City decides to leave, it would be responsible for continuing liabilities, for example, costs to produce energy for its customers. This clause in the JPA protects other members from accruing the costs left by a member. However, this cost is contingent upon the difference in value when the energy was purchased for the City and the market value when LACCE is trying to sell it. There may be instances in which there would be no cost to the City if LACCE were able to sell the City’s energy share at cost or at more than the original price. The other possibility of no cost to the City is if the power purchased for the City expires before the City leaves the program. This usually takes longer than 180 days for these power purchase contracts to expire. During the program development, it is unlikely that LACCE will be entering into long-term energy generation contracts like SCE.

Another point discussed by City Council was how the City can be best prepared to deploy new technologies—i.e. development of smart grids and distributed energy resources—as they are developed. LACCE and the LACCE Governing Board would have the ability to develop its own programs and resources that could encourage the advancement of new technologies and may even invest on improving the distribution system.
Ensuring the City has Adequate Governance Power

The LACCE JPA allows the City—as well as each jurisdiction in LACCE—to appoint one director (and two alternates in case the director is not able to attend the meeting) to represent the agency on the LACCE Governing Board. Each director has one vote. Most matters will be decided by a majority vote. The LACCE agreement also allows after an affirmative majority vote that three or more directors may request a “voting shares” vote, which would be based on the electric load of each participating jurisdiction. In order for the motion to be successful, more than 50% of the voting shares would have to vote in the affirmative. If a single jurisdiction represented more than 50% of the voting shares, another director would be required to vote in the negative in order for the matter to fail. Overall, this governing system will prevent larger energy users from taking over the policies and business operations and vice versa for smaller energy users. The governance system LACCE has established is similar to the Southern California Public Power Authority (SCPPA) where all size agencies have been able to coexist and provide an acceptable energy rate and meet the energy demands of the region.

Eighty-two cities are eligible to join LACCE. The entity with the largest electric load is the County of Los Angeles, followed by the cities of Long Beach, Torrance, Carson and Santa Clarita. Beverly Hills has the twelfth highest electric load of all eligible cities. Among the cities that have joined to date, Beverly Hills would have the third highest electric load, behind the County and the City of Carson.

Considering the Potential Downfalls of Not Joining Immediately

If the City decides not to join LACCE at this time, it will be forgoing its opportunity to approve or vote on leaderships, energy related policies, planning and supply.

For example, LACCE held its first Governing Board meeting in August 2017. As mentioned above, at its October 2017 meeting, the LACCE Board authorized staff to negotiate and execute contracts with TEA for scheduling coordination services and Constellation for power supply for Phase 1 accounts. Current members like Director, Sheila Kuehl (Los Angeles County Supervisor, District 3), Director Zuckerman (Council Member of Rolling Hills Estate), Director Mahmud (Council Member of South Pasadena), Director Weintraub (Council Member of Calabasas) and Director Horvath (Council Member of West Hollywood) were part of these decisions that is forming the structure of LACCE.

If the City decides to join during this period, the City can be part of the next phase of important decisions such as selecting a permanent Executive Director, which an RFP is currently posted and participate in Phase 2 and Phase 3 power supply and scheduling coordination decisions.

Risks to the City of Joining

One of the biggest questions expressed by City Council was whether LACCE will be successful financially and what the risks to the City would be. Before the actual operation of LACCE, it is difficult to assess this question. However, by looking at existing and running CCAs in the State, it can provide an example of what LACCE can accomplish.
Staff reviewed the rates and general financial performance of the two longest-running CCAs in northern California: Marin Clean Energy (MCE) and Sonoma Clean Power (SCP). Both of these CCAs have provided power to customers for more than four years and both have been able to maintain rates consistently below those of Pacific Gas & Electric (PG&E), the investor-owned utility (IOU) in northern California, and have been able to decrease rates in some instances. Table 1 below provides an overview of the average bill comparisons for two different customer class—residential and small commercial—with 50% and 100% renewable energy rates. One of the principles that MCE uses to develop their annual rates is to ensure that rates are always below those of PG&E, and the agency is able to obtain that goal while still reducing rates.

Table 1. Marin Clean Energy Average Residential Bill Comparison

<table>
<thead>
<tr>
<th></th>
<th>Base Rate</th>
<th>100% Renewable</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PG&amp;E RPS</td>
<td>MCE 50% Renewable</td>
</tr>
<tr>
<td>Residential</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Generation Rate</td>
<td>$0.09838</td>
<td>$0.06800</td>
</tr>
<tr>
<td>PG&amp;E Delivery</td>
<td>$0.14049</td>
<td>$0.14049</td>
</tr>
<tr>
<td>PG&amp;E PCIA/FF</td>
<td>n/a</td>
<td>$0.02977</td>
</tr>
<tr>
<td>Total Electricity Cost</td>
<td>$0.23887</td>
<td>$0.23826</td>
</tr>
<tr>
<td>Average Usage (kWh)</td>
<td></td>
<td>451</td>
</tr>
<tr>
<td>Average Monthly Bill</td>
<td>$107.73</td>
<td>$107.46</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Base Rate</th>
<th>100% Renewable</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PG&amp;E RPS</td>
<td>MCE 50% Renewable</td>
</tr>
<tr>
<td>Small Commercial</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Generation Rate</td>
<td>$0.09764</td>
<td>$0.07543</td>
</tr>
<tr>
<td>PG&amp;E Delivery</td>
<td>$0.13391</td>
<td>$0.13391</td>
</tr>
<tr>
<td>PG&amp;E PCIA/FF</td>
<td>n/a</td>
<td>$0.02264</td>
</tr>
<tr>
<td>Total Electricity Cost</td>
<td>$0.23155</td>
<td>$0.23198</td>
</tr>
<tr>
<td>Average Usage (kWh)</td>
<td></td>
<td>1272</td>
</tr>
<tr>
<td>Average Monthly Bill</td>
<td>$294.53</td>
<td>$295.08</td>
</tr>
</tbody>
</table>

Table 2 below shows the SCP Board-adopted rates for three customer classes—residential, small commercial and medium commercial—that were charged to customers for FY14-15, FY15-16, FY16-17 and FY17-18, showing the SCP generation rates including the PG&E surcharges compared to the PG&E rates. The comparative PG&E rates were those charged for the same time periods.
As the tables show, both of these CCAs have been able to maintain constant or even decreasing rates throughout their history. Both programs have also been able to increase their program offerings while maintaining their financial stability and improving their financial position.

A major concern for the financial success of CCAs into the future is the calculation of charges levied on CCA customers by the investor-owned utilities. Departing IOU customers are charged administrative costs to ensure that IOUs can recover the sunk costs—i.e. the costs of long-term power contracts when customers depart—to ensure those remaining utility customers’ bills do not increase with the departure of CCA customers. The IOUs work with the CPUC to develop this calculation. LACCE has used conservative estimates in its financial model to account for these costs. Despite these conservative estimates, the business plan determined that the rates would remain lower than those of SCE.

The CPUC is evaluating new ways to calculate these sunk costs that could increase the fees for CCA customers, which could make it more difficult for CCAs to maintain rates lower than those of the IOUs. Both CCAs and the IOUs are actively engaged in this conversation, and there will likely not be a final decision by the CPUC on this matter for more than a year.

Financial risks to the City if customers opt out of LACCE

The Public Works Commission and the Liaison Committee were concerned about the burden to the City if customers opt out of LACCE. There is no financial risk to the City if no customers enroll in LACCE. Under state law, once this program starts, all customers are automatically enrolled and will need to re-enroll back to SCE. Historically, in other programs, there has been a 7% drop out rate across the entire CCA.

Alternatives

If the City is interested in providing Beverly Hills customers on alternative to SCE for power supply program, the City has two alternatives. One is to pursue the development
of a CCA only for Beverly Hills and the other is to work with other cities within the region to form a smaller regional CCA.

In 2006 – 2007, the City completed a study assessing the feasibility of forming a Beverly Hills CCA and of forming a CCA with Beverly Hills and West Hollywood. The feasibility study determined that it was feasible for Beverly Hills to form a CCA. The next step in that process would have been to complete an Implementation Plan and form a CCA with the CPUC. However, City Council decided to not move forward at that time.

Since April 2015, the City has also been involved with South Bay Clean Power (SBCP), a South Bay-based non-profit committed to reducing the region’s greenhouse gas (GHG) emissions and increasing local energy deployment and job development. Participating cities have included the cities of Culver City, Santa Monica and West Hollywood, as well as a number of cities in the South Bay region. SBCP completed its own feasibility study, using funding from the electrical workers’ union, that similarly found that it would be feasible to form a SBCP CCA using a “JPA of JPAs” model in which regions would create their own CCA JPAs whose services could be provided through an umbrella JPA that each of the JPAs joins. At this time, no other regions are considering the formation of a regional JPA. In addition, a city would need to lead the administrative work required to form a regional CCA. Several cities that were a part of the SBCP—including the cities of West Hollywood and Carson—have joined LACCE. Other SBCP cities, including the city of Torrance, have decided to not join any CCA at this time.

Staff remains in communication with those cities that participated in SBCP—including all of the West Side cities and many South Bay cities—to determine if there is interest in pursuing a regional CCA. No interest has been expressed at this time.

FISCAL IMPACT
There is no fiscal impact related to the matter.

RECOMMENDATION
Based on the above review, staff’s analysis is that LACCE provides the best current opportunity if the City Council decides now is the right time to provide this service to the Beverly Hills community. Staff is seeking City Council’s direction on whether or not to join a Community Choice Aggregation program. If City Council deems joining is a good decision, staff recommends joining LACCE during the open enrollment period.

If City Council decides not to join during the open enrollment, staff recommends that the City continue to follow the progress of LACCE and other forming CCAs throughout the region.

Shana Epstein
Approved By
INTRODUCTION

In April 2015, the City Council adopted Resolution 15-R-13035 authorizing the City to participate in a community choice aggregation ("CCA") feasibility study with other cities in Los Angeles County. At that time, the City engaged with South Bay Clean Power ("SBCP") – a non-profit committed to establishing community choice aggregation in the region – and the County of Los Angeles to follow these regional CCA efforts. The feasibility study was funded by the County of Los Angeles and provided a technical and financial analysis of the viability of establishing a County-wide CCA. The study was transmitted to the City Council at its December 20, 2016, Study Session.

The County of Los Angeles Community Choice Energy Business Plan concluded that the formation of a CCA program in Los Angeles County would be financially prudent and would yield considerable benefits to residents and businesses. The County intends to form a CCA with any interested cities by creating a joint-powers authority ("JPA") that would govern the CCA. The County has begun the process of working with interested cities to negotiate the JPA.

This item provides an update on that process and timeline and requests input for next steps.

BACKGROUND

Community Choice Aggregation programs allow local governments and special districts to pool their electricity needs and purchase and/or develop environmentally sustainable energy on behalf of residents, businesses, and municipal agencies. CCA is an energy supply model that works in partnership with the region’s existing investor-owned utility ("IOU"). In Beverly Hills, Southern California Edison ("SCE") is the existing IOU. The existing utility continues to deliver electricity to the customers to through the existing power grid and continues to provide customer service and billing. The CCA procures the electricity that is delivered through the existing power grid and sets electricity rates for end-use customers. Those customers that do not desire to switch to the CCA can choose to remain customers of the existing IOU.
DISCUSSION

Community choice aggregation is a growing program in communities throughout the State. There are currently five CCAs operating in California, four of which are operating in northern California. The City of Lancaster is the only CCA operating in Southern California, in SCE territory.

There are a number of reasons that communities have formed and/or joined CCA programs. The creation of a CCA provides residents and businesses with a choice for their electricity provider. When a CCA is created in a City, all businesses and residents in that City become customers of the new CCA. However, all customers have the option to “opt-out” of the CCA and remain customers of the existing utility. Customers must be adequately informed of the opt-out option, and it must be easy for them to do so. In most CCAs, CCA customers can also decide between electricity product options that are generated from more renewable sources. For example, Peninsula Clean Energy (“PCE”) – the State’s most recent CCA that rolled out in San Mateo County in summer 2016 – provides customers with the option of electricity from 50% renewable sources or 100% renewable sources.

Creating choice is intended to create competition to reduce rates and improve services for customers. In fact, most of the CCA programs have been able to offer rates that are lower than those of the existing utility. Sonoma Clean Power (“SCP”), a CCA that has been operating in Sonoma County since 2013, is able to provide rates for its residential customers that are approximately two cents per kilowatt-hour lower than those of the existing utility for its base level of electricity (coming from 36% renewable sources).

The creation of a CCA also increases the amount of control for local governments in electric services for their residents. Cities will have more control in things like the deployment of renewable energy resources, setting rates and developing programs. SCE has historically offered electricity coming from the lowest State-mandated level of renewable resources. At this time, the State mandates that IOUs procure at least 33% of their electricity from eligible renewable energy resources by 2020 and at least 50% from renewable resources by 2050. Electricity rates are set through a legal rate-setting proceeding at the California Public Utilities Commission (“CPUC”). SCE has recently begun offering electricity that comes from more renewable sources, and these rates were also set through proceedings at the CPUC. In addition, any programs that are administered by SCE are developed through proceedings at the CPUC. With a CCA, the governing body of the CCA determines the renewable energy make-up of electricity, as well as customer electricity rates and programs.

Finally, CCAs allow communities to deploy more renewable energy and reduce greenhouse gas emissions. CCAs can purchase electricity from the power grid that comes from more renewable sources, allowing communities to more easily decrease their reliance on traditional power plants for electricity and meet their overall sustainability goals. Many municipalities that have already formed CCAs have done so with a primary focus on increasing the amount of renewable energy in their communities, reducing their greenhouse gas (“GHG”) emissions and making progress on all their sustainability goals. In 2014, electric power was the State’s third-largest GHG-emitting sector – following transportation and the industrial sector – with approximately 20% of emissions coming from electric power.

All but one of the CCAs currently operating in the State are governed by a joint-powers authority made up of several participating cities and counties. A JPA allows the CCA to include multiple jurisdictions, thus increasing the electricity load and making it easier and most cost-effective to purchase power on the open market. The JPA also reduces the liability on individual cities.
Meeting Date: January 24, 2017

Los Angeles Community Choice Energy Program ("LACCE")

As indicated previously, the LACCE Business Plan found that the creation of a Countywide CCA would be financially viable and would yield economic and sustainability benefits for residents and businesses. The Report included a comparison of end-user monthly rates (per kilowatt-hour – kWh) for the proposed CCA versus SCE, which can be found below:

<table>
<thead>
<tr>
<th>Rate Class</th>
<th>Renewable Portfolio Standard (&quot;RPS&quot;) (33% by 2020)</th>
<th>50% Renewable</th>
<th>100% Renewable</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SCE</td>
<td>CCA</td>
<td>SCE</td>
</tr>
<tr>
<td>Residential</td>
<td>$0.171</td>
<td>$0.162</td>
<td>$0.189</td>
</tr>
<tr>
<td>Commercial (GS-1)</td>
<td>$0.166</td>
<td>$0.157</td>
<td>$0.186</td>
</tr>
<tr>
<td>Commercial (GS-2)</td>
<td>$0.158</td>
<td>$0.150</td>
<td>$0.176</td>
</tr>
<tr>
<td>Commercial (GS-3)</td>
<td>$0.145</td>
<td>$0.138</td>
<td>$0.163</td>
</tr>
</tbody>
</table>

Overall, it is estimated that end-user rates could be at least 4% lower than those of SCE, and the difference would likely be even greater when comparing the rates for 50% and 100% renewable energy. The CCA would deploy approximately twice the amount of renewable resources.

In order to form a Countywide CCA, the County intends to form a LACCE JPA comprised of participating jurisdictions. The first step in the formation of a JPA is to negotiate a joint-powers agreement between all interested parties. At its September 27, 2016, meeting, the County Board of Supervisors directed that the joint-powers agreement should be modeled after the best practices found in the existing CCA JPAs in northern California – including Marin Clean Energy, Sonoma Clean Power, and Peninsula Clean Energy – and should ensure that the JPA provides “meaningful local representation of participating cities on the LACCE governing board.” The Board also directed that the negotiated agreement should be completed within six months (by the end of March 2017). The agreement will also include the overall goals of the JPA (the recitals) and the powers that the JPA can exercise; provisions for the addition and withdrawal of members, liability protections for member agencies, the composition of the governing body; and structure for voting.

After a joint-powers agreement is drafted, the document must be adopted by the governing bodies of at least two jurisdictions in order to legally create a CCA JPA. Once the CCA JPA is legally created, the JPA governing body will be responsible for managing the CCA by developing by-laws, policies, and procedures to govern the CCA.

In addition to the formation of the JPA, participating cities must also formally establish a CCA with the CPUC. This involves adopting the CCA-enabling ordinance, which indicates the City’s intent to form a CCA and formally allows the City to enter into discussions with the CPUC and SCE for the purposes of forming a CCA, and submitting an Implementation Plan to the CPUC. Even if the City participates as a part of the County-wide CCA, it would still need to adopt the CCA-enabling ordinance. However, the Implementation Plan would not need to be submitted by the City. Instead, the entire CCA would submit the Implementation Plan to the CPUC. The CPUC will review the Implementation Plan and, upon its acceptance, a CCA will be formed.
Meeting Date: January 24, 2017

The CCA will also need to work with SCE to prepare for the transfer of customer accounts from SCE to the CCA.

**Joint Powers Agreement Negotiation**

The County is now seeking participation from interested cities to participate in the JPA negotiation process. County staff has initiated this process, and the first meeting was held on January 10, 2017. The County intends to hold these JPA-negotiating meetings until a reasonable consensus is reached between interested cities and the County.

The joint-powers agreement negotiations will be focused around the following items:

1) Agreement Recitals: Existing CCA JPA agreements share common language pertaining to State laws that enable local jurisdictions to form CCA programs, State laws that mandate specific sustainability and environmental goals, and the general purpose for forming the CCA Program JPA agreement. Negotiations will likely center around including more robust language related to the JPA’s aspirations for local economic benefits and local workforce development.

2) Method of Committee Formation: Some existing CCA JPA agreements require specific committees to be formed (i.e. Community Advisory Committee; Executive Committee; etc) while others allow the governing board to establish committees at their discretion. Negotiations will likely center around what (if any) specific committees should be required in the JPA agreement and whether there should be language allowing the governing board to establish committees.

3) Special Voting Requirements: Existing CCA JPAs typically require a majority vote for most actions; however, most also have special voting requirements (i.e. two-thirds vote or three-quarters vote) for items that are deemed to be more controversial or more significant. Negotiations will likely center around what actions (i.e. exercise of eminent domain; amendments to the JPA) should trigger special voting requirements.

4) Appointment of Non-Elected Officials as Board Directors: Negotiations would likely center around whether participating agencies would be allowed to appoint board directors that were not elected officials.

5) Alternates for Board Directors: Negotiations will likely center around whether Board directors would be allowed to appoint alternates and if these alternates would be required to be elected officials.

6) Board Structure and Distribution of Voting Shares: All existing CCA JPA agreements acknowledge differences in electricity loads between the members. Most existing CCAs require simple majority approval for most items, unless one or more members demand that the item require the affirmative vote of a majority of the members with voting shares determined by electricity load. In these cases, an item must be approved both by the majority of the members, in addition to the weighted majority of the members (with voting shares determined by the electricity load). Negotiations will likely center around the use of weighted voting shares and how a member can call for a weighted vote.

In addition, the LACCE Business Plan indicated that the estimated start-up costs for a CCA would be approximately $10 million. The County of Los Angeles has stated that it intends to loan the $10 million to the CCA, provided that, until the loan is repaid, the County retains sufficient authority on the Board over any matter that affects the ability of the CCA to pay back the County. The logistics of this loan and implementation of this provision have not been identified at this time and will also be discussed as part of the JPA negotiation process.

After a consensus JPA agreement is drafted, the agreement will then be considered by the County of Los Angeles Board of Supervisors, as well as the governing body of any other jurisdiction that desires to do so. After the County and one other governing body have adopted
Meeting Date: January 24, 2017

the JPA agreement, the JPA will officially be formed. After that time, the County intends to allow for a six month “open enrollment” period during which any jurisdiction could also adopt the agreement – as well as the CCA-enabling ordinance – and become an initial member at no cost to the City.

South Bay Clean Power

In addition to Los Angeles County, South Bay Clean Power (“SBCP”) – a South Bay-based non-profit agency committed to reducing the region’s greenhouse gas emissions and increasing local energy jobs and development – has reached out to a number of cities in the South Bay and on the West Side – including the City of Beverly Hills – about forming a smaller CCA JPA. At this time, SBCP has distributed a draft joint-powers agreement document. There are still a number of outstanding administrative questions related to the implementation of this CCA which make it difficult to assess its viability. Beverly Hills staff will continue to follow SBCP’s process.

Public Works Commission Feedback

During the January 12, 2017, Public Works Commission (“PWC”) meeting, the Commission requested that the following information be transmitted to the City Council regarding this item:

1) The Commission does not see the quantifiable benefits for the City of Beverly Hills at this time, so it does not recommend being an “initial participant.” The Commission would be interested in exploring once the benefits to the City are clearer.

2) The Commission is concerned about not having sufficient input into the CCA because of the City’s relatively small size within the County.

3) Given the number of priority work plans and projects already assigned to the Public Works Department, the Commission is concerned about existing staff resources also being allocated to the CCA.

4) The Commission expressed concerns about the potential for the City’s participation in the participation in the CCA to affect the quality of service the community receives from SCE.

TIMELINE

As indicated above, the County intends to conduct negotiations with interested cities over the next several months. Below is an overview of the anticipated schedule at this time:

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>First JPA negotiation meeting</td>
<td>January 10, 2017</td>
</tr>
<tr>
<td>Negotiation meetings</td>
<td>January 2017 – March 2017</td>
</tr>
<tr>
<td>Adoption of joint-powers agreement and CCA enabling ordinance by County of Los Angeles</td>
<td>March/April 2017</td>
</tr>
<tr>
<td>“Open Enrollment” period to join LA County CCA</td>
<td>April 2017 – October 2017</td>
</tr>
<tr>
<td>Phase 1 launch (County municipal facilities and municipal facilities in other interested cities)</td>
<td>January 2018</td>
</tr>
<tr>
<td>Phase 2 launch (large commercial &amp; industrial facilities)</td>
<td>July 2018</td>
</tr>
<tr>
<td>Phase 3 launch (all customers, including residential)</td>
<td>January 2019</td>
</tr>
</tbody>
</table>

This schedule is partially contingent on the CPUC’s acceptance of the LACCE Implementation Plan and on SCE’s preparation to transfer customer accounts to LACCE.

The schedule above also includes a phased approach to rolling-out the CCA, beginning with County of Los Angeles municipal facilities (as well as those of any cities that want to also include their municipal facilities) in Phase 1, followed by large commercial and industrial customers in Phase 2, and, finally all customers (including all residential and commercial
Meeting Date: January 24, 2017

customers) in Phase 3. This phased approach will allow the CCA to address as many of the transition issues as possible before residential customers join the CCA in Phase 3.

For those cities that adopt the JPA during the “open enrollment” period as “initial members” of the CCA JPA, all residents and most businesses would begin receiving service from the CCA as a part of Phase 3 (in January 2019). The City could also join the CCA JPA at a later date. If it were to join at a later date, the City could be assessed a fee or be required to meet other enrollment requirements established by the CCA JPA governing body.

FISCAL IMPACT

There is no known fiscal impact at this time.

RECOMMENDATION

Staff recommends that City Council provide direction on this item. If the City Council would like the City to engage in the joint powers agreement negotiations process for the LACCE CCA, staff recommends that the City Council designate a Councilmember and/or the City Manager or his designee and the City Attorney to participate. Regardless of whether the City participates in these negotiations, staff will report back to the City Council once the joint powers agreement is finalized.

George Chavez
Approved By
Attachment 1
To: Supervisor Hilda L. Solis, Chair  
Supervisor Mark Ridley-Thomas  
Supervisor Sheila Kuehl  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich  

From: Dave Chittenden  
Chief Deputy Director

BOARD MOTION OF SEPTEMBER 15, 2016, ITEM NO. 6 - FINAL REPORT BACK ON THE PRELIMINARY TECHNICAL ANALYSIS ON THE FEASIBILITY OF A COUNTYWIDE COMMUNITY CHOICE AGGREGATION PROGRAM FOR ELECTRICAL POWER PROCUREMENT

Final Report Back

This memorandum along with the attached business plan constitute the Final Report Back in response to your Board’s instructions on September 15, 2015, for the Director of the Internal Service Department (ISD) and the Chief Executive Officer (CEO) to provide a preliminary technical analysis on the feasibility of establishing a Community Choice Aggregation (CCA) program for electrical power procurement for County unincorporated areas, with potential expansion to other public agencies and private customers.

Background

Initially, on March 17, 2015, your Board instructed ISD’s County Office of Sustainability to investigate the feasibility of establishing an electrical power purchase CCA program in the County. On June 24, 2015, ISD submitted the report-back to that motion.

On September 15, 2015, your Board instructed ISD and CEO to retain a CCA consultant to provide a feasibility study addressing the following areas:

a. County Unincorporated. A preliminary technical analysis of the feasibility of establishing a CCA in the County’s unincorporated areas, including the costs (start-up, short-term and long-term), benefits and risks to the County;

b. Countywide. An analysis of the financial viability of a local CCA, including an assessment of energy supplies required for all customer classes (residential, commercial, industrial users) and the availability of sufficient green energy supplies;
c. **CCA versus SCE.** A preliminary analysis that compares end-user monthly rates across rate classes and levels of green energy desired between a CCA and Southern California Edison, our local investor-owned utility; and

d. **Issues, Key Decision Points & Next Steps.** Key decision points, next steps and issues that the Board must consider before making a decision to move forward with the formation of a Los Angeles County CCA, including options for financing start-up and initial operational costs, a proposed governance structure, potential green energy and rate tiers and planning, implementation and rollout timelines.

Pending submission of this Final Report Back, your Board additionally instructed ISD and CEO to create, lead, and convene regular meetings of a CCA Implementation Workgroup, with representatives from the County, other jurisdictions that have shown interest in joining a County CCA program, organized labor, and other stakeholders, to:

a. Assess the feasibility of other jurisdictions joining a County CCA program;

b. Provide information and guidance to other jurisdictions on the potential timeline and necessary steps to join a County CCA; and

c. Determine if a County CCA can advance workforce training and hiring objectives that align with County goals.

Per your Board’s direction, as these actions progressed, ISD submitted interim status reports to your Board on November 14, 2015, February 8, 2016, and April 6, 2016.

**The Business Plan**

Per your Board’s direction, ISD engaged CCA consultants to conduct the CCA preliminary technical analysis and feasibility study. Their resulting work product is the *County of Los Angeles Community Choice Energy Business Plan* (Business Plan), which is Attachment A hereto and an integral part of this Final Report Back.

This memorandum does not attempt to reiterate the detailed analysis from the Business Plan, but instead summarizes the results and incorporates the underlying analysis by cross-reference to the Business Plan. The terms Community Choice Aggregation or CCA and Community Choice Energy or CCE are used synonymously throughout this report and the Business Plan.

---

1 The Business Plan was prepared by EES Consulting, Inc., in conjunction with Bevilacqua-Knight, Inc., and includes a funding option appendix prepared by Public Financial Management, Inc.

2 For example, [BP 2, 4] would be a cross-reference to pages 2 and 4 of the Business Plan.

3 The use of the terms Community Choice Aggregation and CCA reference these types of programs as defined by California legislation authorizing the formation of CCAs and as used by the California Public Utilities Commission in their role as regulators of CCAs. The terms Community Choice Energy and CCE are being adopted throughout California as a more “user-friendly” term for these programs.
The Business Plan contains the requested technical analysis and financial viability assessment. It also estimates CCA power supply costs, administrative costs, electric loads, and future retail rates and compares them to the incumbent rates offered by Southern California Edison (SCE). These forecasted rates and other analyses are examined to determine if the proposed County CCA can offer competitive rates, better products and superior customer service while also improving the environment and creating local jobs.

The Business Plan includes an Executive Summary which concludes that the formation of a CCA in Los Angeles County is financially viable and would yield considerable benefits for the County’s residents and businesses [BP 2-7]. These benefits would include at least a four percent lower rate for electricity than is charged by SCE [BP 4] with roughly twice the amount of renewable resources utilized [BP 4-5]. Upon achievement of various implementation phases of a County CCA, the program would significantly reduce GHG emissions in the region [BP 6-7], add hundreds of jobs, generate millions of dollars in additional Gross Domestic Product [BP 5-6], and give the County and its residents local control over their power supply and energy efficiency programs.

Finally, the Business Plan opines that there is no reasonable set of risk-related circumstances that would result in the County CCA rates being higher than SCE’s comparable rates [BP 7, 60].

Three-Phase Implementation

A cornerstone to the analysis in the Business Plan is that implementation of a County CCA should be done through three progressive phases [BP 7, 14-15]. In particular:

- Phase 1 would commence as early as January 2017, and would provide service only to County municipal facilities located in County unincorporated areas. Other cities’ municipal facilities could be eligible for Phase 1 services if they were to timely join LACCE.4

- Phase 2 would commence as early as July of 2017, and expand service to include all County unincorporated area electric ratepayers. Other cities’ electric ratepayers could be eligible for Phase 2 service if they were to timely join LACCE.

- Phase 3 would commence at a date yet-to-be-determined, and would expand service to include all cities’ electric ratepayers, depending on if and when the cities choose to join LACCE.

A proposed LACCE Implementation Schedule is included in the Business Plan [BP 56], and is also provided with this memorandum as a separate attachment (Attachment B - LACCE Implementation Schedule).

Beginning operations with the scope limited to County municipal facilities only in Phase 1 would have several benefits. For example, experiences from other CCA’s already operating in California suggest that glitches with data transfer and customer billing-system interfaces with SCE will likely occur and take some time to correct. Using County municipal accounts only

4 Los Angeles Community Choice Energy or LACCE is the CCA program name used in the Business Plan.
during the initial phase would mitigate customer service concerns, as we—the County—would be our only customer [BP 64]. These County accounts are managed by ISD’s County Office of Sustainability, and any data and billing problems could be more easily reconciled and resolved through this single-point of contact.

Phase 2 would expand services to all ratepayers in unincorporated County areas. The County has no control over cities joining LACCE as cities would become members of the program through individual Council resolutions. Cities may be more likely to join a CCA that is already operating and has operating experience.

**Los Angeles Community Choice Energy (LACCE) Benefits Summary**

**Lower Rates**

California mandates that SCE and other utilities achieve 33% renewable resources content in their power supply portfolios by 2020. SCE is currently at approximately 28% renewables (base rate) in their power supply and an LACCE rate with an equivalent 28% renewables content would be 5% lower than SCE’s base rate. The Business Plan also forecasts that an LACCE rate with 50% renewables content would be 4% lower than SCE’s base rate and an LACCE rate with 100% renewables content would be only 6% higher than SCE’s base rate. [BP 3-4, 43-46]

**Renewable Resources and Greenhouse Gas Reductions**

The higher levels of renewable resources in the LACCE rates (50% and 100%) would have significant impacts on GHG reductions in the region. Serving only County unincorporated area customers under the 50% renewables rate would reduce GHG emissions by an estimated 500,000 tons of carbon annually. For comparison purposes, GHG responsibility for the County’s municipal operations (e.g., buildings’ energy use, vehicle fuels) is about 1 million tons of carbon annually. The LACCE base renewables rate in unincorporated County would offset half of the County’s municipal operations GHG responsibility.

At full implementation (i.e., County and all eligible cities enrolled in LACCE, and under the 50% renewables rate) LACCE would reduce overall GHG emissions in the County by approximately 7%. This GHG reduction would be roughly double at the 100% renewables rate [BP 6-7, 47-48].

**Economic Development and Jobs**

For unincorporated County areas under the LACCE 50% renewables rate, ratepayers would save an estimated, total $20 million annually in utility bill payments. The Business Plan uses a standard economic development model (IMPLAN) which predicts that that $20 million savings would result in over 200 jobs created through direct, indirect and imputed impacts (impacts as a result of the new spending in the economy). At full LACCE implementation, these results could increase by up to seven times. [BP 5-6, 48-51]

Additionally, the LACCE could seek to support private sector distributed generation projects at the local and regional level, instead of procuring all power needs from large utility-scale distributed generation projects outside the County, Southern California, or the State [BP 46-48]. For example, with the typical 50MW (megawatts) solar project (which could be built in the
County; or alternatively, 50 1-MW projects), the economic modeling predicts around 700 construction and other service jobs would be created.

Local Control and Energy Management

LACCE would provide the County and cities choices in retail rate offerings to their ratepayers. The Business Plan provides three options on renewable power content strictly for comparison to SCE's current, base rate [BP 46]. LACCE, working with the County and cities, may determine other rate options be made available. Accordingly, it is conceivable that different rate offerings could be made for individual cities or groups of cities.

LACCE would be eligible to acquire funding for design of its own end-user programs incorporating measures such as energy efficiency, retail distributed generation, energy storage, water efficiency and electric vehicle charging into comprehensive, user-friendly, one-stop program offerings. LACCE would also benefit from having the Southern California Regional Energy Network (SoCalIREN) already operating in the County (and serving all eligible cities) with energy efficiency programs. SoCalIREN could easily and cost-effectively become the end-user program delivery model for LACCE. [BP 46-47]

Risks Assessment and Mitigation

The Business Plan identifies risks associated with operation of the LACCE program and discusses their mitigation and likely impacts. It also includes impacts on benefits due to sensitivity analyses around forecasted rates under highly negative scenarios for each risk. The major risk is that LACCE's rates could move higher than SCE's and the LACCE would lose revenue as customers migrate back to SCE. Other risks involve major power market price changes, customers migrating back to SCE for other reasons, and regulatory/legislative risks associated with operation of CCAs in State. [BP 3, 12-13, 52-55]

The Business Plan concludes that these risks are manageable, particularly since LACCE's proposed rates are based on conservative estimates of the factors identified which impact LACCE and SCE rates [BP 3-4, 60]. Basically, LACCE's rates may approach SCE's rates if the wholesale, natural gas-based power market goes even lower from its current, historically low prices seen today and for several years in the past. Also, LACCE's rates may approach SCE's if SCE's rates are reduced dramatically. Currently, SCE does not forecast any reductions in their rates. [BP 52-55]

Retention of customers should not be a significant risk if LACCE's rates are lower than SCE's and/or provide rate choices not offered by SCE. It is assumed that some customers will proactively opt out of LACCE, preferring to stay with SCE. The Business Plan's customer retention rates used for rate modeling are based on actual retention rates seen in other CCAs [BP 14-15]. Also, LACCE's calculated electric rates use even more conservative numbers than seen elsewhere in the State.

Given the proliferation of CCAs in the State, any regulations or legislation that would harm CCA viability would seem unlikely, especially given the heightened awareness of potential regulatory and legislative issues around CCA by all CCA stakeholders [BP 55, 61].
Proposed LACCE Implementation Schedule and Key Activities

Board Acceptance of Business Plan

The details in the Business Plan allow your Board to determine whether to initiate the LACCE program and allows other cities’ to determine whether to join LACCE or develop their own CCA(s). The Business Plan will be provided to the eligible cities within the County, most likely through their Council of Governments or other groups. The Business Plan also will be used to begin more comprehensive outreach to LACCE stakeholders including organized labor, environmental advocacy groups, technical service providers, financing providers, State energy regulators, community groups, and others.

A power point presentation with an overview of the Business Plan has been prepared and will be used for briefing your Board Offices, COGs, and cities, as well as other stakeholder groups. These briefings are a continuation of ongoing outreach, and will be conducted after the Business Plan has been submitted.

LACCE Technical Service Providers

A Request for Statement of Qualifications has been issued by the LACCE technical consultants, seeking information for two, critical service providers for LACCE:

- A full services power provider who will procure wholesale power, schedule power delivery into the State transmission system (grid), provide all ancillary power supply services that support the State’s grid operations, and provide all necessary power procurement reporting.

- An LACCE data manager who will collect, reconcile and provide all data to the wholesale power services provider and to SCE to ensure customer bills are accurate, customer bill payments are collected, and wholesale power providers are paid.

The LACCE technical team will evaluate these offerings and will work with proposers to identify a pool of service providers. Upon direction from your Board, ISD or, if operational, the LACCE JPA, would negotiate and execute agreements with these and other needed service providers for Phase 1 operations.

LACCE Financing

The LACCE program would require about $10 million in start-up capital which will cover establishing the LACCE operations, procuring the first months of wholesale power under Phase 1, and paying for LACCE expenses during the 2 to 3 month lag between provision of power to LACCE customers and receipt of revenues from SCE for these customers. The Business Plan serves as a key document for informing the investment community about LACCE’s operations and revenue viability. The Financing Section of the Business Plan indicates that a start-up loan can be acquired from a third party lender but it will likely be at relatively high market rates (5.5% over two years was used in the LACCE financial model) due to the nascent nature of LACCE. The LACCE financial model includes paying off this loan after two years of operation. COS has engaged an energy programs financial advisor who will reach out to the financial community to
determine lenders’ appetites for financing LACCE’s Phase 1 and Phase 2 operations with or without support from the County as described below. [BP 62-66]

$1.5 million would be needed for expenses through calendar year 2016 to complete LACCE start-up activities. Thereafter, under LACCE Phase 1 initial operations, about $8.5 million would needed for labor, consultants, and initial power procurement. A more detailed description of these initial needs is included as an attachment (Attachment C – LACCE Start-up Budget).

Alternatively, other CCAs throughout the State have commenced operations using local government funding in the form of a loan with CCA operating revenues dedicated to paying off that loan. As indicated in the Business Plan, this type of internal loan from the County could similarly be repaid by LACCE revenues. [BP 64-65]

Other options for the County in providing LACCE financial and credit support include: establishment of an escrow account to “backstop” a lender’s risk exposure, and/or provision of an agreement to not opt its Phase 1 accounts out of LACCE for the period of a loan [BP 65].

There are benefits to the County providing a loan or other credit support to LACCE but the initiation of LACCE is not seen to be dependent on this internal support.

LACCE Governance

A proposed organizational chart for CCA operations is included and discussed in the Plan. Phase 1 CCA operations, for County municipal buildings in unincorporated areas only, would be governed solely by the County, and run through ISD’s County Office of Sustainability. [BP 2, 11, 36-39]

For other public agencies to join the CCA in subsequent phases, a joint powers authority (JPA) would be created. [Public Utilities Code §§ 331.1(b), 366.2(c)(12); Government Code § 6500, et seq.].

As a newly created and independent public agency, the JPA would be governed by its own Board of Directors. Unless your Board of Supervisors were to instruct otherwise, ISD recommends that the County would maintain a majority and controlling vote on the JPA Board. Depending on the number of other JPA members, other Director positions would be filled by some or all of the other member agencies, in direct and/or representative capacities.

The likely scope of non-County participation in any subsequent program phases is unknown at this time. But at your direction, ISD would continue to explore third-party public agency participation concurrently with Phase 1 start-up operations.

CCA Technical Team Next Steps

At your Board’s direction, the LACCE technical team would continue using remaining technical study funds authorized by your Board to develop the CCA program with the following activities:

- Providing support to the Board Offices, COGs and cities in presenting and explaining development and outcomes of the Business Plan;
• Submitting necessary documents to SCE to support their preparation for working with LACCE on Phase 1;

• Submitting necessary documents to the CPUC, including the CPUC's required Implementation Plan (which is substantially completed), to support their review and approval of LACCE which is required for operations;

• Supporting the financial advisor's activities in identifying possible external and internal Phase 1 and Phase 2 financing sources;

• Providing limited outreach and education to other LACCE stakeholders and interested parties, particularly those who the County would seek to publicly advocate for LACCE (e.g., non-profit environmental groups, organized labor, academia, ratepayer interest groups, consumer protection agencies, and business representatives, etc.);

• Negotiating and executing (as directed by the Board) agreements with technical services providers.

Additional Next Steps

At your Board's direction, the CEO, County Counsel, and ISD, as more particularly tasked below, would initiate the following next steps to prepare for a potential CCA implementation:

• CEO and ISD to validate the technical feasibility report in the Business Plan, including start-up costs, sources of funding, and financial viability;

• County Counsel to work with CEO and ISD to explore appropriate governance models and provide options to your Board as non-County public agencies express interest in joining a County CCA; and

• ISD to continue to provide outreach to non-County public agencies.

Conclusion

The benefits to be derived from operation of the LACCE program are documented in the Business Plan and described in this memorandum and attachments. As also described, the risks associated with LACCE operations are projected to be manageable and unlikely to materialize. Under Phase 1, LACCE would gain operating experience working through business relationships with SCE, technical service providers, and cities and other stakeholders. To the extent that LACCE grows with other cities, the benefits for the region of lower utility costs, reduced GHG production, and initiation of beneficial local/regional clean energy programs would increase.

Successful CCAs are already operating in Marin and Sonoma Counties, in San Francisco City and County, and in the City of Lancaster. In Southern California, CCAs are being investigated by Ventura and Santa Barbara Counties (jointly) and in Riverside and San Bernardino Counties (jointly). CCAs are also being developed in Counties along California's central coast and in large Counties such as Santa Clara and Alameda; Humboldt County is
exploring a CCA for the north coast region. The City of San Diego is leading CCA efforts in that region.

CCAs are now proving to be a critical component in the State’s policies to reduce greenhouse gas emissions and to transform the energy industry into one that enhances the use of clean energy, helps accelerate the development of the electric grid of the future, and provides diversity and competition into the provision of traditional monopoly energy services.

Given the County’s leadership in regional energy matters, individually as well as working with other energy stakeholders, it would be appropriate for the County to now develop its own CCA, the Los Angeles Community Choice Energy Program, to serve unincorporated areas and any eligible and interested city within the County.

If you have any questions regarding this matter, please contact me at (323) 267-2103, via email at dchittenden@isd.lacounty.gov or you may contact Howard Choy at (323) 267-2006, via email at hchoy@isd.lacounty.gov.

DC:HC:JG:sg

Attachments

c: ISD Board Deputies
   Chief Executive Officer
   Chief Operating Officer
   Executive Office, Board of Supervisor
   County of Sustainability Council
County of Los Angeles

Community Choice Energy

Business Plan

June 30, 2016

Prepared by:

EES Consulting, Inc.
A registered professional engineering and management consulting firm

www.eesconsulting.com

570 Kirkland Way, Suite 100
Kirkland, WA 98033
Telephone: (425) 889-2700

In conjunction with

Bevilacqua-Knight, Inc. (BKi)

www.bki.com

523 W. Sixth Street, Suite 1128
Los Angeles, CA 90014
Telephone: (213) 213-1960
June 30, 2016

Mr. Howard Choy  
County of Los Angeles  
Energy Management Division  
1100 N. Eastern Avenue  
Los Angeles, CA 90063

SUBJECT: County of Los Angeles Community Choice Energy (LACCE) Business Plan

Dear Mr. Choy:

Please find attached EES Consulting, Inc.’s (EES) Community Choice Energy Business Plan (Plan) for the County of Los Angeles (County). This Plan represents the work product of EES and Bki in evaluating the prudency of implementing a Community Choice Energy organization for the County.

We want to thank you and your staff for your assistance in preparing this Plan. It has been a pleasure working with you on this project.

Please contact me directly if there are questions or if we may be of any further assistance.

Very truly yours,

Gary Saleba  
President

570 Kirkland Way, Suite 100  
Kirkland, Washington 98033  
Telephone: 425 889-2700 Facsimile: 425 889-2725  
www.eesconsulting.com  
A registered professional engineering and management services corporation
# Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONTENTS</td>
<td>I</td>
</tr>
<tr>
<td>EXECUTIVE SUMMARY</td>
<td>1</td>
</tr>
<tr>
<td>BACKGROUND</td>
<td>1</td>
</tr>
<tr>
<td>DESCRIPTION OF LACCE</td>
<td>1</td>
</tr>
<tr>
<td>GOVERNANCE</td>
<td>2</td>
</tr>
<tr>
<td>RISKS</td>
<td>3</td>
</tr>
<tr>
<td>PLAN RESULTS</td>
<td>3</td>
</tr>
<tr>
<td>RENEWABLE ENERGY IMPACTS</td>
<td>4</td>
</tr>
<tr>
<td>ENERGY EFFICIENCY PROGRAMS</td>
<td>5</td>
</tr>
<tr>
<td>ECONOMIC DEVELOPMENT</td>
<td>5</td>
</tr>
<tr>
<td>GREEN HOUSE GAS IMPACTS</td>
<td>6</td>
</tr>
<tr>
<td>SUMMARY</td>
<td>7</td>
</tr>
<tr>
<td>INTRODUCTION</td>
<td>8</td>
</tr>
<tr>
<td>BACKGROUND</td>
<td>8</td>
</tr>
<tr>
<td>OBJECTIVE</td>
<td>8</td>
</tr>
<tr>
<td>LACCE DESCRIPTION</td>
<td>8</td>
</tr>
<tr>
<td>CUSTOMER PARTICIPATION SCHEDULE</td>
<td>9</td>
</tr>
<tr>
<td>SUMMARY OF LACCE’S PROPOSED GOVERNANCE AND OPERATIONS</td>
<td>10</td>
</tr>
<tr>
<td>PLAN METHODOLOGY</td>
<td>11</td>
</tr>
<tr>
<td>PLAN UNCERTAINTIES</td>
<td>12</td>
</tr>
<tr>
<td>PLAN ORGANIZATION</td>
<td>13</td>
</tr>
<tr>
<td>LOAD REQUIREMENTS</td>
<td>14</td>
</tr>
<tr>
<td>LACCE JPA MEMBERSHIP PARTICIPATION RATES</td>
<td>14</td>
</tr>
<tr>
<td>LACCE CUSTOMER PARTICIPATION RATES</td>
<td>14</td>
</tr>
<tr>
<td>HISTORICAL CONSUMPTION</td>
<td>15</td>
</tr>
<tr>
<td>FORECAST CONSUMPTION AND CUSTOMERS</td>
<td>18</td>
</tr>
<tr>
<td>RENEWABLE RESOURCE REQUIREMENT</td>
<td>20</td>
</tr>
<tr>
<td>RESOURCE ADEQUACY REQUIREMENTS</td>
<td>21</td>
</tr>
<tr>
<td>POWER SUPPLY STRATEGY AND COSTS</td>
<td>22</td>
</tr>
<tr>
<td>RESOURCE STRATEGY</td>
<td>22</td>
</tr>
<tr>
<td>RESOURCE COSTS</td>
<td>22</td>
</tr>
<tr>
<td>TRANSMISSION</td>
<td>26</td>
</tr>
<tr>
<td>POWER MANAGEMENT/SCHEDULING AGENT</td>
<td>27</td>
</tr>
<tr>
<td>RESOURCE PORTFOLIOS</td>
<td>29</td>
</tr>
<tr>
<td>LACCE COST OF SERVICE</td>
<td>35</td>
</tr>
<tr>
<td>COST OF SERVICE FOR LACCE OPERATIONS</td>
<td>35</td>
</tr>
<tr>
<td>POWER SUPPLY COSTS</td>
<td>35</td>
</tr>
<tr>
<td>NON-POWER SUPPLY COSTS</td>
<td>36</td>
</tr>
<tr>
<td>PRODUCTS, SERVICES, RATES COMPARISON AND ENVIRONMENTAL/ECONOMIC IMPACTS</td>
<td>43</td>
</tr>
<tr>
<td>RATES PAID BY SCE BUNDLED CUSTOMERS</td>
<td>43</td>
</tr>
<tr>
<td>RATES PAID BY LACCE CUSTOMERS</td>
<td>43</td>
</tr>
<tr>
<td>RATE IMPACTS</td>
<td>45</td>
</tr>
<tr>
<td>LOCAL RESOURCES/BEHIND THE METER LACCE PROGRAMS</td>
<td>46</td>
</tr>
<tr>
<td>IMPACT OF RESOURCE PLAN ON GREENHOUSE GAS (GHG) EMISSIONS</td>
<td>47</td>
</tr>
<tr>
<td>ECONOMIC DEVELOPMENT</td>
<td>48</td>
</tr>
</tbody>
</table>

COUNTY OF LOS ANGELES — CCE BUSINESS PLAN
## Sensitivity Analysis

- Loads and Customer Participation Rates ................................................................. 53
- SCE Rates and Surcharges ...................................................................................... 53
- Sensitivity Results .................................................................................................. 54
- Risks ........................................................................................................................ 55
- Schedule .................................................................................................................. 55

## Summary and Recommendations

- Rate Impacts and Comparisons ............................................................................. 57
- Renewable Energy Impacts .................................................................................... 58
- Energy Efficiency Impacts ...................................................................................... 58
- Economic Development Impacts ............................................................................ 58
- Impact of Resource Plan on Greenhouse Gas (GHG) Emissions ............................. 59
- Summary ................................................................................................................ 60

## Appendix A – Cities/Counties Evaluating CCA Feasibility .................................... 61

## Appendix B – CCA Funding Options Prepared by Public Financial Management, Inc. 62

## Appendix C – Pro forma Analyses ......................................................................... 67

## Appendix D – Glossary .......................................................................................... 70
Executive Summary

Background

The California legislature passed AB 117 in 2002 (amended in 2011 by SB 790) allowing all Cities, Counties, or groups of Cities and Counties to provide an electric power supply source to customers within their jurisdictions that are currently served by Southern California Edison, Pacific Gas & Electric or San Diego Gas & Electric. Community Choice Aggregation (CCA) or Community Choice Energy (CCE) is a customer opt-out program where the CCA provides power supply and behind the meter services, and the incumbent IOUs provide transmission and distribution (wires) service.

This Business Plan (Plan) evaluates the prudency of forming a CCA within the County of Los Angeles (County), the Los Angeles Community Choice Energy (LACCE). The proposed LACCE will provide power supply and behind the meter services, and Southern California Edison (SCE) will provide transmission and distribution services. Customers are part of the LACCE program until they proactively opt-out. This Plan estimates LACCE’s power supply costs, administrative costs, electric loads, and future retail rates and compares LACCE’s rates to the incumbent SCE. These forecast rates are compared to determine if the proposed LACCE can offer competitive rates, better products and superior customer service while also improving the environment and creating local jobs.

Description of LACCE

The proposed LACCE may include the unincorporated areas of the County and a number of Cities within the County. The unincorporated County average annual energy is 440 aMW (average Megawatts) and 900 MW peak while the total County potential service area average annual energy is estimated at 3,000 aMW and 7,000 MW peak. Energy consumption for the entire County area served by SCE is equal to more than 30 percent of SCE’s total retail load.

For this Plan, it is assumed that service will be offered to customers in three phases. Phase 1 will include the County’s own municipal facilities residing within the unincorporated County areas. In Phase 2, all customers located in the unincorporated County will be included in LACCE. Finally, service to customers from the Cities within the County will begin under Phase 3. Exhibit ES-1 summarizes this phased approach to forming LACCE, and the number of customers and amount of load attendant with each phase.
<table>
<thead>
<tr>
<th>Phase</th>
<th>Start</th>
<th>Eligibility</th>
<th>Customer Accounts</th>
<th>Peak Load (MW)</th>
<th>Average Load (aMW)</th>
<th>LACCE Annual Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase 1</td>
<td>January 2017</td>
<td>LA County Facilities within Unincorporated Area</td>
<td>1,728</td>
<td>40</td>
<td>20</td>
<td>$25M</td>
</tr>
<tr>
<td>Phase 2</td>
<td>July 2017</td>
<td>All Customers in Unincorporated LA County</td>
<td>306,930</td>
<td>900</td>
<td>440</td>
<td>$180M</td>
</tr>
<tr>
<td>Phase 3</td>
<td>To Be Determined</td>
<td>All Individual Cities</td>
<td>1,497,747</td>
<td>7,000</td>
<td>3,000</td>
<td>$1,200M</td>
</tr>
</tbody>
</table>

Depending on the interest from Cities located in the County, Phase 1 and Phase 2 may also include customers from individual Cities. However, because of the number of Cities and the size of their associated loads, a phasing of implementation was assumed for this Plan. This phasing strategy enables LACCE to manage any start-up and operational issues before full scale operations are undertaken. In addition, this phasing strategy will allow LACCE’s third party electricity suppliers, scheduling agents and data management entities to ramp up power supply procurement and bill processing over several months. Because it is not yet clear which Cities are interested in joining LACCE, this Plan explores the prudency of the first two phases being undertaken over a 20-year forecast period. It is anticipated that the results of this Plan are scalable as additional Cities join LACCE. Adding more customers than assumed in the Plan will increase revenues and further reduce LACCE rates.

By the end of Phase 2, LACCE is projected to serve a potential of over 300,000 retail customers and have annual electricity sales potential of over 3,800 GWh (Gigawatt-hours). Annual revenues to LACCE during Phase 2 operations are projected to be approximately $180 million.

**Governance**

The feasibility, analysis and development of LACCE is currently being conducted by the Office of Sustainability within the County’s Internal Services Department. While LACCE could, in theory, be an organization operated within the County’s existing governance, it is anticipated that a JPA will be formed to provide the legal structure of LACCE. A JPA provides a more flexible framework for LACCE and historically has been the preferred structure for an organization like LACCE. Additionally, a JPA provides financial risk mitigation for its local government members.

Given the above, a key next step in the formation of LACCE is the creation of the JPA (created when two jurisdictions agree to join the JPA). Initiating LACCE operations will then require a governing authority to execute service contracts for LACCE formation and operations.

Alternatively, while a JPA is being finalized and implemented, the Office of Sustainability could manage Phase I operations of LACCE, if directed by the Board of Supervisors.
Risks

All businesses face risks and uncertainty. For LACCE, the major risks will be operational and regulatory. These risks are dealt with extensively later in the Plan. In summary, the Plan concludes that these risks are manageable and that no reasonable set of circumstances will result in LACCE’s rates being higher than SCE’s for comparable products.

Plan Results

This Plan evaluates the cost and resulting rates of operating LACCE, and compares these rates to a rate forecast for SCE. The analysis begins with a 20-year forecast of electrical loads and customers, incorporates several power supply resource portfolio options, and allows for the sensitivity testing of input assumptions. LACCE customers will see no obvious changes in electric service other than a lower price and increased renewable resources in their power supply resource mix. Customers will pay the power supply charges set by LACCE and no longer pay the costs of SCE power supply.

In addition to paying LACCE’s power supply rate, LACCE customers will pay the SCE delivery (wires) rate and all other non-power supply related charges on the SCE bill to include Franchise Fees and Utility User Taxes.

LACCE will establish rates sufficient to recover all costs related to operation of the CCE. It is anticipated that LACCE’s rate designs initially will mirror the structure of SCE’s rates so that rates similar to SCE’s can be provided to LACCE’s customers. In setting rates, the Plan’s financial analysis assumes the customer phase-in schedule noted above and assumes that the implementation costs are largely financed via a start-up loan.

The first consequence for forming LACCE is the retail rate impact as illustrated on ES-2. ES-2 shows SCE’s current total bundled rates of 28 percent renewable power compared to three LACCE rate options. Bundled rates are the “all in” price for electricity delivered to the customer’s meter. The Plan’s Resource Portfolio Standard (RPS) rate assumes renewable energy is 28 percent of LACCE’s initial power supply portfolio and increased per the State’s RPS mandate.

For reference, the column headers noted on ES-2 are summarized below.

- RPS Bundled – LACCE rates with the same share (28 percent) of renewables as SCE’s current power supply.
- 50% Green Bundled Rate – LACCE rates with 50 percent renewable power.
- 100% Green Bundled Rates – LACCE rates with 100 percent renewable power.

A rate schedule comparison of LACCE’s rates and SCE’s rates follows.
As can be seen above, the LACCE RPS residential rate is 0.9¢/kWh or 5.4 percent lower than what SCE currently offers with an equal amount of renewable power (28 percent). The LACCE residential rate with 50 percent renewable power (compared to SCE’s 28 percent) is 0.7¢/kWh or 4.1 percent lower for roughly twice the amount of green renewable power. The LACCE residential rate with 100 percent green power (compared to SCE’s 28 percent) is 1.1¢/kWh or 6.3 percent higher, but this additional amount comes with almost four times more renewable power than the comparable SCE rate.

As an alternative to its standard rates with 28 percent renewable power, SCE also offers rates which feature 50 percent and 100 percent renewable power. For the residential customers, SCE estimates energy costs to be 3.5 cents per kWh higher for each kWh served on the green rate. The LACCE rates for 50 percent and 100 percent renewable power for residential customers are therefore estimated at 12-13% percent lower than SCE’s.

The rates calculated under this Plan are for comparison to SCE rates only. Under formal operations, the LACCE governance will determine the actual rates to be offered to customers. For example, LACCE may decide to offer the 50% renewables rate as the base tariff to customers if the environmental benefits far outweigh a minor difference in cost compared to the RPS base case.

Finally, it should be noted that these rate comparisons assume all savings will go towards rate reductions. It is likely that the LACCE governing body may opt to place some of these savings into a financial reserve account for use at other times when needed and/or to accelerate the payoff of start-up and initial operations financing.

**Renewable Energy Impacts**

A second consequence of forming LACCE will be an anticipated increase in the proportion of energy supplied by renewable resources used by LACCE customers. The Plan includes procurement of renewable energy sufficient to meet 50 percent or more of LACCE customer’s electricity needs at start up. The majority of this renewable energy will be met by renewable energy purchased on the wholesale market or newly constructed renewable resources. By 2020, SCE must procure a
minimum of 33 percent of its customers’ annual electricity usage from renewable resources due to the State’s RPS mandate and the Energy Action Plan requirements of the California Public Utilities Commission (CPUC). In contrast, LACCE customers will target 50 percent renewable power by 2017, which will come from new and some local renewable resources.

**Energy Efficiency Programs**

A third consequence of the Program will be an increase in energy efficiency program investments and activities. The existing energy efficiency programs administered by SCE will not change as a result of LACCE. LACCE customers will continue to pay the Public Goods Charges to SCE. This charge funds energy efficiency programs for all customers, regardless of power supply provider. The energy efficiency programs ultimately planned by LACCE will be in addition to the level of energy efficiency investment currently provided by SCE. Thus, LACCE has the potential to increase energy savings with an attendant reduction in emissions due to expanded energy efficiency programs.

LACCE will likely establish a program which offers a combination of retail tariffs, rebates, incentives and other bundled offerings intended to increase customer participation in demand-side management programs including: renewable distributed generation, energy storage, energy efficiency, demand response, electric vehicle charging, and other clean energy benefits defined as Distributed Energy Resources (DER). LACCE will work with State agencies and SCE to promote deployment of DERs in specific and targeted locations throughout SCE’s distribution grid, and preferably within the County, in order to help support efficient grid operations and maintenance as part of the development of the future “smart grid.”

The Southern California Regional Energy Network (SoCalREN), administered by the Office of Sustainability and authorized by the California Public Utilities Commission (CPUC) as an independently administered energy efficiency program in 2012, will serve as a platform for providing the services described above as it already receives funding under the CPUC’s Energy Efficiency Program and is active in current CPUC proceedings designed to accelerate the implementation of local DERs.

**Economic Development**

The fourth consequence of LACCE will be significant economic development. So far, the analyses contained in this Plan focused on the direct effects of forming LACCE. However, in addition to these direct effects, the formation of LACCE will create indirect economic effects. These include increased local investments, increased disposable income due to bill savings, and improved environmental and health conditions.

Exhibit ES-3 shows the economic impact resulting from $20 million in electric bill savings across the County. The $20 million rate savings represents the estimated bill savings per year achievable by LACCE once Phase 3 operations begin. Based upon a macroeconomic input/output model employed for this Plan, it is estimated that these savings will create approximately 211 additional jobs in the County and over $9.6 million in labor income. It is also estimated that the total value added will be approximately $15.9 million and output close to $24.2 million.
$20 Million Rate Savings Effects on County Economy

<table>
<thead>
<tr>
<th>Impact Type</th>
<th>Employment</th>
<th>Labor Income</th>
<th>Total Value Added</th>
<th>Output</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Effect</td>
<td>98.3</td>
<td>$3,674,939</td>
<td>$5,376,863</td>
<td>$7,099,612</td>
</tr>
<tr>
<td>Indirect Effect</td>
<td>10.4</td>
<td>$608,838</td>
<td>$1,057,593</td>
<td>$1,677,591</td>
</tr>
<tr>
<td>Induced Effect</td>
<td>102.1</td>
<td>$5,319,262</td>
<td>$9,472,599</td>
<td>$15,391,851</td>
</tr>
<tr>
<td>Total Effect</td>
<td>210.7</td>
<td>$9,603,040</td>
<td>$15,907,056</td>
<td>$24,169,054</td>
</tr>
</tbody>
</table>

In addition to increased economic activity due to electric bill savings, potential local projects can also create job and economic growth within the County. As an example of the macroeconomic activity caused by local DER deployment, this Plan assumes the installation of 50 crystalline silicon, fixed mount solar systems with nameplate capacities of 1 MW each for a total capacity of 50 MW. Overall, the building of a 50 MW solar project is projected to create $87 million in earnings and $188 million in output (GDP) in the local economy along with 1,636 jobs during construction and 14 full-time jobs ongoing. It is anticipated that LACCE will ultimately install a number of larger local solar projects such as the one described. LACCE will need between 2,000 – 3,000 MW of solar at build-out. As such, the total economic benefit of LACCE’s renewable resource could be 40 – 60 times those estimated above. Local clean projects development under LACCE may serve as a platform for accelerating local hiring programs and job training programs for underserved labor sectors and communities.

Green House Gas Impacts

The fifth consequence of forming LACCE will be significant environment benefits. The share of renewable power in SCE’s power supply portfolio is currently 28 percent\(^1\) and is scheduled to shift to 33 percent by 2020. LACCE is committed to reductions in greenhouse gas emissions. If LACCE achieves its 50 percent RPS target at start-up, GHG emissions reductions attributable to LACCE operations in 2019 will range from 289,080 to 505,890 tons CO\(_2\) equivalent (CO\(_2\)e) per year relative to SCE’s projected resource mix over the same period. Exhibit ES-4 details these reductions.

<table>
<thead>
<tr>
<th>Forecast Renewables (50% Renewables)</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>LACCE (MWH) – Phase 2</td>
<td>1,438,275</td>
<td>1,459,854</td>
<td>1,459,854</td>
</tr>
<tr>
<td>LACCE RPS (MWH) – Phase 2</td>
<td>730,029</td>
<td>737,154</td>
<td>737,154</td>
</tr>
<tr>
<td>Additional Green Power (MWH)</td>
<td>708,246</td>
<td>722,700</td>
<td>722,700</td>
</tr>
<tr>
<td>CO2 reduction – Low (Metric Tons of CO(_2)e)</td>
<td>283,298</td>
<td>289,080</td>
<td>289,080</td>
</tr>
<tr>
<td>CO2 reduction – High (Metric tons of CO(_2)e)</td>
<td>495,772</td>
<td>505,890</td>
<td>505,890</td>
</tr>
</tbody>
</table>

\(^1\) http://www.cpuc.ca.gov/RPS_Homepage/
These reductions in GHG emissions associated with LACCE operations are significant. Assuming only Phase 2 loads (all unincorporated County loads) are being met by LACCE, CO$_2$e emissions associated with in-County electricity use will be reduced by 1-2 percent. At full Phase 3 build-out, CO$_2$ emissions associated with in-County electricity use will be reduced roughly 12-25 percent by LACCE operations.

**Summary**

This Plan concludes that the formation of a CCA in Los Angeles County is financially prudent and will yield considerable benefits for the County’s residents and businesses. These benefits include at least a 4 percent lower rate for electricity than is charged by SCE and roughly twice the amount of renewable resource deployment. With the achievement of Phase 2 operations, LACCE will reduce GHG emissions by as much as 500,000 tons of CO$_2$e per year, add hundreds of jobs, generate over $24 million in additional GDP, and give the County and its residents local control over their power supply and distributed energy resource programs. At full build-out (Phase 3), LACCE will reduce in-County generation-related greenhouse gases by as much as 25 percent and total GHGs in the County by 6%. Finally, there is no reasonable set of risk-related circumstances that will result in LACCE’s rates being higher than SCE’s rates for comparable products.
Attachment 2
Los Angeles Community Choice Energy

Summary of Public Meeting

Discussions: December 7, 2016
Summary as of December 20, 2016
Purpose

- To solicit feedback from cities and key stakeholders on LACCE formation and design
- Inform interested cities on the next steps to participate in LACCE

Note: Summaries of input from participants have purple titles.
Today’s Agenda

- Brief CCA Overview
- Discussion of LACCE Goals
- Discussion of JPA Options
- Consideration of Barriers and Solutions
- Consideration of Benefits
- Next Steps
Today’s Agenda

- Brief CCA Overview
  - Discussion of LACCE Goals
  - Discussion of JPA Options
  - Consideration of Barriers and Solutions
  - Consideration of Benefits
  - Next Steps
CCA Overview

- Authorized in California under AB 117 (2002) and SB 790 (2011)

- Allows local governments, including counties and cities, to:
  - Purchase electricity in the wholesale power market
  - Develop and operate generation assets
  - Sell electricity to their residents and businesses
  - Provide customer programs such as energy efficiency and renewable energy incentives

- Can offer more competitive rates, potentially greener and more local energy as an alternative to electricity provided by an investor-owned utility (IOU)
CCA Overview

- CCA takes over from the IOU the acquisition and sale of electricity to residential and commercial customers.

- IOU will continue to provide transmission and distribution services, and power line maintenance.

- IOU may be retained for customer billing services.
LACCE Business Plan Review

- LACCE is a viable option for LA County and eligible cities
  - Can provide cleaner power at a lower cost

- LACCE has potential for significant GHG emissions reduction for the region

- Board of Supervisors has stated that the County should proceed with forming LACCE
# Comparison of LACCE vs. SCE Rates

## Indicative Rate Comparison in Cents/kWh

<table>
<thead>
<tr>
<th>Rate Class</th>
<th>SCE Bundled Rate</th>
<th>LACCE RPS Bundled Rate</th>
<th>SCE 50% Green Rate</th>
<th>LACCE 50% Green Rate</th>
<th>SCE 100% Green Rate</th>
<th>LACCE 100% Green Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>17.1</td>
<td>16.2</td>
<td>18.85</td>
<td>16.4</td>
<td>20.6</td>
<td>18.2</td>
</tr>
<tr>
<td>Small Commercial</td>
<td>16.6</td>
<td>15.7</td>
<td>18.35</td>
<td>15.9</td>
<td>20.1</td>
<td>17.7</td>
</tr>
<tr>
<td>Medium Commercial</td>
<td>15.8</td>
<td>15.0</td>
<td>17.55</td>
<td>15.2</td>
<td>19.3</td>
<td>16.9</td>
</tr>
<tr>
<td>Large Commercial</td>
<td>14.5</td>
<td>13.8</td>
<td>16.25</td>
<td>13.9</td>
<td>18.0</td>
<td>15.5</td>
</tr>
<tr>
<td>Small Public Authority</td>
<td>12.6</td>
<td>12.0</td>
<td>14.35</td>
<td>12.1</td>
<td>16.1</td>
<td>13.4</td>
</tr>
<tr>
<td>Large Public Authority</td>
<td>10.4</td>
<td>9.9</td>
<td>12.15</td>
<td>10.0</td>
<td>13.9</td>
<td>11.1</td>
</tr>
<tr>
<td>Small Industrial</td>
<td>13.1</td>
<td>12.4</td>
<td>14.85</td>
<td>12.6</td>
<td>16.6</td>
<td>14.0</td>
</tr>
<tr>
<td>Medium Industrial</td>
<td>11.7</td>
<td>11.1</td>
<td>13.45</td>
<td>11.2</td>
<td>15.2</td>
<td>12.5</td>
</tr>
<tr>
<td>Large Industrial</td>
<td>7.5</td>
<td>7.1</td>
<td>9.25</td>
<td>7.2</td>
<td>11.0</td>
<td>8.0</td>
</tr>
<tr>
<td>Estimated Savings Over Comparable SCE Rates</td>
<td>-</td>
<td>5%</td>
<td>-</td>
<td>13%</td>
<td>-</td>
<td>12%</td>
</tr>
</tbody>
</table>
Today’s Agenda

- Brief CCA Overview
- **Discussion of LACCE Goals**
- Discussion of JPA Options
- Consideration of Barriers and Solutions
- Consideration of Benefits
- Next Steps
Suggested JPA Goals for the Community Choice Aggregation (CCA)

Environmental

- Achieve 100% renewable energy
  - More clean energy
  - Improve LA County’s green portfolio and power profile
  - Move the “needle” from 1% to 20+% solar energy by 2020 in Los Angeles County
  - Reduce number of and output from traditional power plants
  - Significant reductions in regional greenhouse gas (GHG) emissions
- Establish sustainable communities with energy independence
- Better align energy efficiency programs and achieve significant improvements in energy efficiency
- Support local energy resources
- Test, validate, pilot, and deploy new and more efficient clean technologies to drive economic, environmental, and health benefits
- Develop better solutions for energy storage
- Identify and agreed-to environmental priorities

Energy Costs

- Reduce energy costs
- Lower rates for residential, industrial, and business customers – only way to sell CCA to some stakeholders
- Financial cost savings will help drive the achievement of the climate and environmental goals among some stakeholders
- Cost savings for customers will simultaneously improve the environment, people’s health, the local economy, and local control of our future directions.

System Reliability

- SMART grid
- Incentives for distributed clean energy for more resilient grid
Local Economic Benefits

**Local Economic Impact and Infrastructure**
- Economic innovation
- Local energy resources and local distribution of energy infrastructure

**Employment and Business Incentives for Local Hiring**
- Create local green jobs that are meaningful
- Build a skilled workforce in green technology
- Local hires by including local hire provisions
  - Veterans
  - Disadvantaged businesses and community hiring
  - Local contractors doing the work
  - Local small and family-owned businesses to sustain green jobs with local hire provisions

**Government Priorities and Goals**

**Accountability**
- Sustainability and system reliability – long-term utility
- Identification of and agreed-to priorities
  - Achievement of CCA objectives for green energy efficiency
    - Reduce GHG
    - Achieve Department of Energy Resources goal of 100% renewable energy in 10 years; conduct annual reviews of progress
  - Execute and achieve strategic planning, including:
    - Design of the energy portfolio
    - Integrated Resource Plan
    - Roadmap for energy resource deployment
    - Ownership and liability of assets and infrastructure
  - Local generation with long-term purchase agreement of ownership by JPA to provide rate stability and economic benefits
  - Economic and workforce development goals
  - Environmental justice under the Clean Air Act
- Procurement and contracting policies
- Evidence driven: Open data and data analytics

**Transparency, Equity, and Inclusiveness**
- Represent all constituents equally
  - Ensure low-income communities of color are included in conversation around CCA
- Greater transparency between community and energy providers
- Empower communities to make choices about their energy
- Local control – cities have a voice (important for cities to understand their options so that municipalities will be motivated to participate)
  - Community ownership, representation, and participation in governance structure and processes
Today’s Agenda

- Brief CCA Overview
- Discussion of LACCE Goals
- **Discussion of JPA Options**
- Consideration of Barriers and Solutions
- Consideration of Benefits
- Next Steps
Joint Powers Agreement (JPA) Overview

- A Joint Powers Authority is established by the member agencies, but the new agency is legally independent of them.

- Shares powers common to the member agencies for the purposes described in the joint powers agreement.

- New agency typically has officials from the member agencies on its governing board.
Why JPA?

- For a CCA program, forming a JPA codifies the inter-agency agreement between the cities and the county.

- Shields member agencies from liability.

- Allows the program to be run independent of its member jurisdictions.
JPA Recitals

- Nearly identical language in the JPAs that govern:
  - Marin Clean Energy (MCE)
  - Sonoma Clean Power (SCP)
  - Peninsula Clean Energy (PCE)

- East Bay Community Energy (EBCE) has more robust language related to local economy and jobs
Recitals
(MCE, SCP, PCE, and EBCE)

- Reduce GHG emissions
- Provide eclectic power at a competitive cost
- Promote energy reduction programs
- Stimulate and sustain the local economy
- Promote long-term electric rate stability and energy security through local control
- Promote development and use of a wide range of renewable energy sources
Recitals
(EBCE)

- Demonstrate quantifiable economic benefits to the region
  - Examples: Union jobs, prevailing wage jobs, local workforce development

- Recognize the value of workers in existing jobs that support the energy infrastructure of the region

- Deliver clean energy programs and projects using a stable, skilled workforce
Governance Structure: Committees

- Permissive or Required?

**Permissive:** The Board of Directors may establish any standing committee that the Board deems appropriate.

**Required:** Committees are explicitly established in the JPA.
## Committee Formation Examples

<table>
<thead>
<tr>
<th>SONOMA CLEAN POWER</th>
<th>PENINSULA CLEAN ENERGY</th>
<th>EAST BAY COMMUNITY ENERGY</th>
<th>MARIN CLEAN ENERGY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Required and Permissive</strong></td>
<td><strong>Permissive</strong></td>
<td><strong>Required and Permissive</strong></td>
<td><strong>Required and Permissive</strong></td>
</tr>
<tr>
<td>- Business Operations Committee (R)</td>
<td>- Citizen Advisory Committee (P)</td>
<td>- Executive Committee (R)</td>
<td>- Executive Committee (R)</td>
</tr>
<tr>
<td>- Ratepayer Advisory Committee (R)</td>
<td>- Executive Committee (P)</td>
<td>- Community Advisory Committee (R)</td>
<td>- Technical Committee (P)</td>
</tr>
</tbody>
</table>
Governance Structure: Board Representation

- Elected officials or individuals appointed by the city/county’s governing body

- Option for an alternate (elected or staff)?
# Board Representation Examples

<table>
<thead>
<tr>
<th>SONOMA CLEAN POWER</th>
<th>PENINSULA CLEAN ENERGY</th>
<th>EAST BAY COMMUNITY ENERGY</th>
<th>MARIN CLEAN POWER</th>
</tr>
</thead>
<tbody>
<tr>
<td>- 1 Director, 1 Alternate</td>
<td>- 1 Director, 1 Alternate</td>
<td>- 1 Director, 1 Alternate</td>
<td>- 1 Director, 1 Alternate</td>
</tr>
<tr>
<td>- Both must be elected officials</td>
<td>- Director must be elected</td>
<td>- Both must be elected officials</td>
<td>- Both must be elected officials</td>
</tr>
<tr>
<td></td>
<td>- Alternates may either be elected or be staff from jurisdictions</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Governance Structure: Voting Shares

- County Board of Supervisors has instructed staff to negotiate a JPA that has “meaningful representation of participating cities”

- MCE, SCP, PCE, and EBCE all achieve this in slightly different ways
## Governance Structure: Voting Shares Examples

<table>
<thead>
<tr>
<th>SONOMA CLEAN POWER</th>
<th>PENINSULA CLEAN ENERGY</th>
<th>EAST BAY COMMUNITY ENERGY</th>
<th>MARIN CLEAN ENERGY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Majority vote of the Board of Directors</td>
<td>Majority vote of the Board of Directors</td>
<td>Majority vote of the Board of Directors</td>
<td>Majority and weighted vote combined (50-50).</td>
</tr>
<tr>
<td>Option to call for a weighted vote, with majority vote still needed to approve items</td>
<td>Option to call for a weighted vote, with majority vote still needed to approve items</td>
<td>Option to call for a weighted vote, with majority vote still needed to approve items</td>
<td></td>
</tr>
<tr>
<td>1 Director needed to call the weighted vote.</td>
<td>1 Director needed to call the weighted vote.</td>
<td>3 Directors needed to call the weighted vote.</td>
<td></td>
</tr>
</tbody>
</table>
# Marin Clean Energy Voting Shares

## Exhibit D
To the Joint Powers Agreement
Marin Clean Energy
- Voting Shares -

This Exhibit D is effective as of September 5, 2014.

<table>
<thead>
<tr>
<th>Party</th>
<th>kWh (2012/2013*)</th>
<th>Section 4.9.2.1</th>
<th>Section 4.9.2.2</th>
<th>Voting Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Belvedere</td>
<td>9,994,582</td>
<td>3.57%</td>
<td>0.22%</td>
<td>3.79%</td>
</tr>
<tr>
<td>Town of Corte Madera</td>
<td>62,434,038</td>
<td>3.57%</td>
<td>1.37%</td>
<td>4.94%</td>
</tr>
<tr>
<td>Town of Fairfax</td>
<td>25,243,755</td>
<td>3.57%</td>
<td>0.55%</td>
<td>4.12%</td>
</tr>
<tr>
<td>City of Larkspur</td>
<td>64,305,616</td>
<td>3.57%</td>
<td>1.41%</td>
<td>4.98%</td>
</tr>
<tr>
<td>City of Mill Valley</td>
<td>69,799,730</td>
<td>3.57%</td>
<td>1.53%</td>
<td>5.10%</td>
</tr>
<tr>
<td>City of Novato</td>
<td>287,916,733</td>
<td>3.57%</td>
<td>6.30%</td>
<td>9.87%</td>
</tr>
<tr>
<td>City of Richmond</td>
<td>592,422,483</td>
<td>3.57%</td>
<td>12.96%</td>
<td>16.53%</td>
</tr>
<tr>
<td>Town of Ross</td>
<td>13,130,391</td>
<td>3.57%</td>
<td>0.29%</td>
<td>3.86%</td>
</tr>
<tr>
<td>Town of San Anselmo</td>
<td>47,399,387</td>
<td>3.57%</td>
<td>1.04%</td>
<td>4.61%</td>
</tr>
<tr>
<td>City of San Rafael</td>
<td>343,628,078</td>
<td>3.57%</td>
<td>7.52%</td>
<td>11.09%</td>
</tr>
<tr>
<td>City of Sausalito</td>
<td>48,773,652</td>
<td>3.57%</td>
<td>1.07%</td>
<td>4.64%</td>
</tr>
<tr>
<td>Town of Tiburon</td>
<td>41,631,066</td>
<td>3.57%</td>
<td>0.91%</td>
<td>4.48%</td>
</tr>
<tr>
<td>County of Marin</td>
<td>330,875,250</td>
<td>3.57%</td>
<td>7.24%</td>
<td>10.81%</td>
</tr>
<tr>
<td>County of Napa</td>
<td>348,095,521</td>
<td>3.57%</td>
<td>7.61%</td>
<td>11.19%</td>
</tr>
</tbody>
</table>

*Data Provided by PG&E

Total kWh: 2,285,650,282

Voting Share: 50.00%
Potential Regional Organization

Single Regional JPA

- A single JPA that could accommodate all eligible cities under single umbrella
- Economy of scale will reduce administrative and power supply costs
- County has already studied the feasibility of this approach

Multiple Sub-Regional JPAs

- Cities are exploring non-County options
- Future potential to share resources among multiple Los Angeles and other CCAs
- Create a “JPA of JPAs”
Small Group Discussions

- Go to assigned rooms (same as CCA Goals)
- Discuss governance structure options
  - Pros/Cons of other JPAs in place
  - Pros/Cons of 1 JPA versus multiple JPAs
- Discuss other JPA considerations:
  - Recitals
  - Committees
  - Board representation
  - Board voting shares
- Outline potential regional organization for LA County
- Select a different person from your group to share your thoughts
## Pros/Cons of JPA Models

This discussion explored the features that participants liked (pros) and disliked (cons) about JPA agreements in other counties: Marin, Sonoma, Peninsula, and Alameda – all in the Bay area. They then identified any features that might be applicable to Los Angeles County. Most discussion groups focused on what they liked about the different preambles versus the “Cons” of specific preambles.

<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
<th>Applicable Considerations for LA County</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General Observations</strong></td>
<td><strong>Authority</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>■ Larger stakeholders have more power</td>
<td>■ A JPA will create (more) collaboration with non-profit organizations (NGOs) and other private entities regarding environmental education campaigns and energy projects.</td>
</tr>
<tr>
<td></td>
<td>■ Cities have more power as compared to County governing system</td>
<td>○ This collaboration can ease the skepticism and criticism of these private entities in regard to a JPA or individual localities’ positions on environmental/energy issues.</td>
</tr>
<tr>
<td></td>
<td>■ Delegation of efforts and budgets to lead agencies</td>
<td>■ Brown Act for transparency</td>
</tr>
<tr>
<td></td>
<td>■ Collaboration with other key players (other CCAs, IOUs, etc.)</td>
<td>■ Board considerations:  ○ Community representatives to filter up to the Board</td>
</tr>
<tr>
<td></td>
<td>■ Individual localities are protected from certain liabilities that they otherwise would be responsible for</td>
<td>○ Delegated authority to executive committee</td>
</tr>
<tr>
<td></td>
<td><strong>Board</strong></td>
<td>○ Appoint alternate members to Board</td>
</tr>
<tr>
<td></td>
<td>■ Requirement of “multiple-member call to vote” on an issue</td>
<td>■ Determine how to split the profits</td>
</tr>
<tr>
<td></td>
<td>○ This can prevent one single member from needlessly</td>
<td>■ Build resource procurement costs and components into the budget</td>
</tr>
<tr>
<td></td>
<td>■ A Citizen’s Advisory Committee will bring public oversight to the implementation of the JPA.</td>
<td>■ Impact on services and product delivery</td>
</tr>
<tr>
<td></td>
<td>■ Weighted voting not based on energy “load”/amount of locality</td>
<td>■ JPAs under an umbrella JPA</td>
</tr>
<tr>
<td></td>
<td><strong>Board</strong></td>
<td>○ Lowering rates?</td>
</tr>
<tr>
<td></td>
<td>■ Requirement of “multiple-member call to vote” on an issue</td>
<td></td>
</tr>
<tr>
<td>Pros</td>
<td>Cons</td>
<td>Applicable Considerations for LA County</td>
</tr>
<tr>
<td>------</td>
<td>------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>o calling to vote on matters that only they disagree/agree with</td>
<td>“progressive” effort that they are leading and historically a contrary “conservative” effort has been successful.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Lack of knowledgeable experts to run the Board</td>
<td>• Re-investing in green technology?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Voting and decision-making considerations:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Voting method depends on what they vote on</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Who makes these decisions?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• A JPA might be able to emphasize “Just Transition” issues that arise in regard to environmental and energy issues in LA County.</td>
</tr>
</tbody>
</table>

**Financial**
- Cost savings
- Competitive costs
- “Economy of scale” (proportionate saving in costs gained by an increased level of production)

**Environmental**
- Environmental incentives
- Meeting climate action plan goals quicker
- Reduce GHGs
- Energy efficiency programs

**Local Business Model Adaptation**
- Maximize options for member cities (i.e., tailored rates for cities based on their desired goals and outcomes)
- Local generated and distributed model
<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
<th>Applicable Considerations for LA County</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Local Economic Development</strong>&lt;br&gt; - Local jobs/workforce&lt;br&gt; - Local power generation&lt;br&gt; - Address disadvantaged communities</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Workforce Development</strong>&lt;br&gt; - Local jobs/workforce&lt;br&gt; - Career development&lt;br&gt; - Apprenticeship training</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Green Technology</strong>&lt;br&gt; - Green technology innovation incentive</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Environmental Justice</strong>&lt;br&gt; - Address disadvantaged communities, as well as all communities</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other</strong>&lt;br&gt; - Cafeteria style programs with overlaps</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Marin</th>
<th>Cons</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Voting structure&lt;br&gt; Weighted, combined with the permissive aspects: 50% + 50%</td>
<td>Weight based on revenue rather than power usage</td>
<td>Board members make decisions</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sonoma</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sonoma Clean Power Authority (SCPA) is ahead of Marin County in some aspects: <a href="http://www.scpa.org">http://www.scpa.org</a></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<p>| Peninsula | | |
|-----------|---------------------------------|
| <em>No specific comments were made about the Peninsula model</em> | | |</p>
<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
<th>Applicable Considerations for LA County</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Alameda</strong></td>
<td>■ Weighted voting</td>
<td></td>
</tr>
<tr>
<td></td>
<td>■ Focus on living/family wage</td>
<td></td>
</tr>
<tr>
<td></td>
<td>■ Localization of workforce</td>
<td></td>
</tr>
<tr>
<td><strong>Other Models to Consider</strong></td>
<td>■ Inyo-Mono’s Integrated Regional Water Management Plan (IRWMP)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>■ Carson model with large Board</td>
<td></td>
</tr>
<tr>
<td></td>
<td>■ Long Beach model with community representation</td>
<td></td>
</tr>
</tbody>
</table>
### Pros/Cons of 1 JPA versus Multiple JPAs in LA County

<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Simplified Structure: 1 JPA in LA County</td>
<td>Some issues/problems of certain regions might not be recognized or considered important because issues/problems of more powerful regions might be seen as more of a priority.</td>
</tr>
</tbody>
</table>
| - Standardized | - A single JPA might not recognize the differences among cities and, thus, lack incentives for all to participate:  
  - Larger cities might dominate  
  - Less control for smaller cities |
| - Economy of scale | - A single JPA could result in a complicated administrative system. |
| - Centralization of certain operations, such as contract and procurement, resulting in efficiencies | - Asset ownership is more complex. |
| - The work is already done. | - If all eligible cities (n=82) participated in the JPA, decisions might be harder to make as an entire body because there are so many members. |
| - Minimal or no resources required by cities | - A large number of cities might create challenges in coordination efforts and streamlining the roll-out of projects/programs:  
  - These delays from trying to get a large number of entities to agree might stunt innovative development of green projects/programs. |
| - Every individual power has an opportunity to disagree with an effort that could negatively affect its own interests. | |
| - If the participants of the JPA are cohesive, the large body has more bargaining power on development projects and can be given a better range of development options. | |
| - Having a bigger broader body can increase the JPA’s bargaining power to drive down costs of energy. | |
| - Administration of energy projects/programs might be easier because governments of larger cities that can afford consultants and other resources to develop initiatives, projects, or programs can share their expertise with disadvantaged or smaller governments that cannot afford these resources. | |

---

Discussion Summaries Prepared by Gayla Kraetsch Hartsough, Ph.D., President | KH Consulting Group
## Tiered Structure:

Multiple JPAs under one larger JPA (South Bay, Long Beach, and LA County)

<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Each JPA can address the specific needs of a specific region and, hence, focus on local energy priorities.</td>
<td>Control over energy resources in certain geographic regions can be controlled and used by only certain localities within that region.</td>
</tr>
<tr>
<td>Certain processes can be streamlined and decisions can be made easier if there are less members in a JPA and if those members have more in common because of close geographic proximity to one another.</td>
<td>This situation can create a concentration of power for members of JPAs in particular regions with better access to infrastructure or funding resources (e.g., Antelope Valley’s resources versus coastal cities’ resources).</td>
</tr>
<tr>
<td>More local control</td>
<td>Establishing multiple JPAs for different regions can take a long time.</td>
</tr>
<tr>
<td>More control for cities: cities can decide to participate</td>
<td>Multiple JPAs divide, restrict, or create challenges in collaboration efforts on a County-wide scale.</td>
</tr>
<tr>
<td>SCE rates for weighted voting structure</td>
<td>It is more complicated to determine how to split profits versus re-investing profits (e.g., generation charges).</td>
</tr>
<tr>
<td>Locally representative strategies</td>
<td>Local requirements may differ and ignore representational differences (LADWP versus SCE rates for weighted voting).</td>
</tr>
<tr>
<td>Multiple JPAs would allow for different models of governance</td>
<td>Multiple JPAs could result in higher overhead costs overall.</td>
</tr>
<tr>
<td>Maybe a longer term option, depending on how many JPAs are formed initially in LA County</td>
<td>Cities may participate in LA County CCA/JPA negotiations and have influence in the negotiations, but ultimately choose not to join.</td>
</tr>
<tr>
<td></td>
<td>A tiered structure is more complex.</td>
</tr>
</tbody>
</table>
JPA: Agreement Components

Preamble and Recitals

Labor Perspective
Local hiring initiatives to help the local economies
- Local jobs/workforce
- Local disadvantaged hiring
- Prevailing wage or family sustaining wage
- Labor compliance
- Strong labor language
- JPA to enforce need for a local skilled workforce
- Workforce development (local)
- Hiring:
  - Local individuals
  - Veterans
  - Women
- Sonoma Clean Power Authority (SCPA) model supports labor

Educational collaborations
- Foundational training for providers on environmental technology
- High school and community college programs/collaborations
- Apprenticeship training for:
  - New work skills
  - Career development

Economic Benefits Perspective
- Economic development
- Competitive cost
- Local power generation and distribution
Environmental Perspective (see “JPA Goals for CCA” and “Stakeholders’ Benefits” for more ideas)
- Local generated energy and energy storage, including solar battery storage (Note: Community Choice Aggregation version 2 (CCA 2.0) will stipulate to procure energy from within the County.)
- Environmental justice
- Address needs of disadvantaged communities
- Energy efficiency programs
- Foundational training for providers on environmental technology
- Green technology improvements and innovation
- Integrated resource program
- Language supporting Renewable Energy Certificates
- Procure energy from within County
- Reduce GHGs

Customization and Collaboration across Member Cities with LA County
- Collaboration with other key players (other CCAs, IOUs, etc.)
- Maximize options for member cities (i.e., tailored rates for cities based on their desire)

Infrastructure, Ownership, and Liability
- Importance of defining asset and equipment ownership and liability
- Infrastructure investment concerns
- Need for local distribution infrastructure
- Renewable Portfolio Standards (RPS)
- Local Portfolio Standards (LPS)
- Cost issues

Board and Board Policies
- Definition of membership
- Community representation
- List policies
Governance

Voting Rights – mostly questions raised versus preferences regarding preferred voting models

■ Considerable discussions about the Marin 50/50 model and the “Option to Call a Weighted Vote” model.
  o Tendency to be more supportive of Marin County model
  o Considerable discussions about voting block

■ Interest and debate regarding:
  o Weighted voting based on power usage or revenue
  o Community representation with voting rights
  o Regional voting
  o Governance structure organized by local COGs
  o Caucusing voting (privileges)
  o Group voting by like-interests or regions

■ The focus was much more on whether load was an appropriate metric and the implications for using the load size.
  o Importance to define goals to be accomplishment and criteria for a weighted vote
  o How many directors are needed to choose to do weighted vote?
  o How will consumption loads be calculated (daytime versus nighttime)?
  o Concerns that voting by load would de-incentive members from conducting energy efficiency programs (because this would reduce their load and reduce their vote)
  o They asked whether population would be a better metric than load
  o Some cities said that they would need to know the participants, and the corresponding load sizes before they could say which voting model they prefer.

■ Other models suggested:
  o Inyo-Mono’s Integrated Regional Water Management Plan (IRWMP)
  o Carson model with large Board
  o Long Beach model with community representation
  o Sonoma Clean Power Authority (SCPA)
**Suggested Committees – Note: Suggested options are not mutually exclusive.**

- Option A: County JPA with committees representing regions
- Option B: County JPA with committees – below are listed the types of committee suggested across the four group discussions; most groups only proposed 3-4 committees
  - Executive Committee (some groups thought this should be required)
  - Advisory Committee
  - Technology Committee
  - Operations Committee
  - Marketing Committee
  - Customer Service Committee
  - Environmental Committee
  - Local Portfolio Standards Committee
  - Community Stakeholder Advisory Committee (two groups thought this would be important if not required)
- Option C: Allow both Standing and Permissive Committees
- Option D: Inclusion of Labor

**Delegation of Authority to Committees (Note: Few groups had time to discuss this aspect.)**

- Need for legal counsel for decision-making process and authority
- Chair of Committee should have power to delegate tasks to committee members.
- Chair of Executive Committee or Executive Power of JPA should have power to delegate tasks to committees.
- Ensure “skin in the game” versus dominated by corporations
Today’s Agenda

- Brief CCA Overview
- Discussion of LACCE Goals
- Discussion of JPA Options
- **Consideration of Barriers and Solutions**
- Consideration of Benefits
- Next Steps
Barriers and Solutions

The following discussions occurred in a modified open forum. In some cases, where the conversations overlapped, the identified barriers and solutions were integrated to show the inter-connectivity of the issues.

Marketing and Education

*Identified Barriers*

*Communications and Outreach*
- Can we reach diverse audiences?
- Language barriers
- Lack of definition about who is responsible for marketing and education
- Who is trusted?

*Education*
- Concerned about over-reliance on social media versus comprehensive educational programs

*Customers*
- Customer retention
- Skepticism about the energy targets and benefits

*Identified Solutions*

*Communications and Outreach*
- Learn from past marketing efforts to determine effective approaches for this initiative
- Engage existing institutions who deliver the message best
- Create clarity and prioritization of messaging
- Consistency and ongoing communications -- transparency
- Relevant messaging for various constituents
- Define who is responsible for marketing and education

*Education*
- Tours of renewable energy facilities
- Comprehensive tools for education, not just social media
- Education programs about job training for specific purposes (e.g., energy efficiency)
Effective Partnerships, Governance, and Entrenched Interests

Identified Barriers

Partnerships
- Formation of bad partnerships
- Partner participants being singled out or “ganged” up by other participants
- Lack of defining who takes the lead and who should step up to make it happen

Entrenched Interests
- CCAs might repeat the efforts of the entrenched interests.
- Local portfolio standard aspirations may be too restrictive.
- Existing infrastructure providers may be reluctant to work together.
- Regulatory bias

Identified Solutions

Governance
- A number of governance issues require more discussion:
  - Timeline for setting up the JPA
  - Level of governance
  - Number of JPAs
  - Benefits versus costs
  - Performance voting structure
  - Amount of oversight and bureaucracy planned

JPA Options
- Cafeteria plan approach
- Establishment of smaller JPAs
- Leveraging the strengths of individual entities

Greater Clarity
- Definition of roles and responsibilities
- Inclusion of education and training programs

Communications
- Marketing to the needs of the community
- Protection for individuals to prevent “bullying” in the governance structure
- Improved transparency and inclusiveness with open communications

**Finance, Rates, and Business Model**

Many of the representatives who participated in this discussion represented various cities and financial institutions. One of them had first-hand knowledge of Barclays Bank’s involvement with private investors in Sonoma Clean Power Authority (SCPA).

- The ideal model would have joint public-private financing
- There was a discussion of the financing by JPA members and local governments, similar to Marin’s and Sonoma’s SCPA models.
  - Pros for SCPA model are that there is a recourse.
  - CCA has no recourse.
- Things to clarify in any JPA are:
  - Risk assessment and liability
  - Mitigation of uncertainty
  - Clarity regarding who owns the assets
  - Use of local energy versus outsourcing of energy
  - Energy providers handling the financing (e.g., SCPA and Marin County)

**Financial And Rate-Related Decisions**

- Purchasing power
- Reinvestment of revenues
- Rate schedule (St., 50%, 100%) or other schedules?

**Uncertainty of Business Model**

- Power Charge Indifference Adjustment (PCIA) is not stable; therefore, the JPA must allow energy consumers/rate payers to buy and sell energy within their local/regional areas.
- JPA should balance the need for long-term contract stability versus short-term contract cycles affected by market innovation.
- Business model/contract that allows participants to “opt-in/opt-out” because of market innovations and developments might present better option for certain localities.
- Request for Offer approach might reduce risks of owning energy infrastructure.
- Allow changes and modifications to account for the dynamics of the current market structure.
Decision-Making and Priorities
This discussion focused primarily on issues to be addressed pertaining to decision-making and setting priorities.

Goal-Setting
- Goal-setting
- Priorities of Greenhouse Gas (GHG) Emission reductions
- Agreeing on hierarchy of priorities
- Clarification of roles of management structure with regional JPA

Structural and Staffing Decisions
- JPA management structure
- Hiring of staff (JPAs)
- Labor practices

Local and Regional Needs
- Localized energy generation and storage
- Customization of programs according to regional needs

Product and Service Offerings
- Product offerings

Inclusiveness and Diversity

Identified Barriers
- Local interests, making it difficult to achieve consensus and make decisions
- Lack of access to:
  - Resources
  - Technical experts
  - Format/organization

Identified Solutions
- Lead with equity; prioritize disadvantaged
- Issue policies related to:
Requests for Proposals (RFPs) and Requests for Services (RFSs) that include community benefits agreements for:
  - Local hires
  - Disadvantaged workers

Guidelines for:
  - Utilization
  - Procurement
  - Representation

- Achieve accountability through public reporting
- Focus on community benefits; balance the scale to achieve the desired benefits
- Establish clear decision-making rules
Today’s Agenda

- Brief CCA Overview
- Discussion of LACCE Goals
- Discussion of JPA Options
- Consideration of Barriers and Solutions
- Consideration of Benefits
- Next Steps
## Stakeholder Benefits

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Residents</th>
<th>Business</th>
<th>Labor</th>
<th>Environment</th>
<th>Economy</th>
<th>Cities</th>
<th>LA County</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Local Management Focus</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Local control</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Market transformation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Local Economy and Green Businesses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Local economic benefits</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Attract green businesses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Green marketing (i.e., businesses will be able to market themselves as “green”)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ New career paths (local and area hiring)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Environmental</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Address climate change</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Lower CO₂ and greenhouse gas (GHG) emissions; alignment of GHG reduction goals</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Accelerated path to reach California’s State Emissions Standards (and goals)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Promotion of green businesses and green initiatives</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Increase community awareness of the need to conserve energy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Incentivize green technology and innovation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▪ Decarbonize transportation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Inclusion of labor
<table>
<thead>
<tr>
<th>Benefits</th>
<th>Residents</th>
<th>Business</th>
<th>Labor</th>
<th>Environment</th>
<th>Economy</th>
<th>Cities</th>
<th>LA County</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Data Driven</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Program administration by CPUC</td>
</tr>
<tr>
<td>■ Data integration</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Energy Costs and Rates</strong></td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Benefits public safety</td>
</tr>
<tr>
<td>■ Lower rates due to greater bargaining power</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>■ Lower costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>■ Power sources less expensive now</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Energy Reliability and Sustainability</strong></td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>■ Protecting the power grid</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>■ Resiliency</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>■ Resiliency to keep operations in business</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Innovation</strong></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>■ Resiliency to develop new innovations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>■ Energy rate-payers can also be producers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>due to new technologies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>New Collaborative Business Model</strong></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>■ Supports and fosters “Energy Democracy”</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>■ Localities and its constituents (or public</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>in general) have more control over energy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>development</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>■ Flexibility of energy options for end-users</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>and energy providers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>■ Fosters better (energy) regulation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>collaboration and collaboration on future</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>policy issues other than energy (e.g., water</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>policies)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Today’s Agenda

- Brief CCA Overview
- Discussion of LACCE Goals
- Discussion of JPA Options
- Consideration of Barriers and Solutions
- Consideration of Benefits

Next Steps
Next Steps for Interested Cities

- Review the LACCE Business Plan and direct any questions to the County

- Begin reviewing the draft JPA document and the CCA-enabling ordinance that each city must adopt to participate in LACCE

- Participate in the County-led JPA negotiations scheduled to begin on January 10, 2017
Next Steps for Los Angeles County

- Continue to conduct outreach to interested cities and stakeholders
- Lead JPA negotiations with interested cities
- Continue to hold public meetings
Contact Information

Gary Gero
Chief Sustainability Officer
ggero@ceo.lacounty.gov
213-974-1160

More information/documents can be found at:
http://green.lacounty.gov/wps/portal/green/lacce
STAFF REPORT

Meeting Date: February 7, 2017
To: Honorable Mayor & City Council
From: Trish Rhay, Assistant Director of Public Works
       Caitlin Sims, Senior Management Analyst
Subject: Los Angeles County Regional Community Choice Aggregation Program
Attachments: None

INTRODUCTION

In April 2015, the City Council adopted Resolution 15-R-13035 authorizing the City to participate in a Community Choice Aggregation ("CCA") feasibility study with other cities in Los Angeles County. At that time, the City engaged with South Bay Clean Power ("SBCP")—a non-profit committed to establishing community choice aggregation in the region—and the County of Los Angeles to follow these regional CCA efforts. The feasibility study was funded by the County of Los Angeles and provided a technical and financial analysis of the viability of establishing a County-wide CCA. The study was transmitted to the City Council at its December 20, 2016, Study Session.

The County of Los Angeles Community Choice Energy Business Plan concluded that the formation of a CCA program in Los Angeles County would be financially prudent and would yield considerable benefits to residents and businesses. The County intends to form a CCA with any interested cities by creating a joint-powers authority ("JPA") that would govern the CCA. The County has begun the process of working with interested cities to negotiate the JPA.

This item provides an update on that process and timeline.

BACKGROUND

Community Choice Aggregation programs allow local governments and special districts to pool their electricity needs and purchase and/or develop environmentally sustainable energy on behalf of residents, businesses and municipal agencies. CCA is an energy supply model that works in partnership with the region's existing investor-owned utility ("IOU"). In Beverly Hills, Southern California Edison ("SCE") is the existing IOU. The existing utility continues to deliver electricity to the customers through the existing power grid and continues to provide customer service and billing. The CCA procures the electricity that is delivered through the existing power grid and sets electricity rates for end-use customers. Those customers that do not desire to switch to the CCA can choose to remain customers of the existing IOU.
DISCUSSION

Community choice aggregation is a growing program in communities throughout the State. There are currently five CCAs operating in California, four of which are located in northern California. The City of Lancaster is the only CCA operating in Southern California, in SCE territory.

There are a number of reasons that communities have formed and/or joined CCA programs. They have formed or joined CCAs to provide their residents and businesses with a choice for their electricity providers, to provide electricity generated from the same levels of renewable sources at lower rates—which existing CCAs have been able to do—to have more control over providing electricity services to residents and businesses (for example through rate setting and program development) and to provide electricity that comes from more renewable sources.

When a CCA is created in a City, all businesses and residents in that City become customers of the new CCA. However, all customers have the option to "opt-out" of the CCA and remain customers of the existing utility. Customers must be adequately informed of the opt-out option, and it must be easy for them to do so. In most CCAs, each CCA customer can also decide between electricity product options that are generated from more renewable sources. For example, Peninsula Clean Energy ("PCE")—the State's most recent CCA that rolled out in San Mateo County in summer 2016—provides customers with the option of electricity from 50% renewable sources or 100% renewable sources. While the electricity rates for electricity coming from 100% renewable sources are higher, each individual customer can decide if he/she wants to pay a higher rate for more renewable power.

Creating choice is intended to create competition to reduce rates and improve services for customers. In fact, most of the CCA programs have been able to offer rates that are lower than those of the existing utility. Sonoma Clean Power ("SCP"), a CCA that has been operating in Sonoma County since 2013, is able to provide rates for its residential customers that are approximately two cents per kilowatt-hour lower than those of the existing utility for its base level of electricity (coming from 36% renewable sources).

The creation of a CCA increases the amount of control for local governments in electric services for their residents. Cities will have more control in things like the deployment of renewable energy resources, setting rates and developing programs. SCE has historically offered electricity coming from the lowest State-mandated level of renewable resources. At this time, the State mandates that IOUs procure at least 33% of their electricity from eligible renewable energy resources by 2020 and at least 50% from renewable resources by 2030. Electricity rates are set through a legal rate-setting proceeding at the California Public Utilities Commission ("CPUC"). SCE has recently begun offering electricity that comes from more renewable sources, and these rates were also set through proceedings at the CPUC. In addition, any programs that are administered by SCE are developed through proceedings at the CPUC. With a CCA, the governing body of the CCA determines the renewable energy make-up of electricity, as well as customer electricity rates and programs.

As a result, CCAs can decide to deploy more renewable energy and reduce greenhouse gas emissions by purchasing electricity from the power grid that comes from more renewable sources. This allows communities to more easily decrease their reliance on traditional power plants for electricity and meet their overall sustainability goals. Many municipalities that have already formed CCAs have done so with a primary focus on increasing the amount of renewable energy in their communities, reducing their greenhouse gas ("GHG") emissions and making progress on all their sustainability goals. In 2014, electric power was the State's third-largest...
Meeting Date: February 7, 2017

GHG-emitting sector—following transportation and the industrial sector—with approximately 20% of emissions coming from electric power.

All but one of the CCAs currently operating in the State is governed by a joint-powers authority made up of several participating cities and counties. A JPA allows the CCA to include multiple jurisdictions, thus increasing the electricity load and making it easier and most cost-effective to purchase power on the open market. The JPA also reduces the liability on individual cities.

Los Angeles Community Choice Energy Program ("LACCE")

As indicated previously, the LACCE Business Plan found that the creation of a Countywide CCA would be financially viable and would yield economic and sustainability benefits for residents and businesses. The Report included a comparison of end-user monthly rates (per kilowatt-hour – kWh) for the proposed CCA versus SCE, which can be found below:

<table>
<thead>
<tr>
<th>Rate Class</th>
<th>Renewable Portfolio Standard (&quot;RPS&quot;) (33% by 2020)</th>
<th>50% Renewable</th>
<th>100% Renewable</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SCE</td>
<td>CCA</td>
<td>SCE</td>
</tr>
<tr>
<td>Residential</td>
<td>$0.171</td>
<td>$0.162</td>
<td>$0.189</td>
</tr>
<tr>
<td>Commercial (GS-1)</td>
<td>$0.166</td>
<td>$0.157</td>
<td>$0.186</td>
</tr>
<tr>
<td>Commercial (GS-2)</td>
<td>$0.158</td>
<td>$0.150</td>
<td>$0.176</td>
</tr>
<tr>
<td>Commercial (GS-3)</td>
<td>$0.145</td>
<td>$0.138</td>
<td>$0.163</td>
</tr>
</tbody>
</table>

Overall, it is estimated that end-user rates could be at least 4% lower than those of SCE, and the difference would likely be even greater when comparing the rates for 50% and 100% renewable energy. The CCA would deploy approximately twice the amount of renewable resources.

In order to form a countywide CCA, the County intends to form a LACCE JPA comprised of participating jurisdictions. The first step in the formation of a JPA is to negotiate a joint-powers agreement between all interested parties. At its September 27, 2016 meeting, the County Board of Supervisors ("Board") directed that the joint-powers agreement should be modeled after the best practices found in the existing CCA JPAs in northern California—including Marin Clean Energy, Sonoma Clean Power, and Peninsula Clean Energy—and should ensure that the JPA provides "meaningful local representation of participating cities on the LACCE governing board." The Board also directed that the negotiated agreement should be completed within six months (by the end of March 2017). The agreement will also include the overall goals of the JPA (the recitals) and the powers that the JPA can exercise; provisions for the addition and withdrawal of members, liability protections for member agencies, the composition of the governing body; and structure for voting.

After a joint-powers agreement is drafted, the document must be adopted by the governing bodies of at least two jurisdictions in order to legally create a CCA JPA. Once the CCA JPA is legally created, the JPA governing body will be responsible for managing the CCA by developing by-laws, policies and procedures to govern the CCA.
In addition to the formation of the JPA, participating cities must also formally establish a CCA with the CPUC. This involves adopting the CCA-enabling ordinance, which indicates the City’s intent to form a CCA and formally allows the City to enter into discussions with the CPUC and SCE for the purposes of forming a CCA, and submitting an Implementation Plan to the CPUC. Even if the City participates as a part of the County-wide CCA, it would still need to adopt the CCA-enabling ordinance. However, the Implementation Plan would not need to be submitted by the City. Instead, the entire CCA would submit the Implementation Plan to the CPUC. The CPUC will review the Implementation Plan and, upon its acceptance, a CCA will be formed. The CCA will also need to work with SCE to prepare for the transfer of customer accounts from SCE to the CCA.

Joint Powers Agreement Negotiation

The County is now seeking participation from interested cities to participate in the JPA negotiation process. County staff has initiated this process, and the first meeting was held on January 10, 2017. The County intends to hold these JPA-negotiating meetings until a reasonable consensus is reached between interested cities and the County.

The joint-powers agreement negotiations will be focused around the following items:

1) Agreement Recitals: Existing CCA JPA agreements share common language pertaining to State laws that enable local jurisdictions to form CCA programs, State laws that mandate specific sustainability and environmental goals and the general purpose for forming the CCA Program JPA agreement. Negotiations will likely center around including more robust language related to the JPA’s aspirations for local economic benefits and local workforce development.

2) Method of Committee Formation: Some existing CCA JPA agreements require specific committees to be formed (i.e. Community Advisory Committee; Executive Committee; etc) while others allow the governing board to establish committees at their discretion. Negotiations will likely center around what (if any) specific committees should be required in the JPA agreement and whether there should be language allowing the governing board to establish committees.

3) Special Voting Requirements: Existing CCA JPAs typically require a majority vote for most actions; however, most also have special voting requirements (i.e. two-thirds vote or three-quarters vote) for items that are deemed to be more controversial or more significant. Negotiations will likely center around what actions (i.e. exercise of eminent domain; amendments to the JPA) should trigger special voting requirements.

4) Appointment of Non-Elected Officials as Board Directors: Negotiations would likely center around whether participating agencies would be allowed to appoint board directors that were not elected officials.

5) Alternates for Board Directors: Negotiations will likely center around whether Board directors would be allowed to appoint alternates and if these alternates would be required to be elected officials.

6) Board Structure and Distribution of Voting Shares: All existing CCA JPA agreements acknowledge differences in electricity loads between the members. Most existing CCAs require simple majority approval for most items, unless one or more members demand that the item require the affirmative vote of a majority of the members with voting shares determined by electricity load. In these cases, an item must be approved both by the majority of the members, in addition to the weighted majority of the members (with voting shares determined by the electricity load). Negotiations will likely center around the use of weighted voting shares and how a member can call for a weighted vote.

In addition, the LACCE Business Plan indicated that the estimated start-up costs for a CCA would be approximately $10 million. The County of Los Angeles has stated that it intends to
Meeting Date: February 7, 2017

loan the $10 million to the CCA, provided that, until the loan is repaid, the County retains sufficient authority on the Board over any matter that affects the ability of the CCA to pay back the County. The logistics of this loan and implementation of this provision have not been identified at this time and will also be discussed as part of the JPA negotiation process.

After a consensus JPA agreement is drafted, the agreement will then be considered by the County of Los Angeles Board of Supervisors, as well as the governing body of any other jurisdiction that desires to do so. After the County and one other governing body have adopted the JPA agreement, the JPA will officially be formed. After that time, the County intends to allow for a six month “open enrollment” period during which any jurisdiction could also adopt the agreement—as well as the CCA-enabling ordinance—and become an initial member at no cost to the City.

South Bay Clean Power

In addition to Los Angeles County, South Bay Clean Power (“SBCP”)—a South Bay-based non-profit agency committed to reducing the region’s greenhouse gas emissions and increasing local energy jobs and development—has reached out to a number of cities in the South Bay and on the West Side, including the City of Beverly Hills, about forming a smaller CCA JPA. At this time, SBCP has distributed a draft joint-powers agreement document. There are still a number of outstanding administrative questions related to the implementation of this CCA which make it difficult to assess its viability. Beverly Hills staff will continue to monitor SBCP’s process.

Public Works Commission Feedback

During the January 12, 2017, Public Works Commission (“PWC”) meeting, the Commission requested that the following information be transmitted to the City Council regarding this item:

1) The Commission does not see the quantifiable benefits for the City of Beverly Hills at this time, so it does not recommend being an “initial participant.” The Commission would be interested in exploring once the benefits to the City are clearer.
2) The Commission is concerned about not having sufficient input into the CCA because of the City’s relatively small size within the County.
3) Given the number of priority work plans and projects already assigned to the Public Works Department, the Commission is concerned about existing staff resources also being allocated to the CCA.
4) The Commission expressed concerns about the potential for the City’s participation in the CCA to affect the quality of service the community receives from SCE.

TIMELINE

As indicated above, the County intends to conduct negotiations with interested cities over the next several months. Below is an overview of the anticipated schedule at this time:

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>First JPA negotiation meeting</td>
<td>January 10, 2017</td>
</tr>
<tr>
<td>Negotiation meetings</td>
<td>January 2017 – March 2017</td>
</tr>
<tr>
<td>Adoption of joint-powers agreement and CCA enabling ordinance by County of Los Angeles</td>
<td>March/April 2017</td>
</tr>
<tr>
<td>“Open Enrollment” period to join LA County CCA</td>
<td>April 2017 – October 2017</td>
</tr>
<tr>
<td>Phase 1 launch (County municipal facilities and municipal facilities in other interested cities)</td>
<td>January 2018</td>
</tr>
<tr>
<td>Phase 2 launch (large commercial &amp; industrial facilities)</td>
<td>July 2018</td>
</tr>
<tr>
<td>Phase 3 launch (all customers, including residential)</td>
<td>January 2019</td>
</tr>
</tbody>
</table>
Meeting Date: February 7, 2017

This schedule is partially contingent on the CPUC’s acceptance of the LACCE Implementation Plan and on SCE’s preparation to transfer customer accounts to LACCE.

The schedule above also includes a phased approach to rolling-out the CCA, beginning with County of Los Angeles municipal facilities (as well as those of any cities that want to also include their municipal facilities) in Phase 1, followed by large commercial and industrial customers in Phase 2, and, finally all customers (including all residential and commercial customers) in Phase 3. This phased approach will allow the CCA to address as many of the transition issues as possible before residential customers join the CCA in Phase 3.

For those cities that adopt the JPA during the "open enrollment" period as “initial members” of the CCA JPA, all residents and most businesses would begin receiving service from the CCA as a part of Phase 3 (in January 2019). The City could also join the CCA JPA at a later date. If it were to join at a later date, the City could be assessed a fee or be required to meet other enrollment requirements established by the CCA JPA governing body.

FISCAL IMPACT
There is no known fiscal impact at this time.

RECOMMENDATION
This item is presented for information only. Staff is attending the joint powers agreement negotiations to represent the City. Once completed, staff will bring the agreement back to the City Council for its consideration.

Approved By

George Chavez
Approved By