

CCA for Monterey Bay?



Powering our own future through Community Choice Aggregation

July 27, 2011

Santa Cruz County Commission on the Environment

What is CCA?



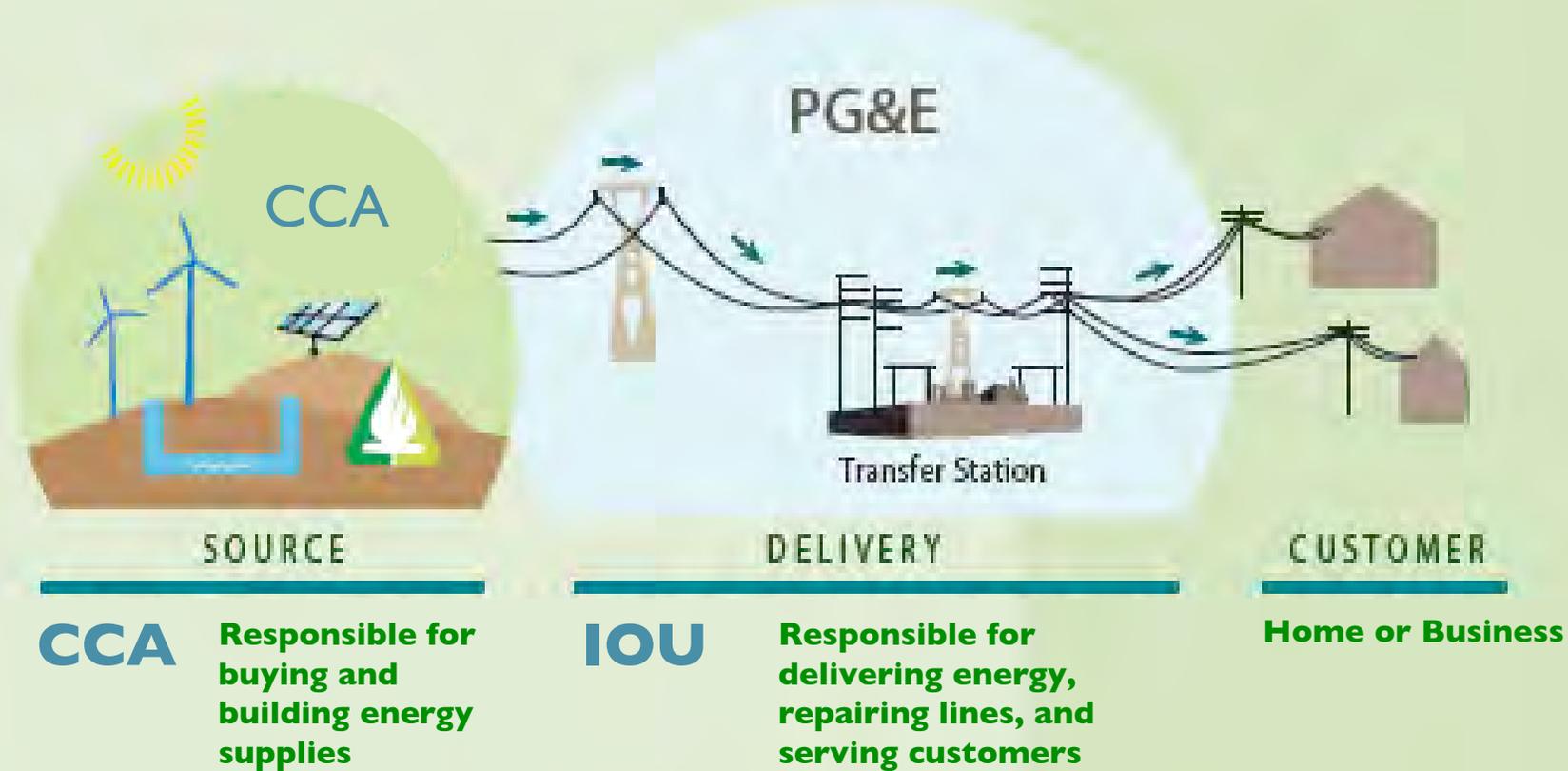
- Enabled by California legislation (AB 117) passed in 2002. The legal term is: **Community Choice Aggregation** or CCA.
- A CCA is a **local government-run electricity program** that operates as a non-profit entity. A CCA can be created by: a county, city, or counties *and* cities acting together as a joint powers authority.
- CCA's operate in **partnership with the local IOU** (PG&E).
- A CCA **purchases and/or generates the electricity** it provides to its customers, and **sets the rates** for the CCA customers.
- A CCA **does not** own or maintain the power lines/meters, or bill/service customers- The IOU (PG&E) continues these services.
- All **customers within the CCA region can “Opt-out”** or choose to continue to be served by the IOU (PG&E).



CCA: The Basics



CCA Hybrid Model



Benefits of CCA



Clean Power

- **Higher Renewable and/or Carbon-free Content**
- **Significant Reductions in GHG emissions & Air Pollution**

Vibrant Economy

- **Green Job Creation & Retention**
- **Local Economic Stimulus**
 - New Investments in Local Energy Facilities
 - Ratepayer Dollars Stay in Local Community
- **Competitive & Stable Electricity Rates**
- **New/Additional Incentive Programs**
 - Energy Efficiency and Renewable Energy Installations

Local Alternatives

- **Permanent Local Purchaser of Wholesale Electricity**



Potential Risks & Mitigations



RISKS:

- **Political**
- **Rates**
- **Financial**
- **Regulatory**
- **IOU Opposition**

MITIGATIONS:

- ✓ **Compressed timeline:** elected official outreach and robust public education
- ✓ **Conservative planning:** continual price modeling, and no over-promising
- ✓ **Extensive review:** significant technical, legal, peer and public review before launch
- ✓ **Non recourse provisions:** means no risk to local governments or taxpayers; credit exposure limited to revenues; firewall in all energy and vendor contracts
- ✓ **Pending 2011 Legislation: SB 790 (Leno)** strengthens existing CCA law
- ✓ **Adequate funds budgeted** for legal and regulatory support
- ✓ **IOU opposition reduced** in the wake of Prop 16 defeat and CPUC rulings/actions



Possible Goals/Covenants



1. **Higher Renewable Content:** meet/exceed state RPS mandates, 100% renewable and carbon-free within 10 years
2. **GHG Reduction:** State (AB 32) & Local GHG reduction targets
3. **Economic Development:** redirection of ratepayer revenue, tailored programs, owned assets over time, job creation/retention
4. **Competitive → Stable → Lower Rates:** compared to IOU (PG&E)
5. **No recourse** to JPA members or local taxpayers
6. **Security:** local energy independence with local renewables
7. **Alternative Electricity Purchaser** for local energy suppliers
8. **Owned Electricity Generation Assets** over time





How can a CCA be cost competitive with IOU's?

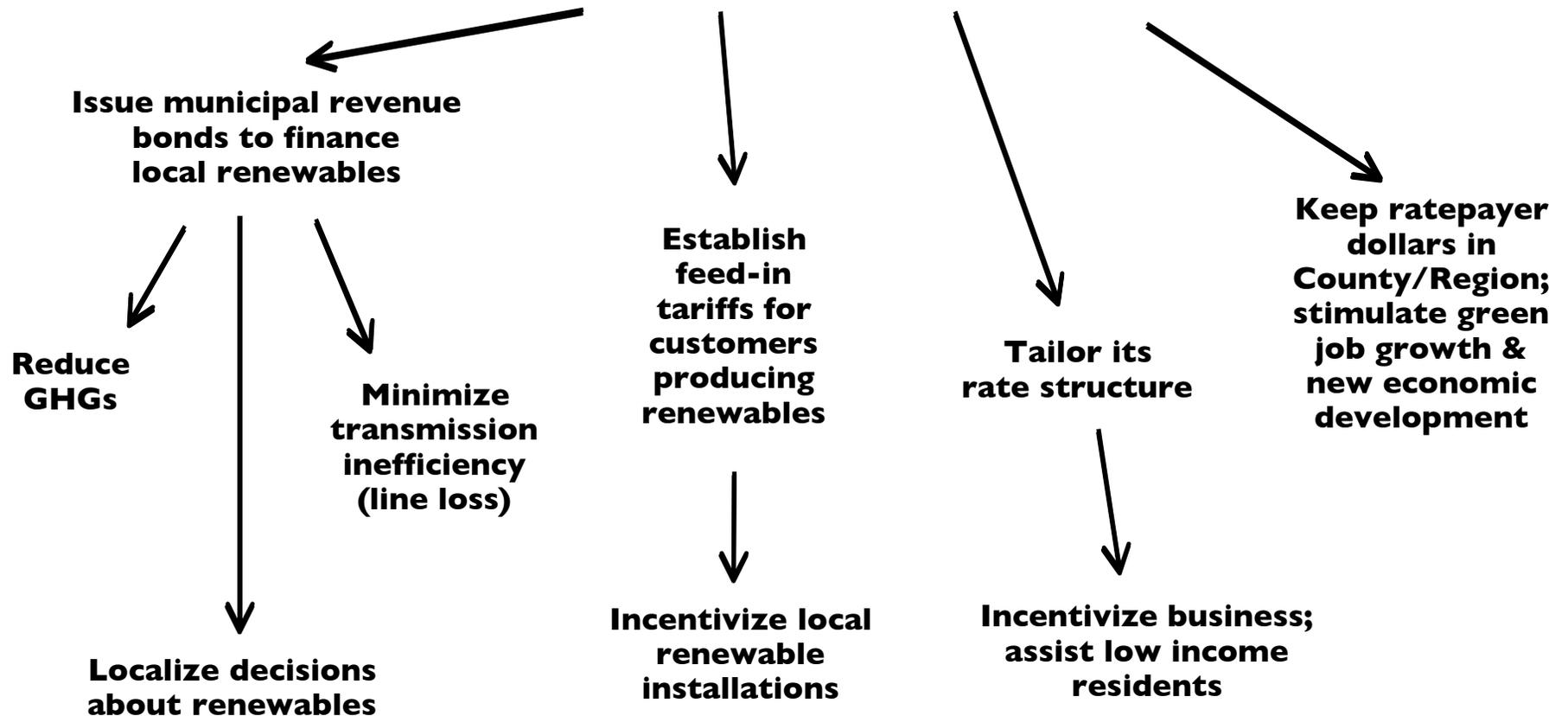
- **Long-term/fixed-cost power purchase contracts**
- **Low overhead & non-profit status**
- **No shareholder profit margins**
- **Low borrowing costs, tax exempt financing**
(i.e. revenue bonds)
- **Self-generation of electricity through locally owned & operated facilities**
- **Discounts on prepayment of energy**



Local Control = Local Benefit



Community Choice Aggregators Can



\$upport for CCA



The **California**
ENERGY COMMISSION



Awarded RESCO contracts to San Luis Obispo and Sonoma to explore CCA



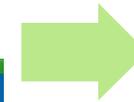
BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT



Awarded contracts to Marin and Sonoma to explore CCA



Provided Funding to Sonoma for CCA feasibility study



Provided Funding to Marin for CCA feasibility study



CCA Around the US & CA



CCA in Six States

California, Illinois, Massachusetts, New Jersey, Ohio, Rhode Island

Possible New States

Colorado, New York, Oregon

And it's catching on in California

Marin County

City/County of San Francisco

East Bay Cities

Humboldt County/City of Arcata

Sonoma County

City of San Jose

Yolo County/City of Davis

San Luis Obispo County

And

Counties of Santa Cruz and Monterey?





Significant GHG Reductions

- **68,595 Tons Reduced Annually** (current load)
- **342,975 Tons Reduced Annually** (by 2012)
- In 8 months, **GHG reductions exceeded all other Marin County programs, COMBINED**
- At full roll out, **reduction rate will exceed Marin's AB 32 targets in less than 3 years**
- **EPA: Marin will be the 2nd community in the US to reduce GHG emissions so drastically**





Substantial Economic Benefits

- **Redirection of \$16 mil of ratepayer revenues back into Marin**
(ramping up to \$75 mil in 2012)
- **Tailored Energy Programs & Incentives:**
 - Available Now: Deep Green Option (100% Renewable/Carbon-free)
Net Energy Metering Program
Feed-in Tariff Program
 - Coming Soon: Demand Response, Community Solar
- **Owned Assets over time**
- **Rates competitive/stable rates & rate reductions over time**



Real World Results: MEA



Competitive Rates

Commercial Rate Comparison 500 kWh/Month

■ PG&E Generation Charge * ■ MCE Generation Charge

*Based on recent ERRA
filing with CPUC



Real World Results: MEA



Competitive Rates

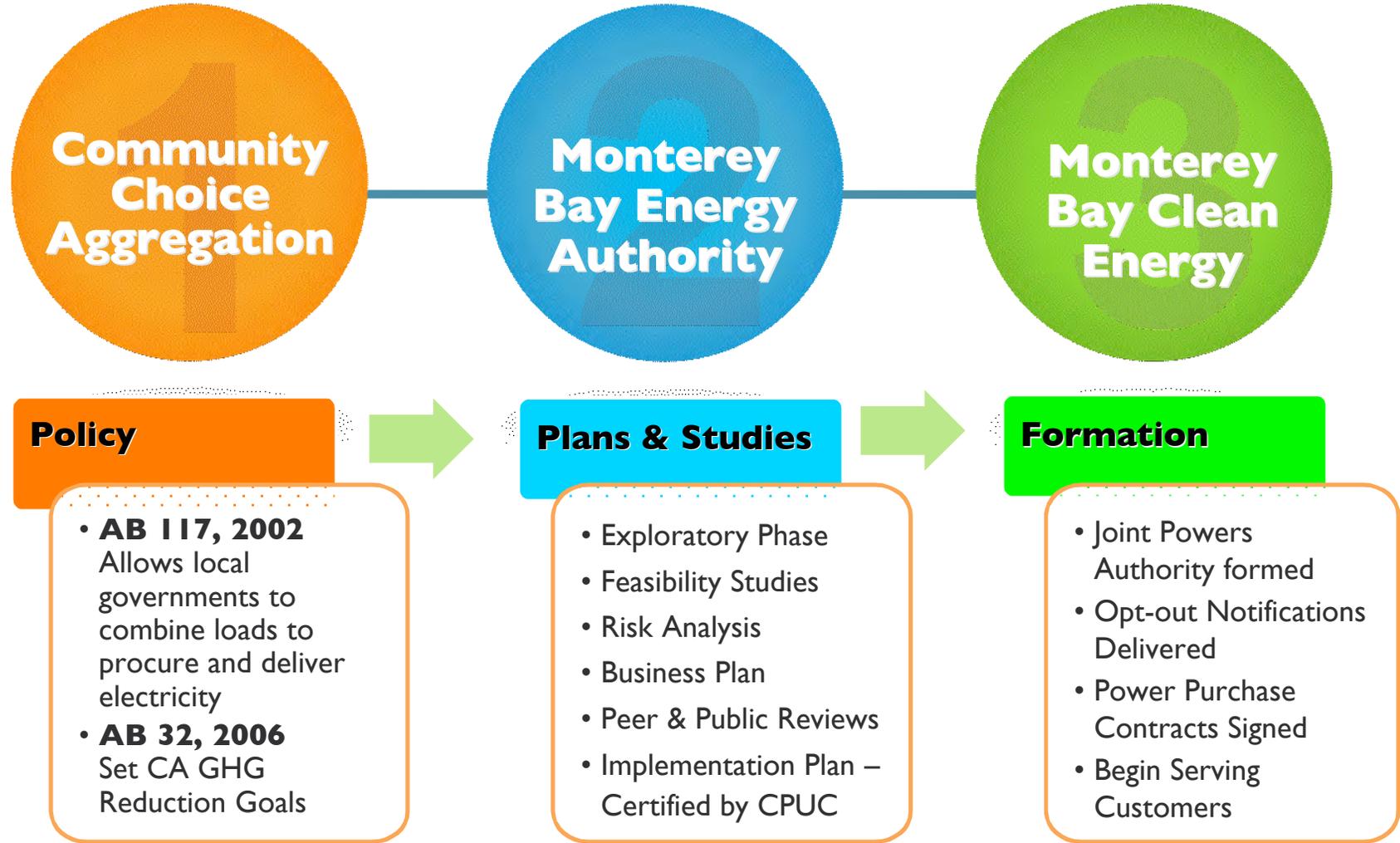
Residential Rate Comparison 500 KWh/Month

■ PG&E Generation Charge * ■ MCE Generation Charge

*Based on recent ERRR
filing with CPUC



CCA Formation



CCA Business Cycle



PHASE	TIME FRAME	FINANCING
START-UP	1-3 years	
Solidify operations and customer base		Grants, term loans, working capital
Energy wholesaler/Data management		Working cap; ratepayer revenue
Launch local energy programs		Operations revenue
MID-TERM	3-5 years	
Market/customer expansion		Operations revenue
PPAs and co-investments		Tax exempt project bonds
LONG-TERM	5+ years	
DBO local energy projects (solar, wind, geothermal, biomass)		Operations reserves; operations revenue; tax exempt bonds; term loans
Sell excess power		Income back to operations



CCA: Getting Started



Exploratory Committee

- **In Partnership with City of SC; Monterey County; Special Districts/JPA's**
- **Support from LEAN & CCA Representatives from Marin, Sonoma, SF**
- **Initial Review & Analysis of CCA Options:**
 - 1) Status Quo (Do Nothing)**
 - 2) Possibility of MEA Membership**
 - **Full Membership with Seat on Board**
 - **Incubator Membership *TBD***
 - 3) Create Santa Cruz County/Monterey Bay CCA**
 - 4) Others?**



CCA Contacts & Resources



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QUESTIONS?



Thank You!

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Climate • Energy • Sustainability

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