



# City of Del Mar Staff Report

TO: Honorable Mayor and City Council Members

FROM: Clem Brown, Environmental Sustainability/Special Projects Manager  
Via Scott W. Huth, City Manager

DATE: October 7, 2019

SUBJECT: Resolution to Establish the Clean Energy Alliance by Joint Exercise of Powers Agreement and Introduction of an Ordinance to Implement a Community Choice Aggregation Program

## REQUESTED ACTION/RECOMMENDATION:

Staff recommends the City Council:

- 1) Adopt a resolution approving and authorizing the execution of the joint exercise of powers agreement creating the Clean Energy Alliance (CEA) (Attachment A);
- 2) Authorize the City Manager, with legal consultation, to execute the CEA Joint Powers Agreement (JPA Agreement) between the Cities of Del Mar, Solana Beach, Carlsbad, Santee and the County of San Diego (Attachment B);
- 3) Introduce an ordinance authorizing the implementation of a Community Choice Aggregation Program (Attachment C); and
- 4) Appoint two Council Members to the CEA Board of Directors (primary/alternate), to represent the City of Del Mar, in accordance with Section 4.1 of the JPA Agreement.

## BACKGROUND

California state law (AB 117) allows local governments to form Community Choice Energy (CCE), also known as Community Choice Aggregation (CCA), programs that offer an alternative electric power option to constituents (i.e., customers) currently served electric power by investor owned utilities (IOUs), such as SDG&E. Under the CCE model, local governments purchase and manage their community's electric power supply by sourcing power from a preferred mix of traditional and renewable generation sources, while the incumbent IOU (SDG&E) continues to provide distribution service. This gives CCEs the opportunity to design and potentially reduce retail rates for their constituents, provide customer choice, promote local economic development, and offer a cleaner power supply.

The City of Del Mar's Climate Action Plan (CAP) sets long-term goals to reduce the greenhouse gas (GHG) emissions in the community. The CAP's goal for 2035 is to reduce GHG emissions to at least 50 percent below Del Mar's baseline 2012 values, and to

continue further reductions to meet the State goal of 80 percent reduction below Statewide 1990 values by 2050.

Recognizing that energy use is a significant contributor to the City’s GHG emissions (36 percent of the 2012 baseline), the CAP has a goal to achieve 100% renewable energy by 2035. Implementing a CCE program is one of the actions identified in the CAP that would facilitate the City achieving this goal.

**DISCUSSION/ANALYSIS:**

After receiving a joint CCE Technical Feasibility Study and Governance Analysis Report, the Del Mar City Council expressed its intent to pursue a CCE program and directed staff to negotiate and enter into a CCE joint powers authority (JPA) with the Cities of Solana Beach and Carlsbad and other potential partners (e.g., City of Santee and County of San Diego). This item recommends that the City Council:

- 1) Adopt a resolution authorizing the execution of the joint exercise of powers agreement with the Cities of Del Mar, Solana Beach, Carlsbad, Santee and the County of San Diego to create the Clean Energy Alliance (CEA);
- 2) Introduce an ordinance to implement a CCE program; and
- 3) Appoint two Council Members to the CEA Board of Directors (primary/alternate).

Establishing a CCE program in the City of Del Mar through a JPA is financially feasible, will reduce GHG emissions, provide local control over energy decisions, and generate enhanced local economic development.

In order to implement a CCE program through a JPA, two City Council actions are required. The first action is to adopt a resolution establishing the City’s participation in the JPA (Attachment A). Del Mar’s participation in CEA, a joint powers authority, is authorized pursuant to California Government Code section 6500 et seq. The proposed resolution authorizes the City Manager to execute the JPA Agreement (Attachment B) with the other potential Founding Members, the Cities of Solana Beach Carlsbad, Santee and the County of San Diego.

The JPA Agreement contains the following key provisions:

<b>Clean Energy Alliance Joint Powers Authority Key Terms &amp; Conditions</b>	
<b>File Implementation Plan</b>	December 2019
<b>Launch Year</b>	2021

<b>Power Supply Portfolio (Section 6.5)</b>	<ul style="list-style-type: none"> <li>• &gt; or equal to 50% RPS at launch (base product)</li> <li>• 100% RPS by 2035</li> <li>• Product options with higher RPS and/or GHG-free content (e.g., 75% RPS)</li> <li>• Flexibility for each member to select its own energy portfolio at the 50% minimum renewal baseline or above to meet CAP goals</li> </ul>
<b>Rates (Recitals)</b>	<ul style="list-style-type: none"> <li>• Provide competitive rates with a target generation rate at least 2% below SDG&amp;E's base product generation rate</li> <li>• Maintain residential net energy metering for solar customers</li> <li>• Maintain discount programs for low-income customers</li> </ul>
<b>Representation (Section 4.1)</b>	<ul style="list-style-type: none"> <li>• 1 Member, 1 Vote</li> <li>• Board Members and Alternates must be a member of the governing body of each member agency</li> </ul>
<b>Voting (Section 4.11 &amp; 4.12)</b>	<ol style="list-style-type: none"> <li>1. Board actions require a simple majority vote</li> <li>2. Two-thirds vote of the entire Board will be required for:       <ol style="list-style-type: none"> <li>a. Issuing bonds or other debt</li> <li>b. Adding or removing member agencies or removing Board members</li> <li>c. Amending or terminating the Agreement or adopting or amending the bylaws of the Authority</li> </ol> </li> <li>3. Three-fourths vote of the entire Board will be required to initiate any action for Eminent Domain and must include an affirmative vote by the home jurisdiction</li> <li>4. A unanimous vote of the entire Board will be required to amend the following provisions in the Agreement:       <ol style="list-style-type: none"> <li>a. Purpose of the Agreement (Section 2.3)</li> <li>b. Compliance with Local Zoning &amp; Building Laws (Section 3.6)</li> <li>c. Voting Requirements (Sections 4.11 and 4.12)</li> <li>d. Eminent Domain (Section 4.12.2)</li> <li>e. Power Supply Requirements (Section 6.5)</li> <li>f. Transition of Solana Energy Alliance CCA (Section 6.6)</li> </ol> </li> </ol>
<b>Membership (Section 2.4)</b>	<p><u>Prior to October 1, 2020</u> – open to new members with a positive feasibility study, if no undue risk or financial burden to the JPA or Climate Action Plan goals of the founding member agencies, and payment of its share of start-up costs</p> <p><u>After October 1, 2020</u> – new members admitted with a 2/3 vote of the Board and payment of a membership fee to cover any costs incurred by the JPA</p>

<p><b>Start-up Costs (Section 7.3.2)</b></p>	<p>To be split equally by the member agencies; reimbursed from JPA operating revenues</p>
<p><b>How Discretionary Revenues are to be Spent (Section 7.6)</b></p>	<p><u>Guiding principal</u> - discretionary revenues will support the JPA’s long-term financial viability, enhance customer rate stability, and provide all member agencies and their customers with access to innovative energy programs, projects and services</p> <p><u>Financial provisions</u> - the JPA Board will establish specific policies for the expenditure of discretionary revenues. As determined by the Board, discretionary revenues may be used to provide programs and develop projects of the JPA, or allow member agencies to direct funds into qualified programs and projects, or provide other ratepayer benefits. The Board must endeavor to achieve a balanced distribution substantially commensurate with each member’s energy load. The Board must also conduct periodic audits no less than every two years to verify the balanced distribution of program and project benefits and take corrective action to achieve or continue to maintain a balanced distribution</p>
<p><b>Withdrawal from JPA (Section 8.1)</b></p>	<p>Upon start-up, a member may immediately withdraw with written notice to the Board at any time prior to the Authority filing its first load forecast with the CPUC, which is anticipated to occur in April 2020, with no financial obligation other than its share of initial costs and any costs directly related to the resulting amendment of the Implementation Plan</p> <p>After launch, a member can withdraw from the JPA with 1-year advance notice at the beginning of a fiscal year</p>
<p><b>Eminent Domain (Section 4.12.2)</b></p>	<p>Requires 3/4 vote with an affirmative vote by the home jurisdiction</p>

Once established, CEA will launch, operate and govern the CCE program, in accordance with the terms of the JPA Agreement, on behalf of its Founding Members. The JPA Agreement establishes the governing principles of CEA. These principles will guide the implementation and operation of CEA for the Founding Members that adopt the required resolution and ordinance to join the JPA in a timely manner, in order to meet State-mandated deadlines. Once the Board is seated, the Board will take the next steps in directing the completion of the CEA’s Implementation Plan, hiring key vendors and JPA staff, setting operational policies, establishing CEA’s energy supply mix, rates and programs, and moving toward customer enrollment and launch in 2021.

The second action is to adopt a CCE enabling ordinance as required by Public Utility Code Section 366.2 (c) (12). The proposed ordinance is included as Attachment C.

The other potential Founding Members of CEA will consider similar actions on the following dates: Carlsbad (October 8), Solana Beach and Santee (October 9) and the County of San Diego (October 15). It is worth noting that the City of Solana Beach has already introduced a CCE ordinance prior to launching its CCE program, Solana Energy Alliance, and needs only to approve the JPA agreement on October 9. CEA has a shared timeline for approval of the JPA Agreement and ordinances by all Founding Members in order to support a 2021 CCE program launch.

### **Supporting a 2021 Launch**

Launching a CCE program in 2021 is a priority for Del Mar and the other Founding Members of CEA. The California Public Utilities Commission issued Resolution E-4907 in 2018, establishing a timeline and registration process for new CCE programs that requires one year between submission of a CCE Implementation Plan (must occur on or before January 1 of the given year) and program launch. To meet the 2021 target for customer enrollment and launch, CEA is required to submit the Board-approved Implementation Plan and Statement of Intent to the CPUC no later than January 1, 2020. All Founding Members must adopt the necessary CCE ordinance, execute the JPA Agreement and appoint two Council Members (primary/alternate) to the CEA Board of Directors by mid-November. This will allow the Board to schedule a first meeting in November and provide adequate time for all parties to assemble and approve the Implementation Plan prior to the December 31, 2019 CPUC submittal deadline.

### **Board Appointments**

In accordance with Section 4.1 of the JPA Agreement, the City Council must appoint two Council Members to the CEA Board of Directors (primary/alternate) to represent the City of Del Mar. One regular Director should be appointed, as well as one alternate Director who may vote on matters when the regular Director is absent from board meetings. The Board will likely be first seated in late November, thus appointments need to be made as soon as possible to allow for adequate scheduling and briefing time.

### **Finance Committee Review**

When the Del Mar City Council accepted the North San Diego County Cities CCE Technical Feasibility Study on April 15, 2019, they directed staff to share it with the Finance Committee for review. Staff sent the study to the Chair of the Finance Committee on May 29, 2019. On August 21, 2019, staff sent the Committee Chair the CCE Governance Analysis Report prior to it being heard by the City Council on September 9, 2019. The City Council requested that the Finance Committee assess the financial projections, investment requirements and risks associated with the proposed JPA.

In order to provide current financial information for evaluation by the Finance Committee, staff directed the City's CCE consultant, EES Consulting, to prepare a fiscal analysis of

the proposed JPA that included a 10-year pro forma of the combined electricity loads of the following three JPA member agency scenarios (Attachment D):

- Del Mar, Solana Beach and Carlsbad;
- Del Mar, Solana Beach, Carlsbad and Santee; and
- Del Mar, Solana Beach, Carlsbad, Santee and the County of San Diego.

The analysis, which also included written responses to questions from the Committee's CCE subcommittee, was submitted to Finance Committee and discussed at their meeting on October 1, 2019.

The results of the financial forecast show that the JPA could offer rates 2% lower than SDG&E's bundled rates, keep operating costs low, and accumulate healthy revenue reserves under all three JPA member agency scenarios. However, the Finance Committee offered the following feedback and recommendations related to risk management for consideration by the City Council and Del Mar's future JPA Board Director:

- An experienced management team should be hired by the JPA to manage the energy procurement, data management, operations, SDG&E coordination, and finance/treasury functions.
- The JPA should select partners/consultants with the expertise, financial capacity and record of accomplishment to execute the energy procurement and data management/scheduling tasks.
- The JPA will need to establish policies relating to the nature and extent of long-term purchases contracts, the usage of hedges and other finance mechanisms and the level of risk that the JPA wishes to undertake in procuring energy.
- A financing plan should be established that outlines the extent and nature of borrowings the JPA will enter into in the normal course of financing the business.

Overall, the Finance Committee supports the City's CAP objectives and recognizes that a CCE program may be instrumental in the City achieving its GHG emission reduction goals. However, the Committee would like to continue its evaluation of the financial aspects of the proposed JPA's business model and risk mitigation policies to ensure that the enterprise is managed prudently as these programs move forward. This monitoring will provide additional support for Del Mar's JPA Board representative.

### **Next Steps**

Should the City Council direct staff to pursue the recommend action, the CEA Board of Directors must be formed and hold at least two meeting prior to the end of the year in order to launch the CCE in 2021 – one meeting to direct the completion of an Implementation Plan and one meeting to approve the Implementation Plan. The Implementation Plan must be filed with the CPUC by December 31, 2019.

### Tentative Schedule

- End of November – JPA Board is seated for first Board Meeting and drafting of Implementation Plan is directed
- Beginning of December – JPA Board reviews draft of Implementation Plan (optional/if needed)
- Mid-December – JPA Board adopts Implementation Plan.
- December 31, 2019 – Implementation Plan submitted to CPUC

The noted actions may be scheduled to occur sooner if possible.

### PRIOR CITY COUNCIL REVIEW:

October 3, 2016 – City Council adopted Resolution 2016-52 stating City interest in exploring the feasibility of a CCE program and authorized the City Manager to request load data from San Diego Gas & Electric.

June 5, 2017 – City Council authorized the City Manager to enter a cost share agreement with the cities of Encinitas, Carlsbad and Oceanside to prepare a CCE Technical Feasibility Study and allocated \$35,000 for this effort.

March 4, 2019 – City Council received the draft feasibility study and authorized the City Manager to negotiate, execute and fund an amendment to the CCE study cost share agreement allowing the City of Del Mar to participate in a joint evaluation of potential CCE governance options.

April 15, 2019 – Authorized the procurement of joint legal service to assist in negotiating and preparing CCE formation documents, and adopted Resolution 2019-19 expressing the City Council's intent to pursue a CCE Program.

September 9, 2019 – Received the CCE Governance Analysis Report and approved a recommendation from City Council Members Worden and Haviland to negotiate and enter into a CCE Authority Joint Powers Agreement with the Cities of Solana Beach, Carlsbad and other potential partners.

### FISCAL IMPACT:

#### **Startup Costs**

In the technical feasibility study, the startup costs for a four-city CCE program (Del Mar, Encinitas, Carlsbad and Oceanside) were estimated to be \$1.25 million. These non-power supply costs (which represent approximately 10% of a CCE overall budget) include staffing, administrative costs, consultant costs, SDG&E billing and metering costs, and associated financing.

Startup costs can be funded by a city’s general fund, financed through a banking institution or covered by a contracted third-party CCE vendor. If the funds come from a city’s general fund, they are subject to reimbursement by the CCE program (e.g., Clean Energy Alliance) once the CCE begins generating discretionary revenue. Experience has shown that the currently operating CCEs have been able to reimburse the startup costs from their member agencies in two to four years post launch. Staff cannot predict the length of the payback period because it is ultimately a JPA Board decision that would be influenced by the performance of the CCE program and external energy market factors. All of the potential Founding Members share an interest in reimbursing startup costs provided by their respected agencies.

The proposed CEA Founding Members (Cities of Del Mar, Solana Beach, Carlsbad, Santee and the County of San Diego) will share the initial startup costs equally, with an explicit agreement that those costs be subject to reimbursement as stipulated in Sections 7.3.2 and 7.3.3 of the JPA Agreement. Using the \$1.25 million figure from the technical feasibility study, Del Mar’s portion of the initial startup costs would be approximately \$250,000 if all five potential Founding Members join the JPA. If the City of Santee and/or the County of San Diego decides not to join the JPA, Del Mar’s portion of the startup costs would increase to \$312,500 (one opts out) or \$416,600 (both opt out).

Staff’s assessment of the estimated startup costs is that they are very conservative and represent the high-end range of what it would take to establish a robust organizational structure to support the CCE program. Based on recent discussions with the City of Solana Beach, which established its own CCE Program in 2018, it is likely a leaner and streamlined CCE operating structure could be achieved by these parties at a lower initial startup cost. Finally, once the CCE program is operational and governed by the JPA (anticipated in early 2021), there would be no ongoing financial commitments required of the City beyond its initial startup costs.

**Current CCE Budget/Expenditures**

The table below shows the City’s CCE budget by fiscal year, current expenditures, outstanding invoices/encumbrances and the remaining available budget. This budget can be allocated to offset a portion of the City’s initial startup costs.

FY	CCE Budget	Expenditures	Outstanding Invoices (Encumbrances)	Balance
18	\$35,000	\$0	\$0	\$0*
19	\$25,000**	\$11,333 – Technical Feasibility Study	\$7,360 – Governance Analysis \$4,050 – Outside Legal Support	\$2,257
20	\$55,750	\$0	\$3,390 – Additional Financial Analysis from EES	\$52,360
21	\$30,880	\$0	\$0	\$30,880
Total Available CCE Budget				<b>\$85,497</b>

\*\$20,000 was carried over to FY19

\*\*City Council approved an additional \$5,000 for outside legal services on 4/15/2019

If the City were to apply the \$85,500 of available budget to its estimated share of the startup costs (\$250,000-\$416,600), the City would need to fund an additional \$164,500-\$331,100 from the General Fund Contingency to cover the difference.

**ENVIRONMENTAL IMPACT:**

The project is exempt from the California Environmental Quality Act (CEQA) because it is not a “project” under Section 15378(b)(5) of the CEQA Guidelines. The action involves an organizational or administrative activity of government that will not result in the direct or indirect physical change in the environment.

**NEXUS TO CITY COUNCIL GOALS AND PRIORITIES:**

This project is a priority project on the City Council’s list of goals and priorities.

**ATTACHMENTS:**

Attachment A – Resolution 2019-XX

Attachment B – Clean Energy Alliance Joint Powers Agreement

Attachment C – Ordinance No. XXX

Attachment D – CCE JPA Fiscal Analysis for Finance Committee

RESOLUTION NO.2019-XX

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF DEL MAR APPROVING AND AUTHORIZING THE EXECUTION OF THE JOINT EXERCISE OF POWERS AGREEMENT CREATING THE CLEAN ENERGY ALLIANCE

WHEREAS, Section 6500 et seq. of the Government Code authorizes the joint exercise by two or more public agencies of any power common to them as a Joint Powers Authority (“JPA”); and

WHEREAS, Public Utilities Code Section 366.2(c)(12) specifically authorizes two or more cities and counties to conduct a Community Choice Aggregation (“CCA”) program through the creation of a Joint Powers Authority; and

WHEREAS, the creation of a JPA would allow its members to share resources and jointly provide and achieve the environmental and economic benefits of a CCA program on a regional basis; and

WHEREAS, on October 3, 2016, the Del Mar City Council approved Resolution 2016-52 stating the City’s interest in exploring the feasibility of a CCA program; and

WHEREAS, since January 2018, the City of Del Mar (“City”), working in cooperation with other cities in northern San Diego County, has been actively investigating the feasibility of commencing CCA service for electric customers within the City, with the objective of addressing climate change by reducing energy-related greenhouse gas emissions, promoting electrical rate price stability and cost savings and fostering consumer choice and local economic benefits such as job creation, local energy programs and local renewable energy development; and

WHEREAS, on April 15, 2019, the Del Mar City Council received the final North San Diego County Cities Community Choice Energy Technical Feasibility Study, dated March 28, 2019 (“Feasibility Study”); and

WHEREAS, the Feasibility Study, which determined that a CCA program would be both technically and financially feasible, examined a number of organizational structures by which a CCA program could be implemented including a JPA; and

WHEREAS, the City of Del Mar (“City”) desires to enter into a JPA Agreement (“Agreement”) to establish the Clean Energy Alliance along with the Founding Members identified in the Agreement, and any additional members approved by the JPA Board in the future.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Del Mar, that:

1. The Joint Exercise of Powers Agreement creating the Clean Energy Alliance (“CEA”) is hereby approved, and the City Manager is authorized to execute the

Agreement in substantially the form attached to the Staff Report as Attachment B, together with minor technical or clerical corrections, if any.

2. Staff is authorized and directed to take such further actions as may be necessary and appropriate to implement the intent and purposes of this Resolution.
3. This Resolution and the creation of the CEA is exempt from the requirements of the California Environmental Quality Act ("CEQA"), as it involves organizational and administrative activities of government that will not result in direct or indirect physical changes on the environment, and therefore is not considered a "project." (14 Cal. Code Regs. § 15378(b)(5).)

PASSED, APPROVED, AND ADOPTED by the City Council of the City of Del Mar, at the Regular Meeting held on the 7th day of October, 2019.

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Dave Druker, Mayor  
City of Del Mar

APPROVED AS TO FORM:

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Leslie E. Devaney, City Attorney  
City of Del Mar

ATTEST AND CERTIFICATION:

STATE OF CALIFORNIA  
COUNTY OF SAN DIEGO  
CITY OF DEL MAR

I, ASHLEY JONES, Administrative Services Director/City Clerk of the City of Del Mar, California, DO HEREBY CERTIFY, that the foregoing is a true and correct copy of Resolution No. 2019-\_\_ adopted by the City Council of the City of Del Mar, California, this 7th day of October 2019, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

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Ashley Jones, Administrative Services  
Director/City Clerk  
City of Del Mar

**Clean Energy Alliance Joint Powers Agreement**

Effective \_\_\_\_\_

## CLEAN ENERGY ALLIANCE JOINT POWERS AGREEMENT

This Joint Powers Agreement (the "Agreement"), effective as of \_\_\_\_\_, is made by the Founding Members of the Clean Energy Alliance and entered into pursuant to the provisions of Title 1, Division 7, Chapter 5, Article 1 (Section 6500 et seq.) of the California Government Code relating to the joint exercise of powers among the public agencies set forth in **Exhibit B**.

### RECITALS

1. The Parties are public agencies sharing various powers under California law, including but not limited to the power to purchase, supply, and aggregate electricity for themselves and their customers.
2. SB 350, adopted in 2015, mandates a reduction in greenhouse gas emissions to 40 percent below 1990 levels by 2030 and to 80 percent below 1990 levels by 2050. In 2018, the State Legislature adopted SB 100, which directs the Renewable Portfolio Standard to be increased to 60% renewable by 2030 and establishes a policy for eligible renewable energy resources and zero-carbon resources to supply 100 percent of electricity retail sales to California end-use customers by 2045.
3. The purposes for the Founding Members (as such term is defined in Exhibit A) entering into this Agreement include procuring/developing electrical energy for customers in participating jurisdictions, addressing climate change by reducing energy-related greenhouse gas emissions, promoting electrical rate price stability and cost savings, and fostering consumer choice and local economic benefits such as job creation, local energy programs and local power development. It is the intent of this Agreement to promote the development and use of a wide range of renewable energy sources and energy efficiency programs, including but not limited to state, regional, and local solar and wind energy production and energy storage.
4. The Parties to this Agreement desire to establish a separate public agency, known as the Clean Energy Alliance ("Authority"), under the provisions of the Joint Exercise of Powers Act of the State of California (Government Code Section 6500 et seq.) ("Act") in order to collectively study, promote, develop, conduct, operate, and manage energy programs.
5. The Founding Members have each adopted an ordinance electing to implement through the Authority a Community Choice Aggregation program pursuant to California Public Utilities Code Section 366.2 ("CCA Program"). The first priority of the Authority will be the consideration of those actions necessary to implement the CCA Program on behalf of participating jurisdictions.
6. By establishing the Authority, the Parties seek to:
  - (a) Provide electricity service to residents and businesses located within the jurisdictional boundaries of the public agencies that are members of the Authority in a responsible, reliable, innovative, and efficient manner;

- (b) Provide electric generation rates to all ratepayers that are competitive with those offered by the Investor Owned Utility, San Diego Gas & Electric (SDG&E), for similar products with a target generation rate at least 2 percent below SDG&E's base product generation rate;
- (c) Offer a mix of energy products for standard commodity electric service that provide a cleaner power portfolio than that offered by SDG&E for similar service and other options, including a 90 percent and a 100 percent renewable content options in which communities and customers may "opt-up" and voluntarily participate, with the ultimate objective of achieving—and sustaining—the Climate Action Plan goals of the Parties, at competitive rates;
- (d) Develop an aggregate electric supply portfolio with overall lower greenhouse gas (GHG) emissions than SDG&E, and one that supports near-term achievement of the Parties' greenhouse gas reduction goals and renewable electricity goals;
- (e) Promote an energy portfolio that incorporates energy efficiency and demand response programs and pursues ambitious energy consumption reduction goals;
- (f) Pursue the procurement of local generation of renewable power developed by or within member jurisdictions with an emphasis on local jobs, where appropriate, without limiting fair and open competition for projects or programs implemented by the Authority;
- (g) Provide a range of energy product and program options, available to all Parties and customers, that best serve their needs, their local communities, and support regional sustainability efforts;
- (h) Support low-income households having access to special utility rates including California Alternative Rates for Energy (CARE) and Family Electric Rate Assistance (FERA) programs;
- (i) Use discretionary program revenues to support the Authority's long-term financial viability, enhance customer rate stability, and provide all Parties and their customers with access to innovative energy programs, projects and services throughout the jurisdiction of the Authority; and
- (j) Create an administering Authority that seeks to maximize economic benefits and is financially sustainable, well-managed and responsive to regional and local priorities.

### **AGREEMENT**

NOW, THEREFORE, in consideration of the mutual promises, covenants, and conditions hereinafter set forth, it is agreed by and among the Parties as follows:

## 1. DEFINITIONS AND EXHIBITS

- 1.1 **Definitions.** Capitalized terms used in this Agreement shall have the meanings specified in Exhibit A, unless the context requires otherwise.
- 1.2 **Documents Included.** This Agreement consists of this document and the following exhibits, all of which are hereby incorporated into this Agreement:
- Exhibit A: Definitions  
Exhibit B: List of Founding Members

## 2. FORMATION OF THE COMMUNITY CHOICE ENERGY AUTHORITY

- 2.1 **Effective Date and Term.** This Agreement shall become effective and the Authority shall exist as a separate public agency on the date this Agreement is executed by at least three Founding Members after the adoption of the ordinances required by Public Utilities Code Section 366.2(c)(12). The Authority shall provide notice to the Parties of the Effective Date. The Authority shall continue to exist, and this Agreement shall be effective, until the Agreement is terminated in accordance with Section 8.4 (Mutual Termination), subject to the rights of the Parties to withdraw from the Authority under Section 8.1.
- 2.2 **Formation of the Authority.** Under the Act, the Parties hereby create a separate joint exercise of power agency named the Clean Energy Alliance. Pursuant to Sections 6506 and 6507 of the Act, the Authority is a public agency separate from the Parties. The jurisdiction of the Authority shall be all territory within the geographic boundaries of the Parties; however, the Authority may, as authorized under applicable law, undertake any action outside such geographic boundaries as is necessary to the accomplishment of its purpose.
- 2.3 **Purpose.** The purpose of this Agreement is to establish the Authority, to provide for its governance and administration, and to define the rights and obligations of the Parties. This Agreement authorizes the Authority to provide opportunities by which the Parties can work cooperatively to create economies of scale and implement sustainable energy initiatives that reduce energy demand, increase energy efficiency, and advance the use of clean, efficient, and renewable resources in the region for the benefit of all the Parties and their constituents, including, but not limited to, establishing and operating a CCA Program.
- 2.4 **Addition of Parties.** After the initial formation of the Authority and prior to October 1, 2020, any incorporated municipality, county, or other public agency authorized to be a community choice aggregator under Public Utilities Code Section 331.1 and located within the service territory of SDG&E may become a member of the Authority if it has completed a positive CCE Feasibility Study, adopted a CCA ordinance pursuant to Public Utilities Code Section 366.2(c)(12), approved and executed this Agreement, and paid or agrees to pay its share of the Initial Costs pursuant to Section 7.3.2 of this Agreement. Notwithstanding the foregoing, such public agency may be denied membership in the Authority if the

Board determines within 60 days after the submittal of the CCE Feasibility Study that the addition of the public agency would create an undue risk or financial burden to the Authority or to the achievement of the CAP goals of the Parties.

On or after October 1, 2020, any incorporated municipality, county, or other public agency authorized to be a community choice aggregator under Public Utilities Code Section 331.1 and located within the service territory of SDG&E may apply to and become a member of the Authority if all the following conditions are met:

- 2.4.1 Adoption of a resolution by a two-thirds vote of the entire Board authorizing membership in the Authority;
  - 2.4.2 Adoption by the proposed member of a CCA ordinance as required by Public Utilities Code Section 366.2(c)(12) and approval and execution of this Agreement and other necessary program agreements by the proposed member;
  - 2.4.3 Payment of a membership fee, if any, as may be required by the Board to cover Authority costs incurred in connection with adding the new party; and
  - 2.4.4 Satisfaction of any other conditions established by the Board.
- 2.5 **Continuing Participation.** The Parties acknowledge that membership in the Authority may change by the addition, withdrawal and/or termination of Parties. The Parties agree to participate with such other Parties as may later be added by the Board, as described in Section 2.4 (Addition of Parties) of this Agreement. The Parties also agree that the withdrawal or termination of a Party shall not affect this Agreement or the remaining Parties' continuing obligations under this Agreement.

### 3. **POWERS**

- 3.1 **General Powers.** The Authority shall have the powers common to the Parties which are necessary or appropriate to the accomplishment of the purposes of this Agreement, subject to the restrictions set forth in Section 3.4 (Limitation on Powers) of this Agreement.
- 3.2 **Specific Powers.** Specific powers of the Authority shall include, but not be limited to, each of the following powers, which may be exercised at the discretion of the Board:
  - 3.2.1 make and enter into contracts;
  - 3.2.2 employ agents and employees, including but not limited to a Chief Executive Officer;

- 3.2.3 acquire, own, contract, manage, maintain, and operate any buildings, public works, improvements or other assets including but not limited to public electric generation resources;
- 3.2.4 acquire property for the public purposes of the Authority by eminent domain, or otherwise, except as limited under Section 6508 of the Act and Sections 3.6 and 4.12.3 of this Agreement, and to hold or dispose of any property; provided, however, the Authority shall not exercise the power of eminent domain within the jurisdiction of a Party without its affirmative vote under Section 4.12.2;
- 3.2.5 lease any property;
- 3.2.6 sue and be sued in its own name;
- 3.2.7 incur debts, liabilities, and obligations, including but not limited to loans from private lending sources pursuant to its temporary borrowing powers authorized by law pursuant to Government Code Section 53850 et seq. and authority under the Act;
- 3.2.8 issue revenue bonds and other forms of indebtedness;
- 3.2.9 apply for, accept, and receive all licenses, permits, grants, loans or other aids from any federal, state or local public agency;
- 3.2.10 form independent corporations or entities, if necessary, to carry out energy supply and energy conservation programs;
- 3.2.11 submit documentation and notices, register, and comply with applicable orders, tariffs and agreements for the establishment and implementation of the CCA Program and other energy programs;
- 3.2.12 adopt rules, regulations, policies, bylaws and procedures governing the operation of the Authority;
- 3.2.13 make and enter into service agreements relating to the provision of services necessary to plan, implement, operate and administer the CCA Program and other energy programs, including the acquisition of electric power supply and the provision of retail and regulatory support services;
- 3.2.14 receive revenues from sale of electricity and other energy-related programs; and
- 3.2.15 Partner or otherwise work cooperatively with other CCA's on the acquisition of electric resources, joint programs, advocacy and other efforts in the interests of the Authority.

- 3.3 **Additional Powers to be Exercised.** In addition to those powers common to each of the Parties, the Authority shall have those powers that may be conferred upon it by law and by subsequently enacted legislation.
- 3.4 **Limitation on Powers.** As required by Section 6509 of the Act, the powers of the Authority are subject to the restrictions upon the manner of exercising power possessed by the City of Solana Beach and any other restrictions on exercising the powers of the Authority that may be adopted by the Board.
- 3.5 **Obligations of the Authority.** The debts, liabilities, and obligations of the Authority shall not be the debts, liabilities, and obligations of any of the Parties unless a Party agrees in writing to assume any of the debts, liabilities, and obligations of the Authority with the approval of its Governing Body, in its sole discretion. A Party that has not agreed in writing, as duly authorized by its Governing Body, to assume an Authority debt, liability, or obligation shall not be responsible in any way for such debt, liability, or obligation, regardless of any action by the Board. Further, the debts, liabilities and obligations of the City of Solana Beach related to or arising from its existing CCA program, commonly known as the Solana Energy Alliance, shall not be the debts, liabilities or obligations of the Authority or any of the Parties except the City of Solana Beach unless the Board approves assuming specific contracts entered into by the City of Solana Beach. Any such contracts assumed by the Authority shall be obligations of the Authority only and not of any of the Parties. Notwithstanding Sections 4.12.1 and 9.8 of this Agreement, this Section 3.5 shall not be amended or its liability limitations otherwise modified by an amendment to another part of this Agreement unless such amendment is approved by the Governing Body of each Party.
- 3.6 **Compliance with Local Zoning and Building Laws.** Notwithstanding any other provisions of this Agreement or state law, any facilities, buildings, structures or other projects (the “project”) developed, constructed or installed or caused to be developed, constructed or installed by the Authority within the territory of the Authority (which consists of the territorial jurisdiction of the Parties) shall comply with the General Plan, zoning, land use regulations, building laws and any applicable local Coastal Plan of the local jurisdiction within which the project is located.
- 3.7 **Compliance with the Political Reform Act and Government Code Section 1090.** The Authority and its officers and employees shall comply with the Political Reform Act (Government Code Section 81000 et seq.) and Government Code Section 1090 et seq. The Board shall adopt a Conflict of Interest Code pursuant to Government Code Section 87300. The Board may adopt additional conflict of interest regulations in the Operating Policies and Procedures.

## 4. GOVERNANCE

### 4.1 **Board of Directors.**

4.1.1 The Governing Body of the Authority shall be a Board of Directors ("Board") consisting of one Director for each Party appointed in accordance with Section 4.2 (Appointment and Removal of Directors) of this Agreement.

4.1.2 Each Director must be a member of the Governing Body of the appointing Party. Each Director shall serve at the pleasure of the Governing Body of the Party that appointed such Director and may be removed as Director by such Governing Body at any time. If at any time a vacancy occurs on the Board, then a replacement shall be appointed to fill the position of the previous Director within 45 days after the date that position becomes vacant.

4.1.3 The Governing Body of each Party also shall appoint an alternate to serve in the absence of the primary Director. The alternate also shall be a member of the Governing Body of the appointing Party. The alternate shall have all the rights and responsibilities of the primary Director when serving in his/her absence.

4.1.4 Any change to the size and composition of the Board other than what is described in this section shall require an amendment of this Agreement in accordance with Section 4.12.

### 4.2 **Appointment and Removal of Directors.** The Directors shall be appointed and may be removed as follows:

4.2.1 The Governing Body of each Party shall appoint and designate in writing one regular Director, who shall be authorized to act for and on behalf of the Party on matters within the powers of the Authority. The Governing Body of each Party shall appoint and designate in writing one alternate Director who may vote on matters when the regular Director is absent from a Board meeting. The alternate Director may vote on matters in committee, chair committees, and fully participate in discussion and debate during meetings. All Directors and alternates shall be subject to the Board's adopted Conflict of Interest Code.

4.2.2 A Director may be removed by the Board for cause in accordance with procedures adopted by the Board. Cause shall be defined for the purposes of this section as follows:

- a. Unexcused absences from three consecutive Board meetings.
- b. Unauthorized disclosure of confidential information or documents from a closed session or the unauthorized disclosure of information

or documents provided to the Director on a confidential basis and whose public disclosure may be harmful to the interests of the Authority.

- c. Violation of any ethics policies or code of conduct adopted by the Board.

Notwithstanding the foregoing, no Party shall be deprived of its right to seat a Director on the Board and any such Party for which its Director and/or alternate Director has been removed may appoint a replacement.

4.3 **Director Compensation.** The Board may adopt by resolution a policy relating to the compensation or expense reimbursement of its Directors.

4.4 **Terms of Office.** Each Party shall determine the term of office for its regular and alternate Director.

4.5 **Purpose of Board.** The general purpose of the Board is to:

4.5.1 Provide structure for administrative and fiscal oversight;

4.5.2 Retain a Chief Executive Officer to oversee day-to-day operations of the Authority;

4.5.3 Retain legal counsel;

4.5.4 Identify and pursue funding sources;

4.5.5 Set policy;

4.5.6 Optimize the utilization of available resources; and

4.5.7 Oversee all Committee activities.

4.6 **Specific Responsibilities of the Board.** The specific responsibilities of the Board shall be as follows:

4.6.1 Formulate and adopt an annual budget prior to the commencement of the fiscal year;

4.6.2 Develop and implement a financing and/or funding plan for ongoing Authority operations and capital improvements, if applicable;

4.6.3 Retain necessary and sufficient staff and adopt personnel and compensation policies, rules and regulations;

4.6.4 Adopt policies for procuring electric supply and operational needs such as professional services, equipment and supplies;

- 4.6.5 Develop and implement a Strategic Plan to guide the development, procurement, and integration of renewable energy resources consistent with the intent and priorities identified in this Agreement;
  - 4.6.6 Establish standing and ad hoc committees as necessary;
  - 4.6.7 Set retail rates for power sold by the Authority and set charges for any other category of retail service provided by the Authority;
  - 4.6.8 Wind down and resolve all obligations of the Authority in the event the Authority is terminated pursuant to Section 8.2;
  - 4.6.9 Conduct and oversee Authority operational audits at intervals not to exceed three years including review of customer access to Authority programs and benefits, where applicable;
  - 4.6.10 Arrange for an annual independent fiscal audit;
  - 4.6.11 Adopt such bylaws, rules and regulations necessary or desirable for the purposes set forth in this Agreement and consistent with this Agreement;
  - 4.6.12 Exercise the Specific Powers identified in Sections 3.2 and 4.6 except as those which the Board may elect to delegate to the Chief Executive Officer; and
  - 4.6.13 Discharge other duties as appropriate or necessary under this Agreement or required by law.
- 4.7 **Startup Responsibilities.** The Authority shall promptly act on the following matters:
- 4.7.1 Oversee the preparation of, adopt, and update an implementation plan for electrical load aggregation pursuant to Public Utilities Code Section 366.2(c)(3);
  - 4.7.2 Prepare a statement of intent for electrical load aggregation pursuant to Public Utilities Code Section 366.2(c)(4);
  - 4.7.3 Obtain financing and/or funding as is necessary to support start up and ongoing working capital for the CCA Program; and
  - 4.7.4 Acquire and maintain insurance in accordance with Section 9.3.
- 4.8 **Meetings and Special Meetings of the Board.** The Board shall hold at least four regular meetings per year, but the Board may provide for the holding of regular meetings at more frequent intervals. The date, hour, and place of each regular meeting shall be fixed annually by resolution of the Board. The location of regular meetings may rotate for the convenience of the Parties, subject to Board

approval and availability of appropriate meeting space. Regular meetings may be adjourned to another meeting time. Special meetings of the Board may be called in accordance with the provisions of Government Code Section 54956. Directors may participate in meetings telephonically, with full voting rights, only to the extent permitted by law. Board meeting agendas generally shall be set, in consultation with the Board Chair, by the Chief Executive Officer appointed by the Board pursuant to Section 5.5. The Board itself may add items to the agenda upon majority vote pursuant to Section 4.11.1.

- 4.9 **Brown Act Applicable.** All meetings of the Board shall be conducted in accordance with the provisions of the Ralph M. Brown Act (Government Code Section 54950, et seq.).
- 4.10 **Quorum.** A simple majority of the Directors shall constitute a quorum. No actions may be taken by the Board without a quorum of the Directors present.
- 4.11 **Board Voting.** Except for matters subject to Special Voting under Section 4.12, Board action shall require the affirmative votes of a majority of the Directors on the entire Board. The consequence of a tie vote shall be “no action” taken.
- 4.12 **Special Voting.**
  - 4.12.1 The affirmative vote of two-thirds of the Directors of the entire Board shall be required to take any action on the following:
    - (a) Issuing bonds or other forms of debt;
    - (b) Adding or removing Parties or removing Directors; and
    - (c) Amending or terminating this Agreement or adopting or amending the bylaws of the Authority except as provided in Sections 3.5 and 4.12.3. At least 30 days advance written notice to the Parties shall be provided for such actions. Such notice shall include a copy of any proposed amendment to this Agreement or the bylaws of the Authority. The Authority shall also provide prompt written notice to all Parties of the action taken and attach the adopted amendment, resolution or agreement.
  - 4.12.2 An affirmative vote of three-fourths of the entire Board shall be required to initiate any action for Eminent Domain and no eminent domain action shall be approved within the jurisdiction of a Party without the affirmative vote of such Party’s Director.
  - 4.12.3 An unanimous vote of the entire Board shall be required to amend the following provisions in this Agreement:
    - (a) Section 2.3 (Purpose of Agreement)

- (b) Section 3.6 (Compliance with Local Zoning)
- (c) Sections 4.11 and 4.12 (Voting Requirements)
- (d) Section 4.12.2 (Eminent Domain)
- (e) Section 6.5 (Power Supply Requirements)
- (f) Section 6.6 (Solana Energy Alliance Transition)

**5. INTERNAL ORGANIZATION**

- 5.1 **Elected and Appointed Officers.** For each fiscal year, the Board shall elect a Chair and Vice Chair from among the Directors and shall appoint a Secretary and a Treasurer as provided in Government Code section 6505.5. No Director may hold more than one such office at any time. Appointed officers shall not be elected officers of the Board.
- 5.2 **Chair and Vice Chair.** For each fiscal year, the Board shall elect a Chair and Vice Chair from among the Directors. The term of office of the Chair and Vice Chair shall continue for one year, but there shall be no limit on the number of terms held by either the Chair or Vice Chair. The Chair shall be the presiding officer of all Board meetings, and the Vice Chair shall serve in the absence of the Chair. The Chair shall perform duties as may be required by the Board. In the absence of the Chair, the Vice-Chair shall perform all of the Chair’s duties. The office of the Chair or Vice Chair shall be declared vacant and a new selection shall be made if: (a) the person serving dies, resigns, or the Party that the person represents removes the person as its representative on the Board, or (b) the Party that he or she represents withdraws from the Authority pursuant to the provisions of this Agreement. Upon a vacancy, the position shall be filled at the next regular meeting of the Board held after such vacancy occurs or as soon as practicable thereafter.
- 5.3 **Secretary.** The Board shall appoint a qualified person who is not on the Board to serve as Secretary. The Secretary shall be responsible for keeping the minutes of all meetings of the Board and all other office records of the Authority. If the appointed Secretary is an employee of any Party, such Party shall be entitled to reimbursement for any documented out of pocket costs it incurs in connection with such employee’s service as Secretary of the Authority, and full cost recovery for any documented hours of service provided by such employee during such Party’s normal working hours.
- 5.4 **Treasurer/Chief Financial Officer and Auditor.** The Board of Directors shall appoint a Treasurer who shall function as the combined offices of Treasurer and Auditor and shall strictly comply with the statutes related to the duties and responsibilities specified in Section 6505.5 of the Act. The Treasurer for the Authority shall be the depository and have custody of all money of the Authority from whatever source and shall draw all warrants and pay demands against the

Authority as approved by the Board. The Treasurer shall cause an independent audit(s) of the finances of the Authority to be made by a certified public accountant, or public accountant, in compliance with Section 6505 of the Act. The Treasurer shall report directly to the Board and shall comply with the requirements of treasurers of incorporated municipalities. The Board may transfer the responsibilities of Treasurer to any qualified person or entity as the law allows at the time. The duties and obligations of the Treasurer are further specified in Section 7. The Treasurer shall serve at the pleasure of the Board. If the appointed Treasurer is an employee of any Party, such Party shall be entitled to reimbursement for any documented out of pocket costs it incurs in connection with such employee's service as Treasurer of the Authority, and full cost recovery for any documented hours of service provided by such employee during such Party's normal working hours.

- 5.5 **Chief Executive Officer.** The Board shall appoint a Chief Executive Officer for the Authority, who shall be responsible for the day-to-day operation and management of the Authority and the CCA Program. The Chief Executive Officer may not be an elected member of the Board or otherwise represent any Party to the Authority. The Chief Executive Officer may exercise all powers of the Authority, except those powers specifically reserved to the Board, including but not limited to those set forth in Section 4.6 (Specific Responsibilities of the Board) of this Agreement or the Authority's bylaws, or those powers which by law must be exercised by the Board. The Chief Executive Officer may enter into and execute power purchase agreements and other contracts, in accordance with criteria and policies established by the Board.
- 5.6 **General Counsel.** The Board shall appoint a qualified person to act as the Authority's General Counsel, who shall not be a member of the Board, or an elected official or employee of a Party.
- 5.7 **Bonding of Persons Having Access to Property.** Pursuant to the Act, the Board shall designate the public officer or officers or person or persons who have charge of, handle, or have access to any property of the Authority exceeding a value as established by the Board, and shall require such public officer or officers or person or persons to file an official bond in an amount to be fixed by the Board.
- 5.8 **Privileges and Immunities from Liability.** All of the privileges and immunities from liability, exemption from laws, ordinances and rules, all pension, relief, disability, workers' compensation and other benefits which apply to the activities of officers, agents or employees of a public agency when performing their respective functions shall apply to the officers, agents or employees of the Authority to the same degree and extent while engaged in the performance of any of the functions and other duties of such officers, agents or employees under this Agreement. None of the officers, agents or employees directly employed by the Board shall be deemed, by reason of their employment by the Authority to be employed by the Parties or by reason of their employment by the Authority, to be subject to any of the requirements of the Parties.

- 5.9 **Commissions, Boards and Committees.** The Board may establish any advisory commissions, boards, and committees as the Board deems appropriate to assist the Board in carrying out its functions and implementing the CCA Program, related energy programs, and the provisions of this Agreement. To the extent possible, the commissions, boards, and committees should have equal representation from each Party. The Board may establish criteria to qualify for appointment on its commissions, boards, and committees. The Board may establish rules, regulations, policies, or procedures to govern any such commissions, boards, or committees and shall determine whether members shall be entitled to reimbursement for expenses. The meetings of the commissions, boards, or committees shall be held in accordance with the requirements of the Ralph M. Brown Act, as applicable.

## 6. **IMPLEMENTATION ACTION AND AUTHORITY DOCUMENTS**

### 6.1 **Preliminary Implementation of the CCA Program.**

6.1.1 **Enabling Ordinance.** In addition to the execution of this Agreement, each Party shall adopt an ordinance in accordance with Public Utilities Code Section 366.2(c)(12) for the purpose of specifying that the Party intends to implement a CCA Program by and through its participation in the Authority.

6.1.2 **Implementation Plan.** The Authority shall secure Board approval of an Implementation Plan meeting the requirements of Public Utilities Code Section 366.2 and any applicable Public Utilities Commission regulations, and consistent with the terms of this Agreement, as soon after the Effective Date as reasonably practicable but no later than December 31, 2019.

6.2 **Authority Documents.** The Parties acknowledge and agree that the affairs of the Authority will be implemented through various documents duly adopted by the Board through Board resolution or minute action, including but not necessarily limited to operational procedures and policies, the annual budget, and specific plans such as a local renewable energy development and integration plan and other policies defined as the Authority Documents by this Agreement. All such Authority Documents shall be consistent with and designed to advance the goals and objectives of the Authority as expressed in this Agreement. The Parties agree to abide by and comply with the terms and conditions of all such Authority Documents that may be adopted by the Board, subject to the Parties' right to withdraw from the Authority as described in Section 8 (Withdrawal and Termination) of this Agreement.

6.3 **Integrated Resource Plan and Regulatory Compliance.** The Authority shall cause to be prepared an Integrated Resource Plan in accordance with California Public Utilities Commission regulations, and consistent with the terms of this Agreement, that will ensure the long-term development and administration of a

variety of energy programs that promote local renewable resources, conservation, demand response, and energy efficiency, while maintaining compliance with other regulatory requirements including the State Renewable Portfolio Standard (RPS) and customer rate competitiveness.

- 6.4 **Renewable Portfolio Standards.** The Authority shall provide its customers energy primarily from Category 1 and Category 2 eligible renewable resources, as defined under the California RPS and consistent with the goals of the CCA Program. The Authority shall avoid the procurement of energy from Category 3 eligible renewable resources (unbundled Renewable Energy Credits or RECs) to the extent feasible. The Authority's ultimate objective shall be to achieve—and sustain—a renewable energy portfolio with 100 percent renewable energy availability and usage, at competitive rates, within the Authority service territory by no later than 2035, and then beyond.
- 6.5 **Power Supply Requirements.** The Authority's power supply base product will be greater than or equal to 50% qualified renewable resources. The Board shall establish product options with higher renewable and/or GHG-free content that each Party may select (such as 75% or 100% renewable content). In no event will the Authority's power supply base product contain a lesser amount of renewable resources than the base product provided by SDG&E to its customers. Power supply options established by the Board will allow each Party the flexibility to achieve its CAP goals without impeding any other Party from doing the same.
- 6.6 **Continuation and Transition of City of Solana Beach's Existing CCA Program.** The City of Solana Beach has been operating a CCA program within its jurisdiction since 2018. The City of Solana Beach shall be permitted to continue to operate its existing CCA program until the Authority's CCA Program commences service to customers within the jurisdiction of the City of Solana Beach. The transition of CCA customers within the City of Solana Beach to the Authority's CCA Program shall be implemented in accordance with the Authority's implementation plan approved by the Board and certified by the CPUC and any policies and requirements established by the Board.

## 7. **FINANCIAL PROVISIONS**

- 7.1 **Fiscal Year.** The Authority's fiscal year shall be 12 months commencing July 1 and ending June 30. The fiscal year may be changed by Board resolution.
- 7.2 **Depository.**
- 7.2.1 All funds of the Authority shall be held in separate accounts in the name of the Authority and not commingled with funds of any Party or any other person or entity.

- 7.2.2 All funds of the Authority shall be strictly and separately accounted for, and regular reports shall be rendered of all receipts and disbursements, at least quarterly during the fiscal year. The books and records of the Authority shall be open to inspection and duplication by the Parties at all reasonable times. Annual financial statements shall be prepared in accordance with Generally Accepted Accounting Principles of the United States of America within 6 months of the close of the fiscal year. The Board shall contract with a certified public accountant to make an annual audit of the financial statements of the Authority, which shall be conducted in accordance with the requirements of Section 6505 of the Act.
- 7.2.3 All expenditures shall be made in accordance with the approved budget and upon the approval of any officer so authorized by the Board in accordance with its policies and procedures.

**7.3 Budget and Recovery Costs.**

- 7.3.1 Budget. The initial budget shall be approved by the Board. The Board may revise the budget from time to time as may be reasonably necessary to address contingencies and unexpected expenses. All subsequent budgets of the Authority shall be prepared and approved by the Board in accordance with its fiscal management policies that should include a deadline for approval.
- 7.3.2 Funding of Initial Costs. The Initial Costs of establishing the Authority and implementing its CCA Program shall be divided equally among the Founding Members. In the event that the CCA Program becomes operational, these Initial Costs paid by the Founding Members shall be included in the customer charges for electric services to the extent permitted by law. The Authority may establish a reasonable time period over which such costs are recovered and reimbursed to the Founding Members. In the event that the CCA Program does not become operational, the Founding Members shall not be entitled to any reimbursement of the Initial Costs they have paid from the Authority or any Party.
- 7.3.3 CCA Feasibility and Governance Report Costs. In the event that the CCA Program becomes operational, any costs incurred by the Parties in preparing CCA Feasibility or Governance Reports in connection with establishing the Authority shall be included in the customer charges for electric services to the extent permitted by law. The Authority may establish a reasonable time period over which such costs are recovered and reimbursed to the Parties that incurred such costs. In the event that the CCA Program does not become operational, no Party shall be entitled to any reimbursement of these costs from the Authority or any Party.

- 7.3.4 **Program Costs.** The Parties intend that all costs incurred by the Authority that are directly or indirectly attributable to the provision of electric or other services under the CCA Program, including the establishment and maintenance of various reserve and performance funds, shall be recovered through appropriate charges to CCA customers receiving such services.
- 7.3.5 **No Requirement for Contributions or Payments.** Parties are not required under this Agreement to make any financial contributions or payments to the Authority, and the Authority shall have no right to require such a contribution or payment unless expressly set forth herein (for example, as provided in Section 2.4.3, with respect to Additional Members, Section 7.3.2 with respect to Initial Costs and Section 8.1, with respect to Withdrawal), or except as otherwise required by law.

Notwithstanding the foregoing, a Party may voluntarily enter into an agreement with the Authority to provide the following:

- (a) contributions of public funds for the purposes set forth in this Agreement;
- (b) advances of public funds for the purposes set forth in this Agreement, such advances to be repaid as provided by such written agreement; or
- (c) its personnel, equipment or property in lieu of other contributions or advances.

No Party shall be required, by or for the benefit of the Authority, to adopt any local tax, assessment, fee or charge under any circumstances.

- 7.4 **Accounts and Reports.** The Treasurer shall establish and maintain such funds and accounts as may be required by good accounting practice or by any provision of any trust agreement entered into with respect to the proceeds of any bonds issued by the Authority. The books and records of the Authority in the hands of the Treasurer shall be open to inspection and duplication at all reasonable times by duly appointed representatives of the Parties. The Treasurer, within 180 days after the close of each fiscal year, shall give a complete written report of all financial activities for such fiscal year to the Parties. The Treasurer shall cooperate with all audits required by this Agreement.
- 7.5 **Funds.** The Treasurer shall receive, have custody of and/or disburse Authority funds in accordance with the laws applicable to public agencies and generally accepted accounting practices, and shall make the disbursements required by this Agreement in order to carry out any of the purposes of this Agreement.
- 7.6 **Discretionary Revenues.** The Board shall establish policies concerning the expenditure of discretionary revenues. As determined by the Board in such policies, discretionary revenues may be used to (1) provide programs and develop

projects of the Authority or (2) allow Parties to direct funds into qualified Authority programs and projects, or provide other ratepayer benefits. The Board shall endeavor to achieve a balanced distribution of program and project benefits substantially commensurate with each Party's energy load ("balanced distribution"). The Board shall conduct periodic audits no less than every two years in order to verify the balanced distribution of program and project benefits and take any corrective action necessary to achieve or continue to maintain a balanced distribution.

7.7 **Rate Related Programs.** The Authority will maintain residential net energy metering and low-income rate discount programs.

## 8. **WITHDRAWAL AND TERMINATION**

### 8.1 **Withdrawal**

8.1.1 **Withdrawal by Parties.** Any Party may withdraw its membership in the Authority, effective as of the beginning of the Authority's fiscal year, by giving no less than one year advance written notice of its election to do so, which notice shall be given to the Authority and each Party. The Board, in its discretion, may approve a shorter notice period on a case by case basis. In addition, a Party may immediately withdraw its membership in the Authority upon written notice to the Board at any time prior to the Authority filing its first year-ahead load forecast with the CPUC that included the Party's load (anticipated to occur in April 2020) without any financial obligation other than its share of Initial Costs that shall not be reimbursed and any costs directly related to the resulting amendment of the Implementation Plan. Withdrawal of a Party shall require an affirmative vote of the Party's Governing Body.

8.1.2 **Amendment.** Notwithstanding Section 8.1.1 (Withdrawal by Parties) of this Agreement, a Party may withdraw its membership in the Authority upon approval and execution of an amendment to this Agreement provided that the requirements of this Section 8.1.2 are strictly followed. A Party shall be deemed to have withdrawn its membership in the Authority effective one year (or earlier if approved by the Board) after the Board approves an amendment to this Agreement if the Director representing such Party has provided notice to the other Directors immediately preceding the Board's vote of the Party's intention to withdraw its membership in the Authority, should the amendment be approved by the Board.

8.1.3 **Continuing Liability; Further Assurances.** A Party that withdraws its membership in the Authority may be subject to certain continuing liabilities, as described in Section 8.5 (Continuing Liability; Refund) of this Agreement, including, but not limited to, power purchase

agreements and other Authority contracts and operational obligations. The withdrawing Party and the Authority shall execute and deliver all further instruments and documents and take any further action that may be reasonably necessary, as determined by the Board, to effectuate the orderly withdrawal of such Party from membership in the Authority. The Board shall also consider, pursuant to Section 3.2.12, adoption of a policy that allows a withdrawing Party to negotiate assignment to the Party of costs of electric power or other resources procured on behalf of its customers by the Authority upon its withdrawal. In the implementation of this Section 8.1.3, the Parties intend, to the maximum extent possible, without compromising the viability of ongoing Authority operations, that any claims, demands, damages, or liabilities covered hereunder, be funded from the rates paid by CCA Program customers located within the service territory of the withdrawing Party, and not from the general fund of the withdrawing Party itself.

- 8.2 **Termination of CCA Program.** Nothing contained in Section 6 or elsewhere in this Agreement shall be construed to limit the discretion of the Authority to terminate the implementation or operation of the CCA Program at any time in accordance with any applicable requirements of state law.
- 8.3 **Involuntary Termination.** This Agreement may be terminated with respect to a Party for material non-compliance with provisions of this Agreement or Authority Documents upon a two-thirds vote of the entire Board excluding the vote of the Party subject to possible termination. Prior to any vote to terminate this Agreement with respect to a Party, written notice of the proposed termination and the reason(s) for such termination shall be delivered to the Party whose termination is proposed at least 30 days prior to the regular Board meeting at which such matter shall first be discussed as an agenda item. The written notice of proposed termination shall specify the particular provisions of this Agreement or the Authority Documents that the Party has allegedly violated. The Party, subject to possible termination, shall have the opportunity at the next regular Board meeting to respond to any reasons and allegations that may be cited as a basis for termination prior to a vote regarding termination. A Party that has had its membership in the Authority terminated may be subject to certain continuing liabilities, as described in Section 8.5 (Continuing Liability; Refund) of this Agreement.
- 8.4 **Mutual Termination.** This Agreement may be terminated by mutual agreement of all the Parties; provided, however, the foregoing shall not be construed as limiting the rights of a Party to withdraw its membership in the Authority, and thus terminate this Agreement with respect to such withdrawing Party, as described in Section 8.1 (Withdrawal) of this Agreement.
- 8.5 **Continuing Liability; Refund.** Upon a withdrawal or involuntary termination of a Party, the Party shall be responsible for any claims, demands, damages, or

liabilities attributable to the Party through the effective date of its withdrawal or involuntary termination, it being agreed that the Party shall not be responsible for any claims, demands, damages, or liabilities commencing or arising after the effective date of the Party's withdrawal or involuntary termination.

Notwithstanding the foregoing or any other provisions of this Agreement, such Party also shall be liable to the Authority for (a) any damages, losses, or costs incurred by the Authority which result directly from the Party's withdrawal or termination, including but not limited to costs arising from the resale of capacity, electricity, or any attribute thereof no longer needed to serve such Party's load; and (b) any costs or obligations associated with the Party's participation in any program in accordance with the program's terms, provided such costs or obligations were incurred prior to the withdrawal of the Party. From and after the date a Party provides notice of its withdrawal or is terminated, the Authority shall reasonably and in good faith seek to mitigate any costs and obligations to be incurred by the withdrawing or terminated Party under this Section through measures reasonable under the circumstances, provided that this obligation to mitigate does not impose any obligation on the Authority to transfer any cost or obligation directly attributable to the membership and withdrawal or termination of the withdrawing or terminated party to the ratepayers of the remaining members. Further, the liability of the withdrawing or terminated Party shall be based on actual costs or damages incurred by the Authority and shall not include any penalties or punitive charges imposed by the Authority. The Authority may withhold funds otherwise owing to the Party or may require the Party to deposit sufficient funds with the Authority, as reasonably determined by the Authority, to cover the Party's liability for the costs described above. The withdrawing or terminated Party agrees to pay any such deposit determined by the Authority. Any amount of the Party's funds held on deposit with the Authority above that which is required to pay any liabilities or obligations shall be returned to the Party. In the implementation of this Section 8.5, the Parties intend, to the maximum extent possible, without compromising the viability of ongoing Authority operations, that any claims, demands, damages, or liabilities covered hereunder, be funded from the rates paid by CCA Program customers located within the service territory of the withdrawing Party, and not from the general fund of the withdrawing Party itself. The liability of a withdrawing Party under this Section shall be only to the Authority and not to any other Party.

- 8.6 **Disposition of Authority Assets.** Upon termination of this Agreement and dissolution of the Authority by all Parties, after payment of all obligations of the Authority, the Board may sell or liquidate Authority property and shall distribute any remaining assets to the Parties in proportion to the contributions made by the existing Parties. Any assets provided by a Party to the Authority shall remain the asset of that Party and shall not be subject to distribution under this section.

## 9. **MISCELLANEOUS PROVISIONS**

- 9.1 **Dispute Resolution.** The Parties and the Authority shall make reasonable efforts to settle all disputes arising out of or in connection with this Agreement. Before

exercising any remedy provided by law, a Party or the Parties and the Authority shall engage in nonbinding mediation in the manner agreed upon by the Party or Parties and the Authority. The Parties agree that each Party may specifically enforce this section. In the event that nonbinding mediation is not initiated or does not result in the settlement of a dispute within 60 days after the demand for mediation is made, any Party and the Authority may pursue any remedies provided by law.

- 9.2 **Liability of Directors, Officers, and Employees.** The Directors, officers, and employees of the Authority shall use ordinary care and reasonable diligence in the exercise of their powers and in the performance of their duties pursuant to this Agreement. No current or former Director, officer, or employee will be responsible for any act or omission by another Director, officer, or employee. The Authority shall defend, indemnify and hold harmless the individual current and former Directors, officers, and employees for any acts or omissions in the scope of their employment or duties in the manner provided by Government Code Section 995 et seq. Nothing in this section shall be construed to limit the defenses available under the law, to the Parties, the Authority, or its Directors, officers, or employees. In addition, pursuant to the Act, no Director shall be personally liable on the Authority's bonds or be subject to any personal liability or accountability by reason of the issuance of bonds.
- 9.3 **Insurance and Indemnification of Parties.** The Authority shall acquire such insurance coverage as is necessary to protect the interests of the Authority and the Parties. The Authority shall defend, indemnify and hold harmless the Parties and each of their respective governing board members, officers, agents and employees, from any and all claims, losses, damages, deductibles or self-insured retentions, costs, fines, penalties, injuries and liabilities of every kind arising directly or indirectly from the conduct, activities, operations, acts, errors, omissions or negligence of the Authority or its officers, employees, agents, contractors, licensees or volunteers.
- 9.4 **No Third Party Beneficiaries.** The provisions of this Agreement are for the sole benefit of the Parties and the Authority and not for the benefit of any other person or entity. No third party beneficiary shall be created by or arise from the provisions of this Agreement.
- 9.5 **Notices.** Any notice required or permitted to be made hereunder shall be in writing and shall be delivered in the manner prescribed herein at the principal place of business of each Party. The Parties may give notice by (1) personal delivery; (2) e-mail; (3) U.S. Mail, first class postage prepaid, or a faster delivery method; or (3) by any other method deemed appropriate by the Board.

Upon providing written notice to all Parties, any Party may change the designated address or e-mail for receiving notice.

All written notices or correspondence sent in the described manner will be deemed given to a party on whichever date occurs earliest: (1) the date of personal delivery; (2) the third business day following deposit in the U.S. mail, when sent by “first class” mail; or (3) the date of transmission, when sent by e-mail or facsimile.

- 9.6 **Successors.** This Agreement shall be binding upon and shall inure to the benefit of the successors of each Party.
- 9.7 **Assignment.** Except as otherwise expressly provided in this Agreement, the rights and duties of the Parties may not be assigned or delegated without the advance written consent of all of the other Parties, and any attempt to assign or delegate such rights or duties in contravention of this section shall be null and void. This Agreement shall inure to the benefit of, and be binding upon, the approved assigns of the Parties. This section does not prohibit a Party from entering into an independent agreement with another agency, person, or entity regarding the financing of that Party’s contributions to the Authority, or the disposition of the proceeds which that Party receives under this Agreement, so long as such independent agreement does not affect, or purport to affect, the rights and duties of the Authority or the Parties under this Agreement.
- 9.8 **Amendment.** This Agreement may be amended by a written amendment approved by the Board in accordance with the Special Voting requirements of Section 4.12.
- 9.9 **Severability.** If any one or more of the terms, provisions, promises, covenants, or conditions of this Agreement were adjudged invalid or void by a court of competent jurisdiction, each and all of the remaining terms, provisions, promises, covenants, and conditions of this Agreement shall not be affected thereby and shall remain in full force and effect to the maximum extent permitted by law.
- 9.10 **Governing Law.** This Agreement is made and to be performed in the State of California, and as such California substantive and procedural law shall apply.
- 9.11 **Headings.** The section headings herein are for convenience only and are not to be construed as modifying or governing the language of this Agreement.
- 9.12 **Counterparts.** This Agreement may be executed in any number of counterparts, and upon execution by all Parties, each executed counterpart shall have the same force and effect as an original instrument and as if all Parties had signed the same instrument. Any signature page of this Agreement may be detached from any counterpart of this Agreement without impairing the legal effect of any signatures thereon and may be attached to another counterpart of this Agreement identical in form hereto but having attached to it one or more signature pages.

The Parties hereto have executed this Joint Powers Agreement establishing the Clean Energy Alliance.

CITY OF \_\_\_\_\_

By: \_\_\_\_\_  
City Manager

DATE: \_\_\_\_\_

ATTEST:

By: \_\_\_\_\_  
City Clerk

APPROVED AS TO FORM:

By: \_\_\_\_\_  
City Attorney

## **Exhibit A: Definitions**

"AB 117" means Assembly Bill 117 (Stat. 2002, Ch. 838, codified at Public Utilities Code Section 366.2), which created Community Choice Aggregation.

"Act" means the Joint Exercise of Powers Act of the State of California (Chapter 5, Division 7, Title 1 of the Government Code commencing with Section 6500).

"Agreement" means this Joint Powers Agreement.

"Authority" means the Clean Energy Alliance.

"Authority Document(s)" means document(s) duly adopted by the Board by resolution or motion implementing the powers, functions and activities of the Authority, including but not limited to the Operating Policies and Procedures, the annual budget, and plans and policies.

"Board" means the Board of Directors of the Authority.

"Community Choice Aggregation" or "CCA" means an electric service option available to cities, counties, and other public agencies pursuant to Public Utilities Code Section 366.2.

"CCA Program" means the Authority's Community Choice Aggregation program established, conducted and operated under Public Utilities Code Section 366.2.

"Days" shall mean calendar days unless otherwise specified by this Agreement.

"Director" means a member of the Board representing a Party appointed in accordance with Sections 4.1 (Board of Directors) and 4.2 (Appointment and Removal of Directors) of this Agreement.

"Effective Date" means the date on which the Agreement shall become effective and the Authority shall exist as a separate public agency, as further described in Section 2.1 (Effective Date and Term) of this Agreement.

"Founding Member" means any jurisdiction that becomes a member of the Authority before October 1, 2020, as identified in Exhibit B.

"Governing Body" means for any city, its City Council; and for any other public agency, the equivalent policy making body that exercises ultimate decision-making authority over such agency.

"Initial Costs" means reasonable and necessary implementation costs advanced by the Founding Members in support of the formation of the Authority and approved by the Board for reimbursement, which are (a) directly related to the establishment of the Authority and its CCA program, and (b) incurred by the Authority or its Members relating to the initial operation of the Authority, such as the hiring of the executive and operations staff, any required accounting, administrative, technical and legal services in support of the

Authority's initial formation activities or in support of the negotiation, preparation and approval of power purchase agreements, and activities associated with drafting and obtaining approval of the Authority's implementation plan. Initial Costs do not include costs associated with the investigation of the CCA model, attendance at routine planning meetings, or a Party's pre-formation reports related to their decision to pursue CCA or join the Authority. Initial costs also do not include the costs incurred by the City of Solana Beach relating to the termination of its CCA program. The Authority Board shall determine the repayment timing and termination date for the Initial Costs.

"Investor Owned Utilities" means a privately-owned electric utility whose stock is publicly traded and is subject to CPUC regulation.

"Parties" means, collectively, the signatories to this Agreement that have satisfied the conditions as defined above for "Founding Members" or in Section 2.4 (Addition of Parties) of this Agreement, such that they are considered members of the Authority.

"Party" means, singularly, a signatory to this Agreement that has satisfied the conditions as defined above for "Founding Members" or in Section 2.4 (Addition of Parties) of this Agreement, such that it is considered a member of the Authority.

**Exhibit B: List of Founding Members**

**Any public agency that becomes a member by October 1, 2020**

ORDINANCE NO. \_\_\_\_

AN ORDINANCE OF THE CITY OF DEL MAR, CALIFORNIA  
AUTHORIZING IMPLEMENTATION OF A COMMUNITY CHOICE  
AGGREGATION PROGRAM

WHEREAS, California Public Utilities Code Section 366.2 (the “Act”) authorizes cities and counties to individually or jointly provide retail electric service to an aggregation of customers within their jurisdictions, which is referred to as Community Choice Aggregation (“CCA”); and

WHEREAS, on October 3, 2016, the Del Mar City Council approved Resolution 2016-52 stating the City’s interest in exploring the feasibility of a CCA program; and

WHEREAS, since January 2018, the City of Del Mar (“City”), working in cooperation with other cities in northern San Diego County, has been actively investigating the feasibility of commencing CCA service for electric customers within the City, with the objective of addressing climate change by reducing energy-related greenhouse gas emissions, promoting electrical rate price stability and cost savings and fostering consumer choice and local economic benefits such as job creation, local energy programs and local renewable energy development; and

WHEREAS, on April 15, 2019, the Del Mar City Council received the final North San Diego County Cities Community Choice Energy Technical Feasibility Study, dated March 28, 2019 (“Feasibility Study”); and

WHEREAS, the Feasibility Study determined that a CCA program would be both technically and financially feasible and could result in local benefits including the use of renewable energy at levels above the State Renewables Portfolio Standard, the provision of competitive rates to consumers, and economic opportunity for the City; and

WHEREAS, pursuant to Section 366.2 of the Act, two or more public entities authorized to be a community choice aggregator under Section 331.1 of the Act may participate jointly in a CCA program through a Joint Powers Authority established pursuant to Government Code Section 6500 et seq., if each entity adopts the ordinance required by Public Utilities Section 366.2(c)(12); and

WHEREAS, the City wishes to implement a CCA program at this time through a Joint Powers Authority together with other Founding Members which will be called the Clean Energy Alliance; and

WHEREAS, under Public Utilities Code section 366.2, customers have the right to opt out of the CCA program and continue to receive bundled electric service from the incumbent utility; and

WHEREAS, Public Utilities Code section 366.2(c)(12) provides that an entity which elects to implement a CCA program within its jurisdiction must do so by ordinance; and

WHEREAS, this ordinance is exempt from the requirements of the California Environmental Quality Act (“CEQA”) pursuant to the State CEQA Guidelines, as it is not a “project” and has no potential to result in a direct or reasonably foreseeable indirect physical change to the environment. (14 Cal. Code Regs. § 15378(a).) Further, the ordinance is exempt from CEQA as there is no possibility that the ordinance or its implementation would have a significant negative effect on the environment. (14 Cal. Code Regs. § 15061(b)(3).) The ordinance is also categorically exempt because it is an action taken by a regulatory agency to assure the maintenance, restoration, enhancement or protection of the environment. (14 Cal. Code Regs. § 15308.) The Director of \_\_\_\_\_ shall cause a Notice of Exemption to be filed as authorized by CEQA and the State CEQA Guidelines.

NOW, THEREFORE, the City Council of the City of Del Mar hereby ordains as follows:

### **SECTION ONE**

That the recitals set forth above are true and correct and are incorporated as though fully set forth herein.

### **SECTION TWO**

In order to provide businesses and residents within the jurisdictional boundaries of the City with a choice of electric service providers and with the benefits described in the recitals above, the City Council hereby elects pursuant to Public Utilities Code Section 366.2(c)(12) to implement a CCA program within the jurisdiction of the City of Del Mar by participating in the CCA program of the Clean Energy Alliance, under the terms and conditions provided in its Joint Powers Agreement, on file with the City Clerk.

### **SECTION THREE**

This Ordinance was introduced by the City Council on October 7, 2019.

### **SECTION FOUR**

The City Clerk is directed to prepare and have published a summary of this Ordinance no less than five days prior to the consideration of its adoption and again within 15 days following adoption indicating votes cast.

### **SECTION FIVE**

If any section, subsection, sentence, clause, phrase or portion of this Ordinance is, for any reason, held invalid or unconstitutional, such decision shall not affect the validity of the remaining portions of this Ordinance.

### **SECTION SIX**

This Ordinance shall take effect and be in force on the thirtieth (30th) day from and after its final passage.

PASSED, APPROVED, AND ADOPTED by the City Council of the City of Del Mar, at the Regular Meeting held on the 7th day of October, 2019.

---

David Druker, Mayor  
City of Del Mar

APPROVED AS TO FORM:

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Leslie E. Devaney, City Attorney  
City of Del Mar

ATTEST AND CERTIFICATION:

STATE OF CALIFORNIA  
COUNTY OF SAN DIEGO  
CITY OF DEL MAR

I, ASHLEY JONES, Administrative Services Director/City Clerk of the City of Del Mar, California, DO HEREBY CERTIFY, that the foregoing is a true and correct copy of Ordinance No.\_\_\_\_, which has been published pursuant to law, and adopted by the City Council of the City of Del Mar, California, at a Regular Meeting held the \_\_ day of October, 2019, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

---

Ashley Jones, Administrative Services  
Director/ City Clerk  
City of Del Mar



October 1, 2019

TO: Scott Huth  
Clem Brown

FROM: Amber Nyquist

SUBJECT: CCA JPA Analysis

CC: Gary Saleba; Howard Choy

---

The City of Del Mar has asked for a financial analysis comparing three community choice aggregation (CCA) joint power authority (JPA) scenarios. The three scenarios are the following:

1. CCA JPA including the cities of Carlsbad, Del Mar, and Solana Beach
2. CCA JPA including the cities of Carlsbad, Del Mar, Solana Beach, and Santee
3. CCA JPA including the cities of Carlsbad, Del Mar, Santee, and Solana Beach plus the County of San Diego

Assumptions for this analysis are provided below:

1. CCA launch date is 2021
2. Power supply mix will be 50% renewable at launch gradually increasing to 100% renewable by 2035
3. The CCA will hire 10 FTEs to run the new organization
4. The CCA will offer a minimum of 2% rate discount off SDG&E bundled rates

Table 1 below summarizes key metrics between the scenarios. The differences in new program spending per account are not statistically different. The primary difference between the two scenarios is the size of the CCA. There are some economies of scale savings in Scenarios 2 and 3 as shown in the bottom row of Table 1. Tables 2 through 4 show the detailed 10-year proforma results.

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570 Kirkland Way, Suite 100  
Kirkland, Washington 98033

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

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

October 1, 2019

Page 2

<b>Table 1</b>			
<b>Potential JPA CCA Key Operating Metric Comparison</b>			
	<b>Scenario 1</b>	<b>Scenario 2</b>	<b>Scenario 3</b>
Partner Jurisdictions	Carlsbad, Del Mar, Solana Beach	Carlsbad, Del Mar, Solana Beach, Santee	Carlsbad, Del Mar, Solana Beach, Santee, County of San Diego
Power Supply Parameters	50% Renewable at Launch 100% Renewable by 2035	50% Renewable at Launch 100% Renewable by 2035	50% Renewable at Launch 100% Renewable by 2035
Projected 2022 Revenues, Million	\$53.4	\$66.4	\$204.4
Projected 2022 Operating Budget, Million	\$48.6	\$60.8	\$180.1
Projected 2022 Net Income, Million	\$4.8	\$5.6	\$24.3
Number of Accounts	56,000	78,000	260,000
Annual Load Served, GWh	688	870	2,700
Startup Loan (Including Pre-Startup Costs and Working Capital), million	\$5.0	\$6.0	\$13.0
Startup Loan Term, years	5	5	5
Average Bundled Rate Discount	2%	2%	2%
Operating Reserve, million	\$21	\$27	\$80
Average Annual New Program Budget or Additional Rate Discount, \$million	\$4.4	\$6.1	\$19.5
Net Income/Meters/Year	\$74	\$74	\$74
Operating Cost/retail load, \$/kWh	\$0.0706	\$0.0669	\$0.0669

**Table 2 Carlsbad, Del Mar, Solana Beach CCA JPA**

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>Revenues from Operations (\$)</b>										
Electric Sales Revenues	\$35,700,002	\$53,483,578	\$54,775,907	\$56,243,157	\$60,176,217	\$62,016,209	\$64,086,473	\$66,312,612	\$68,242,665	\$70,985,559
Less Uncollected Accounts	\$71,400	\$106,967	\$109,552	\$112,486	\$120,352	\$124,032	\$128,173	\$132,625	\$136,485	\$141,971
<b>Total Revenues</b>	<b>\$35,628,602</b>	<b>\$53,376,611</b>	<b>\$54,666,355</b>	<b>\$56,130,670</b>	<b>\$60,055,865</b>	<b>\$61,892,177</b>	<b>\$63,958,300</b>	<b>\$66,179,987</b>	<b>\$68,106,180</b>	<b>\$70,843,588</b>
<b>Cost of Operations (\$)</b>										
Cost of Energy	\$29,106,435	\$42,591,626	\$44,599,254	\$46,422,872	\$48,237,879	\$50,107,279	\$51,852,269	\$53,501,920	\$55,461,707	\$57,467,664
<i>Operating &amp; Administrative</i>										
Billing & Data Management	\$642,722	\$879,781	\$902,940	\$926,709	\$951,104	\$976,141	\$1,001,837	\$1,028,209	\$1,055,276	\$1,083,055
SDG&E Fees	\$276,817	\$151,805	\$155,801	\$159,903	\$164,112	\$168,432	\$172,866	\$177,417	\$182,087	\$186,880
Consulting Services	\$1,170,300	\$1,747,668	\$1,517,319	\$1,547,666	\$1,578,619	\$1,610,191	\$1,642,395	\$1,675,243	\$1,708,748	\$1,742,923
Staffing	\$1,391,172	\$1,891,994	\$1,929,834	\$1,968,430	\$2,007,799	\$2,047,955	\$2,088,914	\$2,130,692	\$2,173,306	\$2,216,772
General & Administrative expenses	\$219,963	\$160,430	\$163,638	\$166,911	\$272,249	\$173,654	\$177,127	\$180,670	\$286,283	\$187,969
Debt Service	\$1,037,918	\$1,132,274	\$1,132,274	\$1,132,274	\$1,132,274	\$94,356	\$0	\$0	\$0	\$0
Total O&A Costs	\$4,738,891	\$5,963,952	\$5,801,807	\$5,901,894	\$6,106,158	\$5,070,730	\$5,083,140	\$5,192,231	\$5,405,700	\$5,417,599
<b>Total Cost</b>	<b>\$33,845,326</b>	<b>\$48,555,578</b>	<b>\$50,401,061</b>	<b>\$52,324,766</b>	<b>\$54,344,037</b>	<b>\$55,178,009</b>	<b>\$56,935,409</b>	<b>\$58,694,151</b>	<b>\$60,867,407</b>	<b>\$62,885,264</b>
<b>Net Income from Operations</b>	<b>\$1,783,277</b>	<b>\$4,821,033</b>	<b>\$4,265,294</b>	<b>\$3,805,905</b>	<b>\$5,711,828</b>	<b>\$6,714,167</b>	<b>\$7,022,891</b>	<b>\$7,485,835</b>	<b>\$7,238,772</b>	<b>\$7,958,324</b>
<b>Cash from Operations and Financing</b>										
Net Income	\$1,783,277	\$4,821,033	\$4,265,294	\$3,805,905	\$5,711,828	\$6,714,167	\$7,022,891	\$7,485,835	\$7,238,772	\$7,958,324
Cash from Financing	\$5,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Cash Available</b>	<b>\$6,783,277</b>	<b>\$4,821,033</b>	<b>\$4,265,294</b>	<b>\$3,805,905</b>	<b>\$5,711,828</b>	<b>\$6,714,167</b>	<b>\$7,022,891</b>	<b>\$7,485,835</b>	<b>\$7,238,772</b>	<b>\$7,958,324</b>
<b>Net Income Allocation</b>										
Working Capital Repayment (Remainder)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Programs/Additional Rate Savings	\$0	\$0	\$0	\$0	\$4,049,374	\$6,714,167	\$7,022,891	\$7,485,835	\$7,238,772	\$7,958,324
<b>Total Reserve Outlays</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,049,374</b>	<b>\$6,714,167</b>	<b>\$7,022,891</b>	<b>\$7,485,835</b>	<b>\$7,238,772</b>	<b>\$7,958,324</b>
<b>Rate Stabilization Reserve Balance</b>	<b>\$6,783,277</b>	<b>\$11,604,310</b>	<b>\$15,869,604</b>	<b>\$19,675,509</b>	<b>\$21,337,963</b>	<b>\$21,337,963</b>	<b>\$21,337,963</b>	<b>\$21,337,963</b>	<b>\$21,337,963</b>	<b>\$21,337,963</b>
CCA Total Bill	\$149,906,212	\$199,344,731	\$204,733,087	\$209,988,033	\$218,169,474	\$223,984,777	\$229,752,861	\$235,964,232	\$241,982,093	\$248,533,772
SDG&E Total Bill	\$152,967,677	\$203,451,415	\$208,807,071	\$214,303,708	\$222,612,983	\$228,473,047	\$234,487,372	\$240,660,018	\$246,995,152	\$253,497,052
Difference	\$3,061,465	\$4,106,684	\$4,073,983	\$4,315,675	\$4,443,509	\$4,488,270	\$4,734,511	\$4,695,786	\$5,013,058	\$4,963,280
Savings	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%

**Table 3 Carlsbad, Del Mar, Solana Beach and Santee CCA JPA**

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>Revenues from Operations (\$)</b>										
Electric Sales Revenues	\$45,565,144	\$67,680,740	\$69,220,350	\$71,253,176	\$75,966,290	\$78,182,599	\$81,129,771	\$83,493,556	\$86,276,764	\$89,629,232
Less Uncollected Accounts	\$91,130	\$135,361	\$138,441	\$142,506	\$151,933	\$156,365	\$162,260	\$166,987	\$172,554	\$179,258
<b>Total Revenues</b>	<b>\$45,474,014</b>	<b>\$67,545,379</b>	<b>\$69,081,909</b>	<b>\$71,110,669</b>	<b>\$75,814,358</b>	<b>\$78,026,234</b>	<b>\$80,967,512</b>	<b>\$83,326,569</b>	<b>\$86,104,211</b>	<b>\$89,449,973</b>
<b>Cost of Operations (\$)</b>										
Cost of Energy	\$37,221,980	\$54,206,184	\$56,735,349	\$59,025,008	\$61,326,626	\$63,700,966	\$65,910,794	\$67,999,042	\$70,482,107	\$73,024,448
<i>Operating &amp; Administrative</i>										
Billing & Data Management	\$892,515	\$1,227,853	\$1,260,175	\$1,293,348	\$1,327,394	\$1,362,336	\$1,398,199	\$1,435,005	\$1,472,780	\$1,511,549
SDG&E Fees	\$372,005	\$211,865	\$217,442	\$223,166	\$229,041	\$235,070	\$241,258	\$247,609	\$254,127	\$260,816
Consulting Services	\$1,170,300	\$1,747,668	\$1,517,319	\$1,547,666	\$1,578,619	\$1,610,191	\$1,642,395	\$1,675,243	\$1,708,748	\$1,742,923
Staffing	\$1,391,172	\$1,891,994	\$1,929,834	\$1,968,430	\$2,007,799	\$2,047,955	\$2,088,914	\$2,130,692	\$2,173,306	\$2,216,772
General & Administrative expenses	\$219,963	\$160,430	\$163,638	\$166,911	\$272,249	\$173,654	\$177,127	\$180,670	\$286,283	\$187,969
Debt Service	\$1,245,501	\$1,358,729	\$1,358,729	\$1,358,729	\$1,358,729	\$113,227	\$0	\$0	\$0	\$0
Total O&A Costs	\$5,291,457	\$6,598,538	\$6,447,137	\$6,558,250	\$6,773,831	\$5,542,434	\$5,547,893	\$5,669,219	\$5,895,244	\$5,920,030
<b>Total Cost</b>	<b>\$42,513,437</b>	<b>\$60,804,723</b>	<b>\$63,182,486</b>	<b>\$65,583,258</b>	<b>\$68,100,457</b>	<b>\$69,243,400</b>	<b>\$71,458,687</b>	<b>\$73,668,261</b>	<b>\$76,377,351</b>	<b>\$78,944,477</b>
<b>Net Income from Operations</b>	<b>\$2,960,576</b>	<b>\$6,740,656</b>	<b>\$5,899,423</b>	<b>\$5,527,412</b>	<b>\$7,713,901</b>	<b>\$8,782,834</b>	<b>\$9,508,825</b>	<b>\$9,658,308</b>	<b>\$9,726,860</b>	<b>\$10,505,496</b>
<b>Cash from Operations and Financing</b>										
Net Income	\$2,960,576	\$6,740,656	\$5,899,423	\$5,527,412	\$7,713,901	\$8,782,834	\$9,508,825	\$9,658,308	\$9,726,860	\$10,505,496
Cash from Financing	\$6,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Cash Available</b>	<b>\$8,960,576</b>	<b>\$6,740,656</b>	<b>\$5,899,423</b>	<b>\$5,527,412</b>	<b>\$7,713,901</b>	<b>\$8,782,834</b>	<b>\$9,508,825</b>	<b>\$9,658,308</b>	<b>\$9,726,860</b>	<b>\$10,505,496</b>
<b>Net Income Allocation</b>										
Working Capital Repayment (Remainder)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Programs/Additional Rate Savings	\$0	\$0	\$0	\$337,311	\$7,713,901	\$8,782,834	\$9,508,825	\$9,658,308	\$9,726,860	\$10,505,496
<b>Total Reserve Outlays</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$337,311</b>	<b>\$7,713,901</b>	<b>\$8,782,834</b>	<b>\$9,508,825</b>	<b>\$9,658,308</b>	<b>\$9,726,860</b>	<b>\$10,505,496</b>
<b>Rate Stabilization Reserve Balance</b>	<b>\$8,960,576</b>	<b>\$15,701,233</b>	<b>\$21,600,656</b>	<b>\$26,790,757</b>	<b>\$26,790,757</b>	<b>\$26,790,757</b>	<b>\$26,790,757</b>	<b>\$26,790,757</b>	<b>\$26,790,757</b>	<b>\$26,790,757</b>
CCA Total Bill	\$192,302,698	\$255,749,986	\$262,567,975	\$269,508,420	\$279,699,450	\$287,042,315	\$294,758,992	\$302,262,550	\$310,317,831	\$318,583,367
SDG&E Total Bill	\$196,165,887	\$260,966,389	\$267,836,068	\$274,886,585	\$285,442,928	\$292,956,928	\$300,668,726	\$308,583,529	\$316,706,682	\$325,043,669
Difference	\$3,863,189	\$5,216,402	\$5,268,093	\$5,378,165	\$5,743,478	\$5,914,613	\$5,909,733	\$6,320,979	\$6,388,851	\$6,460,302
Savings	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%

**Table 4 Carlsbad, Del Mar, Solana Beach, Santee, and County of San Diego CCA JPA**

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>Revenues from Operations (\$)</b>										
Electric Sales Revenues	\$137,554,753	\$204,779,040	\$209,802,762	\$216,024,408	\$226,902,284	\$234,205,975	\$242,419,832	\$250,553,413	\$258,947,226	\$269,454,916
Less Uncollected Accounts	\$275,110	\$409,558	\$419,606	\$432,049	\$453,805	\$468,412	\$484,840	\$501,107	\$517,894	\$538,910
<b>Total Revenues</b>	<b>\$137,279,644</b>	<b>\$204,369,482</b>	<b>\$209,383,156</b>	<b>\$215,592,359</b>	<b>\$226,448,479</b>	<b>\$233,737,563</b>	<b>\$241,934,992</b>	<b>\$250,052,306</b>	<b>\$258,429,331</b>	<b>\$268,916,006</b>
<b>Cost of Operations (\$)</b>										
Cost of Energy	\$114,553,627	\$168,621,117	\$176,379,958	\$183,418,650	\$190,551,978	\$197,909,677	\$204,740,232	\$211,186,397	\$218,863,235	\$226,724,304
<i>Operating &amp; Administrative</i>										
Billing & Data Management	\$2,916,518	\$4,049,718	\$4,156,323	\$4,265,734	\$4,378,025	\$4,493,272	\$4,611,553	\$4,732,948	\$4,857,538	\$4,985,408
SDG&E Fees	\$1,143,523	\$698,775	\$717,169	\$736,048	\$755,424	\$775,310	\$795,719	\$816,666	\$838,163	\$860,227
Consulting Services	\$1,170,300	\$1,747,668	\$1,517,319	\$1,547,666	\$1,578,619	\$1,610,191	\$1,642,395	\$1,675,243	\$1,708,748	\$1,742,923
Staffing	\$1,391,172	\$1,891,994	\$1,929,834	\$1,968,430	\$2,007,799	\$2,047,955	\$2,088,914	\$2,130,692	\$2,173,306	\$2,216,772
General & Administrative expenses	\$219,963	\$160,430	\$163,638	\$166,911	\$272,249	\$173,654	\$177,127	\$180,670	\$286,283	\$187,969
Debt Service	\$2,698,586	\$2,943,912	\$2,943,912	\$2,943,912	\$2,943,912	\$245,326	\$0	\$0	\$0	\$0
Total O&A Costs	\$9,540,063	\$11,492,497	\$11,428,196	\$11,628,702	\$11,936,029	\$9,345,709	\$9,315,709	\$9,536,219	\$9,864,039	\$9,993,299
<b>Total Cost</b>	<b>\$124,093,689</b>	<b>\$180,113,614</b>	<b>\$187,808,154</b>	<b>\$195,047,352</b>	<b>\$202,488,007</b>	<b>\$207,255,386</b>	<b>\$214,055,941</b>	<b>\$220,722,616</b>	<b>\$228,727,274</b>	<b>\$236,717,604</b>
<b>Net Income from Operations</b>	<b>\$13,185,955</b>	<b>\$24,255,868</b>	<b>\$21,575,002</b>	<b>\$20,545,007</b>	<b>\$23,960,472</b>	<b>\$26,482,177</b>	<b>\$27,879,051</b>	<b>\$29,329,690</b>	<b>\$29,702,057</b>	<b>\$32,198,402</b>
<b>Cash from Operations and Financing</b>										
Net Income	\$13,185,955	\$24,255,868	\$21,575,002	\$20,545,007	\$23,960,472	\$26,482,177	\$27,879,051	\$29,329,690	\$29,702,057	\$32,198,402
Cash from Financing	\$13,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Cash Available</b>	<b>\$26,185,955</b>	<b>\$24,255,868</b>	<b>\$21,575,002</b>	<b>\$20,545,007</b>	<b>\$23,960,472</b>	<b>\$26,482,177</b>	<b>\$27,879,051</b>	<b>\$29,329,690</b>	<b>\$29,702,057</b>	<b>\$32,198,402</b>
<b>Net Income Allocation</b>										
Working Capital Repayment (Remainder)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Programs/Additional Rate Savings	\$0	\$0	\$0	\$12,198,136	\$23,960,472	\$26,482,177	\$27,879,051	\$29,329,690	\$29,702,057	\$32,198,402
<b>Total Reserve Outlays</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$12,198,136</b>	<b>\$23,960,472</b>	<b>\$26,482,177</b>	<b>\$27,879,051</b>	<b>\$29,329,690</b>	<b>\$29,702,057</b>	<b>\$32,198,402</b>
<b>Rate Stabilization Reserve Balance</b>	<b>\$26,185,955</b>	<b>\$50,441,823</b>	<b>\$72,016,824</b>	<b>\$80,363,695</b>	<b>\$80,363,695</b>	<b>\$80,363,695</b>	<b>\$80,363,695</b>	<b>\$80,363,695</b>	<b>\$80,363,695</b>	<b>\$80,363,695</b>
CCA Total Bill	\$593,988,980	\$803,987,701	\$826,054,223	\$847,891,607	\$876,238,907	\$899,872,301	\$923,257,624	\$947,751,944	\$972,927,494	\$999,051,911
SDG&E Total Bill	\$605,931,891	\$820,644,213	\$842,246,851	\$864,418,158	\$894,808,036	\$918,362,962	\$942,537,949	\$967,349,318	\$992,813,821	\$1,018,948,652
Difference	\$11,942,911	\$16,656,512	\$16,192,629	\$16,526,550	\$18,569,128	\$18,490,661	\$19,280,325	\$19,597,374	\$19,886,328	\$19,896,741
Savings	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%



October 1, 2019

TO: Clem Brown  
FROM: Amber Nyquist  
SUBJECT: Finance Committee Questions  
CC: Gary Saleba, Howard Choy

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Clem,

Below are responses to questions from the Finance Committee, received via email on September 30, 2019, on their review of the CCE Technical Feasibility Study and updated pro forma.

**General:**

Q. It is surprising that the energy loads for Solana Beach were not available to EES given the extensive involvement by Solana Beach thus far in the process. Will there be an additional set of projections available before the October 7 Council meeting with Solana Beach included?

A. EES did not have Solana Beach's detailed load data to include in the updated pro forma. EES has this data now and will provide an updated pro forma for a CCE JPA consisting of the Cities of Del Mar, Solana Beach and Carlsbad.

**Revenues:**

Q. In stipulating a 2% rate discount off the SDG&E bundled rates does this indicate that the discount will be applied to the energy cost portion of the electric bill or does it mean that the rate discount will be 2% of the total bill including energy costs and transmission and distribution charges?

A. The rate discount is off the entire bill. Thus, if SDG&E increases lines and wires charges, the discount will be less than 2%. EES finds it easier to explain the discounts as off the entire bill. In addition, the CCA can set customer rates anyway they wish but EES suggests taking a straight

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discount off each rate component on the SDG&E bundled bill.

Q. By assuming that the CCE will offer a minimum of 2% below the SDG&E bundled rates does this mean that the projected Revenues are calculated as 98% of the SDG&E bundled rates? If not, how were Revenues calculated?

A. Yes.

Q. What is the Opt-out rate assumption?

A. 5% residential and 10% non-residential (commercial, industrial).

Q. Why is it assumed that Revenues will grow at a compound annual growth rate of 7.3% over the ten-year period?

A. Revenue growth follows sales increases due to load growth and increases in the SDG&E bundled rate. EES estimated load growth at 0.62% annually based on California Energy Commission's load forecasts for SDG&E territory and on a 2.2% annual bundled rate increase by SDG&E. In the pro forma, 2021 data is excluded in any 10-year analysis because it reflects partial year operations (April start date).

**Cost of Energy:**

Q. Is there an underlying premise that a CCE can purchase energy more cost effectively than SDG&E?

A. Yes. CCA overhead is less than SDG&E and a CCA's cost of capital is about 2/3 of SDG&E's.

Q. Is the cost of energy based upon the specific energy loads for each participating city?

A. Power prices are predicated on the shape of the combined cities' load shape and type of power (brown, green, etc.).

Q. Can you explain the methodology used in the energy cost breakdown in terms of electrons purchased (including type of contract), the Resource Adequacy cost and the cost of renewable energy credits (RECs)?

A. Renewable energy is purchased through a combination of long-term and short-term contracts. In the energy market, long-term contracts are assumed to start at 65% of the renewable energy purchases and are expected to be in the \$20-\$30/MWh range. The study

conservatively assumes about \$32-\$35/MWh for long-term purchases. Due to lower pricing of long-term contracts, the study assumes the CCA would gradually increase the share of power purchased from these to 75% of renewable energy by 2030.

Short-term contracts are assumed priced higher at \$40-\$45/MWh. Bundled RECs are assumed priced around \$8/MWh escalating at 6%/year. Unbundled RECs are assumed purchased only for energy balancing.

The resulting power supply cost forecast includes increasing costs for power overall; however, as the share of renewable long-term contracts increases the average cost of power increases at a slower rate due to the lower cost of these contracts.

Resource Adequacy regulations require purchases of 115% of forecasted peak demand per the California Public Utilities Commission. Resource Adequacy is procured under three grid categories: system (system-wide support), flexible (dispatchable resources when needed by the grid), and local (grid locational specific). These are priced and purchased separately in the model based on market estimates and escalated at 5%/year.

Q. Why is it assumed that costs for energy will grow at a compound annual growth rate of 7.3% over the ten-year period?

A. 2021 is a partial year of operation so power costs are growing at about 4% per year when 2021 is excluded. Cost increases reflect: growth of load served (described earlier), escalation of renewable energy prices (a conservative assumption because renewable energy is likely to stay fixed or decrease), escalating Resource Adequacy costs, increased market power costs, and increased REC prices when needed for balancing purchases, escalated CAISO rates.

Q. What are the underlying assumptions about the outlook for the energy purchase market (i.e. going up, down, why)?

A. As conservatively estimated in the study, market prices for power are forecasted to increase over the study period based on future years' market prices for the grid area including San Diego County (SP15).

### **Operating Costs:**

Q. Cost of Operations (excluding debt service) is 9.9% in year 1 and reduces to 7.7% by year 10. Do we have an estimate of the operating costs incurred by SDG&E related to the purchase of energy?

A. SDG&E's power purchasing department has several dozen FTE's whereas the CCA will likely have 2-3 FTE's plus a schedule coordinator contractor. Note that the cost of operations noted

above for the CCA include billing and data management, legal and regulatory, as well as a few other line items that would not normally be included in power supply overhead calculations. The CCA power supply overhead (overhead related to power supply costs only) is 1-2% of CCA power costs. SDG&E's costs are much higher using SDG&E's approved rate of return on generation assets would produce an overhead rate of at least 4%.

Q. Do we have a breakdown of the SDG&E costs showing the allocated costs (i.e. indirect costs)?

A. No

Q. How does the SDG&E operating cost per load per Kwh compare to the projected \$.0657?

A. The comparable rate in this case would be SDG&E generation rates. The proforma estimates the SDG&E generation rate to average \$0.12/kWh over the study period. Note that the \$0.0657/kWh is the CCA operating budget and does not include contribution to reserves. In addition, CCA customers would pay the PCIA on top of the CCA rate. The \$0.657/kWh figure was used only to provide a comparison between Scenarios 1 and 2.

**Start Up Loan:**

Q. A start up loan in the amount of \$5.6 million is shown to cover the pre-start up costs and initial working capital. The assumption is that this debt will be amortized over 5 years. The cash flows suggest that this could be paid off much more quickly if desired. What are the debt repayment requirements being negotiated in the terms of our proposed JPA?

A. This is a policy decision for the future JPA Board of Directors, of which Del Mar will have equal representation.

Q. According to Solana Beach, the pre-startup costs of \$1.2 million can be financed with the energy procurement partner and the data management partner. Are we contemplating these sources of funding as an alternative to the debt shown in the projections?

A. Vendors will cover startup costs but not without financial conditions. In addition, a private vendor's cost of capital is roughly 50% higher for lines of credit as compared to a CCA making the same arrangements.

Q. How does the proposed JPA plan to finance the cost of energy in the first year in the amount of \$34.6 million?

A. The first 30 days of energy will be paid out of the \$5.6M line of credit. After 30 days, the CCA

will be getting revenue from its customers and these revenues will pay for subsequent power bills.

**Rate Stabilization Reserve Balance:**

Q. The Rate Stabilization Reserve Balance over the first five years accumulates to \$24 million, which seems to be the desired Reserve Stabilization level. What is the method for determining this level?

A. Rule of thumb is you want 120 days of operating costs in reserves.

Q. The excess cash accumulated beyond this Rate Stabilization level totals \$9.8 million and is shown as being available for New Programs or Rate Savings. What is the policy of the proposed JPA in terms of the decision to minimize the Rates or spend on New Programs?

A. This is a policy decision for the future JPA Board of Directors, of which Del Mar will have equal representation.