



# STAFF REPORT CITY OF SOLANA BEACH

**TO:** Honorable Mayor and City Councilmembers  
**FROM:** Gregory Wade, City Manager  
**MEETING DATE:** October 11, 2017  
**ORIGINATING DEPT:** City Manager's Department  
**SUBJECT:** **Council Consideration of Authorization to Move Into Phases 2 and 3 of CCA Development and Implementation**

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## BACKGROUND:

Community Choice Aggregation (CCA), authorized by Assembly Bill 117, is a state law that allows cities, counties and other authorized entities to aggregate electricity demand within their jurisdictions in order to purchase and/or generate alternative energy supplies for residents and businesses within their jurisdiction while maintaining the existing electricity provider for transmission and distribution services. The goal of a CCA is to provide a higher percentage of renewable energy electricity at competitive and potentially cheaper rates than existing Investor Owned Utilities (IOUs), while giving consumers local choices and promoting the development of renewable power sources and local job growth. Since 2011, City Staff has been tasked by the City Council to research and analyze the possibility of developing a viable CCA for Solana Beach.

The City Council first placed researching CCA in the Council Work Plan in Fiscal Year 2012/2013 as an "Unprioritized Environmental Sustainability Issue". The following year, Council elevated the item to a "Priority Issue" and directed Staff to more closely monitor the progress of the San Diego Energy District, a local group studying the viability of the regional formation of a CCA in San Diego County.

On January 14, 2015, the City Council passed a Resolution of Support to continue studying the feasibility of the formation of a CCA and to demonstrate to the region that the City is committed to developing and implementing a local CCA. Soon after, the City was approached by a company, California Clean Power (CCP), who proposed preparing a feasibility/technical analysis report, at no cost to the City, to study the potential of a CCA in Solana Beach, which is the first necessary step in the process of developing a CCA.

CITY COUNCIL ACTION:

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On May 11, 2016, the City Council received the final Technical Study that demonstrated that a CCA, either through a public/private partnership or through a regional Joint Powers Authority (JPA), would be feasible for Solana Beach (a copy of the Technical Study is at [http://solana-beach.hdso.net/docs/CCA/CCA\\_TechnicalAnalysis.pdf](http://solana-beach.hdso.net/docs/CCA/CCA_TechnicalAnalysis.pdf)). During this meeting, the City Council directed Staff to prepare a request for proposals to seek comprehensive consultant services to further assess, finance, develop, implement and operate a CCA on behalf of the City. Council also directed Staff to continue meeting with neighboring cities including Del Mar, Encinitas, Carlsbad and Oceanside to discuss the possibility of partnering in a JPA or other regional CCA in the future. Staff then began working on developing a Request for Qualifications/Proposals (RFQ/P) to seek qualified consultants to assist with the development and ongoing administration of a local CCA.

On June 22, 2016, the City Council unanimously authorized the release of the RFQ/P to solicit proposals for the development and ongoing administration of a local CCA program. Staff came back to the City Council on September 14, 2016 with the results of the RFQ/P. The City received three (3) proposals and evaluated the RFQ/P submittals with assistance from outside expert consultants.

On November 16, 2016, the City Council authorized and directed the City Manager to negotiate a professional services agreement with The Energy Authority (TEA) and Calpine (formerly Noble Energy Services) to develop, finance, implement and manage a local CCA program. Collectively, TEA and Calpine have more than 36 years of experience in energy procurement, including operations, risk management and regulatory compliance and over 8 years of direct experience with CCA formation and operations and are currently providing services to seven of the active CCA's in California.

On May 24, 2017, the City Council authorized the execution of professional services agreements with TEA and Calpine to enter into Phase 1 of the CCA development and implementation efforts. Since that time, TEA and Calpine have been working with City Staff to accomplish the tasks of Phase 1 consisting primarily of the initial public engagement efforts, the updated technical analysis/financial Pro Formas and the draft Implementation Plan.

This item is before the City Council to receive an update on the Phase 1 tasks and to consider authorizing the City to move into Phases 2 and 3 of CCA development and implementation.

### **DISCUSSION:**

Community Choice Aggregation (CCA) is not a new phenomenon and several CCA's are currently operating successfully in California and in other states. To date, there are thirteen (13) operational CCA programs in California, up from eight (8) as reported in the May 24, 2017 Staff Report. The thirteen operating programs are:

- Marin Clean Energy
- Sonoma Clean Power
- Lancaster Choice Energy
- CleanPowerSF
- Peninsula Clean Energy
- Redwood Coast Energy Authority
- Silicon Valley Clean Energy
- Apple Valley Choice Energy
- East Bay Community Energy
- Los Angeles County Choice Energy
- Monterey Bay Community Power
- Pioneer Community Energy
- Pico Rivera Innovative Municipal Energy (PRIME)

There are another five (5) emerging CCA programs actively being developed:

- Central Coast Power
- San Jose Clean Energy
- South Bay Clean Power
- Western Riverside Association of Governments (WRCOG) and Coachella Valley Association of Governments (CVAG)
- San Jacinto Power

#### CCA Development Phasing

The City developed the RFQ/P in a way that would require no upfront funding or credit support from the City and would place that obligation on the selected consultant team with future credit support and financial backing provided by the operational CCA. As proposed by TEA and Calpine, the CCA development was separated into three (3) phases with a goal for program launch within the first year followed by provision of two to five years of power supply and all CCA operational services. The phases are broken up as follows:

Phase 1	Phase 2	Phase 3
Program Development	Program Launch	Operations
0-6 Months	6-12 Months	Years 2-5
<ul style="list-style-type: none"> <li>• Technical study completed</li> <li>• Community and local government outreach</li> <li>• Implementation Plan drafted</li> <li>• Operations, budget, and staffing plan developed</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation Plan certified</li> <li>• Data management, accounting, and back office functions established</li> <li>• Utility service agreement, regulatory registrations, bond posting</li> <li>• Power procurement and contracting</li> <li>• Rate design/rate setting</li> <li>• Public outreach and marketing campaign</li> <li>• Customer notifications/enrollment period</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing power supply services (scheduling, etc.)</li> <li>• Customer account management</li> <li>• Community outreach and marketing</li> <li>• Regulatory and legislative affairs</li> <li>• Net energy metering and feed-in tariff</li> <li>• Enrollment of additional communities</li> </ul>

As soon as the Council authorized moving into Phase 1 of the CCA development, Staff and the consultant team immediately began working on the tasks listed above. The results of the key tasks (Technical Study update, community outreach and Implementation Plan) are outlined in more detail below.

Technical Study Update and Feasibility Scenarios

Given that the City’s original Technical Study was completed in April 2016, a few of the key assumptions included in the study needed to be updated to accurately reflect current conditions to analyze the ongoing feasibility of a potential CCA. As mentioned in the May 24, 2017 Staff Report, the City retained the services of EES Consulting Inc. to conduct an independent, third party peer review of the City’s Technical Study. EES concluded that, “Overall, the CCA Study provided an adequate level of analysis for decision-making given the early stage of consideration by the City. In the opinion of EES, the CCA Study is a good basis for making policy decisions about proceeding with the CCA for the City.” However, EES identified a few key assumptions that were either out of date or too generic in nature and recommended that they be more refined by the consultant tasked with developing the proposed CCA. These included:

- The cost of renewables and the escalation rate appear to be too high.
- The PCIA (Power Charge Indifference Adjustment) levels are expected to be higher in 2017 and beyond.
- The SDG&E rate is too simplistic.

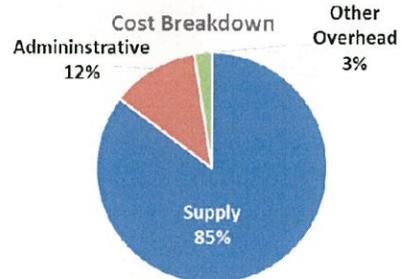
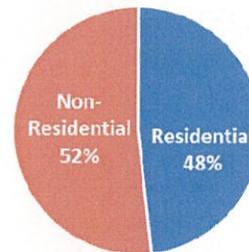
TEA ensured their updated technical analysis included these recommendations and utilized current and forecasted SDG&E rates, renewable energy costs and PCIA costs. TEA also projected future PCIA charges through 2027 factoring in many variables that include SDG&E contract roll-offs, premium renewable energy charges and estimated

future market prices. TEA then used the technical analysis to develop financial Pro Formas at various levels of renewable energy scenarios similar to what was included in the original CCP study. The updated scenarios included the expected program revenues versus costs to test feasibility and demonstrated once again, that a CCA in Solana Beach is financially feasible. It should be noted that the costs in each scenario include all costs including energy costs, consultant costs to administer the program and program reserve requirements.

Base Scenario – 33% Renewable Energy (Renewable Portfolio Standard Compliant)

Five Year Total (2018-2022)	
Total Revenues	\$21,958,707
Total Costs	\$18,969,038
Retained Revenue	\$2,989,669
% of Revenue	13.6%

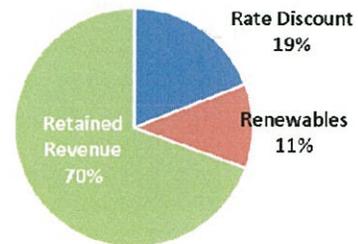
Revenue Breakdown



50% Renewable Energy and 2% Rate Savings

Five Year Total (2018-2022)	
Rate Discount	\$571,166
Renewables	\$339,419
Retained Revenue	\$2,079,083
% of Revenue	9.7%

Retained Revenue Allocation



### 100% Renewable Opt-Up (Voluntary)

- CCA Opt-Up Rate
  - Based on 50% default portfolio
  - Between \$0.003/kWh - \$0.010/kWh higher than 50% default rate

<b>Typical Monthly Bill (non T&amp;D) - 2018</b>	
<b>Residential Usage (kWh)</b>	<b>437</b>
<b>CCA Rate</b>	<b>\$0.07</b>
<b>PCIA + Franchise Fee</b>	<b>\$0.03</b>
<b>Average Bill</b>	<b>\$43.29</b>
<b>Opt-Up Rate</b>	<b>\$0.01</b>
<b>Opt-Up Cost</b>	<b>\$4.37</b>

### Community Engagement Efforts

Another significant element of Phase 1 of the CCA development is community engagement. This community engagement effort has been conducted primarily by City Staff with assistance from the City's consultant team and Climate Action Commission members. The community engagement efforts focused primarily on gauging general community interest in CCAs and were conducted at various community events over the past several months. Outreach efforts were conducted at:

- Concerts at the Cove
- Farmer's Market
- Chamber of Commerce Business Expo
- Community group presentations (HOAs, civic groups, etc.)

The City also developed a basic survey (Attachment 2) to gauge community interest in implementing a CCA and, if interested, to assess the respondents' priorities in developing the program. Respondents not in favor of a CCA were asked to state their reasons for opposing a CCA. There was also room to provide additional comments and questions, if necessary. These surveys were conducted at the community outreach events and were also sent out via the City's eBlast notification system. To date, the City has received 105 responses. The general results of the survey are as follows:

1) Are you interested in having a CCA program in Solana Beach?

Yes – 88 (83.8%)

No – 17 (16.2%)

2) If yes, what do you believe is the most important? (please mark all that apply)

<b>Value</b>	<b>Count</b>
Customer Choice	49
Local Control (i.e.: Rate Setting, Policy Decisions, etc.)	52
Competitive or Lower Prices	60
Local Benefits	37
Increase in Renewable Energy / Reducing Greenhouse Gas Emissions	74
<b>Other</b>	
Lowest cost possible	1
Higher \$ return for KWHs our solar panels add to the grid	1
Long term stability to rates and service	1

3) Would you like to learn about CCA and/or receive updates on Solana Beach's progress?

Yes – 97 (92%.4)

No – 8 (7.6%)

City Staff will continue to compile the written responses received and will be responding accordingly, whether that be incorporating the answers to the questions in an additional document/FAQ or incorporating them into the next CCA public workshop.

The community engagement has been limited to providing general education of what a CCA is, what the benefits could be, what the potential risks are and how they have been mitigated by other existing CCAs and gauging the level of community support to pursue further development and launch of a CCA. In conducting the initial public outreach, it appeared that many people are currently aware of what a CCA is and many had more technical and structural questions that will be more appropriated answered in Phase 2. If Council authorizes the City to move into Phase 2 of CCA development, many of these more technical questions can be addressed including potential rates, how this will affect current solar customers (net energy metering) and determining the renewable energy content options.

A major focus of the Phase 2 outreach efforts will be engaging the business community. Staff has already begun to reach out to the business community through the Chamber of Commerce and by contacting the larger commercial business energy users to conduct direct outreach and education to them. If Council authorizes the program to move into Phase 2, this will be a major focus of the community engagement program.

### Draft Implementation Plan

As part of the Phase 1 tasks, TEA has been working on a draft Implementation Plan and Statement of Intent (Implementation Plan) that, if authorized by City Council, will need to be submitted to the California Public Utilities Commission (CPUC) for certification prior to the launch of a CCA. The Implementation Plan describes the City's plans to implement a voluntary CCA program for electric customers within the jurisdictional boundary of Solana Beach. The content of the Implementation Plan complies with the statutory requirements of AB 117. As required by Public Utilities Code Section 366.2(c)(3), the Implementation Plan details the process and consequences of aggregation and provides the City's statement of intent for implementing a CCA program. A draft Implementation Plan is included as Attachment 2.

### Fiscal Impact

Pursuant to the Resource Management Agreements with the consultant teams, Phase 1 services were completed with no upfront costs to be paid to the consultant team from the City. Based upon the results of Phase 1 activities (updated technical study/financial analysis, community engagement and draft Implementation Plan), the City Council could decide to stop the CCA development and implementation with no financial implications to the City. However, if the City Council authorizes the City to move into Phase 2 of the development and implementation, then financial obligations will begin to accrue for tasks already completed in Phase 1 as well as those tasks to be completed in Phases 2 and 3 by the consultant teams. However, it should be noted that, under the terms of the Resource Management Agreements, these costs will be deferred until the CCA is launched and revenue is available to pay for these costs. However, if the City moves into Phase 2 and, for whatever reason, decides to not launch, the City will be liable for costs incurred up to that point, or a maximum of \$150,000.

### **CEQA COMPLIANCE STATEMENT:**

Not a project as defined by CEQA

### **FISCAL IMPACT:**

As mentioned previously, all actions and associated costs in Phase 1 were borne by the consultant team. However, if the Council elects to proceed with the CCA, costs will then be incurred but would be paid for by the CCA after revenue begins to come into the CCA. Additionally, the City has incurred Staff costs as well as consultant services costs to provide assistance to the City in the review of proposals and negotiation of the proposed contracts to ensure the CCA is structured in a manner that protects the City's General Fund while providing the necessary legal protections as directed by the Council. Minimal additional consultant services are ongoing for assistance in the ongoing development and implementation of Phase 1 tasks. These costs can also be reimbursed through CCA program revenue after launch.

**WORK PLAN:**

Environmental Sustainability – “Policy Development” – Priority Item 2) Develop and Implement a Community Choice Aggregation (CCA) Program

**OPTIONS:**

- Approve Staff recommendation and authorize the City to move into Phases 2 and 3 of CCA program development and implementation.
- Do not approve Staff recommendation.
- Provide further direction to Staff.

**DEPARTMENT RECOMMENDATION:**

Staff recommends the City Council authorize the City to move into Phases 2 and 3 of CCA program development and implementation.

**CITY MANAGER RECOMMENDATION:**

Approve Department Recommendation

  
\_\_\_\_\_  
Gregory Wade, City Manager

Attachments:

1. CCA Community Engagement Survey
2. Draft Implementation Plan



## COMMUNITY CHOICE AGGREGATION (CCA) SURVEY

### Personal Information (Optional)

Name: \_\_\_\_\_ Email: \_\_\_\_\_ Phone: \_\_\_\_\_

### CCA Interests

Are you interested in having a CCA program in Solana Beach?  Yes  No

If yes, what do you believe is most important? (Please mark all that apply)

- Customer Choice                       Increase in Renewable Energy / Reducing Greenhouse Gas Emissions  
 Competitive or Lower Prices       Local Control (ie: Rate Setting, Policy Decisions, etc.)  
 Local Benefits                          Other: \_\_\_\_\_

If no, why: \_\_\_\_\_

### Join Our Newsletter

Would you like to learn about CCA and/or receive updates on Solana Beach's progress?  Yes  No

# **CITY OF SOLANA BEACH**

## **COMMUNITY CHOICE AGGREGATION IMPLEMENTATION PLAN AND STATEMENT OF INTENT - DRAFT**

**October 2017**

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# 1 INTRODUCTION

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The City of Solana Beach (“City” or “Solana Beach”), located within San Diego County, is pursuing the implementation of a community choice aggregation program (“CCA”), which has been named Solana Beach CCA (the “Program” or “SBCCA” – \*this is a placeholder). SBCCA will offer service to all eligible customers within the City’s geographic boundaries.

This Implementation Plan and Statement of Intent (“Implementation Plan”) describes the City’s plans to implement a voluntary CCA program for electric customers within the jurisdictional boundaries of Solana Beach that currently take bundled electric service from San Diego Gas and Electric (“SDGE”). The Program will provide electricity customers the opportunity to jointly procure electricity from competitive suppliers, with such electricity being delivered over SDGE’s transmission and distribution system. The planned start date for the Program is June, X 2018. All current SDGE customers within the City’s service area will receive information describing the SBCCA Program and will have multiple opportunities to opt out and choose to remain full requirement (“bundled”) customers of SDGE, in which case they will not be enrolled. Thus, participation in the SBCCA Program is completely voluntary. However, customers, as provided by law, will be automatically enrolled according to the anticipated schedule later described in Chapter 5 unless they affirmatively elect to opt-out.

Implementation of SBCCA will enable customers within Solana Beach’s service area to take advantage of the opportunities granted by Assembly Bill 117 (“AB 117”), the Community Choice Aggregation Law. Solana Beach’s primary objectives in implementing this Program are to procure an electric supply portfolio with higher renewable content than SDGE; to provide cost competitive electric services; and to sustain long-term rate stability for residents and businesses through local control. The prospective benefits to consumers include increased renewable energy options, stable and competitive electric rates, and the opportunity for public participation in determining which technologies are utilized to meet local electricity needs.

To ensure successful operation of the Program, the City has contracted with a not-for-profit energy services company that will procure SBCCA’s initial supply portfolio in the open market. Information regarding the procurement process is contained in Chapter 10.

The California Public Utilities Code provides the relevant legal authority for the City to become a Community Choice Aggregator and invests the California Public Utilities Commission (“CPUC” or “Commission”) with the responsibility for establishing the cost recovery mechanism that must be in place before customers can begin receiving electrical service through the SBCCA Program. The CPUC also has responsibility for registering the City as a Community Choice Aggregator and ensuring compliance with basic consumer protection rules. The Public Utilities Code requires adoption of an Implementation Plan at a duly noticed public hearing. The plan must then be filed with the Commission.

On October X, 2017 the City, at a duly noticed public hearing, introduced this Implementation Plan, through Ordinance No. XXX (a copy of which is included as part of Appendix A). Then on October Y, 2017, the City, at a duly noticed City Council meeting, approved this Implementation Plan and the implementation of a CCA Program through the adoption of Ordinance No. XXX.

## **SBCCA Implementation Plan**

The Commission has established the methodology to use to determine the cost recovery mechanism, and SDGE has approved tariffs for imposition of the cost recovery mechanism. Having accomplished this milestone, the City submits this Implementation Plan to the CPUC. Following the CPUC's certification of its receipt of this Implementation Plan and resolution of any outstanding issues, the City will take the final steps needed to register as a CCA prior to initiating the customer notification and enrollment process.

### **1.1 STATEMENT OF INTENT**

The content of this Implementation Plan complies with the statutory requirements of AB 117. As required by Public Utilities Code Section 366.2(c)(3), this Implementation Plan details the process and consequences of aggregation and provides the City's statement of intent for implementing a CCA program that includes all of the following:

- Universal access;
- Reliability;
- Equitable treatment of all customer classes; and
- Any requirements established by state law or by the CPUC concerning aggregated service.

### **1.2 ORGANIZATION OF THIS IMPLEMENTATION PLAN**

The remainder of this Implementation Plan is organized as follows:

Chapter 2: Aggregation Process

Chapter 3: Organizational Structure

Chapter 4: Startup Plan & Funding

Chapter 5: Program Phase-In

Chapter 6: Load Forecast & Resource Plan

Chapter 7: Financial Plan

Chapter 8: Rate setting

Chapter 9: Customer Rights and Responsibilities

Chapter 10: Procurement Process

Chapter 11: Contingency Plan for Program Termination

Appendix A: City of Solana Beach Ordinance No. XXX (Adopting Implementation Plan)

The requirements of AB 117 are cross-referenced to Chapters of this Implementation Plan in the following table.

AB 117 Cross References

AB 117 REQUIREMENT	IMPLEMENTATION PLAN CHAPTER
Statement of Intent	Chapter 1: Introduction
Process and consequences of aggregation	Chapter 2: Aggregation Process
Organizational structure of the program, its operations and funding	Chapter 3: Organizational Structure Chapter 4: Startup Plan & Funding Chapter 7: Financial Plan
Disclosure and due process in setting rates and allocating costs among participants	Chapter 8: Rate setting
Rate setting and other costs to participants	Chapter 8: Rate setting Chapter 9: Customer Rights and Responsibilities
Participant rights and responsibilities	Chapter 9: Customer Rights and Responsibilities
Methods for entering and terminating agreements with other entities	Chapter 10: Procurement Process
Description of third parties that will be supplying electricity under the program, including information about financial, technical and operational capabilities	Chapter 10: Procurement Process
Termination of the program	Chapter 11: Contingency Plan for Program Termination

## 2 AGGREGATION PROCESS

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### 2.1 INTRODUCTION

This Chapter describes the background leading to the development of this Implementation Plan and describes the process and consequences of aggregation, consistent with the requirements of AB 117.

## **SBCCA Implementation Plan**

In early 2016 Solana Beach engaged the assistance of California Clean Power to evaluate the feasibility of Solana Beach operating a standalone CCA program. The initial study revealed that a CCA program was viable, offering customers rates competitive with SDGE. The City has subsequently contracted with EES to validate the results of the initial feasibility study as some time had passed. EES also found a Solana Beach CCA to be viable. Finally, in 2017, the City contracted with The Energy Authority (TEA) to be its wholesale services provider. TEA has refreshed the feasibility analysis and finds SBCCA to be feasible as reflected in this implementation plan.

The City created SBCCA with the following objectives: 1) procure a power supply with greater renewable content than SDGE; 2) help meet the goals of the Climate Action Plan to reduce GHG emissions; 3) provide cost-competitive electric services to the residents of Solana Beach; 4) gain local control of the City's energy procurement needs; and 5) provide local clean energy programs and benefits.

The City released a draft Implementation Plan in October, 2017, which described the planned organization, governance and operation of the CCA Program. Following consideration of comments related to the draft document, a final Implementation Plan was prepared and duly adopted by the Solana Beach City Council.

The SBCCA Program represents a culmination of planning efforts that are responsive to the expressed needs and priorities of the residents and business community within Solana Beach. The City plans to expand the energy choices available to eligible customers through creation of innovative new programs for voluntary purchases of renewable energy and net energy metering to promote customer-owned renewable generation.

### **2.2 PROCESS OF AGGREGATION**

Before they are enrolled in the Program, prospective SBCCA customers will receive two written notices in the mail, from Solana Beach, that will provide information needed to understand the Program's terms and conditions of service and explain how customers can opt-out of the Program, if desired. All customers that do not follow the opt-out process specified in the customer notices will be automatically enrolled, and service will begin at their next regularly scheduled meter read date following the date of automatic enrollment, subject to the service phase-in plan described in Chapter 5. The initial enrollment notices will be provided to customers in April 2018, with a second notice being provided in May 2018.

Customers enrolled in the SBCCA Program will continue to have their electric meters read and to be billed for electric service by the distribution utility (SDGE). The electric bill for Program customers will show separate charges for generation procured by the City as well as other charges related to electricity delivery and other utility charges assessed by SDGE.

After service cutover, customers will have approximately 60 days (two billing cycles) to opt-out of the SBCCA Program without penalty and return to the distribution utility (SDGE). SBCCA customers will be advised of these opportunities via the distribution of two additional enrollment notices provided within the first two months of service. Customers that opt-out between the initial cutover date and the close of the post enrollment opt-out period will be responsible for program charges for the time they were served by SBCCA but will not otherwise be subject to any penalty for leaving the program. Customers that have not opted-out within thirty days of the fourth enrollment notice will be deemed to have elected to become a participant in the SBCCA Program and to have agreed to the SBCCA Program's

## **SBCCA Implementation Plan**

terms and conditions, including those pertaining to requests for termination of service, as further described in Chapter 8.

### **2.3 CONSEQUENCES OF AGGREGATION**

#### **2.3.1 Rate Impacts**

SBCCA Customers will pay the generation charges set by the City and no longer pay the costs of SDGE generation. Customers enrolled in the Program will be subject to the Program's terms and conditions, including responsibility for payment of all Program charges as described in Chapter 9.

The City's rate setting policies described in Chapter 7 establish a goal of providing rates that are competitive with the projected generation rates offered by the incumbent distribution utility (SDGE). The City will establish rates sufficient to recover all costs related to operation of the Program, and the Solana Beach City Council will adopt actual rates.

Initial SBCCA Program rates will be established following approval of the City's inaugural program budget, reflecting final costs from the SBCCA Program's energy procurement. The City's rate policies and procedures are detailed in Chapter 7. Information regarding final SBCCA Program rates will be disclosed along with other terms and conditions of service in the pre-enrollment and post-enrollment notices sent to potential customers.

Once Solana Beach gives definitive notice to SDGE that it will commence service, SBCCA customers will generally not be responsible for costs associated with SDGE's future electricity procurement contracts or power plant investments. Certain pre-existing generation costs and new generation costs that are deemed to provide system-wide benefits will continue to be charged by SDGE to CCA customers through separate rate components, called the Cost Responsibility Surcharge and the New System Generation Charge. These charges are shown in SDGE's electric service tariffs, which can be accessed from the utility's website, and the costs are included in charges paid by both SDGE bundled customers as well as CCA and Direct Access customers.<sup>1</sup>

#### **2.3.2 Renewable Energy Impacts**

A second consequence of the Program will be an increase in the proportion of energy generated and supplied by renewable resources. The resource plan includes procurement of renewable energy in excess of California's renewable energy procurement mandate, and SDGE's forecast renewable percentage, for all enrolled customers. SBCCA customers may also voluntarily participate in a higher renewable supply option, potentially up to 100%. To the extent that customers choose SBCCA's voluntary renewable energy option, the renewable content of SBCCA's aggregate supply portfolio will further increase. Initially, requisite renewable energy supply will be sourced through over-the-counter energy transactions. Over time, however, the City will consider independent development of new renewable generation resources.

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<sup>1</sup> For SDGE bundled service customers, the Power Charge Indifference Adjustment element of the Cost Responsibility Surcharge is contained within the CCA-CRS rate tariff.

## **SBCCA Implementation Plan**

### **2.3.3 Greenhouse Gas Reduction**

A third consequence of the Program will be an anticipated reduction in the greenhouse gas emissions attributed to the SBCCA supply portfolio. An important objective of the SBCCA formation is to support the City's Climate Action Plan. Therefore, SBCCA will set aggressive GHG-emissions reduction targets and acquire zero or low GHG emitting supply to achieve those targets.

## **3 ORGANIZATION AND GOVERNANCE STRUCTURE**

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This section provides an overview of the organizational structure of the City and its proposed implementation of the CCA program. Specifically, the key agreements, governance, management, and organizational functions of the City are outlined and discussed below.

### **3.1 ORGANIZATIONAL OVERVIEW**

The Solana Beach City Council is responsible for establishing SBCCA Program policies and objectives and overseeing SBCCA's operation. The Solana Beach City Manager will serve as the SBCCA Executive Director to manage the operations of SBCCA in accordance with policies adopted by the City Council.

### **3.2 GOVERNANCE**

The SBCCA Program will be governed by the Solana Beach City Council. SBCCA is the CCA entity that will register with the CPUC, and it is responsible for implementing and managing the program pursuant to the City Council's direction. The City Council is comprised of five councilmembers, one of which, the Mayor, serves as the presiding officer at all meetings. The SBCCA Program will be operated under the direction of an Executive Director (City Manager) appointed by the City Council.

The City Council's primary duties are to establish program policies, approve rates and provide policy direction to the Executive Director, who has general responsibility for program operations, consistent with the policies established by the City Council. The City may form various standing and ad hoc committees, as appropriate, which would have responsibility for evaluating various issues that may affect the City and its customers, including rate-related and power contracting issues, and would provide analytical support and recommendations to the City Council in these regards.

### **3.3 MANAGEMENT**

The SBCCA Executive Director has management responsibilities over the functional areas of Administration & Finance, Marketing & Public Affairs, Power Resources & Energy Programs, and Government Affairs. In performing the defined obligations to SBCCA, the Executive Director may utilize a combination of internal staff, partnerships with other CCA agencies, and/or contractors. Certain specialized functions needed for program operations, namely the electric supply and customer account management functions described below, will be performed by experienced third-party contractors.

Major functions of SBCCA that will be managed by the Executive Director are summarized below.

### **3.4 ADMINISTRATION**

SBCCA's Executive Director will be responsible for managing the organization's human resources and administrative functions and will coordinate with the City Council, as necessary, with regard to these functions. The functional area of administration will include oversight of employee hiring and termination, compensation and benefits management, identification and procurement of requisite office space and various other issues.

### **3.5 FINANCE**

The Executive Director is also responsible for managing the financial affairs of SBCCA, including the development of an annual budget, revenue requirement and rates; managing and maintaining cash flow requirements; arranging potential bridge loans as necessary; and other financial tools.

Revenues via rates and other funding sources (such as a rate stabilization fund, when necessary) must, at a minimum, meet the annual budgetary revenue requirement, including recovery of all expenses and any reserves or coverage requirements set forth in bond covenants or other agreements. The City will have the flexibility to consider rate adjustments, administer a standardized set of electric rates, and may offer optional rates to encourage policy goals such as encouraging renewable generation and incentivizing peak demand reduction, provided that the overall revenue requirement is achieved.

In conjunction with the City's Finance Department, SBCCA's finance function will be responsible for preparing the annual budget, arranging financing necessary for any capital projects, preparing financial reports, managing required audits and ensuring sufficient cash flow for successful operation of the SBCCA Program. The finance function will play an important role in risk management by monitoring the credit of energy suppliers so that credit risk is properly understood and mitigated. In the event that changes in a supplier's financial condition and/or credit rating are identified, the City will be able to take appropriate action, as would be provided for in the electric supply agreement(s).

### **3.6 MARKETING & PUBLIC AFFAIRS**

The marketing and public affairs functions include general program marketing and communications as well as direct customer interface ranging from management of key account relationships to call center and billing operations. The City will conduct program marketing to raise consumer awareness of the SBCCA Program and to establish the SBCCA "brand" in the minds of the public, with the goal of retaining and attracting as many customers as possible into the SBCCA Program. Communications will also be directed at key policy-makers at the state and local level, community business and opinion leaders, and the media.

In addition to general program communications and marketing, a significant focus on customer service, particularly representation for key accounts, will enhance the City's ability to differentiate itself as a highly customer-focused organization that is responsive to the needs of the community. The City will also establish a customer call center designed to field customer inquiries and routine interaction with customer accounts.

The customer service function also encompasses management of customer data. Customer data management services include retail settlements/billing-related activities and management of a customer database. This function processes customer service requests and administers customer enrollments and departures from the SBCCA Program, maintaining a current database of enrolled customers. This function coordinates the issuance of monthly bills through the distribution utility's billing process and tracks customer payments. Activities include the electronic exchange of usage, billing, and payments data with the distribution utility and the City, tracking of customer payments and accounts receivable, issuance of late payment and/or service termination notices (which would return affected customers to bundled service), and administration of customer deposits in accordance with credit policies of the City.

The customer data management services function also manages billing-related communications with customers, customer call centers, and routine customer notices. The City has contracted with an experienced third party to perform the customer account and billing services functions.

### 3.7 POWER RESOURCES & ENERGY PROGRAMS

Solana Beach must plan for meeting the electricity needs of its customers utilizing resources consistent with its policy goals and objectives as well as applicable legislative and/or regulatory mandates. The City's long-term resource plans (addressing the 10-20 year planning horizon) will comply with California Law and other pertinent requirements of California regulatory bodies. The City may develop and administer complementary energy programs that may be offered to SBCCA customers, including green pricing, energy efficiency, net energy metering and various other programs that may be identified to support the overarching goals and objectives of the City.

The City will develop integrated resource plans that meet program supply objectives and balance cost, risk and environmental considerations. Such integrated resource plans will also conform to applicable requirements imposed by the State of California. Integrated resource planning efforts of the City will make use of demand side energy efficiency, distributed generation and demand response programs as well as traditional supply options, which rely on structured wholesale transactions to meet customer energy requirements. Integrated resource plans will be updated and adopted by the City Council on an annual basis.

#### 3.7.1 Electric Supply Operations

Electric supply operations encompass the activities necessary for wholesale procurement of electricity to serve end use customers. These highly specialized activities include the following:

- *Electricity Procurement* – assemble a portfolio of electricity resources to supply the electric needs of Program customers.
- *Risk Management* – application of standard industry techniques to reduce exposure to the volatility of energy and credit markets and insulate customer rates from sudden changes in wholesale market prices.
- *Load Forecasting* – develop load forecasts, both long-term for resource planning, short-term for the electricity purchases, and sales needed to maintain a balance between hourly resources and loads.
- *Scheduling Coordination* – scheduling and settling electric supply transactions with the California Independent System Operator (“CAISO”).

The City has contracted with a third party not-for-profit wholesale energy services firm to perform most of the electric supply operations for the SBCCA Program. These requirements include the procurement of energy, capacity and ancillary services, scheduling coordinator services, short-term load forecasting and day-ahead and real-time electricity trading.

### **3.8 GOVERNMENTAL AFFAIRS & LEGAL SUPPORT**

The SBCCA Program will require ongoing regulatory and legislative representation to manage various regulatory compliance filings related to resource plans, resource adequacy, compliance with California’s Renewables Portfolio Standard (“RPS”), and overall representation on issues that will impact the City and SBCCA customers. The City will maintain an active role at the CPUC, the California Energy Commission, the California Independent System Operator, the California legislature and, as necessary, the Federal Energy Regulatory Commission.

The City may retain outside legal services, as necessary, to administer SBCCA, review contracts, and provide overall legal support related to activities of the SBCCA Program. In addition, SBCCA’s wholesale services provider will assist with regulatory filings related to wholesale procurement.

## 4 STARTUP PLAN AND FUNDING

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This Chapter presents the City's plans for the start-up period, including necessary expenses and capital outlays. As described in the previous Chapter, Solana Beach will utilize a mix of internal staff and contractors in its CCA Program implementation and operation.

### 4.1 STARTUP ACTIVITIES

The initial program startup activities include the following:

- Hire staff and/or contractors to manage implementation
- Identify qualified suppliers (of requisite energy products and related services) and negotiate supplier contracts
  - Electric supplier and scheduling coordinator
  - Data management provider (if separate from energy supply)
- Define and execute communications plan
  - Customer research/information gathering
  - Media campaign
  - Key customer/stakeholder outreach
  - Informational materials and customer notices
  - Customer call center
- Post CCA bond and complete requisite registration requirements
- Pay utility service initiation, notification and switching fees
- Perform customer notification, opt-out and transfers
- Conduct load forecasting
- Establish rates
- Legal and regulatory support
- Financial management and reporting

Other costs related to starting up the SBCCA Program will be the responsibility of the SBCCA Program's contractors (and are assumed to be covered by any fees/charges imposed by such contractors). These may include capital requirements needed for collateral/credit support for electric supply expenses, customer information system costs, electronic data exchange system costs, call center costs, and billing administration/settlements systems costs.

### **4.2 STAFFING AND CONTRACT SERVICES**

Personnel in the form of City staff or contractors will be utilized as needed to match workloads involved in forming SBCCA, managing contracts, and initiating customer outreach/marketing during the pre-operations period. During the startup period, minimal personnel requirements would include an Executive Director, legal support, and other personnel needed to support regulatory, procurement, finance, legal, and communications activities. This support will come from using existing city staff and contractors. Following this period, additional staff and/or contractors may be retained, as needed, to support the rollout of additional value-added services (e.g., efficiency projects) and local generation projects and programs.

### **4.3 CAPITAL REQUIREMENTS**

The start-up of the CCA Program will require capital for three major functions: (1) staffing and contractor costs; (2) deposits and reserves; and (3) operating cash flow. Based on the City's anticipated start-up activities and implementation schedule, a total need of \$1,350,000 has been identified to support the aforementioned functions. Out of the \$1,350,000 in capital requirements, \$225,000 is related to the implementation/startup efforts (i.e., rate setting, power procurement and contract negotiations, marketing and communications, regulatory compliance, CPUC bond, SDGE security deposit, etc.) in order to serve customers by June 2018. \$500,000 is required as collateral for CAISO. The remaining \$625,000 is the "float" required for SBCCA to pay its monthly bills before the program generates enough internal cash to self-fund its working capital needs.

The finance plan in Chapter 7 provides additional detail regarding the City's expected capital requirements and general Program finances. All the capital required for start-up is provided through SBCCA's contracts with its service providers – through deferred fees and direct loans.

Related to the City's initial capital requirement, this amount is expected to cover staffing and contractor costs during startup and pre-startup activities, including direct costs related to public relations support, technical support, and customer communications. Requisite deposits and operating reserves are also reflected in the initial capital requirement, including the following items: 1) operating reserves to address anticipated cash flow variations; 2) requisite deposit with the CAISO prior to commencing market operations; 3) CCA bond (posted with the CPUC); and 4) SDGE service fee deposit.

Operating revenues from sales of electricity will be remitted to the City beginning approximately sixty days after the initial customer enrollments. This lag is due to the distribution utility's standard meter reading cycle of 30 days and a 30-day payment/collections cycle. The City will need working capital to support electricity procurement and costs related to program management, which is included in the City's initial \$1,350 thousand capital requirement.

### **4.4 FINANCING PLAN**

The City's initial capital requirement will be met through credit supplied by the wholesale energy management services and data management services vendors. Solana Beach will pay back the principal and interest costs associated with the start-up funding via retail generation rates charged to SBCCA customers. It is anticipated that the start-up costs will be fully recovered through such customer

## **SBCCA Implementation Plan**

generation rates within the first several years of operations. Other needs will be met using existing city staff and resources.

## 5 PROGRAM PHASE-IN

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Solana Beach will roll out its service offering to all eligible customers who are not Net Energy Metering customers at start-up. Given that there are only about 7200 eligible customer accounts within the City's boundaries, a one phase roll-out is reasonable and the most efficient way for SBCCA to serve customers beginning June 2018. NEM customers may be enrolled over multiple periods to mitigate the impact of SDGE NEM true-up treatment.

## 6 LOAD FORECAST & RESOURCE PLAN

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### 6.1 INTRODUCTION

This Chapter describes the planned mix of electric resources that will meet the energy demands of SBCCA customers using a diversified portfolio of electricity supplies. Several overarching policies govern the resource plan and the ensuing resource procurement activities that will be conducted in accordance with the plan. These key policies are as follows:

- Develop a portfolio with more renewables and lower greenhouse gas emissions than SDGE
- Manage a diverse resource portfolio to increase control over energy costs and maintain competitive and stable electric rates.

The plan described in this section would accomplish the following:

- **Procure Competitive Supply:** Procure energy, RA, renewables and low-GHG supply through competitive processes in the open market using the enabling agreements and credit supplied by the City's wholesale services adviser.
- **Use Best Practices Risk Management:** Maintain rate competitiveness by using a dollar-cost-averaging approach with particular attention to the methodology used in the power charge indifference adjustment calculation. Use stochastic modeling to measure and achieve risk management objectives.
- **Achieve Environmental Objectives:** Procure supply to offer two distinct generation rate tariffs: 1) a voluntary 100% renewable energy offered to SBCCA customers on a price premium basis relative to the SBCCA default retail option; and 2) a default SBCCA service option that includes a proportion of renewable energy greater than SDGE.
- **Provide NEM Tariff:** Encourage distributed renewable generation in the local area through the offering of a net energy metering tariff that is more remunerative than SDGE's NEM tariff.

The City will comply with regulatory rules applicable to California load serving entities. The City will arrange for the scheduling of sufficient electric supplies to meet the demands of its customers. Solana Beach will adhere to capacity reserve requirements established by the CPUC and the CAISO designed to address uncertainty in load forecasts and potential supply disruptions caused by generator outages and/or transmission contingencies. These rules also ensure that physical generation capacity is in place to serve the City's customers, even if there were a need for the SBCCA Program to cease operations and return customers to SDGE. In addition, the City will be responsible for ensuring that its resource mix contains sufficient production from renewable energy resources needed to comply with the statewide RPS mandate (33 percent renewable energy by 2020, increasing to 50 percent by 2030). The resource plan will meet or exceed all of the applicable regulatory requirements related to resource adequacy and the RPS.

### **6.2 RESOURCE PLAN OVERVIEW**

To meet the aforementioned objectives and satisfy the applicable regulatory requirements pertaining to the City's status as a California load serving entity, Solana Beach's resource plan includes a diverse mix of power purchases, renewable energy, and potentially, new energy efficiency programs, demand response, and distributed generation. A diversified resource plan minimizes risk and volatility that can occur from over-reliance on a single resource type or fuel source, and thus increases the likelihood of rate stability. The planned power supply is initially comprised of power purchases from third party electric suppliers and, in the longer-term, may include renewable generation assets owned and/or controlled by the City.

Once the SBCCA Program demonstrates it can operate successfully, Solana Beach may begin evaluating opportunities for investment in renewable generating assets, subject to then-current market conditions, statutory requirements and regulatory considerations. Any renewable generation owned by the City or controlled under long-term power purchase agreement with a proven public power developer, could provide a portion of Solana Beach's electricity requirements on a cost-of-service basis. Depending upon market conditions and, importantly, the applicability of tax incentives for renewable energy development, electricity purchased under a cost-of-service arrangement can be more cost-effective than purchasing renewable energy from third party developers, which will allow the SBCCA Program to pass on cost savings to its customers through competitive generation rates. Any investment decisions will be made following thorough environmental reviews and in consultation with qualified financial and legal advisors.

As an alternative to direct investment, Solana Beach may consider partnering with an experienced public power developer and could enter into a long-term (15-to-30 year) power purchase agreement that would support the development of new renewable generating capacity. Such an arrangement could be structured to reduce the SBCCA Program's operational risk associated with capacity ownership while providing its customers with all renewable energy generated by the facility under contract.

Solana Beach's indicative resource plan for the years 2017 through 2026 is summarized in the following table. Note that SBCCA's projections reflect a portfolio mix of renewable energy compliant with the annual RPS requirement and all other supply coming in the form of conventional resources or CAISO system power.

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*Table 1: Proposed Resource Plan*

City of Solana Beach Proposed Resource Plan (MWh) 2018-2027										
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
<b>Demand (MWh)</b>										
Retail Demand	44,239	65,941	66,600	67,266	67,939	68,619	69,305	69,998	70,698	71,405
Losses	2,079	3,099	3,130	3,162	3,193	3,225	3,257	3,290	3,323	3,356
Wholesale	46,319	69,040	69,731	70,428	71,132	71,844	72,562	73,288	74,021	74,761
<b>Supply (MWh)</b>										
Renewable	22,120	32,971	33,300	33,633	33,970	34,309	34,652	34,999	35,349	35,702
System	24,199	36,070	36,430	36,795	37,163	37,534	37,910	38,289	38,672	39,058
Total Supply	46,319	69,040	69,731	70,428	71,132	71,844	72,562	73,288	74,021	74,761
<b>Net Position (MWh)</b>	0	0	0	0	0	0	0	0	0	0

**6.3 SUPPLY REQUIREMENTS**

The starting point for Solana Beach’s resource plan is a projection of participating customers and associated electric consumption. Projected electric consumption is evaluated on an hourly basis, and matched with resources best suited to serving the aggregate of hourly demands or the program’s “load profile.” The electric sales forecast and load profile will be affected by Solana Beach’s plan to introduce the SBCCA Program to customers in one single phase and the degree to which customers choose to remain with SDGE during the customer enrollment and opt-out period. The City’s rollout plan and assumptions regarding customer participation rates are discussed below.

**6.4 CUSTOMER PARTICIPATION RATES**

Customers will be automatically enrolled in the SBCCA Program unless they opt-out during the customer notification process conducted during the 60-day period prior to enrollment and continuing through the 60-day period following commencement of service. The City anticipates an overall customer participation rate of approximately 90 percent of eligible SDGE bundled service customers, based on reported opt-out rates for already operating CCAs. It is assumed that customers taking direct access service from a competitive electricity provider will continue to remain with their current supplier.

The participation rate is not expected to vary significantly among customer classes, in part because the City will offer two distinct rate tariffs that will address the needs of cost-sensitive customers as well as the needs of both residential and business customers that prefer a highly renewable energy product. The assumed participation rates will be refined as Solana Beach’s public outreach and market research efforts continue to develop.

**6.5 CUSTOMER FORECAST**

Once customers enroll during June 2018, they will be transferred to service by the City on their regularly scheduled meter read date over an approximately thirty-day period. Approximately 240 service

## SBCCA Implementation Plan

accounts per day will be transferred during the first month of service. The number of accounts anticipated to be served by Solana Beach at the end of June 2018, is shown in Table 2.

Table 2: Total Customer Counts at the end of First Month of Operation.

	<b><u>Jun-18</u></b>
Residential	6,140
Commercial & Agriculture	1,116
Street Lighting & Traffic	9
<b>Total</b>	<b>7,266</b>

The City assumes that customer growth will generally offset customer attrition (opt-outs) over time, resulting in a relatively stable customer base (1% annual growth) over the noted planning horizon. While the successful operating track record of California CCA programs continues to grow, there is a relatively short history with regard to CCA operations, which makes it difficult to anticipate the actual levels of customer participation within the SBCCA Program. The City believes that its assumptions regarding the offsetting effects of growth and attrition are reasonable in consideration of the historical customer growth within the City and the potential for continuing customer opt-outs following mandatory customer notification periods. The following table shows the forecast of service accounts (customers) served by Solana Beach for each of the next ten years.

Table 3: Customer Accounts by Year

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Residential	6,602	6,668	6,735	6,802	6,870	6,939	7,008	7,078	7,149	7,221
Commercial & Agriculture	1,200	1,212	1,224	1,236	1,249	1,261	1,274	1,287	1,300	1,313
Street Lighting & Traffic	10	10	10	10	11	11	11	11	11	11
<b>Total</b>	<b>7,812</b>	<b>7,891</b>	<b>7,969</b>	<b>8,049</b>	<b>8,130</b>	<b>8,211</b>	<b>8,293</b>	<b>8,376</b>	<b>8,460</b>	<b>8,544</b>

## 6.6 SALES FORECAST

The City's forecast of kWh sales reflects the rollout and customer enrollment schedule shown above. Annual energy requirements is shown in Table 4.

## SBCCA Implementation Plan

Table 4: Demand Forecast in MWh, 2018-2027

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Demand (MWh)										
Retail Demand	44,239	65,941	66,600	67,266	67,939	68,619	69,305	69,998	70,698	71,405
Losses	2,079	3,099	3,130	3,162	3,193	3,225	3,257	3,290	3,323	3,356
Wholesale	46,319	69,040	69,731	70,428	71,132	71,844	72,562	73,288	74,021	74,761

### 6.7 CAPACITY REQUIREMENTS

The CPUC’s resource adequacy standards applicable to the SBCCA Program require a demonstration one year in advance that the City has secured physical capacity for 90 percent of its projected peak loads for each of the five months May through September, plus a minimum 15 percent reserve margin. On a month-ahead basis, Solana Beach must demonstrate 100 percent of the peak load plus a minimum 15 percent reserve margin.

A portion of the City’s capacity requirements must be procured locally, from the San Diego – Imperial Valley local capacity area as defined by the CAISO. The City would be required to demonstrate its local capacity requirement for each month of the following calendar year. The local capacity requirement is a percentage of the total (SDGE service area) local capacity requirements adopted by the CPUC based on Solana Beach’s forecasted peak load. Solana Beach must demonstrate compliance or request a waiver from the CPUC requirement as provided for in cases where local capacity is not available.

The City is also required to demonstrate that a specified portion of its capacity meets certain operational flexibility requirements under the CPUC and CAISO’s flexible resource adequacy framework.

The estimated forward resource adequacy requirements for 2017 through 2019 are shown in the following tables<sup>2</sup>:

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<sup>2</sup> The figures shown in the table are estimates. Solana Beach’s resource adequacy requirements will be subject to modification due to application of certain coincidence adjustments and resource allocations relating to utility demand response and energy efficiency programs, as well as generation capacity allocated through the Cost Allocation Mechanism. These adjustments are addressed through the CPUC’s resource adequacy compliance process.

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Table 5: Forward Capacity Requirements (Total) for 2018-2020 in MW

Month	<u>2018</u>	<u>2019</u>	<u>2020</u>
January		13.3	13.5
February		13.3	13.5
March		13.7	13.8
April		12.1	12.2
May		12.1	12.7
June	12.9	13.6	13.2
July	16.2	15.8	15.9
August	16.4	16.6	17.4
September	19.0	19.2	18.6
October	13.5	13.6	13.7
November	14.8	15.0	15.8
December	12.4	12.6	12.2

Solana Beach’s plan ensures that sufficient reserves will be procured to meet its peak load at all times. The projected SBCCA annual capacity requirements are shown in the following table:

Table 6: Annual Maximum Capacity Requirements 2018-2027

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Max Wholesale Demand	16.5	16.7	16.2	16.4	16.5	16.7	17.6	17.0	17.2	17.4
Reserve Requirement (15%)	2.5	2.5	2.4	2.5	2.5	2.5	2.6	2.6	2.6	2.6
Total Capacity Requirement	19.0	19.2	18.6	18.8	19.0	19.2	20.2	19.6	19.8	20.0

Local capacity requirements are a function of the SDGE area resource adequacy requirements and Solana Beach’s projected peak demand. The City will need to work with the CPUC’s Energy Division and staff at the California Energy Commission to obtain the data necessary to calculate its monthly local capacity requirement. A preliminary estimate of the City’s annual maximum local capacity requirement for the ten-year planning period ranges between 7-9 MW as shown in Table 7.

Table 7: Annual Maximum Local Capacity Requirements 2018-2027

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Total Capacity Requirement	16.5	16.7	16.2	16.4	16.5	16.7	17.6	17.0	17.2	17.4
Local Capacity (% of Total)	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
San Diego - IV (MW)	12.4	12.5	12.1	12.3	12.4	12.5	13.2	12.8	12.9	13.0

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The CPUC assigns local capacity requirements during the year prior to the compliance period; thereafter, the CPUC provides local capacity requirement true-ups for the second half of each compliance year.

The City will coordinate with SDGE and appropriate state agencies to manage the transition of responsibility for resource adequacy from SDGE to Solana Beach during CCA program phase-in. For system resource adequacy requirements, the City will make month-ahead showings for each month that the City plans to serve load, and load migration issues would be addressed through the CPUC's approved procedures. Solana Beach will work with the California Energy Commission and CPUC prior to commencing service to customers to ensure it meets its local and system resource adequacy obligations through its agreement(s) with its chosen electric supplier(s).

### **6.8 RENEWABLES PORTFOLIO STANDARDS ENERGY REQUIREMENTS**

#### **6.8.1 Basic RPS Requirements**

As a CCA, the City will be required by law and ensuing CPUC regulations to procure a certain minimum percentage of its retail electricity sales from qualified renewable energy resources. For purposes of determining Solana Beach's renewable energy requirements, many of the same standards for RPS compliance that are applicable to the distribution utilities will apply to SBCCA.

California's RPS program is currently undergoing reform. On October 7, 2015, Governor Brown signed Senate Bill 350 ("SB 350"; De Leon and Leno), the Clean Energy and Pollution Reduction Act of 2015, which increased California's RPS procurement target from 33 percent by 2020 to 50 percent by 2030 amongst other clean-energy initiatives. Many details related to SB 350 implementation will be developed over time with oversight by designated regulatory agencies. However, it is reasonable to assume that interim annual renewable energy procurement targets will be imposed on CCAs and other retail electricity sellers to facilitate progress towards the 50 percent procurement mandate. For planning purposes, the City has assumed straight-line annual increases (1.7 percent per year) to the RPS procurement target beginning in 2021, as the state advances on the 50 percent RPS. The City will also adopt an integrated resource plan in compliance with SB 350. Solana Beach understands that various details related to this planning requirement have yet to be developed, and Solana Beach intends to monitor and participate, as appropriate, in pertinent proceedings to promote the preparation and submittal of a responsive planning document. Furthermore, the City will ensure that all long-term renewable energy contracting requirements, as imposed by SB 350, will be satisfied through appropriate transactions with qualified suppliers and will also reflect this intent in ongoing resource planning and procurement efforts.

#### **6.8.2 Solana Beach's Renewables Portfolio Standards Requirement**

The City's annual RPS procurement requirements, as specified under California's RPS program, are shown in Table 8.

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Table 8: Renewable Procurement Obligation and Target Percentages and Volumes 2018-2027

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Retail Load (MWh)	44,239	65,941	66,600	67,266	67,939	68,619	69,305	69,998	70,698	71,405
RPS % Target	29%	31%	33%	35%	36%	38%	40%	42%	43%	45%
RPS Obligation (MWh)	12,829	20,442	21,978	23,341	24,730	26,144	27,583	29,049	30,541	32,061
SBCCA % Target	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
SBCCA Target (MWh)	22,120	32,971	33,300	33,633	33,970	34,309	34,652	34,999	35,349	35,702

\*Note: Specific details related to SB 350 implementation have yet to be identified. For purposes of this table, the City assumed a straight-line increase from California's 33 percent RPS procurement mandate in 2020 to California's new, 50 percent RPS procurement mandate in 2030.

### 6.9 PURCHASED POWER

Power purchased from power marketers, public agencies, generators, and/or utilities will be a significant source of supply during the first several years of SBCCA Program operation. Solana Beach will initially contract to obtain all of its electricity from one or more third party electric providers under one or more power supply agreements, and the supplier(s) will be responsible for procuring the specified resource mix, including the City's desired quantities of renewable energy, to provide a stable and cost-effective resource portfolio for the SBCCA Program.

### 6.10 RENEWABLE RESOURCES

The City will initially secure necessary renewable power supply from its third party electric supplier(s). Solana Beach may supplement the renewable energy provided under the initial power supply contract(s) with direct purchases of renewable energy from renewable energy facilities or from renewable generation developed and owned by the City. At this point in time, it is not possible to predict what projects might be proposed in response to future renewable energy solicitations administered by Solana Beach, unsolicited proposals or discussions with other agencies. Renewable projects that are located virtually anywhere in the Western Interconnection can be considered as long as the electricity is deliverable to the CAISO control area, as required to meet the Commission's RPS rules and any additional guidelines ultimately adopted by the City. The costs of transmission access and the risk of transmission congestion costs would need to be considered in the bid evaluation process if the delivery point is outside of the City's load zone, as defined by the CAISO.

### 6.11 ENERGY EFFICIENCY

SBCCA does not currently anticipate running locally managed energy efficiency programs. In the future, should SBCCA expand its service territory it may become feasible to apply to become EE program administrators. In the meantime, SBCCA will support already existing energy efficiency efforts within its service territory.

## 7 FINANCIAL PLAN

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This Chapter examines the monthly cash flows expected during the startup and customer phase-in period of the SBCCA Program and identifies the anticipated financing requirements. It includes estimates of program startup costs, including necessary expenses and capital outlays. It also describes the requirements for working capital and long-term financing for the potential investment in renewable generation, consistent with the resource plan contained in Chapter 6.

### 7.1 DESCRIPTION OF CASH FLOW ANALYSIS

The City's cash flow analysis estimates the level of capital that will be required during the startup and phase-in period. The analysis focuses on the SBCCA Program's monthly costs and revenues and the lags between when costs are incurred and revenues received.

### 7.2 COST OF CCA PROGRAM OPERATIONS

The first category of the cash flow analysis is the Cost of CCA Program Operations. To estimate the overall costs associated with CCA Program Operations, the following components were taken into consideration:

- Electricity Procurement;
- Ancillary Service Requirements;
- Exit Fees;
- Staffing and Professional Services;
- Data Management Costs;
- Administrative Overhead;
- Billing Costs;
- Scheduling Coordination;
- Grid Management and other CAISO Charges;
- CCA Bond and Security Deposit; and,
- Pre-Startup Cost Reimbursement.

### 7.3 REVENUES FROM CCA PROGRAM OPERATIONS

The cash flow analysis also provides estimates for revenues generated from CCA operations or from electricity sales to customers. In determining the level of revenues, the analysis assumes the customer phase-in schedule described herein, and assumes that Solana Beach charges a standard, default electricity tariff similar to the generation rates of SDGE for each customer class and an optional renewable energy tariff (with a renewable energy content that exceeds the SBCCA default retail option) at a premium reflective of incremental renewable power costs. More detail on SBCCA Program rates can be found in Chapter 8.

#### **7.4 CASH FLOW ANALYSIS RESULTS**

The results of the cash flow analysis provide an estimate of the level of capital required for the City to move through the CCA startup and phase-in periods. This estimated level of capital is determined by examining the monthly cumulative net cash flows (revenues from CCA operations minus cost of CCA operations) based on assumptions for payment of costs or other cash requirements (e.g., deposits) by Solana Beach, along with estimates for when customer payments will be received. This identifies, on a monthly basis, what level of cash flow is available in terms of a surplus or deficit.

The cash flow analysis identifies funding requirements in recognition of the potential lag between revenues received and payments made during the phase-in period. The estimated financing requirements for the startup and phase-in period, including working capital needs associated with the customer enrollments, was determined to be \$1,350,000. Out of the \$1,350,000 in capital requirements, \$225,000 is related to the implementation/startup efforts (i.e., rate setting, power procurement and contract negotiations, marketing and communications, regulatory compliance, CPUC bond, SDGE security deposit, etc.) in order to serve customers by June 2018. \$500,000 is required as collateral to CAISO. The other \$625,000 is the “float” required for SBCCA to pay its monthly bills before the program generates enough internal cash to self-fund its working capital needs. Working capital requirements peak soon after enrollment of all SBCCA customers in September 2018.

#### **7.5 CCA PROGRAM IMPLEMENTATION PRO FORMA**

In addition to developing a cash flow analysis that estimates the level of working capital required to move Solana Beach through full CCA phase-in, a summary pro forma analysis that evaluates the financial performance of the CCA program during the phase-in period is shown in Table 9. The difference between the cash flow analysis and the CCA pro forma analysis is that the pro forma analysis does not include a lag associated with payment streams. In essence, costs and revenues are reflected in the month in which service is provided. All other items, such as costs associated with CCA Program operations and rates charged to customers remain the same. Cash provided by financing activities are not shown in the pro forma analysis, although payments for loan repayments are included as a cost item.

The results of the pro forma analysis is shown in Table 9. In particular, the summary of CCA program startup and phase-in addresses projected SBCCA Program operations for the period beginning January 2018 through December 2027. The City has also included a summary of Program reserves, which are expected to accrue over this same period.

## SBCCA Implementation Plan

Table 9: Pro Forma including Reserves Accumulation 2018-2027

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
<b>Revenues from Operations (\$)</b>										
Electric Sales Revenues	3,223,816	4,626,572	4,412,264	4,500,761	4,707,547	4,826,713	4,843,288	4,890,499	5,103,581	5,352,349
Uncollected Accounts	(9,671)	(13,880)	(13,237)	(13,502)	(14,123)	(14,480)	(14,530)	(14,671)	(15,311)	(16,057)
<b>Total Revenues</b>	<b>3,214,144</b>	<b>4,612,693</b>	<b>4,399,027</b>	<b>4,487,259</b>	<b>4,693,424</b>	<b>4,812,233</b>	<b>4,828,758</b>	<b>4,875,827</b>	<b>5,088,270</b>	<b>5,336,292</b>
<b>Cost of Operations (\$)</b>										
Staffing & Consulting	183,333	191,667	150,000	150,000	150,000	100,000	100,000	100,000	100,000	100,000
Wholesale Services	140,667	217,330	223,850	230,565	237,482	244,607	251,945	259,503	267,288	275,307
Data Management Services	75,562	117,911	122,663	127,606	132,748	138,098	143,663	149,453	155,476	161,742
IOU Fees	130,527	46,711	47,650	48,608	49,585	50,581	51,598	52,635	53,693	54,772
Energy Procurement	2,318,193	3,365,799	3,486,395	3,639,177	3,780,781	3,846,792	3,998,861	4,154,902	4,316,046	4,483,554
<b>Total Operations</b>	<b>2,848,282</b>	<b>3,939,417</b>	<b>4,030,557</b>	<b>4,195,956</b>	<b>4,350,596</b>	<b>4,380,079</b>	<b>4,546,068</b>	<b>4,716,494</b>	<b>4,892,503</b>	<b>5,075,375</b>
<b>Net Program Revenues</b>	<b>365,862</b>	<b>673,275</b>	<b>368,470</b>	<b>291,303</b>	<b>342,828</b>	<b>432,154</b>	<b>282,690</b>	<b>159,333</b>	<b>195,767</b>	<b>260,917</b>
<b>Cumulative Reserves</b>	<b>365,862</b>	<b>1,039,137</b>	<b>1,407,607</b>	<b>1,698,910</b>	<b>2,041,738</b>	<b>2,473,893</b>	<b>2,756,583</b>	<b>2,915,916</b>	<b>3,111,683</b>	<b>3,372,600</b>

The surpluses achieved during the phase-in period serve to build SBCCA's net financial position and credit profile and to provide operating reserves for the City in the event that operating costs (such as power purchase costs) exceed collected revenues for short periods of time.

### 7.6 SBCCA FINANCINGS

It is not anticipated that SBCCA will need any additional financing for its start-up activities. SBCCA arranged that its service providers will amortize their start-up costs over the subsequent months following when revenues begin flowing. In addition, the wholesale service provider will float the initial power supply costs for the CCA and allow SBCCA to repay over the first 12 months of service. Subsequent capital requirements will be self-funded from the City's accrued SBCCA generated financial reserves.

### 7.7 RENEWABLE RESOURCE PROJECT FINANCING

Solana Beach may consider project financings for renewable resources, likely local wind and solar projects. These financings would only occur after a sustained period of successful SBCCA Program operation and after appropriate project opportunities are identified and subjected to appropriate environmental review.

In the event that such financing occurs, funds would include any short-term financing for the renewable resource project development costs, and would likely extend over a 20 to 30-year term. The security for such bonds would be the revenue from sales to the retail customers of Solana Beach.

## 8 RATE SETTING, PROGRAM TERMS AND CONDITIONS

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### 8.1 INTRODUCTION

This Chapter describes the initial policies proposed for Solana Beach in setting its rates for electric aggregation services. These include policies regarding rate design, rate objectives, and provision for due process in setting Program rates. Program rates are ultimately approved by the Solana Beach City Council. The City would retain authority to modify program policies from time to time at its discretion.

### 8.2 RATE POLICIES

The City will establish rates sufficient to recover all costs related to operation of the SBCCA Program, including any reserves that may be required as a condition of financing and other discretionary reserve funds that may be approved by Solana Beach. As a general policy, rates will be uniform for all similarly situated customers enrolled in the SBCCA Program throughout the City.

The primary objectives of the rate setting plan are to set rates that achieve the following:

- Rate competitive tariff option (default service offering), including a proportionate quantity of renewable energy in excess of California's prevailing renewable energy procurement mandate;
- Voluntary renewable energy supply option (renewable content greater than the SBCCA default retail service offering));
- Rate stability;
- Equity among customers in each tariff;
- Customer understanding; and
- Revenue sufficiency.

Each of these objectives is described below.

### 8.3 RATE COMPETITIVENESS

The primary goal is to offer competitive rates for electric services that the City would provide to participating customers. For participants in the SBCCA standard Tariff, the goal would be for SBCCA Program rates to be initially one to five percent below, subject to actual energy product pricing and decisions of the City Council, similar generation rates offered by SDGE. For participants in the SBCCA Program's voluntary renewable energy Tariff, the goal would be to offer the lowest possible customer rates with an incremental monthly cost premium reflective of the actual cost of additional renewable energy supply required to serve such customers.

Competitive rates will be critical to attracting and retaining key customers. In order for the City to be successful, the combination of price and value must be perceived as superior when compared to the bundled utility service alternative. As planned, the value provided by the SBCCA Program will include a community focus and local investment and control.

## **SBCCA Implementation Plan**

As previously discussed, the SBCCA Program will increase renewable energy supply to program customers, relative to the incumbent utility, by offering two distinct rate tariffs. The default tariff for SBCCA Program customers will be the standard tariff, which will increase renewable energy supply while maintaining generation rates that are generally comparable to SDGE's. The initial renewable energy content provided under SBCCA's standard tariff will at a minimum meet California's prevailing renewable energy procurement mandate. The City will also offer its customers a voluntary renewable energy tariff, which will supply participating customers with renewable energy above the minimum RPS mandate and potentially up to 100 percent, at rates that reflect SBCCA's cost for procuring related energy supplies.

Participating qualified low- or fixed-income households, such as those currently enrolled in the California Alternate Rates for Energy ("CARE") program, will be automatically enrolled in the standard tariff and will continue to receive related discounts on monthly electricity bills through SDGE.

### **8.4 RATE STABILITY**

The City will offer stable rates by hedging its supply costs over multiple time horizons and by including renewable energy supplies that exhibit stable costs. Rate stability considerations may prevent SBCCA Program rates from directly tracking similar rates offered by the distribution utility, SDGE, and may result in differences from the general rate-related targets initially established for the SBCCA Program. Solana Beach plans to offer the most competitive rates possible after all Program operating costs are recovered and reserve targets are achieved.

### **8.5 EQUITY AMONG CUSTOMER CLASSES**

Initial rates of the SBCCA Program will be set based on cost-of-service considerations with reference to the rates customers would otherwise pay to SDGE. Rate differences among customer classes will reflect the rates charged by the local distribution utility as well as differences in the costs of providing service to each class. Rate benefits may also vary among customers within the major customer class categories, depending upon the specific rate designs adopted by the City.

### **8.6 CUSTOMER UNDERSTANDING**

The goal of customer understanding involves rate designs that are relatively straightforward so that customers can readily understand how their bills are calculated. This not only minimizes customer confusion and dissatisfaction but will also result in fewer billing inquiries to the SBCCA Program's customer service call center. Customer understanding also requires rate structures to reflect rational rate design principles (i.e., there should not be differences in rates that are not justified by costs or by other policies such as providing incentives for conservation).

### **8.7 REVENUE SUFFICIENCY**

SBCCA Program rates must collect sufficient revenue from participating customers to fully fund the annual SBCCA operating budget. Rates will be set to collect the adopted budget based on a forecast of electric sales for the budget year. Rates will be adjusted as necessary to maintain the ability to fully recover all costs of the SBCCA Program, subject to the disclosure and due process policies described

## **SBCCA Implementation Plan**

later in this chapter. To ensure rate stability, funds available in the City's rate stabilization reserve may be used from time to time to augment operating revenues.

### **8.8 RATE DESIGN**

The City will generally match the rate structures from SDGE's standard rates to avoid the possibility that customers would see significantly different bill impacts as a result of changes in rate structures that would take effect following enrollment in the SBCCA Program.

### **8.9 NET ENERGY METERING**

As planned, customers with on-site generation eligible for net metering from SDGE will be offered a net energy metering rate from the City. Net energy metering allows for customers with certain qualified solar or wind distributed generation to be billed on the basis of their net energy consumption. Solana Beach's net energy metering tariff will apply to the generation component of the bill, and the SDGE net energy metering tariff will apply to the utility's portion of the bill. The City plans to pay customers for excess power produced from net energy metered generation systems in accordance with the rate designs adopted by the City. The goal is to offer a higher payout for surplus generation than SDGE.

### **8.10 DISCLOSURE AND DUE PROCESS IN SETTING RATES AND ALLOCATING COSTS AMONG PARTICIPANTS**

Initial program rates will be adopted by Solana Beach following the establishment of the first year's operating budget prior to initiating the customer notification process. Subsequently, the City will prepare an annual budget and corresponding customer rates. Following the commencement of service, any proposed rate adjustment will be made to the City Council and ample time will be given to affected customers to provide comment on the proposed rate changes.

After proposing a rate adjustment, the City will furnish affected customers with a notice of its intent to adjust rates, either by mailing such notices postage prepaid to affected customers, by including such notices as an insert to the regular bill for charges transmitted to affected customers, or by including a related message directly on the customer's monthly electricity bill (on the page addressing SBCCA charges). The notice will provide a summary of the proposed rate adjustment and will include a link to the SBCCA Program website where information will be posted regarding the amount of the proposed adjustment, a brief statement of the reasons for the adjustment, and the mailing address of the SBCCA Program to which any customer inquiries relative to the proposed adjustment, including a request by the customer to receive notice of the date, time, and place of any hearing on the proposed adjustment, may be directed.

## **9 CUSTOMER RIGHTS AND RESPONSIBILITIES**

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This Chapter discusses customer rights, including the right to opt-out of the SBCCA Program and the right to privacy of customer usage information, as well as obligations customers undertake upon agreement to enroll in the CCA Program. All customers that do not opt out within 30 days of the fourth enrollment notice will have agreed to become full status program participants and must adhere to the obligations set forth below, as may be modified and expanded by the City Council from time to time.

By adopting this Implementation Plan, the City will have approved the customer rights and responsibilities policies contained herein to be effective at Program initiation. The City retains authority to modify program policies from time to time at its discretion.

### **9.1 CUSTOMER NOTICES**

At the initiation of the customer enrollment process, four notices will be provided to customers describing the Program, informing them of their opt-out rights to remain with utility bundled generation service, and containing a simple mechanism for exercising their opt-out rights. The first notice will be mailed to customers approximately sixty days prior to the date of automatic enrollment. A second notice will be sent approximately thirty days later. The City will likely use its own mailing service for requisite enrollment notices rather than including the notices in SDGE's monthly bills. This is intended to increase the likelihood that customers will read the enrollment notices, which may otherwise be ignored if included as a bill insert. Customers may opt out by notifying the City using the SBCCA Program's designated telephone-based or Internet opt-out processing service. Should customers choose to initiate an opt-out request by contacting SDGE, they would be transferred to the SBCCA Program's call center to complete the opt-out request. Consistent with CPUC regulations, notices returned as undelivered mail would be treated as a failure to opt out, and the customer would be automatically enrolled.

Following automatic enrollment, at least two notices will be mailed to customers within the first two billing cycles (approximately sixty days) after SBCCA service commences. Opt-out requests made on or before the sixtieth day following start of SBCCA Program service will result in customer transfer to bundled utility service with no penalty. Such customers will be obligated to pay charges associated with the electric services provided by the City during the time the customer took service from the SBCCA Program, but will otherwise not be subject to any penalty or transfer fee from SBCCA.

Customers who establish new electric service accounts within the Program's service area will be automatically enrolled in the SBCCA Program and will have sixty days from the start of service to opt out if they so desire. Such customers will be provided with two enrollment notices within this sixty-day post enrollment period. Such customers will also receive a notice detailing the City's privacy policy regarding customer usage information. Solana Beach will have the authority to implement entry fees for customers that initially opt out of the Program, but later decide to participate. Entry fees, if deemed necessary, would aid in resource planning by providing additional control over the SBCCA Program's customer base.

### **9.2 TERMINATION FEE**

Customers that are automatically enrolled in the SBCCA Program can elect to transfer back to the incumbent utility without penalty within the first two months of service. After this free opt-out period, customers will be allowed to terminate their participation but may be subject to payment of a Termination Fee, which Solana Beach reserves the right to impose, if deemed necessary. Customers that relocate within the City's service territory would have SBCCA service continued at their new address. If a customer relocating to an address within the City's service territory elected to cancel CCA service, the Termination Fee could be applied. Program customers that move out of Solana Beach's service territory would not be subject to the Termination Fee. If deemed applicable by Solana Beach, SDGE would collect the Termination Fee from returning customers as part of SBCCA's final bill to the customer.

If adopted, the Termination Fee would be clearly disclosed in the four enrollment notices sent to customers during the sixty-day period before automatic enrollment and following commencement of service. The fee could also be changed prospectively by Solana Beach subject to applicable customer noticing requirements.

Customers electing to terminate service after the initial notification period would be transferred to SDGE on their next regularly scheduled meter read date if the termination notice is received a minimum of fifteen days prior to that date. Such customers would also be liable for the nominal reentry fees imposed by SDGE and would be subject to SDGE's current terms and conditions, including being required to remain on bundled utility service for a period of one year, as described in the utility CCA tariffs.

#### **Customer Confidentiality**

Solana Beach will establish policies covering confidentiality of customer data that are fully compliant with the required privacy protection rules for CCA customer energy usage information, as detailed within Decision 12-08-045. The City will maintain the confidentiality of individual customers' names, service addresses, billing addresses, telephone numbers, account numbers, and electricity consumption, except where reasonably necessary to conduct business of the SBCCA Program or to provide services to customers, including but not limited to where such disclosure is necessary to (a) comply with the law or regulations; (b) enable Solana Beach to provide service to its customers; (c) collect unpaid bills; (d) obtain and provide credit reporting information; or (e) resolve customer disputes or inquiries. The City will not disclose customer information for telemarketing, e-mail, or direct mail solicitation. Aggregate data may be released at Solana Beach's discretion.

### **9.3 RESPONSIBILITY FOR PAYMENT**

Customers will be obligated to pay SBCCA Program charges for service provided through the date of transfer including any applicable Termination Fees. Pursuant to current CPUC regulations, the City will not be able to direct that electricity service be shut off for failure to pay SBCCA bills. However, SDGE has the right to shut off electricity to customers for failure to pay electricity bills, and SDGE Electric Rule 23 mandates that partial payments are to be allocated pro rata between SDGE and the CCA. In most circumstances, customers would be returned to utility service for failure to pay bills in full and customer deposits (if any) would be withheld in the case of unpaid bills. SDGE would attempt to collect any

## **SBCCA Implementation Plan**

outstanding balance from customers in accordance with Rule 23 and the related CCA Service Agreement. The proposed process is for two late payment notices to be provided to the customer within 30 days of the original bill due date. If payment is not received within 45 days from the original due date, service would be transferred to the utility on the next regular meter read date, unless alternative payment arrangements have been made. Consistent with the CCA tariffs, Rule 23, service cannot be discontinued to a residential customer for a disputed amount if that customer has filed a complaint with the CPUC, and that customer has paid the disputed amount into an escrow account.

### **9.4 CUSTOMER DEPOSITS**

Under certain circumstances, SBCCA customers may be required to post a deposit equal to the estimated charges for two months of CCA service prior to obtaining service from the SBCCA Program. A deposit would be required for an applicant who previously had been a customer of SDGE or SBCCA and whose electric service has been discontinued by SDGE or SBCCA during the last twelve months of that prior service arrangement as a result of bill nonpayment. Such customers may be required to reestablish credit by depositing the prescribed amount. Additionally, a customer who fails to pay bills before they become past due as defined in SDGE Electric Rule 11 (Discontinuance and Restoration of Service), and who further fails to pay such bills within five days after presentation of a discontinuance of service notice for nonpayment of bills, may be required to pay said bills and reestablish credit by depositing the prescribed amount. This rule will apply regardless of whether or not service has been discontinued for such nonpayment<sup>3</sup>. Failure to post deposit as required would cause the account service transfer request to be rejected, and the account would remain with SDGE.

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<sup>3</sup> A customer whose service is discontinued by Solana Beach is returned to SDGE generation service.

## **10 PROCUREMENT PROCESS**

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### **10.1 INTRODUCTION**

This Chapter describes Solana Beach’s initial procurement policies and the key third party service agreements by which the City will obtain operational services for the SBCCA Program. By adopting this Implementation Plan, the City will have approved the general procurement policies contained herein to be effective at Program initiation. Solana Beach retains authority to modify Program policies from time to time at its discretion.

### **10.2 PROCUREMENT METHODS**

Solana Beach will enter into agreements for a variety of services needed to support program development, operation and management. It is anticipated that the City will generally utilize Competitive Procurement methods for services but may also utilize Direct Procurement or Sole Source Procurement, depending on the nature of the services to be procured. Direct Procurement is the purchase of goods or services without competition when multiple sources of supply are available. Sole Source Procurement is generally to be performed only in the case of emergency or when a competitive process would be an idle act.

The City will utilize a competitive solicitation process to enter into agreements with entities providing electrical services for the program. Agreements with entities that provide professional legal or consulting services, and agreements pertaining to unique or time sensitive opportunities, may be entered into on a Direct Procurement or Sole Source basis at Solana Beach’s discretion. Authority for terminating agreements will generally mirror the authority for entering into such agreements.

### **10.3 KEY CONTRACTS**

#### **10.3.1 Electric Supply**

Solana Beach has signed an agreement with a wholesale services provider whereby that provider will procure energy and capacity on SBCCA’s behalf through competitive solicitation in the over-the-counter electricity markets. The provider has enabling agreements with over a hundred counterparties and will procure standard market products to hedge SBCCA’s financial risk, meet its capacity obligations and achieve its environmental objectives. Typically, energy procurement can be done within hours while Resource Adequacy and Renewable Energy take several days. Procurement will commence once this implementation plan has been approved and the Solana Beach City Council has made the final determination to proceed to going live with the CCA.

Procurement will be an ongoing process in order to achieve desired levels of risk mitigation by dollar-cost-averaging supply costs. In addition, particular strategies will be employed to mitigate the risk of changes to the PCIA impacting SBCCA’s rate competitiveness. Specifically, this entails procuring a certain amount of supply annually during the month of October when the PCIA market price benchmark is set for the coming year.

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SBCCA's wholesale services provider will also serve as the Scheduling Coordinator for scheduling loads, resources and Inter-SC trades into the CAISO market. In addition, the provider will be responsible for ensuring Solana Beach's compliance with all applicable resource adequacy and regulatory requirements imposed by the CPUC or FERC.

### **10.3.2 Data Management Contract**

A data manager will provide the retail customer services of billing and other customer account services (electronic data interchange or EDI with SDGE, billing, remittance processing, and account management). The data management contract has been awarded to an experienced data management services provider.

The data manager is responsible for the following services:

- Data exchange with SDGE;
- Technical testing;
- Customer information system;
- Customer call center;
- Billing administration/retail settlements; and
- Settlement quality meter data reporting
- Reporting and audits of utility billing.

Utilizing a third party for account services eliminates a significant expense associated with implementing a customer information system. Such systems can impose significant information technology costs and take significant time to deploy. Separation of the data management contract from the energy supply contract provides the City with greater flexibility to change energy suppliers, if desired, without facing an expensive data migration issue.

## **11 CONTINGENCY PLAN FOR PROGRAM TERMINATION**

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### **11.1 INTRODUCTION**

This Chapter describes the process to be followed in the case of SBCCA Program termination. By adopting the original Implementation Plan, the City will have approved the general termination process contained herein to be effective at Program initiation. In the unexpected event that the City would terminate the SBCCA Program and return its customers to SDGE service, the proposed process is designed to minimize the impacts on its customers and on SDGE. The proposed termination plan follows the requirements set forth in SDGE's tariff Rule 27 governing service to CCAs. The City retains authority to modify program policies from time to time at its discretion.

### **11.2 TERMINATION BY SBCCA**

Solana Beach will offer services for the long term with no planned Program termination date. In the unanticipated event that the City decides to terminate the Program, the City Council would vote on Program termination.

## SBCCA Implementation Plan

After any applicable restrictions on such termination have been satisfied, notice would be provided to customers six months in advance that they will be transferred back to SDGE. A second notice would be provided during the final sixty-days in advance of the transfer. The notice would describe the applicable distribution utility bundled service requirements for returning customers then in effect, such as any transitional or bundled portfolio service rules.

At least one year advance notice would be provided to SDGE and the CPUC before transferring customers, and the City would coordinate the customer transfer process to minimize impacts on customers and ensure no disruption in service. Once the customer notice period is complete, customers would be transferred *en masse* on the date of their regularly scheduled meter read date.

Solana Beach will post a bond or maintain funds held in reserve to pay for potential transaction fees charged to the Program for switching customers back to distribution utility service. Reserves would be maintained against the fees imposed for processing customer transfers (CCASRs). The Public Utilities Code requires demonstration of insurance or posting of a bond sufficient to cover reentry fees imposed on customers that are involuntarily returned to distribution utility service under certain circumstances. The cost of reentry fees are the responsibility of the energy services provider or the community choice aggregator, except in the case of a customer returned for default or because its contract has expired. The City will post financial security in the appropriate amount as part of its registration materials and will maintain the financial security in the required amount, as necessary.

## 12 APPENDICES

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### 12.1 APPENDIX A: CITY OF SOLANA BEACH ORDINANCE NO. XXX (ADOPTING IMPLEMENTATION PLAN)

