COMMUNITY CHOICE ENERGY
GUIDELINES

SIERRA CLUB CALIFORNIA ENERGY-CLIMATE COMMITTEE
AUGUST 2017

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OVERVIEW & CONTEXT FOR LOCAL CHAPTERS

The Sierra Club California Nevada Regional Conservation Committee (CNRCC) adopted April 30, 2017, a Community Choice Energy Aggregation (CCA) Resolution, included in the appendix below, and directed local chapters to the Energy-Climate Committee for further resources. To implement the Resolution, these guidelines and resources are provided to help chapters advocate for strong Community Choice programs and effectively interact with local officials.

Statewide Context: CCA Growth & Changes in Regulation

CCA programs are being established at an increasing rate throughout California, and are currently projected to serve 50% of the electricity load of the Investor Owned Utilities (IOUs) by 2020.

California has ambitious carbon reduction goals, and numerous regulations and programs in place to coordinate investments in renewables, distributed energy resources, energy efficiency, et cetera.

The California Energy Commission, California Independent System Operator, and California Public Utilities Commission are currently coordinating to reform existing market rules and structure to facilitate the transition to clean energy.

Many of these existing rules and regulations were designed without forethought of the rapid growth of Community Choice and must be reformed as soon as possible.

Models & Goals of Community Choice Agencies

The various CCA programs differ in key respects:

1. In terms of governance, a “CCA” may be a single-city enterprise, or a Joint Powers Agency or Authority (JPA) that coalesces many cities and counties into a large single entity.

2. In terms of administration, CCAs represent a range of sophistication — in their approach to power system planning, energy risk management, and power market capabilities. Similarly, CCAs may or may not employ staff with the relevant industry expertise necessary to effectively oversee the program and contractors, and may or may not prioritize the development of this internal capacity.

3. Policy-wise, the operational CCAs to-date have accelerated Statewide climate goals. To do so, CCAs have prioritized financial stability (through the accrual of reserve funds sufficient to ensure the stability of the program over time), long-term contracting to build new renewables, and innovation in distributed energy, vehicle electrification and fuel-switching.

However, some have starkly divergent policy goals. For example, recent CCA initiatives in Riverside, San Bernardino and Orange counties have inappropriately prioritized rate decreases (to the detriment of goals such as portfolio diversification or financial reserves for stability).

Emerging Challenges for Community Choice Agencies

Regulators convened hearings and workshops in 2017 to discuss issues including:

1. Whether a rapid growth of CCAs poses unforeseen risks, such as:
   
a. Long-term planning, rate design, and distributed energy programs may be compromised by a lack of coordination between so many territories;

b. CCA programs become financially instable, especially without effective energy risk management practices, to withstand more volatile or competitive market conditions that may occur in the future; and
c. Changing cost-shifts between the customers of CCAs and the remaining customers of utilities;

2. What changes are needed in light of the above concerns, and the extent to which the State should regulate local CCA programs to mitigate these risks:

a. Utilities have publicly claimed existing CCAs are not paying their “fair share” of costs and petitioned the CPUC to correct the cost-shift calculation. If true, this could change the manner in which CCAs should be designed and operated.

The utilities have proposed PAM (Portfolio Allocation Methodology), and the CPUC opened a proceeding to review, revise, and consider alternatives on the existing method called Power Charge Indifference Adjustment (PCIA). (Refer to the appendix for the CPUC’s announcement.) This issue is widely expected to result in higher charges imposed on CCA customers by 2020.

CCA programs should be carefully designed in a manner that allows them to be viable and competitive, despite these changes.

b. Increasing regulation of local CCA programs by the State, most likely through the California Public Utilities Commission, poses distinct risks. It could suppress the formation of new CCA programs, compromise existing CCAs, re-centralize de-facto utility control, and suppress local governments’ ability to implement innovative solutions.

The problem is that there is a lack of sophistication and standardization in energy risk management practices across CCA programs, and a lack of effective coordination across CCA programs for planning, rate design, fiscal stability and other key functions. This may ultimately prove to be just as disastrous — both for individual CCAs and for broader statewide goals.

3. What should be the division of responsibilities among the State, Investor-Owned Utilities and CCAs in this “new world”, and whether or not Direct Access for large users should be re-opened in future. (Note that re-opening Direct Access is opposed by many environmental groups and CCA advocates.)

**RISING TO THE CHALLENGE**

The main issues facing CCA programs in the near-term primarily appear to be operational. The solution is to employ more sophisticated energy and financial risk management techniques, rely upon best-practices in power planning, and enhance cost-effectiveness (using energy portfolio management and ensuring overhead expenses are kept low). Overcoming political challenges are another type of threat.

The above issues have typically not been a focus of CCA programs to date, especially considering that so far CCAs have been designed and launched when it was easier to price power below the utilities.

**Proven Solutions being Considered**

Fortunately, there are solutions that will allow CCAs to perform more competitively — and we should support these advances. They are widely-used in the public power agencies (municipal utilities, cooperatives, etc.), but have only recently emerged as options for CCA programs. Specifically:

1. **Coordination between multiple CCAs by forming a Regional Joint Powers Agency:** This can standardize services and coordinate planning at an advantageous economy-of-scale (i.e. low cost, high quality services) for multiple, autonomous local CCA JPAs that would collectively control a regional agency. To be effective, each member CCA must **retain full local control** of their branding, energy choices, rates, financial reserves and local programs — and have the ability to
leave if they choose. Community Advisory Committees and oversight mechanisms must be included in all local CCA JPAs, and regional agencies that coordinate between multiple CCAs.

2. The “Portfolio Manager” operations model: A Portfolio Manager provides CCAs with ‘utility-grade’ capabilities in energy risk management, from early on in the CCA implementation process. This also accelerates staff training and the development of the CCA agency, and allows the CCA to pick and choose multiple energy suppliers — this ‘portfolio diversification’ ability is what allows Distributed Energy to be incorporated.

3. Contracting for Distributed Energy services: the CCA’s contracting for services should also specify other capabilities needed to support Distributed Energy, in terms of integration into data analytics, power planning, program design, customized power procurement & contract management, active power market operations & settlements, data & billing management, rate design and customer engagement functions. These solutions allow CCAs to continue to build the right sort of in-house staff expertise and energy capabilities, and advance community goals in a public, transparent manner — even as it becomes more challenging to price power below the utilities because of regulatory changes. Without these solutions, the risk is that individual CCAs would instead adopt simpler ‘outsourcing’ models that may appear to be more cost-effective, but at the expense of scale, long-term stability and community goals.

### Specific Solutions and Examples

Solutions to address the challenges outlined above should be coordinated with other partners, community organizations, and stakeholders. One example is from the South Bay Clean Power CCA initiative which advocates for the establishment of a Distributed Energy-enabled “Regional JPA of CCAs” involving multiple local CCA JPAs that are launching in Southern California Edison’s territory. This web page explains the solutions recommended above:


This 14-city CCA initiative was:

- Funded by local IBEW and NECA labor union chapters to design a CCA with strong Distributed Energy and workforce development capabilities;
- Designed specifically to implement a CCA that could withstand a market transformation like the utilities’ proposal regarding cost-shifting;
- Endorsed by the Sierra Club Angeles Chapter, California Alliance for Community Energy, industry experts like the former Assistant General Manager of the Northern California Power Agency and a Governor of the California Independent Grid Operator, Food & Water Watch, and other crucial partners. (Excerpts and links in the appendix.)

Additional reference materials are provided in the appendix as well.

### Sierra Club Energy-Climate Committee Recommendations for Local Chapters

The Sierra Club California Energy-Climate Committee (ECC) recommends local chapters, as first steps in any CCA advocacy initiative, review South Bay Clean Power’s design guidance. The appendices provide substantial reference material and templates, and the ECC will be posting further material and links soon. Interested local chapters should:

1. Identify and meet with elected officials interested in exploring Community Choice, and facilitate conversations between municipalities to explore establishing a CCA, and whether they would like to
form a Joint Power Agency. We encourage local chapters to approach Councils of Governments (COGs), which may be a natural forum in which to discuss intra-municipal coordination on forming a CCA Joint Power Agency.

2. Form a strong Community Advisory Committee to ensure staff and elected officials are properly informed of best practices, decisions are made in a transparent and sensible fashion, there is a public process for drafting of the Joint Powers Agency agreement, there is overall CCA implementation process incorporates the Committee’s advice and feedback, and risks are appropriately analyzed and factored into decisions.

3. Support hiring a CCA Executive Director with operational experience early in the process to guide implementation. This is important so that the CCA relies on qualified staff advice instead of solely on the advice of private-sector third-parties (such as consultants) for technical issues, planning and contracting decisions. (Because of this, hiring an Executive Director should not be delayed until after all consequential decisions have been made and companies hired to run the CCA.)

4. Ensure that the Community Advisory Committee has a role in drafting and evaluating responses to requests for proposals (RFPs) from potential contractors for energy Portfolio Manager, data and billing, customer care and distributed energy services, et cetera. The evaluation committee should include people with power sector experience in addition to community advocates.

5. Consider whether local CCA initiatives should join in forming a regional agency to coordinate among numerous CCAs.

6. Maintain coordination with the SC Energy-Climate Committee and other allies to build solidarity, learn current best practices, and share emerging best practices and refinements with other CCAs.

In summary, local leadership across the state should advocate for stable, cost-effective and progressive CCAs with the technical competence and regional coordination necessary to achieve our policy goals at-scale, and with sufficient resilience and cost-efficiency to withstand the emerging risks outlined above.

Timely and coordinated actions by local chapters can ensure that the Community Choice movement grows, successfully navigates these looming threats, and ultimately achieves carbon reductions with environmental justice.

In solidarity,

Luis Amezcua and Jim Stewart, Co-Chairs, Sierra Club California Energy-Climate Committee

For more information, local chapters may contact:

1. Jim Stewart <drjimstewart@gmail.com> & Luis Amezcua <lamezcua27@gmail.com> (Co-Chairs of the Sierra Club California Energy-Climate Committee)

2. Joe Galliani <joe@southbaycleanpower.org> (Acting Chair, South Bay Clean Power Advisory Committee, and 350.org lead renewables organizer for Los Angeles County)

3. Samuel Golding <golding@communitychoicepartners.com> (President of Community Choice Partners, CCA consultant & 7-year Sierra Club California Energy-Climate Committee member)
Goals of Community Choice Energy Programs

Approved by CNRCC, April 30, 2017

Resolution: Sierra Club California supports Community Choice energy/aggregation (CCE or CCA) programs that aim to:

- Prioritize the development of local renewable and distributed energy resources\(^1\);
- Maintain transparency and inclusive participation of community stakeholders in its decision-making process;
- Provide competitively-priced electricity to customers;
- Achieve local governments’ climate action plan and greenhouse gas reduction goals;
- Exceed the Renewable Portfolio Standard and minimize the use of unbundled renewable energy credits;
- Use effective risk-management practices and long-term power procurement strategies to hedge risk using a diversity of energy suppliers, technologies and products;
- Balance clean energy development with protecting our wild places and habitats by prioritizing investments in sustainably-sited renewable energy projects;
- Plan for long-term financial viability through Integrated Resource Planning, in-house fiscal management, transparent rate setting, and policies that build CCA financial reserves, prohibit the transfer of CCA funds to municipal general funds, and protect the municipal general funds from CCA program liabilities;
- Generate clean energy jobs, prioritizing union jobs and community benefit agreements, and economic growth through local renewable and distributed energy resource development;
- Collaborate with community organizations to prioritize renewable and distributed energy resources deployment and personal and community ownership, especially in disadvantaged communities;
- Improve public health in areas impacted by pollution from fossil fuel power generation;
- Leverage local government land use authorities (in zoning, building codes, transportation, etc.) to support these goals.

Chapters should advocate implementing these goals to the maximum extent feasible, given local political considerations.

Contact: Luis Amezcua; lamezcua27@gmail.com; 661-236-4005.

\(^1\) Such as energy efficiency, demand response, energy storage, electric vehicle managed charging, local renewable generation and microgrids.
MAP OF ACTIVE CCA INITIATIVES

- courtesy of the Clean Power Exchange
FOR IMMEDIATE RELEASE
Media Contact: Terrie Prosper, 415.703.1366, news@cpuc.ca.gov

PRESS RELEASE

CPUC TO CONSIDER EQUITABILITY OF CHARGES COMMUNITY CHOICE CUSTOMERS PAY

SAN FRANCISCO, June 29, 2017 - The California Public Utilities Commission (CPUC) today said it will consider alternatives to the amount that Community Choice Aggregation and Direct Access customers pay in order to keep remaining utility customers financially unaffected by their departure, which is required by legislation.

The Power Charge Indifference Adjustment (PCIA) ensures that the customers who remain with the utility do not end up taking on the long-term financial obligations the utility incurred on behalf of now-departed customers. Examples of such financial obligations include utility expenditures to build power plants and, more commonly, long-term power purchase contracts with independent power producers.

The proceeding the CPUC opened today will evaluate the PCIA, in part because:

- Investor-owned utilities and Community Choice Aggregators both have stated that the current cost allocation is inequitable. Each has proposed different methods to improve equity.
- The rise in California customers served by Community Choice Aggregators makes the cost allocation more important to customer bills.
- The CPUC held a Community Choice Aggregation En Banc and a PCIA Working Group where stakeholders identified cost allocation issues as the most urgent topic in electric retail choice in California.
- The investor-owned utilities have jointly applied for an alternative cost allocation opposed by Community Choice Aggregators, called the Portfolio Allocation Mechanism. The proceeding opened today dismisses the Portfolio Allocation Mechanism application, but will
consider that mechanism or other alternatives to the PCIA.

“The growth of Community Choice Aggregation requires the CPUC to closely analyze cost sharing between customers who stay with a utility and customers who leave for a Community Choice Aggregator,” said Commissioner Carla J. Peterman. “This proceeding will holistically examine cost sharing issues by taking into account the concerns raised by a wide range of organizations interested in this topic.”

Issues in the proceeding will include ensuring that remaining investor-owned utility customers are neither worse off nor better off as a result of customers departing for alternative providers; improving transparency in the existing PCIA process; revising the current PCIA to increase stability and certainty for all customers; reviewing specific inputs and calculations for the current PCIA methodology; considering alternatives to the PCIA; ensuring that any cost allocation mechanism is consistent with California energy policy goals and mandates; and a review of certain customer exemptions from PCIA.

Interested parties will have opportunities to participate in the process before any rules are adopted or changed. Once the proceeding number is assigned, interested parties can subscribe to proceeding documents at http://subscribecpuc.cpuc.ca.gov.

The proposal voted on is available at http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M191/K067/191067362.PDF.

For more information on the CPUC, please visit www.cpuc.ca.gov.

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The Alliance is a statewide coalition of organizations, initiatives, and individuals that supports and defends Community Choice energy programs in California that advance local clean energy for the environmental, economic, and social justice benefit of our communities.

The SBCP Plan provides a framework for achieving a set of goals strongly aligned with the mission of the Alliance, namely a strong emphasis on Distributed Energy development, with a focus on local economic development, jobs and workforce development, and economic and environmental justice.

In particular, the SBCP Plan proposes energy services capability and an organizational structure that would enable SBCP to promote Distributed Energy development, making SBCP the central engine—the Distributed Energy aggregator—for developing and integrating a variety of distributed energy resources (energy efficiency, local renewable generation, energy storage, demand response technologies, electric vehicle infrastructure, and so forth). Developing and integrating these resources is key to optimizing electricity services to consumers and meeting SBCP’s community benefit goals.

Key to supporting this Distributed Energy development platform is the Plan’s call for a comprehensive and integrated set of energy services and risk management capabilities that matches that of established utilities. Unlike most Community Choice programs currently in operation or on the drawing boards, the Plan calls for advanced power management capability (power market operations/ risk management/ long-term planning) from the start of the Community Choice program.

These comprehensive services also help enable a Community Choice program—apart from Distributed Energy development in particular—to operate over the long term in a volatile energy market and an uncertain regulatory environment. Given the CPUC’s antagonism to Community Choice and its claims that Community Choice programs lack the operational sophistication of utilities, the SBCP Plan addresses a serious shortcoming of most existing Community Choice programs.
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.

The key component of success for a Regional JPA is that it collectively can provide a much higher degree of service to its members than its members can afford to provide individually. The resulting economies of scale, in both price and service achieved by the JPA, are then used to drive operational costs (and customer rates) down and service levels up for each member organization.

The CCA industry is undergoing rapid evolution, and the SBCP Business Plan adequately captures, explains and synthesizes best practices for SBCP to launch 'best in class' on a rapid timeline and at minimal cost. I am confident that other CCAs would invariably follow SBCP’s initiative, and join the Regional JPA. It is a sensible ‘win-win’ for all involved.

This Plan is actionable and not theory. To put it plainly, it focuses on the step-by-step process to hire the best contractors, tasks them with the right set of services, and appropriately incentivizes all actors to ensure their performance. It adequately captures, explains and synthesizes best practices for SBCP to launch 'best in class' on a rapid timeline and at minimal cost.

In my professional opinion, I expect that the Plan will give South Bay Clean Power industry-leading risk management capabilities across the entire CCA enterprise. It provides a much-needed focus on the JPA’s operational model, and articulates proven models and methods that will ensure SBCP’s power portfolio services — including risk management, long-term planning, and renewable & distributed energy integration — are provided with the highest degree of competence.

The Electric Utility responsibilities inherent in launching a CCA are not to be taken lightly. Power supply, renewable development, Distributed Energy Resource implementation and its integration with our transportation sector are mega-responsibilities and opportunities. From what I can tell, the South Bay Clean Power draft Business Plan is on the right track to achieve success. In advising SBCP to set out in the right direction from Day 1, this Plan passes the ‘Wayne Gretsky test’: “Skate to where the puck is going, not where it has been!”
As a long time energy practitioner and renewable energy expert with experience ranging from: serving as an electric utility executive (LA Department of Water and Power and the New York Power Authority), a renewable Energy project and technology product developer (NEOptions), an international renewable energy advocate (World Council for renewable Energy, Renewables 100 Policy Institute), to grid and regulatory experience (currently serving on the Board of the CA Independent Systems Operator) to representing the US Department of State on numerous energy related missions around the world, I have a broad view on what it takes to build a solid business plan to transition to 100% renewable energy.

Based on my experience in implementing renewable energy, efficiency, storage, electric transportation and advanced power grid technology solutions, I believe that the SBCP Business Plan provides a solid path for advancing and achieving their goal to supply 100% renewable energy, including distributed energy resources (DER) and advanced transportation/storage solutions for the benefit of the communities they serve.

The proposed plan not only succeeds on delivering the nuts and bolts direction and necessary steps for cities to use as the practical guide to achieve the South Bay Clean Power’s goals and objectives, it does so in a transparent, well managed action plan, with a focus on risk mitigation, accountability and cost containment.

We are in agreement that a regionally focused commitment is essential for a CCA to achieve its potential to deliver the local resources that provide grid stability, the ability to integrate large percentages of renewables, and to provide community resiliency and security.

Employing an experienced non-profit energy services provider owned by multiple municipal utilities to perform comprehensive energy risk management services for the South Bay Clean Power CCA is the right solution for the scale and scope of a Los Angeles County-sized CCA program. We appreciate that these non-profit energy services providers have demonstrated track records in providing a full suite of energy risk management services to serve their municipal utility members and other clients. An additional benefit of this Plan is that it allows South Bay Clean Power constituents to have full transparency and oversight into every power plant the CCA will contract with, and how all aspects of its power operations will be conducted. A practice which goes above and beyond of current utility operations.

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.

Last but not least, the JPA of CCAs approach which delivers all the economies of scale that a County-based JPA offers without the management risks that comes with a potential 85-member Board is also a well thought out solution.

Select additional endorsements:

Additional endorsements online: https://southbaycleanpower.org/testimonial/what-people-are-saying/
ORIGIN OF SOUTH BAY CLEAN POWER CCA & REGIONAL JPA INITIATIVE

In mid-2014, community members from 14 South Bay and West Side cities came together to form the South Bay Clean Power Working Group to educate themselves and their city officials on Community Choice Aggregation and to design a Community Choice program that met the following goals and objectives:

1. Accelerate renewable portfolio content to 100% (goal of 10 years);
2. No use of Green-E or Category 3 unbundled Renewable Energy Certificates (RECs);
3. Maximize the use of Distributed Energy Resources (DER), which we define as behind-the-meter renewable power generation, energy storage, energy efficiency, demand response and electric vehicles;
4. Prioritize local investment, local power generation, local jobs and career opportunities;
5. Support labor in advancing project labor agreements, community benefit agreements, sustainable workforce agreements, job training and apprenticeship programs;
6. Focus on environmental justice in frontline communities (where needs are greatest).

The purpose of the initiative, in addition to establishing a 14-city CCA in Los Angeles County that makes full use of Distributed Energy, was intended to explain and incorporate best practices that would serve as an open source model to benefit all CCA initiatives. It later evolved to also embrace and demonstrate the advantages of establishing a “Regional JPA of CCAs” to provide member CCAs with coordinated planning & advanced energy risk management services. The local chapters of the International Brotherhood of Electrical Workers (IBEW) and the National Electrical Contractors Association (NECA) contributed funding and support.

From the outset, the Regional JPA of CCAs was intended to be governed by the member CCAs and designed so that member CCAs would retain full local control on all the issues that matter to communities: energy choices, rate setting, finances and local energy programs.

Determining and designing the most effective solutions first requires asking the most insightful questions — and so the initiative set about answering the following:

- What is the optimal governance and organizational structure of the program, both for South Bay Clean Power and in terms of a regional approach to implementing Community Choice?
- What practical capabilities will the CCA deploy, to align the program's operational activities with its strategic goals?
- In order to maximize local economic development and job creation in CCA territories, how will this design ensure that the Regional JPA can accelerate Distributed Energy Resources (energy efficiency, distributed renewable generation, energy storage, electric vehicles, and demand response technologies), both in its power planning and market operations and by leveraging the community engagement, land use and transportation authorities of local governments (member CCAs)?
- Does the size of South Bay Clean Power (twice as large as any CCA under formation to date) and the Regional JPA impact how the CCA should approach power planning and energy risk management activities?
- Does this scale, and the broader transition to Community Choice service throughout much of the State necessitate closer collaboration with the utilities than smaller CCA’s to date have experienced? How does this impact the design of the CCA?
What is the most transparent and competitive process to use in contracting for all necessary services, which capabilities should transition to staff over time, and how can this process be accelerated?

Given the complex nature of launching a CCA, how should at-risk and performance-based contracting strategies be applied to incentivize expert contractors and enhance the overall quality of services provided to the CCA?

What is the best strategy to finance the CCA, while lowering local government upfront expenses and overall financial liability?

What are the best practices and lessons-learned from the existing CCAs and other public power initiatives in California that should be applied for South Bay Clean Power and the Regional JPA?

The answers to these questions have been formalized in a series of deliverables that are deliberately produced to be more transparent, comprehensive and in-depth than any other CCA reports produced to date. These reports, as well as additional documents due to be released in late July and August, are summarized in our final appendix.

These reports and templates have been designed to assist other CCA initiatives to form CCA Joint Powers Authorities with groups of cities that have similar policy goals, and to join the campaign to establish and then join the Regional JPA of CCAs in a streamlined fashion.
1. **Business Plan:** a CCA design & implementation “guidebook” that synthesizes and explains numerous risk management best practices from the existing CCA & public power industry. All subsequent reports and model results are based on the assumption that these risk management strategies and operational capabilities are employed by SBCP and the Regional JPA of CCAs.

   The report provides strategic and historical context on the evolution of CCAs, details the “Regional JPA of CCAs” governance structure (and role of Community Committees), lists all functions anticipated in the CCA operational model (including those necessary to support Distributed Energy), defines key strategies for Distributed Energy (accompanied by CCA and utility case studies), details the intended RFP design and discusses key contracting strategies, walks through the step-by-step competitive contracting process, analyzes the financial strategies of five CCAs in case studies and provides recommendations for lessons-learned to date, and provides an agency development “roadmap” prioritizing staff energy risk management and Distributed Energy expertise.

   South Bay Clean Power’s website also provides two summary blog posts of the Business Plan:

   - [https://southbaycleanpower.wordpress.com/2017/02/17/this-is-our-south-bay-clean-power-business-plan/](https://southbaycleanpower.wordpress.com/2017/02/17/this-is-our-south-bay-clean-power-business-plan/)

2. **Q&A with Portfolio Managers:** intended as an educational resource for local chapters, elected officials, staff and CCA stakeholders to highlight how leading CCAs are finding it easy to deploy — from Day 1 — advanced energy risk management capabilities that rival more established utilities.

   The report is a series of expert interviews with five leading Portfolio Managers regarding their approach to managing energy risk, how their services help CCAs and allow effective integration of Distributed Resources, and substantial guidance on how best to manage key CCA regulatory risks (such as the PCIA and the utilities’ proposal to replace this CCA customer charge with the Portfolio Allocation Methodology proposal).

   Responses were provided by ACES, Ascend Analytics, Customized Energy Solutions, TEA and ZGlobal. These public power non-profits & companies provide power portfolio and market operations for large power agencies including three CCAs to date in 2017 (Redwood Coast, Silicon Valley and MCE Clean Energy) and are expected to be hired by the Inland Choice CCA and Monterey Bay CCA.

   Feedback was also requested on key assumptions in the RFP and contracting recommended under the SBCP Business Plan — such as the willingness of each Portfolio Manager to work at-risk during implementation, and their general approach to assisting public agencies to develop in-house energy risk management expertise.

3. **Template CCA Joint Power Agreement & “Overview” Presentation:** incorporating best practices in design from the CCA and broader public power industry. The JPA agreement is intended for use as a starting template for prospective CCAs to use, as certain clauses should be standardized across member CCAs.
The agreement was based on Peninsula Clean Energy (February 2016), and edited to include language taken from the Sonoma Clean Power JPA, Redwood Coast Energy Authority JPA (amended December 2015), Northern California Power Authority JPA (NCPA, amended 2007), Silicon Valley Clean Energy (March 2016) and East Bay Clean Power JPA (October 2016).

The powers of the Board and Citizen Committee were enhanced, independent audits were broadened in scope, and both JPA debt liabilities & enforcement mechanisms for departing or terminated members were clarified — key ‘grey areas’ that were identified across all CCA JPAs reviewed.

SBCP’s redline version is available upon request for use by counsel — it tracks all changes, provides 21 comments noting the source and intent of each change along with any necessary industry context, and flags 12 sections for counsel review and local determination.

4. **JPA Member Risk Analysis**: This report is intended for use by qualified counsel assisting municipalities with determining the risks CCA poses for individual municipalities under a JPA structure, and to assess how the SBCP plan & Regional JPA approach have been designed to either mitigate or best manage these sources of risk for 1) the CCA itself during implementation & operations and 2) liability for members of a CCA JPA.

The report provides an overview of relevant statutes, case law, and legal analyses examining the extent — and limitations — of a JPA to shield member municipalities from liability, along with key context on regulatory and energy risks for CCAs to be taken under consideration by counsel.

5. **Financial Strategy & Regulatory Risk Analysis**: presents initial financing requirements (i.e. different financial products, expected terms, and timing of negotiations), visualizes and explains key launch dynamics and strategies required for successful CCA customer phase-in strategies, presents model results, and concludes with a Risk Analysis and “Contingency Plan” for managing risks outside CCA control (reflecting where near-term risks flow from, the analysis is wholesale power oriented).

The appendices include full ‘open book’ disclosure on model methodology — for the first time in any CCA report — accompanied by various datasets and all source material used in model preparation, analyzes sources of near-term regulatory risk and provides mitigating strategies, and concludes with a startup loan table. Supporting documents include:

   a. **MS Excel workbook of full model results**: provides monthly energy and financial model results, on both an accrual and cash-flow basis (allowing analytical verification of the customer phase-in and startup phase financial strategy). *This is also the first time this level of detail in CCA model results has been made public.*

   b. **Silicon Valley Clean Energy & Redwood Coast Energy Authority**: Energy Risk Management Policies and corresponding service contracts with Portfolio Managers. (The policies reflect a comprehensive and expert approach to monitoring, analyzing and mitigating key sources of financial risk for CCAs in energy planning and operations — and are extremely sophisticated as compared to any prior CCA risk management policy).

   c. **Silicon Valley Clean Energy**: Financial Policy adopted by the Board, financial agreements executed with River City Bank, and CEO memo identifying multiple energy suppliers from which the CCA intends to source power.

   d. **As requested**: points of contacts with lenders interested in providing startup capital, and other CCAs to make such introductions.
1. **Guidebook on Forming a CCA and Joining the Regional JPA**: a brief overview for local chapters of the process of forming a Community Committee, establishing local policy goals and objectives, engaging local municipalities to form CCA Joint Power Authorities, and joining the Regional JPA in an accelerated and streamlined fashion. (Or helping to inform the design of the Regional JPA, if not yet launched.) This will include key reference documents, including a target timeline, educational materials, template documents, and points of contact with various environmental and social justice organizations that can lend support and guidance during the CCA exploration process.

2. **Executive Director Request for Qualifications (RFQ) template**: prioritizing the qualities most necessary to ensure that the CCA contracting and implementation process is overseen by staff with relevant qualifications. As a strongly-recommended best practice, an Executive Director with operational experience should be hired early on in the CCA implementation phase; this should not be delayed until after all consequential decisions have been taken & companies hired to run the CCA.

3. **Competitive Analysis: SCE & Community Choice**: intended to orient local chapters, elected officials, staff and other stakeholders to have their ‘eye on the prize’ going into the implementation phase, prior to finalizing the RFP for services and hiring key staff and contractors to launch the agency.

   The strategic analysis provides an introductory overview of SCE’s portfolio strategy and approach to energy risk management, including Distributed Energy and renewable integration, and identifies the governance and operational features that the Regional JPA of CCAs will require in order to compete.

   In preparation of entering a low-margin environment, maintaining competitive rates against Southern California Edison will require CCAs to have a comparable scale, access to credit, and technically-expert approach to managing risk and regulatory engagement. These are the key features required to minimize overhead, commodity and project costs in the short- to long-term. Further, this requires optimizing planning and investment decisions over a wide territory, and increasingly, to 1) actively integrate and monetize Distributed Energy in operations, and 2) monitor and predict the impact of Distributed Energy on the CCA’s wholesale portfolio and load-serving entity obligations. CCAs also possess unique competitive advantages in this regard, which are discussed as well.

   The necessary capabilities are provided through the advanced operational model, with scale provided by the Regional JPA of CCAs governance model — as detailed in the draft Business Plan.

4. **Gantt Chart & Critical Path**: a powerful project management tool detailing over 250 implementation steps to launch the CCA and Regional JPA on an expedited timeline.

   Mapping out the CCA implementation process to a level of detail that identifies the interdependencies between each action allows a Gantt chart to function as a ‘sliding scale’ of implementation sequencing. In a mechanical fashion, a change in the start date or duration of any single step flows through every future, related step — automatically updating and shifting the entire process and ultimate launch date of the agency. This identifies the “critical path”: the sequence of actions along which any delay directly pushes out the agency launch date.

   In the planning and contracting stage, this allows each stakeholder — municipalities, committees, staff and potential contractors — to clearly see where they fit in and how they are expected to work together. In turn, this lowers barriers to entry for companies and nonprofits that provide expert
services, but may not be familiar with all stages of CCA implementation. This will enhance competition under the RFP process, lowering prices bid and the overall quality of services from which to choose.

In the implementation stage, the Gantt is a powerful management tool for senior staff and key contractors to remain on-course, prioritizing the resolution of any issues that threaten to delay the critical path, or adapting as the critical path changes in response to real-world conditions.

5. **Single RFP for All Services:** as articulated in the SBCP draft Business Plan, services will be contracted for under a single solicitation and widely accompanied by substantial background material to allow prospective bidders to fully understand the structure and agency development ‘roadmap’ of the CCA — without having to expend substantial resources in researching this on an individual basis.

The RFP will request all services necessary to implement and operate the agency. A full suite of energy risk management services will be requested, and specialized functions necessary to support Distributed Energy will be included across planning, program design, procurement, contract management, market operations & settlements, data and billing management, rate design and customer engagement functions. (This is explained in the SBCP Business Plan “Distributed Energy” chapter and in the “Operational Model” in the appendix.)

Local chapters should note that the launch of a CCA with these capabilities is a near-term priority. SBCP may issue and oversee the solicitation itself, or in coordination with CCA initiatives committed to forming the Regional JPA of CCAs. Regardless, contracts will be structured to be able to transfer to the Regional JPA of CCAs once formed.

The RFP will cleanly separate the scopes of work requested as appropriate — i.e. dissimilar services will not be combined into a single scope of work, as this would artificially preclude or advantage certain companies. Additionally, by standardizing the response format and pricing for each scope of work, the CCA will be able to compare bid responses ‘apples to apples’ on a competitive basis.

This structure allows the selection committee to pick and choose the best contractors. Teams may submit bids for one or more scope of work, and single companies may bid individual scopes of work. However, the selection committee is not bound to the teaming arrangements proposed by contractors across multiple scopes of work (teaming agreements to provide a single scope of work will not be broken apart).

Scoring criteria will be made explicit, and at-risk contracting will be required for core services (and given preferential scoring for support services).

The RFP will be made available for review and comment by prospective bidders in a transparent and public process, prior to being finalized by committee and approved for release.

The subsequent interview and contracting process will include live demonstrations for key operational systems, allow sufficient time for a credible review of respondent’s technical capabilities. The selection committee will include members of the public and power industry experts with operational experience, in addition to the CCA Executive Director(s) of all CCA initiatives committed to the Regional JPA.

These and other important RFP design and contracting process best practices are detailed in the SBCP draft Business Plan, chapter “Contracting for Services” and appendix “Best Practices in RFP Design”.