

SAN DIEGO REGIONAL COMMUNITY CHOICE ENERGY AUTHORITY

Staff Report – Item 9

To: SDRCCEA Board of Directors

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Subject: SDRCCEA Implementation Plan – First Draft Review and Discussion

Date: November 21, 2019

Staff Recommendation

This is an information and discussion item only; however, staff encourages the Board to carefully review the first draft of SDRCCEA's Implementation Plan and provide comment and feedback so that a final version may be adopted by the Board at its December 9th meeting.

Background

The California Public Utilities Commission (CPUC) requires all new and expanding Community Choice Aggregators (CCAs) to submit an Implementation Plan that describes the key features of their CCA program. The Implementation Plan is a statutory requirement under Public Utilities Code, Section 366.2.(c)(3). The Plan must be formally approved by the SDRCCEA Board before it goes to the CPUC, anticipated to be within several days after the December 9, 2019 Board meeting. Once submitted, the CPUC has 90 days to certify the Plan (approximately mid-March), unless Commission staff comes back with questions or requests additional information.

Discussion and Analysis

At its first Board meeting on October 31, 2019, staff and consultants provided an overview of the contents and key decisions required to draft an Implementation Plan for CPUC certification. A key consideration is that the Implementation Plan is a compliance document; the Board may adjust various aspects as they begin to make decisions about business operations, such as energy supply content. The draft included here as Attachment A is in full conformance with statutory requirements and is responsive to Board direction in the following areas:

- 1) **Energy Supply.** The DRAFT Plan states that SDRCCEA proposes to offer two power options at its program launch. The default/base product option will have a power mix that is at least 50%, and up to 60%, renewable portfolio standard (RPS) qualified renewable. The second, voluntary option will be 100% RPS qualified renewable. The

Plan also describes the process underway to retain energy service provider support and the timing for power procurement activities.

- 2) **Customer Phasing.** The Plan specifies that SDRCCEA will offer service to all customers on a phased-in basis, which is expected to begin in March 2021. The proposed phasing schedule is as follows:

Phase 1 (March 2021) All municipal accounts and potentially some large commercial accounts to ensure adequate revenues for subsequent phases.

Phase 2 (July 2021) Remaining commercial, industrial, agriculture, street lighting and traffic control accounts; and

Phase 3 (November 2021) All residential accounts and any remaining service accounts that may have been omitted during Phase 2.

- 3) **Rate Strategy.** The Plan indicates that SDRCCEA will match SDG&E's tariff structure, that it will be competitive with SDG&E generation rates and that it is targeting a 2%-4% generation rate discount at the time of launch.
- 4) **Organizational Structure.** The Plan provides a description of SDRCCEA's planned organizational structure, key vendor contracts that will support implementation and operations, and the interim staff support provided by the City of San Diego and other member agency staff. Staff and consultants are working on a proposed organization chart that will be added to the Plan prior to its adoption by the Board in December.
- 5) **Financial Information.** The Plan provides financial information including total projected start-up costs and how they will be funded. The Financing section references the City of San Diego's initial funding, as well as the process underway to obtain a working capital line of credit of up to \$40 million. Pending Board action on December 9th, the Plan will be updated to include the name of the third-party creditor and the final loan amount.

The Draft Implementation Plan's financial and load tables are based on the pro forma analysis provided in the Request for Proposals for banking services. Before the final version, it will be updated to include the full load data for all five member parties and updated market conditions.

Attachments: SDRCCEA DRAFT Implementation Plan

**San Diego Regional Community Choice Energy Authority
Community Choice Aggregation Implementation Plan and
Statement of Intent**

[ADDRESS]

December XX, 2019

Discussion Draft Only

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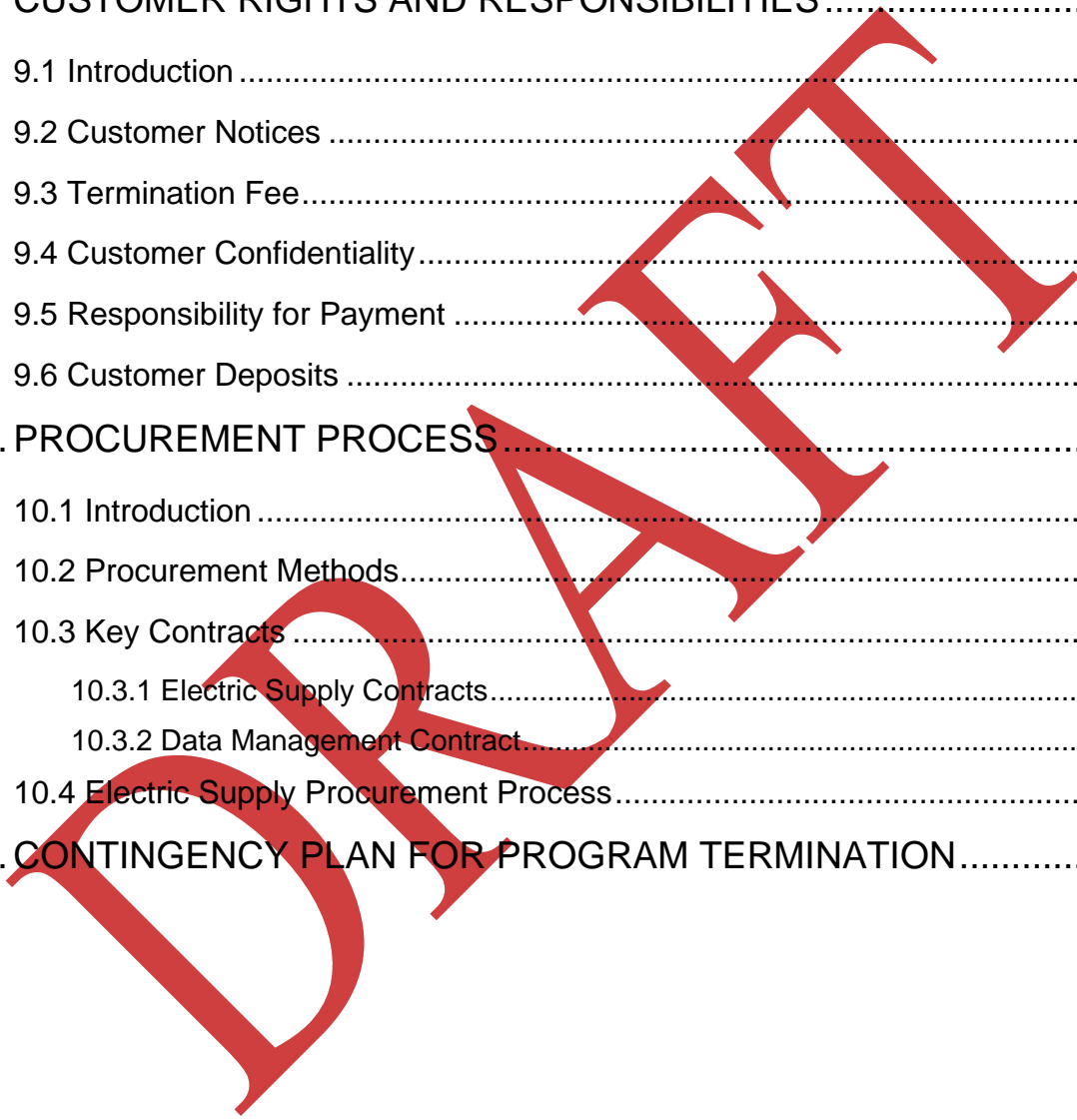
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1. INTRODUCTION

1.1 Statement of Intent

San Diego Regional Community Choice Energy Authority (“SDRCCEA”) is a California Joint Powers Agency formed on October 1, 2019 for the purpose of providing a Community Choice Aggregation (“CCA”) program through which to serve the retail electric service accounts of five SDRCCCEA communities including the Cities of Chula Vista, Encinitas, Imperial Beach, La Mesa and San Diego.

This Implementation Plan and Statement of Intent (“Implementation Plan”) describes SDRCCCEA’s plans to implement a CCA program for electric accounts in the cities of Chula Vista, Encinitas, Imperial Beach, La Mesa and San Diego that currently take bundled electric service from San Diego Gas and Electric Company (“SDG&E”). SDRCCCEA will provide electricity customers the opportunity to join together to procure electricity from competitive suppliers, with such electricity being delivered over SDG&E’s transmission and distribution systems. The planned start date for the Program is the first business day in March 2021. All current SDG&E customers within SDRCCCEA’s service area will receive information describing SDRCCCEA and will have multiple opportunities to choose to remain bundled customers of SDG&E, in which case they will not be enrolled. Thus, participation in SDRCCCEA is completely voluntary; however, customers, as provided by law, will be automatically enrolled according to the anticipated phase-in schedule later described in Chapter 5 unless they affirmatively elect to opt-out.

Implementation of the SDRCCCEA will enable member communities of the joint powers agency to take advantage of the opportunities granted by Assembly Bill 117 (“AB 117”), California’s Community Choice Aggregation authorizing statute. SDRCCCEA’s primary objectives in implementing CCA are to provide cost competitive electric services; reduce electric sector greenhouse gas emissions (“GHGs”); stimulate renewable energy development; promote energy efficiency and demand reduction programs; and sustain long-term rate stability for residents and businesses in its service territory. The prospective benefits to consumers include increased renewable and other low-GHG emitting energy supplies, stable and competitive electric rates, and the opportunity for public participation in determining which supply sources and technologies are utilized to meet local electricity needs.

Based on feedback received from the SDRCCCEA Board of Directors and its communities, SDRCCCEA’s CCA will operate under the following guiding framework:

- **Rates:** SDRCCCEA will offer rates that are competitive with SDG&E’s electric generation rates, striving for generation rates that are below that of the incumbent utility.
- **Power Mix:** SDRCCCEA plans to launch with two power options, one that is a minimum 50%-60% renewable content and a second which is a voluntary, opt-up option that is 100% renewable.

- **Programs:** SDRCCCEA intends to offer a variety of energy-related programs, which could include energy efficiency and demand response, net energy metering, electric vehicle incentives, advanced energy technologies, and the like.
- **Community Input:** Community input is a priority for SDRCCCEA through participation in SDRCCCEA Board meetings, public comment through the Agency’s website, or participation one of SDRCCCEA’s Advisory Committees.
- **General Fund Impact:** SDRCCCEA is formed as a CA Joint Powers Authority and does not anticipate any impact on the General Funds of its member agencies.

To ensure successful operation of its program, SDRCCCEA will solicit services from energy suppliers and power marketers through a competitive process and will negotiate with one or more qualified energy service providers in early 2020. Final selection of SDRCCCEA’s initial energy provider(s) will be made by SDRCCCEA following administration of the solicitation process and related contract negotiations. Information regarding the anticipated solicitation process for SDRCCCEA’s initial energy services provider(s) is contained in Chapter 10.

The California Public Utilities Code provides the relevant legal authority for SDRCCCEA 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 communities can begin receiving electrical service through SDRCCCEA. The CPUC also has responsibility for registering SDRCCCEA as a Community Choice Aggregator and ensuring compliance with basic consumer protection rules. The Public Utilities Code requires that an Implementation Plan be adopted at a duly noticed public hearing and that it be filed with the Commission in order for the Commission to determine the cost recovery mechanism to be paid by customers of the CCA in order to prevent shifting of costs to bundled customers of San Diego Gas & Electric, the incumbent utility.

On December 9, 2019, the SDRCCCEA Board of Directors, at a duly noticed public hearing, considered and adopted this Implementation Plan, by Resolution, a copy of which is included in the packet presented to the CPUC. The Commission has established the methodology that will be used to determine the cost recovery mechanism, and SDG&E has approved tariffs for imposition of the cost recovery mechanism. Following the CPUC’s certification of its receipt of this Implementation Plan and resolution of any outstanding issues, SDRCCCEA will take the final steps needed to register as a CCA prior to initiating the customer notification and enrollment process.

1.2 Organization of the Implementation Plan

The content of this Implementation Plan complies with the statutory requirements of AB 117. As required by California Public Utilities Code Section 366.2(c)(3), this Implementation Plan details the process and consequences of aggregation and provides SDRCCCEA’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.

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

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

Table 1: AB 117 Requirement Cross-References to Implementation Plan

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

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.

SDRCCEA city members began investigating formation of a CCA several years prior to adoption, pursuant to California state law, with the following objectives:

- **Rates:** Competitive rates with those offered by the incumbent utility
- **Power Mix:** A power supply mix that meets or exceeds California's Renewable Portfolio Standard (RPS) requirements and achieves GHG reduction targets of the members
- **Programs:** A variety of locally administered energy programs to serve the communities and customers of the CCA service territory
- **Community Input:** Place a high priority on community engagement and feedback
- **General Fund Impact:** Avoid general fund impact and future general fund liabilities through the establishment of a joint powers authority to operate the CCA program.

This framework serves as the foundation of this Plan. A technical feasibility study for a CCA serving the largest member of the CCA, the City of San Diego, was completed in April 2017 and validated through a peer review study in May 2017. A business plan was completed in October 2018. Several of the other member agencies also completed feasibility studies and/or business plans.

After many years of collaborative work by representatives of SDRCCEA member jurisdictions, independent consultants, and stakeholders, SDRCCEA authorized CCA formation on **October 1, 2019**. SDRCCEA released a draft CCA Implementation Plan in November 2019 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 SDRCCEA Board of Directors on **December 9, 2019**.

The CCA represents a culmination of planning efforts that are responsive to the expressed needs and priorities of participating communities and local stakeholders. SDRCCEA plans to offer choices to eligible customers through creation of innovative programs for voluntary purchases of renewable energy, net energy metering to promote customer-owned renewable generation, energy efficiency, demand responsiveness to promote reductions in peak demand, customized pricing options for large energy users, and support of local renewable energy projects.

2.2 Process of Aggregation

Before they are enrolled in SDRCCEA's CCA, all customers within the five communities not otherwise served by Direct Access will receive two written notices in the mail, from SDRCCEA

that will provide information needed to understand program terms and conditions of service and explain how customers can opt-out of SDRCCCEA service, if desired. All customers that do not elect the opt-out process specified in the customer notices will be automatically enrolled in SDRCCCEA, with service to begin at their next regularly scheduled meter read date no later than thirty days 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 the first phase of customers in March 2021. Initial enrollment notices will be provided to subsequent customer phases consistent with statutory requirements and based on schedule(s) determined by SDRCCCEA. Two additional notices will be sent to enrolled customers within 60 days post enrollment, as per statutory requirement.

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

After service cutover, customers will have approximately 60 days (two billing cycles) to opt-out of SDRCCCEA without penalty and return to SDG&E bundled service. SDRCCCEA customers will be advised of these opportunities via the delivery of two additional enrollment notices provided within the first two months of service. Consistent with statutory requirements, there will be a total of four notices - in the two months prior and in the two months after SDRCCCEA service commencement. 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 SDRCCCEA 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 remain a participant in SDRCCCEA and to have agreed to SDRCCCEA's 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

SDRCCCEA communities will pay the generation charges set by SDRCCCEA and no longer pay the costs of SDG&E generation. Communities enrolled in SDRCCCEA's CCA will be subject to the Program's terms and conditions, including responsibility for payment of all SDRCCCEA charges as described in Chapter 9.

SDRCCCEA's rate setting policies described in Chapter 7 establish a goal of providing rates that are competitive with the projected generation rates offered by SDG&E. SDRCCCEA will establish rates sufficient to recover all costs related to its operation and actual rates will be adopted by the SDRCCCEA Board of Directors at a publicly noticed meeting.

Initial SDRCCCEA rates will be established following approval of SDRCCCEA's inaugural program budget, reflecting final costs from the SDRCCCEA CCA's energy supplier(s). SDRCCCEA's rate policies and procedures are detailed in Chapter 7. Information regarding final

SDRCCEA rates will be disclosed along with other terms and conditions of service in the pre- and post-enrollment notices sent to potential customers.

Under existing statutory requirements, once SDRCCCEA gives definitive notice to SDG&E that it will commence service, SDRCCCEA customers will generally not be responsible for costs associated with SDG&E'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 SDG&E to SDRCCCEA customers through separate rate components, called the Cost Responsibility Surcharge and the New System Generation Charge. These charges are shown in SDG&E's electric service tariffs, which can be accessed from the utility's website, and the costs are included in charges paid by both SDG&E bundled customers as well as CCA and Direct Access customers.¹

2.4 Renewable Energy Impacts

A second impact of the SDRCCCEA CCA will be an increase in the proportion of energy generated and supplied by eligible renewable and carbon-free resources. The resource plan includes procurement of renewable energy sufficient to exceed California's prevailing renewable energy procurement mandate ("Renewable Portfolio Standards") for all enrolled customers. SDRCCCEA communities may also voluntarily participate in a 100 percent renewable supply option. To the extent that customers choose SDRCCCEA's 100 percent renewable energy option, the renewable content of SDRCCCEA's aggregate supply portfolio will further increase. Initially, requisite renewable energy supply will be sourced through one or more power purchase agreements. Over time, however, SDRCCCEA may consider independent development of new renewable generation resources to serve its resource needs.

2.5 Energy Efficiency Impacts

A third impact of SDRCCCEA will be an anticipated increase in local energy efficiency program investments and activities. The existing energy efficiency programs administered by SDG&E should not change as a result of SDRCCCEA implementation. SDRCCCEA customers will continue to pay the public benefits surcharges to SDG&E, which will continue funding energy efficiency programs for all customers, regardless of generation supplier. The energy efficiency investments ultimately planned for SDRCCCEA, as described in Chapter 6, will follow SDRCCCEA's successful application for and administration of requisite program funding (from the CPUC) to independently develop and administer energy efficiency programs within its jurisdiction. Such programs will be in addition to the level of investment that would continue in the absence of SDRCCCEA-administered energy efficiency programs. Thus, SDRCCCEA has the potential for increased energy savings and a further reduction in GHGs due to expanded energy efficiency programs in its service territory.

¹ For SDG&E bundled service customers, the Power Charge Indifference Adjustment element of the Cost Responsibility Surcharge is contained within the tariffed Generation rate. Other elements of the Cost Responsibility Surcharge are set forth in SDG&E's tariffs as separate rates/charges paid by all customers (with limited exceptions). The CPUC recently opened a new Rulemaking exploring potential changes to the PCIA (R.17-06-026).

3. ORGANIZATIONAL STRUCTURE

3.1 Introduction

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

3.2 Organizational Overview

The SDRCCEA Board of Directors is responsible for establishing SDRCCEA's policies and objectives and overseeing SDRCCEA's operations. The SDRCCEA has identified an interim Executive Officer and will commence the search for a permanent Chief Executive in the first quarter of 2020. A permanent CEO is expected to be appointed by the Board of Directors once this Implementation Plan is certified by the CPUC and no later than June 2020.

The Chief Executive Officer will report to the SDRCCEA Board of Directors and manage the daily operation of SDRCCEA in accordance with policies adopted by the Board. The CEO will proceed to hire staff and contractors to manage various activities associated with SDRCCEA operation. These activities include operational support services (administration, finance and information technology), marketing and public affairs (community outreach, key account management and customer advocacy), power supply acquisition (energy procurement, trading, contract negotiation and system development), energy programs, and legal and government affairs.

[TBD - Include a sample/proposed SDRCCEA organization chart]

3.3 Governance

The Program will be governed by the SDRCCEA Board of Directors which consists of one primary Board member and one alternate Board member from the governing body of each participating jurisdiction in SDRCCEA. The Board's primary duties are to approve regulations and policies, approve rates, and provide policy direction to the Chief Executive Officer, who has responsibility for day-to-day operations, consistent with the policies established by the Board of Directors. The Board has elected a Chair and Vice Chair. In the future, the Board will establish advisory committees and sub-committees, as needed, to address issues that require greater expertise or input in particular areas. SDRCCEA will also form various standing and ad hoc committees, as appropriate, which would have responsibility for evaluating various issues that may affect SDRCCEA and its customers and would provide analytical support and advisory recommendations to the Board of Directors in these regards.

3.4 Management

The SDRCCCEA Board of Directors will hire a qualified chief executive officer (“CEO”), who will have management responsibilities over the functional areas of Administration & Finance, Marketing & Public Affairs, Power Resources & Energy Programs, and Government Affairs as well as SDRCCCEA’s General Counsel function. In performing his or her obligations to SDRCCCEA, the CEO may utilize a combination of internal staff and/or contractors with expertise in specific areas. Certain specialized functions needed for program operations, namely the electric supply and customer account management functions described below, may be performed initially and over the longer-term by third party contractors. SDRCCCEA that will be managed by the CEO are summarized below.

3.5 Administration

SDRCCCEA’s CEO and/or chief operating officer and its administrative team will be responsible for managing the organization’s operational, human resource, IT, and administrative functions and will coordinate with the Board of Directors or its Executive Committee as necessary. This functional area of administration will include oversight of employee hiring and termination, information technology systems, Board of Director support and meeting preparation, identification and procurement of requisite office space, office management functions, and various other activities.

3.6 Finance

The SDRCCCEA CEO, in coordination with the Chief Financial Officer or Finance Director is responsible for managing the accounting function and financial affairs of SDRCCCEA, including the development of an annual budget, revenue requirements and rate setting support; managing and maintaining cash flow requirements; arranging working capital loans as necessary; arranging for an Agency credit rating, and other financial tools.

Revenues via rates and other funding sources (such as state grants and reserves) must, at a minimum, meet the annual budgetary revenue requirement, including recovery of all expenses and any reserves or coverage requirements that may be set forth in various agreements or bond covenants. The Board of Directors, in consultation with the CEO, will have the responsibility for setting the rates for SDRCCCEA customers. SDRCCCEA will administer a standardized set of electric rates and may offer optional rates to encourage policy goals such as economic development or low-income subsidy programs, provided that the overall revenue requirements are achieved.

SDRCCCEA may also offer customized pricing options such as dynamic pricing or contract-based pricing for energy intensive customers to help these customers gain greater control over their energy costs. This would provide such customers – mostly larger energy users within the commercial sector – with greater rate-related flexibility than is currently available.

SDRCCEA's finance function will work with the CEO or other executive-level management to arrange financing necessary for any capital projects, prepare financial reports, and ensure sufficient cash flow for successful operation of SDRCCCEA. The finance function will play an important role in risk management by monitoring the credit of energy suppliers and anticipated trends in power supply costs so that credit risk is properly understood and mitigated. In the event that changes in a supplier's financial condition or credit rating are identified, SDRCCCEA will be able to take appropriate action, as would be provided for in the electric supply agreement(s).

3.7 Marketing and 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. SDRCCCEA will conduct program marketing to raise consumer awareness of SDRCCCEA and to establish the SDRCCCEA "brand" in the minds of the public, with the goal of retaining and attracting as many customers as possible into SDRCCCEA's programs and services. 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 SDRCCCEA's ability to differentiate itself as a highly customer-focused organization that is responsive to the needs of the community. SDRCCCEA will also establish a customer call center designed to field customer inquiries and routine interaction with customer account holders.

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 relationship management (CRM) database. This function processes customer service requests and administers customer enrollments and departures from SDRCCCEA, maintaining a current database of enrolled customers. This function coordinates the issuance of monthly bills through SDG&E's billing process and tracks customer payments. Activities include the electronic exchange of usage, billing, and payments data between SDG&E and SDRCCCEA, tracking of customer payments and accounts receivable, issuance of late payment and service termination notices (which would return affected customers to SDG&E's bundled service), and administration of any required customer deposits in accordance with credit policies of SDRCCCEA.

The customer data management services function also manages billing-related communications with customers, customer call centers, and routine customer notices. SDRCCCEA will contract with a third-party vendor that has demonstrated the necessary expertise to administer an appropriate customer information system to perform the customer account and billing services functions.

3.8 Power Resources and Energy Programs

SDRCCEA 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 regulatory mandates. SDRCCCEA's long-term resource plans (addressing the 10 to 20 year planning horizon) will comply with California law and other pertinent requirements of California regulatory bodies. SDRCCCEA may develop and administer complementary energy programs that may be offered to SDRCCCEA customers, including energy efficiency, net energy metering, and various other programs that may be identified to support the overarching goals and objectives of SDRCCCEA.

In accordance with California law and public utility code requirements, SDRCCCEA will develop integrated resource plans that meet supply objectives and balance cost, risk, SDRCCCEA Board policy, and environmental considerations. The integrated resource plans will conform to applicable requirements imposed by the State of California. Integrated resource planning efforts of SDRCCCEA will make maximum 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 SDRCCCEA on an annual basis and coordinated with regulatory compliance obligations.

3.9 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 SDRCCCEA 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 and 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”).

SDRCCEA will initially contract with one or more experienced and financially sound third-party energy service providers to perform all of the electric supply operations for SDRCCCEA. 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, and support for associated regulatory submissions.

3.10 Local Energy Programs

A key focus of SDRCCCEA will be the development and implementation of local energy programs, including energy efficiency programs, distributed generation programs and other energy programs responsive to community interests. These programs are likely to be phased in during the first several years of operations. The implementation of these programs will follow only after the identification of requisite funding sources.

SDRCCEA will eventually administer energy efficiency, demand response and distributed generation programs that can be used as cost-effective alternatives to procurement of supply resources. SDRCCCEA will attempt to consolidate existing demand side programs into this organization and leverage the structure to expand energy efficiency offerings to customers throughout its service territory, including the CPUC application process for third-party administration of energy efficiency programs and use of funds collected through the existing public benefits surcharges paid by SDRCCCEA customers.

3.11 Government Affairs and Legal Services

SDRCCEA will require ongoing regulatory and legislative representation to manage various regulatory compliance filings related to resource plans, resource adequacy, compliance with California's RPS, and overall representation on issues that will impact SDRCCCEA and its customers. SDRCCCEA will maintain an active role at the CPUC, the California Energy Commission, the CAISO, the California legislature and, as necessary, the Federal Energy Regulatory Commission (FERC).

The SDRCCCEA may elect to retain outside legal services, as necessary, to administer SDRCCCEA, review contracts, and provide overall legal support related to activities of SDRCCCEA, this work would be done under the direction of the Chief Executive and Board of Directors.

4. START-UP PLAN AND FUNDING

4.1 Introduction

This Chapter presents SDRCCEA's plans for its pre-launch, start-up period, anticipated to be January 2020 through March 2021, including necessary expenses and capital outlays. As described in the previous Chapter, SDRCCEA will utilize a mix of staff and contractors for its implementation.

4.2 Start-Up Activities

Initial SDRCCEA start-up activities fall into six functional categories. These include:

1. Operations and Organizational Development
2. Technical and Energy Services
3. Banking and Finance
4. Data Management/Call Center
5. Communications and Marketing
6. Regulatory/Legislative Affairs

The following flow chart provides a summary overview of the key actions within each implementation category which are augmented by hundreds of other supporting tasks that will occur throughout 2020 and 2021.

DRAFT San Diego Regional Energy Authority Implementation Timeline (updated October 18, 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	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)																																																																																																												
Register JPA with Sec of State																																																																																																												
Secure contract for Banking Svcs/Line of Credit																																																																																																												
Secure contract for Energy Service Provider																																																																																																												
Secure contract for Data Management and Call Center																																																																																																												
Secure contract for Marketing/Outreach																																																																																																												
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																																																																																																												
Determine scope/selection process for Board and Advisory Committees																																																																																																												
CEO Recruitment/Hire																																																																																																												
Approve staffing plan/initial staff hires and employment policies																																																																																																												
Draft and Adopt Agency policies																																																																																																												
Secure office space, insurance, and other admin/operations needs																																																																																																												
Prepare reports, provide updates for Member Agency City Council(s)																																																																																																												
Manage JPA Board and committee meetings, vendor oversight and all aspects of Agency formation/operations																																																																																																												
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 necessary credit guarantees and establish access to credit line																																																																																																												
Develop 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 proforma estimates																																																																																																												
Prepare resource adequacy procurement plan and RA compliance filings																																																																																																												
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																																																																																																												
Develop related energy programs including FIT, NEM, EE, DR et al																																																																																																												
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 attorney/lobbyist 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 and updated video (TBD)																																																																																																												
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																																																																																																												
Manage Ph 1 customer enrollment printing and mailing																																																																																																												
Manage subsequent enrollments and develop ongoing community presence																																																																																																												
Develop post launch communications plan																																																																																																												

4.3 Staff and Contract Services

Personnel in the form of SDRCCEA staff and contractors will be added incrementally to match workloads involved in forming the CCA, managing contracts, and interfacing with SDRCCEA communities and customers during the pre-operations period. During the early startup period, minimal personnel requirements will include an interim Director/CEO and other personnel needed to support regulatory, legal, procurement, finance, and communications activities.

In addition, staff from the City of San Diego and other member agencies have agreed to provide interim staff support in the areas of interim CEO, project management, legal and Board clerk support, financing, and vendor contract support. Following the initial start-up period and once the Implementation Plan is certified, additional staff and contractors will be retained to support full program roll-out and implementation of additional value-added services (e.g., efficiency projects) and programs.

4.4 Capital Requirements

To begin operations, SDRCCEA will require capital for three major functions: (1) staffing and contractor costs; (2) deposits and reserves; and (3) working capital to support power procurement. Based on SDRCCEA's anticipated start-up activities and phase-in schedule, approximately \$40 million will be required to support these functions. The finance plan in Chapter 6 provides some additional detail regarding SDRCCEA's expected capital requirements and general Program finances.

Related to SDRCCEA'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 organizational development and administration, technical support, legal support and customer outreach and 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 (as well as operating reserve deposits that will likely be required by SDRCCEA's power supplier(s)); and 2) requisite deposit with the CAISO prior to commencing market operations.

Operating revenues from sales of electricity will be remitted to SDRCCEA beginning approximately sixty days after the initial customer enrollments. This lag is due to the standard meter reading cycle of 30 days and a 30-day payment/collections cycle. SDRCCEA will need working capital to support electricity procurement and costs related to Agency administration and management, which is included in SDRCCEA's initial \$40 million capital requirements.

4.5 Financing Plan

SDRCCEA's initial capital requirement will be funded via conventional financing methods (e.g., bank loans or lines of credit). Subsumed in the initial capital requirement is SDRCCEA's non-power start-up funding (\$5 million), plus capitalized interest and fees on start-up funding, which will be provided by <bank name> through <line of credit, term loan, etc.> and will be repaid by SDRCCEA from energy revenue and/or proceeds from the working capital financing. For the

working capital financing, SDRCCCEA will make repayments (including any interest, as applicable) over an assumed term or up to 5 years, anticipated to commence within the first year of SDRCCCEA operations. SDRCCCEA will recover the principal and interest costs associated with the initial funding via retail generation rates charged by SDRCCCEA to its customers within the first several years of operations.

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5. PROGRAM PHASE-IN

SDRCCEA will offer service to all customers on a phased basis, which is expected to be completed in 2021. SDRCCCEA will roll out its service offerings over the course of three phases commencing in March 2021. The proposed phasing schedule is as follows:

Phase 1 (March 2021) All municipal accounts and potentially some large commercial accounts to ensure adequate revenues for subsequent phases.

Phase 2 (July 2021) Remaining commercial, industrial, agriculture, street lighting and traffic control accounts; and

Phase 3 (November 2021) All residential accounts and any remaining service accounts that may have been omitted during Phase 2.

This approach provides SDRCCCEA the ability to initiate its CCA Program with sufficient economic scale and integration of SDG&E's new billing system before building to full operations for an expected customer base of approximately 730,000 accounts, post customer opt-out, which is estimated at 5% across all customer classes, other than municipal accounts which are assumed at a 0% opt-out rate.

Phase 1 of the Program is targeted to begin on or about March 1, 2021, subject to a decision to proceed by SDRCCCEA's Board of Directors. During Phase 1, SDRCCCEA anticipates serving approximately 7,500 accounts, comprised of all municipal accounts and potentially some large commercial accounts, estimated at ~ 340 GWh of annual energy sales. SDRCCCEA will refine the potential composition of Phase 1 accounts in consideration of cost of service and customer load characteristics as well as other operational considerations. Specific accounts to be included in Phase 1 are expected to approximate 5% percent of SDRCCCEA's total customer load and will be specifically defined after further analysis and consideration.

Phase 2 of the Program will commence following successful operation of SDRCCCEA's Phase 1 launch over an approximate 4-month term, which corresponds with an expected Phase 2 service commencement occurring on or about July 1, 2021. It is anticipated that approximately 82,500 additional customers, comprised of remaining commercial, industrial, agriculture, street lighting and traffic control accounts will be included in Phase 2, with annual energy consumption approximating 4,200 GWh annually, or 58 percent of SDRCCCEA's total prospective customer load.

Phase 3 of the Program will commence following successful implementation of Phase 2 enrollments over an approximate 4-month term, which corresponds with an expected Phase 3 service commencement occurring on or about November 1, 2021. It is anticipated that approximately 680,000 additional customers, comprised of residential accounts and any remaining service accounts that may have been omitted during Phase 2 will be included in Phase 3, with annual energy consumption approximating 2,700 GWh, or 37 percent of SDRCCCEA's total prospective customer load.

To the extent that additional customers require enrollment after the completion of Phase 3, SDRCCCEA will evaluate a subsequent phase of CCA enrollment. SDRCCCEA may also evaluate other phase-in options based on then-current market conditions, statutory requirements and regulatory considerations as well as other factors potentially affecting the integration of additional customer accounts.

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6. LOAD FORECAST AND RESOURCE PLAN

6.1 Introduction

This Chapter describes the planned mix of electric resources to meet the energy demands of SDRCCEA communities 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:

- SDRCCEA will increase the use of renewable energy and carbon-free resources and reduce reliance on fossil- fueled electric generation for purposes of reducing electric sector GHG emissions.
- SDRCCEA will manage a diverse resource portfolio to increase control over energy costs and maintain competitive and stable electric rates.
- SDRCCEA will help customers reduce energy costs through administration of enhanced customer energy efficiency, distributed generation, and other demand-reducing programs.
- SDRCCEA will procure storage resources subject to availability, cost, and regulatory requirements.

SDRCCEA's initial resource mix will include a proportion of compliance-required qualified renewables as well as voluntary renewable energy supplies. As SDRCCEA moves forward, incremental renewable supply additions will be made based on resource availability as well as economic and rate goals of the SDRCCEA Program to achieve increased renewable energy content over time. SDRCCEA's commitment to renewable generation resources may involve both direct investment in new renewable generating resources, partnerships with experienced public power developers/operators and purchases of renewable energy from third party suppliers and independent power producers.

The plan described in this section will accomplish the following:

- Energy procurement through short and long-term contracts with experienced, financially stable energy suppliers.
- Continue increasing renewable and carbon-free energy supplies over time, subject to resource availability, economic viability and applicable regulatory compliance mandates.

SDRCCEA will comply with all regulatory obligations applicable to California load serving entities. SDRCCEA will arrange for the scheduling of sufficient electric supplies to meet the demands of its customers. SDRCCEA will adhere to resource adequacy requirements established by the CPUC and the CAISO designed to address local, system and flexible capacity requirements for SDRCCEA's load share. These rules also ensure that physical generation capacity is in place to serve SDRCCEA's customers plus a reasonable reserve margin. In addition, SDRCCEA will be responsible for ensuring that its resource mix contains sufficient

production from renewable energy resources needed to comply with the statewide Renewable Portfolio Standard (37 percent renewable energy in 2021, increasing to 60 percent by 2030). SDRCCCEA's 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 objectives and satisfy the applicable regulatory requirements pertaining to SDRCCCEA's status as a California load serving entity, SDRCCCEA's resource plan includes a diverse mix of power purchases, renewable energy, efficiency programs, 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 ultimate goal of SDRCCCEA's resource plan is to reduce electric sector GHG emissions while offering competitive generation rates to participating customers. The planned power supply is initially comprised of power purchases from third party electric suppliers. Within the first 1-3 years, SDRCCCEA intends to begin entering into power purchase contracts with specific renewable energy facilities.

Once the SDRCCCEA demonstrates it can operate successfully, it 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 SDRCCCEA or controlled under long-term power purchase agreements with a proven public power developer, could provide a portion of SDRCCCEA'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 SDRCCCEA 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, SDRCCCEA may consider partnering with another CCA and/or an experienced public power developer and could enter into a long-term (20- to 30 year) power purchase agreement that would support the development of new renewable generating capacity in California and/or the San Diego region. Such an arrangement could be structured to reduce SDRCCCEA's operational risk associated with capacity ownership while providing its customers with renewable energy generated by the facility under contract. This option may be preferable to SDRCCCEA as it works to achieve increasing levels of local renewable energy supply to its customers.

SDRCCCEA's indicative resource plan for the years 2021 to 2030 is summarized in the following table. Note that SDRCCCEA's projections reflect a portfolio mix based on the minimum renewable portfolio of 50% which increases the renewable energy in the power mix to exceed the baseline power mix offered by SDG&E by approximately 5 percent (SDG&E + 5% Renewable). The SDRCCCEA Board of Directors has established a 50% renewable portfolio as a

minimum for its initial procurement, but that percentage may increase to up to 60% subject to market pricing and availability.

While not explicitly shown in Table 2, SDRCCCEA will consider offering cost-effective incremental energy efficiency programs (i.e., above that included in programs implemented by SDG&E and other providers) and distributed energy generation. SDRCCCEA believes that including specific assumptions on these potential programs here to be premature.

Table 2: SDRCCCEA Proposed Resource Plan (GWh), 2020-2029

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
SDRCCEA Demand										
Retail Demand	3,164	7,302	7,306	7,311	7,303	7,273	7,231	7,187	7,139	7,087
Losses and UFE	6%									
Total Demand	3,354	7,741	7,745	7,750	7,742	7,710	7,665	7,619	7,567	7,513
SDRCCEA Supply										
Renewable Resources	1,646	4,245	4,448	4,662	4,877	5,087	5,296	5,513	5,735	5,963
GHG-Free (non-RPS)	748	1,748	1,648	1,544	1,432	1,312	1,184	1,053	916	775
Conventional Resources*	748	1,748	1,648	1,544	1,432	1,312	1,184	1,053	916	775
Total Supply	3,354	7,741	7,745	7,750	7,742	7,710	7,665	7,619	7,567	7,513
*includes open position)										

6.3 Supply Requirements

The starting point for SDRCCCEA’s resource plan is a projection of 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 could be affected by SDRCCCEA’s plan to introduce the program to customers in phases. SDRCCCEA’s phased roll-out plan and assumptions regarding customer participation rates are discussed below.

6.4 Customer Forecasts

Once customers enroll in each of three phases, they will be switched over to service by SDRCCCEA on their regularly scheduled meter read date over an approximately thirty-day period. The number of accounts served by SDRCCCEA at the end of each phase is shown in the table below. The tables assumes that no municipal accounts (Phase 1) opt out and that 5% of Phases 2 and Phase 3 opt out. This opt-out assumption is based on opt-out rates of other recently formed CCA programs in the State of California.

Table 3: SDRCCEA Enrolled Retail Service Accounts By Phase-In Period (End of Month)

SDRCCEA Customers	[4/21] Phase 1	[7/21] Phase 2	[11/21] Phase 3
Residential	0	0	653,241
Small Commercial	5,124	61,047	61,047
Large Commercial	544	8,542	8,542
Industrial	0	11	11
Street Lighting & Traffic	234	234	234
Agricultural & Pumping	1,952	1,952	1,952

Table 4: SDRCCEA Retail Service Accounts (End of Year), 2020-2029

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Residential	653,241	659,773	666,371	673,035	679,765	686,563	693,428	700,363	707,366	714,440
Small Commercial	61,047	61,657	62,274	62,897	63,526	64,161	64,803	65,451	66,105	66,766
Large Commercial	8,542	8,585	8,628	8,671	8,714	8,758	8,801	8,845	8,890	8,934
Industrial	11	11	11	11	11	11	11	11	11	11
Street Lighting & Traffic	234	236	239	241	244	246	248	251	253	256
Agricultural & Pumping	1,952	1,962	1,972	1,981	1,991	2,001	2,011	2,021	2,031	2,042
Total	725,027	732,225	739,494	746,836	754,251	761,740	769,303	776,942	784,657	792,449

SDRCCEA's forecast of kWh sales reflects the roll-out and customer enrollment schedule shown above. Annual energy requirements are shown below.

6.5 Sales Forecast

Table 5: SDRCCEA Annual Energy Requirements (GWh), 2020-2029

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Retail Demand	3,164	7,302	7,306	7,311	7,303	7,273	7,231	7,187	7,139	7,087
Losses and UFE	6%									
Total Demand	3,354	7,741	7,745	7,750	7,742	7,710	7,665	7,619	7,567	7,513

6.6 Proposed Resources

On **XX date**, SDRCCEA issued a request for proposals for: (a) procurement-related project administration and planning; (b) power portfolio management and energy advisory services; California Independent System Operator (CAISO) Scheduling Coordinator and Settlement

Services; (d) Integrated Resource Planning (IRP) and IRP Development; (e) Renewables and Long-Term Planning and Procurement; and (d) Distributed Energy Resource (DER) Assessment and Procurement. Responses to the RFP are due on **XX date** and provider(s) will be selected by January 2020. SDRCCCEA staff and board will meet with the selected provider(s) to refine the draft procurement plan presented here and in Chapter 10.

6.6.1 Purchased Power

Power purchased from power marketers, public agencies, generators, CCAs, or utilities will be a significant source of supply during the first several years of SDRCCCEA's operation. Subject to the responses to the above-referenced energy services RFP, SDRCCCEA 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 SDRCCCEA's desired quantities of renewable and carbon-free energy, to provide a stable and cost-effective resource portfolio for the Program.

6.6.2 Renewable Resources

Subject to the responses to the above-referenced RFP, SDRCCCEA will initially secure renewable power through its contracted energy supplier. When feasible, SDRCCCEA will enter into power supply contract(s) with direct, long-term purchases of renewable energy from renewable energy facilities or from renewable generation developed and owned or controlled by SDRCCCEA. 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 SDRCCCEA, unsolicited proposals or discussions with other agencies. Renewable projects that are located anywhere in the Western Interconnection can be considered as long as the electricity is deliverable to the CAISO control area. The costs of transmission access and the risk of transmission congestion costs will be considered in the bid evaluation process if the delivery point is outside of SDRCCCEA's load zone(s), as defined by the CAISO.

6.6.3 Resource Adequacy

The CPUC requires all retail power providers, including CCAs, to demonstrate that they hold or have contracted with sufficient resources to ensure that the CAISO grid remains reliable. These "resource adequacy" (RA) standards require a demonstration one year in advance that SDRCCCEA has secured physical capacity for 90 percent of its assigned load share for each of the five months May through September, plus a minimum 15 percent reserve margin, plus 100 percent of its annual local resource adequacy procurement obligation. On a month-ahead basis, SDRCCCEA must demonstrate 100 percent of the peak load share plus a minimum 15 percent reserve margin.

A portion of SDRCCCEA's capacity requirements must be procured from power generators in the San Diego Area (as defined by the CAISO). SDRCCCEA will be required to demonstrate its local capacity requirement for each month for the following two calendar years plus 50% of the requirement for the third calendar year. The local resource adequacy procurement obligation is

based on its share of the coincident monthly peak demand as determined by the CEC based upon SDRCCEA's historical and forecasted peak load.

SDRCCEA is also required to demonstrate that a specified portion of its resource adequacy capacity meets certain operational flexibility requirements under the CPUC and CAISO's capacity requirement to support load variability during the off-peak months.

The estimated forward resource adequacy requirements for 2021 through 2023 are shown in the following tables:

Table 6: SDRCCEA Forward Capacity and Reserve Requirements (MW), 2020-2022

	2021	2022	2023
January			
February			
March			
April			
May			
June			
July			
August			
September			
October			
November			
December			

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

Table 7: SDRCCEA Capacity Requirements (MW), 2020-2029

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Total Net Peak Demand	1,666	1,683	1,684	1,685	1,683	1,676	1,666	1,657	1,645	1,633
Reserve Requirement (%)	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Capacity Reserve Requirement	253	252	251	250	248	247	245	244	242	241
Capacity Requirement Including Reserve	1,938	1,936	1,928	1,916	1,905	1,892	1,878	1,867	1,856	1,845

Table 8: SDRCCCEA Local Capacity Requirements (MW), 2020-2029

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Peak Demand	1,666	1,683	1,684	1,685	1,683	1,676	1,666	1,657	1,645	1,633
Local Capacity Req. (% of Peak)										
Share of Local Capacity										
SDRCCEA Local Capacity Req., San Diego Region										

Table
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7. FINANCIAL PLAN

7.1 Introduction

This Chapter examines the cash flows expected during the startup and customer phase-in period of and identifies the anticipated financing requirements. It includes estimates of 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.

7.2 Description of Cash Flow Analysis

SDRCCEA's cash flow analysis estimates the level of capital that will be required during the startup and phase-in period. The analysis focuses on SDRCCCEA's monthly costs and revenues and specifically accounts for the phased enrollment of SDRCCCEA communities described in Chapter 5.

7.3 Cost of CCA Operations

The first category of the cash flow analysis is the cost of SDRCCCEA operations. To estimate the overall costs associated with SDRCCCEA operations, the following components were taken into consideration:

- Electricity Procurement;
 - Ancillary service requirements;
 - Grid management and other CAISO Charges;
 - Scheduling Coordination;
- Exit fees;
- Staffing and professional services;
- Data management costs;
- Administrative overhead;
- Billing costs;
- CCA bond and security deposit;
- Pre-startup cost; and
- Debt service.

7.4 Revenues from SDRCCCEA Program Operations

The cash flow analysis also provides estimates for revenues generated from SDRCCCEA 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 SDRCCCEA offers the following products:

- **50% - 60% Renewable (Base Power Product)**

- **100% Renewable (Voluntary Product):** SDRCCCEA will supply 100 percent of retail load with renewable, GHG-free power.

More detail on rates can be found in Chapter 8.

7.5 Cash Flow Analysis Results

The results of the cash flow analysis provide an estimate of the level of capital required for SDRCCCEA to move through startup and phase-in periods. This estimated level of capital is determined by examining the monthly cumulative net cash flows (revenues from SDRCCCEA operations minus cost of SDRCCCEA operations) based on assumptions for payment of costs or other cash requirements (e.g., deposits) by SDRCCCEA, along with estimates for when customer payments will be received and potential customer non-collections/defaults. 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 financing requirements for the startup and phase-in period, including working capital needs associated with all three phases of customer enrollments, is estimated at \$40 million. Working capital requirements peak soon after enrollment of the Phase 3 customers.

7.6 SDRCCCEA Program Implementation Pro Forma

In addition to developing a cash flow analysis which estimates the level of working capital required to move SDRCCCEA through full implementation and phase-in, a summary pro forma analysis that evaluates the financial performance of SDRCCCEA during the phase-in period is shown below. The difference between the cash flow analysis and the SDRCCCEA 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 SDRCCCEA operations and rates charged to customers remain the same. Cash provided by financing activities is not shown in the pro forma analysis, although payments for debt service are included as a cost item.

The results of the pro forma analysis are shown in the following tables. SDRCCCEA has also included a summary of reserves, which are expected to accrue over this same period of time.

Table 9: SDRCCEA Summary of CCA Program Start-Up and Phase-In, 2020-2030

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
CCA Load, MWh	-	3,164,157	7,302,764	7,306,581	7,311,772	7,303,945	7,273,730	7,231,000	7,187,869	7,139,138	7,087,820
SDG&E average exit fees for CCA load (PCIA)	\$0.00	\$31.16	\$30.43	\$32.72	\$31.25	\$30.95	\$29.55	\$27.65	\$21.64	\$12.68	\$0.00
SDG&E average gen rate for CCA load, \$/MWh	\$0.00	\$107.47	\$106.81	\$107.55	\$110.45	\$110.14	\$111.18	\$114.22	\$117.96	\$123.67	\$132.66
CCA Load, MWhs	-	3,164,157	7,302,764	7,306,581	7,311,772	7,303,945	7,273,730	7,231,000	7,187,869	7,139,138	7,087,820
Rate Discount (%)		4.0%	4.0%	4.0%	4.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
<i>Ave CCA Rate, \$/MWh</i>	\$0.0	\$72.0	\$72.1	\$70.5	\$74.8	\$73.7	\$76.1	\$80.9	\$90.4	\$104.8	\$126.0
Rate Revenue		\$247,770,961	\$526,250,120	\$514,979,361	\$546,397,158	\$538,185,634	\$553,305,997	\$584,661,847	\$649,935,765	\$748,249,492	\$893,235,699
Other Revenue (Loans)	\$5,000,000	\$35,000,000	\$0								
Interest income	1.25%	\$319,826	\$1,424,562	\$2,000,079	\$2,198,411	\$2,320,422	\$1,984,443	\$2,339,617	\$2,646,349	\$3,063,906	\$3,107,999
Total Revenue	\$5,319,826	\$284,195,523	\$528,250,198	\$517,177,772	\$548,717,580	\$540,170,077	\$555,645,614	\$587,308,196	\$652,999,671	\$751,357,491	\$896,555,125
Expenses											
Cost of Power	\$0	(\$187,868,853)	(\$449,057,615)	(\$457,171,549)	(\$473,820,738)	(\$485,658,344)	(\$506,288,425)	(\$528,596,976)	(\$623,699,368)	(\$708,218,130)	(\$817,398,187)
O&M/A&G Costs	(\$3,315,000)	(\$15,482,812)	(\$22,514,515)	(\$23,223,357)	(\$23,941,060)	(\$24,323,131)	(\$24,818,621)	(\$25,306,637)	(\$25,772,878)	(\$26,225,120)	(\$26,685,972)
Total Expenses	(\$3,315,000)	(\$203,351,666)	(\$471,572,130)	(\$480,394,906)	(\$497,761,798)	(\$509,981,476)	(\$531,107,047)	(\$553,903,613)	(\$649,472,246)	(\$734,443,250)	(\$844,084,159)
Unleveraged Free Cash Flow	\$2,004,826	\$80,843,858	\$56,678,068	\$36,782,866	\$50,955,782	\$30,188,602	\$24,538,567	\$33,404,583	\$3,527,425	\$16,914,241	\$52,470,966
Debt Service (interest and payments)	(\$234,001)	(\$1,198,215)	(\$16,829,014)	(\$17,108,361)	(\$12,405,158)	(\$1,774,749)	\$0	\$0	\$0	\$0	\$0
Leveraged Free Cash Flow	\$1,770,825	\$79,645,643	\$39,849,054	\$19,674,505	\$38,550,623	\$28,413,853	\$24,538,567	\$33,404,583	\$3,527,425	\$16,914,241	\$52,470,966
Working cash on hand	\$1,770,825	\$81,416,467	\$110,897,935	\$120,204,854	\$158,755,477	\$187,169,330	\$211,707,897	\$245,112,480	\$248,639,905	\$265,554,146	\$318,025,112
Target Cash on hand		\$71,048,881	\$132,062,550	\$129,294,443	\$137,179,395	\$135,042,519	\$138,911,403	\$146,827,049	\$163,249,918	\$187,839,373	\$224,138,781
Cash (to)/From reserve		(\$10,367,586)	(\$10,367,586)	(\$10,367,586)	(\$21,576,082)	(\$24,084,593)	(\$2,902,623)	(\$3,419,485)	(\$14,335,295)	(\$12,745,651)	(\$16,446,136)
End of Year Cash	\$1,770,825	\$71,048,881	\$100,530,349	\$109,837,267	\$137,179,395	\$163,084,737	\$208,805,274	\$241,692,995	\$234,304,610	\$252,808,495	\$301,578,976
Reserve Fund Adjustment	15%										
Target	\$532,350	\$30,682,482	\$73,260,172	\$74,625,490	\$76,525,043	\$76,763,434	\$79,666,057	\$83,085,542	\$97,420,837	\$110,166,487	\$126,612,624
Reserve Fund Adjustment											
Potential Reserve Addition	\$0	\$30,682,482	\$62,892,585	\$53,890,317	\$45,422,284	\$24,084,593	\$2,902,623	\$3,419,485	\$14,335,295	\$12,745,651	\$16,446,136
Reserve additions (Subtractions)	\$0	\$10,367,586	\$10,367,586	\$10,367,586	\$21,576,082	\$24,084,593	\$2,902,623	\$3,419,485	\$14,335,295	\$12,745,651	\$16,446,136
Reserve fund total	\$0	\$10,367,586	\$20,735,173	\$31,102,759	\$52,678,841	\$76,763,434	\$79,666,057	\$83,085,542	\$97,420,837	\$110,166,487	\$126,612,624

The surpluses achieved during the phase-in period serve to build SDRCCEA's net financial position and credit profile and to provide operating reserves for SDRCCEA in the event that operating costs (such as power purchase costs) exceed collected revenues for short periods of time. In addition, financial surpluses could be used to increase renewable and GHG-free resources within SDRCCEA's resource mix.

7.7 SDRCCEA Financings

It is anticipated that one or more financings will be necessary to support SDRCCEA's CCA implementation. SDRCCEA has received multiple bids for working capital credit and banking services which are currently under evaluation. Subsequent capital requirements will be self-funded from the SDRCCEA CCA's accrued financial reserves. The anticipated financing approach is described below.

7.8 SDRCCEA Start-up and Working Capital

As previously discussed, the anticipated start-up and working capital requirements for SDRCCEA are estimated at \$40 million. This amount is dependent upon the electric load served by SDRCCEA, actual energy prices, payment terms established with the third-party supplier, and program rates. This figure would be refined during the startup period as these variables become known. Once SDRCCEA is operational, these costs would be recovered from customers through retail rates.

It is assumed that non-power start-up costs of approximately \$5 million will be funded through an unsecured line of credit with a third-party lender and repaid from the working capital financing and/or program revenues. The working capital financing will be primarily secured via a short-term loan, which would allow SDRCCEA to draw cash as required. Requisite financing is expected to be in place by Q1 2020.

7.9 Renewable Resource Project Financing

SDRCCEA may consider project financings for renewable resources, likely local wind, solar, biomass or geothermal as well as storage and energy efficiency projects. These financings would only occur after a sustained period of successful SDRCCEA operation and after appropriate project opportunities are identified and subjected to appropriate environmental and other reviews. SDRCCEA's ability to directly finance projects will likely require a track record of five to ten years of successful operations demonstrating strong underlying credit to support the financing; direct financing undertaken by SDRCCEA would not be expected to occur sooner than 2030.

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.

8. RATE SETTING, PROGRAM TERMS AND CONDITIONS

8.1 Introduction

This chapter describes the initial policies proposed for SDRCCEA in setting its rates for electric services. These include policies regarding rate design, rate objectives, and provision for due process in setting electricity rates. Rates must be approved by the SDRCCEA Board of Directors.

8.2 Rate Policies

SDRCCEA will establish rates sufficient to recover all costs related to its operation, including any reserves that may be required as a condition of financing and other discretionary reserve funds that may be approved by the Board of Directors for SDRCCEA uses.

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

- Rate competitiveness;
- Rate stability;
- Equity among customers in each tariff;
- Customer understanding; and
- Revenue sufficiency.

Each of these objectives is described below.

8.3 Rate Competitiveness

Competitive rates will be critical to attracting and retaining key customers. For SDRCCEA to be successful, the combination of price and value must be perceived as superior when compared to the bundled utility service alternative. SDRCCEA's primary goal is to offer competitive rates for electric services with a discount target ranging from ~2-4% percent below similar generation rates offered by SDG&E, subject to actual energy product pricing and decisions of the Board of Directors.

As planned, the value provided by SDRCCEA will include a higher proportion of renewable and carbon-free energy and reduced GHG emissions relative to SDG&E, enhanced energy efficiency and customer programs, community focus, local investment and control. As previously discussed, SDRCCEA will increase renewable energy supply to program customers, relative to SDG&E, by offering two distinct rate tariffs. The default tariff for SDRCCEA customers will be the standard tariff, which will increase renewable energy supply to a minimum of 50% -60% at program launch while maintaining generation rates that are generally comparable to and potentially below SDG&E's. The initial renewable energy content provided under SDRCCEA's standard tariff will exceed California's prevailing RPS, and SDRCCEA will endeavor to increase this percentage on a going forward basis, subject to operational and economic constraints. SDRCCEA will also offer its customers a voluntary 100 percent renewable energy tariff, which

will supply participating customers with 100 percent renewable energy at rates that reflect SDRCCCEA'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 the incumbent utility.

8.4 Rate Stability

SDRCCEA will offer stable rates by hedging its supply costs over multiple time horizons and by including renewable energy supplies that exhibit stable costs. It will also establish risk management policies and reserve policies that include a rate stabilization fund.

8.5 Equity Among Customer Classes

Initial rates will be set based on cost-of-service considerations with reference to the rates customers would have otherwise paid to SDG&E. Rate differences among customer classes will reflect the rates charged by SDG&E as well as differences in the costs of providing service to each class.

8.6 Revenue Sufficiency

SDRCCEA's rates must collect sufficient revenue from participating customers to fully fund SDRCCCEA's annual 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 of costs of operation subject to the disclosure and due process policies described later in this chapter. To ensure rate stability, funds available in SDRCCCEA's rate stabilization fund may be used from time to time to augment operating revenues.

8.7 Rate Design

SDRCCEA will initially match the rate structures of SDG&E's standard rates. SDRCCCEA will, over time, transition to rate designs that better reflect its cost of service as well as enhance customer understanding and time of use requirements.

8.8 Custom Pricing Options

8.8.1 Net Energy Metering

As planned, customers with on-site generation eligible for net metering from SDG&E may be offered a net energy metering rate from SDRCCCEA. 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. The SDG&E net metering tariffs (NEM) requires SDRCCCEA to offer a net energy metering tariff in order for the customer to continue to be eligible for service on Schedule

NEM. The objective is that SDRCCCEA's net energy metering tariff will apply to the generation component of the bill, and the SDG&E net energy metering tariff will apply to the utility's portion of the bill. SDRCCCEA plans to pay customers for excess power produced from net energy metered generation systems in accordance with the rate designs adopted by SDRCCCEA.

8.9 Disclosure and Due Process in Setting Rates and Allocating Costs Among Participants

Initial rates will be adopted by the SDRCCCEA Board of Directors following the establishment of the first year's operating budget and prior to initiating the first phase of service. Subsequently, SDRCCCEA will prepare an annual budget and corresponding customer rates. Any proposed rate adjustment will be made to the Board of Directors and ample time will be given to affected customers to provide comment on the proposed rate changes.

After proposing a rate adjustment, SDRCCCEA 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. The notice will provide a summary of the proposed rate adjustment and will include a link to the SDRCCCEA 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 SDRCCCEA to which any customer inquiries relative to the proposed adjustment.

9. CUSTOMER RIGHTS AND RESPONSIBILITIES

9.1 Introduction

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

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

9.2 Customer Notices

At the initiation of the customer enrollment process, a total of four notices will be provided to customers describing the Program, informing them of their right to opt-out of the program and to remain with incumbent utility bundled generation service, and containing a simple mechanism for exercising their right to opt-out. 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. SDRCCEA will use its own mailing service for requisite enrollment notices rather than including the notices in SDG&E'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 SDRCCEA in one of three ways: 1) In writing, via US Post, 2) by using SDRCCEA's designated 1-800 number or 3) by opting-out on SDRCCEA's website. Should customers choose to initiate an opt-out request by contacting SDG&E, they would be transferred to the SDRCCEA 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 SDRCCEA service commences. Opt-out requests made on or before the sixtieth day following start of SDRCCEA 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 SDRCCEA during the time the customer took service from the SDRCCEA Program, but will otherwise not be subject to any penalty or transfer fee from SDRCCEA.

Customers who establish new electric service accounts within the Program's service area will be automatically enrolled in the SDRCCEA 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

SDRCCEA’s privacy policy regarding customer usage information. SDRCCCEA 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 SDRCCCEA Program’s customer base.

9.3 Termination Fee

Customers that are automatically enrolled in the SDRCCCEA CCA 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 SDRCCCEA reserves the right to impose, if deemed necessary. Customers that relocate within SDRCCCEA’s service territory would have SDRCCCEA service continued at their new address. If a customer relocating to an address within SDRCCCEA’s service territory elected to cancel service, the Termination Fee could be applied. Customers that move out of SDRCCCEA’s service territory would not be subject to the Termination Fee. If deemed applicable by SDRCCCEA, SDG&E would collect the Termination Fee from returning customers as part of SDRCCCEA’s final bill to the customer.

For illustrative purposes, SDRCCCEA Termination Fee could vary by customer class as set forth in the table below, subject to a final determination by SDRCCCEA.

SDRCCEA Program: Illustrative Schedule of Fees for Service Termination*

Customer Class	Fee
Residential	\$5
Non-Residential	\$25

* Note that SDRCCCEA has yet to adopt a Schedule of Fees for Service Termination. The fees reflected in this table are representative of similar charges adopted by California’s Operational CCA Programs

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 SDRCCCEA subject to applicable customer noticing requirements.

Customers electing to terminate service after the initial notification period would be transferred to SDG&E 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 SDG&E and would be required to remain on bundled utility service for a period of one year, as described in the utility CCA tariffs.

9.4 Customer Confidentiality

SDRCCEA 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. SDRCCCEA 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 SDRCCCEA 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 SDRCCCEA to provide service to its customers; (c) collect unpaid bills; (d) obtain and provide credit reporting information; or (e) resolve customer disputes or inquiries. SDRCCCEA will not disclose customer information for telemarketing, e-mail, or direct mail released at SDRCCCEA's discretion.

9.5 Responsibility for Payment

Customers will be obligated to pay SDRCCCEA Program charges for service provided through the date of transfer including any applicable Termination Fees. Pursuant to current CPUC regulations, SDRCCCEA will not be able to direct that electricity service be shut off for failure to pay SDRCCCEA bills. However, SDG&E has the right to shut off electricity to customers for failure to pay electricity bills, and SDG&E Electric Rule 23 mandates that partial payments are to be allocated pro rata between SDG&E and SDRCCCEA. In most circumstances, customers would eventually 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. SDG&E would attempt to collect any outstanding balance from customers in accordance with Rule 23 and the related SDRCCCEA 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 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.

9.6 Customer Deposits

Under certain circumstances, SDRCCCEA customers may be required to post a deposit equal to the estimated charges for two months of service prior to obtaining service from the SDRCCCEA Program. A deposit would be required for an applicant who previously had been a customer of SDG&E or SDRCCCEA and whose electric service had been discontinued by SDG&E or SDRCCCEA 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 SDG&E Electric Rule 11 (Discontinuance 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 service has been discontinued for such nonpayment. Failure to post deposit as required would cause the account service transfer request to be rejected, and the account would remain with SDG&E. A customer whose service is discontinued by SDRCCCEA is returned to SDG&E generation service.

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10. PROCUREMENT PROCESS

10.1 Introduction

This Chapter describes SDRCCEA's initial approach to power supply procurement. SDRCCEA shall retain the authority to modify this initial approach from time to time at its discretion.

10.2 Procurement Methods

SDRCCEA may enter into agreements for a variety of services needed to support program development, program operations and management. SDRCCEA 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 vendor availability is limited or a competitive process would be an idle act.

10.3 Key Contracts

10.3.1 Electric Supply Contracts

SDRCCEA will initiate service using supply contracts with one or more qualified providers to supply sufficient electric energy resources to meet SDRCCEA customer demand as well as applicable resource adequacy requirements, ancillary and other necessary services. SDRCCEA may complete additional solicitations to supplement its energy supply and/or to replace contract volumes provided under the original contract. SDRCCEA would begin such procurement sufficiently in advance of contract expiration so that the transition from the initial supply contract occurs smoothly, avoiding dependence on market conditions existing at any single point in time.

SDRCCEA will solicit the services of a certified Scheduling Coordinator to schedule loads and resources to meet SDRCCEA customer demand. SDRCCEA may designate the primary supplier to be responsible for day-to-day energy supply operations of the SDRCCEA Program and for managing the predominant supply risks for the term of the contract. The primary supplier may also contribute to meeting the Program's renewable energy supply goals. However, additional suppliers may also be identified to supplement requisite renewable energy supplier of the SDRCCEA program. Finally, the primary supplier may be responsible for ensuring SDRCCEA's compliance with all applicable resource adequacy and regulatory requirements imposed by the CPUC or FERC.

In August 2020, SDRCCEA intends to commence the requisite competitive solicitation process to identify its initial energy portfolio and anticipates executing the electric supply contract(s) for Phase 1 loads in late 2020. The contract for Phase 2 loads will be executed contemporaneously or shortly thereafter.

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 SDG&E, billing, remittance processing, and account management). Recognizing that some qualified wholesale energy suppliers do not typically conduct retail customer services whereas others (i.e., direct access providers) do, the data management contract will likely be separate from the electric supply contract. Separating the data management contract from the energy supply contract gives SDRCCCEA greater flexibility to change energy suppliers, if desired, without facing an expensive data migration issue. It is anticipated that a single contractor will be selected to perform the data management/call center functions.

The data manager is responsible for the following services:

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

The data management contract will also require that services be provided consistent with SDRCCCEA's customer confidentiality policies as described in Section 9.4, and the contractor will be required to provide, prior to contract award, adequate assurances to SDRCCCEA that appropriate data security measures are employed. As this point in time, SDRCCCEA has not yet commenced the requisite competitive solicitation process to identify its data management services provider. However, it is anticipated that SDRCCCEA will execute a contract for data management/call center services in March or April 2020.

10.4 Electric Supply Procurement Process

SDRCCCEA will initiate service using supply contracts with one or more qualified providers to supply sufficient electric energy resources to meet SDRCCCEA customer demand as well as applicable resource adequacy requirements, ancillary and other necessary services. SDRCCCEA may seek the services of a portfolio manager to support electric supply management. SDRCCCEA may complete additional solicitations to supplement its energy supply and/or to replace contract volumes provided under the original contract. SDRCCCEA would begin such procurement sufficiently in advance of contract expiration so that the transition from the initial supply contract occurs smoothly, avoiding dependence on market conditions existing at any single point in time. SDRCCCEA will also solicit the services of a certified Scheduling Coordinator to schedule loads and resources to meet SDRCCCEA customer demand, and in keeping with CAISO requirements.

On XX, 2019 SDRCCCEA issued an RFP for wholesale energy and power services and will select one or more qualified vendors to support power planning, power contract negotiations, schedule coordination, compliance, DER and integrated resource planning and long-term renewable

contracts. It is anticipated that one or more energy service providers will be identified in Q1 2020 and SDRCCCEA anticipates executing the electric supply contract for Phase 1 loads in late fall/winter of 2020. The contract(s) for Phase 2 and Phase 3 loads will be executed a few months in advance of each phase's launch.

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11. CONTINGENCY PLAN FOR PROGRAM TERMINATION

This Chapter describes the process to be followed in the case of termination. By adopting the original Implementation Plan, SDRCCEA will have approved the general termination process. In the unexpected event that SDRCCEA would terminate supplying electricity and return its customers to SDG&E service, the proposed process is designed to minimize the impacts on its customers and on SDG&E. The proposed termination plan follows the requirements set forth in SDG&E's Tariff Rule 27 governing service to CCAs. SDRCCEA retains discretion to modify program policies from time to time at its discretion.

SDRCCEA will offer services for the long term with no planned Program termination date. In the unanticipated event that SDRCCEA decides to terminate the Program, each of its Member Agencies would be required to adopt a termination ordinance or resolution and provide adequate notice to SDRCCEA consistent with the terms set forth in its JPA Agreement. Following such notice, SDRCCEA's Board would vote on Program termination subject to voting provisions as described in the JPA Agreement. In case SDRCCEA affirmatively votes to proceed with JPA termination, SDRCCEA would disband under the provisions identified in its JPA Agreement.

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 SDG&E. 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 in advance notice would be provided to SDG&E and the CPUC before transferring customers, and SDRCCEA 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.

SDRCCEA 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 is 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. SDRCCEA will post financial security in the appropriate amount as part of its registration process and will maintain the financial security agreement in the required amount, as necessary.