

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 12

TO: Community Advisory Committee

FROM: Mitch Sears, Interim General Manager
Gordon Samuel, Assistant General Manager & Director of Power Services

SUBJECT: California Community Power Agency Joint Powers Authority Discussion

DATE: January 28, 2021

RECOMMENDATION

Support membership in the California Community Power Agency Joint Powers Agreement.

PURPOSE

The purpose of California Community Power or “CC Power” is to acquire energy, capacity, storage or other energy products on a scale that the individual members most likely will not be able to achieve on their own. The first proposed project focuses on entering into one or more long-duration storage contracts. CC Power is designed as a procurement and project based public agency, rather than policy making agency. The agreement states that “CC Power is not intended to be a policy-maker or advocate, though it may, from time to time, advance or support public policies in support of its purpose that do not conflict with interests or policies advanced by any Member.”

BACKGROUND & DISCUSSION

The proposed JPA Agreement creates a new public agency called California Community Power (CC Power). The origins of this JPA stem from last year’s joint CCAs long duration storage Request for Information (RFI). Although that RFI did not result in any agreements it did inform the CCAs that economies of scale and risk diversification are essential for (1) large scale projects and (2) emerging technology projects. The initial members of CC Power are all CCA’s and if the agreement is approved by their Boards of Directors, the initial members will be SVCE, 3CE, MCE, EBCE, PCE, SCP, SFCleanPower, San Jose Clean Energy, Redwood Coast Energy Authority and Valley Clean Energy. The JPA Agreement provides that the CC Power Board of Directors may adopt a policy establishing the criteria for other public agencies that are not CCA’s to become members with the approval of the Board.

Based on analysis conducted by other CCA’s the liability safeguard of the JPA structure will apply to CC Power. As a member, VCE would not be liable for the debts, liabilities, or obligations of CC Power. However, VCE would take on legal obligations with respect to each CC Power project it decides to join (e.g. long-duration storage). These projects must be approved by the VCE Board by way of a project agreement. Each project agreement will define the legal obligations of the parties

to it. Therefore, the VCE Board will have the opportunity to fully consider the benefits, obligations, and risks of each CC Power project that VCE may want to join.

The JPA Agreement provides that CC Power will be governed by a Board of Directors with each member having one director and one vote. The director will be the CEO or General Manager (or their designee) of the Member. The manner of selecting the director is a policy question. In the original drafting and preparation of the proposed JPA Agreement, the CEO's and General Counsels leading the effort decided to propose that the directors be administrative staff of the JPA members due to the very technical nature of this JPA which is project rather than policy oriented. It is relevant to this choice that the CC Power Board will not be able to commit Members to any obligations other than the annual payment for administrative costs of the JPA. Also, it was felt that continuity on the Board is important due to the fact that the project agreements will be long-term obligations and having directors with a long-term knowledge base is important with respect to decision-making on this JPA Board. It is more likely that staff members on the Board will have greater tenure with their agency than elected officials.

JPA Costs

The only costs imposed by the JPA Agreement on the members are the administrative costs of CC Power which do not include any project costs. All project related costs, including costs of consultants, will be allocated to the projects and the project participants. Administrative costs will be paid on an equal share basis by the members unless the Board decides by a two-thirds vote to provide for a different method of cost sharing. Project cost sharing will be determined by each project agreement and may take into account several factors such as the level of participation and credit strength of the project participants.

The JPA Agreement makes it easy for a member to withdraw from CC Power. The process simply involves notice of withdrawal by the member and the satisfaction of any outstanding obligations to CC Power by it. As long as there are no outstanding obligations, the CC Power Board is required to approve the withdrawal. For VCE, there should be no outstanding obligations to CC Power itself as any such obligations would require VCE Board approval. However, if VCE enters into any project agreements, it will remain bound to the project agreement even if it withdraws from CC Power. Each individual project agreement will define the manner in which project participants may withdraw from the project and at what cost.

If VCE joined the CC Power JPA it would have the opportunity, but not the obligation to participate in energy projects that most likely would not be otherwise available to it as an individual CCA. The costs of entry are not substantial as the staffing of this JPA will be limited with most staffing and operating costs allocated to individual projects that will be paid by project participants. VCE would only incur significant financial obligations if it later decides to join specific CC Power projects.

FINANCIAL IMPACTS

It is anticipated that the total annual administrative and general costs to operate CC Power will be approximately \$80,000 to \$120,000; therefore, VCE's estimated annual fixed cost would be

approximately \$10,000 depending on the number of entities that join CC Power. The cost of setting up CC Power has been budgeted at \$120,000 to be shared equally by the participating entities, with VCE's share being approximately \$12,000.

NEXT STEPS

Gather Input from the CAC, incorporate into the February Board materials and recommend that VCE join CC Power.