PUBLIC MEETING

COMMUNITY CHOICE ENERGY FEASIBILITY STUDY

FOR THE CITIES OF DEL MAR, CARLSBAD, ENCINITAS AND OCEANSIDE

MARCH 21, 2019

Presented by:

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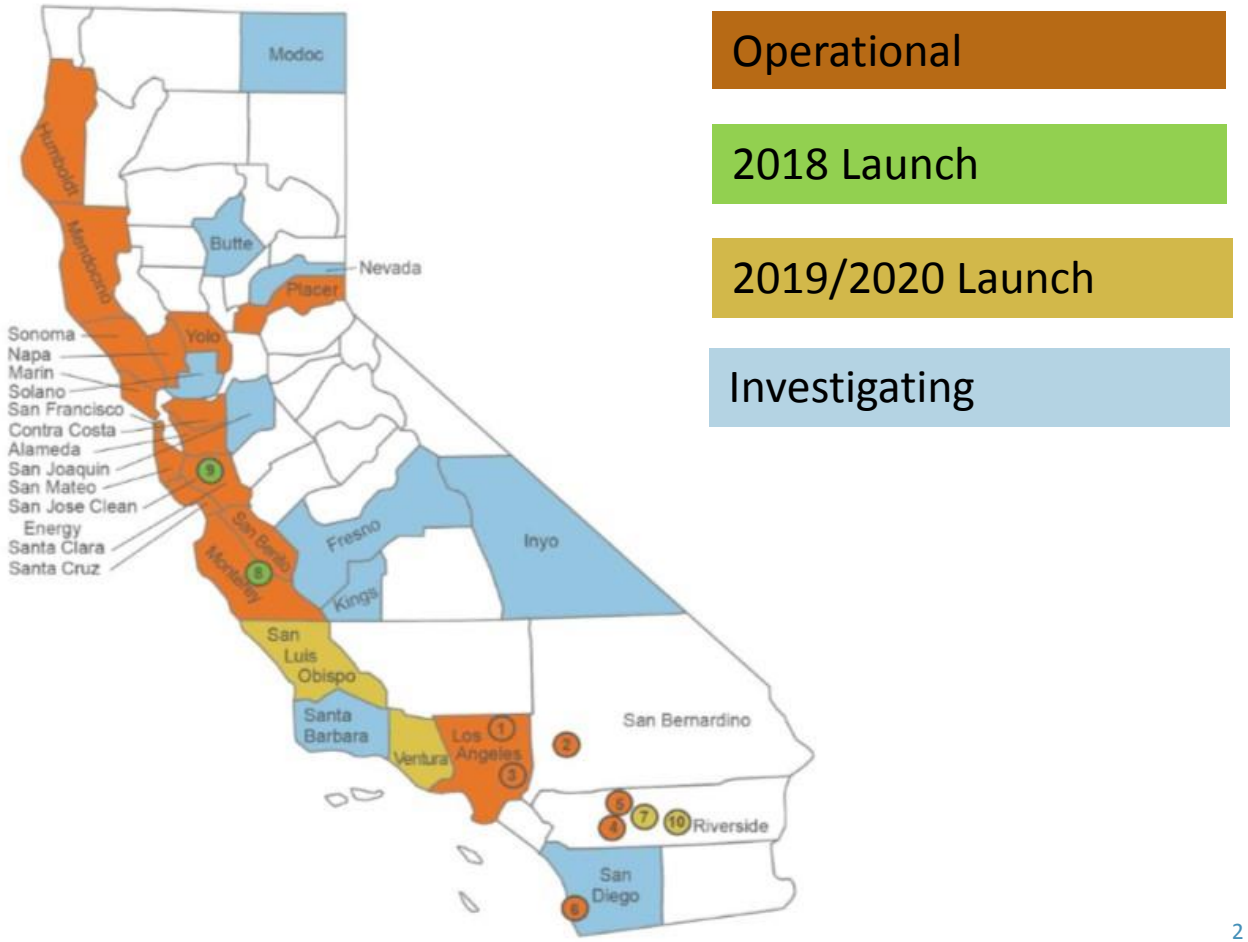
AGENDA

- **Introduction**
  - What is Community Choice Energy and Where are CCEs Being Formed?
- **Recap of Draft Financial Feasibility Study**
- **Other Feasibility Study Metrics**
- **Summary**

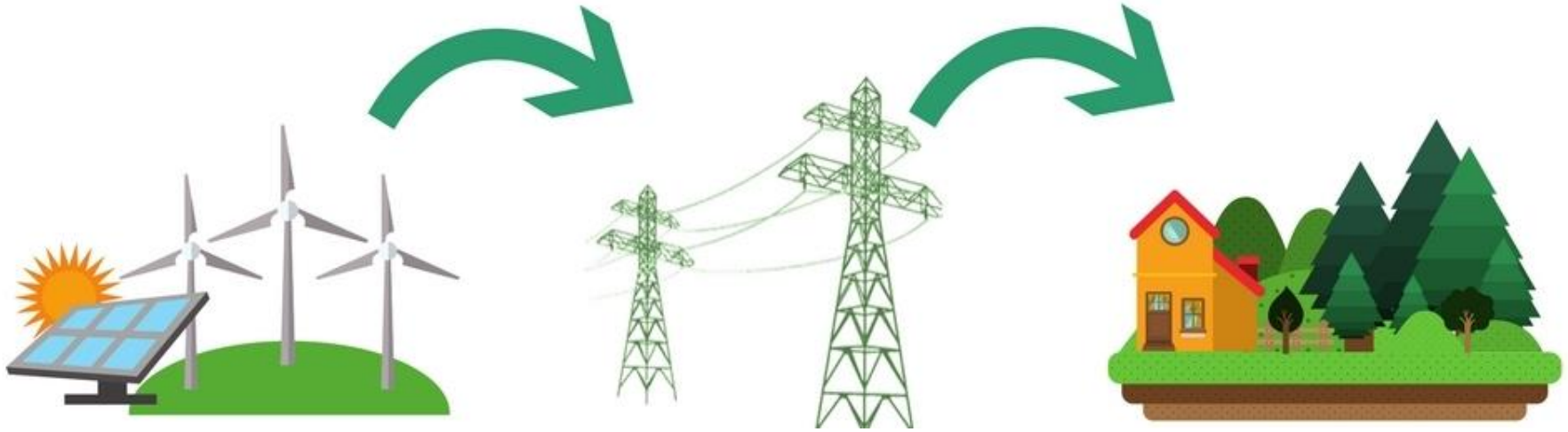
WHAT IS COMMUNITY CHOICE ENERGY (CCE OR CCA) AND WHERE ARE CCEs BEING FORMED?

- **History of Electric Utility Deregulation**
- **AB 117 (2002)**
- **Why are CCEs Being Set Up?**
  - Cheaper energy costs
  - Less Green House Gas emissions (GHG)
  - Encourage local economic development
  - Local control over power products, rates and programs
- **Opt-Out Protocol**
- **20% of CA Under CCE Currently**
- **80% of CA Under CCE in 2-3 Years**



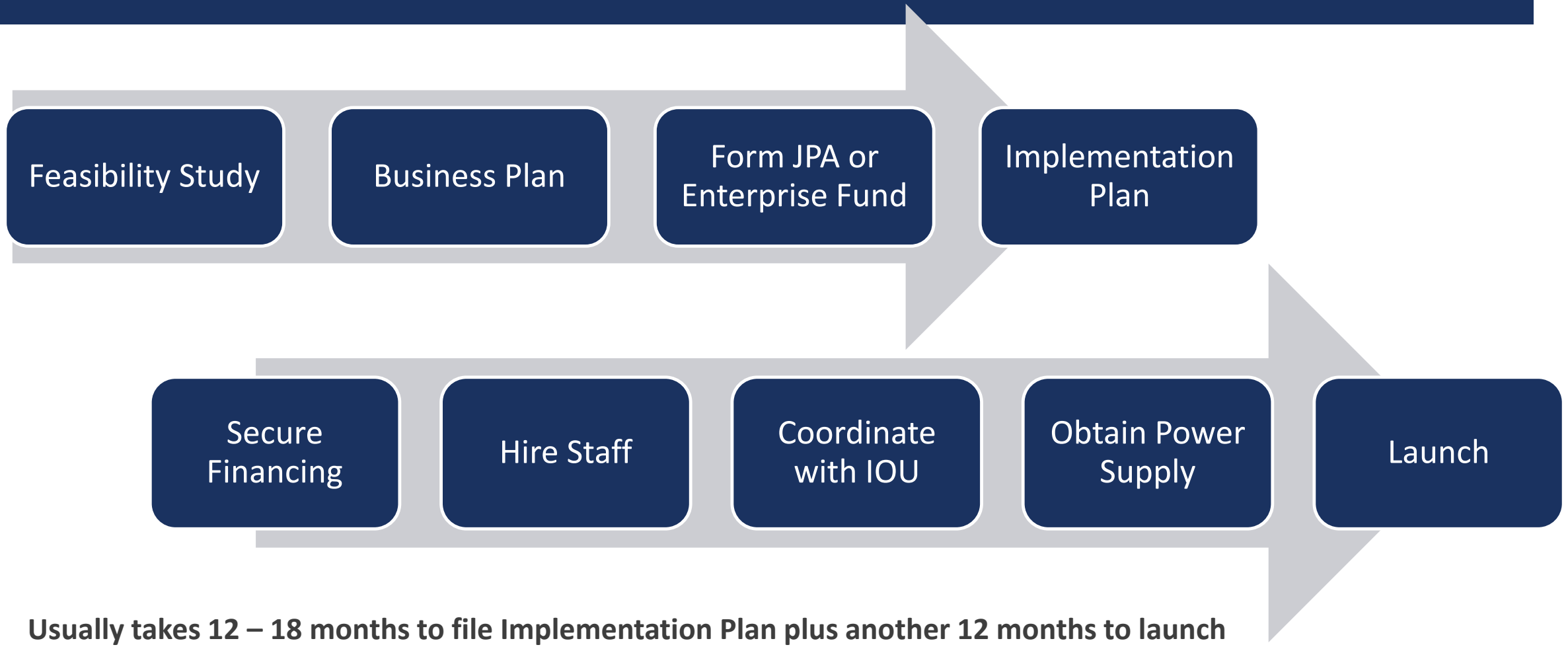
Map courtesy of Lean Energy: http://www.leanenergyus.org/cca-by-state/california/

HOW DOES A CCE OPERATE?



Energy Source CCE **Delivery IOU** **Customer**

STEPS IN SETTING UP A CCE

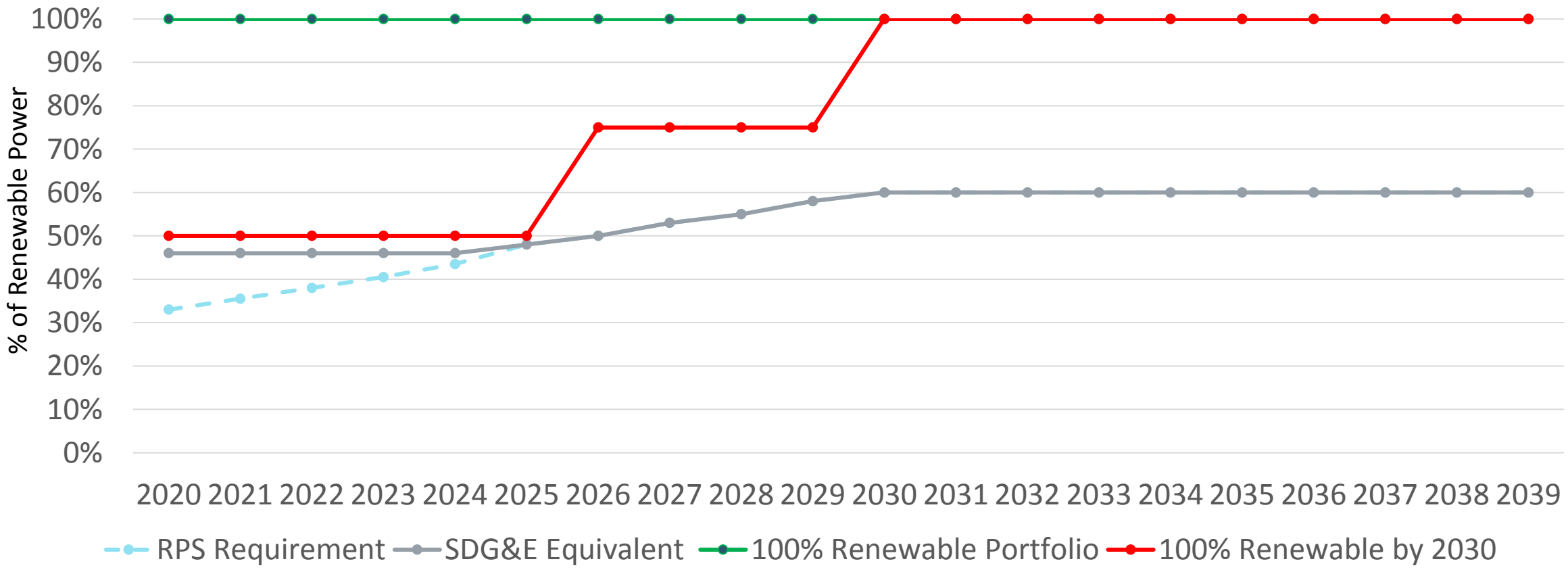


- **Usually takes 12 – 18 months to file Implementation Plan plus another 12 months to launch**

OVERVIEW OF CCE FINANCIAL FEASIBILITY STUDY

- **Study Question: Can the North San Diego County Cities form a CCE that is financially feasible under a range of likely future conditions?**
- **Methodology: Conservatively estimate CCE rates and compare to SDG&E rates**
- **Also review options for operational structures and governance choices**
- **Identify risks of forming a CCE**

KEY ASSUMPTIONS
RESOURCE PORTFOLIO OPTIONS



Note: Minimum 80% greenhouse gas free in all scenarios

KEY ASSUMPTIONS
SDG&E GENERATION RATE FORECAST

- SDG&E has procured renewable resources to meet 44%-46% of requirements at relatively high prices
- 40%-50% natural gas and 10%-15% of market power
- Rate forecast is conservative at 1-2% growth, higher growth would increase feasibility of CCE

OTHER OPERATING COST ASSUMPTIONS

- **Transmission and distribution charges a pass-through from SDG&E**
- **Billing and data management**
- **SDG&E fees and Exit Fees (Power Charge Indifference Adjustment, PCIA)**
- **Consulting/Staffing**
  - 11-12 FTEs at full operations for all 4 Coastal Cities combined
- **Administrative and General**
- **Reserve Accumulation = 4 months of expenses**
- **Financing Costs**
  - $1M - $2M start-up then $14 - $15M cash working capital at launch
  - Pay back in 2 – 3 years

FEASIBILITY RESULTS

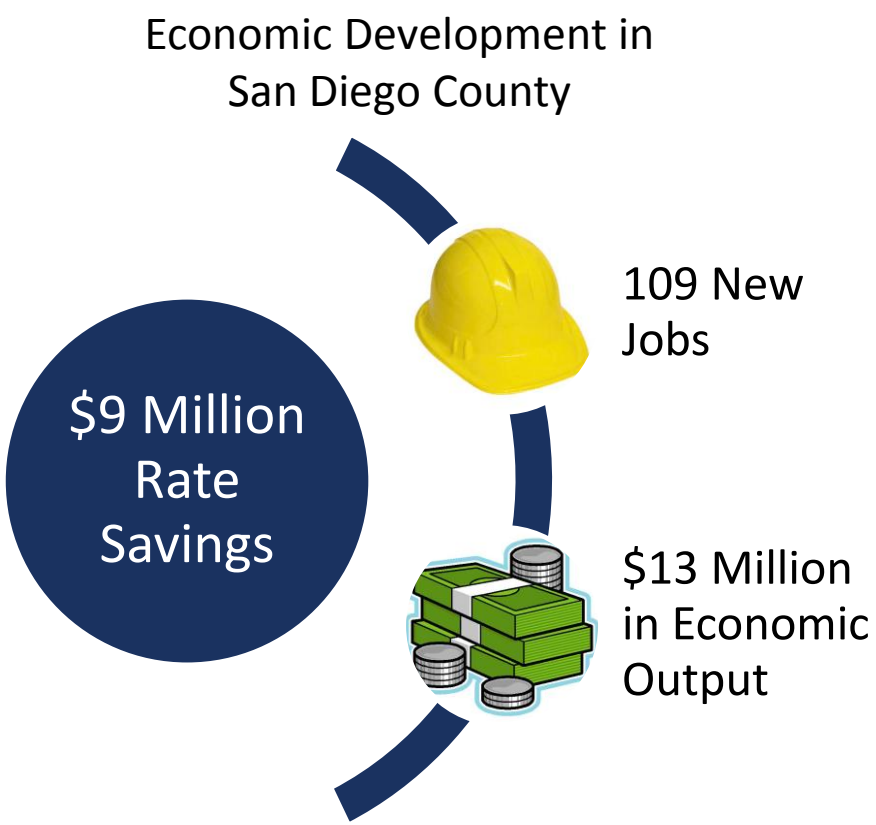
- **Pro Forma Results**
  - **The CCE can provide a 2% rate discount off SDG&E rates for two portfolios modeled**

	Annual Rate Savings	Discretionary Funds over 10 years
SDG&E-Equivalent Renewable	$9 million	$150 million
100% Renewable by 2030	$9 million	$60 million

- **Sensitivity analysis**
  - **Market Prices, PCIA/Exit Fee, Load**
  - **In most cases, the CCE remains financially feasible. Only in the worst case is the CCE more expensive than SDG&E**

OTHER IMPACTS

GHG Emission Reductions (2021-2030)				
	SDG&E Equivalent Renewable Portfolio	**100% Renewable by 2030**	**100% Renewable**	**SDG&E**
GHG Free Share, %	80%	89%	100%	60%
Equivalent Number of Cars off the Road Each Year	23,696	34,130	47,391	



GOVERNANCE STRUCTURES

New City Department	New Joint Powers Authority (JPA)	Join Existing JPA	Turnkey Operator
• Greatest Control • General Fund Liability	• Good Control • Collaboration Required • Good protection of General Fund	• Little effort needed • Shared overhead costs • Less Local Control • Greater influence on Regulatory Issues • Low Liability of General Fund	• Easiest to implement • No cash upfront or going forward • Less control over operation decision making • Low liability likely

MANAGEMENT STRUCTURES

Full Staffing

Minimal Staffing

Third-Party Turnkey

SUMMARY

- **A North San Diego County Cities CCE is Financially Feasible Under a Wide Range of Sensitivities**
  - High/low wholesale power prices
  - Lower or higher than expected participation rates/load levels
  - Changes in PCIA
- **Early Repayment of Start-Up Capital Very Likely (2 – 3 years maximum)**
- **$8 - $9 Million in Bill Savings Annually**
- **Through CCE, Participants Gain Greater Local Control Over Rates, Programs, Power Supply Options**
- **Green House Gas Reduction Potential is Significant**
- **Increased Economic Development of 100 New Jobs and $13M GDP Locally Each Year for Change in Disposable Income Only/Construction of Local Distributed Energy Resources Would Increase Local Economic Development Activity**