Community Choice Aggregation

Update: Butte County Feasibility Study
Agenda

- **Background/Refresher:**
  - What is a CCA?
  - How did we get here today?

- **Updates Regarding:**
  - Funding alternatives
  - Feasibility Report Addendum
  - Governance structure
  - Consideration of additional entities/Joining Existing CCA

- **Requested Actions**
I’d add this picture to help visual people understand what a CCA is as you explain it

Schuman, Amy, 6/17/2019
Background & Work to Date

• **Local Actions:**
  o Local businesses support
  o Butte County General Plan 2030 includes performing feasibility study (COS-A3.4)
  o Priority Action in the Economic Development Strategy
• **August 8, 2017:** Entered into contract with EES Consulting to perform feasibility study
• **July 24, 2018:** Feasibility study findings presented to Board of Supervisors
• **November 6, 2018:** Community input and funding alternatives presented to Board of Supervisors
CCA Funding Alternatives: Timeline 2021 Launch

2019 – Staff Time, Some Funding
- JPA Formation
- Public meetings
- Development of implementation plan
- Decision deadline for 2021 launch December 2019

2020 – Approximately $600K - $800K
- JPA begins to hire staff and contract with consultants in January 2020
- Energy procurement work
- Finance work
- Coordination work with PG&E
- Customer notifications
Should the title be just "timeline" or "2019-2020" maybe?
Schuman, Amy, 6/17/2019
CCA Funding Alternatives: Timeline 2021 Launch

2021 – CCA Launch

- April – Initial/Phase 1 launch – approximately $2.5M
  - Guarantee needed
- September – Phase 2 launch – approximately $3M
  - No guarantee needed
CCA Funding Alternatives: Initial Startup Funding

• Initial startup funding would need to be funded from the participating entities

• Covers startup costs incurred in 2019 and 2020

• Estimated to be $600,000 - $800,000

• Estimated to be repaid in 12-24 months with interest
CCA Funding Alternatives: Phase 1 Launch

- Energy procurement for commercial and municipalities
- Many lending options for these funds – however, all require a guarantee
- Estimated to be $2.5M
- Estimated to be repaid in less than five years
CCA Funding Alternatives: Phase 2 Launch

- Energy procurement for residential customers
- Many lending options for these funds – and would NOT require a guarantee
- Estimated to be $3M
- Estimated to be repaid in less than five years
CCA Funding Alternatives: Summary

- Up front funding is needed
- Many options for funding energy procurement, initial funding would require a guarantee
- Potential launch date is too far out to get further financing details
Feasibility Report Addendum

• Addendum addresses three key factors:
  o Changes to the PCIA (Power Charge Indifference Adjustment)
  o PG&E Retail Rate Changes
  o Market power purchases
• PCIA: “Exit fee”; or charge assessed to customers of a CCA by PG&E to cover energy procurement costs.

• This charge has been contested the last two years at the California Public Utilities Commission (CPUC) by existing and potential CCA’s, along with all investor owned utilities.
Feasibility Report Addendum

• The CPUC recently finalized the methodology used for determining this charge:
  
  o The PCIA increased by approximately 63% in 2019
  
  o There will also be an annual “true up” to reconcile costs incurred with charges that were applied
  
  o Over time the PCIA will go away
Feasibility Report Addendum

- Impacts of the CPUC’s changes to the PCIA:
  - Adversely impacts CCAs/reduces the competitiveness
  - Increased costs results in any of the following:
    - Smaller savings to customers;
    - Longer period to establish reserves;
    - Longer period to pay off debt; and/or
    - Longer period to invest in local projects
Feasibility Report Addendum

• **PG&E Retail Rate Increases:**
  - Rates are higher than initially included in feasibility report
  - Higher PG&E generation rates make it easier for a CCA to provide a rate discount

• **Market Power Purchases:**
  - Prices have increased approximately 4.5%
  - Purchasing more energy from long term contracts (10+ years)
  - Addendum increases percentage of energy procured from longer term contracts, lowering energy procurement costs
Feasibility Report Addendum

• **Addendum Summary:**
  - Butte County CCA remains a financially feasible option
  - Could result in savings in excess of 2% over PG&E rates
  - Total aggregate annual savings estimated to be $7M - $8.7M
  - Generate discretionary income of roughly $10M/year
    - Build reserves
    - Pay off debt
    - For lower rates
    - Energy conservation measures
    - Low income/economic development rates
Governance Structure – Joint Powers Authority (JPA)

- A JPA formation of the participating entities is the governance structure that is recommended for providing operational oversight; this would...
  - Consist of elected officials from each participating entity
  - Require an agreement between the participating entities
  - Be brought back before Board on August 27, 2019
Participating Entities

• The study included the following:
  o Unincorporated area of the County
  o City of Chico
  o City of Oroville
  o Town of Paradise

• Adding additional entities would:
  o Spread the costs/risks
  o Increase members of oversight Board
  o Need to be evaluated by oversight Board
Maybe add some type of visual to show entities that participated. Were Biggs & Gridley studied as well?
Join Existing CCA?

• Joining an existing CCA would do the following:
  • Have minimal up front costs (typically $25K - $50K)
  • Quicker return to the community – provided CCA start up debt has been/is close to being paid off
  • Less risk/reserves already being established
  • Less staff time

• Critical issues of consideration if you were to join existing CCA:
  • Similar goals and objectives
  • Understanding the more entities involved, there could be some loss of complete local control
SA10    Maybe change title to "benefits"
Schuman, Amy, 6/17/2019

SA11    Maybe change title to just "critical issues for consideration"
Schuman, Amy, 6/17/2019
Requested Actions

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 the participating entities (City of Chico, possibly Oroville) on a Joint Powers Authority agreement and other required documents to be considered by the Board on August 27, 2019; or
   - Analyze options to join an existing CCA and bring alternatives back to the Board on July 23, 2019.