

F.2

COMMUNITY CHOICE ENERGY FEASIBILITY STUDY RESULTS

City Council

July 17, 2018

Presentation by:

Cindy Moore, Sustainability Coordinator

Kirby Dusel & John Dalessi, Pacific Energy Advisors, Inc.



Presentation Overview

1. County & City of SB Actions Today
2. Background
3. Feasibility Study Overview
4. Feasibility Study Results – Pacific Energy Advisors
5. Comparison to Previous Study
6. Timing and Next Steps
7. Recommendation

1. Today's Actions

- A. County of Santa Barbara
- B. City of Santa Barbara
- C. City of Carpinteria – July 23rd

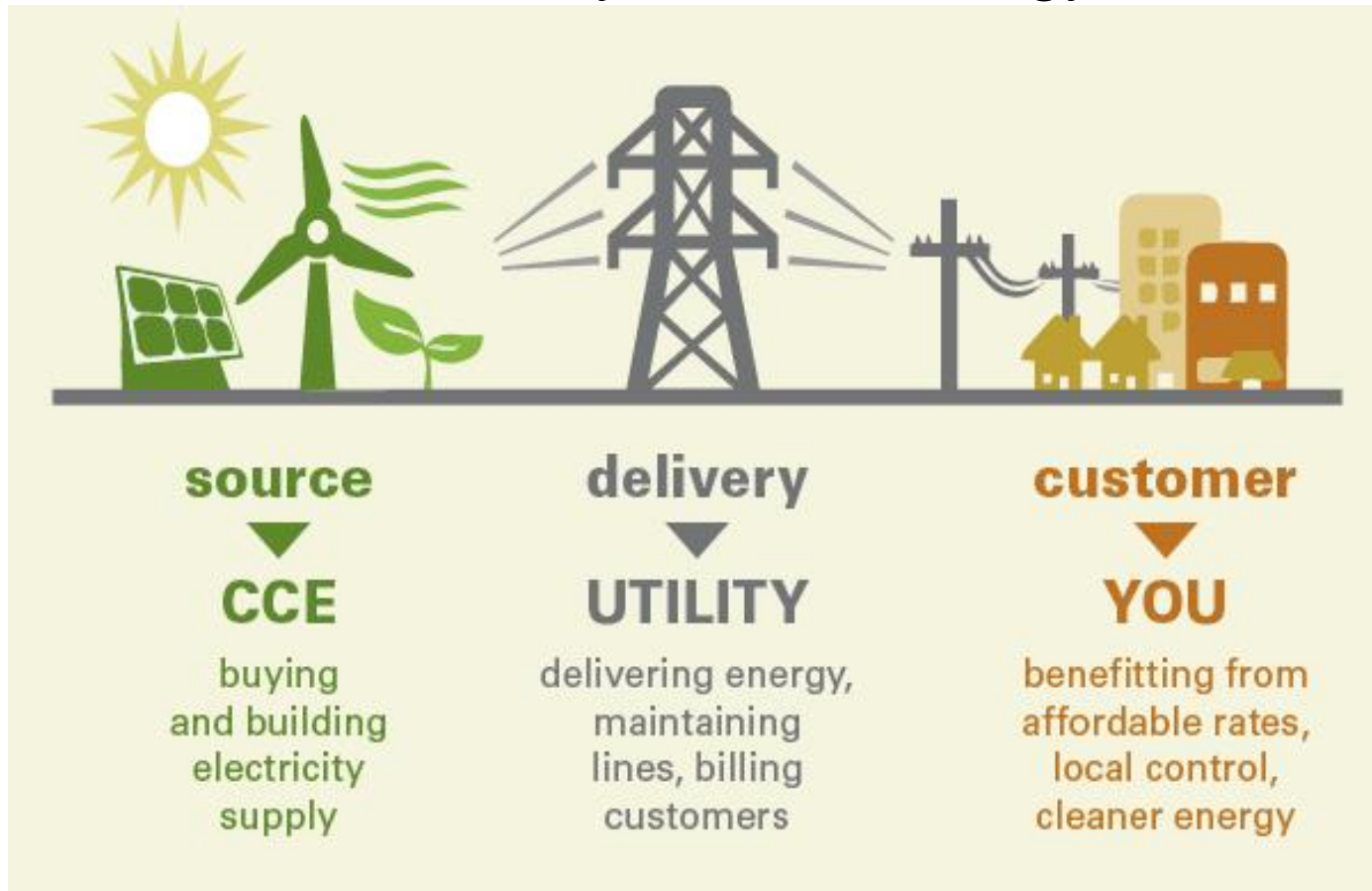
2. Background

A. December 2017 City Council Actions:

- Adopted 100% Renewable Energy Goal
- Received Update on Tri-County Regional CCE Feasibility Study
 - ✓ Finding: Likely Not Viable
- Approved \$7,500 for Additional CCE Feasibility Study
 - ✓ Consistent with CAP Measure CCA-1

2. Background

How Community Choice Energy Works



2. Background

B. Benefits

- Customer Choice about Energy Sources
- Local Control & Reinvestment
 - ✓ Community Focused Incentives & Programs
- Cost Competitiveness
- Support Climate Action Goals

2. Background

C. Risks

- Regulatory
 - ✓ PCIA (Power Charge Indifference Adjustment) or “Exit Fees”
- Customer Opt-Out
- Energy Costs
- Rate Competitiveness

3. Feasibility Study Overview

- A. Pacific Energy Advisors (PEA) Study Funded by:
 - Santa Barbara County
 - Cities of Goleta, Carpinteria & Santa Barbara
 - Community Environmental Council

- B. 3 Geographic Participation Scenarios:
 - All Santa Barbara County
 - Unincorporated Santa Barbara County Only
 - City of Santa Barbara Only

3. Feasibility Study Overview

- C. 3 Electricity Supply Scenarios in both PG&E & SCE Territory:
 - Compliant with the State Renewable Portfolio Standard
 - ✓ (33% Renewable in 2020 to 50% in 2030)
 - 50% Renewable All Years
 - 75% Renewable All Years

- D. 11-Year Study Period (2020-2030)

3. Feasibility Study Results

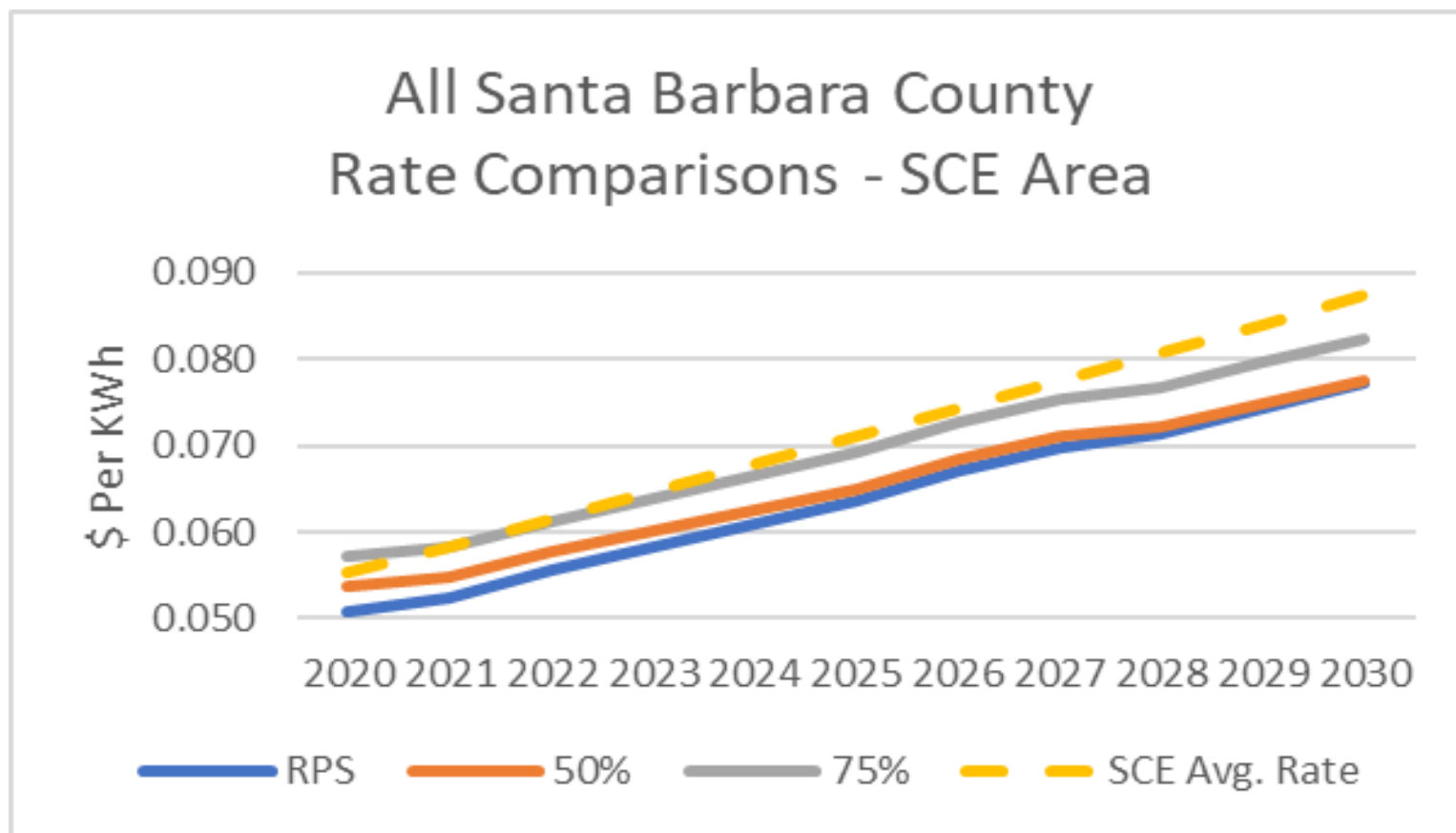
A. Pacific Energy Advisors, Inc. (PEA)

- Kirby Dusel and John Dalessi

Key Assumptions

- Customer opt-out rate of 10% for all scenarios.
- Start-up costs of approximately \$7-10 million, sourced from an 10 year interest-free loan for the City of Santa Barbara only scenario, and a 3% interest-only bank loan with a 1 – year principal balloon payment for All Santa Barbara County and Unincorporated Santa Barbara membership scenarios.
- Annual staffing costs were derived by benchmarking to currently operating CCAs of similar size that range from approximately \$558,000 to \$3,500,000 depending on membership scenario, with corresponding staffing levels ranging from 3 to approximately 20, respectively.
- All scenarios consider a single phase of customer enrollments.

All Santa Barbara County Rate Comparison (SCE Territory Only)



Pro Forma Overview

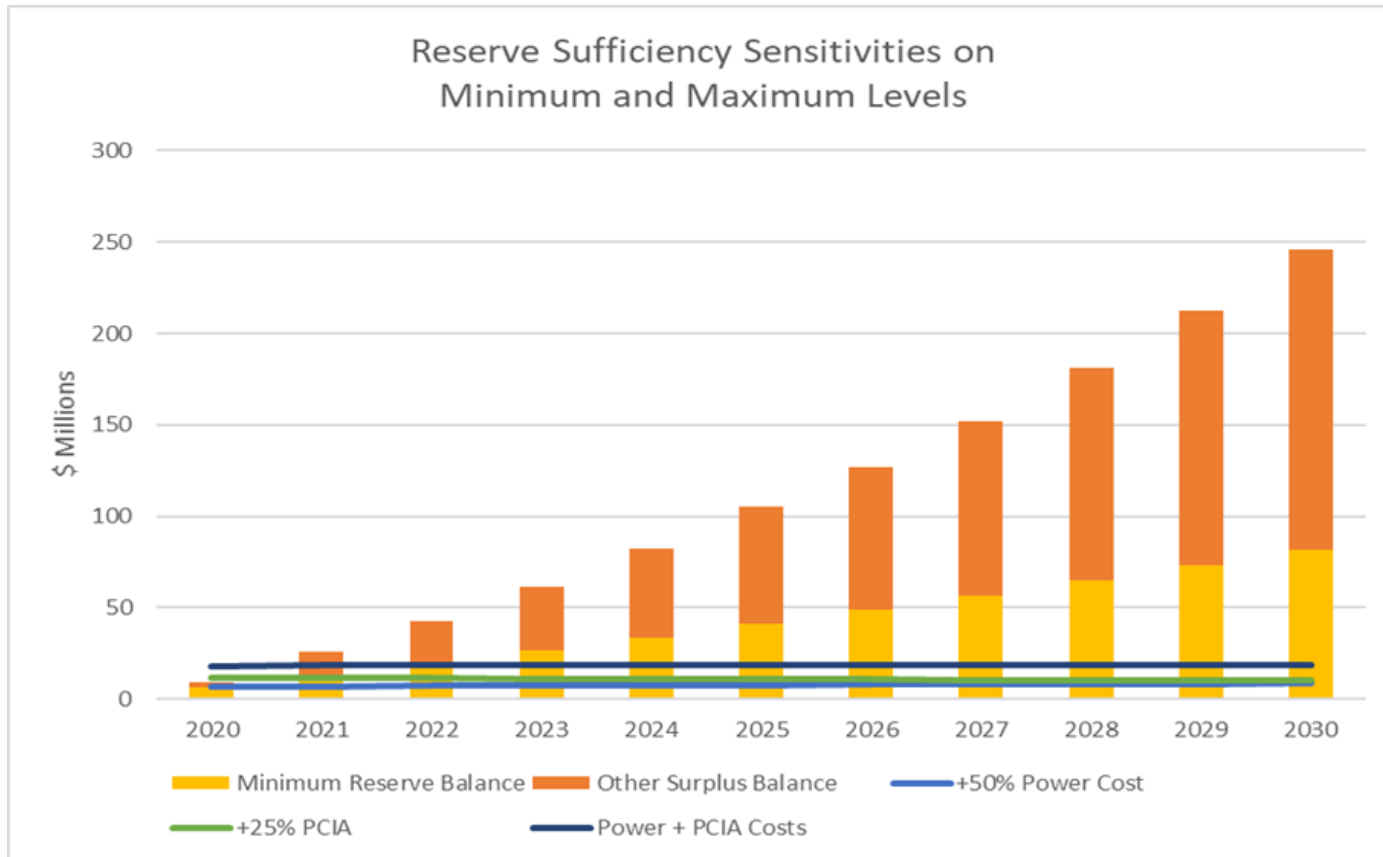
- The pro forma financial results indicate net surpluses would be realized by SBC if it charges similar rates as SCE and PG&E
- In the All Santa Barbara County membership structure, both the RPS-compliant and 50% Renewable Energy Supply scenarios have a net surplus starting in 2020; the 75% Renewable Energy Supply scenario has a net surplus starting in 2021.

All Santa Barbara County 50% Renewable Energy Supply Pro Forma

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
I. Revenue	-	156,561,067	162,162,930	167,832,371	173,576,391	179,401,948	185,315,967	191,325,356	197,437,017	203,657,862	209,994,821	216,454,861
II. Operating Expenses												
Power Supply	-	127,017,386	135,779,407	140,721,284	144,444,843	148,036,579	151,547,796	157,963,954	161,749,459	163,923,925	168,531,988	173,017,950
Staff	583,333	3,500,000	3,587,500	3,677,188	3,769,117	3,863,345	3,959,929	4,058,927	4,160,400	3,500,000	3,500,000	3,500,000
Marketing and Communications	349,005	1,234,676	1,164,759	1,194,594	1,225,196	1,256,586	1,288,784	1,321,810	1,355,686	1,141,194	1,141,900	1,142,610
Legal, Consulting, other Prof. Services	300,000	1,500,000	1,537,500	1,575,938	1,615,336	1,655,719	1,697,112	1,739,540	1,783,029	1,500,000	1,500,000	1,500,000
Data Management	-	1,898,527	1,908,014	1,917,550	1,927,134	1,936,753	1,946,435	1,956,166	1,965,931	1,975,746	1,985,623	1,995,536
Utility Service Fees	-	431,280	426,917	436,131	445,605	455,346	465,364	475,666	425,709	427,814	429,931	432,056
Miscellaneous Admin. & General	83,333	500,000	512,500	525,313	538,445	551,906	565,704	579,847	594,343	500,000	500,000	500,000
Uncollectibles/Other	-	782,805	810,815	839,162	867,882	897,010	926,580	956,627	987,185	1,018,289	1,049,974	1,082,274
Subtotal Operating Expenses	1,315,672	136,864,674	145,727,411	150,887,158	154,833,559	158,653,246	162,397,704	169,052,537	173,021,742	173,986,968	178,639,416	183,170,426
Operating Margin	(1,315,672)	19,696,393	16,435,520	16,945,213	18,742,832	20,748,702	22,918,263	22,272,819	24,415,275	29,670,894	31,355,405	33,284,434
III. Financing												
Startup Funding Repayment	102,500	9,167,500	-	-	-	-	-	-	-	-	-	-
Reserve Contribution	-	6,262,443	6,486,517	6,713,295	6,943,056	7,176,078	7,412,639	7,653,014	7,897,481	8,146,314	8,399,793	8,658,194
Subtotal Financing	102,500	15,429,943	6,486,517	6,713,295	6,943,056	7,176,078	7,412,639	7,653,014	7,897,481	8,146,314	8,399,793	8,658,194
IV. Total Revenue Requirement	1,418,172	152,294,617	152,213,928	157,600,453	161,776,615	165,829,323	169,810,343	176,705,551	180,919,223	182,133,282	187,039,209	191,828,621
V. Net Surplus/(Deficit)	(1,418,172)	4,266,450	9,949,003	10,231,918	11,799,776	13,572,624	15,505,624	14,619,805	16,517,794	21,524,579	22,955,612	24,626,240
VI. Cumulative Reserve	-	6,262,443	12,748,960	19,462,255	26,405,310	33,581,388	40,994,027	48,647,041	56,544,522	64,690,836	73,090,629	81,748,824
VII. Cumulative Net Surplus	(1,418,172)	2,848,278	12,797,281	23,029,199	34,828,975	48,401,599	63,907,223	78,527,028	95,044,823	116,569,402	139,525,014	164,151,254
VIII. Program Average Rate (\$/MWh)	-	65.8	67.8	69.8	71.9	73.9	75.9	78.0	80.1	82.2	84.4	86.5
IX. Power Supply (\$/MWh)	-	53.4	56.8	58.5	59.8	61.0	62.1	64.4	65.6	66.2	67.7	69.2
X. Program Average Cost (\$/MWh)	-	64.0	63.6	65.6	67.0	68.3	69.6	72.1	73.4	73.5	75.1	76.7
XI. Annual Sales (MWh)	-	2,379,904	2,391,804	2,403,763	2,415,782	2,427,861	2,440,000	2,452,200	2,464,461	2,476,783	2,489,167	2,501,613

Stress Analyses on Reserves

- Accumulated reserves are projected to sufficiently cover the two largest risks by 2021.



Key Risks and Uncertainties

- Market price risk (i.e., open positions may be higher cost if market prices rise)
- PG&E/SCE generation rates and exit fees (e.g., PCIA) may be more or less than projected impacting the CCA's rates and revenues
- Customer load risk (i.e., opt out rates may be higher than expected, growth of distributed energy resources is much higher than anticipated, etc.)
- Regulatory/legislative risk; uncertainty on how new legislation may impede the future growth of CCAs (i.e., the California Public Utilities Commission recently published a "Green Book" that poses the risks of customer choice)

5. Comparison to Previous Study

Consultant Assumptions Compared to Operational CCE Reported Values

Consultant	Power Costs	Start-Up Capital	Financial Reserve	Staffing
PEA	At high end, but in line with CCE reported values	In line with CCE reported values	At low end, but in line with CCE reported values	In line with CCE reported values
Willdan	Higher than CCE reported values	Higher than CCE reported values	Higher than CCE reported values	Higher than CCE reported values
MRW (Peer Review)	At high end, but in line with CCE reported values	In line with CCE reported values	At high end, but in line with CCE reported values	Higher than CCE reported values

5. Comparison to Previous Study

PEA Results Summary – All County Scenario 50% Renewable

Start Up Capital	Break Even Year	New Surplus/Deficit		Residential Customer Bill (\$/Year)		
		Year 1	Year 11		Year 1	Year 11
\$9.3 M	Year 1	\$4.3 M	\$24.6 M	PG&E	\$11 ↓	\$51 ↓
				SCE	\$8 ↓	\$55 ↓

6. Timing and Next Steps

A. Likely Earliest Launch January 2021

- CPUC Requirements – Implementation Plans
- JPA Agreement Negotiation & Operating Guidelines

6. Timing and Next Steps

B. Resolution of Intent

- Non-Binding as to:
 - ✓ JPA Membership
 - ✓ Allocation of Funds
 - ✓ CCE Program Participation

C. Return to City Council for:

- Resolution for JPA Membership
- Authorize Financial Participation (Amount TBD)
- Adopt CCE Ordinance

7. Recommendation

A. Energy / Green Issues City Council Standing Committee

- June 13, 2018 Meeting
- Recommendation: Bring Forward to Full Council and Support Adoption of a Resolution of Intent

7. City Council Recommendation

1. Receive a Report on Results of the SB County CCE Technical Study
2. Adopt Resolution of Intent to Participate in Governance & Financing Discussions for a Proposed CCE JPA