

SAN DIEGO REGIONAL COMMUNITY CHOICE ENERGY AUTHORITY

Staff Report – Item 8

To: SDRCCEA Board of Directors

From: Cody Hooven, SDRCCEA Interim Executive Officer
Director/Chief Sustainability Officer, Sustainability Department, City of San Diego

Subject: Adoption of SDRCCEA Implementation Timeline and Budget

Date: October 31, 2019

Recommendation

Adopt San Diego Regional Community Choice Energy Agency (SDRCCEA or Authority) formation timeline and implementation budget as presented in Attachments A and B.

Background

The SDRCCEA, a California Joint Powers Authority (JPA), was formed on October 1st with the goal of launching community choice aggregator (CCA) service in Spring 2021. There are a myriad of steps and expenditures that will be required to move SDRCCEA from its recently completed approvals phase to a fully functioning, independent Authority serving over 700,000 customers in ~18 months.

To support these efforts, interim staff and consultants have developed a detailed timeline organized within the six core functional areas required for Authority start up and early operations. These include: JPA Administration/Project Management, Technical and Energy Services, Finance and Banking, Data Management/Call Center, Communications/Marketing and Regulatory/Legislative engagement. Staff also prepared a detailed Operations and Administrative expense budget to elucidate start-up expenditures and provide support for the initial \$5,455,000 line of credit requested in SDRCCEA's banking services RFP, a copy of which the Board received on October 15, 2019.

Analysis & Discussion

A. **Formation Timeline.** Attachment A offers a detailed overview of the key functions, primary tasks, and timing required to bring SDRCCEA from concept and adoption to an independent public agency running a mature utility business. As noted above, the timeline is built around six core functions that are common to CCA start-up and early operations. There are thousands of additional tasks that will be completed within each functional area, but the attached Gantt chart provides an effective visual summary of the formation components and their timing. A few items of note:

1. The attached timeline covers a 27-month period from October 2019 – December 2021 which takes us from JPA adoption in October 2019, to initial program launch in March 2021, to the anticipated completion of customer enrollments by the end of 2021.
2. Like all timelines, it is subject to change. A key issue that staff is tracking is SDG&E's billing system conversion. This is an issue that could impact SDRCCEA's launch timing and subsequent phasing schedule. Staff will keep the Board and public apprised of ongoing conversations with SDG&E on this topic.
3. The attached timeline contemplates customer enrollments in 3 phases beginning in March 2021, followed by phase 2 in July and Phase 3 in November 2021. This enrollment schedule is subject to change based on market conditions that may dictate a more economically advantageous phase-in schedule or other issues that may arise. In any case, the goal is to have all customers successfully enrolled within a 12-month period. Staff will keep the Board apprised of any changes in SDRCCEA's proposed enrollment schedule.

B. Implementation Budget. The attached start-up budget was prepared to support the development of a 10-year operating proforma which will be included in SDRCCEA's Implementation Plan. It also provides the basis for the Authority's near-term credit request of \$5,455,000 to support all non-power related expenses associated with Authority formation prior to launch and revenues. These expenditures are in line with the start up costs of other recently formed CCAs in the State and the current costs of various vendor services. This budget is tentative for now simply because it will be reaffirmed by the Board once credit and banking services are finalized. A few items of note:

1. The attached 24-month budget covers the calendar years 2020 and 2021. 2020 is a planning and organizational development year leading into 2021 which is focused on pre-launch power purchases and customer noticing, launch activities and subsequent customer enrollments throughout the remainder of 2021.
2. The attached implementation budget does NOT include the cost of power, which will comprise approximately 90% of the Authority's expense budget once operational. It also does not include the repayment of founding member costs, interim staff costs, banking and credit costs, nor the costs of SDRCCEA programs. These costs are not yet known, and it is assumed they will be part of the Authority's more formal FY 20-21 budgeting process that will take place next summer or subsequent budgets to that.
3. There is a substantial increase in non-power expenditures anticipated in 2021. This jump is the result of four additional expenditures that don't show up in 2020: 1) data management and call center costs which are billed monthly on a per account basis starting in March 2021, 2) CAISO scheduling fees of \$500,000, 3) SDG&E billing service fees that are billed monthly on a per account basis once service commences, and 4) the cost of customer notification which includes a statutory minimum of four mailed notices to approximately 720,000 accounts over the 120-day enrollment period.

4. The year one (2020) projected costs of \$3,315,000 are below the requested credit line of \$5.4M. This leaves some breathing room in the implementation budget to cover 2021 expenses incurred prior to issuance of the larger working capital loan.

Attachments

- A. Proposed Implementation Timeline
- B. Proposed Implementation Budget

San Diego Regional Community Choice Energy Authority Implementation Timeline (updated October 26, 2019)																											
Workplan Timeline by Task Area																											
	Q4 2019			Q1 2020			Q2 2020			Q3 2020			Q4 2020			Q1 2021			Q2 2021			Q3 2021			Q4 2021		
	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
JPA Administration/Project Management																											
First JPA Board Meeting (meets monthly)			ONGOING															P				P			P		
Register JPA with Sec of State																		H				H			H		
Secure contract for Banking Svcs/Line of Credit																		A				A			A		
Secure contract for Energy Service Provider																		S				S			S		
Secure contract for Data Management and Call Center																		E				E			E		
Secure contract for Marketing/Outreach																		1				2			3		
Secure contract(s) for additional regulatory/legal support services																											
Prepare and adopt implementation workplan/timeline and budget; update and track																											
Determine City staff support /roles; prepare cooperative services agreement																											
Continue weekly or bi-weekly planning team calls; include program vendors as needed			ONGOING																								
Determine scope/selection process for Board and Advisory Committees							ONGOING																				
CEO Recruitment/Hire																											
Approve staffing plan/initial staff hires and employment policies													ONGOING														
Draft and Adopt Agency policies							ONGOING																				
Secure office space, insurance, and other admin/operations needs																											
Prepare reports, provide updates for Member Agency City Council(s)	ONGOING/AS NEEDED																										
Manage JPA Board and committee meetings, vendor oversight and all aspects of Agency formation/operations		ONGOING																									
Finance/Banking																											
Develop list of potential bank partners and determine financing approach																											
Finalize proforma budget and determine initial credit needs (working capital and credit for power contracts)																											
Issue banking and credit services RFP																											
Select banking partner																											
Secure credit guarantees, if necessary, and establish access to credit line																											
Develo and adopt FY 2020/2021 Budget																											
Coordinate with SDG&E and data management vendor to establish process/testing for deposits and controls																											
Determine plan for internal accounting and annual audits/begin monthly financials																											
Technical/Energy Services																											
Secure contract with technical and energy services firm(s)																											
Review 2018 customer load data; verify load projections and pro forma estimates																											
Prepare resource adequacy procurement plan, RA compliance filings, and Integrated Resource Plan																											
Based on target rate discount, determine power supply mix for 2-3 product options																											
Determine customer phasing strategy based on economic projections and credit capacity																											
Support development of FY 20-21 operating budget																											
Develop and issue power supply RFP(s)																											
Negotiate and finalize terms of initial power contracts																											
Rate design & rate setting (incl. PCIA, NEM and utility cost comparisons)																											
Prepare Utility Service Agreement, Deposit and Bond Posting																											

Workplan Timeline by Task Area

San Diego Regional Community Choice Energy Authority Implementation Timeline (updated October 26, 2019)	Q4 2019			Q1 2020			Q2 2020			Q3 2020			Q4 2020			Q1 2021			Q2 2021			Q3 2021			Q4 2021		
Workplan Timeline by Task Area	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
Develop related energy programs including NEM, EE, DR etc.																											
Complete all regulatory registrations for program compliance (CPUC, CAISO, WREGIS etc)																											
Coordinate with program staff and all other vendors as needed																											
Regulatory/Legislative																											
Secure contract with regulatory and legislative attorney/firm TBD																											
Continue tracking CCE-related regulatory activity and participating in statewide efforts																											
RA Proceeding: Central Procurement Entity																											
PCIA Proceeding: Working Groups 1, 2, and 3																											
DA Proceeding: Expansion																											
Integrated Resource Planning Proceeding																											
Continue tracking CCE-related legislative activity and participating in statewide efforts																											
Register with the CPUC and obtain party status for priority regulatory proceedings																											
Work with technical services vendor to ensure full regulatory/program compliance and reporting																											
Data Management/Call Center																											
Secure Data Mgmt and Call Center Contract																											
Infrastructure and Application configuration																											
EDI certification (utility and bank)																											
Call center training/go live																											
List of Phase 1 customers																											
1st opt-out period (60 days out)																											
2nd opt-out period (30 days out)																											
Program rates and reports																											
Utility account set up (dead period)																											
Account Switches/Customer enrollments																											
1st Full Billing Cycle																											
3rd opt-out period																											
4th opt-out period																											
2nd full billing cycle																											
Communications/Marketing																											
Update FAQs, website and basic program collateral																											
Secure marketing firm; develop public outreach and marketing plan (including multi-lingual, multi cultural)																											
Messaging, branding																											
Develop website 2.0 with translation and opt-out features																											
Community education -- presentations to community groups, public workshops, tabling, stakeholder meetings, etc.																											
Press outreach/earned media (op-eds, feature stories, local radio and TV)																											
Develop and launch advertising campaign (paid media, social media, et al)																											
Develop call center script/Call center live in when first notice drops																											
Prepare/design customer enrollment notices																											

Workplan Timeline by Task Area

[illegible]

San Diego Regional Community Choice Energy Authority 24 Month Implementation Budget: January 1, 2020-December 31, 2021		2020 Estimate	2021 Estimate
Organizational/Admin.			
Professional Services/Consulting (LEAN Energy, Accounting, Other)		\$125,000	\$ 200,000
JPA Board Meeting Costs		\$25,000	\$ 25,000
Staffing (6-8 ppl for ~6-7 months in 2020; 16-20 ppl for full year in 2021)		\$1,000,000	\$ 4,500,000
G&A costs (office rent, deposits, equipment, software, insurance, etc.)		\$500,000	\$ 800,000
TOTAL:		\$1,650,000	\$ 5,525,000
CAISO/CPUC/Utility Fees			
CAISO deposit (to be a CRR holder; one time payment)		\$0	\$ 500,000
Financial Security "Bond" (CPUC; one time payment)		\$150,000	\$ -
SDG&E billing service fees (@\$0.28 per account/month)		\$0	\$505,562
TOTAL:		\$150,000	\$ 1,005,562
Technical/Energy Services			
Power contracting, portfolio and rate design, scheduling, CRR management, et al		\$600,000	\$ 1,600,000
Integrated Resource Plan/Long-Term Procurement		\$0	\$ 650,000
TOTAL:		\$600,000	\$ 2,250,000
Communications/Customer Enrollment			
Marketing strategy and brand development		\$75,000	\$ 50,000
Website 1.0/2.0		\$45,000	\$ 20,000
Collateral Design/Video		\$60,000	\$ 25,000
PR/Advertising Campaign -- print, social, paid and earned media		\$175,000	\$ 350,000
Materials for tabling and events (design/print)		\$30,000	\$ 50,000
Customer Notifications (4 x 720k @ \$ 0.80 each)*		\$0	\$ 2,304,000
Community Sponsorships, etc.		\$0	\$ 50,000
TOTAL:		\$385,000	\$ 2,849,000
Data Management/Call Center			
Data Management/Call Center (\$1.00/account/month)		\$0	\$1,805,578
TOTAL:		\$0	\$ 1,805,578
Legal			
General Counsel Services		\$120,000	\$ 180,000
Legal review of power supply and other vendor contracts		\$150,000	\$ 200,000
TOTAL:		\$270,000	\$ 380,000
Regulatory/Legislative			
Cal-CCA Membership		\$50,000	\$ 350,000
Regulatory Monitoring and Reporting		\$120,000	\$ 144,000
Participation in Regulatory Proceedings /Compliance Matters		\$90,000	\$ 200,000
Lobbyist		\$0	\$ 120,000
TOTAL:		\$260,000	\$ 814,000
O&M/G&A TOTAL:		\$3,315,000	\$ 14,629,140

*Assumes 4 notices to ~720,000 customers in SDRCEE service territory (design, print, mail)

Budget to be considered tentative until credit and baking services are secured. Budget does NOT include: 1) Cost of Power, 2) Reimbursable expenses for City of San Diego or other Founding Members, 3) Banking fees, debt service or interest, 4) Local Programs.