

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 16

To: Valley Clean Energy Alliance Board of Directors

From: Mitch Sears, Interim General Manager

Subject: Joint Powers Authority New Member Application Policy

Date: September 13, 2018

RECOMMENDATION:

- 1) Invite the City of Winters and the City of West Sacramento to join VCEA in 2018 for potential customer enrollment in 2020 or in 2019 for customer enrollment in 2021;
- 2) Authorize staff to respond to inquiries and/or commence discussions with other Central Valley communities that may be interested in joining VCEA in 2019 and beyond; and,
- 3) Adopt attached resolution regarding new member terms and conditions and authorize VCEA General Manager to determine cost of entry based on actual cost not to exceed \$50,000.

BACKGROUND & DISCUSSION:

With the successful launch of Valley Clean Energy in June 2018 and the completion of its customer enrollment process, VCE is now able to consider service expansion to the remaining cities in Yolo County - the Cities of Winters and West Sacramento - and other Central Valley communities that have expressed interest in our program.

Over the past few months, staff and consultants have researched new member terms among existing CCAs and conducted informal discussions with a few adjacent cities and counties, including the Cities of West Sacramento and Winters as new member priorities. In general, for a community to become a new member of an existing CCA, it requires adoption of a JPA resolution and CCA ordinance by the proposed new member agency as well as an affirmative vote of the JPA Board of Directors. This is consistent with the provisions outlined in Section 2.4 of VCEA's JPA Agreement. Cost of entry to join existing CCA programs ranges from zero (e.g. Marin Clean Energy and Sonoma Clean Power) to \$50,000 + enrollment costs as is the case with a few Southern California CCA programs. See section B below for VCEA's recommendation in this regard.

A) Timing & Process Requirements:

CPUC Resolution E-4907, adopted earlier this year, now requires a one-year waiting period between adoption of a new or amended Implementation Plan and commencement of electric service under a new or existing CCA. Thus, cities and counties that wish to commence service

with VCE in 2020 must join in 2018 with an amended Implementation Plan submitted to the CPUC by December 31, 2018. Communities joining in 2019 must submit an Implementation Plan by December 31, 2019 and would commence service in 2021, and so on.

VCE's Joint Power's Agreement, Section 2.4 "Membership in VCEA," stipulates that new member communities may join upon the adoption of a resolution by the City Council or Board of Supervisors of the proposed new member agency followed by an affirmative vote of VCEA's Board of Directors. This section requires a minimum 45 day notice to the JPA member jurisdictions following formal notification by the prospective new member. It further indicates the Board may establish conditions, including financial, under which a city or county may become a member. This is discussed further in section B below.

Based on the requirements of the CPUC and VCE's adopted JPA, new members would need to notify and VCE would need to complete its membership process by December 31, 2018 for a new member to start service on January 1, 2020. With all steps accounted for (i.e. collection of PG&E data, VCE analysis of financial and energy impacts, 45 day notice to current JPA members, and amendment of VCE Implementation Plan), staff estimates that new members would need to provide formal notice to VCE by early October. If this timeline is missed, the next opportunity to begin service would be January 1, 2021.

B) New Member Terms & Proposed Fees:

Valley Clean Energy recognizes that offering electric service to additional cities and counties has a number of benefits including environmental (i.e. further reductions in greenhouse gas emissions) and financial (i.e. greater program revenue and ability to spread fixed costs over a larger customer base). That said, there are a number of up-front costs and administrative steps required to on-board a new community prior to the start of service. These include: 1) conducting an updated load analysis and preparing an amended Implementation Plan, 2) administrative tasks required for organizational integration, 3) power procurement, and 4) customer notification and enrollment. Depending on the size of the new community, these pre-revenue costs could range anywhere between \$500,000 - \$1,000,000 or more, including the cost of power. However, the long-term financial advantages would off-set these costs and could be absorbed by new program revenues within the first 1-2 years.

VCEA staff, in consultation with SMUD, is recommending that new communities provide direct and indirect support under the following terms:

- 1) Direct Costs: New member agencies shall pay for the cost of PG&E load data, load analysis and Implementation Plan amendments that will range between \$25,000 - \$50,000 depending on population and load size and complexity, such that smaller communities (e.g. under 30,000 in population) would pay less and larger communities would pay more, with a not-to-exceed cap of \$50,000. Final cost to be determined by VCEA General Manager in consultation with SMUD and executive staff of the proposed new member agency.
- 2) Indirect Support: New member agencies are asked to provide staff assistance with local community outreach which could include informational workshops, tabling at community events, and notifications in city bulletins and website. New members are also asked to appoint a community representative(s) to VCEA's Community Advisory

Committee and assist with other light administrative tasks as needed through the program integration process.

- 3) **Reimbursement of Direct Costs:** The initial cost as described in B)1 above shall be reimbursed to the new member agency within one year of new customer revenues. If, after completing the initial tasks described above the new member decides *not* to proceed, the fee will be forfeited. Additional terms and fees associated with program withdrawal as described in Article 6 of the VCEA JPA Agreement shall apply.

C) Governance:

Section 3.1 of the JPA Agreement, “Board of Directors” stipulates that a new member agency shall have two seats on the Board of Directors until VCEA membership reaches five jurisdictions, at which time the number of Board seats per member shall drop to one. Thus, if both the City of Winters and the City of West Sacramento join VCEA, they will each appoint one Director and the three existing member agencies – Unincorporated Yolo County, City of Davis and City of Winters - will reduce their Board representation to a single seat per member. If only one new member joins the existing three, each member shall have two seats on the Board.

New member agencies will also have an opportunity to appoint 3 non-elected representatives to participate on VCEA’s Community Advisory Committee.

D) Regulatory and Market Impacts:

As the Board is aware, the CPUC has issued both a Proposed and Alternate Decision on the hotly contested Power Charge Indifference Adjustment (PCIA), the outcome of which will influence VCEA’s near-term economics in light of limited program reserves. It was hoped that the final decision would be out by September 13, but the PUC extended that date to September 27th. In addition, VCEA and SMUD will keep a close eye on power pricing and PG&E utility rates, not only for existing operations but for their impact on the timing of on-boarding new communities as well. Our hope and expectation is that a new community joining VCEA in 2018 would be able to commence service in early 2020; however, that will be monitored and determined by the SMUD and VCEA teams to ensure “best case” timing in terms of program impacts and revenues. In other words, VCEA will not procure power or commence customer enrollment for new member communities until rate discount, revenue and reserve targets can be met.

Attachment: Resolution VCEA New Member Application Policy

VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2018 - ____

A RESOLUTION OF THE VALLEY CLEAN ENERGY ALLIANCE AUTHORIZING JOINT POWERS AGENCY NEW MEMBER APPLICATION POLICY

WHEREAS, the Valley Clean Energy Alliance (“VCEA”) is a joint powers agency established under the Joint Exercise of Powers Act of the State of California (Government Code Section 6500 et seq.) (“Act”), and pursuant to a Joint Exercise of Powers Agreement Relating to and Creating the Valley Clean Energy Alliance between the County of Yolo (“County”), the City of Davis (“Davis”), and the City of Woodland (“City”) (the “JPA Agreement”), to collectively study, promote, develop, conduct, operate, and manage energy programs; and

WHEREAS, the VCEA Joint Powers Agreement Section 2.4 “Membership in VCEA” contemplates new member agencies and articulates the legal steps and administrative requirements to join the Agency post launch. Section 2.4 also contemplates that the Board of Directors may establish conditions of membership including but not limited to financial.

WHEREAS, California Public Utilities Code (CPUC) Resolution E-4907 requires a one-year waiting period between adoption of a new or amended Implementation Plan and commencement of electric service under a new or existing Community Choice Aggregation (CCA). Thus, cities and counties that wish to commence service with VCEA in 2020 must join the Agency in 2018 with an amended Implementation Plan submitted to the CPUC by December 31, 2018. Communities joining in 2019 would commence service in 2021, and so on.

WHEREAS, VCEA recognizes that offering electric service to additional cities and counties has several benefits including environmental, furthering the use of renewable resources and reductions in greenhouse gas emissions, as well as financial as a result of greater program revenue and the ability to spread fixed Agency costs over a larger customer base.

WHEREAS, VCEA also acknowledges the significant costs associated with membership expansion, and has established modest direct and indirect support requirements for new member agencies including:

- (a) **Direct Costs:** New member agencies shall pay for the cost of PG&E load data, load analysis and Implementation Plan amendments that will range between \$25,000 - \$50,000 depending on population and load size and complexity, such that smaller communities (e.g. under 30,000 in population) would pay less and larger communities would pay more, with a not-to-exceed cap of \$50,000.
- (b) **Indirect Support:** New member agencies will be asked to provide staff assistance with local community outreach which could include informational workshops, tabling at community events, and notifications in city bulletins and the city website. New members will also be asked to appoint community representative(s) to VCEA’s Community Advisory Committee and assist with other light administrative tasks as needed through the program integration process.

WHEREAS, upon receipt of one year of new customer revenues, VCEA will reimburse initial direct costs described in (a) above to the new member agency. If, however, the new member decides *not* to proceed, the direct cost will be forfeited. Additional terms associated with JPA membership and program withdrawal, described in Article 6 of the VCEA JPA Agreement, shall apply.

WHEREAS, CPUC requirements notwithstanding, VCEA shall have discretion over the precise timing of new member customer enrollments subject to market and regulatory conditions in order to ensure “best case timing” for program impacts and revenues.

NOW, THEREFORE, BE IT RESOLVED, that the VCEA Board of Directors invites interested cities and counties within Yolo County, adjacent counties, and the Central Valley region of PG&E’s service territory to consider membership in Valley Clean Energy Alliance.

ADOPTED, this ____ day of _____ 2018, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Lucas Frerichs, VCEA Board Chair

Alisa M. Lembke, VCEA Board Secretary