



**COUNCILMEMBER CHRIS CATE
CITY OF SAN DIEGO
SIXTH DISTRICT**

M E M O R A N D U M

DATE: February 5, 2019

TO: Cody Hooven, Chief Sustainability Officer, Sustainability Department

FROM: Councilmember Chris Cate

SUBJECT: Community Choice Aggregation Questions

As Mayor Faulconer proceeds with the proposal for full implementation of Community Choice Energy (or Community Choice Aggregation) within the City of San Diego (City), it is imperative that policy makers and taxpayers understand all of the involved risks and the potential for rate impacts associated with such a decision.

After reviewing the "Feasibility Study for a Community Choice Aggregate (CCA)" released in July 2017, and the "Business Plan for the Formation of a Community Choice Aggregation Program" released in October 2018, I am submitting the following questions prior to the City Council's adoption of a resolution supporting the formation of a CCA.

Consistency Between Feasibility Study, Business Plan, and the Climate Action Plan (CAP)

1. The CAP assumes that 80% of customers will be enrolled in the CCA in 2035, at which time the City is projected to be using 100% renewable energy. Scenario 4 of the Feasibility Study reviews the impact of 100% renewable energy for all customers. Can you please outline which scenario within the Feasibility Study most closely aligns with the Base Pro Forma outlined within the Business Plan?
2. Does the Business Plan project that all customers will be using 100% renewable energy by 2035?
3. Please provide a projection of greenhouse gas (GHG) reductions associated with the Pro Forma projections within the Business Plan.

Questions Relating to a Proposed Joint Powers Authority (JPA)

1. On page 2 of the Business Plan, it states, "(The City) receives some benefit in financial separation of the City's general fund from the JPA's finances". Will the City be liable should the JPA be unable to meet any debt obligations for bonds or other debt obligations incurred by the JPA?
2. If an agency terminates their membership within the JPA, what is the liability upon termination and beyond?

3. How will potential JPA membership loss impact long-term energy procurement contracts? How can these impacts be mitigated to protect the viability of the JPA and that of its remaining members, e.g. will there be an exit fee for JPA members?

Business Plan Pro Forma

1. The Business Plan assumes the Power Charge Indifference Adjustment (PCIA) rate to remain between 2.0 cents and 2.5 cents per kWh through 2026, then decrease until it is zero in 2030. Why didn't the Business Plan assume the anticipated local PCIA rate, based on the PUC decision, of 4.296 cents per kWh for residential customers, and lasting until 2040?
2. Can the Business Plan analysis be updated with the correct PCIA so that any decisions are based on the most current data available?
3. If the CCA is more expensive than SDG&E with the new PCIA, how will it remain competitive?
4. According to the Business Plan, 47% of the City's load are non-residential customers not receiving Direct Access (DA). Does the Business Plan assume a total of 3% of the remaining customers eligible for DA will enroll, or does it assume an annual increase of 3%?
5. What would happen to rates if half, or all, of the remaining non-residential customers enroll in DA at some point in the future?

Renewable Energy

1. Does the Business Plan assume any development of local renewable energy projects?
2. Based on the pro forma, there is only one debt issuance to help pay start-up costs. Is there any expectation to issue debt in the future to pay for local supply projects?
3. The Business Plan states that the CCA would need to rely upon existing resources for its power supply in the first years of service. When, in the pro forma, does this shift to power purchase agreements or other instruments?
4. Does the CAP assume that the City will be utilizing non-renewable energy in 2035?
5. What would the rate impact be if the CCA removes all non-renewable sources?
6. Is it expected that customers within the CCA will be given an option for a non-100% renewable plan?

Data

1. Please provide a breakdown of the Total Revenue Requirement, as outlined in the pro forma, by customer class.
2. Please provide the source for footnote 15 on page 52 of the Business Plan.

cc: Lee Friedman, Infrastructure Policy Manager, Office of the Mayor
Jessica Lawrence, Director of Finance Policy and Council Affairs, Office of the Mayor