### Community Choice Aggregation (CCA) Feasibility Study Update

**Department:** County Administration  
**Contact:** Brian Ring  
**Phone:** 530.552.3311  
**Meeting Date Requested:** June 25, 2019

**Department Summary:** (Information provided in this section will be included on the agenda. Attach explanatory memorandum and other background as necessary).

On August 8, 2017, the Board of Supervisors approved a contract with EES Consulting, Inc. to perform a technical study to determine the feasibility of creating a CCA in the Butte County region. The results of the study, which showed that creating a CCA in Butte County is financially feasible provided the unincorporated area of the County and the City of Chico were included, were presented to the Board of Supervisors on July 24, 2018, and staff was directed to gather input from residents and businesses, as well as research funding options for initiating a CCA in the Butte County Region. Those findings were presented to the Board on November 6, 2018, where staff was directed to continue research on financing options, update the feasibility report with relevant changes, begin to work with the City of Chico on a joint powers authority agreement, and evaluate the expansion of participants. Staff will provide an update on these variables.

**Fiscal Impact:**

None.

**Personnel Impact:**

None.

**Action Requested:**

Provide direction to staff to:

1. Continue with the analysis or discontinue analysis of implementing a CCA in Butte County;
2. If there is direction to continue analysis, direct staff to either:
   - Work with interested jurisdictions on a joint powers authority agreement and other required documents to be considered by the Board of Supervisors on August 27, 2019; or
   - Analyze options to join an existing CCA and bring alternatives back to the Board on July 23, 2019.

**Administrative Office Review:** Brian Ring, Assistant Chief Administrative Officer
MEMORANDUM

DATE: June 25, 2019
TO: Board of Supervisors
FROM: Brian Ring, Assistant Chief Administrative Officer
RE: Community Choice Aggregation Feasibility Study - Update

Background

On August 8, 2017, the Board of Supervisors approved a contract with EES Consulting, Inc. to perform a technical study ("Study") to determine the feasibility of creating a Community Choice Aggregation ("CCA") program in the Butte County region. Developing a CCA in Butte County would allow a new entity to be formed which would purchase or generate electricity for the participating residents and businesses in the area. Elected officials from participating entities would serve on the governing body of this new entity. The Study included the unincorporated area of the County, the cities of Chico and Oroville, and the Town of Paradise. The results of the Study were presented to the Board of Supervisors on July 24, 2018; and to the Chico City Council on August 7, 2018. Both the Board of Supervisors and the Chico City Council directed staff to do the following:

- Hold community meetings to gather input from residents and businesses; and
- Research/identify funding options for initiating a CCA in the Butte County region.

Results of this work was presented to the Board of Supervisors on November, 6, 2018; where direction was given to staff to:

- Continue to research options on financing;
- Have the feasibility study refreshed to include the changes made to the Power Charge Indifference Adjustment – to determine if the concept is still financially feasible in Butte County;
- Begin work with the City of Chico on a potential Join Powers Authority agreement; and
- Evaluate the potential expansion of participants.
Financial Needs and Alternatives Update

Staff have reached out to a number of lending entities, both local and outside entities more versed in the CCA industry. The following is a summary of the funding necessary to get the program off the ground, as well as funding options:

1. **Startup Funding** – approximately $600,000 to $800,000. These funds would be used primarily for:
   a. Implementation Plan;
   b. Staff and Consultants; and
   c. Marketing, outreach, required notices and review of energy procurement options.

   Research continues to show that the initial funds need to be provided by the participating entities. If the initial launch consists of two entities, each would be required to provide a short term loan of approximately $300K - $400K to the CCA with an estimated payback period of 12 to 24 months, with interest.

2. **Phase 1 Launch Funding** – approximately $2.5M would be needed for the procurement of energy for commercial and municipalities (45% of the total energy load) for the initial launch of the program.

   There appear to be plenty of lending options available for the procurement of energy as long as the participating entities front the startup funding. Research at this point shows that this funding would need to be *guaranteed* by the participating entities. It is anticipated that this loan would be fully repaid in less than five years.

3. **Phase 2 Launch Funding** – approximately $3M would be needed for the procurement of energy for residents (55% of the total energy total load).

   There are a variety of lending options available for Phase 2 of the energy procurement, and the *guarantee* from the participating entities would not be required for this funding. It is anticipated that this loan also would be fully repaid in less than five years.

Research shows there are a number of viable lenders willing to provide funding for this program. Given that the funding would not be needed until late 2020/early 2021, it is too early in the process to get very specific proposals at this time. However, with 18 successful CCA’s operationg in California today, this movement continues to gain momentum.
Power Charge Indifference Adjustment – Feasability Study Report Addendum

The Power Charge Indifference Adjustment (“PCIA”), which is a charge assessed to customers of a CCA by PG&E to cover power generation costs incurred by PG&E (an “exit fee”), changed for 2019 in a manner that is not favorable to CCA’s. The PCIA rate increased approximately 63% (from $0.01938/kWh to $0.03161/kWh) for our region, which adversely impacts the competitiveness of CCA’s.

In addition to the increase in the PCIA, there will be a “true up” at the end of each year to reconcile PCIA charges that were charged, to actual costs incurred by PG&E. This true up can result in either a credit or increased costs.

Over time, as contracts terminate – the PCIA charges will also terminate. However, the new immediate increased costs need to be accounted for by CCA’s in a number of ways:

- Smaller energy savings to the customers;
- Longer period to establish ideal reserve levels;
- Longer period to pay off debt; and/or
- Longer period to invest in local projects.

Two other variables have also evolved since the study was completed:

1. PG&E Retail rate charges – PG&E has increased its generation rates for 2019, which, when updated in the report, make it easier for a CCA to provide a rate discount (as the rates are now higher than originally anticipated in the original report); and
2. Adjustment also made with regard to the share of renewable energy purchased from long-term contracts (greater than 10 years) to be compliant with SB 350, reducing the costs for renewable energy.

The addendum report continues to find that a local CCA is still financially feasible in Butte County. It also finds that a CCA would be able to generate between approximately $10 - $15M in annual income which could be used for a variety of energy related matters in this region (reinvest for lower rates, conservation programs, assistance to lower income customers, economic development, etc.). It would also provide customer savings in the amount of $5M annually (for the City of Chico and the unincorporated areas of the County).

Formation of Governance Structure

A governance structure that will oversee the operation of the CCA would need to be formed. A Joint Powers Authority (“JPA”) consisting of elected officials from each of the participating entities is recommended. This is the model most commonly used by existing CCAs. This will need to be completed in the next two months, and will need to include all participating entities. It would need to be brought to the Board by August 27, 2019 in order to allow time for the JPA Board to form for a 2021 launch. See exhibit A for timelines.
Consider Including Other Entities

The Study analyzed the feasibility of forming a CCA including the unincorporated area of the County, the cities of Chico and Oroville, and the Town of Paradise. Currently, the County and the City of Chico are the two entities that have expressed the potential interest in formation in the near future. Should the City of Oroville or the Town of Paradise wish to join the CCA in 2021, it could result in slightly lower costs and spreading of the risk of the initial outlay of funding. Should Oroville or the Town of Paradise wish to join for a 2021 launch, they would need to make a quick decision as those entities would need to be included in the JPA agreement.

In addition to the City of Oroville and the Town of Paradise, there have been other jurisdictions in the North state that have expressed interest in potentially joining this CCA, should it be formed. A process could be developed for the JPA board to assess the potential addition of other entities after the initial launch.

Consider Joining an Existing CCA

Joining an existing CCA has always and continues to be an option the Board can consider. One of the key variables to assess when considering joining an existing CCA is whether or not the entities joining have similar goals and objectives. If jurisdictions can find a synergy with goals and objectives, there could be some unique benefits to this approach, including:

- Minimal up-front costs;
- Quicker return to the community – provided the CCA start up debt has been or is close to being paid off;
- Less risk/already building up reserves;
- Less work/staff time.

When joining an existing CCA, there is the potential of losing the direct local control, as the governing Board would consist of representatives of all participating entities. See exhibit A for timelines.

Action Requested

1. Direct staff to continue with the analysis or discontinue analysis of implementing a CCA in Butte County;

2. If there is direction to continue analysis; direct staff to either:

   - Work with interested jurisdictions on a Joint Powers Authority agreement and other required documents to be considered by the Board on August 27, 2019; or
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EXHIBIT A: Butte County – City of Chico
Community Choice Aggregation Timeline

**Option 1:**
Join an Existing CCA
Direct staff to bring back information on details of joining an existing CCA for consideration on July 23rd. (Look at goals and objectives of other CCAs. Other CCAs would want to review our energy data).

**Option 2:**
Form a New CCA
Direct staff to draft JPA agreement and other applicable documents between the County and Chico for Board consideration on August 27th.

**2019 Timeline:**
- **July-Sept:** Authorize PG&E load data for technical analysis
- **Sept-Nov:** Join CCA as a new member agency by passing JPA resolution and CCA ordinance
- **Nov:** Appoint JPA Board member(s)
- **Oct/Nov/Dec:** Existing CCA amends Implementation Plan for submittal to CPUC by 12/31/19
- **2019-2020:** Local jurisdiction staff to assist with community outreach and public information

**2020 Timeline:**
- **July:** Finalize CCA staffing to join existing CCA (likely 3 staff): Board member, technical expert, and staffer

**Cost:**
Cost varies based on size/complexity of community. Typically **$25K to $50K/jurisdiction** (reimbursable after enrollment of customers).

**2021 Timeline:**
- **January-May:** Potential launch date

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**2021 Timeline:**
- **January-May:** Potential launch date
April 1, 2019

TO: Brian Ring  
    Erik Gustafson

FROM: Gary Saleba and Amber Nyquist

SUBJECT: Addendum to Butte County CCA Feasibility Study

CC: Zac Yanez

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Introduction

In July 2018, EES Consulting, Inc. (EES) completed a feasibility study (Study) for the County of Butte (County), the Cities of Chico and Oroville, and the Town of Paradise (Town) to evaluate whether forming a Community Choice Aggregation (CCA) entity is prudent. The Study shows that a CCA in Butte County is economically feasible; however, since the Study was finalized there have been several updates in the utility operational and regulatory environment including a final decision on the methodology for determining the exit fee paid by CCA customers to PG&E. Additionally, PG&E has filed for retail rate changes, which have now been approved by the California Public Utility Commission (CPUC). Finally, wholesale power prices have changed. Within this Addendum, all of these variables have been updated to reflect the current market outlook. In summary, this Study update shows that with the above changes, a Butte County CCA remains a feasible undertaking.

Study Updates

The Study period was updated to 2021 through 2030. The other updates to the feasibility Study are described below.

Power Charge Indifference Adjustment (PCIA)

The PCIA is the exit fee paid to PG&E by departing customers when receiving power supply from other sources such as through direct access (DA) or a CCA. The CPUC finalized its decision on the basic methodology for calculating the PCIA in November, 2018. The new methodology increased investor owned utility (IOU) PCIA rates across all customer classes compared with the previous PCIA methodology. As such, the CCA feasibility Study was updated to reflect this higher PCIA rate which, all else equal reduces the opportunity for CCAs to offer rate discounts off PG&E generation.
rates. For reference, the PG&E system PCIA went from $0.01938 $/kWh to $0.03161 $/kWh. This is a 63% increase. All else equal, this increase reduces the competitiveness of CCA in PG&E service territory.

**PG&E Retail Rate Changes**

PG&E filed an Energy Resource Recovery Account (ERRA) forecast in November, 2018 which would adjust both 2019 generation and PCIA rates. The CPUC accepted these changes in February 2019. The current PG&E generation rate forecast is based on the latest approved ERRA revenue requirement. Overall the updated generation rates are higher than the previous forecast which makes it easier for a CCA to provide a rate discount.

**Market Power Purchases**

Market power prices for wholesale electricity, renewable energy, and greenhouse gas free energy have been updated according to current market conditions and outlook. Overall, market power prices have increased on average 4.5% compared with the prices assumed in the feasibility Study. Higher power prices make it more difficult for CCAs to offer rate discounts. While, traditional power source costs have increased, EES has adjusted the share of renewable energy purchased from long-term contracts (contracts greater than 10 years) pursuant to the Requirements of SB 350. The updated analysis assumes that the CCA would meet the requirements of SB350 which requires that 65% of the renewable energy requirement be purchased from long-term contracts. These long-term contracts have been typically priced lower than short-term contracts; therefore, the result is that the CCA power supply costs for renewable energy purchases is lower.

**Study Results**

Figure 1 shows that PG&E rates are higher compared with the three CCA power supply portfolios modeled: Renewable Portfolio Standard (RPS), 50% renewable; and 75% Renewable. Figure 1 illustrates that a CCA will likely provide consistent retail rate savings even when offering a higher percentage share of renewable energy compared with PG&E. The appendix to this Addendum shows the annual pro forma detail including collection of reserves and start-up capital requirements.

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1 Updated estimates provided in Advice Letter 5376-E-B filed February 26, 2019.
Figure 1
Retail Rate Comparison, $/kWh – 4 Participants

Note that Figure 1 shows CCA rates that offer a 2% rate savings for all portfolios. Because the CCA could offer the same rate discount regardless of power supply portfolio, the difference in the financial analysis between power supply portfolios is in the amount of funds available for discretionary programs. These are programs the CCA could choose to fund or alternatively the CCA could offer higher rate discounts. Note that energy efficiency funding from the CPUC is available to CCAs.

Figure 2
Rate Savings at 2% – 4 Participants
In addition to rate savings, the study found that the CCA generated discretionary income of roughly $10M - $15M annually. This discretionary income can be used to fund additional energy conservation measures, electric vehicle charging stations, more assistance to low income customer, battery storage, additional distributed energy resource (DER) projects, or additional CCA customer discounts. Figure 3 below shows the amount of discretionary funds availed vary by portfolio choice. Total discretionary funds over the 10-year study period for the RPS, 50% Renewable, and 75% renewable portfolios are $185, $182, and $154 million respectively.

**Summary**

The feasibility Study found that a Butte County CCA could result in rate savings in excess of 2% over PG&E bundled rates (generation plus distribution). Total aggregate rate savings estimated for the four Participants of the Butte County CCA is $8.7 million annually. The updated power costs, PG&E rate assumptions and PCIA levels do not change the findings of the original feasibility Study. The annual rate savings estimates are significant even if only the City of Chico and Unincorporated Butte County are included in the analysis ($7 million). It is recommended that the Participants continually update the pro forma analyses as they work toward CCA implementation.
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