



# Manhattan Beach

3 October 2017





## Purpose of SBCP initiative

1. Explain “CCA 2.0” evolution: streamlined implementation & utility-grade operations (risk management and distributed energy)
  - *Real-world examples, focus on making it “actionable”*
2. Transparent analysis of regulatory risks
3. Define and publicize best practices in CCA program design to help manage those risks, including working with community orgs:



## What is “Program Design”?

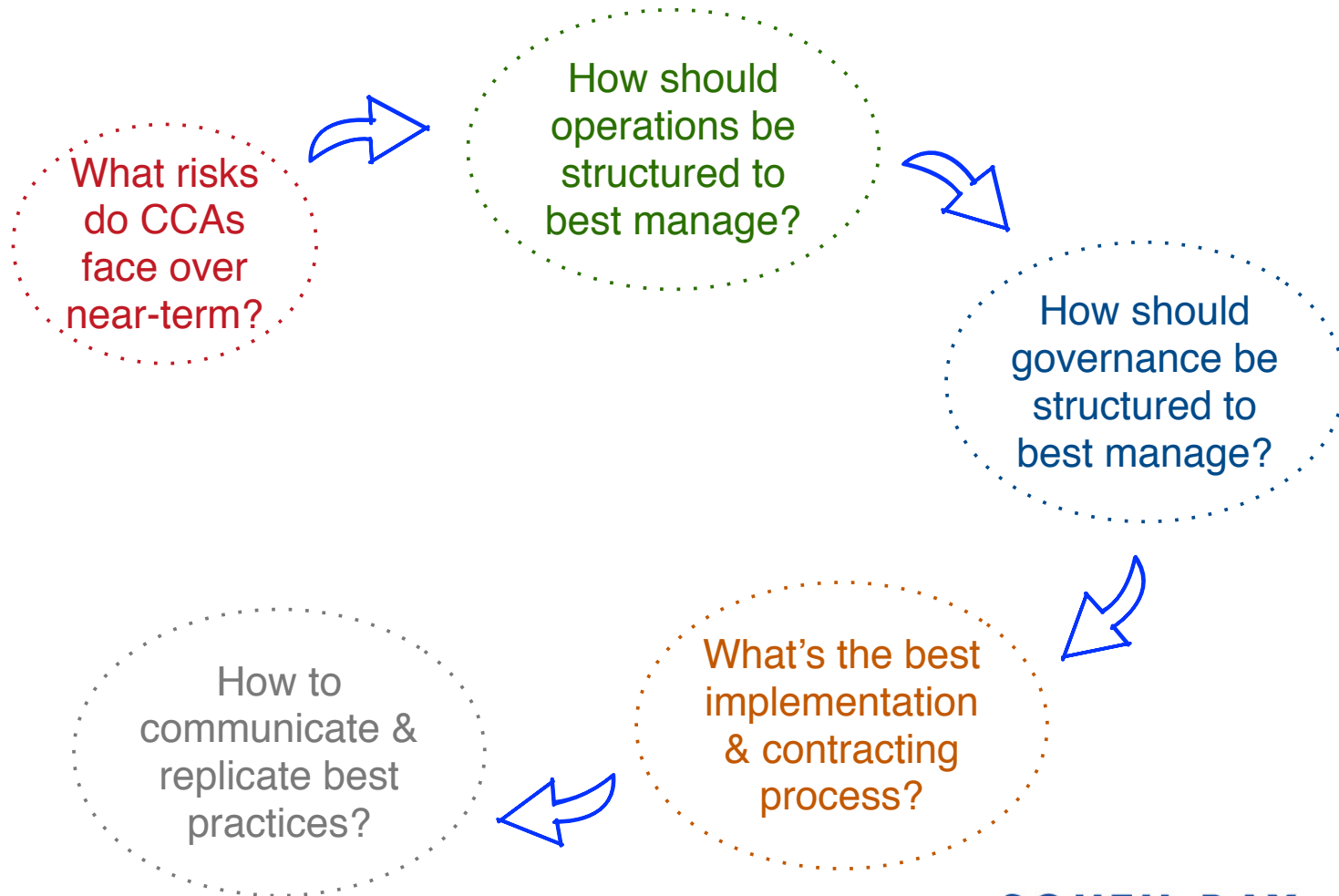
Similar to a business model, composed of:

1. The CCA’s governance structure;
2. The various managerial and operational functions of the CCA;
3. The division of responsibility therein between staff, consultants and larger service providers;
4. How these relationships are contractually structured.

*Expert insights: ensuring that energy risk management services are transparent is critical, financing options depend on how this is handled, and it turns out that how services are contracted for matters in this regard.*



# Program Design Process



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# Program Design Recommendations

**Lower margins**

**Heightened competition**

What risks do CCAs face over near-term?

...starts ~2020



How should operations be structured to best manage?

Expert staff oversight

**Utility-Grade Energy Risk Management**

Pro-active Distributed Energy capabilities



**Regional joint-action agency**

How should governance be structured to best manage?

(Public Power model: separate administration from policy control)

Design goal: scaled operations, without loss of local control for CCAs



What's the best implementation & contracting process?

**Single RFP for Services**

Bypasses consultants

Heightens competition

Aligns incentives & streamlines launch



How to communicate & replicate best practices?

"Tutorial" style reports

Public meetings

Work with grassroots around California

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## Key Design Recommendations

- 1. Regulatory Risk:** margins expected to decrease ~2020
  - *Need to plan in advance of this “market transformation” to be competitive*
- 2. Contracting:** streamline implementation using “Single RFP for Services”
  - *Bypasses consultants, avoids conflicts of interest, enhances competition for services and expands financing options*
- 3. Operations:** implement “CCA 2.0” model
  - *CCA 2.0 = utility-grade Energy Risk Management & Distributed Energy capabilities*
- 4. Governance:** CCA industry should create a regional joint-action agency
  - *Cities with similar policy goals should form JPAs*
  - *Join together to share services, without having to agree on policy*
  - *Goal: provides administration of services at economy-of-scale, while member CCAs retain policy control (power choices, finances, rates, etc.)*

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## Since publication...

1. Regulatory risk identified is now acknowledged as a significant financial threat CCAs must plan for (increase of utility non-bypassable charges)
  - *Legislature nearly "froze" CCA formation at end of session..*
2. Streamlined contracting gave Redwood Coast CCA industry-leading energy risk management & **Valley Clean Energy will implement "CCA 2.0"** (services provided by Sacramento Municipal Utilities District, or SMUD)
  - *Numerous CCAs upgrading to portfolio manager model (to varying degrees): City of Solana Beach, Silicon Valley Clean Power, MCE Clean Energy, Inland Choice Energy, East Bay Clean Energy, Silicon Valley Clean Power, MCE Clean Energy, and Monterey Clean Power*
3. "Regional" joint-action agency now under discussion by CalCCA, LACCE, et cetera — acknowledged need to provide economy of scale for CCAs

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## REAL WORLD EXAMPLES

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# Energy Risk Management Companies

Municipal utilities & “Portfolio Manager” companies and nonprofits provide a full range of risk management services (with full transparency and utility-grade sophistication) for CCAs that request their services:

Energy Portfolio Management Vendors offering services to CCAs:

| PUBLIC POWER VENDORS  | PRIVATE SECTOR VENDORS  |
|---|---|
| <br><br><br> | <br><br><br><br><br> |

# Streamlined CCA 2.0 Contracting

Redwood Coast Energy Authority & Valley Clean Energy Authority

## REQUEST FOR PROPOSALS

For Humboldt County  
Community Choice Aggregation  
Development and Operations Services



RFP-15-001  
[www.RedwoodEnergy.org](http://www.RedwoodEnergy.org)  
Redwood Coast Energy Authority  
December 2015

ATTACHMENT C

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SMUD proposal for

## Valley Clean Energy Alliance

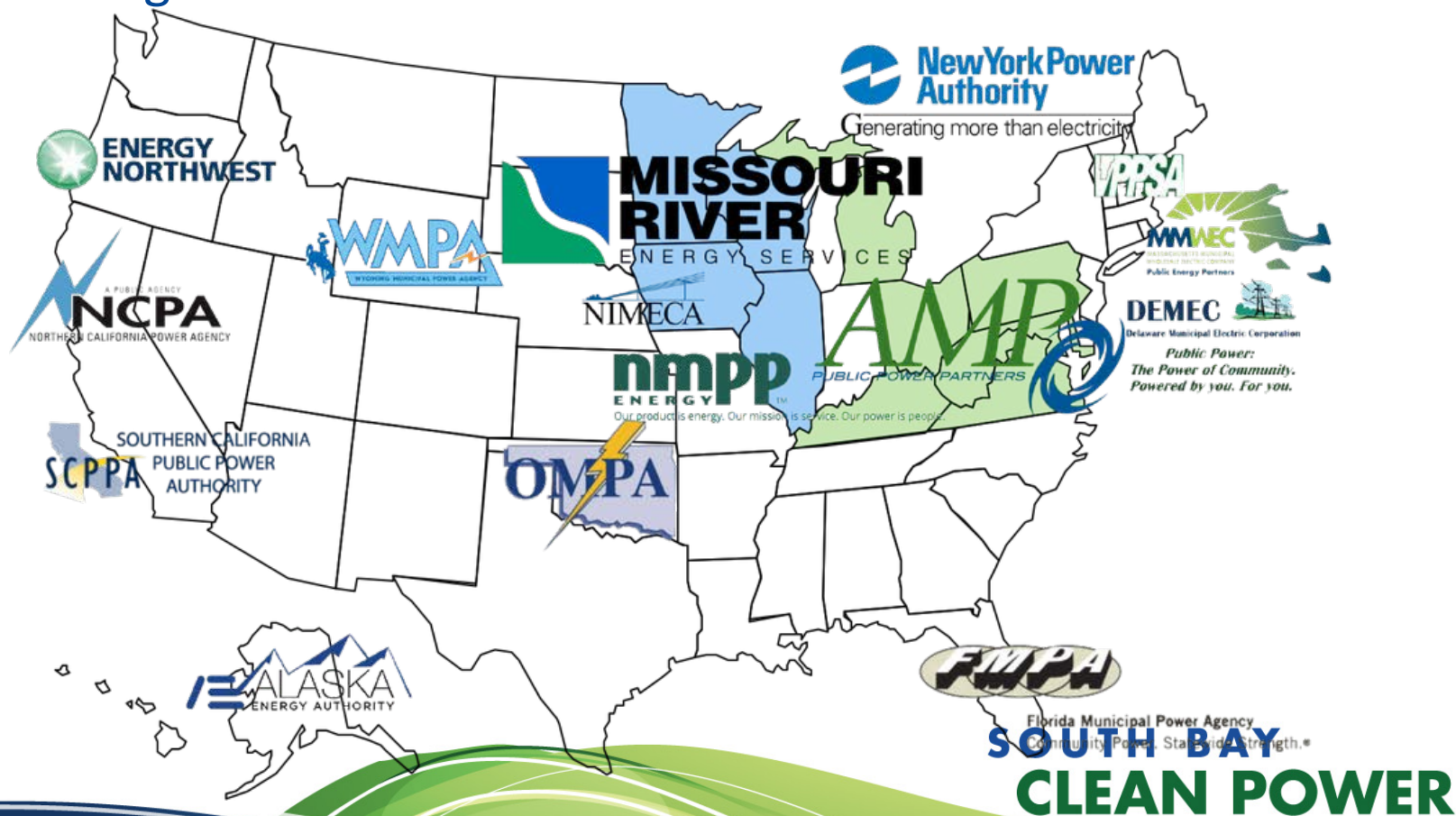
Community Choice Energy Program Launch and Operational Services





# Regional Public Power Joint-Action Agencies

There are 27 Public Power joint-action agencies that have “shown the way” for CCA regional coordination:





## Public Power Expert Endorsements



### **W. Kent Palmerton**

*Former Assistant General Manager, Northern California Power Agency*

*Former General Manager of the Power and Water Resources Pooling Authority*

*Former Chief Operating Officer, Trimark Associates*

*Former VP of Government Affairs, Constellation New Energy*

*Principal, WK Palmerton & Associates*

This Plan is timely for South Bay Clean Power (SBCP), and overdue for the CCA industry as a whole.

My enthusiastic endorsement is predicated on my nearly 30 years of service with Municipal Electric Utilities in California where my assignments have been related to, or directly involved with, managing and operating regional JPA's that provide state of the art, timely and cost-effective services to member organizations.

The recommended "Regional JPA" approach makes so much sense that it is universal throughout the Municipal Electric Utility community, both here in California and throughout the US. This Plan has demonstrated an expert understanding of the dynamics and design considerations inherent in launching a Regional JPA.

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# Public Power Expert Endorsements



**Angelina Galiteva**

*Governor, California Independent System Operator*

*Former Executive Director, Los Angeles Department of Water and Power*

*Founder, Renewables 100 Policy Institute*

*Principal, New Energy Options*

This transparency and comprehensive approach will allow South Bay Clean Power to fully integrate Distributed Energy Resources — including energy efficiency, distributed renewable generation resources (e.g. rooftop solar photovoltaic), energy storage, electric vehicles, and demand response technologies — into our CCA’s managerial and operational activities and to maximize local workforce and economic development, while providing environmental benefits and improving quality of life for the disadvantaged.

This proposed comprehensive regional and Distributed Energy focused approach makes the impacted community goals possible because without a robust DER build-out it is difficult to place the necessary focus and emphasis on environmental justice for frontline communities where the economic, workforce, and health needs are the greatest.

Therefore, I support the “JPA of CCAs” regional governance solution offered in the South Bay Clean Power Business Plan. Of particular note is that this proposal is also based on the best practices of the municipal utility industry.

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## SBCP Resources & Process Update

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## SBCP Resources for Cities

1. Dec 2016: template CCA **Joint Powers Agreement** for cities
  1. Updated w/ explanatory comments for counsel
  2. Accompanied by overview PowerPoint presentation
2. Feb 2017: **Business Plan** explaining governance model, operational model, financing case studies, “single RFP for services” & contracting
3. July 2017: **Financial Strategy**, and supporting documents:
  - Regulatory risk analysis & “contingency plan”
  - Full model outputs & model methodology disclosure
  - Real-world example CCA financial contracts & portfolio manager contracts
4. July 2017: **Q&A interviews with Portfolio Managers** offering utility-grade services to CCAs

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## Process Update

Cities could:

- Issue RFP for Executive Director & RFP for Services via lead city with advisory committee input
- Form JPA with interested cities that share energy policy goals
  - *Hire Executive Director*
  - *Evaluate service proposals & financing options*
- Enroll customers 6-8 months after selecting service providers
- Engage in discussions with other CCAs regarding regional joint-action agency formation

However, cities have not been discussing JPA formation and there is no “lead city” to date for SBCP initiative

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## Questions and Contact Info

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## **APPENDIX: SBCP RESOURCES FOR CITIES**

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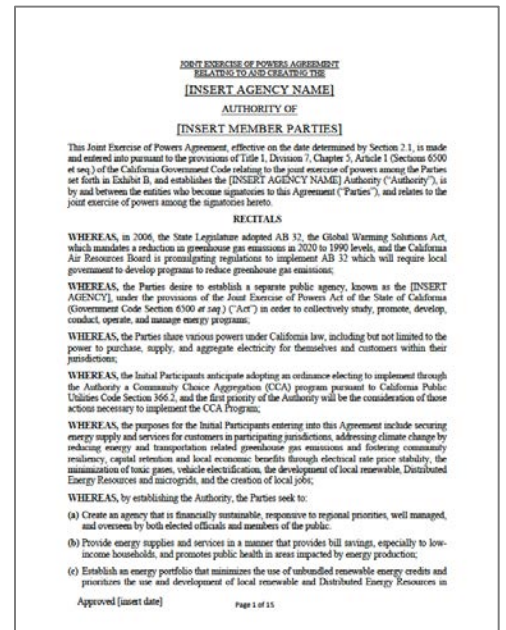


**Template JPA agreement & Overview PPT:** SBCP's updated JPA has 21 comments noting recommendations & industry context (notes 12 sections for counsel review and local determination).

**Community Choice & Public Power JPAs we reviewed:**

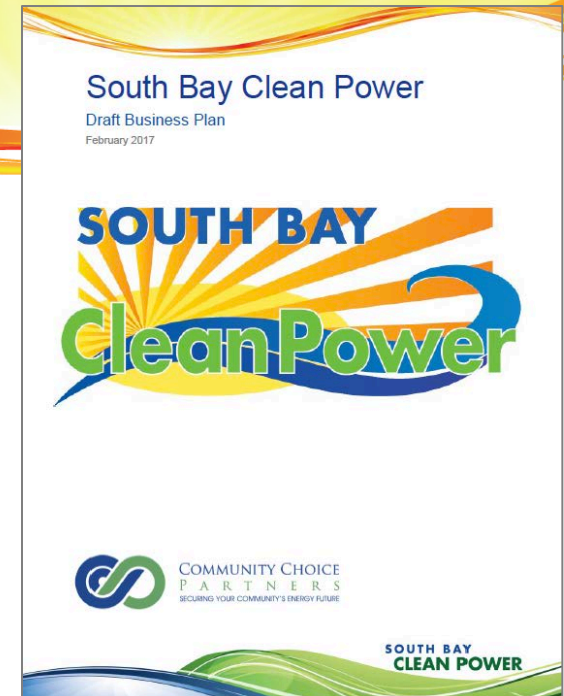
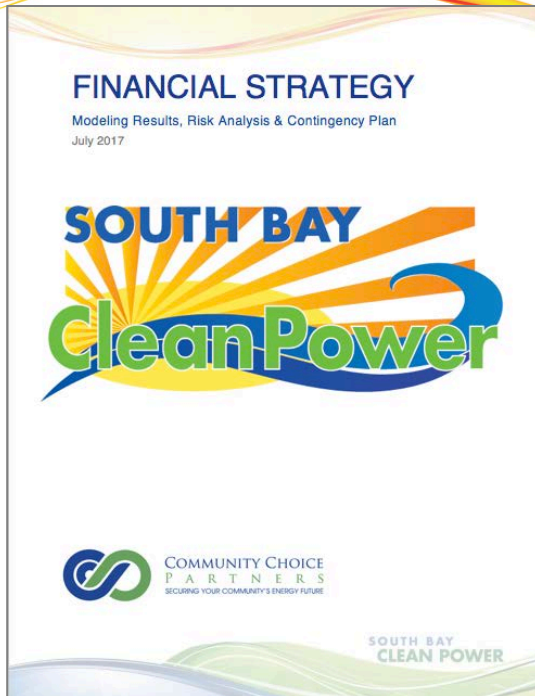


*In summary: the powers of the Board and Community Committee were enhanced, independent audits were broadened, and both JPA debt liabilities & enforcement mechanisms for departing or terminated members were clarified (key 'grey area' identified across all CCA JPAs).*



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**Business Plan:** details governance and operational structure, explains RFP design & contracting process, and agency development ‘roadmap’ — incorporates numerous proven risk management best practices from CCA & public power industry

**Financial Strategy:** presents modeling results, analyzes key regulatory risks, provides startup loan table & products/ tranches/ terms expected, and concludes with “Contingency Plan” for SBCP

**Portfolio Manager Q&A:** interviews 5 leading public power nonprofits & companies that provide utility-grade energy risk management services to CCAs, including their strategies for dealing with key regulatory risks

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