

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 12

To: Valley Clean Energy Alliance Board of Directors

From: Mitch Sears, Sustainability Manager, City of Davis
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Subject: Introductory Discussion of VCEA Implementation Plan

Date: July 25, 2017

RECOMMENDATION

Receive consultant’s presentation regarding the development of VCEA’s Implementation Plan and provide initial feedback regarding some or all of the key policy items discussed below.

BACKGROUND

The California Public Utilities Code, section 366.2(c)(3), requires all emerging Community Choice Aggregators to develop an Implementation Plan (“the Plan”) that describes the key features of the program and “details the process and consequences of aggregation” for a given area. A CCA’s plan must be considered and adopted by the CCA Board of Directors at a duly noticed public hearing and must address certain topics related to the organization and operation of that specific program. The Plan must be submitted to the CA Public Utilities Commission, which is allowed ninety days to certify the plan and request any additional information that may be necessary in their review. The Plan must be certified before the CCA can execute power contracts, set rates, notify customers and begin service commencement.

ANALYSIS AND DISCUSSION

This staff report discusses what is typically included in the Plan and lays out the policy decisions that the VCEA Board will consider in order to complete it. It’s important to note that the Plan is not a business plan detailing all of VCEA’s operations, procurement strategies and programs; it is a regulatory compliance document meant to specify the foundational framework and features of VCEA at its inception. Several CCA Implementation Plans have now been certified so a certain level of standardization now exists, and much of the Plan can be written in general terms so as to conform with CPUC requirements but not provide so much detail that it either constrains the Agency in the future or it becomes rapidly outdated. For example, the Implementation Plan will discuss the process for setting rates but would not specify what those rates are.

To meet pertinent requirements of the law, the Plan must address the following elements:

- The organizational structure of the program, its operations, and its funding source(s).
- Ratesetting and other costs to participants

- Provisions for disclosure and due process in setting rates and allocating costs among participants
- The methods for entering and terminating agreements with other entities
- The rights and responsibilities of program participants, including, but not limited to, consumer protection procedures, credit issues, and shutoff procedures
- Termination of the program; and,
- A description of the third parties that will be supplying electricity under the program, including, but not limited to, information about their financial, technical, and operational capabilities.

In addition, the Plan must also include a “statement of intent” indicating that the CCA program will provide for: 1) Universal access, 2) Reliability, 3) Equitable treatment of all customers, and 4) Any requirements established by State law or the CPUC concerning aggregated electric service.

A draft Implementation Plan for Peninsula Clean Energy from March 2016 for its Fall 2016 launch provides an example of a recently adopted plan and can be found at: <https://www.peninsulacleanenergy.com/wp-content/uploads/2016/03/07-PCE-Board-Att-3-24-16-Implementation-Plan.pdf>

Key Policy Decisions

For purposes of developing VCEA’s Plan, certain details will need to be specified by the Board to ensure the preparation of a responsive Plan.

1. Initial JPA Membership: The VCEA Plan will specify the existing 3 members – Yolo County and the Cities of Davis and Woodland. If additional communities wish to join in the future, the Plan must be amended and re-certified by the Commission at that time.

2. Energy Supply: The Implementation Plan will include a description of VCEA’s procurement process and its intended level of renewable and carbon-free energy in the supply mix. This section is often written prior to the negotiation and execution of power contracts, so it’s a decision based on the results of the initial technical study, updated market pricing, and an updated proforma budget projection; the practices and performance of operational CCAs may also be considered. This section will establish a target or minimum floor for renewables and carbon free content, which VCEA could exceed based on available resources and market conditions if it so chooses.

The Implementation Plan will also outline the energy product offerings of VCEA. To date, operational CCAs have identified a ‘default product’ in which all customers are initially enrolled (usually at or below PG&E electrical rates) and a 100% renewable option that is voluntary and offered at a price premium.

Finally, the plan should describe the process for procuring its initial energy needs, such as issuing an RFP for energy services and power supply. If an RFP has been issued and a short-list of potential suppliers has been identified by the time the Plan is submitted, that information can be included as well.

3. Customer Phasing Schedule: One key part of the Implementation Plan will be the phasing schedule for customer enrollments. This discussion is best informed by energy market and revenue analysis to be done by VCEA's designated technical and energy services provider once confirmed. Given VCEA's existing size and load, it could be that it chooses to enroll all customers in a single phase. Or, it may wish to start with certain customer classes such as commercial, agricultural, and municipal accounts in phase one and residential/other customer classes in phase two. These decisions are generally based on the capacity of the data management firm and utility as well as program economics at the time of launch.

4. General Description of Service Offerings including the power supply products referenced above and complementary energy programs that VCEA may wish to offer such as net energy metering, energy efficiency and demand reduction programs, feed in tariff and other relevant programs. Specific details of such programs are not required in the Implementation Plan, and will not be fully known prior to Plan submission. However, the Plan should include a range of service and program offerings that VCEA plans to consider and implement in its first few years.

5. General description of rate/pricing strategy: This section deals with questions such as VCEA rate structure (i.e. will VCEA match PG&E's rate structure or will there be substantial differences?). The Implementation Plan should specify the general rate design strategy and pricing goals. Typically, new CCA programs in California launch with a tariff structure that mirrors the incumbent utility so as not to cause customer confusion or the inability to compare rates. In addition, most programs state that rates will be "at or below" PG&E's at the time of program commencement. If specific discount targets are known, that information should be included as well.

6. Description of VCEA organizational structure: This section will provide detail on the Board of Directors and its responsibilities, outline the role of the Community Advisory Committee, describe VCEA key staff and their roles, and specify which functions will be outsourced to third-party vendor(s). A proposed organizational chart is usually included in this section.

7. Financial Information: The Implementation Plan must also provide financial information, including total projected start-up costs and how they are funded; in VCEA's case, on a cost-share basis by its member agencies. This section will reference plans to obtain a working capital/line of credit for operational costs and initial power purchases. In addition, a proforma operating budget must be provided to indicate that VCEA has developed a robust cash-flow analysis for its initial 5 years of operations.

Timing

If VCEA wishes to commence service by May/June 2018, the Implementation Plan must be adopted and submitted to the CPUC no later than early October, 2017.

Fiscal Impact

To be determined, but estimated at approximately \$35,000 to draft and submit the Plan.