SACHI A. HAMAI
Chief Executive Officer

County of Los Angeles
CHIEF EXECUTIVE OFFICE

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"To Enrich Lives Through Effective And Caring Service"

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

29 August 7, 2018

CELIA ZAVALA
ACTING EXECUTIVE OFFICER

August 07, 2018

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**APPROVE EXTENSION OF LOAN TERM TO THE
CLEAN POWER ALLIANCE UNTIL SEPTEMBER 30, 2020 AND
AUTHORIZE AMENDMENTS TO THE MEMORANDUM OF UNDERSTANDING
BETWEEN THE COUNTY AND THE CLEAN POWER ALLIANCE
(ALL DISTRICTS) (3-VOTES)**

SUBJECT

Approval of a change in the terms of a County loan to the Clean Power Alliance of Southern California (CPA), which was formerly the Los Angeles Community Choice Energy (LACCE) Authority, that extends the repayment period of the loan from June 30, 2019 to September 30, 2020.

Authorization of amendments to the Memorandum of Understanding (MOU) between the County and the LACCE Authority to reflect the new loan repayment term, LACCE's name change to CPA, and other changes as may be necessary to ensure effective implementation of the community choice energy (CCA) program.

IT IS RECOMMENDED THAT THE BOARD:

1. Approve extending the repayment period for the County's $10 million loan to CPA until September 30, 2020;

2. Authorize the Chief Executive Officer (CEO), or her designee, to execute amendments to the MOU between the County and the Clean Power Alliance; and

3. Find that these actions provide a public benefit pursuant to Government Code Section 26227.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

On April 18, 2017, the Board of Supervisors (Board) adopted an enabling ordinance and joint powers agreement establishing the LACCE Authority (now known as the "Clean Power Alliance of Southern California" or "CPA") to implement a CCA program in Los Angeles. The Board further authorized the CEO to negotiate and enter into a MOU with the LACCE Authority to provide initial funding of $10 million for the program, and to authorize County staff and consultants to provide services for the development and implementation of the program. Of this $10 million, $9,110,000 is loaned in the form of cash to CPA and the remaining $890,000 is in-kind staff and consulting services that the County is providing to CPA. On April 10, 2018, the Board approved an extension of the repayment term of this loan from June 30, 2018 to June 30, 2019.

Improvements and refinements of CPA's financial projections more accurately reflect the timing of revenues and cashflows and show that it is necessary to extend the repayment date to the County of its $10 million loan until after CPA's second full summer of operation, as most program revenues occur during the summer months. In addition, changes in the energy market, including the introduction of competition and choice, are causing overall rates to fall, and thus will reduce CPA revenues in 2019 and 2020. Extending the County loan repayment date will allow CPA to finance the remaining procurement of power for the 2019 launch; provide adequate reserves to allow CPA to fully repay both its private lender and the County; ensure adequate cashflow during the critical first start-up years of operation; and allow CPA to become financially self-sufficient.

Amendments to the MOU will reflect this new repayment term and will provide other administrative revisions as necessary.

Implementation of Strategic Plan Goals

The recommended action helps effectuate the County's Strategic Plan Goal II - Foster Vibrant and Resilient Communities, specifically, Strategy II.3 - Make Environmental Sustainability Our Daily Reality.

FISCAL IMPACT/FINANCING

The delay in repaying the County loan will result in a non-material loss to the County of approximately $250,000 in the form of foregone interest. This will be offset by reduced electricity costs for County facilities of approximately $450,000 over the extension period.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

CPA was legally established in June 2017 when the City of Rolling Hills Estates became the first city to join the County in approving and executing a joint powers authority (JPA) agreement. Since that time, an additional 29 jurisdictions in Los Angeles and Ventura counties have executed the JPA agreement and are part of the CPA. These 31 jurisdictions represent nearly three million residents, making CPA the largest CCA program in California.

The CPA Board of Directors is comprised of elected representatives from each of the member cities, and the JPA allows each representative to have two alternates. On June 20, 2017, the Board appointed Supervisor Kuehl to represent Los Angeles County and appointed Supervisor Ridley-Thomas and Gary Gero, the County's Chief Sustainability Officer, as alternates. Supervisor Kuehl has been elected as one of two Vice Chairs of the CPA Board of Directors (the other is reserved for a representative from Ventura).

CPA began supplying electricity to nearly 2,000 County accounts in the unincorporated areas of the County on February 1, 2018, marking the official launch of the program. On June 25, 2018, CPA began electric service to non-residential customers in the unincorporated areas of the County, as well as in Rolling Hills Estates and South Pasadena. These two cities joined the program prior to changes adopted by the California Public Utilities Commission (CPUC) that governs the timing of when CCAs may begin service and were the only cities eligible to start service this year. The remaining 28 jurisdictions will begin service in the first half of 2019 because of the CPUC action.

CPA is providing three renewable energy options for its customers (36 percent, 50 percent, and 100 percent) and is currently providing an average of 50 percent renewable energy at a cost that is between two percent and three percent below Southern California Edison's rates. Service from CPA has proven extremely popular, with over 99 percent of eligible CPA customers electing to participate in this new program.

To minimize potential financial impacts to CPA during the initial rollout of electric service to residential and business customers in 2019 and to ensure adequate cashflow while revenues from the sale of electricity to these customers are accumulated, CPA is requesting, and we are recommending, that repayment of the County's loan to CPA be delayed from June 30, 2019 to September 30, 2020.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Delay of the repayment of the County loan is not expected to have an impact on the County's provision of County services or on any project. The CPA program will result in lower costs to the County and its residents and businesses for electric utility services. Additionally, it will significantly reduce greenhouse gas emissions from both the County as an operational entity and communitywide across Southern California.

CONCLUSION

Please feel free to contact me if you have any questions, or your staff may contact Gary Gero, Chief Sustainability Officer, at 213-974-1160 or ggero@ceo.lacounty.gov.

Respectfully submitted,

SACHI A. HAMAI
Chief Executive Officer

SAH:JJ:FAD
GG:jg

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller
Internal Services