CCA for Monterey Bay?

Powering our own future through Community Choice Aggregation

July 27, 2011

Santa Cruz County Commission on the Environment
What is CCA?

- Enabled by California legislation (AB 117) passed in 2002. The legal term is: Community Choice Aggregation or CCA.

- A CCA is a local government-run electricity program that operates as a non-profit entity. A CCA can be created by: a county, city, or counties and cities acting together as a joint powers authority.

- CCA’s operate in partnership with the local IOU (PG&E).

- A CCA purchases and/or generates the electricity it provides to its customers, and sets the rates for the CCA customers.

- A CCA does not own or maintain the power lines/meters, or bill/service customers- The IOU (PG&E) continues these services.

- All customers within the CCA region can “Opt-out” or choose to continue to be served by the IOU (PG&E).
CCA: The Basics

CCA Hybrid Model

CCA
- Responsible for buying and building energy supplies

IOU
- Responsible for delivering energy, repairing lines, and serving customers

Home or Business
Benefits of CCA

Clean Power
• Higher Renewable and/or Carbon-free Content
• Significant Reductions in GHG emissions & Air Pollution

Vibrant Economy
• Green Job Creation & Retention
• Local Economic Stimulus
  • New Investments in Local Energy Facilities
  • Ratepayer Dollars Stay in Local Community
• Competitive & Stable Electricity Rates
• New/Additional Incentive Programs
  • Energy Efficiency and Renewable Energy Installations

Local Alternatives
• Permanent Local Purchaser of Wholesale Electricity
Potential Risks & Mitigations

**RISKS:**
- Political
- Rates
- Financial
- Regulatory
- IOU Opposition

**MITIGATIONS:**
- **Compressed timeline:** elected official outreach and robust public education
- **Conservative planning:** continual price modeling, and no over-promising
- **Extensive review:** significant technical, legal, peer and public review before launch
- **Non recourse provisions:** means no risk to local governments or taxpayers; credit exposure limited to revenues; firewall in all energy and vendor contracts
- **Pending 2011 Legislation: SB 790 (Leno)** strengthens existing CCA law
- **Adequate funds budgeted** for legal and regulatory support
- **IOU opposition reduced** in the wake of Prop 16 defeat and CPUC rulings/actions
1. **Higher Renewable Content:** meet/exceed state RPS mandates, 100% renewable and carbon-free within 10 years

2. **GHG Reduction:** State (AB 32) & Local GHG reduction targets

3. **Economic Development:** redirection of ratepayer revenue, tailored programs, owned assets over time, job creation/retention

4. **Competitive → Stable → Lower Rates:** compared to IOU (PG&E)

5. **No recourse** to JPA members or local taxpayers

6. **Security:** local energy independence with local renewables

7. **Alternative Electricity Purchaser** for local energy suppliers

8. **Owned Electricity Generation Assets** over time
CCA Economics

How can a CCA be cost competitive with IOU’s?

- Long-term/fixed-cost power purchase contracts
- Low overhead & non-profit status
- No shareholder profit margins
- Low borrowing costs, tax exempt financing (i.e. revenue bonds)
- Self-generation of electricity through locally owned & operated facilities
- Discounts on prepayment of energy
Local Control = Local Benefit

Community Choice Aggregators Can

- Issue municipal revenue bonds to finance local renewables
- Reduce GHGs
- Minimize transmission inefficiency (line loss)
- Localize decisions about renewables
- Establish feed-in tariffs for customers producing renewables
- Incentivize local renewable installations
- Tailor its rate structure
- Keep ratepayer dollars in County/Region; stimulate green job growth & new economic development
- Incentivize business; assist low income residents

Local Control = Local Benefit
Support for CCA

Awarded RESCO contracts to San Luis Obispo and Sonoma to explore CCA

Awarded contracts to Marin and Sonoma to explore CCA

Provided Funding to Sonoma for CCA feasibility study

Provided Funding to Marin for CCA feasibility study
CCA Around the US & CA

CCA in Six States
California, Illinois, Massachusetts, New Jersey, Ohio, Rhode Island

Possible New States
Colorado, New York, Oregon

And it’s catching on in California
Marin County
City/County of San Francisco
East Bay Cities
Humboldt County/City of Arcata
Sonoma County
City of San Jose
Yolo County/City of Davis
San Luis Obispo County

And
Counties of Santa Cruz and Monterey?
Significant GHG Reductions

• **68,595 Tons Reduced Annually** (current load)

• **342,975 Tons Reduced Annually** (by 2012)

• In 8 months, **GHG reductions exceeded all other Marin County programs, COMBINED**

• At full roll out, **reduction rate will exceed Marin’s AB 32 targets in less than 3 years**

• **EPA: Marin will be the 2nd community in the US to reduce GHG emissions so drastically**
Real World Results: MEA

Substantial Economic Benefits

- Redirection of $16 mil of ratepayer revenues back into Marin (ramping up to $75 mil in 2012)

- Tailored Energy Programs & Incentives:
  - Available Now: Deep Green Option (100% Renewable/Carbon-free)
    Net Energy Metering Program
    Feed-in Tariff Program
  - Coming Soon: Demand Response, Community Solar

- Owned Assets over time

- Rates competitive/stable rates & rate reductions over time
Real World Results: MEA

Competitive Rates

Commercial Rate Comparison
500 KWh/Month

- PG&E Generation Charge
- MCE Generation Charge

*Based on recent ERRA filing with CPUC

May, 2010: $51
Jul, 2011: $42
Jan, 2012: $47
Real World Results: MEA

Competitive Rates

Residential Rate Comparison
500 KWh/Month

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<tbody>
<tr>
<td>PG&amp;E Generation Charge</td>
<td>$29</td>
<td>$26</td>
<td>$28</td>
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<tr>
<td>MCE Generation Charge</td>
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*Based on recent ERRA filing with CPUC
CCA Formation

1. Community Choice Aggregation
   - **Policy**
     - **AB 117, 2002**
       - Allows local governments to combine loads to procure and deliver electricity
     - **AB 32, 2006**
       - Set CA GHG Reduction Goals

2. Monterey Bay Energy Authority
   - **Plans & Studies**
     - Exploratory Phase
     - Feasibility Studies
     - Risk Analysis
     - Business Plan
     - Peer & Public Reviews
     - Implementation Plan – Certified by CPUC

3. Monterey Bay Clean Energy
   - **Formation**
     - Joint Powers Authority formed
     - Opt-out Notifications Delivered
     - Power Purchase Contracts Signed
     - Begin Serving Customers
## CCA Business Cycle

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<tr>
<th>PHASE</th>
<th>TIME FRAME</th>
<th>FINANCING</th>
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<tr>
<td><strong>START-UP</strong></td>
<td>1-3 years</td>
<td>Solidify operations and customer base Grants, term loans, working capital</td>
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<td>Energy wholesaler/Data management Working cap; ratepayer revenue</td>
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<td>Launch local energy programs Operations revenue</td>
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<td><strong>MID-TERM</strong></td>
<td>3-5 years</td>
<td>Market/customer expansion Operations revenue</td>
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<td>PPAs and co-investments Tax exempt project bonds</td>
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<tr>
<td><strong>LONG-TERM</strong></td>
<td>5+ years</td>
<td>DBO local energy projects (solar, wind, geothermal, biomass) Operations reserves; operations revenue; tax exempt bonds; term loans</td>
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<td>Sell excess power Income back to operations</td>
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CCA: Getting Started

Exploratory Committee

• In Partnership with City of SC; Monterey County; Special Districts/JPA’s
• Support from LEAN & CCA Representatives from Marin, Sonoma, SF
• Initial Review & Analysis of CCA Options:
  1) Status Quo (Do Nothing)
  2) Possibility of MEA Membership
    • Full Membership with Seat on Board
    • Incubator Membership TBD
  3) Create Santa Cruz County/Monterey Bay CCA
  4) Others?
CCA Contacts & Resources

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