



REGIONAL PROJECT DEVELOPMENT ADVISORY COMMITTEE

Executive Summary & Recommendations

Background

Formed in 2013, the Monterey Bay Community Power project is a region-wide collaborative partnership comprised of all 21 local governments within the greater Monterey Bay area, including the Counties of Santa Cruz, Monterey, San Benito and all 18 cities located within. The partnership also includes Monterey Bay Unified Air Pollution Control District, Salinas Valley Solid Waste Authority, and Monterey Regional Waste Management District. The purpose of the project has been to investigate the viability of establishing a local community choice energy (CCE) joint powers agency (JPA) within the region. Authorized by California legislation (AB 117 in 2001, amended by SB 790 in 2011), CCE allows counties and cities to pool their electricity load in order to purchase electricity or invest in energy projects and programs for local residents and businesses as an alternative to the existing utility provider, (PG&E.) Formal resolutions to participate in the project were passed by every jurisdiction during 2013, with each given the option of appointing a representative to the Project Development Advisory Committee overseeing the investigation.

Regional Project Development Advisory Committee (PDAC) Work and Process

After initial formation, the PDAC approved the County of Santa Cruz as the lead agency on behalf of the partnership to raise the funds and provide staffing. The 15-member PDAC have hosted 26 public meetings from December, 2012 through June, 2016, providing guidance and making key decisions with input from the Project Team and consultants. To ensure that the entire region had access to PDAC deliberations, the meetings have been rotated between the Monterey Regional Waste Management District Board Chambers in Marina and the Santa Cruz County Board of Supervisors Chambers in Santa Cruz, with one special session in San Benito County. A project website was established in early 2013 to provide information, answers to frequently asked questions and post PDAC meeting materials and updates, MBCommunityPower.org.

By the middle of 2014, \$404,846 had been raised to conduct a Phase 1 Technical Feasibility Study, an analysis of the benefits and risks associated with creating a local CCE agency and a comparison of that information with the current rates and services provided by PGE. The study and an independent peer review were completed by April, 2016, revealing several favorable environmental and economic outcomes. These include local control over electricity rates and complimentary programs, a significant increase in procuring and generating renewable

electricity for the region and the potential value of redirected revenue to benefit the local economy and create green jobs.

It is worth noting that the project funds raised were from private community and state resources, not from local government general budgets. The project's non-profit partner, the Community Foundation of Santa Cruz County (CFSCC), graciously accepted private donations for the project totaling \$25,607. The PDAC worked collaboratively with the CFSCC to provide oversight and accountability regarding how these funds have been spent. The remaining funds came from grants procured and managed by Santa Cruz County as the lead project partner. The grants awarded were from the California Strategic Growth Council (\$344,239), the World Wildlife Fund (\$30,000), and the UC Santa Cruz Carbon Fund (\$5,000).

A comprehensive information packet has been assembled as the culmination of the PDAC's work over the past few years, providing each county and city partner the information needed to decide whether to participate in the next steps toward forming a regional CCE-JPA. The PDAC has assembled a complete public record of all committee deliberations, which are posted on the website, MBCommunityPower.org, as is the full information packet. The PDAC will continue to meet during 2016 until Phase 1 work is concluded and a CCE ordinance has been considered or approved by interested county and city partners.

Phase 1 Project Status, Next Steps and Phase 2 Formation Work

To recap, in Phase 1, the PDAC has conducted an initial exploration of CCE program viability, has overseen the development of a technical study and assembled related resource information. Community engagement strategies have been implemented, and will continue, to educate the affected energy customers and lay the foundation for Phase 2 formation work.

Over the next 6 months, the PDAC will complete Phase 1 work by:

- Hosting a series of public workshops and special study sessions to be attended by elected officials, county and city executive staff, project staff and CCE experts from around the State.
- Inviting County and cities interested in forming a CCE-JPA to join an ad hoc subcommittee comprised of executive staff who will develop a formation proposal for Board of Supervisors and City Councils' consideration on or before October 31, 2016, (target date.) Professionals who have experience in retail electricity services, program design, finance, wholesale purchasing and renewable resource development will assist.
- Deploying comprehensive regional outreach and communications program to engage and educate the community at large implemented by a professional consulting firm.

Phase 2 Formation Work:

This phase involves program design, soliciting energy procurement services, seeking CPUC approval of an implementation plan, executing a service agreement with PG&E, and expanding community engagement. Agency staff will also complete all remaining legal requirements,

enroll customers and prepare to launch an independent operation. The end result will be to launch (i.e., provide power to customers) no later than September/October, 2017. Note that all start-up costs are reimbursable with interest after program launch through ratepayer revenues.

PDAC Recommendations- Feasibility, Formation and CCE Best Practices

Feasibility Recommendation: The prospects for CCE programs in California have improved significantly in recent years as a result of many factors:

- The success of Marin Clean Energy and Sonoma Clean Power in providing their communities with greener power at prices competitive with PG&E while investing considerable surplus funds into local renewable energy and energy efficiency projects that created local jobs;
- Favorable wholesale energy market conditions, resulting in relatively low cost power;
- Recognition that a CCE program can be self-supporting for meeting climate action plan objectives and other local public policy goals;
- The reduced market costs of renewable power and improvements in renewable technologies; and
- The development of expertise, best practices and an expanded vendor base to serve CCE programs.

The Monterey Bay Community Power (MBCP) partnership formed in 2013 as the first tri-county/18 city effort in the State. Since then, two CCE agencies have launched (Sonoma Clean Power and the City of Lancaster) and many more communities are actively pursuing CCE formation, including the counties of Alameda, Butte, Contra Costa, Humboldt, Lake, Los Angeles, Mendocino, San Bernardino, San Diego, San Luis Obispo, San Francisco, San Mateo, Santa Barbara, Santa Clara, Venture and Yolo, as well as the cities of Davis and San Diego.

The analysis and outcomes from the technical feasibility study as well as all of the Phase 1 investigative work undertaken for the past three years indicate that establishing a successful CCE agency within the Monterey Bay Region is highly feasible with a wide range of options.

Formation Recommendations:

(1) Next Steps – All MBCP counties and cities are strongly encouraged to participate in one or more of these next steps to determine their interest in becoming an early adoptive partner in forming a regional CCE-JPA agency:

- Attend the public special study sessions hosted by the PDAC on May 24th and June 9th that will focus on the technical study results, governance, executive staffing and start-up financing options and best practices. At these meetings, executive staff from successful

CCE agencies and other experts will be in attendance to assist interested county and city representatives.

- Request a Board or Council general presentation to determine further interest. For more information or to schedule a meeting, contact Gine Johnson, Office of Santa Cruz Supervisor Bruce McPherson, at (831) 454-2200, gine.johnson@santacruzcounty.us.
- Send a Board representative and/or executive staff member to the PDAC's ad hoc subcommittee meetings. Two subcommittees, Governance and Finance, will meet in parallel with the public special study sessions to develop a formation proposal. Recommendations to the governing Boards of early adoptive county and city partners will be forwarded on or before September 15. To attend these meetings, contact the PDAC Chair, Nancy Gordon at (831) 454-2714, nancy.gordon@santacruzcounty.us.

(2) Decision Deadline: Once a formation determination has been made, the PDAC recommends that the CCE-JPA agency be established on or before October 31, 2016 for several important reasons:

- The best window of opportunity to launch a CCE agency (i.e., actually provide power to customers) has proven to be between April and October as a “best practice.” Even after a CCE-JPA is established, additional formation tasks must ensue which may take up to 12 months, so to make the recommended “launch window”, interested partners should form no later than one year in advance.
- Efforts to undermine the ability of local governments to justify forming CCE agencies are continual through the legislative and regulatory processes. Even though these efforts have not succeeded so far, it may just be a matter of time. If these efforts are eventually successful, CCE agencies that have already been formed will be able to continue unimpeded.
- In order to form a CCE agency, county and city partners must first agree on governance, start-up financing and executive staff recruitment. This process typically took California's established CCE agencies three to four months to accomplish. The deadline of October 31 gives early adoptive partners up to six months to make a final decision. County and city partners that do not make a decision by October will still have the option to join the CCE-JPA at a later date.

CCE Best Practices Recommendations: New CCEs can mitigate risk and ensure best practices by learning from the experiences of operational CCE agencies. The information packet includes an overview of regulations as well as information and lessons learned from other multi-jurisdictional CCE agencies regarding structure, governance, financing and program phasing. The PDAC spent countless hours reviewing and discussing this information with statewide CCE experts and recommends the following best practices be considered by MBCP county and city partners as they contemplate formation:

- **Structure** – The PDAC recommends a regional agency that includes as many of the MBCP county and city partners as possible. The economy of scale relative to procurement buying power, start-up and long-term financing and other operational considerations makes a compelling case for a regional agency. Given the nature and technical complexity of running the business of a CCE program, the PDAC also recommends that the agency not be embedded in an existing government entity, but be formed as a stand-alone joint powers agency. Further, the PDAC does not recommend that an existing CCE-JPA be joined for a fee as the economic and job creation benefits to the Monterey region would be considerably diminished. However, “back-end” turn- key administrative services that have a proven operational track record are readily available to newly formed CCEs and should be accessed to streamline start-up and operational tasks and costs.

- **Governance** – To meet the diverse needs of the Monterey Bay region, the PDAC recommends a governance structure that aligns with these principles:
 - Consistent with the best practices learned from the success and challenges of established CCE governing boards as outlined in Section III of the information packet.
 - Equitably representative and aligned with population density and electricity usage within the region;
 - A manageable number of board members with the ability to scale to accommodate later members;
 - Primary members and alternates should be elected officials;
 - Industry technical experts without a conflict of interest should be advisory to the Board;
 - Structured similarly to an existing and well-accepted Monterey regional JPA board that has been serving the same partner counties and cities successfully for many years, the Monterey Bay Air Resources District.
 - Section III, page 21 of the information packet outlines the specific governance board and technical expert advisory committee structure recommendation.

- **Start-up Financing & Payback Period** – There are many options to providing the capital for Phase 2 formation work, but the most straight forward path is for one of the main partners to provide all of the funding, or guarantee a private loan, which can be paid back with interest once the CCE agency begins to generate revenue from ratepayers. Although a cost-share strategy is often used in starting a joint powers agency, this requires additional time and contractual work in what is already a complex formation

process. However the start-up is financed, the CCE governing Board should aim to pay it back as soon as it is financially feasible.

- Guiding Principles– The PDAC recommends strategic and operational alignment with these principles:
 - Serve community goals and local policy objectives, including greenhouse gas reductions and increased statewide and local renewable energy supply.
 - Control and safeguard customer revenues to ensure long-term financial viability and local government ownership, even when power supply costs fluctuate.
 - Offer competitive rates and choice in customer electricity services that does not include the use of unbundled renewable energy credits, coal or nuclear resources and prioritizes in-state renewable contracts as is financially viable and available.
 - Support the rapid investment in local renewable energy generation to the maximum extent feasible while ensuring fiscal stability, rate parity and carbon reduction goals are met.
 - Pursue long-term power procurement strategies and local power ownerships that hedge future market risk and incorporate diversity of energy suppliers, technologies and products.
 - Plan for long-term financial viability through integrated resource planning, in-house fiscal management, transparent rate setting and policies that build program reserves. Building robust reserves enhances the agency’s credit rating, lowers the cost of procurement and increases the viability of issuing future bonds for projects.
 - Maintain a firewall between the assets and liabilities of the CCE agency and those of municipal general funds.
 - Adhere to applicable statutory and regulatory compliance requirements.
 - Implement effective risk management practices and ensure transparency and accountability to the local community and oversight agencies.
 - Offer complementary programs that serve community interests such as feed and tariff, net-metering, comprehensive energy efficiency retrofits, demand response, community solar, electric vehicle charging, battery storage, as well as support for local training programs in both the private and public sectors and research/development of emerging technologies.

- Establish criteria for the use of surplus revenues that ensures geographic equity and adheres to economic justice principles.
- Define criteria for selecting energy procurement vendor(s) that aligns with the region’s sustainability and economic vitality goals.
- Develop a long-term strategic goal of regional energy self-sufficiency by building out local renewable generation projects using local workers making prevailing wages with benefits. Establish a definition of “the use of local workers” and adhere to established local government definitions of “prevailing wages.”

For more information, please attend one of the upcoming Special Study Sessions:

Monterey County: May 24: 9:30 a.m. to noon, Monterey County Board of Supervisors Chambers, 168 West Alisal Street, 1st Floor, Salinas.

Santa Cruz County: June 9: 9:30 a.m. to noon, Santa Cruz County Board of Supervisors Chambers, 701 Ocean Street, Room 500, Santa Cruz.

San Benito County: June 9: 3-5:30 p.m., San Benito County Board of Supervisors Chambers, 481 4th Street, 1st Floor, Hollister.

Please refer to the full information packet available on the website MBCommunityPower.org for detailed analysis and additional resources.

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We could list each of the info packet sections with links.