



## Community Choice Aggregation Task Force Meeting Notes

NUMBER:

**CCA-LC 15-02**

MEETING: **CCA TASK FORCE MEETING**

Chaired by Howard Choy, ISD

**DATE:** DECEMBER 10, 2015

**TIME:** 10:00 AM – 12:00 PM

**LOCATION:** 1320 HIGHLAND AVE  
MANHATTAN BEACH, CA 90266

**GO TO MEETING:**

[HTTPS://GLOBAL.GOTOMEETING.COM/JOIN/401705037](https://global.gotomeeting.com/join/401705037)

**DIAL IN:** (872) 240-3412;

**ACCESS CODE:** 401-705-037

MEMBERS IN ATTENDANCE:

Steve Culbertson, BKi	Linda Hillman, County of Santa Barbara
Casey Connorton, BKi	Ronald Mohr, County Office of Sustainability
Todd Jones, Center for Resource Solutions	Daniel Maloney, County Office of Sustainability
Rachael Terada, Center for Resource Solutions	Howard Choy, County Office of Sustainability
Robin Quarrier, Center for Resource Solutions	Ana Rosales, County Office of Sustainability
Chip Wood, Center for Resource Solutions	John Phan, County Office of Sustainability
George Morrow, City of Azusa	Walker Foley, Food and Water Watch
Caitlin Sims, City of Beverly Hills	Ian Parker, Goldman Sachs
Joe Susca, City of Culver City	Joe Sullivan, IBEW/NECA
Margie Hoyt, City of Gardena	Danielle Osborn Mills, Large-scale Solar Association
Kristy Morris, City of Hermosa Beach	Craig Beck, Long Beach Gas and Oil
Rick Learney, City of Hermosa Beach	Kevin Tougas, Long Beach Gas and Oil
Mark Sheldon, City of Huntington Beach	Tony Foster, Long Beach Gas and Oil
Antonia Graham, City of Huntington Beach	Dennis Burke, Long Beach Gas and Oil
Sona Coffee, City of Manhattan Beach	Terry Dipple, LVMCOG
Chris Williamson, City of Oxnard	Larry Fox, Not Applicable
Ben Lucha, City of Palmdale	Diane Moss, Not Applicable
Christian Horvath, City of Redondo Beach	Michael Berwanger, Public Financial Management
Dean Kubani, City of Santa Monica	Kim Fuentes, SBCCOG
Diana Mahmud, City of South Pasadena	Marisa Creter, SGVCOG
Leo Oorts, City of Torrance	Joe Galliani, South Bay Clean Power
Domenica Megerdichian, City of Torrance	Craig Cadwallader, South Bay Clean Power
Samuel Golding, Community Choice Partners	Ken Smokoska, South Bay Clean Power
Connie Sullivan, Constituent	Joseph Moon, Town of Apple Valley
Eldon Cotton, Cotton and Associates	Tulsi Patel, WSCCOG
Matt Skolnik, County of Los Angeles, Fourth District	

The 2<sup>nd</sup> Los Angeles County Community Choice Aggregation Task Force Meeting consisted primarily of presentations by CCA-industry stakeholders. The PowerPoint slides for each presentation are attached to these minutes. A very brief description of the key points of each presentation are provided below.

## **I. Renewable Energy Certificate (RECs) in CCA renewable portfolios (Center for Resource Solutions)**

Founded in 1997, Center for Resource Solutions (CRS) is a nonprofit organization based in San Francisco. It works to promote the retail renewable energy market in North America by developing policies and consumer protection programs in renewable energy, greenhouse gas reductions, and energy efficiency. CRS administers the Green-e Climate, Green-e Energy, and Green-e Marketplace certification programs. CRS' Director of Strategic Partnerships, Chip Wood, was provided time to describe California's energy market, Renewable Energy Certificates (RECs) and the Green-e Energy certification program.

A REC is created for each megawatt-hour (MWh) of renewable electricity generated and delivered to the grid. RECs represent the legal rights to the environmental benefits associated to the generation of renewable energy. RECs are required to track renewable energy generation since renewable electricity and standard electricity get mixed and become indistinguishable in the grid, making it impossible to differentiate the resource type. Therefore RECs provide buyers a tool to claim the environmental benefits of renewable energy.

RECs are independently audited by utility commissions and consumer protection programs such as Green-e Energy to ensure that only one buyer claims credit for each REC and the associated benefits. 52% of the voluntary renewable energy in the United States is Green-e certified. Each REC has a unique serial number in electronic tracking systems such as WREGIS in California.

Some jurisdictions and interested CCA stakeholders believe that CCAs should not be utilizing unbundled RECs in their portfolios. Unbundled RECs are those that have been sold separately from the MWh of renewable electricity generated and delivered to the grid. So it is possible that the RECs that are a part of the CCA's power supply portfolio could come from renewable energy that is generated out of state. The County CCA consultant will include an analysis of the financial impacts of the use, or non-use, of unbundled RECs in the County's CCA power portfolio.

## **II. Financing CCAs (Public Financial Management)**

Public Financial Management (PFM) is the largest financial advisory firm in the nation specializing in asset management and consulting services for municipalities, cities, schools, hospitals, and other public entities. Michael Berwanger is a Managing Director in PFM's Los Angeles office, working extensively with public utility clients throughout the western region. Since implementing PFM's Environmental Finance Team with Laura Franke, the firm has assisted numerous public agencies in developing and acquiring financing for environmental sustainability programs. He was provided time to discuss the firm's services, pros and cons to scale, and financing options available to CCAs.

It is critical, and likely required, that a CCA shall have an Independent Financial Advisor providing input into financial and financing decisions around CCA operations. More importantly, this Financial Advisor should be contracted directly with a local government investigating CCA or with the CCA's governing body. The Financial Advisor should not be part of the CCA's technical feasibility consulting team.

PFM stressed that developing, financing and operating a CCA is not much different than other municipal revenue-generating operations, particularly municipal electric/water/natural gas utilities. The practices to initiate and finance these municipal operations is common and well understood. The uniqueness, and risk, inherent in CCA operations is that CCA customers are not “captive.” CCA’s challenges now are to work to have the financing industry understand the CCA business model.

### **III. Financing CCAs (Goldman Sachs)**

Ian Parker is a Managing Director at Goldman Sachs (GS) and the Vice President of the firm’s Public Sector and Infrastructure Banking group, located in San Francisco. He was provided time to describe GS, the type of services they provide to CCAs, and their interest in CCAs.

As mentioned above, Goldman Sachs is a large investor who is familiar with the energy sector and has expressed interest in working with CCAs, primarily in providing financing for start-up and ongoing operations.

Of particular interest to Goldman Sachs in investing in CCA, is the potential size and scale of a Los Angeles County CCA that could include County unincorporated areas plus 82 cities within the County (excluding cities with municipal utilities and Lancaster). He reiterated that, at least for now, economies of scale in CCA operations, particularly in financing and procurement, is a huge financial benefit.

### **IV. Regulatory Update (Community Choice Partners)**

Community Choice Partners (CCP) was formed in 2013 as a public benefit corporation to coordinate multiple companies in providing services and consulting in renewables, distributed energy resources and advanced program designs, and regulatory strategies to local governments and CCAs. Its current clients include Sonoma Clean Power (SCP) and the City of San Diego. CCP will join the consultant team to advise on program design, phase in strategy, regulatory barriers/issues and mitigating strategies to the Countywide CCA. CCP’s President, Samuel Golding, was provided time to discuss updates on regulatory proceedings, the pros and cons of scale, and the Countywide CCA’s goals.

CCP provided a glimpse into the existing and ongoing regulatory complexities at the California Public Utilities Commission (CPUC) in launching and operating CCAs. Of particular interest now at the CPUC are the calculation of a series of charges that are considered “non-bypassable” to CCA customers. For example, PG&E is calculating its Power Charge Indifferent Adjustment (PCIA) which is a value that reflects impacts to PG&E’s power supply contracts when customers leave PG&E service and join a CCA. Depending on the power markets and PG&E’s contracts, PCIA charges can be negative (i.e., CCA customers are charged a PCIA value to prevent remaining PG&E customers’ rates increasing to cover these negative impacts to PG&E’s contracts. The PCIA impacts can also be positive; i.e., they would reflect a discount to CCA customer rates.

These PCIA calculations would also be conducted in SCE territory as customers are anticipated to join CCAs and leave SCE supply. These forecasts or actual charges will be part of the technical consultant study.

## **V. Land Use Planning Efforts (Large-Scale Solar Association)**

Large-Scale Solar Association (LSA) is a non-partisan, solar advocacy association whose purpose is to support market penetration of utility-scale solar technologies through appropriate policy mechanism. LSA represents the utility-scale industry in policy discussions to further support large-scale solar development. LSA's Senior Policy Advisor, Danielle Osborn Mills, was provided time to describe the association, policies affecting CCAs, and land use planning efforts.

LSA encouraged jurisdictions investigating CCA to also develop policies under their land use plans which support the regional and local development of renewable generation projects and technologies.

## **VI. County CCA Progress Update**

The County submitted the request for 82 datasets for the feasibility study on November 10, 2015. Southern California Edison (SCE) has been cooperative and receptive the County's CCA efforts. They estimated to deliver the first batch of data by December 21, 2015, the second batch of data by the second week of January 2016, and the third batch of data by the last week of January 2016.

Since this meeting, the County received the first batch of data on December 24, 2015. Subsequently we delivered the data to our technical consultant, EES Consulting (EES), for review and analysis. In mid-January of 2016, SCE provided the second batch of data. SCE's last data supply is expected to occur in early February of 2016. EES is currently developing a model for the aggregated cities' energy loads in order to create a 20 year forecast of load consumption across the County. This load forecast will be used to develop a power procurement cost forecast and estimate of other CCA operating expenses. From this, retail rates will be designed to collect the CCA's necessary revenues to pay off operating expenses, capital expenses and debt.

The next Task Force meeting is scheduled for February 24, 2016 and will be hosted by a San Gabriel Valley Council of Governments city.

## **VII. Questions and Answers**

How did Lancaster Clean Energy (LCE) fund the startup and operation of their program?

LCE had seed money from the City of Lancaster and financing from a local bank.

Could CRS elaborate on the retirement of RECs?

For every MWh of renewable electricity generation, a REC is created. Often in California, RECs are tracked in a system called WREGIS, although the Green-e Energy certification program does not require the use of a tracking system. Once a REC is used/claimed by a buyer, it is retired whether it is in a tracking system or not. A retired REC can no longer be used or traded by any other party.

If a CCA wants to do a lot of rooftop solar or distributed generation, how does that relationship work with the investor owned utility (IOU) as the distribution system operator?

The solar system interconnects to the IOU's distribution grid under a tariff and an interconnection process with the IOU. There are policies such as Net Energy Metering, which are being changed as we speak, which impact the way in which those systems are able to grow on certain places in the grid.

Marin Clean Energy (MCE) and Sonoma Clean Power (SCP) developed feed-in-tariff programs to incentivize more distributed generation since the IOUs don't offer service territory wide feed-in-tariff except a few pilot programs. This is an opportunity for CCAs to develop more distributed generation through proactive coordination with the IOUs as the grid operator. These integrated demand side resource program and distributor resource plans are perfect vehicles for CCAs and IOUs to cooperate.

How will the IOUs and an entity that provides more distributed generation work together to insure distribution system reliability?

We can bring someone from Southern California Edison (SCE) to provide insights at the next Task Force meeting.

Since the utility labor unions vehemently oppose unbundled RECs and some cities vehemently oppose to the use of unbundled RECs, can a CCA launch without unbundled RECs?

The important takeaway is RECs are the currency for trading renewable energy. No matter what, RECs are required for all procurement options. You can structure your program any way you want depending on the goals of the CCA. It's important not to conflate "renewableness" with localness. So if you or certain stakeholders are opposing unbundled RECs on the basis that they can be sourced from out of state or other markets then that is a basis on which to restrict procurement to only local renewable energy, but you still need the RECs as the verifiable tracking mechanism to demonstrate that you are delivering renewable energy. Unbundled RECs are an option and you can structure your program any way you want depending on the goals of the CCA, but you will need RECs to legitimize the claim that you are delivering renewable energy to customers.

From a financial standpoint, what are the pros and cons of not using unbundled RECs?

We will follow up and have a response by the next Task Force meeting.

What are the benefits of having multiple smaller CCAs within in the County as versus one CCA? ("When I say start small, I still mean approximately 8-10 times the size of MCE and SCP so your initial scale will be significant, groundbreaking actually.)

With the scale we've discussed, we will be able to deploy a broader sweep of services and become as sophisticated or more sophisticated than the IOU because we'll be able to spread the marginal costs for the expert services, software platforms, and etc. over a wider customer base and still have competitive rates. There is a nonlinear benefit to scale in this case. You just pop up your ability to engage in sophisticated portfolio modeling and procure power from a variety of different counterparties.

As part of the technical study and planning process, our focus is on standardizing, simplifying, and combining our various programs to streamline the delivery, financing, and integration of these assets into the broader grid. As distributed resources accelerate, they pose nontrivial impacts on how we manage distribution grid. The working theory is we need to start managing the distribution grid as we do for transmission grid, which is dynamic. The IOU or CCA must be able to optimize those interactions and how the distributed resources interact with both the local surrounding distribution grid and aggregated virtual power plant and interfacing that with the wholesale transmission grid. So those sort of activities benefit from scale.

From a project developer perspective, it helps to have a large CCA with a standardized set of programs, rules, price points, and market dynamics than multiple smaller CCAs. Multiple smaller CCAs may have less comprehensive approaches to distributed energy resources and different programs and rules which can suppress the market and limit the spread of distributed resources.

According to Michael Berwanger and Ian Parker, from financial standpoint, large scale is our friend! The feasibility study will provide quantitative analysis between a large CCA and multiple smaller CCAs.

In light of Pacific Gas and Electric (PG&E) recently doubling its Power Charge Indifference Adjustment (PCIA) rates, how do we know SCE won't do the same thing?

The California Public Utilities Commission (CPUC) will adopt PG&E's new PCIA rates. However the commission recognizes the flaws in the process and the lack of transparency to local governments interested in CCAs. The commission will host a workshop on December 17, 2015 to broaden the discussion about the PCIA methodology. Since the Countywide CCA is potentially 40% of SCE's service territory, LA County's objective is to have the workshop lead to a broader discussion whether or not to have a PCIA as CCAs impact the utility customer base at those magnitudes.

Did LCE negotiate with SCE regarding PCIA?

We are uncertain if LCE negotiated the PCIA rates or SCE already had the PCIA rates in their books. We do know that LCE negotiated a lower billing fee with SCE.

Do the batches of data come in any order, by region or city?

We didn't want to wait until the end of January 2016 to receive all of the 82 datasets so SCE divided the list by how they can get it to us.

Are there updates on the Countywide CCA governance structure?

We are referencing MCE and SCP's Joint Power Authority (JPA) governance documents in creating the Countywide CCA JPA governance document/operating manual. We will use the feasibility study, which will include the business plan, and the JPA governance document to shop for startup capital or other financial needs.

Even though there are three operating CCAs in California, this is a big deal therefore it requires experts. The same people who advise and implement programs for SCE are the type of people who will be involved in implementing a Countywide CCA. Whether it is one countywide CCA, multiple smaller CCAs within the County, or multiple CCAs within the state, it is critical importance to keep the lights on for customers.

#### What are the benchmarks guiding the feasibility study?

The initial benchmark is receiving data for unincorporated County and cities that don't have municipal owned utilities (MOU). We will start the technical analysis for the entire the County. The other benchmark is portfolio positioning matching the state's renewable portfolio standard (RPS) of 33%, then 50%, and 100%.

We will look at a number of different scenarios including SCE's rates, a long term business plan, RPS, and competitiveness.

#### Will the consultants look at local procurement?

We will look at local procurement but there is no reliable data unless there are projects already planned or designed. It will be difficult to project how much local potential and convert that into procurement costs without any engineering or preliminary work done. MCE and SCP developed plans for incentivizing for more local generation development.

#### What are the milestones in term of the County's feasibility study?

We will adjust our initial schedule with the actual data delivery dates from SCE.

#### Can you speak about the potential for a countywide build out of renewable energy infrastructure and the possibility of using revenue bonds to finance it?

Howard Choy will discuss this topic with Matt Skolnik from the Fourth District. A local government operated CCA, and a JPA operated CCA, are both allowed to issue revenue bonds for infrastructure. This is also a topic to be investigated by the CCA's Financial Advisor.