Exhibit 1

Community Choice Energy Program Governance Analysis Report

Prepared for:
The Cities of Carlsbad, Del Mar, and Encinitas

EES Consulting, Inc.

570 Kirkland Way, Suite 100
Kirkland, Washington 98033

A registered professional engineering and management services corporation with offices in Kirkland, WA; Portland, OR; Spokane, WA and La Quinta, CA

Telephone: (425) 889-2700 Facsimile: (425) 889-2725
www.eesconsulting.com

August 12, 2019

Ms. Crystal Najera
City of Encinitas
505 South Vulcan Avenue
Encinitas, CA 92024

SUBJECT: Governance Analysis Report

Dear Ms. Najera:

Please find attached EES Consulting, Inc.'s (EES) Community Choice Energy Program Governance Analysis Report (Report) for the Cities of Carlsbad, Del Mar, and Encinitas (Partners).

Please contact me directly if there are questions and we look forward to your comments on this Report.

Very truly yours,

Gary Saleba
President/CEO

cc: Jason Haber, City of Carlsbad
Don Mosier, City of Del Mar
Clement Brown, City of Del Mar

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Kirkland, Washington 98033

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Section 1 – Executive Summary

Introduction

California Assembly Bill 117 allows local governments to form Community Choice Aggregation (CCA) entities, which are also referred to as Community Choice Energy (CCE) entities. The cities of Carlsbad, Del Mar, Encinitas, and Oceanside conducted a Technical Feasibility Study (Feasibility Study) that concluded a CCE program would be financially viable. The Feasibility Study explored the pros and cons of multiple governance options and recommended further analysis to determine appropriate governance structure and identify potential third-party alliances. This Report further explores the governance options introduced in the Feasibility Study for Carlsbad, Del Mar, and Encinitas (Partners).[1] The Partners released a Request for Interest (RFI), which solicited information from entities that had interest in joining with the Partners in forming a CCE. The RFI garnered interest from Solana Energy Alliance CCA (SEA) and the City of San Diego. The responses to this RFI and other governance options will be discussed below.

Objectives of Governance Report

The objective of this Report is to provide detailed information and EES's best professional recommendations regarding the most advantageous governance structure for the Partners. This assessment investigates the Partners' options for governance, and compares the opportunities currently available and associated costs, risks and benefits. This Report will assist the Partners in decision making, contract negotiations, staffing decisions, CCE launch timing and governance expectations. This Report will explore 1) an Enterprise CCE, 2) a joint powers agreement among the Partners, 3) a joint powers agreement among the Partners plus SEA, and 4) a regional CCE/JPA led by the City of San Diego.

Governance Analysis Process

Once the Partners established that a CCE business model was financially feasible, the Partners sought to qualitatively and quantitatively analyze each available governance option. In order to efficiently identify governance options, the Partners released an RFI. The RFI process eliminated analysis of options that may be unavailable or too costly to structure, and it insured that costs and timing assumptions are current. The RFI also reduced the resources needed to negotiate any potential JPA with a third party by eliminating parties that have no demonstrated interest.

The RFI was released on April 12th and supplemented on April 19th. A copy of this RFI is included as Appendix A. The RFI solicited interest from third parties who may desire to join with Partners to form a CCE. The RFI also solicited interest and feedback pertaining to the cost to join and exit, governance structure, organization and cost allocation. The supplement provided high-level Partner load information so that respondents could more accurately address the questions in the

[1] Oceanside chose not to participate in the governance analysis.

RFI. Responses to the RFI were due on May 15th. The Partners received two responses from the Solana Energy Alliance (SEA) and the City of San Diego. This Report analyzes governance options, evaluates the responses to the RFI and provides CCE governance structure recommendations for the Partners.

Governance Options

This Report analyzed the various ways the Partners could structure the governance of a CCE. Economics plays a role in choice of governance structure as does culture, shared capabilities, risks and resource sharing. Any JPA governance option will require the Partners to define parameters and goals of governance in order to define how a JPA contract should be structured. The governance options available to the Partners include:

- Enterprise
- Joint Power Authority (JPA)
  - Partner JPA
  - Partners Plus SEA JPA (Solana Energy Alliance JPA)
  - City of San Diego JPA Led by City of San Diego (City of San Diego JPA)

A description of each option follows.

Enterprise Option

Under the Enterprise option, each of the Partners would operate independently. Each city would establish a new city department or enterprise to house the CCE. This approach provides operational flexibility and independence; however, economies of scale benefits would not be maximized, and some implementation efforts would be duplicated. Additionally, it should be noted that the Feasibility Study found that an individual enterprise CCE business model for Carlsbad was feasible, for Encinitas was feasible but with very slim margins and for Del Mar was not financially feasible. The cities' general funds would also need to be protected in both the enterprise establishment documents and power purchase agreements (PPA). While the enterprise option has been implemented successfully in other parts of California, it is recommended that the Partner cities consult their respective legal counsel regarding available risk mitigation strategies before selecting this option. The enterprise CCE business model has been implemented within the Cities of King City, Rancho Mirage, Apple Valley, Lancaster, Solana Beach and San Jose. This business model was selected due to local preference for total local control and/or lack of other partnering opportunities.

Joint Powers Authority (JPA)

A JPA has potential benefits to the Partners and can be structured multiple ways with a variety of entities. This Report analyzed forming a JPA among the Partners or forming a JPA with SEA and a City of San Diego JPA led by the City of San Diego. Each of these three JPA options is discussed below.

Partner JPA Option

Under the Partner JPA option, the Partners would operate jointly. A Partner JPA is most appealing from the perspective of local control and operational expediency; however, the Partners would need to obtain upfront capital funds. Start-up capital funding would need to be obtained by the Partner JPA for the following items assuming a 2021 launch is desired.

This Report has assumed all three cities would participate in the Partner JPA. Less than three would not achieve the necessary economies of scale as discussed later in the Report.

In the event of a Partner JPA option, the Partners would define a structure for the JPA including cost sharing formulas, voting, membership structure, expenditure priorities and termination or exit penalties. This structure would determine the JPA contract and is the foundation for the JPA itself. When defining the structure of the JPA, the Partners may allow for additional CCE's to join once the JPA is launched. In the even the Partners agree to allow additional CCE's to join, then the Partner JPA Option's overall structure and agreements should include a process to join, costs, voting for new members and formula to share in certain costs and benefits of the JPA.

Exhibit ES-1
Initial Funding needs for the Partner JPA Option

Timing	Item	Amount
September – December 2019	Develop JPA Agreement	$25,000
	File Implementation Plan	$25,000
	Subtotal	$50,000
January – May 2020	CPUC Bond	$200,000
	JPA Start-Up Overhead	$100,000
	Legal/Technical Consultants	$200,000
	Subtotal	$500,000
June – December 2020	JPA Salary/Overhead	$300,000
	Legal/Technical Consultants	$250,000
	SDG&E Set-Up Costs	$200,000
	Subtotal	$750,000
	Totals 2019	$50,000
	Totals 2020	$1,250,000

Additional funding may also be needed for an SDG&E billing deposit and collateral requirements for power purchase agreements entered into in 2020.

The numerous ways to fund these start-up capital needs are as follows:

- If the Partners wish to launch in 2021, an Implementation Plan must be filed with the CPUC by December 31, 2019. In order to file an Implementation Plan, the Partner JPA must be formed and approve the Implementation Plan. It is estimated that $50,000 in legal/technical expense will be required by the end of 2019 to pay for the drafting of a JPA agreement and Implementation Plan. This $50,000 will be provided by the Partners (i.e. general fund).

- During 2020, the Partner JPA will begin hiring staff, negotiating power management and data management/call center consulting contracts, meeting with SDG&E on data issues and procuring power supply for a 2021 launch. It is estimated that another $1,250,000 will be needed to cover expenses during 2020. There are several options to fund this requirement. These options include:
  - The Partners could internally finance this cash requirement via a prorated contribution from each Partner's general fund. An allocation of the 2020 funding needs based upon electrical load would result in obligations for the Partner cities of $37,500 for Del Mar, $312,500 for Encinitas and $900,000 for Carlsbad.
  - There are numerous data management and power vendors that will fund start-up costs to be repaid after launch.
  - Commercial banks and financial institutes have shown interest in funding these types of costs.

  The decision on how to fund these start-up costs will ultimately rest with the JPA Board of Directors.

  There may be other capital needs in 2020. For example, SDG&E may require a deposit from the Partner JPA. Additionally, various power purchase agreements may require collateral deposits or down payments. These types of costs are typically financed externally through third parties but to be paid off over time by the CCE.

  In summary, the Partner JPA option has a cash requirement, the majority of which can be financed externally. This option also could be the most expedient to execute given the ongoing working relationship among the Partner cities. If pursued, this option can likely result in a 2021 launch.

<u>Solana Energy Alliance JPA</u>

The Solana Energy Alliance JPA would be a JPA formed among the Partners plus SEA. The Partners and SEA would operate under a Solana Energy Alliance JPA agreement. This option has potential since the Partners' policy goals and Climate Action Plans (CAP) are already well aligned with SEA's policy goals and the City of Solana Beach's CAP.

SEA responded to the Partners' RFI and prepared a draft term sheet outlining a proposed CCE JPA agreement, including goals of the agency, makeup of the governing board, voting options, committee selection, etc. On July 1, 2019, the Partners submitted additional questions in writing. The questions and responses are attached in Appendix C.

SEA has indicated a willingness to structure the Solana Energy Alliance JPA so that the funding of certain start-up costs would be borne from various sources, including The Energy Authority (TEA), Calpine Energy Solutions, and SEA. The discussions to date have fallen short of a full commitment to fund start up and at this time, little information is known, including interest rate, terms or amounts. In the event funding cannot be secured in this manner, SEA has recommended that the Partners seek funding from an experienced CCE lender like River City Bank. This CCE lender option would be available regardless of governance option selected for the Partners, however.

SEA has already established an account with the CAISO. This account would continue to be used for the Solana Energy Alliance JPA, which avoids CAISO costs for the Partners. This would also apply to additional entities should they join the Solana Energy Alliance JPA. Most energy management providers/schedulers would also have a CAISO account established, therefore avoidance of CAISO costs is assumed in all governance options.

Within the SEA response, the proposed governance structure is as follows:

- No entry fee for Partners if TEA continues to be the new entity's power management consultant and consideration is given to SEA for its prior investment in the current CCE as well as net revenues SEA has accumulated to date.
- If a Partner city exits the new entity after power supply has been procured on its behalf, an exit fee will be imposed.
- A new JPA would be formed with a one member-one vote protocol.
- The new JPA Board governances would be negotiated.
- Calpine Energy Solutions (Calpine), the SEA data management consultant, should be retained due to Calpine's working knowledge of the SDG&E billing system.
- An Implementation Plan would be filed at the CPUC by December 31, 2019 to facilitate a January 1, 2021, launch. The Implementation Plan would be a revised version of SEA's Implementation Plan approved by the CPUC on February 19, 2018. It is estimated that $50,000 in legal/technical expense will be required by the end of 2019 to pay for the drafting of a JPA agreement and Implementation Plan. This $50,000 will be provided by the Partners (i.e. general fund).
- It is estimated that in 2020 the Partners will spend $850,000. The Partners could internally finance the 2020 cash requirement via a prorated contribution from each Partner's general fund. An allocation of the 2020 funding needs based upon electrical

load would result in obligations for the Partner cities of $25,500 for Del Mar, $212,500 for Encinitas and $612,000 for Carlsbad.

- Power supply portfolio would be customized to the maximum amount possible, to reflect the Partners' individual goals and objectives.
- Allocation of surplus CCE revenues would be subject to negotiation.
- SEA has no stated Project Labor Agreement (PLA) policies but would not object to a CCE pro-PLA condition especially if the benefits of such a condition are clearly demonstrated.
- Under the terms of SEA's response to the RFI, a 2021 launch is attainable. Exhibit ES-2 highlights some of the expected costs based on SEA's proposal.

Exhibit ES-2
Initial Funding needs for the Solana Energy Alliance JPA Option
Shared Among JPA Members

Timing	Item	Amount
September – December 2019	Develop JPA Agreement	$ 25,000
	File Amended Implementation Plan	$ 25,000
	Subtotal	$ 50,000
January – May 2020	JPA Start-Up Overhead	$ 100,000
	Legal/Technical Consultants	$ 200,000
	Subtotal	$ 300,000
June – December 2020	JPA Salary/Overhead	$ 300,000
	Legal/Technical Consultants	$ 250,000
	Subtotal	$ 550,000
	Totals 2019	$ 50,000
	Totals 2020	$ 850,000

<u>City of San Diego JPA</u>

A City of San Diego JPA would be a JPA formed among the Partners and any other interested party in SDG&E territory. The City of San Diego would lead the start-up effort for a City of San Diego JPA and has initiated discussions and coordination regarding a possible City of San Diego JPA. The City of San Diego has also initiated discussions on the terms of the JPA agreement, including goals of the agency, makeup of the governing board, voting protocols, committee selection, etc. A draft JPA term sheet has been produced and discussions have occurred relating to the term sheet. On July 29, 2019, the Partners submitted additional questions in writing. The questions are attached in Appendix E.

A summary of the City of San Diego's proposed Term Sheet follows:

- Base power supply product of 50% renewable but can opt up to 100%.
- Special rates for economic development and communities of concern.
- Prioritize local resource development (silent on PLA).

- Requires agreement by governing boards by October 1, 2019. First vote by City of San Diego JPA Board by December 2019.
- Start-up costs financed by and later reimbursed to City of San Diego, for founding members.
- Voting starts with 1 member – 1 vote. Two or more members can call for load-based weighted vote to veto decisions made by unweighted vote. Weighted votes require 2/3 majority to pass.
- Board/committee make-up in JPA agreement. Each member can appoint one committee member.
- Allocation of excess revenues available to reimburse members for CCE-related activities. The term sheet is silent on excess revenues for member-specific programs.
- If pursued, this option can likely result in a 2021 launch.

Economies of Scale

The Report also analyzed the costs of different sizes of CCEs. Costs for CCEs consist of two primary types – overhead costs and power supply costs. Power supply costs constitute roughly 90% of a CCE's budget. Operating/overhead costs are roughly 10% of a CCE's budget. The three JPA governance options are large enough that wholesale power supply costs are already optimized. A review of the operating/overhead costs for several CCEs was undertaken and benchmarked. There are modest operating cost savings going from a small to large CCE, but these savings are virtually insignificant when looking at overall CCE financial metrics and may be eroded when additional consideration is made for portfolio targets, goal alignment and political differences. Based upon this research, the operating cost per unit is fairly flat after a CCE exceeds approximately 75,000 accounts. Conversely, diseconomies of scale and disproportionate market share does occur once the JPA is large enough. The scenarios evaluated in this Report are not large enough for diseconomies of scale to be a concern and each of the three JPA governance options would result in exceedance of account volume necessary to achieve operating cost efficiency.

Summary Evaluations and Recommendations

To assist in evaluating the Partners' various governance options, an evaluation matrix of these options is provided below in Exhibit ES-3. For purposes of analyzing Exhibit ES-3, a "1" is the lowest rating and a "5" is the highest rating.

Exhibit ES-3 Evaluation of Different Governance Options				
Issue	Enterprise	Partner JPA	Solana Energy Alliance JPA	City of San Diego JPA
Availability of Pre-Launch Funding	2	2	3	4
Launch by 2021	3	3	3	4
Voting Protocol	5	4	3	2
Local Decision Making	5	4	3	2
Amount of Rate Discount	1	3	3	3
Achieve CAP/Policy Goals	5	5	5	4
General Fund Protection	1	4	4	4
Existing Track Record	1	2	3	2
Future Flexibility	5	4	3	2
Local Renewable Development	4	4	3	2
Partner Staff Impact	1	2	3	5
Total	33	37	36	34

Based upon the evaluation of governance options in Exhibit ES-3, different options have their pros and cons. The total scores for the four governance options are relatively close, suggesting that all options are viable and could produce benefit to the Partners and their constituents.

Additional observations are provided below.

Observations and Recommendations

In an effort to focus attention on core considerations, the following observations are offered:

- Pre-launch capital is needed for all options and obtaining the necessary pre-launch capital of $500,000 – $1,000,000 is attainable for the Partners. Numerous lending institutions, service providers and investment bankers represent viable sources of pre-launch capital. Many start-up CCEs have successfully obtained start-up funding from such sources. It is also possible that the Partners could loan this capital to the CCE and be repaid after the launch.

- The achievable rate discount for power procurement, with the exception of the Enterprise fund, should be consistent across the other three governance options. The Partner JPA, Solana Energy Alliance JPA and City of San Diego JPA are large enough to offer about the same rate discount.

- It appears that all likely participants in the governance options have similar CAP goals. To the extent there are minor CAP variations among participants, it is deemed likely these differences can be resolved.

EES's recommendations on the remaining governance issues are as follows:

- The Enterprise option lacks enough size to offer maximum operational efficiencies and rate discounts for each of the Partner cities. It also offers less general fund liability protection than the JPA options. As such, the Enterprise option is not recommended for the Partner cities. The Partners should enter into a JPA arrangement of some sort in order to achieve the necessary economies of scale. The JPA can be a Partner JPA, Solana Energy Alliance JPA or the City of San Diego JPA. The cities should be aligned and select the same governance option, or the values discussed in the Report would change.

- The weighted voting provisions in the proposed City of San Diego JPA option could create disadvantages for the Partner cities. Given the relative sizes of the potential JPA participants, the City of San Diego could guide key CCE decisions. For better or worse, this outcome may take away local control and decision-making attendant with the CCE business model. Notwithstanding the availability of start-up funding offered under the City of San Diego JPA option, the weighted voting provision makes this governance option less appealing, when compared to other JPA options available. Therefore, the City of San Diego JPA option is not recommended for the Partners.

- The Solana Energy Alliance JPA with SEA has some desirable attributes. This option is a manageable size, has a track record, albeit short, and SEA is in close proximity to the Partners. SEA also asserts that the $500,000 CAISO deposit for scheduling coordinator registration would be avoided. Although the deposit would be avoided in all scenarios in which a third-party power manager is contracted for. In EES's view, a material issue with SEA is its pre-existing commitments and current SEA assets/liabilities. The nature of these pre-existing commitments and disposition of current assets/liabilities may constrain the Partners in their selection of outside vendors and require the assumption of current SEA commitments and assets/liabilities. For example, SEA has deferred costs which must be dealt with. The general fund loan, TEA deferred costs, Calpine financing of CCE bond and repayment of Solana Beach internal administrative costs currently total approximately $500,000. These costs have been discussed orally yet the Partners have not yet executed the necessary agreements. SEA must negotiate restructuring of contracts with TEA and Calpine and those negotiations will naturally feed into the JPA agreement. Until a Solana Energy Alliance JPA agreement can be negotiated, there cannot be clear understanding of the Solana Energy Alliance JPA structure or the risks associated with timing and contract negotiations. SEA also has power procurement constraints with TEA, data management contracts with Calpine and banking commitments with River City Bank with terms through at least 2022. While all the necessary mitigation arrangements can likely be achieved at some point in time, setting up a Solana Energy Alliance JPA may take more time than is available and compromise a 2021 launch for the Partners. These pre-existing consultant agreements may also preclude the Partners from competitively bidding services with annual fees that approach $3M. As such, this option is not recommended.

- The Partner JPA is the recommended governance option for the Partners to utilize going forward. This option has the benefits of being large enough to be economically and operationally efficient. Partner cities have jointly worked on CCE-related activities for the past two years and understand each other's objectives/goals. The Partners can likely agree on key JPA bylaw issues such as goals and objectives of the CCE, voting protocol, project labor agreements, etc., and have the synergies and pre-existing work product to effectuate a 2021 launch. A Partner JPA would seemingly achieve a good balance of local control in decision-making versus enough size to maximize operational efficiencies. Allocation of program-related funds could be administered more equitably and efficiently through a Partner JPA than via a City of San Diego JPA. Finally, under this recommended governance option, the Partner JPA governance structure has the flexibility to undertake all needed back office functions independently or look to jointly undertake these functions with other CCEs.

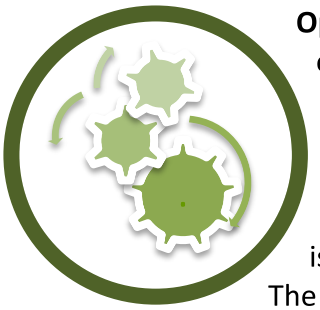
- One final thought in the recommendations to the Partners is that SEA is close in proximity, has similar CAP goals and has some operational CCE experience. But as noted above, SEA has existing commitments that reduce the benefits of joining the SEA CCE compared with the recommended Partner JPA. If the Partner JPA option is pursued, the Partners could offer to incorporate the SEA customer base into the Partner JPA. If this offer is accepted either now or in the future, the current SEA customer base could be included in a much larger CCE with the attendant cost/rate savings. The Partner JPA could relieve SEA of its current commitments, if desirable to the Partner, and SEA could manage any remaining commitments outside of the Partner JPA. By relieving SEA of its current commitments, the Partner JPA may assume certain liabilities of the SEA contracts. This creates the potential of exposing the Partner JPA to financial exposure in amendments to previously established power purchases. At this time, the full extent of SEA's contractual commitments is unknown. While additional information and legal assistance and advice would be needed to effectuate this last option, it could result in an optimal outcome for SEA and the Partners. Likewise, in addition to considering SEA, a Partner JPA could opt to take on other partners in the future if it is deemed mutually beneficial to do so. Some potential partners include the City of Oceanside that were a part of the four-city CCE Feasibility Study, other North County cities and possible interested cities in south Orange County that are within the SDG&E utility territory.

In summary, there are several governance options available to the Partners, all of which could provide the desired rate savings as well as offer different levels of local control. On balance and assuming the Partners wish to launch in 2021, EES recommends the Partners pursue the Partner JPA model with an option to include the SEA customer base in the initial launch or other cities after the Partner JPA is set up. Establishing the Partner JPA model now and extending membership to other cities at a later date provides an expedient path for a 2021 launch for the Partners while preserving the option to add other member agencies in the future.

Section 2 – Governance Considerations

Structure Considerations

Economics and economies of scale should be considered when determining a CCE governance structure; however, economies of scale can easily be eroded through a cumbersome JPA structure or in the event of a dispute. Poor oversight in day to day operations can be costly for a CCE. Attracting and retaining staff with the expertise to optimize the power supply portfolio can result in savings in day to day operations as well. Any governance structure should address operational, risk, and capabilities considerations. Such considerations should be incorporated into any governance agreements.



Operational considerations should focus on the day to day operations and the expected skillset of any operational agent. The CCE's operational structure should be reflective of the Partners' level of involvement they wish to have in day to day operations and overall size of the JPA. Although a larger JPA may result in diversification of power supply risk, it may impede any individual city's direct operational involvement. Once a JPA is established, it is common for the member cities to have little involvement in the day to day. The Partner JPA option may allow for additional transparency and involvement in operations.

Risk considerations should focus on the risk sharing of power supply, upfront cash needed for start up and collateral requirements with energy suppliers. Some solutions for risk sharing include bringing on a large partner with the capability to share in risk or phasing the JPA so that new participants are added once certain financial targets are met. Careful contracting for power supply also reduces the cost of risk mitigation. Risk considerations should address diversification of risk and mitigation of upfront funding impact.

Capability considerations should leverage a combination of capabilities from the Partners and contracting entities. An established CCE brings expertise and current CCE capabilities, however the CCE may be accompanied by legacy contracts. A JPA can blend a mix of capabilities held by the various participants. When considering capabilities, the Partners should recognize that capabilities evolve over time, and the structure should be sustainable regardless of changes in capability.

There are two typical governance structures used by CCE programs – Enterprise and Joint Powers Authority (JPA). The Enterprise option houses the CCE within a city or county's current organizational structure. The JPA option houses the CCE in a new independent entity. Exhibit 1 is a governance decision matrix and includes the factors that were considered when evaluating the two governance options. Each factor has features that create benefits and drawbacks as outcomes from any organizational structure. These considerations should drive decisions when setting up a CCE and establishing the foundational elements of governance and supporting agreements.

Exhibit 1
Governance Decision Matrix

	Factors to Consider	Feature Considerations	Enterprise	JPA
Board Structure	Board selection/appoint-ment, board term, board responsibilities, board count, board qualifications.	Large boards are less nimble but more diverse. Odd number boards mitigate tied votes. Board should have oversight with separation from day to day functions. Representation among the cities should provide equitable voice. Board capabilities may drive staffing decisions.	Board members are city council members and will have an existing working relationship.	Reduction in responsibility per board member. Broader pool of qualified board members who may bring greater diversity in expertise and capacities.
CCE Growth	Change in city demographics (growth, customer class weighting), new CCE additions, parameters to join the CCE.	Large growth in one customer class or one city may change culture and costs. If future CCE growth is considered, what are the potential limitations (geography, distribution utility, sustainability goals, etc.)?	Greater flexibility. Easier to align portfolio goals.	Additional CCE Partners may enable easier growth. Larger total CCE customer base may empower legislative voice. Greater economic diversification.
Decision Making	Voting parameters and process, dispute resolution, vendor vs. internal services.	Default mitigation, rate impact tolerance, independent cultures and optimization of shared cultures.	Decisions made locally by city council.	One city, one vote may become 25%, 10% or even 5% of the vote depending on Partner count within the JPA. Dispute resolution structure should consider risks of a large city to pursue litigation or exit. Larger JPAs often need more time to make decisions.

Exhibit 1 Governance Decision Matrix				
	Factors to Consider	**Feature Considerations**	**Enterprise**	**JPA**
Cost Allocation	Economies of scale, rough justice, transparency, cost causation.	Administrative oversight and economic margins.	Easier to allocate transactions and track cost causation.	Transaction allocation can become costly and cost causation may allocate costs to other JPA members. Can become difficult to administer.
Risk Allocation	Default risk, credit risk, market exposure risk, hedging practices, transaction allocation.	Administrative costs, optimization vs. risk avoidance, market exposure tolerance.	Higher upfront capital cost. Larger say in trading partners and hedging practices. May need additional language in power contracts to help protect general fund.	Higher administrative costs to allocate transactions. Smaller startup capital cost per JPA member. Protection of Partner general funds can be achieved.
Cultural and Political Interests	Allocations of CCE benefits, programming, staffing oversight, salaries and benefits, corporate culture and risk tolerance, rate tolerance, sustainability targets.	Rate impacts of cultural decisions, cultural impacts of cost and risk decisions.	Each city would have full local control over program decisions.	Economic gains in any year may fund capital projects located within or outside of member cities' boundaries. Staffing may be easier to attract/retain, and salaries may be more competitive. Local control is limited.
Entry Costs	Sharing costs of startup and upfront capital reserves.	Capital injection up front with regular cost true up and reconciliation.	Entry costs are duplicated for same start-up effort across all Partner cities.	Anticipated energy load often mirrors start-up costs. One city one vote structure averages startup costs regardless of size. Smaller entities may have lower startup costs in a weighted vote structure. Recouping financial reserves may also be a larger burden for the small cities. Per city, start-up costs are lower compared with Enterprise option.
Exit Costs	Cost to leave.	Transaction structures term, volume, credit and capital projects all impact the exit fee.	Exit fees borne by each Enterprise Fund.	Diverse opinions on transaction structures and portfolio goals. Established CCEs may have predefined exit

Exhibit 1 Governance Decision Matrix				
	Factors to Consider	**Feature Considerations**	**Enterprise**	**JPA**
				fees and termination penalties.
Operations Agent Role	Partners' role and operations agent role.	Roles and responsibilities should be clearly stated. Partner oversight should be the same for all Partners.	city council would determine operation.	Larger overall volume may decrease cost of operations agent.

Regional Considerations

Various cities within the county ranging in size and goals and even the county of San Diego themselves, are pursuing CCE programs. Separate CCE programs throughout the county allow for diverging goals and structures but do not decrease the climate reduction achieved county wide. Inland cities vary in load shape compared to coastal as a larger amount of air conditioning load would reside inland. The peak load of inland cities would be higher than coastal and this variance in load shape may drive rate design and power supply strategies. Climate action plans are at various stages throughout the county and additional cities may seek to form CCE's at a later date. The CCE landscape is evolving daily.

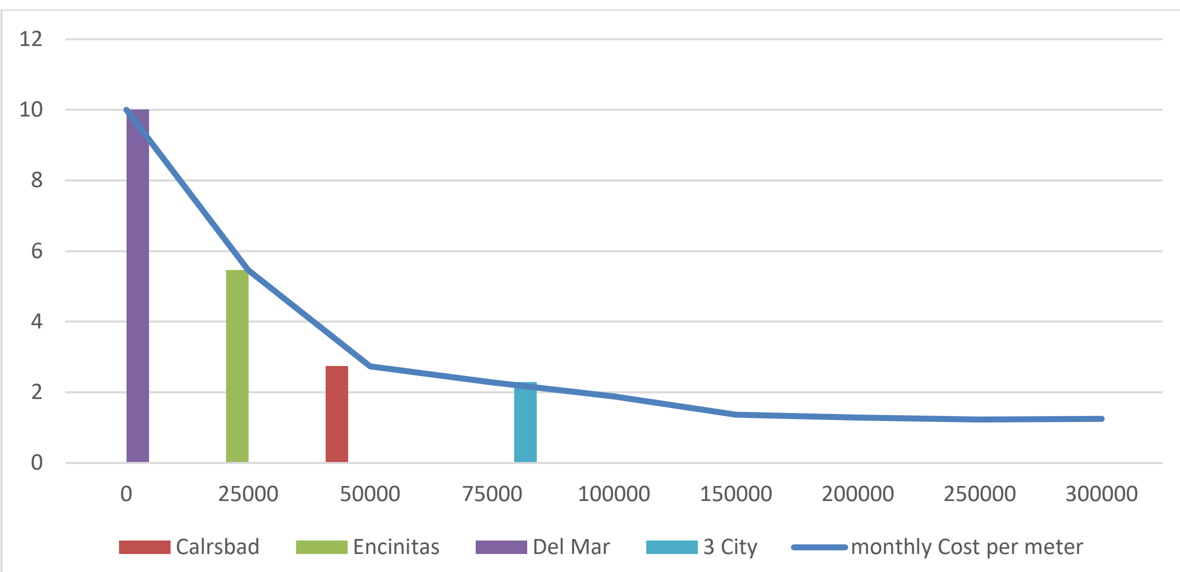
Section 3 – Economies of Scale

The size of the CCE program will have some economies of scale as program administration and power supply costs are spread across a larger number of meters and load. This section discusses how power supply and operating costs vary by the size of the CCE.

Economies of Scale in Operating Costs

Operating costs include data management, fees, staffing and administrative costs. A CCE's operating costs are an important part of the overall budget, however they are substantially smaller than the cost of energy. For any of the JPA options discussed, the operating costs would be less than 10% of the overall annual budget. Although a small CCE may see a larger percentage of budget tied to operating costs, a CCE faces a sharp reduction in staffing costs by meter for the first 70,000 – 75,000 meters and fully levels out between 100,000 and 115,000 meters. Staffing for a smaller CCE would still require expertise in customer accounts, finance, communication and power resources regardless of the small size of the CCE. Once staffing of the necessary skillsets is established, the labor becomes scalable by account number and load as demonstrated in Exhibit 2. Exhibit 2 is based on an analysis of operating costs for several existing CCEs.

Exhibit 2
Operating $/Month per Account



As noted in Exhibit 2, once a CCE reaches 50,000 accounts, the operating costs per account level out. After 50,000 accounts, operations costs reduce by approximately fifty cents per month, per meter. As such, CCEs with this number of accounts have reached an optimal size from an operating cost standpoint. Although the Enterprise governance option would not meet this efficiency scale, the Partner JPA, the Solana Energy Alliance JPA and the City of San Diego JPA options would.

Economies of Scale in Power Supply

The greatest benefit from economies of scale is in reduction in power supply costs. The bulk of the reduction in power supply costs comes from the ability to have multiple power supplier options. Custom tailored power supply is needed to meet the Partners' renewable portfolio goals (among others). This is due to the structure of the wholesale energy market. When available buyers or sellers are reduced, a transaction lacks liquidity and the purchaser or seller will add a risk premium that recognizes that the transaction cannot be liquidly traded. Small volume transactions also carry additional curtailment risk which can increase a CCE's costs.

Power supply is based on energy forecasts that, in general, become more accurate the closer to delivery in which they are run. Since forecasts change over time, the power supply markets allow for transacting around several supply products, including long term (or structured), annual, quarterly, prompt month, within month, day-ahead, and real time within the hour through the California Independent System Operator (CAISO). In each of the wholesale markets, the market participants round up or down in 25 MW increments which creates liquidity for purchases and sales by establishing like products. When transacting in a volume that is not divisible by 25 MW, the CCE transacting pays a no-liquidity premium.

The premium is a result of the fact that the party buying from or selling to the CCE must combine the transaction with other power transactions in order to trade the power in the wholesale market. Regardless of the transaction term—long term, mid-term or within hour transaction—the CCE would pay a premium to purchase or receive less revenue when trading a transaction not divisible by 25 MW.

As such, purchases of at least 25 MW in 25 MW increments will produce favorable power prices. The Partners have a peak load of roughly 250 MW and an average load of 125 MW. A CCE of this size should receive optimal power supply pricing. This efficiency is reached in all three JPA options.

Section 4 – Governance Structures

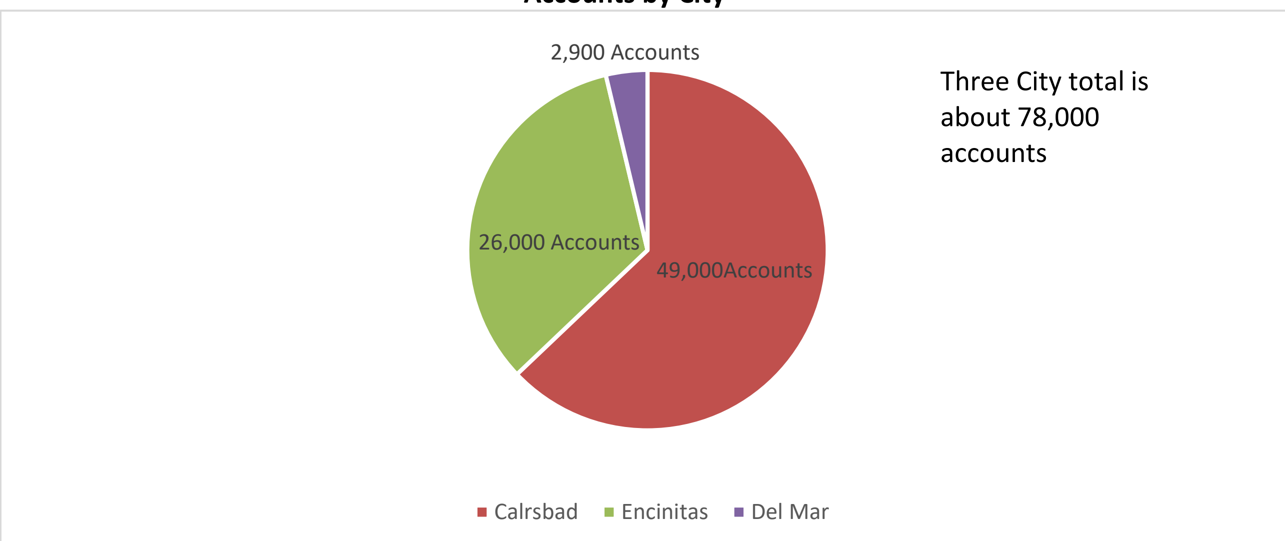
This section discusses the Enterprise and the Partner JPA options in more detail. JPA options beyond a Partner JPA are discussed in Section 5.

Enterprise

Each Partner could form a separate CCE and operate separately. Operational considerations for an enterprise governance structure include independence, agility in decision making and freedom to operate within the values and interest of any specific city. As an Enterprise CCE, each city would need to establish its own formation documents that would protect the city's general fund from CCE activities and allocate default and transactional risk to the enterprise fund. Additionally, each negotiated power supply contract would need to thread this protection into the agreements.

Fixed costs of startup, legal and regulatory, staffing, facilities and certain power supply costs can become high for CCEs with less than 70,000 to 115,000 residential meters, depending on load demographics, as demonstrated in Exhibit 2. The bulk of the savings from economies of scale would come from savings in power supply, market exposure, default risk and odd lot trading. As discussed in the previous section, without these savings, Del Mar and to a lesser extent Encinitas may be unable to meet the operations benefits of independence as they cannot overcome the risk considerations and capability considerations. Exhibit 3 shows the customer count by city for the three city CCE.

Exhibit 3
Accounts by City



The cost of forming individual CCEs varies depending on power supply strategy, resource targets, staffing strategies and governance structure. The Enterprise approach to governance would be the most expedited but may not be optimal due to operational costs, lack of economies of scale and the financial inability to mitigate risk.

Partner JPA

Under the Partner JPA option, each of the Partners would operate jointly under a JPA. When considering operations, the day to day of the Partner JPA may have varying perspectives on portfolio goals, staffing, and JPA structure; however, the Partners have established history and similar environmental goals. The Partner JPA can be decisive due to the size of the JPA board (typically one board member from each member city). Risk considerations would be minimized with a larger volume of trading, economic diversification from three separate cities, the reduction of upfront cash burden on any individual city and the impact of any default by a city or supplier. The combined strength of a Partner JPA optimizes the value of the shared capabilities from the Partners.

Forming a Partner JPA requires contracts be written to support a defined structure that preserves each city's unique needs while leveraging economies of scale. The Partners would have control in decision-making and can determine the structure of the Partner JPA. This approach will take additional time when compared to the Enterprise option. Although a larger JPA brings more negotiation resources to the table, communication and establishment of risk, goals and environmental targets may take time. If the Partners formed a JPA, a launch date of 2021 is possible. Exhibit 4 below summarizes initial funding and start-up costs.

Exhibit 4
Initial Funding needs for the Solana Energy Alliance JPA Option
Shared Among JPA Members

Timing	Item	Amount
September – December 2019	Develop JPA Agreement	$ 25,000
	File Amended Implementation Plan	$ 25,000
	Subtotal	$ 50,000
January – May 2020	JPA Start-Up Overhead	$ 100,000
	Legal/Technical Consultants	$ 200,000
	Subtotal	$ 300,000
June – December 2020	JPA Salary/Overhead	$ 300,000
	Legal/Technical Consultants	$ 250,000
	Subtotal	$ 550,000
	Totals 2019	$ 50,000
	Totals 2020	$ 850,000

Other JPA Options

The next section in this Report details the other JPA options available to the Partners based on the response to the RFI issued in April 2019.

Section 5 – Analysis of RFI Responses

The RFI was released on April 12th and supplemented on April 19th. Responses were due on May 15th. The RFI structure solicited interest in the form of a question and answer dialog. The RFI was formally distributed to 21 CCEs throughout California. In addition, informal conversations were held with eight entities that were at various stages in the process of determining feasibility and establishing a CCE. The following exhibits are attached:

1. Appendix A -- RFI and Supplement
2. Appendix B -- RFI distribution list
3. Appendix C -- SEA RFI response and associated correspondence
4. Appendix D – City of San Diego RFI response and associated correspondence

RFI Responses

The Partners received two responses to the RFI, one from Solana Energy Alliance (SEA) and one from City of San Diego. This establishes the following:

1. Of the CCEs and JPAs currently operating outside of SDG&E's service territory, none are interested in entering into a shared operations arrangement with the Partners.
2. There were no currently established JPAs that expressed interest in expanding to include the Partners.
3. There was interest in forming a Solana Energy Alliance JPA and a City of San Diego JPA.
4. Costs and standard terms of JPA membership within the SDG&E service territory are in the process of being established and negotiations are ongoing.

The RFI responses and associated climate goals, staffing, start-up costs, voting and staffing are considered in this section.

City Climate Action Plan (CAP) Goals

Exhibit 5 below summarizes some of the high-level CAP goals developed by the Partners and the two RFI respondents: City of San Diego and SEA. There are several CAP goals and measures included in each report; however, Exhibit 5 addresses only those most directly related to a CCE partnership. The greenhouse gas reduction goals are all consistent with the State goals although each city defines the baseline differently and the subsequent reduction.

Exhibit 5
Comparison of City CAP Goals

City	Reduce GHG Emissions	Renewable Energy	Municipal Zero Emission Vehicles	Reduce Municipal Energy Consumption	Solar PV	Zero Emission Vehicles
San Diego	51% below 2010 emissions by 2035	100% by 2035	90% by 2035	25% energy use reduction by 2035	Not defined	Not defined
Solana Beach	50% Below 2010 levels by 2035	100% by 2035	50% reduction in gasoline use	Not defined	By 2035: 10.8 MW Residential 2 MW Non-Residential	Increase ZEV miles to 30%
Carlsbad	49% below 2005 by 2035	State Mandate	Not defined	Not defined	By 2035: 9.1 MW Residential 10.7 MW for Non-Residential	Increase ZEV miles to 25%
Encinitas	41% below 2012 by 2030	100% by 2030	Reduce fossil fuel use by 30% by 2030	15% energy use reduction by 2030	By 2030: 1 MW Residential 0.8 MW for Non-Residential	Convert the city's light-duty fleet to ZEV by 2030
Del Mar	50% Below 2012 by 2035	100% by 2035	Not defined	Not defined	By 2035: 1 MW Residential 1.5 MW for Non-Residential	Not defined

Each of the RFI respondents plan to procure 100% renewable energy to meet electricity requirements by 2035, which is consistent with Del Mar's CAP goal. With either option, Encinitas may have the option to purchase 100% renewable energy as part of the rate offerings in order to meet the Encinitas CAP goal at 2030. The City of San Diego's latest draft term sheet dated June 27, 2019, indicates that the base product would consist of 50% renewable energy with the option to opt up to 80% and 100% renewable energy products. The long-term goal is 100% renewable energy by 2035, with other variations set by each member city.

All of the cities have goals for on-site, customer owned solar generation distributed throughout the Partners' service territory. Although the City of San Diego's CAP does not specify a goal, goals are defined in supporting documents. Net energy metering (NEM) rates that incentivize these installations as well as streamlining the permitting process may help increase the penetration of these resources. Based on the above CAP goals, it could be expected that a CCE governance option would allow for strong incentivization for NEM resources. Zero Emissions Vehicles (ZEV) goals for range from not defined to 90% by 2035.

Start-Up Costs

Solana Energy Alliance JPA

If they joined SEA, the Partners would avoid certain costs required to participate in the CAISO. This assumption is true in all the JPA scenarios however; EES has assumed that any power manager/scheduler would be a registered schedule coordinator for the CAISO. SEA provides that other start-up costs would be funded through various sources including current service providers: The Energy Authority (TEA), Calpine Energy Solutions (Calpine), and SEA. Should additional financing be required, River City Bank may be an option. Calpine offers $500,000 in start-up funding at 5% interest which can be used to cover staffing, marketing, and notice mailing. TEA may provide a deferral arrangement for power supply costs to assist with the cash flow requirements. Specific offers from TEA and other power management vendors would need to be evaluated in order to determine if additional funding for cash flow is required.

Cities/jurisdictions are often reimbursed for CCE implementation costs (staff time) once the CCE begins to generate revenues. SEA is willing to reimburse the Partners' staff time spent on implementation. SEA provided the following estimates for start-up costs as shown in Exhibit 6.

Exhibit 6
Start-Up Costs and Financing per SEA

	Cost Estimate	Financed By
CAISO Fee and CCE Bond	$148,000	SEA and Calpine
Opt-out Notices	$302,500	Calpine
Technical Consulting	$115,000	SEA
Discretionary Marketing	$50,000	Calpine
Energy Procurement including Cost of Credit	$29,000,000	TEA
Total	$29,615,500	Various

City of San Diego JPA

The City of San Diego plans to cover all CCE implementation costs and working capital requirements. The City of San Diego would be reimbursed for these expenses once the CCE begins to generate positive cash flow.

Staffing and Consultants

Solana Energy Alliance JPA

SEA plans to continue using the same consultants if the Partners select a Solana Energy Alliance JPA option and join SEA. The current contracts would be amended to cover the new cities and loads. SEA believes using the same consultants will create a smooth transition for the Solana Energy Alliance JPA operation. Once established, these contracts will be subject to review by the JPA Board. These contracts could be renegotiated or terminated after 2022.

While there would be benefits to continuing with SEA's current contracts, it would also be worth evaluating the same services through an RFP process. An RFP process would ensure that the

Partners obtain the needed services at an efficient price. However, it would not be efficient administratively utilizing both SEA's current contractors and possibly a different set of contractors for the balance of the JPA load.

City of San Diego JPA

Under the City of San Diego JPA option, the JPA Board would be tasked with defining the staffing and consulting needs. Each member jurisdiction would have one board member to evaluate and vote on various staffing and contract decisions. Consulting services would be contracted through an RFP process for all JPA members.

Qualitative Considerations

Both the Partner JPA structure and the Solana Energy Alliance JPA structure result in similar savings from an economies of scale perspective; however, there are some qualitative factors to consider such as local economic impacts for hiring JPA staff, and use of consultants, and potential program offerings. Exhibit 7 below summarizes the analysis for these qualitative factors.

Exhibit 7
Qualitative Considerations for CCE Program Size

	Partner JPA or Solana Energy Alliance JPA	City of San Diego JPA
Local Economic Impacts	Hire staff that live and work locally creating greater impacts.	Staffing will be central to population center, likely City of San Diego.
Program Offerings	May take longer to achieve funding for new programs; however, program benefits will remain within the Partner cities.	More quickly obtain funding for new programs from larger kWh sales; however, ensuring Partner cities obtain an equitable share of CCE benefit is not a given.
Risk Exposure	Less diversified across member city economies.	Potentially more diversified across member city economies.
Ability to Respond to Industry Changes	Smaller staff, executive oversight is easier to align, and more focused politics allows for expedited decision making.	Broader executive perspective and larger staff eases implementation of decisions. However, more members could make it more difficult to achieve a quorum and agreement when making board decisions.
Legislative Strength	A smaller portion of the San Diego demographic may have divergence in the regional CCE advocacy but also could result in alignment on legislative issues with sharper policy focus.	A unified San Diego region CCE voice could result in larger political sway, however consensus among a larger group is difficult to achieve and compromised positions can result in little political impact.

Voting

Solana Energy Alliance JPA

In a Solana Energy Alliance JPA, it has been proposed that each member jurisdiction would have one vote regardless of electric load size and that a weighted voting structure for special votes such as veto would not be utilized. Committees would be established by the Board and each member agency would appoint a representative to the established committees. The member agencies would determine the location of board meetings, responsibilities of board members, and determine the applicability of project labor agreements.

City of San Diego JPA

The City of San Diego has proposed that certain votes be subject to weighted structure when requested. After an equal vote is complete (1 member = 1 vote), 3 or more board members may request a weighted vote. Weighted votes require a super majority to pass (2/3). The weighting would be determined by each member's share of the total JPA load. A super majority vote would be required for issuing bonds or debt or to amend the JPA or bylaws. New JPA members would be admitted by unanimous consent of all members.

The City of San Diego has proposed the following committees: Executive, Finance/Risk, Technical, and Community Advisory. Weighted voting would allow the City of San Diego to hold influence over the JPA since its relative load share is greater than 50% in most cases (will ultimately depend on how many jurisdictions join). The latest JPA Agreement draft does caps any one vote to a 49% share and any excess vote over 49% would be distributed equally among the remaining members. Exhibit 8 below provides an example of a voting structure where half of the vote is equally weighted, and half the vote is based on the share of load.

Exhibit 8
Weighted Voting 5 Members

Member Agency	Pro Rata Voting Share	Estimated Annual Load GWh	Weighted Vote %	Total Voting Share
Carlsbad	10%	735	5.2%	15.2%
Del Mar	10%	30	0.2%	10.2%
Encinitas	10%	258	1.8%	11.8%
San Diego	10%	6,000	42.3%	52.3%
Solana Beach	10%	70	0.5%	10.5%
Total Load	**50%**	**7,093**	**50%**	**100%**

Schedule

Solana Energy Alliance JPA

A Solana Energy Alliance JPA proposes to perform a technical study, establish the JPA agreement, and develop the Implementation Plan in the August to October timeframe. The Implementation

Plan would be filed in December 2019 following the formation of the JPA Board in October. Financial support would be pursued in December for any costs not deferred by the consultants.

City of San Diego JPA

The City of San Diego also plans to finish the JPA negotiations by October and to file an Implementation Plan to the CPUC in December.

Leaving the JPA

Solana Energy Alliance JPA

SEA has not determined a specific requirement for the case where a member city wishes to withdraw from the Solana Energy Alliance JPA.

City of San Diego JPA

The City of San Diego proposal would require that any member provide 1-year notice before leaving the JPA.

Summary

Exhibit 9 summarizes the offers from SEA and the City of San Diego. Both offers propose similar timing for the launch. The primary differences are in the CCE size, organization of consultants and staffing, weighted voting, and status of operation (meaning SEA is currently operating and the City of San Diego is not).

Exhibit 9
RFI Response Summary

Specific Features	Solana Energy Alliance JPA	City of San Diego JPA
Respondent	SEA	City of San Diego
Climate Goals	Similar goals with rate options	Similar goals with rate options
Start-Up Costs and Working Capital Financing	Funded by existing organizations and reimbursed after launch (consultants and SEA)	Funded by the City of San Diego and reimbursed after launch
Organization	TEA, Calpine, and SEA staff	RFP process
Voting	Equal voting	Equal and load-weighted voting
Schedule	Launch 2021	Launch 2021
Exit Process	Not yet defined	1-year notice

Section 6 – Results and Recommendations

The Partners must each decide among the four governance options described in this Report. The Enterprise and Partner JPA options are analyzed based on the technical Feasibility Study results and CCE best practices. The other two options: Solana Energy Alliance JPA and City of San Diego JPA are analyzed based on the responses to the RFI issued for the purposes of this Report. In order to help compare governance options, the matrix in Exhibit 10 was developed based on qualitative ranking in nominal scale. For purposes of analyzing Exhibit 10, a “1” is the lowest rating and a “5” is the highest rating.

Exhibit 10
Evaluation of Different Governance Options

Issue	Enterprise	Partner JPA	Solana Energy Alliance JPA	City of San Diego JPA
Availability of Pre-Launch Funding	2	2	3	4
Launch by 2021	3	3	3	4
Voting Protocol	5	4	3	2
Local Decision Making	5	4	3	2
Amount of Rate Discount	1	3	3	3
Achieve CAP Goals	5	5	5	4
General Fund Protection	1	4	4	4
Existing Track Record	1	2	3	2
Future Flexibility	5	4	3	2
Local Renewable Development	4	4	3	2
Partner Staff Impact	1	2	3	5
Total	33	37	36	34

Exhibit 10 shows that the four governance options have very similar scores. Justification for each score is provided below based on the findings of this Report.

Availability of Pre-Launch Funding

The City of San Diego JPA is the best option for pre-launch funding since the City of San Diego is planning to loan funds for start-up and working capital. The City of San Diego has already hired initial consultants to support CCE start-up. The funds would be repaid to the City of San Diego once the CCE is operational. A score of 4 was given since the terms of repayment are not yet defined. A Solana Energy Alliance JPA is the next best option where SEA’s contractors have offered funding for start-up. This option is slightly less secure since official offers are not in place and the Partners may need to obtain additional funding from a financial institute to cover working capital. Lastly, the Partner JPA and Enterprise options are rated as 2 since these cases would require funding from the bank or the option for the cities to loan some or all of the pre-launch costs. In all cases, the appropriate funding is expected to be available; however, the ranking reflects the relative ease with which the funding may be obtained.

Launch by 2021

An Implementation Plan must be filed with the CPUC by December 31, 2019, in order for a CCE to launch in 2021. The Partner JPA option requires filing of an implementation plan, completing JPA and vendor contract negotiations and hiring and onboarding staff. The Solana Energy Alliance JPA would require the filing of a new or amended implementation plan and SEA would need to unwind current contracts, complete a JPA and layer on new or amended vendor contracts and add additional staff. The City of San Diego JPA requires the filing of a joint implementation plan, completing JPA and vendor contract negotiations and hiring and onboarding staff. The Partner JPA option is on track to achieve a 2021 launch date, the City of San Diego JPA option would require additional consensus and greater negotiations resources however, the City of San Diego is motivated to put a JPA in place and file an implementation Plan in 2019. SEA has also committed to meeting the 2021 launch date (Solana Energy Alliance JPA); however, in order to ensure the amended Implementation Plan is filed in December, the Partners would need to largely accept SEA's proposal and expeditiously form a JPA. With similar effort, the Partners could negotiate a JPA among themselves to form a Partner JPA, or each Partner city could pursue the Enterprise option. All options are feasible for a 2021 launch with varying degrees of effort by the Partners.

Voting Protocol

The Enterprise option provides the most voting power to each city since each respective city council would make decisions for their CCE. The Partner JPA provides the next best voting protocol given a one city one vote construct. Slightly less preferred is the Solana Energy Alliance JPA where SEA is included in the governance. Adding another city dilutes the voting power of each city based on the representative load. Finally, the City of San Diego JPA is the least preferred for voting protocol as the JPA proposal calls for both equal and weighted voting. The weighted voting would provide the City of San Diego a larger amount of influence because its load is significantly greater than all the Partners' loads combined.

Local Decision Making

The Enterprise option allows the highest level of involvement in local decision making. The Partner JPA, Solana Energy Alliance JPA and City of San Diego JPA decision making scores were ranked based on voting structure. The Partner JPA allows the highest score for local decision making while garnering some of the JPA benefits. The Solana Energy Alliance JPA has an equal weighting of votes and therefore allows for a higher amount of control over decision making than the City of San Diego JPA.

Once the JPA is established in any option, the JPA would have ongoing decision-making requirements, including investment and other spending decisions. Special programs may be developed that can be custom tailored to meet individual cities' goals. The Partner JPA option would restrict these decisions to the Partners and therefore empower the Partners to develop local programs unique to Encinitas, Del Mar and Carlsbad.

Rate Discount

The three JPA options have the potential for the highest rate discounts and were given a ranking of 3. The Enterprise option has a ranking of 1 since the Partner's technical Feasibility Study showed that Del Mar and Encinitas had lower ability to offer rate discounts compared with the JPA option.

CAP Goal Alignment

All four governance options are desirable ways to assist the Partners in meeting individual CAP goals such as renewable energy and customer programs for electric vehicles or energy efficiency. The Enterprise and smaller JPA options (Partner or North County) are ranked highest due to local control in voting construct. CCE discretionary revenue is more likely to remain within the Partners' service areas.

General Fund Protection

All three JPA options are rated as 4 for general fund protection. Since each JPA will be the contracting entity for services including power supply, city general funds are not likely to be directly liable but legal advice on the liability issue is recommended. The Enterprise option means that each city must enter into service contracts individually and protection of the city's general fund can be established but may be more challenging.

Existing Track Record

The Solana Energy Alliance JPA option is ranked at 3 for "existing track record" since SEA is a currently operating CCE. SEA scored high overall as they have experience as a CCE and the necessary relationships to manage power supply. SEA has a track record of rate reduction for customers, although current wholesale energy pricing and PCIA increases are impacting this reduction. SEA's balance sheet has debt which will impact rates going forward The other JPA options are ranked lower, at 2, since these entities have not yet operated CCE programs; however, the inclusion of several jurisdictions would broaden the experience and talent pool for board members in public electric utility operation. Finally, the Enterprise option is ranked lowest at 1 since each city would be individually responsible for decision making with regard to CCE operations. It is less likely that each city could offer the same experience for CCE operation as several cities combined under a JPA.

Future Flexibility

The ability to adapt to changing circumstances and political pressures is a consideration in governance structures. Any governance model should be agile and able to adapt to changing conditions. Future flexibility is ranked the same as voting protocol and local decision making. The greater the local control and voting power, the greater flexibility is afforded going forward. For example, when majority voting is required for new programs and rate decisions, an Enterprise option will vote consistent with what is in the city's best interest while a JPA vote may not result in optimal decisions for individual members.

Local Renewable Development

Local renewable development can be incentivized through direct investment from the CCE or incentives through net energy metering or feed-in-tariffs. With regard to direct utility investment, an Enterprise CCE can ensure that investments are made within its service area to provide maximum local benefit. Therefore, the Enterprise option was ranked highest in this category. Under the JPA options, there is decreasing certainty the local renewable development will occur within any particular city's service area. As the size and service area of the JPA increases, the certainty of local development decreases since most JPAs do not have provisions that allocate direct investments based on load share. Therefore, the City of San Diego JPA is given the lowest ranking while the North County and Partner JPAs are given higher rankings due to the smaller size.

Partner Staff Impact

Partner staff will be responsible for implementation, contracting and ongoing oversight for any governance options selected. The Enterprise option would create the highest staff responsibility as each Partner would need to separately contract for or onboard the necessary expertise to successfully launch and run a CCE. Accordingly, the Enterprise scored the lowest. The City of San Diego JPA scored the highest due to the City of San Diego's offer to lead the formation effort, including the contracting and financing processes. Both the Partner JPA and the Solana Energy Alliance JPA options will require contract negotiations, financing and launching efforts, however the ongoing staff work for the Solana Energy Alliance JPA would be reduced due to the experience that SEA would naturally contribute.

Total Rating

When all factors and rankings are summed in each column the Partner JPA has the greatest score due to its ability to achieve economies of scale while maintaining local control. Next, the Solana Energy Alliance JPA, then City of San Diego JPA and finally the Enterprise option. An Enterprise CCE in Del Mar, and to a lesser extent Encinitas, are not likely to provide significant rate discounts, the Solana Energy Alliance JPA would be the next best. Finally, the City of San Diego JPA is the lowest JPA rank option due to diluted decision-making authority of each city. While the cities would have a lower degree of local decision-making control, there would be diversity in the size of CCE load as well as the benefit of not having to put a lot of effort into start-up through staff engagement and financing.

Observations and Recommendations

In an effort to eliminate issues that are not determinative, and to focus on issues that matter, the following observations are offered:

- Pre-launch capital is readily available for all options but obtaining pre-launch capital of \$500,000 – \$1,000,000 is not judged to be a serious concern. Numerous lending institutes, service providers and investment bankers are available for this pre-launch capital. Many start-up CCEs have successfully implemented this option. It is also possible that the Partners could loan this capital to the CCE and be repaid after the launch.

- The achievable rate discount, with the exception of the Enterprise option, should be consistent across the other three governance options. The Partner JPA, Solana Energy Alliance JPA and City of San Diego JPA are large enough to offer about the same rate discount.

- It appears that all likely participants in the governance options have similar CAP goals. To the extent there are minor CAP variations among participants, it is deemed likely these differences can be resolved.

- There must be alignment among the Partners for any governance decision. Selection of any of the JPA options would result in a viable governance option, however the individual cities do not have the necessary size to achieve economies of scale alone.

EES's observations on the remaining governance issues are as follows:

- The Enterprise option lacks enough size to offer maximum operational efficiencies and rate discounts. It also offers less general fund liability protection than the JPA options. As such, the Enterprise option is not recommended for the Partner cities.

- The weighted voting provisions in the current City of San Diego JPA option may be problematic. Given the relative sizes of the likely JPA participants, the City of San Diego could guide key JPA decisions. For better or worse, this outcome may take away much of the desirable local control and decision-making attendant with the CCE business model. Notwithstanding the availability of start-up funding offered under the City of San Diego JPA option, the weighted voting provision makes this governance option inferior to other JPA options available to the Partners and is not recommended for the Partners going forward.

- The Solana Energy Alliance JPA has some desirable attributes. This option is a manageable size, has a track record, albeit short, and SEA is in close proximality to the Partners. SEA has pre-existing commitments and current SEA assets/liabilities. The nature of these pre-existing commitments and disposition of current assets/liabilities may constrain the Partners in their selection of outside vendors and require the assumption of current SEA commitments and assets/liabilities. SEA must negotiate new contracts or amendments with TEA and Calpine while negotiating the Solana Energy Alliance JPA. SEA has debt that will impact future rates. SEA also has power procurement constraints with TEA, data management contracts with Calpine and banking commitments with River City Bank with terms through at least 2022. While all the necessary mitigation arrangements can likely be achieved at some point in time, setting up a Solana Energy Alliance JPA may take more time than is available for a 2021 launch for the Partners. These pre-existing consulting agreements may also preclude the Partners from competitively bidding services. As such, this option is not recommended.

- The Partner JPA is operationally efficient, the Partner cities have jointly worked on CCE-related activities for several months and understand each other's objectives/goals, can likely agree on key JPA bylaw issues such as voting protocol, project labor agreements, etc., and have the synergies and pre-existing work product to effectuate a 2021 launch. A Partner JPA would seemingly achieve a good balance of local control in decision-making versus enough size to maximize operational efficiencies. Allocation of program-related funds could be administered efficiently as well. The Partners may elect to allow other CCE's to join the JPA. This governance option allows the Partners the flexibility to undertake all needed back office functions independently or look to jointly undertake these functions with other CCEs. The Partner JPA is the recommended governance option.

- One final thought in the recommendations to the Partners is that SEA is close in proximity, has similar CPA goals and has some real-time CCE experience. But as noted above, SEA has existing commitments that reduce the benefits of the CCE compared with the recommended Partner JPA. If the Partner JPA option is pursued, the Partners could offer to incorporate the SEA customer base into the Partner JPA. If this offer is accepted either now or in the future, the current SEA customer base could be included in a much larger CCE with the attendant cost/rate savings. The Partner JPA could relieve SEA of its current commitments, if desirable to the Partner JPA, and SEA could manage any remaining commitments outside of the Partner JPA. While legal assistance and advice would be needed to effectuate this last option, it could result in an optimal outcome for SEA and the Partners.

In summary, there are several governance options available to the Partners, all of which could provide the desired rate savings as well as offer different levels of local control. On balance and assuming the Partners wish to launch in 2021, EES recommends the Partners pursue the Partner JPA model with an option to include the SEA customer base in the initial launch or other cities after the Partner JPA is set up. Establishing the Partner JPA model now and extending membership to other cities at a later date provides an expedient path for a 2021 launch for the Partners while preserving the option to add other similar-minded cities in the future.

Appendix A – RFP-Northern SD Cities RFI-CCE Program Governance – Final plus Supplemental

City of Encinitas in cooperation with the cities of

Carlsbad and Del Mar

Request for Interest

Community Choice Energy Program

CM RFI 19-01

Date Issued: April 11, 2019
Questions Due: April 24, 2019, 5:00 PM
Responses Due: May 14, 2019, 5:00 PM

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City of Encinitas
City Manager's Department
Attn: Crystal Najera
505 South Vulcan Avenue
Encinitas, CA 92024

City of Encinitas, Del Mar and Carlsbad (Partner Cities) Request for Interest

CONTACT
Ms. Crystal Najera
City of Encinitas
505 South Vulcan Avenue
Encinitas, CA 92024

TECHNICAL CONSULTANT
EES Consulting, Inc.
Kirkland, WA; Portland, OR; La Quinta, CA

INTRODUCTION:

Background and Location

The City of Encinitas has an approximate population of 60,000 and is characterized by coastal beaches, cliffs, flat-topped coastal areas, steep mesa bluffs and rolling hills. The City of Encinitas was incorporated in 1986, drawing together the communities of New Encinitas, Old Encinitas, Cardiff-by-the-Sea, Olivenhain and Leucadia. Encinitas is located along six miles of Pacific coastline in northern San Diego County, and offers a unique blend of art and culture. The century-old Downtown 101 coastal shopping district features historic architecture, quaint shops, sidewalk cafes, specialty retail stores and upscale restaurants.

The City of Carlsbad has a great climate, beautiful beaches and lagoons, and abundant natural open space combined with world class resorts, family attractions, well-planned neighborhoods, excellent schools and a small-town beach community feel. Covering 39-square miles, the City of Carlsbad is home to approximately 112,000 residents. Carlsbad is also home to a thriving business community with a focus in the action sports, life sciences, technology and tourism industries.

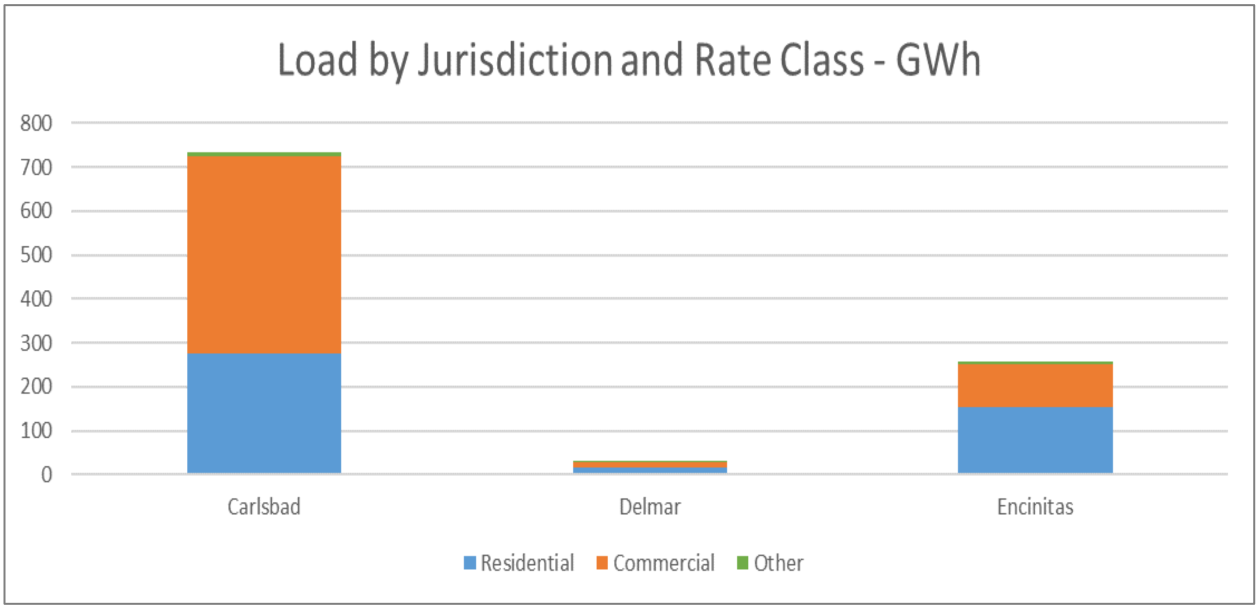
The City of Del Mar was incorporated in 1959 and with a population of 4,194 people, is the smallest city in San Diego County. However, the 2.2-mile coastline with beach access and the County Fairgrounds which hosts large, year-round events, including the annual county fair and the thoroughbred races, means a large influx of visitors. The community is primarily composed of single-family residential neighborhoods, with retail uses and restaurants in the downtown, a small commercial area, and several hotels.

Interest in CCE and Justification for RFI

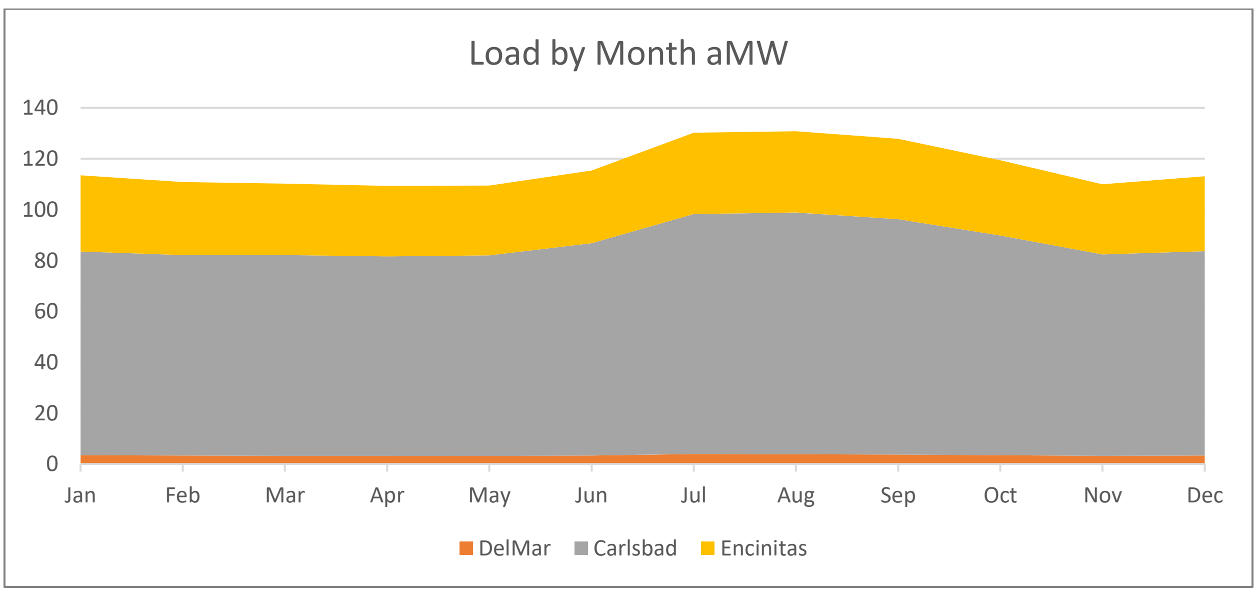
The Cities of Encinitas, Del Mar and Carlsbad (Partner Cities) are considering the formation of a community choice energy (CCE) program as permitted under California Assembly Bill 117. The Partner Cities are nearing the completion of a CCE Technical Feasibility Study and are currently evaluating the best approach to governance and to developing an affiliation among themselves with existing CCEs, other cities exploring CCE, and/or a third party.

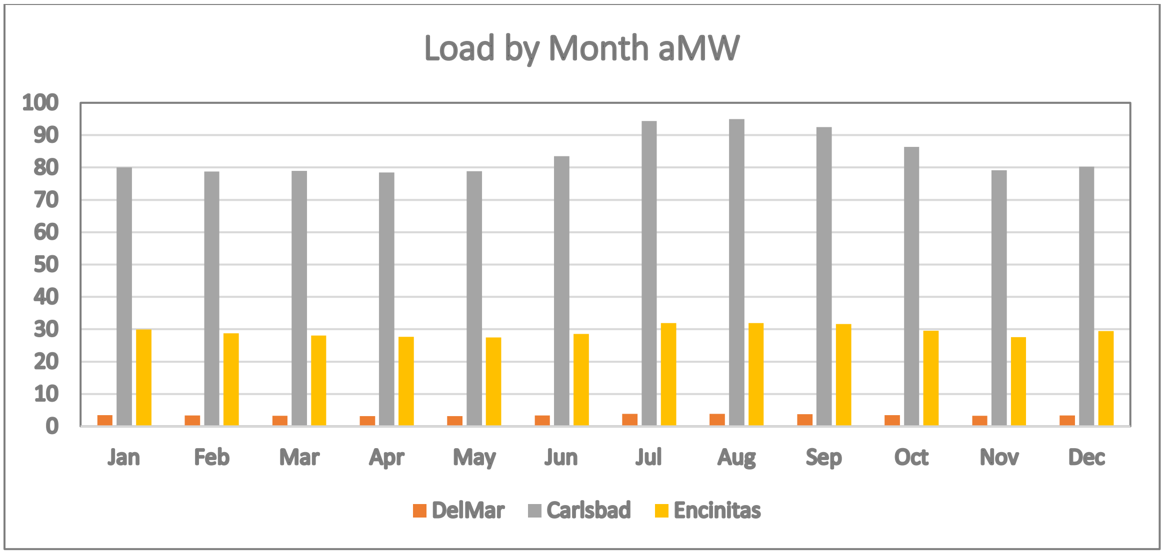
The objective of this Request for Interest (RFI) is to solicit feedback and interest to assist the Partner Cities in determining governance options, affiliations with existing CCEs, other cities exploring CCE, and/or interested third parties. The responses to this RFI will be utilized by the Partner Cities to develop a detailed assessment of the options available in order to make the most informed decision about how to form a CCE.

The Partner Cities are currently made up of three separate energy portfolios. In 2017, Carlsbad consumed 735 GWh, Del Mar 30 GWh, and Encinitas 258 GWh.

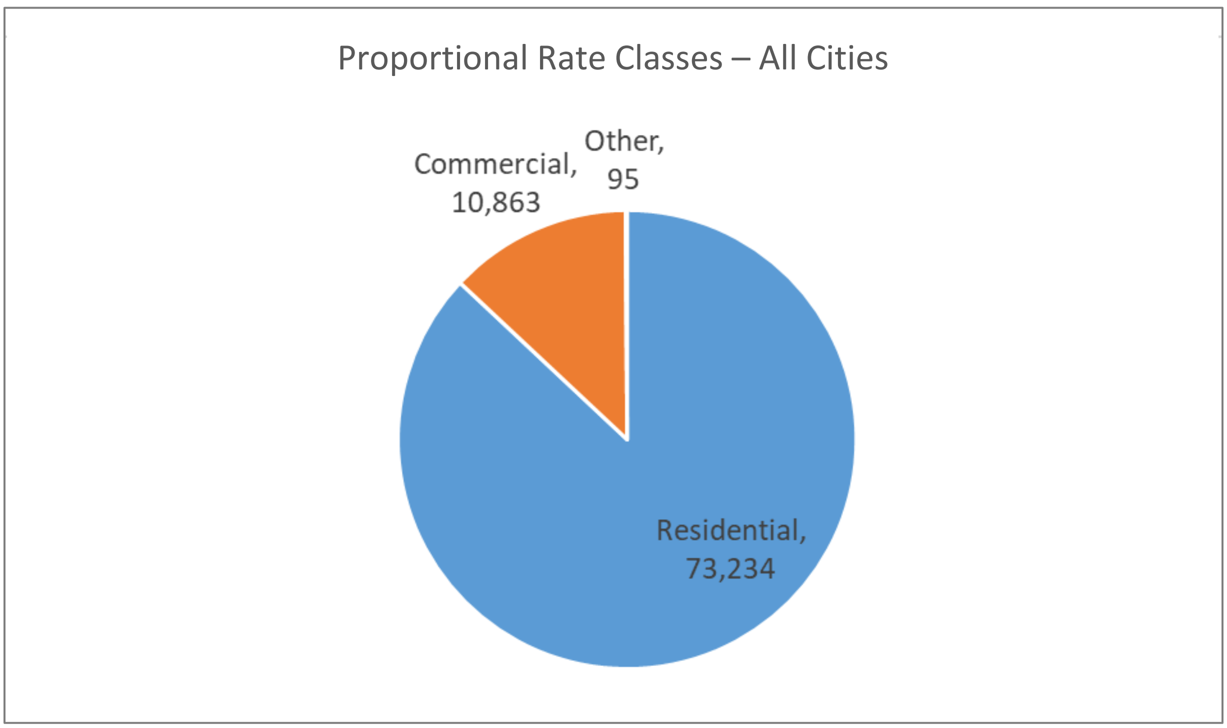


The load varies by month; however, the load shapes are all similar to one another.





The three Partner Cities' combined loads are primarily residential, with some commercial and agricultural loads.



REQUEST FOR INTEREST (RFI):

The Partner Cities are developing a detailed assessment of available governance options as the next exploratory phase of forming a new CCE or joining an existing CCE. To assist in this effort, the Partner Cities are seeking interest or potential partners or management entities, along with policy and financial metrics in order to make informed decisions and advise their elected officials. The Partner Cities require response no later than **May 14, 2019**.

Process:

A. Obtaining RFI Documents

The website for this RFP and related documents is: PlanetBids (http://www.encinitasca.gov/bids). All project correspondence will be posted on the PlanetBids website. It is the responsibility of Proposers to check the website regularly for information updates and RFI clarifications, as well as any RFI addenda. To submit a proposal, a Proposer must be registered with the City of Encinitas as a vendor. To register as a vendor, go to the following link (http://www.encinitasca.gov/bids), and then proceed to the "New Vendor Registration" link. All addenda will be available on the PlanetBids website.

B. RFI Contact

The City of Encinitas will receive information requests on this RFI up to **5:00 p.m., Pacific Standard Time on April 24, 2019,** after which all qualified responses will be acknowledged. Responses received after the specified deadline will be returned unopened.

All questions regarding the RFI documents shall be submitted through PlanetBids. All project correspondence will be posted on the PlanetBids website. It is the responsibility of the Respondents to check the website regularly for information updates, clarifications, and addenda.

Proposals must be submitted electronically via the PlanetBids system used to download the RFI. The maximum file size for submittal is 50 megabytes, and the file type shall be Portable Document Format (PDF). The electronic system will close submissions exactly at the date and time set forth in the RFI or as changed by addenda.

C. Proposal Acceptance

Respondents are responsible for submitting and having their submittal accepted before the closing time set forth in this RFI or as changed by addenda. NOTE: Pushing the submit button on the electronic system may not be instantaneous; it may take time for the Respondent's documents to upload and transmit before the submittal is accepted. It is the Respondent's sole responsibility to ensure their document(s) are uploaded, transmitted, and arrive in time electronically. The City of Encinitas will have no responsibility for submittals that do not arrive in a timely manner, no matter what the reason.

D. Page Limit

No responses exceeding twenty-five (25) pages will be accepted (excluding attachments). In addition, attachments may not exceed twenty-five (25) pages. The City of Encinitas discourages "padding" of responses with brochures, extensive literature, and boilerplate material not applicable to the CCE Technical Feasibility Study. In the case of contract award, the successful bidder will be required to sign a contract.

E. Proposal Format

Proposals must be organized in the following format and include the following content:

1. Letter of transmittal signed by an individual authorized to bind the proposing entity stating the firm has read and will comply with all terms and conditions of the RFI.

2. General information about the firm, including the size of the organization, location of offices, number of years in business, organizational chart, name of owners and principal parties, number and position titles of staff.

3. Responses to all RFI questions that are applicable along with supporting qualifications, evidence and detail.

F. Schedule

The Cities will generally comply with the following schedule for the request for interest.

Release of RFI	April 11, 2019
Deadline for Questions and Inquires	April 24, 2019
Answers to Questions Posted on Planet Bids	April 30, 2019
Response Deadline	May 14, 2019
Evaluation of Responses	May 14 - 21, 2019
Interviews if needed	May 22, 2019
Recommend vendor(s)/ partner(s) and initiate contract negotiations	May 30, 2019

Responding to this RFI:

Responders to this RFI must be (i) a qualified US business; (ii) a CCE, an organization in process to become a CCE, an energy utility or broker with demonstrated trading experience; (iii) a creditworthy business with the ability to meet the Partner Cities' demonstration of creditworthiness.

RFI responses must include:

- Name, title and contact information for the primary point of contact for the responders.
- Demonstration of creditworthiness that should include either financial feasibility studies or 2 years of published financials, credit ratings from Moody's, Fitch, S&P, etc., as applicable.
- Identification of key individuals who collaborated on the RFI responses and will be working on this engagement if selected.

RFI Questions:

The Partner Cities are requesting responses to the following questions: A conceptual framework in response to financial questions is acceptable.

1. Please specify if you are currently a CCE, are in process to become a CCE or an energy manager, broker or utility.

2. If you are currently a CCE and are interested in allowing the Partner Cities to join your CCE, together or separately:

    a. How many members do you have?
    b. Is there an entry fee to join your CCE? What exit fees, if any, would your CCE or organization require in the event the City or Partner Cities exit after joining. For this question, assume that joining occurs in 2021 and exiting occurs in 2022.
    c. What is your projection of new members?
    d. Do you have a joint power authority (JPA) structure? If so, please describe. If so, please include a copy of your JPA agreement with your response.
    e. What is the voting protocol of the CCE? Is the voting weighted? If so, how and under what circumstances?
    f. How is the board elected or appointed? How many board seats does your CCE have? If any or all of the Partner Cities join your CCE, how many Board seats would they have?
    g. What is the current distribution utility for your CCE members? If your CCE or any of your members are outside of the SDG&E service territory, do you have experience with SDG&E as a distribution utility? If you do not, what is your plan to learn SDG&E's requirements and work with them day to day? If applicable, what is your expected approach to manage multiple distribution service areas?
    h. What is the process to join your CCE?
    i. How would power supply costs be allocated to the Partner Cities? Would the allocation be blended? Would the allocation be incremental?
    j. What options are available to the Partner Cities for power supply? How are these options provided and selected? Would the Partner Cities be allowed to request distributed energy resources or generation within its service territory? Can individual Partner Cities request specific power sources?
    k. How many full-time employees do you anticipate in 2022?
    l. What is the anticipated schedule to join? What is the earliest possible date to join? When would you anticipate launching should the Partner Cities' wish to join your organization?
    m. What is your process to share economic benefits and what flexibility is available for local control over portfolio type and performance?
    n. Can Partner Cities select specific benefit/conservation programs for their residents and businesses?

3. If you are not a CCE and you are in process to form a CCE:

    a. Have you completed a feasibility study? If so, please attach your response.
    b. What is your current distribution utility?
    c. What is the earliest date you could accommodate the City or Partner Cities?

d. Do you anticipate fees to join with your organization?
e. What is your preferred cost allocation method for assigning various power supply contracts and resources?
f. How many full-time employees do you anticipate in 2022?
g. What are your sources for start-up capital and cash working capital? Under what terms have you secured this capital?

4. If you are a utility, broker, energy manager or other third party and you wish to respond:

   a. What is your organization's preferred business structure to provide services to the Partner Cities? What are your collateral and notice requirements?
   b. How would power supply costs be allocated to the Partner Cities? Would the allocation be blended? Would the allocation be incremental?
   c. What options are available to the Cities for power supply? How are these options provided and selected? Would the Partner Cities be allowed to request distributed energy resources or generation within its service territory?
   d. How many full-time employees do you anticipate in 2022?
   e. What is the anticipated schedule to contract with your organization? What is the earliest possible date to contract? What is the earliest possible date to launch?

RFI Limitations:

The Partner Cities reserve, each to themselves, the right to contract with any responder before the deadline. The issuance of this RFI does not constitute a commitment by the Partner Cities, jointly or individually, that any contract will be entered into. The Partner Cities expressly reserve the right at any time to reject any or all offers, accept more than one offer, reissue the RFI, or change deadline dates. The Partner Cities shall not be liable for any pre-contractual expenses incurred by any bidder.

All offers submitted in response to this RFI are subject to contract negotiations and credit clearance.

City of Encinitas in cooperation with the cities of

Carlsbad and Del Mar

Supplement to the Request for Interest

Date Supplement Issued: April 29, 2019
Date RFI Issued: April 12, 2019
Responses Due: May 14, 2019, 5:00 PM

IF YOU DID NOT DOWNLOAD, OR DIRECTLY RECEIVE THIS DOCUMENT FROM THE CITY OF ENCINITAS WEBSITE AT WWW.ENCINITASCA.GOV/BIDS, YOU ARE NOT LISTED AS AN OFFICIAL DOCUMENT HOLDER FOR THIS SOLICITATION AND WILL NOT BE NOTIFIED BY THE CITY OF ADDENDA ISSUED. YOU MUST ACKNOWLEDGE ANY ADDENDA ISSUED IN YOUR SUBMITTAL OR RISK BEING CONSIDERED NON RESPONSIVE. PLEASE BE SURE TO VISIT THE WEBSITE ABOVE TO REGISTER AS A DOCUMENT HOLDER FOR THIS SOLICITATION.

City of Encinitas
City Manager's Department – Environmental Services
Attn: Crystal Najera
505 South Vulcan Avenue
Encinitas, CA 92024

City of Encinitas, Del Mar and Carlsbad (Partner Cities) Load Data Supplement to the Request for Interest

CONTACT
Ms. Crystal Najera
City of Encinitas
505 South Vulcan Avenue
Encinitas, CA 92024

TECHNICAL CONSULTANT
EES Consulting, Inc.
Kirkland, WA; Portland, OR; La Quinta, CA

Supplement to the RFI:

On April 12, 2019, the Cities of Encinitas, Del Mar and Carlsbad (Partner Cities) issued a Request for Interest in efforts to solicit feedback and interest to assist the Partner Cities in determining governance and affiliation options. The Partner Cities have issued this supplement to the RFI to notify interested parties that additional load data detail is available through San Diego Gas & Electric's energy data access process which includes interested parties signing a non-disclosure agreement (NDA). Interested parties should have appropriate representatives sign Exhibit A of Form 124-1010 on behalf of the Partner Cities and send to ALaCerva@semprautilities.com with copy to CNajera@encinitasca.gov.

Supplemental RFI Questions:

Has your CCE, agency, or organization adopted policies, and/or would it consider entering into a CCE operating agreement requiring:

1. Payment of prevailing wages for construction of local clean energy resources;
2. The use of community benefit agreements and project labor agreements demonstrating local hiring preferences; and/or
3. Remaining neutral in the event CCE workers seek to unionize.

RFI and Supplement to the RFI Limitations:

The Partner Cities reserve, each to themselves, the right to contract with any responder before the deadline. The issuance of this RFI does not constitute a commitment by the Partner Cities, jointly or individually, that any contract will be entered into. The Partner Cities expressly reserve the right at any time to reject any or all offers, accept more than one offer, reissue the RFI, or change deadline dates. The Partner Cities shall not be liable for any pre-contractual expenses incurred by any bidder.

All offers submitted in response to this RFI are subject to contract negotiations and credit clearance.

Appendix B – RFI Distribution List

Redwood Coast Energy Authority
Allison Campbell
633 Third Street
Eureka, CA 95501
info@RedwoodEnergy.org

Peninsula Clean Energy
Siobhan Doherty
2075 Woodside Road
Redwood City, CA 94061
info@peninsulacleanenergy.com

San Jose Clean Energy
Lori Mitchell, Director
200 East Santa Clara Street, 14th Floor
San Jose, CA 95113
customerservice@sanjoseca.gov

Lancaster Choice Energy
44933 Fern Avenue
Lancaster, CA 93534
info@LancasterChoiceEnergy.com

Pico Rivera Innovative Municipal Energy
Derek Hung
PO BOX 1016
6615 Passons Blvd
Pico Rivera, CA 90660-1016
info@poweredbyprime.org

San Jacinto Power
P.O. Box 488
San Jacinto, CA 92581
customerservice@sanjacintopower.com

Desert Community Energy
73710 Fred Waring Drive, Suite 200
Palm Desert CA 92260
Patrick.Tallarico@palmspringsca.gov

Solana Energy Alliance
635 S, City Hall, Hwy 101,
Solana Beach, CA 92075
Info@SolanaEnergyAlliance.org

Pioneer Community Energy
2510 Warren Drive, Suite B
Rocklin, CA 95677
customerservice@pioneercommunityenergy.ca.gov

Valley Clean Energy Alliance
Jim Parks
604 2nd Street
Davis, CA 95616
info@valleycleanenergy.org

City of San Diego
Naina Gupta
202 C St.
San Diego, CA 92101
customercare@sandiego.gov

SMUD
Brian Daly
P.O. Box 15830
Sacramento, CA 95852-0830
brian.daly@smud.org

Clean Power Alliance
Natasha Keefer
Director, Power Planning and Procurement

DO NOT SEND HARD COPY MAILINGS
Procurement@cleanpoweralliance.org

California Community Choice Association
Beth Vaughen
Executive Director

DO NOT SEND HARD COPY MAILINGS
info@cal-cca.org

Northern California Power Authority

Tony Zimmer
Assistant General Manager, Power Management

651 Commerce Drive
Roseville, CA 95678-6411
Tony.zimmer@ncpa.com

Southern California Public Power Authority

Katherine Ellis
Director, Asset Manager, Special Projects

1160 Nicole Court
Glendora, CA 91740
kellis@scppa.org

East Bay Community Energy

Howard Chang
Chief Operating Officer

1111 Broadway, 3rd Floor
Oakland, CA 94607
customer-support@ebce.org

Dan Lieberman
Director of Marketing

1111 Broadway, 3rd Floor
Oakland, CA 94607
danblieberman@gmail.com

Clean Power San Francisco
DO NOT SEND HARD COPY MAILINGS
cleanpowersf@sfwater.org

Monterey Bay Community Power

Jeremy Clark
Energy Trading Manager

70 Garden Court Suite 300
Monterey, CA 93940
jclark@mbcommunitypower.org

Sonoma Clean Power
Carlos Gomes
Director, Energy Procurement

P.O. Box 1030
Santa Rosa, CA 95402
cgomes@sonomacleanpower.org

Marin Clean Energy
David Potovsky
Power Supply Contracts Manager

1125 Tamalpais Avenue
San Rafael, CA 94901
dpotovsky@mcecleanenergy.org

CB Hall
Power Supply Contracts Manager

1125 Tamalpais Avenue
San Rafael, CA 94901
chall@mcecleanenergy.org

Informal Conversations with:

Western Community Energy

Chula Vista/Santee/La Mesa

City of Irvine

San Diego County

San Marcos

Vista

Escondido

San Clemente

National City

Appendix C – SEA RFI Response and Correspondence

CITY OF ENCINITAS IN COOPERATION WITH THE
CITIES OF CARLSBAD AND DEL MAR

REQUEST FOR INTEREST
COMMUNITY CHOICE ENERGY PROGRAMS
CM RFI 19-01
RESPONSE

Submitted May 14, 2019

Contact:
Gregory Wade, City Manager/Executive Director
gwade@cosb.org
858-720-2444

CITY OF SOLANA BEACH www.cityofsolanabeach.org
635 SOUTH HIGHWAY 101 • SOLANA BEACH, CA 92075 • (858) 720-2400 • Fax (858) 720-2455

May 14, 2019

Crystal Najera
Climate Action Plan Program Administrator
City of Encinitas | City Manager's Office | Environmental Services
505 S Vulcan Ave, Encinitas, CA 92024

SUBJECT: RESPONSE TO REQUEST FOR INTEREST (RFI) NO. 19-01 – COMMUNITY CHOICE ENERGY PROGRAM

Dear Ms. Najera:

The City of Solana Beach (Solana Beach) is pleased to submit this response to the Request for Interest: Community Choice Energy Program issued by the City of Encinitas in cooperation with the cities of Carlsbad and Del Mar.

Solana Beach launched Solana Energy Alliance (SEA) as the first Community Choice Aggregation (CCA) program in San Diego Gas & Electric (SDG&E) territory in June 2018 and continues to be the only operating CCA in the San Diego area. CCA was identified as the number one initiative in the Electricity Sector in the Solana Beach Climate Action Plan (CAP) to reduce greenhouse gas emissions in Solana Beach. The CAP was adopted by the City Council in July 2017.

SEA was launched as an enterprise activity of Solana Beach, however, the Solana Beach City Council has consistently expressed interest in exploring opportunities to partner with neighboring cities in the provision of CCA services. Solana Beach and SEA look forward to furthering the discussion of such a partnership and exploring options available to Solana Beach, Encinitas, Carlsbad and Del Mar in expanding community choice energy in San Diego County.

Staff and representatives of Solana Beach have read and will comply with all terms and conditions of the RFI.

Please feel free to contact me at your convenience to discuss this response.

Sincerely,

Gregory Wade
City Manager/Executive Director
City of Solana Beach/Solana Energy Alliance
858-720-2444

General Information

Paving the way for future cities, the City of Solana Beach made history by launching Solana Energy Alliance (SEA) in June 2018, the first community choice aggregation (CCA) program in San Diego Gas & Electric (SDG&E) territory. With over 7,500 customers, SEA currently serves over 91% of all eligible accounts. SEA has successfully maintained a 3% discount compared to SDG&E generation rates, saving its customers nearly $275,000 since June 2018.

A key priority in launching SEA was reducing greenhouse emissions, and in support of that objective offers a default energy product from 75% carbon free sources (SEA Choice) and offers a 100% renewable energy product (SEA Green) for those customers who choose to opt-up. SEA supports its customers with roof top solar by offering SEA NEM, a program that pays a higher Net Surplus Compensation than SDG&E to those customers whose system generates more power than they use in a 12-month relevant period.

Working together with SEA's partners, Calpine Energy Solutions, Bayshore Consulting Group and The Energy Authority, SEA worked diligently through the CCA implementation phase to test and develop successful processes with SDG&E in the electronic data interchange environment. Subsequent to launch, processes and procedures have been established to ensure a good customer experience for not only SEA customers, but also for all future CCA customers in SDG&E territory. SEA has developed a good working relationship with SDG&E to address issues and challenges that arise from time to time. This established partnership will benefit any future partners of SEA.

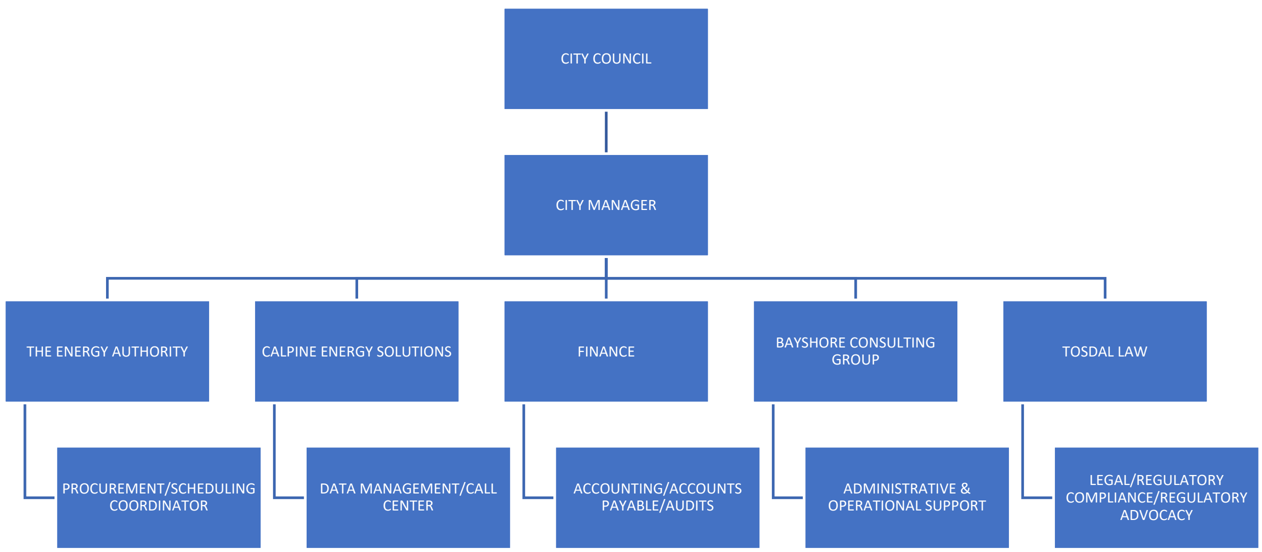
Benefits of Partnering with Solana Energy Alliance

As the first and only operating CCA in SDG&E's service territory, SEA is uniquely positioned to leverage the experience it has gained during its first year of operation to enable Encinitas, Del Mar and Carlsbad to efficiently launch a CCE program with less risk than if the three cities elected to begin from scratch. Additionally, the service agreements that SEA executed with its business partners to reduce its upfront risk and capital funding requirements can serve as a starting template for possible expansion to meet similar requirements for a new partnership between our cities. While continuing SEA's existing partnerships would require negotiation with SEA's partners, and is not mandatory to working together, the contract templates that SEA has already created could serve as a starting point for discussions and save significant time and cost in selecting partners to assist us in standing up a new joint-CCA.

Answers to the specific questions listed in the RFI are answered in the following section. In summary, however, Solana Beach is open to discussing with the three cities alternative partnership structures that are in the mutual best interest of all four cities. Solana Beach will want to discuss how its investment, existing accumulated net revenues and power purchases are absorbed into a new partnership; but Solana Beach also recognizes that it will benefit from the greater economies of scale that a new partnership will provide. Solana Beach strongly believes that it is in the best interest of our communities to explore how we can work cooperatively to provide CCE in north San Diego County.

SEA is an enterprise of the City of Solana Beach, with the City Council acting as the governing Board of the CCA. Through its partnership with The Energy Authority (TEA), Solana Beach was able to launch SEA with a minimal amount of capital outlay, protection of its general fund, and minimal impact to staff. The City Manager is the Executive Director of SEA, and all related functions such as Finance, are performed by Solana Beach staff. In addition to TEA, Solana Beach has contracts with Calpine Energy Solutions for data management and call center services, Bayshore Consulting Group for administrative and operational support and Tosdal Law for legal, regulatory compliance and regulatory advocacy assistance. An organization chart is shown below:

CITY of SOLANA BEACH/SOLANA ENERGY ALLIANCE



Responses to RFI Questions

1. Please specify if you are currently a CCE, are in process to become a CCE or an energy manager, broker or utility.

   The City of Solana Beach, operating as Solana Energy Alliance (SEA), is a current operating CCE.

2. If you are currently a CCE and are interested in allowing the Partner Cities to join your CCE, together or separately:

   a. How many members do you have?

      SEA is currently organized as an enterprise of the City of Solana Beach.

   b. Is there an entry fee to join your CCE? What exit fees, if any, would your CCE or organization require in the event the City or Partner Cities exit after joining. For this question, assume that joining occurs in 2021 and exiting occurs in 2022.

      SEA has not established an entry fee, however, should Solana Beach and the Partner Cities move forward to create a JPA our goal would be to work with our partner, The Energy Authority, to mirror the terms under which SEA launched, with no up-front costs to the Partner Cities. Additionally, as noted above, SEA will want to consider the investment made by the City of Solana Beach, as well as the net revenues that SEA has accumulated while operating as an enterprise CCA. SEA and the City also recognize that it will benefit from the greater economies of scale that a new partnership will provide.

      Should a City, or the Partner Cities exit after joining, and after power purchases have been made, an exit fee may be required to address losses the JPA would incur from liquidating energy contracts. The specific exit fee, if any, would be determined mutually as part of the overall JPA agreement development.

   c. What is your projection of new members?

      Solana Beach has not made any projections of future members.

   d. Do you have a joint power authority (JPA) structure? If so, please describe. If so, please include a copy of your JPA agreement with your response.

      Solana Beach does not have an existing JPA structure. It is envisioned that Solana Beach and the Partner Cities would work together to analyze the various JPA options and select the structure that best meets the priorities of Solana Beach and the Partner Cities. Once a structure is selected the details regarding the structure would be mutually decided upon.

   e. What is the voting protocol of the CCE? Is the voting weighted? If so, how and under what circumstances?

      City of Solana Beach/SEA would prefer a one city one vote protocol. Any other voting protocol can be discussed as part of the broader JPA structure negotiations.

f. How is the board elected or appointed? How many board seats does your CCE have? If any or all Partner Cities join your CCE, how many Board seats would they have?

   As an enterprise CCE, our City Council serves as the SEA Board. The make-up of a future joint CCE board would be determined a part of the broader JPA structure negotiations. As noted in 2e above, Solana Beach feels strongly that equal board representation should be a priority.

g. What is the current distribution utility for your CCE members? If your CCE or any of your members outside of the SDG&E service territory, do you have experience with SDG&E as a distribution utility? If you do not, what is your plan to learn SDG&E's requirements and work with them day to day? If applicable, what is your expected approach to manage multiple distribution service areas?

   San Diego Gas & Electric is the distribution utility for Solana Energy Alliance. Solana Beach and its partner, Calpine Energy Solutions, have been working with SDG&E for nearly two years to develop processes, procedures and effective electronic data interchanges in the implementation and successful operation of SEA. Since launch we have been working to refine and enhance processes through consistent coordination with SDG&E. This relationship will enhance any future partnerships in SDG&E territory.

h. What is the process to join your CCE?

   If selected by the Partner Cities to move forward in developing a joint CCE program, we would desire to move forward as quickly as possible to analyze energy usage and develop financial models that reflect current market conditions, SDG&E generation rates and projected PCIA costs. SEA's partner, TEA, has developed a model that uses actual market based data, developed from actually procuring power for SEA. With this information, the Partner Cities and Solana Beach (parties) would evaluate the various JPA options available to them (traditional vs hybrid). Upon deciding on the structure, the parties would move forward in preparing agreements, Council actions, and preparing the Implementation Plan, to be filed to meet the deadline of January 1, 2020 for serving load in 2021.

i. How would power supply costs be allocated to the Partner Cities? Would the allocation be blended? Would the allocation be incremental?

   Allocation of costs, if any, would be dependent on the organization structure (JPA type) that is selected that best fits the goals of the Partner Cities and Solana Beach.

j. What options are available to the Partner Cities for power supply? How are these options provided and selected? Would the Partner Cities be allowed to request distributed energy resources or generation within its service territory? Can individual Partner Cities request specific power sources?

   It is envisioned that policies regarding power supply, and options open to the Partner Cities, would be developed as part of the JPA agreement negotiation. Our preference would be that the joint CCE be developed to provide the most flexibility for the participating cities to meet their individual priorities and goals.

k. How many full-time employees do you anticipate in 2022?

   We anticipate identification of staff and consultant support would be part of the financial modeling process.

l. What is the anticipated schedule to join? What is the earliest possible date to join? When would you anticipate launching should the Partner Cities' wish to join your organization?

   Based on the current California Public Utilities Commission (CPUC) CCA timeline, an Implementation Plan must be filed by January 1, 2020 in order for the Partner Cities to serve customers in 2021. SEA is committed to working with the Partner cities to prepare and submit an Implementation Plan by this date.

m. What is your process to share economic benefits and what flexibility is available for local control over portfolio type and performance?

   Any sharing of economic benefits, and flexibility for local control over portfolio type and performance is possible and contemplated in either a JPA or hybrid JPA structure and would be subject to being agreed upon as part of the JPA establishment process.

n. Can Partner Cities select specific benefit/conservation programs for their residents and businesses?

   Our goal would be that the joint CCE program be developed to provide the most flexibility to each of the participating cities to meet their individual CAP and conservation goals.

Questions 3 and 4 are not applicable.

Supplemental Questions to the Request for Interest:

Has your CCE, agency, or organization adopted policies, and/or would it consider entering into a CCE operating agreement requiring:

1. Payment of prevailing wages for construction of local clean energy resources;

   While SEA has not adopted policies specific to the payment of prevailing wages, as a local governmental entity that is already required to pay prevailing wages for all its public works contracts/projects, the City of Solana Beach would expect to meet this obligation and is supportive of doing so whether acting as SEA or as a party to a future CCE JPA.

2. The use of community benefit agreements and project labor agreements demonstrating local hiring preferences; and/or
3. Remaining neutral in the event CCE workers seek to unionize.

   While SEA has not adopted any formal policies regarding Project Labor Agreements, local hiring practices, community benefit agreements or remaining neutral in the event CCE workers seek to unionize, it is likely that our City Council would not object to such efforts should Partner Cities wish to pursue such policies especially if the benefits of a JPA were clearly demonstrated.

Key Individuals

The following individuals collaborated on the RFI response and would be working on this engagement if selected:

Jeff Fuller, Director, Client Services, West, The Energy Authority
Barbara Boswell, Partner, The Bayshore Consulting Group
Ty Tosdal, Tosdal Law Firm
Calpine Energy Solutions

EES Consulting

June 14, 2019

TO: Dan King

FROM: Amber Nyquist

SUBJECT: Solana Energy Alliance RFI Follow-up Questions

CC: Crystal Najera, Clement Brown, Jason Haber, Gary Saleba, Kimberly Gentle

1. Specifically, how can SEA help the Partners reduce risk during the launch phase in comparison to if the Partners were to launch their own CCA? What are the risks SEA envisions for new CCAs?
2. Will Solana Beach City staff continue to provide finance functions?
3. What are the current contracts in place for consulting services? Terms, cost of service, exit fees or penalties?
4. What is the average power cost for SEA's default portfolio?
5. What are SEA's administration costs in $/customer or $/kWh?
6. How does SEA propose to allocate the current reserve fund balances?
7. How are start-up costs funded by the consultants? Is this scalable to the Partners?
8. What JPA structure does SEA wish to implement if partnering with the 3 cities? Would the JPA be for shared administration costs only or for power supply as well?
9. How will rate options be developed? Is the SEA default rate projected to increase in its share of renewable energy?
10. Does SEA prefer to meld power supply costs or is the preference for the new participating cities to pay incremental power supply costs?

570 Kirkland Way, Suite 100
Kirkland, Washington 98033

Telephone: 425 889-2700 Facsimile: 425 889-2725

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11. Does SEA desire to grow the CCE beyond adding the three cities?

12. How does SEA envision decision making and board oversight of the JPA?

13. Please provide SEA's recent statement and balance sheet.

14. Please provide SEA's forecast financials for 2020 and beyond as available.

15. Please provide copies of TEA and Calpine contracts with SEA.

16. Estimate of any payments owing or liabilities incurred at yearend 2019 to TEA and Calpine.

NORTH COASTAL CCA JPA

ELECTED OFFICIALS MEETING

JULY 16, 2019

ORGANIZATIONAL STRUCTURE

- North Coastal JPA consisting of Del Mar, Solana Beach, Encinitas and Carlsbad
  - Potential future partners include Oceanside and south Orange County cities
- One city, one vote
- Priorities are higher RPS (with goal to move to 100% in alignment with our CAPs), competitive rates with SDG&E, local control and developing/implementing local programs that benefit our local communities and achieve CAP goals

NORTH COASTAL JPA BENEFITS

- Local Control – governance is from local elected officials close to our respective communities
- Alignment of Environmental & Climate Action Plan goals
- Similar climate zone
- Smaller load – optimal for energy needs/procurement and portfolio management
- Financial protections for member agencies
- Lower risk – partner agency (Solana Beach) with experience implementing and operating a CCA in SDG&E territory

SEA STRUCTURE BENEFITS

- Streamlined Implementation Process
  - Providers already on board and ready to begin working on JPA CCA
  - Experienced team to support North County JPA CCA
- No Initial Staff Hiring Required
  - Experienced team that successfully implemented and currently operating SEA to support implementation and operations of North County JPA CCA – Providers are open and willing to renegotiate current terms; contracts allow flexibility
  - Future staffing/structure can be decided by JPA Board
- Opportunity for Member Agencies to be Reimbursed for Staff Support of North Coastal JPA CCA (Admin costs, community outreach, etc.)

5 SEA STRUCTURE BENEFITS (CONT.)

- Start-Up Costs and Services
  - Partners willing to provide/assist with deferred start-up costs
    - All upfront costs can be provided by existing partners
    - If the JPA wants to explore financing through a traditional bank, SEA has established relationship with River City Bank
  - Estimated upfront costs that could be covered through existing partners
    - CAISO Bond/Fee and CCA Bond - $548,000 (SEA and Calpine)
    - Opt-out noticing requirements - $302,500 (Calpine)
    - Technical Consulting - $115,000 (SEA)
    - Discretionary Marketing - $50,000 (Calpine)
    - Energy Procurement including Cost of Credit and RA - $29,000,000 (TEA)

6 BOARD OF DIRECTORS

- One elected official from each Member Agency to be appointed to North Coastal JPA CCA Board
- Member Agencies appoint an alternate board member to attend and vote at North Coastal JPA CCA Board meetings when the regular Board Member is unable to attend
- Member Agencies determine the term of office for their appointed board member and alternate

BOARD OF DIRECTORS

- One elected official from each Member Agency to be appointed to North Coastal JPA CCA Board
- Member Agencies appoint an alternate board member to attend and vote at North Coastal JPA CCA Board meetings when the regular Board Member is unable to attend
- Member Agencies determine the term of office for their appointed board member and alternate

8 NORTH COASTAL FINANCIAL PRO FORMA

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Total Costs	$4,796,827	$4,644,973	$32,356,849	$86,601,330	$91,425,126
Total Revenues	$5,396,908	$4,836,962	$40,413,599	$91,612,690	$93,809,103
Net Revenue					
Annual Net Revenue	$600,081	$191,988	$8,056,751	$5,011,359	$2,383,978
Cumulative Net Revenue	$870,995	$1,062,983	$8,872,332	$13,883,691	$16,267,669

9 SEA AND CITY OF SD COMPARISON

- Both options provide all upfront costs associated with launch
- Staffing
  - SEA – No need to hire staff initially
  - City of SD – Proposes to hire all staff/consultants
- Local Programs
  - Localized, regional North Coastal JPA would allow for local programs to be focused on needs of local community and CAP goals
  - City of SD would provide more revenue for programs, but larger and more diverse community potentially with divergent needs

SEA AND CITY OF SD COMPARISON (CONT.)

- Power Procurement
  - North Coastal is smaller load, more nimble/manageable
  - SD is *much* larger and may have more economies of scale
  - CCAs have joined together on joint procurement and local programs

SCHEDULE

- Formation
  - August – October
    - Technical Study Consolidation
    - JPA Agreement Development
    - CCA Implementation Plan Development
  - October
    - Member Agencies Adopt CCA Ordinance
    - Member Agencies Adopt JPA Agreement
    - JPA Board Members Appointed
  - December
    - JPA Board approve Implementation Plan
    - Implementation Plan filed with CPUC for Certification

EES Consulting

July 1, 2019

TO: Greg Wade
Dan King

FROM: Gary Saleba

SUBJECT: Follow-Up to June 24th SEA Meeting

CC: Crystal Najera, Clem Brown, Mark Delin, Don Mosier, Jason Haber, Amber Nyquist, Kim Gentle, Zac Yanez

It was good chatting last week about the possibility of Solana Energy Alliance (SEA) joining with the Cities of Carlsbad, Del Mar and/or Encinitas in forming a new joint powers authority (JPA) to govern a larger County Choice Aggregation (CCA) entity in northern San Diego County. Our discussions on the 24th were very informative and productive. We all want to thank you for your effort in this regard.

We received the SEA financial data and proformas. After thinking about the conversations in our meeting and subsequent review of the SEA financial metrics, we offer below a follow-on list of questions for your consideration and response. In responding to these questions, please assume all four Cities wish to form a new JPA/CCA which launches in January 2021.

- Start-Up Financial Questions

  - We estimate start-up costs (expenditures before launch) for a four-City CCA to be approximately $500K - $1M. How will these start-up costs be funded? If SEA funds, will SEA be repaid out of subsequent CCA operating proceeds?
    - The start-up costs are made of various components, and the funding of those start-up costs would come from various sources, including assistance from The Energy Authority, Calpine Energy Solutions, and Solana Energy Alliance. Should there be costs not funded by these partners, the option of funding from River City Bank is being explored. A significant advantage the four-City CCA has joining with SEA, is that SEA currently participates in the CAISO congestion revenue rights process and has already established an account with the CAISO. This account would continue to be used should the other cities join with Solana Beach, a $500,000 savings to the new JPA CCA.

570 Kirkland Way, Suite 100
Kirkland, Washington 98033

Telephone: 425 889-2700 Facsimile: 425 889-2725

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- We also estimate roughly $20M in cash working capital and other PPA collateral will be required for a four-City CCA. How will these funds be obtained, collateralized and paid for?
    - While it is unclear upon what assumptions this estimate is made, based upon our active and ongoing participation in an operational CCA, the majority of the working capital a new CCA needs is related to power procurement. SEA's agreement with TEA provided a deferral of payment of initial power costs to assist with cash flow. This arrangement is being offered to the new JPA CCA that is being contemplated for the four cities. In addition, Calpine Energy Solutions offers a similar structure with the first bills for data management not coming due until power has started to flow, and there is the ability to defer the initial bill by 60 days and gradually come current. Additionally, Calpine offers up to $500,000 in start-up funding (at 5% interest) which can be used to cover soft costs such as staffing, marketing, mailings, etc. Should there be additional cash flow needs beyond these arrangements, Solana Beach has a relationship with River City Bank, and we have reached out to them to discuss potential for funding options.
- Does the City of Solana Beach anticipate reimbursement of City staff time by a new CCA?
    - As mentioned in the interview, Solana Beach supports all participating cities being reimbursed for City staff time spent on CCA activities. In addition, should the North County JPA partner agencies desire to have Solana Beach staff actively participate in the implementation of the new CCA, over and above that of the other cities (due to Solana Beach's experience in launching and operating a CCA), Solana Beach is open to and willing to provide that service, with an agreed upon reimbursement.

- SEA Rate/Quarterly Operations update – July – March 2019 Resulting Questions

  - What current SEA assets/liabilities, if any, will be transferred to a new CCA/JPA?
    - SEA assets include cash held in reserves at River City Bank, and account receivables from customers. Potential liabilities include contracts for conventional energy, resource adequacy and renewable energy. The transfer of the assets and liabilities would be determined as part of the negotiations of the JPA CCA among the four agencies.
  - Under a new four-City CCA, what would happen to the contractual obligations attendant with the existing contracts SEA has with various power suppliers, River City Bank, Calpine and TEA?
    - The new four-City CCA will have a need for services, including those that are mentioned above (power supply, financial institution, regulatory counsel, data manager and call center provider). As mentioned in the meeting, the new four-city CCA would have the benefit of these existing contracts being able to be assigned to the new JPA CCA. However, SEA's load is a small percentage of the total load of the new CCA, and any contracts for power that SEA brings to the table would fulfill a small amount of the energy needs of the new larger CCA. As an example, SEA will have a contract for local resource adequacy going out to 2021 and 2022. This contract can be transferred to the new larger CCA, however, the larger CCA would have a requirement to procure additional local resource adequacy beyond what is transferred from SEA. As proposed, Solana Beach is offering to have the JPA CCA with the Partner Cities continue its contractual relationship with all of SEA's current partners to provide an optimal and seamless transition for a JPA launch and operation. Once established, these ongoing contractual relationships would be subject to review and consideration by the JPA Board.
  - On Slide #13, Update SEA Financial Proformas, SEA net income is projected to decline from $404K in FY19 to $(32)K in FY 2022. If these projections are accurate, bringing SEA into a CCA with the other three Cities would seemingly not be as financially attractive as these three Cities forming their own CCA without SEA. How does SEA propose addressing this potential issue?
    - In a multi-jurisdiction JPA CCA, each city's individual "net results" (revenues less related costs) are variable. A proforma that looks just at Encinitas will reflect a different net result than that for just a Del Mar CCA. A multi-jurisdictional JPA will result in lower per-unit administrative costs, for all participating cities, through improved economies of scale than any city can achieve on its own. Also, as noted above, SEA's only contractual commitment for power supply in 2022 is a Local Resource Adequacy purchase.

Should the decision be made that the four-city JPA is in the best interest of all four cities, then the focus should be on the financial outlook of the larger JPA and not focusing on the individual results of the member agencies. Additionally, it cannot be overstated that projections regarding energy procurement, energy costs and revenues out into 2022 are both conservative and speculative.

The assumptions maintain the original structure including the 3% rate reduction out until 2021/2022 for projection purposes. However, because SEA is the smallest CCA in the state, it has always been contemplated that the rate reduction may have to eventually be revised to maintain the primary goals (for SEA) of a higher RPS and local control. In addition to the size of SEA, regulatory decisions recently made by the CPUC have altered the projections for all CCAs in the state. All CCAs have had to adjust their projections and make necessary changes as a result of these decisions, and it would be likely that SEA would have to make some adjustments to the program to ensure that the CCA would not experience negative revenues for any given year. Therefore, we would caution against basing a decision to form a JPA upon a single year projection of SEA in 2022. Again, while also speculative, the focus should be on the net revenue projections of a larger CCA JPA as included as an attachment to this response.

- Governance/Administrative Issues

  - Would SEA accept a JPA agreement that mandated Project Labor Agreements (PLA) for all JPA contracts greater than $1M?
    - Although no formal position has been taken on this issue by its Board/City Council, SEA is open to considering this either as a part of a JPA agreement or as decided upon by the JPA Board if/when it is established.
  - Would SEA accept a JPA agreement with “weighted voting language” similar to than contained in the most recently City of San Diego’s “CCA JPA Draft Term Sheet” updated 6/10/19?
    - No.
  - If the four Cities formed a new CCA entity, what would its name be?
    - If a CCA JPA is formed about Solana Beach and the Partner Cities, this decision would be up to the JPA. If the Partner Cities are interested in pursuing the offer presented by Solana Beach, and given that the Implementation Plan to be submitted would be an amended Implementation Plan already submitted and approved for SEA, and Solana Beach has an account established with the CAISO, our suggestion to continue to call the JPA Solana Energy Alliance until such time as the JPA Board decides otherwise.
  - If the four Cities decide to move forward with forming a new CCA, what is the procedural schedule between now and a 1/1/21 launch date?
    - See the attached Term Sheet for an anticipated schedule.

If responses to these questions could be wrapped into a proposed term sheet, we would greatly appreciate. Otherwise, brief responses to each question would be fine.

We look forward to hearing back from you at the earliest possible date but no later than the end of this week.

Thanks.

North San Diego County JPA - Hypothetical Financial Proforma

Carlsbad, Del Mar, Encinitas, & Solana Beach

7/1/2019

	FY2019	FY2020	FY2021	FY2022	FY2023
Costs					
Energy & Capacity					
Day Ahead Energy	3,596,559	3,105,061	24,241,535	57,733,263	60,533,535
Energy Hedges	3,066,145	1,951,136	169,613	-	-
Inter SC Trades	(3,289,878)	(1,935,609)	(190,727)	-	-
Resource Adequacy	519,645	365,839	3,552,607	10,639,300	11,389,285
Congestion Revenue	(186,434)	(127,833)	(1,212,613)	(2,132,881)	(1,831,966)
All Other CAISO Charges	150,792	97,607	887,614	1,774,063	1,814,625
Environmental					
PPAs	-	-	-	-	-
PCC1 RECs	192,550	243,081	310,593	5,635,687	6,380,712
PCC2 RECs	-	131,250	119,468	1,773,615	1,705,666
Carbon-Free	21,000	57,750	169,327	3,136,499	3,182,581
Administrative					
Wholesale Services	211,528	217,873	564,175	929,318	957,197
Data Management	125,941	129,536	711,182	1,310,407	1,311,549
General & Administrative	291,189	300,000	2,210,000	4,181,800	4,307,254
Local Programs	-	-	-	-	-
SDG&E Billing Services	18,511	28,444	163,970	300,857	304,092
Cost of Credit	67,313	67,783	616,399	1,231,988	1,260,156
Deferred Fees	11,967	13,055	13,055	11,967	-
Total Costs	**4,796,827**	**4,644,973**	**32,356,849**	**86,601,330**	**91,425,126**
Retail Revenues	5,399,172	4,851,516	40,535,205	91,888,355	94,091,377
Uncollected Accounts	(2,264)	(14,555)	(121,606)	(275,665)	(282,274)
Total Revenues	**5,396,908**	**4,836,962**	**40,413,599**	**91,612,690**	**93,809,103**
Net Revenue					
Annual Net Revenue	**600,081**	**191,988**	**8,056,751**	**5,011,359**	**2,383,978**
Cumulative Net Revenue	**870,995**	**1,062,983**	**8,872,332**	**13,883,691**	**16,267,669**

North County JPA CCA Draft Term Sheet

- Goals of North County JPA CCA
    - Establish base product renewable percentage that supports meeting Climate Action Plan goals of the partner cities, at a minimum 50% RPS, 75% GHG free
    - Offer a 100% renewable opt-up option
    - Establish rates that are competitive with SDG&E while providing sufficient funds to cover expenses and fund reserves initially.
    - After the JPA is established, then develop and implement programs to address the needs of the cities' Climate Action Plans.

- Benefits of North County JPA CCA
    - Local Control – governance is from local elected officials close to community
    - Alignment of environmental & Climate Action Plan goals
    - Similar climate zone
    - Smaller load – more options available to cover energy needs/procurement
    - Financial protections for member agencies
    - Lower risk – partner agency (Solana Beach) with experience implementing and operating a CCA
    - Streamlined implementation process
        - Providers already on board and ready to begin working on JPA CCA
        - Experienced team to support North County JPA CCA
    - No need to hire staff initially
        - Experienced team that successfully implemented and currently operating Solana Energy Alliance to support implementation and operations of North County JPA CCA
    - Opportunity for Member Agencies to be reimbursed for staff support of North County JPA CCA

- Start-Up Costs and Services
    - Partners willing to provide/assist with deferred start-up costs
        - All upfront costs can be provided by existing partners
        - If the JPA wants to explore financing through a traditional bank, SEA has established relationship with River City Bank
    - Estimated upfront costs that could be covered through existing partners
        - CAISO Fee and CCA Bond - $148,000 (SEA and Calpine)
        - Opt-out noticing requirements - $302,500 (Calpine)
        - Technical Consulting - $115,000 (SEA)
        - Discretionary Marketing - $50,000 (Calpine)
        - Energy Procurement including Cost of Credit and RA - $29,000,000 (TEA)

- Formation/Schedule
    - August – October
        - Technical Study
        - JPA Agreement Development
        - CCA Implementation Plan Development

- October
  - Member Agencies Adopt CCA Ordinance
  - Member Agencies Adopt JPA Agreement
  - JPA Board Members Appointed
- December
  - JPA Board approve Implementation Plan
  - Implementation Plan filed with CPUC for Certification
- Solana Energy Alliance has relationship with River City Bank
  - Financing potential for Start-up Costs not deferred by providers

- Board of Directors
  - One elected official from each Member Agency to be appointed to North County JPA CCA Board
  - Member Agencies appoint an alternate board member to attend and vote at North County JPA CCA Board meetings when the regular Board Member is unable to attend
  - Member Agencies determine the term of office for their appointed board member and alternate

- Board Voting
  - One Member One Vote – simple majority
  - Special voting to follow applicable State law

- North County JPA CCA Board Officers
  - Elected Officers
    - Chair
    - Vice Chair
    - Secretary
    - Treasurer
  - Committees
    - North County JPA CCA Board to establish Committees
    - Each Member Agency to appoint a representative to the Committees

- Items for Member Agencies to decide upon
  - Location of Board Meetings
  - Define responsibilities of Board Members
  - Applicability of Project Labor Agreements

Appendix D – City of San Diego RFI Response and Correspondence

Request for Interest
Community Choice Energy Program

General information about the City of San Diego:

The City of San Diego has a city population estimate of more than 1.39 million residents according the 2010 United States Census Bureau. The City is the eighth largest city in the Unites States and the second largest city in California. The City is a world-class hub for clean energy, technology, research and development, and the perfect place to demonstrate how energy and innovation can come together to create a more prosperous economy, environment, and quality of life for all.

The City's Sustainability Department is currently leading the initiative to form a Community Choice Energy (CCE) program. The Sustainability Department is located at 9601 Ridgehaven Court, Suite 120, San Diego, California 92123. Cody Hooven, Director of the Sustainability Department, and Aaron Lu, Program Coordinator, submitted this set of responses to the RFI on behalf of the City.

Responses RFI Questions:

1. Please specify if you are currently a CCE, are in process to become a CCE or an energy manager, broker or utility.
   The City of San Diego is in process to form a Community Choice Aggregation program, also called Community Choice Energy (CCE). City Council adopted a resolution of intent in February 2019, directing the Mayor or his designee to negotiate with potential partners to form a CCE with a Joint Powers Authority (JPA) governance structure.

2. If you are not a CCE and you are in process to form a CCE:
   a. Have you completed a feasibility study? If so, please attach your response.
      Please see attached City of San Diego Business Plan. Further research on CCE can be found at www.sandiego.gov/sustainability/clean-and-renewable-energy**.**

      draft_final_cca_business_plan_city_of_san_die

   b. What is your current distribution utility?
      SDG&E is the current distribution and transmission utility for the City of San Diego.

   c. What is the earliest date you could accommodate the City or Partner Cities?
      The City of San Diego anticipates potential founding JPA partners to commit to join the CCE JPA by summer 2019, providing enough time for each partner city/local government to adopt relevant ordinances and provide data for the City of San Diego to develop an implementation plan no later than December 2019. The CCE JPA would continue formation and establishment throughout 2020 and begin serving customers in 2021. Additional cities may join at a later date (after 2019) but would not be part of the founding partners that will begin work to establish operating policies, guidelines, and procedures and would not be able to serve customers until 2022 or later.

   d. Do you anticipate fees to join with your organization?

If partners join the City of San Diego to from the CCE in 2019, there will be no entry fee. If the partners join the City later, an entry fee may be required.

e. What is your preferred cost allocation method for assigning various power supply contracts and resources? How would power supply costs be allocated to the Partner Cities? Would the allocation be blended? Would the allocation be incremental?
This will be determined by the Board of the CCE JPA. Likely, costs for various power supply contracts and resources will be assigned based on each partner's load volume and profile. These costs will cover both power supply and resource adequacy.

f. What options are available to the Partner Cities for power supply? How are these options provided and selected? Would the Partner Cities be allowed to request distributed energy resources or generation within its service territory? Can individual Partner Cities request specific power sources?
This will be determined by the Board of the CCE JPA. Likely, there will be various options for power supply in terms of renewable percentage. Requests for specific power sources and distributed energy resources or generation will have to be reviewed and approved by the Board.

g. How many full-time employees do you anticipate in 2022?
This will be determined by the executive director of the CCE JPA. As an estimate, the CCE may employ up to 20 employees by 2022.

h. What are your sources for start-up capital and cash working capital? Under what terms have you secured this capital?
The City of San Diego is finalizing its selection for a financial advisor to assist with securing capital for both start-up and working capital (operating and procurement costs). The CCE can may secure a short-term loan from the City of San Diego and/or a financial entity for start-up capital. The CCE JPA would secure a longer-term loan from a financial entity for working capital.

3. Has your CCE, agency, or organization adopted policies, and/or would it consider entering into a CCE operating agreement requiring:
   a. Payment of prevailing wages for construction of local clean energy resources;
   b. The use of community benefit agreements and project labor agreements demonstrating local hiring preferences; and/or
   c. Remaining neutral in the event CCE workers seek to unionize.
   The City of San Diego has considered the above items as part of CCA discussions. It will ultimately be a decision of the Mayor and City Council what policy directives or guidance should be included in a JPA agreement; it will be a decision of a JPA Board what policy directives are adopted for CCA operations.

CCA JPA Draft Term Sheet

Goals of regional CCA (include as guiding principles in JPA agreement)

- Base product = 50% RPS, option to opt up to higher renewable content at launch (e.g., 80% and 100% opt up options)
- Long term goal = 100% renewable electricity by 2035 (or variation of this set by each city based on their goals)
- Embedded fiscal responsibility
- Rates
  - Establish economic development rates
  - Establish rates specific to communities of concern
  - Maintain cost competitive rates
- Prioritization of local renewable power development with emphasis on:
  - Local jobs
  - Skilled and trained workforce
  - Investment in communities of concern
  - No energy from unbundled Renewable Energy Certificates (RECs)
  - Other economic benefits remaining/returning to JPA partners

Benefits of regional CCA

- Regional/ratepayer consistency in benefits and rate reductions
- Economies of scale for procurement of power (both bulk purchase and buying power), services, and staffing
- Stronger regulatory and legislative influence in the state
- Financial protections for individual members

Formation

- Founding members:
  - Agencies who have submitted electricity data to the City of San Diego for the development of a pro forma on or before June 30, 2019 AND adopted the JPA agreement by their governing body no later than October 1, 2019
    - Actions needed: adopt CCA ordinance, adopt JPA agreement, appoint a JPA board member
    - First vote of JPA board needed by December 2019 to adopt Implementation Plan
  - Startup costs will be covered by City of San Diego/JPA and waived for other founding members (pro rata shares expenditures including staffing, bonding, general admin, technical consulting, marketing, regulatory/legal support, data management, etc.)
  - Consider a neutral party as interim board member if the founding JPA only has two parties at time of foundation, as agreed upon by both founding members

- New members:
  - New members admitted by unanimous consent of all members (action by legislative bodies) after January 1, 2020.

Board of Directors

- 1 board member who is an elected official to be appointed from each member jurisdiction

  - Only board members can cast votes at board meetings and serve as elected officers of the JPA.
  - Only entities that are eligible to form a CCA are eligible to be a voting member of the board of the JPA.
- Each jurisdiction can appoint two alternate board members who may vote on matters when the regular Board member is absent from a Board meeting
  - Alternate members can cast votes at board meetings when the primary board member is not present and when designated to do so by their jurisdiction.
  - Alternate members may vote in committee, chair committees, and fully participate in discussion and debate during board meetings.
- Term limits
  - Each member jurisdiction shall determine the term of office for their board member and alternates.

<u>Board Voting</u>

- All votes start with an Equal Vote (1 member, 1 vote) with a simple majority.
- After an Equal Vote is completed, if two or more board members call for a weighted vote then a weighted vote may be used. Once the JPA reaches 5 members, 1/3 of board members will be required to call for a weighted vote.
- Weighted votes require a supermajority 2/3 vote to pass.
- Members can only call for a weighted vote to break a tie or revise a vote initially passed by a simple majority, but no actions can be approved solely by a weighted vote.
- A jurisdiction's weighted vote is determined by it's the percentage of the JPA's annual energy load.
  - Board will set an annual date for calculating load.
- 2/3 of Equal Vote is required for selection and termination of appointed officers (see below, CEO, Auditor, General Counsel)
  - Define selection process for CEO to ensure equity (nomination process, etc.)
- Special Voting: State law requires a supermajority vote under certain conditions. In these instances, an Equal Vote with a supermajority would be required after which, a weighted vote requiring supermajority could be called for with two board members requesting.
  - Examples:
    - Issue bonds or other debt;
    - Amend the JPA agreement or adopt/amend bylaws;

<u>Officers of the Board</u>

- Elected officers (no more than one from a single member at the same time):
  - Chair
  - Vice Chair
  - Secretary
  - Treasurer
- Appointed Officers (may not be board members or alternate members)
  - CEO – board should establish qualifications
  - Auditor – board should establish qualifications
  - General Counsel – board should establish qualifications

<u>Committees</u>

- Board can establish committees and establish criteria in order to qualify for appointment.

- Committees should be representative of members (e.g., each member agency can appoint one committee member).
- The following are required:
    - Executive Committee
        - Chaired by Chair
        - Vice Chair, Secretary, Treasurer as members
    - Finance/Risk Committee
    - Technical Committee
    - Community Advisory Committee
- Eligibility requirements for committee members
    - Significant experience in either:
        - an electric utility or company, or nonprofit providing services to a utility;
        - a regulatory agency or local government body overseeing an electric utility or a company;
        - an academic or nonprofit organization engaged in research and/or advocacy related to the electric sector; or,
        - expertise in electricity markets.

Retained Local Control

- Set local renewable portfolio standards (RPS) goals
- Withdrawal from JPA with one-year notice

***Items to Consider**

- Allocation of portion of excess revenue to member jurisdictions for administrative support provided to CCA/constituents, if applicable
- Prioritize/weight procurement of local generation developed by member jurisdictions (needs legal analysis)
- Rotate Board meetings regionally to ensure all member constituents can access public meetings (determined by Board)
- Define responsibilities of board members – they have fiduciary responsibility to the JPA

Gregory W. Stepanicich

T 415.421.8484
F 415.421.8486
E gstepanicich@rwglaw.com

44 Montgomery Street, Suite 3800
San Francisco, CA 94104-4811
rwglaw.com

MEMORANDUM

ATTORNEY–CLIENT PRIVILEGE

TO: Crystal Najera, Clem Brown and Jason Haber

FROM: Greg Stepanicich, Special Counsel

DATE: June 17, 2019

SUBJECT: Comments on San Diego CCA JPA Term Sheet

Pursuant to your request, I have reviewed the revised draft CCA JPA Term Sheet (dated June 10, 2019) prepared by the City of San Diego. References to JPA mean the Joint Powers Authority that would be created by agreement to operate a CCA program. References to the Agreement mean the Joint Powers Agreement creating the JPA. The following are my comments by subject matter:

Goals of Regional CCA

1. The Term Sheet says that the renewable electricity goals of the JPA can be set individually by each City. This has not been the practice of the CCA JPA's that I have worked with. The Renewable Energy goals for these agencies have been established by the JPA as a whole which then guides the actual purchase of electricity on behalf of all customers of the JPA. As a practical matter, I am not sure how it would work for each member to set their individual Renewable Energy goals. This is not a legal issue but an operational one and I recommend getting advice on this approach from EES. I understand that East Bay Community Energy (EBCE) has permitted its members to choose the default service for its residents. EBCE has established different levels of service for its customers throughout the jurisdiction of EBCE with its premium level providing 100% renewable energy. The governing board of each member is given the authority to establish the default service for its residents. Two cities have established the premium service as the default service for its residents with the residents having the option to opt down to a cheaper level of service that provides a lower percentage of renewal energy.

2. With respect to rate setting, I am not sure what is meant by establishing rates specific to communities of concern. It may be best to not include rate setting policies in the

Agreement but leave that for policy making when the JPA becomes operational and the Board establishes rate policies. Rate policies may change over time to respond to changing circumstances so it is desirable to leave flexibility for later decision-making. A Joint Powers Authority is the constitution for the newly created agency that provides its legal structure. Generally it is preferable to leave organizational details and policy making to the decision-making of the Board of Directors. However, if there are certain policies that are critical to members joining the JPA, then these policies can be included in the Agreement.

Board of Directors

Regular members and Alternates. The revised Term Sheet limits eligibility of the regular Board members to elected officials. This has been the practice of the CCA JPA's I have worked with. The Term Sheet does not expressly state who will pick the City's representatives on the Board. The Term Sheet should address who picks the representatives (regular and alternate members) to the JPA Board and I recommend that it be the City Council. The Term Sheet provides for two alternates. I have not seen that before in a JPA. It raises a question as to which alternate attends the Board meeting with the regular member cannot attend. The revised Term Sheet does not address the qualifications of alternates. I recommend that the Term Sheet address this point. Some CCA JPA's require the alternate to also be an elected official and others permit the alternate to be either an elected official or alternate.

Board Voting

1. The Term Sheet provides that the Equal Vote will be a simple majority unless a supermajority vote is specifically required. The Term Sheet also should address whether the majority vote is a majority of a quorum or a majority of the entire Board. Requiring a majority vote of the entire Board avoids a situation where an important action is taken by a relatively small number of Board members if only a bare quorum is present. This requirement in practice encourages attendance at Board meetings.

2. The Term Sheet provides that a weighted vote may be called for by two or more members. It also increases the weighted vote threshold as the JPA grows larger. This is a good provision as it prevents a single member or in a larger membership only two members from invoking weighted voting. I note that with the CCA JPA's I have worked with, a weighted vote has not been called to date. Once weighted voting is invoked, a two-thirds weighted vote is then required to pass the item. The CCA JPA Agreements I have reviewed use weighted voting only as a veto of the Equal Vote by the larger members. As proposed by the Term Sheet, weighted voting also is used to break a tie vote. For this purpose, requiring a two-thirds weighted vote requirement lessens the power of the larger members on the tie-breaker. The

Term sheet provides that no action can be approved by a weighted vote only. This is an important provision for the protection of the smaller sized city members.

3. The Term Sheet states that state law requires a supermajority vote under certain conditions and gives the examples of issuing bonds, amending the JPA Agreement, and adopting or amending Bylaws. Very few actions require a supermajority vote under state law. One relevant example is eminent domain. However, the three examples given in the Term Sheet are not required by state law to be adopted by a supermajority vote. This is in the discretion of the members forming the JPA. The Term Sheet should list all potential items that the group would like to consider for having a supermajority vote requirement. Typical actions requiring a supermajority vote are the following:

a. Addition of new members

b. Expulsion of existing member

c. Amendment to the Agreement

d. Issuance of bonds or other debt

e. Eminent domain (state law requires a two-thirds vote to commence and the Agreement can provide a higher voting threshold such as 75%)

4. The Term Sheet provides for a two-thirds Equal Vote for the appointment of the CEO, Auditor and General Counsel. JPA Agreements generally provide for these appointments to be made by majority vote. In practice these hires are going to be unanimous or near unanimous as it is undesirable to have these positions filled on a divided vote.

Committees

1. A key issue is whether to list in the Agreement mandatory committees. My recommendation is not to require any specific committee in the JPA Agreement other than maybe an Executive Committee which most JPA's establish. Each of the existing CCA's have established a variety of advisory committees with different titles and purposes. It is best to set up the committees once the JPA is operational and the Board can discuss and decide what types of committees will be most helpful. If the JPA Agreement is going to provide for a Community Advisory Committee, the Agreement should be very specific about its duties and that it is only advisory to the Board.

2. Qualifications of Committee members. The revised Term Sheet requires that committee members have significant experience with electric utilities or the electricity field. In practice, most CCA committees will be comprised of Board members for which such an experience requirement would not be applicable. For any committees with public members, the qualifications for these committees should be determined for each particular committee based on its purpose and function. I strongly recommend that the Agreement not provide specific qualifications for committee members.

Retained Local Control

The Term Sheet identifies the right to withdraw upon one-year notice. A one-year notice requirement is reasonable. Some CCA JPA's provide for a shorter 180 day notice requirement with the withdrawal date tied to the start of a new fiscal year for the JPA. In addition to a minimum notice period, the withdrawal section of the Agreement needs to address the responsibility of the withdrawing party from any damages, losses or costs incurred by the JPA resulting from the withdrawal, including but not limited to losses from the resale of power contracted for by the JPA to serve the withdrawing party's load.

Items to Consider

1. If the cities want to make sure that there will be at least some reimbursement of staff costs related to the operations of the JPA, it is a good idea to conceptually provide for this type of payment in the Agreement with the actual amount of reimbursement provided by action of the Board after the JPA begins receiving customer revenues. The actual payment should be based on a reasonable estimate of the time required by the staffs of the members to provide appropriate support. I suggest not referring to this payment as being made from excess revenues since this is an operational cost of the JPA.

2. Prioritizing or given extra weight to procurement of local generation developed by member jurisdictions also seems like a policy that should be considered by the JPA Board after the JPA becomes operational and the JPA adopts a plan/policy for purchasing electricity.

3. When the jurisdiction of a CCA JPA becomes large, having more than one meeting place or rotating locations can provide better public access to meetings and can be less burdensome to Board members who have to travel a long distance to get to a single meeting place. However, the Agreement should provide that meeting times and locations shall be established by Board resolution. This provides the greatest flexibility to the Board for establishing a meeting location or locations based on the cities that actually become members of the JPA. This approach also provides the most flexibility for changing meeting locations in

the future. I have worked with JPA's that rotate their meeting locations and this can be accomplished by resolution in a manner that meets the Brown Act.

Additional Items for Term Sheet

1. Specifying one of the members as the agency whose limitations on the exercise of its powers by state law will apply to the exercise of the JPA's powers. This designation under Government Code Section 6509 does not need to be made at the beginning of the discussion of Agreement terms but must be determined and placed in the Agreement before the Agreement becomes final for adoption and execution. It is not sufficient to refer to the members in general, a specific member must be listed. It is best to list the member whose limitations on the exercise of powers is the most flexible. In the context of a JPA, we recommend designating a general law city. Counties have more restrictive operating rules under state law and charter cities can have unusual requirements unique to the particular city that do not necessarily fit well with a CCA program.

2. Amendment of Agreement. Whether the Agreement may be amended by the Board or must be approved by the governing bodies of the members is an important point that should be addressed by the Term Sheet. The CCA JPA's generally are providing for Board approval of Agreement amendments with prior notice given to the governing bodies of the members. This approach makes it much easier to make necessary amendments to the Agreement over time. Another approach is to provide for the approval of amendments by the Board except for specified major amendments that require the approval of the governing bodies of the members.

3. Labor provisions. The City of Carlsbad adopted a resolution expressing its intention to pursue a community choice energy program and prioritized certain labor principles. These principles are that (1) the CCE shall pay prevailing wages for construction of local clean energy resources, (2) the CCC shall enter into community benefits agreements and project labor agreements demonstrating local hiring preferences where allowed by law, and (3) the CCE shall remain neutral in the event its workers seek to unionize. These principles are not incorporated into the Term Sheet. Although these labor provisions could be incorporated into the Agreement, these are the type of policies that more typically are addressed by the Board once the JPA becomes operational.

CCA JPA Draft Term Sheet

Goals of regional CCA (include as guiding principles in JPA agreement)

- Base product = 50% RPS, option to opt up to higher renewable content at launch (e.g., 80% and 100% opt up options)
- Long term goal = 100% renewable electricity by 2035 (each city can opt down to lower renewable content level based on their goals until SB100 or other statutory deadline takes effect)
- Embedded fiscal responsibility
- Rates (specific rates will be set by the Board of the JPA)
    - Establish economic development rates
    - Establish rates specific to communities of concern
    - Maintain cost competitive rates
- Prioritization of local renewable power development with emphasis on:
    - Local jobs
    - Skilled and trained workforce
    - Investment in communities of concern
    - Investment in communities with unique energy needs such as wildfire rebuilding
    - No energy from unbundled Renewable Energy Certificates (RECs)
    - Other economic benefits remaining/returning to JPA partners

Benefits of regional CCA

- Regional/ratepayer consistency in benefits and rate reductions
- Economies of scale for procurement of power (both bulk purchase and buying power), services, and staffing
- Stronger regulatory and legislative influence in the state
- Financial and legal protections for individual members

Formation

- Founding members:
    - Agencies who have submitted electricity data to the City of San Diego for the development of a pro forma on or before June 30, 2019 AND adopted the JPA agreement by their governing body no later than October 1, 2019
        - Actions needed: adopt CCA ordinance, adopt JPA agreement, appoint a JPA board member
        - First vote of JPA board needed by December 2019 to adopt Implementation Plan
    - Startup costs will be covered by City of San Diego/JPA and waived for other founding members (pro rata shares expenditures including staffing, bonding, general admin, technical consulting, marketing, regulatory/legal support, data management, etc.); City will also provide credit backing for start-up loan
    - Consider a neutral party as interim board member if the founding JPA only has two parties at time of foundation, as agreed upon by both founding members

- New members:
    - New members admitted by super majority 2/3 vote of all members after January 1, 2020; can't begin service until 2022

Board of Directors

- 1 Board member who is an elected official to be appointed from each member jurisdiction
  - Only Board members can cast votes at board meetings and serve as elected officers of the JPA.
  - Only entities that are eligible to form a CCA are eligible to be a voting member of the Board of the JPA.
- Each jurisdiction can appoint one alternate Board member who may vote on matters when the regular Board member is absent from a Board meeting
  - Alternate member can cast votes at board meetings when the primary board member is not present and when designated to do so by their jurisdiction.
  - Alternate member may vote in committee, chair committees, and fully participate in discussion and debate during board meetings.
  - Alternate member should be an elected or appointed official from the member jurisdiction (e.g., executive-level staff of city)
- Term limits
  - Each member jurisdiction shall determine the term of office for their board member and alternates.
- Selection of Board members
  - Selected for each member jurisdiction by a vote of their respective governing body (Council, Board, etc.)

Board Voting

- All votes start with an Equal Vote (1 member, 1 vote) with a simple majority.
- Vote counts are based on a quorum.
- Some actions may require an Equal Vote with a supermajority 2/3 vote to pass, such as:
  - Adding/removing members
  - Amending the JPA agreement
  - Issuance of bonds or debt
  - Eminent domain
  - Selection and termination of appointed officers (see below, CEO, Auditor, General Counsel)
    - Define selection process for CEO to ensure equity (nomination process, etc.)
- After an Equal Vote is completed, if two or more board members call for a weighted vote then a weighted vote may be used. Once the JPA reaches 5 members, 1/3 of Board members will be required to call for a weighted vote.
- Weighted votes require a supermajority 2/3 vote to pass.
- Members can only call for a weighted vote to break a tie or revise a vote initially passed by a simple majority, but no actions can be approved solely by a weighted vote.
- A jurisdiction's weighted vote is determined by it's the percentage of the JPA's annual energy load.
  - Board will set an annual date for calculating load.
- Special Voting: State law requires a supermajority vote under certain conditions. In these instances, an Equal Vote with a supermajority would be required after which, a weighted vote requiring supermajority could be called for with two Board members requesting.

Officers of the Board

- Elected officers (no more than one from a single member at the same time):
    - Chair
    - Vice Chair
    - Secretary
    - Treasurer
- Appointed Officers (may not be board members or alternate members)
    - CEO – board should establish qualifications
    - Auditor – board should establish qualifications
    - General Counsel – board should establish qualifications

Committees

- Board can establish committees and establish criteria in order to qualify for appointment.
- Committees should be representative of members (e.g., each member agency can appoint one committee member).
- The following are required and will be composed of Board members only:
    - Executive Committee
        - Chaired by Chair
        - Vice Chair, Secretary, Treasurer as members
    - Finance/Risk Committee
- The following are recommended and will be advisory in nature only:
    - Technical Committee – should have significant experience in electricity markets, procurement, regulatory/legislative process, legal, etc.
    - Community Advisory Committee
- Eligibility requirements for committee members, if not a Board member, should be set by the Board based on the purpose of the committee

Retained Local Control

- Set local renewable portfolio standards (RPS) goals
- Individual parties retain control of land use
- Withdrawal from JPA with one-year notice
    - Withdrawing party will be responsible for any damages, losses or costs incurred by the JPA resulting from the withdrawal, including but not limited to losses from the resale of power contracted for by the JPA to serve the withdrawing party's load.

***Items to Consider**

- Specify one of the members as the agency whose limitations on the exercise of its powers by state law will apply to the exercise of the JPA's powers (see Government Code 6509)
    - Recommend to list the member city who's limitations on the exercise of powers is the most flexible (e.g. a general law city)
- Reimbursement through a cooperative service agreement with JPA to member jurisdictions for administrative support provided to CCA/constituents, if applicable
- Prioritize/weight procurement of local generation developed by member jurisdictions (needs legal analysis)
- Rotate Board meetings regionally to ensure all member constituents can access public meetings (determined by Board)
- Define responsibilities of board members – they have fiduciary responsibility to the JPA