Community Choice Aggregation Task Force Meeting Notes

NUMBER:
CCA-LC 16-04

MEETING: **CCA TASK FORCE MEETING**
Chaired by Howard Choy, ISD

DATE: APRIL 14, 2016
TIME: 10:00 AM – 12:00 PM
LOCATION: 38250 SIERRA HWY, PALMDALE, CA 93550

MEMBERS IN ATTENDANCE:

Alan Weiner, 350 Conejo/ San Fernando Valley
Casey Connorton, BKi
Steve Culbertson, BKi
Maya Kelty, Center for Resource Solutions
Leah Bissonette, Center for Sustainable Energy
Cynthia Jarvis, City of Alhambra
Caitlin Sims, City of Beverly Hills
Charles Herbertson, City of Culver City
Joe Susca, City of Culver City
Rick Learned, City of Hermosa Beach
Mark Bozigian, City of Lancaster
Jason Candle, City of Lancaster
Barbara Boswell, City of Lancaster
Dennis Burke, City of Long Beach
Tony Foster, City of Long Beach
Sona Coffee, City of Manhattan Beach
Benjamin Lucha, City of Palmdale
James Purtee, City of Palmdale
Jim Knight, City of Rancho Palos Verdes
Christian Horvath, City of Redondo Beach
Heather Merenda, City of Santa Clarita
Joanna Stadler, City of Santa Clarita
Andi Lovano, City of West Hollywood
Gary Saleba, EES Consulting
Anne Falcon, EES Consulting
Tulsi Patel, ELP Advisors
Joseph Natoli, Goldman Sachs
Joe Sullivan, IBEW/ NECA
Jody London, Jody London Consulting
Matt Skolnik, LA County BOS, 4th District
Howard Choy, LA County ISD
John Geiger, LA County ISD
Ana Rosales, LA County ISD
Alexander Mena, LA County ISD
Greg Nelson, LA County SD
Terry Dipple, Las Virgenes-Malibu COG
Lillian Burkenheim Silver , LBS Consulting
Julien Gattaciecca, Luskin Center for Innovation
Alec Morand, N/A
Ryan Baron, Orange County
Connie Sullivan, Palos Verdes Peninsula Democratic Club
Marisa Creter, San Gabriel Valley COG
Linda Hillman, Santa Barbara County
Kim Fuentes, South Bay Cities COG
Joe Galliani, South Bay Clean Power
Ken Smokoska, South Bay Clean Power
Theodore Beatty, SCPPA
Tom Johns, Summit Power
Craig Perkins, The Energy Coalition
Joseph Moon, Town of Apple Valley
Brian Brennan, Ventura County

The 4th Los Angeles County Community Choice Aggregation Task Force Meeting consisted primarily of presentations by the County and CCA stakeholders. The PowerPoint slides for each presentation are attached to these minutes. Very brief descriptions of the key points of each presentation are provided below.

I. Technical Analysis and Business Plan Update (EES Consulting)

EES Consulting's President and CEO, Gary Saleba, and Senior Associate, Anne Falcon, discussed the status of the technical analysis, Business Plan, schedule, statewide and local CCA activities, and LA County specific activities. EES has been analyzing the historic 2015 electrical load data and developing forecasts for County municipal facilities, unincorporated areas, and 82 cities to determine the total retail energy, wholesale energy, and peaks. EES estimates County facilities demand 65 megawatts (MW), unincorporated areas demand 731 MW, and cities demand 4,271 MW, totaling 5,067 MW Countywide. According to the preliminary forecasts, the size and peak capacity of the Countywide CCA depend on the number of participating cities.

EES is researching resources to meet demand, renewable portfolio standard (RPS), resource adequacy (RA), and storage requirements. The RPS requires the investor-owned utilities (IOUs) to expand their renewable portfolio to 33% by 2020 then 50% by 2030. The operational CCAs already met and exceeded the current RPS by offering their customers 50% and 100% renewable energy. Under RA, the California Public Utilities Commission (CPUC) requires load-serving entities (LSE) to demonstrate that they have purchased capacity commitments of 115% of their peak loads. These purchase requirements are intended to secure sufficient commitments from actual, physical resources to ensure system reliability. Recently, the CPUC requires LSE to install energy storage to meet 1% of their peak loads by 2024.

EES is analyzing both wholesale market price forecast and renewable price forecast. The wholesale market price forecast is the Southern California natural gas price multiplied by the market price-implied heat rate. The costs for renewable resources, such as solar, wind, geothermal, and landfill gas power, greatly vary. For example, the levelized costs for solar and wind power are from $60/MWh to $100/MWh, depending on the project, location, and supplier. Based on a survey of renewable resource costs, EES assumes the base renewable energy market price is $85/MWh.

EES is analyzing the power supply scenarios and overall portfolio pricing. In the 33% RPS scenario, the 20-year levelized costs for renewable sources are $80/MWh. In the 50% RPS scenario, the costs for renewable sources are $85/MWh. And in the 100% RPS scenario, the costs for renewable resources are over $100/MWh. There are trade-offs between pricing versus resource mixes.

The Power Cost Indifference Adjustment (PCIA) is a cost recovery mechanism by the CPUC to compensate the IOUs for their stranded costs. If the Countywide CCA launch and take 3,000 aMW from Southern California Edison (SCE), then SCE will still have power contracts for 3,000 aMW. The PCIA will make them whole for the power that they already bought. There is no incentive to minimize IOU generation and power purchase costs. The IOUs are not considering the departing loads in their resource balances; therefore they're overbuying power, increasing their stranded costs, and increasing the PCIA fee, which financially impacts Direct Access (DA) and CCA customers. In the Bay Area, the PCIA fee is $0.04/KWh, which is a serious problem for Marin Clean Energy (MCE) and Sonoma Clean Power (SCP). The operational CCAs and LA County are discussing this issue at the CPUC.

EES plans to complete the forecast of SCE's rate, draft governance document, overall budget for the Countywide CCA, and draft Business Plan by the next meeting.

II. High Level Schedule Update (LA County)

LA County plans to complete the draft Feasibility Study and Business Plan by the end of April or early May. Another key document is the draft governance document, which the Task Force received today. With the Task Force's inputs, the County will finalize and distribute the governance document by the end of April. After, the Board of Supervisors and your respective governing organization will decide whether or not to join the JPA.

The County is still planning to launch the pilot in October 2016. Due to the delivery of the data in multiple batches, the Feasibility Study is taking longer than anticipated; the overall schedule is compressed. The compression is in the CPUC's review and approval process of the Feasibility Study, Business Plan, and Implementation Plan. At some point, the CPUC could drive the schedule.

The pilot will serve County municipal facilities in unincorporated areas, about 30 aMW. These accounts will most likely not opt out of the CCA, which is a stable load demand. This approach is similar to Lancaster Clean Energy's. The County encourages jurisdictions interested in becoming early adopters, at the municipal facilities level, to acquire the hourly consumption data for their municipal facilities.

The County is in the process of finalizing the collateral materials for the COG's to distribute to their respective jurisdiction members. The County is also working on a municipal stakeholder facing web page to share information and other resources relating to CCA and this Task Force's efforts. The County and the Consultant Team would be happy to discuss CCA at your COG meetings, city council meetings, or town hall meetings.

III. Regulatory Update (Jody London Consulting)

Jody London discussed regulatory issues affecting CCAs, including the PCIA, long-term procurement, and distributed energy resources. The PCIA was initially established as part of the 1990s electricity industry restructuring. It was intended to leave bundled customers remaining with the IOU "indifferent" to customers departing for DA. Each year, the IOUs participate in the Energy Resource Recovery Account (ERRA) proceedings to determine their cost recovery mechanisms. In December 2015, the CPUC upheld PG&E's surprisingly high PCIA fee, $0.04/KWh.

The PCIA formula calculates vintage. The IOUs want to assign a specific charge to each "batch" of customers, who depart for a CCA. If a CCA adds customers at different times, then different PCIA charges would apply. And, every time a customer moves, the customer is assigned a new "vintage," even though the load from that site stays relatively constant. Unfortunately, there is no standard timeframe over which the PCIA charge applies. And, the process and terms by which the PCIA is developed are not clear.

On March 8, 2016, the CPUC hosted a PCIA workshop. The County expects the CPUC to establish a working group involving the IOUs and operational CCAs to hash out a solution. LA County is working with other established and forming CCAs to have proposals for the working group.

The PCIA is one form of exit fees but they are springing up in other programs including energy storage, utility green tariffs, customer self-generation, potentially net energy metering and others. It is important for this Task Force to be vigilant and cooperative with the operational CCAs to respond to the exit fees.

Senate Bill 350 includes CCAs as LSE and requires them to develop Integrated Resource Plans. CCAs must show how they will: reduce greenhouse gas emissions, procure 50% renewable resource by 2030, double energy efficiency savings by 2030, ensure bundled customers remaining with the IOUs are indifferent to the CCA proposals, and fairly allocate costs for non-performance by the CCA or IOU. The CPUC is requiring the operational CCAs to participate in a new rulemaking proceedings (R. 16-02-007) to determine how to achieve the aforementioned requirements. The CCAs submitted their comments in March. The first scheduling meeting will be April 26; LA County will be there.

The CPUC has a different rulemaking proceeding, 14-10-003, to determine how to integrate distributed energy resources (DER) with traditional generation resources. The CPUC is looking at whether it can create an incentive by which the IOUs will solicit distributed energy resources. It would be a two-year pilot incentive program. The Countywide CCA could be a provider of these resources. Lastly, SCE has created an unregulated energy entity to sell DERs while SCE, the transmission grid operator, would receive a rate of return for distributing the DERs.

IV. Governance Update (LA County)

LA County ISD’s General Manager of Standards and Practices, John Geiger, discussed the key elements of the draft governance document. He encouraged the Task Force members and their legal counsels to review and comment on the draft.

The JPA is a separate government entity with the objective to establish and participate in a CCA. The geographic reach of the JPA is commissary with membership. Participation in the JPA is open to public agencies that have adopted an ordinance and have duly approved and executed the JPA agreement. The JPA document was designed for ongoing rolling admissions.

The appointing authority would be the Board of Supervisors, who can appoint any agency representatives whether they are County or not, as long as they are coming from a member. The initial Board of Directors would be a minimum of five directors and not more than nine directors. The Board will appoint an Executive Director and contract independent contractors from the public sector and consultants for specialized tasks.

The Board of Directors will establish both Brown Act standing committees and ad hoc committees. The Brown Act standing committees include a Technical and Operations Committee, Finance Committee, and Regulatory and Legislative Committees. Members of the JPA are automatically involved in the advisory committees. The committees would decide how to govern themselves and how to report back to the Board of Directors.

According to the government code, members will not absorb the debts, liabilities, and obligations of the JPA. Members are not required to make any financial contributions. The point of membership is to allow the constituents in your communities to have an opportunity to participate as customers of electrical resources through a CCA.

V. City of Palmdale Power Plant (Summit Power)

The City of Palmdale and Summit Power are partners working together to build a power plant in the city. Founded in 1994, Summit Power is a Seattle based power plant developer specializing in natural gas and renewable power generation. To date, their projects have generated over 9,000 MW.

Vice President of Project Development at Summit Power, Tom Johns, presented on the Palmdale energy project, which is a flexible capacity resource. It is a natural gas power plant that can ramp up and down quickly to allow the system help integrate renewable resources, which are fundamentally variable in output at any given minute. Palmdale developed the project then Summit Power acquired the rights and permits for the project in 2015. Summit Power is in the process of buying the permits to reflect the new technology by Q1 2017. It is an important economic driver for the region; Summit Power estimates 340 high-paying union jobs during the three year construction period and over 70 direct and indirect jobs long term. The power plant will be an important taxpayer, supporting local services.

The plant is a 650 MW nominal project. The plant can bring 440 MW to the total output online in 10 minutes. Because it can start in 10 minutes, it is considered as an operating reserve by LSE and CalISO to deal with contingencies on the system. Older plants that take several hours to start up often have to idle and generate a minimal load for high percentage of the hour, which waste fuel and create unnecessary greenhouse gas emissions. The plant will provide flexibility to integrate renewable resource into the system because it can generate a minimum load of 130 MW to full load of 650 MW in 13 minutes. It’s a dry cooled plant and the water it does use is reclaimed water. It will most likely be one of the most efficient plants in California.

The Palmdale Power Plant will help integrate renewable resources into the system by supplementing electricity during intermittent renewable resources generation. The plant’s ability to quickly ramp up and down during the morning and evening will become increasingly important. Older existing thermal generators cannot ramp quickly enough and cannot operate cleanly at partial loads.

VI. Next Meeting

The next meeting is scheduled for Thursday, May 12, 2016 from 10:00 am to 12:00 pm at the Los Angeles Hall of Justice, 211 W Temple St, Los Angeles, CA 90012. Please confirm with John Phan, jphan@isd.lacounty.gov, if you're planning to attend in person and require parking validation, via email by COB Tuesday, May 10, 2016. If you're planning to view the webinar session, please register through GoToWebinar.

VII. Questions and Answers

What does aMW mean?

Average megawatts, it's the annual energy/number of hours.

According to the graph, are you projecting brown power to be level?

For this particular scenario, which is meeting the minimum 33% RPS. EES will analyze the power supply of other different scenarios.

How would the shutdown of the Aliso Canyon Natural Gas Well and other distribution centers affect the price of electricity?

The presentation shows the baseline/base case forecasts; EES will perform stress tests on all the key variables, such as gas prices and loads, to determine whether or not certain deals benefit LA County. Prices greatly affect power supply but there are many uncertainties right now.

Is there a state law requiring a certain amount of energy storage by a certain date?

The CPUC recently adopted a rule requiring LSE to install energy storage to meet 1% of their loads by 2024; the rule came from Assembly Bill 2514. Right now, the available options are expensive and in their infancy.

Is it intended to reduce the peak or increase reliability?

The rule is intended to mitigate issues on the transmission system caused by distributed generation and residential solar generation. Energy storage is important to the California Independent System Operator (CalISO), which is the transmission grid operator, because they want to know that resources will be available during peak demand. By shaping the load, energy storage could put more renewable energy into the transmission grid.

Since the state invested billions into the California Solar Initiative, other technology manufacturers, including energy storage and biomass, are requesting similar investments.

Could our CCA take advantage of the available incentives for energy storage and include the technology in our operations?

The IOUs like to purchase things and earn incentives on them. They want you to bundle it all up like distributed resources. There are definitely opportunities for the CCA to take advantage of the incentives.

I wanted to point out that Telsa isn’t the only battery manufacturer; there are GE and other manufacturers.

What is the conversion of the PCIA fee from $0.04/KWh to MWh?

PG&E’s PCIA is 0.04/KWh or $40 MWh. Currently, SCE’s PCIA is less than PG&E’s.

How can we keep moving forward with the CCA efforts if there is a chance for SCE’s PCIA to blow up on us?

It could, EES is analyzing how big the PCIA could be and how to make it work for LA County.

Is the PCIA collected within the first year of a customer’s departure from the IOU or is it an ongoing fee?

It is an ongoing fee. Both operational CCAs and community activist groups interested in CCAs are vigorously working to resolve this issue at their respective fields. An important next step for the County is to meet with SCE to discuss their PCIA.

Is the market PPA for natural gas?

No, it’s electricity through a PPA agreement with a supplier. Most likely, this electricity will be generated by natural gas.

What are brown resources?

They’re investments in a natural gas plant.

What are renewable resources?

Market renewable power.

Can you assign some of your cogeneration plants to the CCA?

Our cogen facilities are very ancient and inefficient. However, the LA County Sherriff’s Department is looking at new generation projects on their lands and we have introduced CCA into the discussion. So there are a lot of opportunities for the County to be a power producer.

Do you see the IOUs ramping down their power purchases in anticipation of their departing loads?

They’re starting to ramp down but not fast enough from our view; they’re still over buying.

When you talk about CCA, there are differences between Northern California and Southern California. For example, SCE’s business plan describes itself as distribution utility whereas PG&E sees itself as a power supply and distribution utility. Since SCE is transitioning to become a distribution utility, we hope to have more open dialogues with them.

Is that a zero-sum game or will inputs from the Task Force be included in the final draft of the governance document?

Absolutely, comments are welcomed. You have the draft in your hands now and it is our expectation to receive inputs by the end of the month.

When are you looking for responses from jurisdictions, is it by the end of this month?
No, the final out of this group will be in the hands of the jurisdictions by the end of April.

Will there be an independent review outside of your group?
The Task Force members will be reviewing it.

If the jurisdictions and their legal counsels receive the final governance document, how will they provide their comments?

The governance document can change after we call it “final.”

Will we contact you to acquire hourly consumption data for our municipal facilities?

No, you would have to acquire the data from SCE.

So we don’t have access to the data purchased by the County?

We got the data for all the cities based on the way SCE provided to us, hourly but aggregated by their tariffs. For your own municipal facilities, you can get the hourly data from SCE directly.

Can we get the citywide data from you?

Unfortunately, there is an NDA. The County will meet with SCE to discuss this issue.

If a city joins the CCA, then would the County be able to share the data with them?

We will touch base with SCE on this topic. We’ll report back the outcomes from these conversations by the next meeting.

Do you advise the cities signed the SCE forms?

SCE requires the executive officer of the city to sign a letter indicating that they’re researching CCA and NDA to acquire data.

MCE offers energy efficiency programs to their customers but SCP isn't. Will the Countywide CCA offer energy efficiency programs to your customers?

We're looking into it.

How can the IOUs apply the PCIA or exit fees to new developing program?

From the IOU's view point, until I receive notice that you're leaving for a CCA, I will assume you're my customer and I will procure on your behalf.

The IOUs have long term contracts, which they purchased when their customer base was larger. When customers depart for CCA, the IOUs have to sell the excess electricity at market price, which is a lot cheaper than when they entered the power contract. The PCIA fee covers the difference between the contract price and market price.

How do you envision this JPA giving local jurisdictions the local control that this Task Force promised? Do you envision a CCA in which its members are also members of this JPA? Or do you envision multiple regional CCAs participating in this JPA?

That is a great question because I can envision both. Certainly a JPA can become a member of a JPA. In terms of voice, memberships is given to you all. Because there is no cost to get in and members can leave at any point, there is a huge premium on doing the right thing and being responsive to members. No one is being held in.

Do you have the most voice coming in as an individual member or a greater voice coming in as a JPA into a larger JPA? There is nothing in terms or governance and the way of voting that create a prohibition or disincentive in doing that. Speak early and speak often.

How complicated would it be to add stipulations to have a certain number of city members and County members as well as a distribution of membership between North County, beaches, and inland areas?

Interestingly, amongst the various things required under the government code for JPA, a board of director governance is not one of them. You actually could vested into a single authority. You still have to have decision making done in a public way, which would be catamount to the Brown Act. But if you vested in a single agent then you'd technically won't be a Brown Act body. That could have a lot of unintended consequences including transparency and participation issues. Having a Board of Directors is clearly the model to go.

There is a potential for an imbalance in terms of population representation, user representation, contribution of resources, or financial obligation. Even though there is no contribution required by members, I fully expect, at some point, the County may have to provide the important startup fund, which is a factor against future receivables of ongoing operation of the CCA. Because of the bond rating, the strength, or wanting to avoid the disincentive for membership, I would anticipate the county solely sign would on the obligation, it is not a CCA or members of the JPA obligation. I think it's always important for a rational sense of government not to have a disconnect between resources contributed and control. I think it’s problematic to have these breakdowns.

I am aware of the perception of a County centric JPA that doesn’t afford voices, I went to the very aggressive other side of the standing Brown Act committees where members are involved. At the end of the day, if the JPA is not responsive then it will lose members.

If the only option for grievance is taking my ball and going home, then are there mechanisms to protect the consumers?

I am open to hear all the models. By giving full participation to standing committees and a Board connected to the committees, members have places to go for voice. Can you build in more options for inputs at a membership level? I am open to your suggestions.

There should be language requiring a certain number of the Board of Directors appointed by city selection. I don’t see cities in the SGVCOG would be ok with the JPA without that type of language.

More about the process by which the Board would select the JPA Board of Directors is something we can work on.

Can you contrast this concept with how MCE and SCP operate?

You’re a member of the board if you join the JPA. Marin County has about 12 cities so each city has a seat on the board. Their vote is proportion by load in the territory. That is a hard model to comprehend in LA County.

Our cities don’t believe the liability will stay with the JPA. Can you put language addressing liability issues?

Yes, we will include that.

Let’s say, if the SGVCOG opts in but West Covina doesn’t do anything, are the residents of West Covina eligible to be in the JPA or no?

You can’t increase your geography to non-jurisdiction members but you can still increase your association member under the JPA Act.