

SAN DIEGO REGIONAL COMMUNITY CHOICE ENERGY AUTHORITY

Staff Report – Item 9

To: SDRCCEA Board of Directors

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Subject: Discussion of SDRCCEA Implementation Plan

Date: October 31, 2019

Staff Recommendation

This item is informational only, however staff encourages the Board to consider and provide direction on the “Key Decisions” listed below, which are needed to draft the Implementation Plan for review and adoption by the Board in December, 2019.

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. This staff report discusses what is typically included in an Implementation Plan and identifies the direction staff needs from the Board in order to complete it. The Implementation Plan itself must be formally approved by the Board before it is submitted to the CPUC in mid-December (no later than January 1, 2020). Once submitted, the CPUC has 90 days to certify the Plan, which is by the end of March 2020, unless Commission staff responds with questions or requests for additional information. This is unlikely as SDRCCEA’s Plan will follow the same format and include similar, best-practice content of other successfully certified CCA Implementation Plans in California.

Analysis and Discussion

The Implementation Plan is a statutory requirement under Public Utilities Code, Section 366.2.(c)(3). The required content of an Implementation Plan is described below. However, it’s important to note that much of the language in the Plan will be written in general terms, so as to conform with CPUC requirements but not provide so much detail that it either constrains the Authority in the future or the Plan itself becomes rapidly outdated. For example, the Implementation Plan will discuss a target range for rate discounts and the process for setting rates, but it will not specify a precise rate discount or what the rates will be because we don’t yet know. Furthermore, the Implementation Plan is not a detailed business plan for all of

SDRCCEA's procurement strategies and programs; it is a regulatory compliance document meant to outline the foundational framework and features of SDRCCCEA's CCE program without being overly prescriptive in this early stage of formation.

To meet statutory requirements, the CPUC Code states:

"A community choice aggregator establishing electrical load aggregation pursuant to this section shall develop an implementation plan detailing the process and consequences of aggregation. The implementation plan, and any subsequent changes to it, shall be considered and adopted at a duly noticed public hearing. The implementation plan shall contain all of the following:

- a) The organizational structure of the program, its operations, and funding strategy
- b) Plan for rate setting and other costs to participants.
- c) Provisions for disclosure and due process in setting rates and allocating costs among participants.
- d) The methods for entering and terminating agreements with other entities.
- e) The rights and responsibilities of program participants, including but not limited to, consumer protection, credit issues and shutoff procedures.
- f) Termination of the program.
- g) A description of third parties that will be supplying electricity under the program, including but not limited to general information about financial, technical and operational capabilities."

Key Decisions for the SDRCCCEA Board:

1. *Energy Supply:* The Implementation Plan should state the intended level of renewable and carbon-free energy in SDRCCCEA's initial supply mix. As an example, Peninsula Clean Energy's plan stated, "PCE's initial resource mix will include a renewable energy content of at least 50%." This statement was made before the energy services provider (ESP) was selected, so the decision was based on the initial technical study and current market conditions, which showed that a 50% renewable energy level was possible with rates lower than the incumbent utility. This statement established the *minimum floor* for renewable content but enabled PCE to procure higher levels of renewable and carbon free power if it so chose. Like PCE, SDRCCCEA's Implementation Plan will be adopted prior to contracting with its energy service provider, so the Board may wish to consider a somewhat conservative floor for renewable energy content in the Implementation Plan, knowing that it can exceed that estimate once power supply bids are received and renewable content options and pricing are better known.

Existing CCAs have specified different levels of renewable and carbon-free content for their standard/default offerings, generally ranging from a low of 35% to a high of 75% depending on desired rate discounts and the current portfolio of their incumbent utility¹. All CCAs have included a voluntary 100% renewable energy offering at a modest price premium. Staff

¹ For comparison, SDG&E's current RPS content for their default service is 45%

suggests that SDRCCEA consider a minimum renewable content of 50% for its initial default offering and include a voluntary 100% renewable option. If the Board wishes to consider a third product offering at time of launch, we can discuss that option as well.

In addition, SDRCCEA's Implementation Plan will need to provide a summary-level proposed resource plan, highlighting its energy resources (including energy efficiency) as well as proposed renewable energy purchases. PCE's initial resource plan is provided as an example below. It's important to note that these initial estimates are *targets* which will be amended at a later date through additional power resource planning and fully documented in the Agency's Integrated Resource Plan which will be developed by SDRCCEA's energy services and procurement team.

Peninsula Clean Energy Proposed Resource Plan (GWh) 2016 to 2025										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
PCE Demand (GWh)										
Retail Demand	-253	-2,447	-3,382	-3,399	-3,416	-3,433	-3,451	-3,468	-3,485	-3,503
Distributed Generation	0	0	3	4	6	7	9	10	12	13
Energy Efficiency	0	0	0	3	7	10	14	17	21	25
Losses and UFE	-15	-147	-203	-203	-204	-205	-206	-206	-207	-208
Total Demand	-268	-2,593	-3,582	-3,595	-3,608	-3,621	-3,633	-3,646	-3,659	-3,672
PCE Supply (GWh)										
<u>Renewable Resources</u>										
Total Renewable Resources	127	1,223	1,691	1,700	1,708	1,803	1,898	1,994	2,091	2,189
<u>Conventional Resources</u>										
Total Conventional Resources	142	1,370	1,891	1,895	1,900	1,818	1,736	1,652	1,568	1,483
Total Supply	268	2,593	3,582	3,595	3,608	3,621	3,633	3,646	3,659	3,672
Energy Open Position (GWh)	0	0	0	0	0	0	0	0	0	0

Peninsula Clean Energy
RPS Requirements and Program Renewable Energy Targets
(MWh)
2016 to 2025

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Retail Sales (MWh)	253,061	2,446,569	3,382,353	3,399,265	3,416,261	3,433,343	3,450,509	3,467,762	3,485,101	3,502,526
Annual RPS Target (Minimum MWh)	50,612	489,314	676,471	679,853	741,329	799,969	862,627	936,296	1,010,679	1,085,783
Program Target (% of Retail Sales)	50%	50%	50%	50%	50%	53%	55%	58%	60%	63%
Program Renewable Target (MWh)	126,530	1,223,284	1,691,177	1,699,632	1,708,131	1,802,505	1,897,780	1,993,963	2,091,060	2,189,079
Surplus In Excess of RPS (MWh)	75,918	733,971	1,014,706	1,019,779	966,802	1,002,536	1,035,153	1,057,667	1,080,381	1,103,296
Annual Increase (MWh)	126,530	1,096,754	467,892	8,456	8,498	94,374	95,275	96,183	97,097	98,018

Finally, the Plan will describe the process for procuring SDRCCEA's initial energy requirements, including issuing RFP(s) for energy services and power supply. If an RFP has been issued and a short-list of potential energy service providers has been identified by the time the Plan is submitted, that information can be included, but it is not required for Plan submission.

2. Customer Phasing Schedule: One key element of the Implementation Plan is the proposed phasing schedule for customer enrollments. This discussion is best informed by additional market and revenue analysis to be done by SDRCCEA's designated technical and energy services provider, once hired. As an example, below is the phasing schedule articulated in Silicon Valley Clean Energy's (SVCE) Implementation Plan. SVCE's phasing strategy was unique to their operational plans, their utility's capabilities, and their credit capacity, just as SDRCCEA's recommended phasing strategy will be unique to its own set of conditions.

Silicon Valley Clean Energy
Enrolled Retail Service Accounts
Phase-In Period (End of Month)

	Apr-17	Jul-17	Oct-17
SVCE Customers			
Residential	37,627	103,475	188,136
Small Commercial	16,497	16,497	16,497
Medium Commercial	2,180	2,180	2,180
Large Commercial	141	1,007	1,007
Industrial	<15	37	37
Street Lighting & Traffic	743	743	1,376
Agricultural & Pumping	-	-	814
Total	57,192	123,939	210,048

Staff and consultants are recommending a three-phased enrollment strategy for SDRCCEA that starts modestly with municipal account enrollment in Phase 1 (to work out any issues in the data switching or billing systems), followed four months later by Phase 2 commercial accounts, and four months thereafter with Phase 3 to include all residential accounts as the largest enrollment over a 12 month period.

It is important to note that, like the power supply discussion above, the phasing schedule sets an *intended* enrollment schedule. Language will be included in the Plan that ensures SDRCCEA's flexibility and maintains its ability to modify the enrollment schedule if market, utility and/or economic conditions dictate a change in enrollment strategy.

Other Elements of the Implementation Plan:

3. General description of service offerings: default product, voluntary green pricing option(s), and others, if applicable: For purposes of CPUC certification, this section of the Implementation Plan will address, in general terms, how SDRCCEA will develop energy efficiency and demand reduction programs, a net energy metering option for participating customers and plans for local, distributed energy resources (DERs) that could be supported through feed-in-tariffs or other relevant DER programs. However, specific details and timing of such programs are not required in the Implementation Plan, and will not be fully known prior to Plan submission.

4. General description of rate/pricing strategy: will SDRCCEA generally match SDG&E's rate structure or will there be substantial differences? The Implementation Plan will specify SDRCCEA's general rate design strategy and pricing goals. Typically, new CCA programs start out with a rate design/tariff structure that mirrors their incumbent utility so as not to cause customer confusion or the inability to compare rates. As an example, PCE's Implementation Plan states that it will mirror PG&E's rate structure and that rates will be "at or below" PG&E's rates at the time of program commencement. In reality, PCE launched with a 5% rate discount across all customer classes, but that level of specificity was not known when their Implementation Plan was submitted so it was not included. Staff and consultants recommend a similar approach for SDRCCEA.

5. Description of SDRCCEA's organizational structure: This section will provide detail on the Board of Directors and its responsibilities, a description of proposed advisory committees, a description of Authority staffing plans with proposed organization chart, and which functions will be initially outsourced to third-party vendors while the SDRCCEA brings staff aboard.

6. Financial Information: The Implementation Plan must also provide financial information, including total projected start-up costs and how they will be funded. This section will reference the City of San Diego's initial funding allocation, as well as the plan to obtain a working capital line of credit to cover additional start-up costs and initial power purchases. A proforma budget will be provided to show that SDRCCEA has developed a robust cash-flow analysis for the first ten years of operations. This proforma is consistent with that developed for SDRCCEA's credit and banking services RFP, which was issued and shared with the Board in mid-October.

Fiscal Impact

The cost of drafting the Implementation Plan and making any necessary revisions to obtain CPUC certification is estimated at \$25,000 and is included in the City of San Diego's current budget and contract with MRW & Associates. This amount will be updated and shared with the Board as work progresses.