

BUTTE CHOICE ENERGY AUTHORITY

Staff Report – Item 5

To: Butte Choice Energy (BCE) Board of Directors

From: Brian Ring, Assistant Chief Administrative Officer, County of Butte
Erik Gustafson, Public Works Director, City of Chico

Subject: Election of Board Chair and Vice Chair

Date: November 18, 2019

Staff Recommendation

As described in the BCE JPA Agreement, elect a Board Chair and Vice Chair for a term of one year who shall be a seated member of the Board. While not required, staff recommends these leadership positions be filled by representatives of different member agencies to ensure inclusive representation.

Background

Pursuant to Section 5.1 of the Butte Choice Energy Authority Joint Powers Agreement, the Board of Directors shall elect a Chair and a Vice Chair from among the directors. The term for these positions 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 sign contracts on behalf of the Authority and shall perform such other duties as may be imposed by the Board. In the absence of the Chair the Vice Chair shall sign contracts and perform all of the Chair's duties.

Fiscal Impact: None

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Staff Report – Item 6

To: BCE Board of Directors

From: Brian Ring, Assistant Chief Administrative Officer, County of Butte
Erik Gustafson, Public Works Director, City of Chico

Subject: BCE Operations and Administration Update

Date: November 18, 2019

Recommendation

Receive update and provide direction and feedback as needed.

Background

Staff will provide regular updates to the Board of Directors regarding BCE organizational development, administration and start-up activities. These items are informational only.

Analysis and Discussion

A) JPA Agreement and Board of Director Next Steps

The JPA Agreement is in the process of being signed by the Parties and will be submitted to the Secretary of State's office in the coming week. Once filed with the Secretary of State, Butte Choice Energy will officially be a new California Joint Powers Agency. All new Board members and alternate directors for BCE will be sworn in at their first meeting. Staff will follow up with Board members about filing their Economic Statement of Interest – Form 700, which is required for Directors of public agencies.

B) Interim Staff Support

Butte County and City of Chico Staff are working on a plan for BCE interim staff support to be provided by City and County in the roles of project management and administration, interim general counsel, secretary/clerk, financial services/treasury, and potentially other support services that will be required until BCE has hired staff beginning in Spring/Summer 2020. We will return to the Board with a detailed MOU/cooperative services agreement detailing the city/county services to be provided along with repayment provisions that will commence once BCE is operational and revenue positive.

C) BCE Start-Up Funding

As you are aware, The City of Chico and County of Butte have each authorized a start-up loan in the amount of \$300,000 from each jurisdiction to support initial BCE start up activities. Staff is currently working on an interagency loan agreement and has established a chart of accounts through the County Finance Department to track BCE expenses for reimbursement. BCE will also be issuing an RFP for credit and banking services that will provide additional third-party

working capital for start-up expenses including staffing, customer notifications, utility and CIASO deposits and the cost of power. We expect to have the additional line of credit and banking partner established by the Spring of 2020.

D) Upcoming Service RFPs

There are a number of service RFPs that BCE will issue in the coming months to build out our formation and core service team. These include RFPs for the following essential services, some of which will shift over time to become in-house, staffed functions once the Agency is operational:

- 1) Technical Energy and Power Services (Q42019)
- 2) Banking and Credit Services (Q1 2020)
- 3) Data Management and Call Center Services (Q1 2020)
- 4) Marketing and Communications (Q2 2020)
- 5) Legal Support (Regulatory, Energy Contracting) (Q2 or Q2 2020)

E) Committees

Board and Advisory Committee formation will be addressed in the first quarter of 2020 to allow the Board to maintain focus on development of BCE's Implementation Plan and other organizational logistics through the remainder of 2019.

F) Public Outreach/Communications

For the next few months, we will continue to use the County's 'Power Butte' website to post BCE documents and Board materials. We have reserved the domain name www.ButteChoiceEnergy.org for the Agency's long-term use, and we will create a temporary website that will serve as a functional placeholder until our marketing firm has been identified and a permanent site is developed. We expect the temporary site to go live by the end of 2019 and the permanent site to be in place by Q3 2020.

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Staff Report – Item 7

To: Butte Choice Energy (BCE) Board of Directors

From: Gary Saleba, EES Consulting

Cc: Brian Ring, Assistant Chief Administrative Officer, County of Butte
Erik Gustafson, Public Works Director, City of Chico

Subject: Recommended Implementation Plan Language

Date: November 18, 2019

Staff Recommendation

Staff recommend implementing the language below regarding rate design, rate objectives, and provision for due process in setting Program rates. Program rates are ultimately approved by BCE's Board. BCE would retain Authority to modify program policies from time to time at its discretion.

Background

An Implementation Plan (IP) is required to be filed with the California Public Utility Commission (CPUC) pursuant to Public Utility Code Section 366.2(c)(3). This document is designed to set the general goals and direction of Butte Choice Energy Authority. It's designed to be broad in nature, not overly prescriptive. This must be filed with the CPUC by December 31, 2019 to effectuate a 2021 launch.

Discussion and Analysis

Rate Policies

BCE will establish rates sufficient to recover all costs related to operation of the BCE Program, including any reserves that may be required as a condition of financing and other discretionary reserve funds that may be approved by BCE. As a general policy, rates will be uniform for all similarly situated customers enrolled in the BCE Program throughout the service area of BCE.

The primary objectives of the rate setting plan are to set rates that achieve the following:

- Rate competitive tariff option including a proportionate quantity of renewable energy meeting California's prevailing renewable energy procurement mandate;
- 50 percent renewable energy supply option
- 100 percent renewable energy supply option
- Allow individual member agencies to choose the default energy supply option into which their customers will be enrolled

- Allow customers to participate in any of the three energy supply options after enrollment
- Rate stability;
- Equity among customers in each tariff;
- Customer understanding; and
- Revenue sufficiency.

Each of these objectives is described below.

Rate Competitiveness

BCE's primary goal is to offer its customers competitive rates for electric services relative to the incumbent utility PG&E. As planned, the value provided by the BCE Program will also include options for a higher proportion of renewable energy and reduced GHG emissions relative to the incumbent utility, enhanced energy efficiency and customer programs, community focus, local investment and control. BCE currently plans to offer customers rates that are lower than PG&E's bundled rates during Phase 1. Final rates for the launch phase will be subject to final power price bids.

As previously discussed, the BCE Program will offer increased renewable energy supply to program customers, relative to the incumbent utility, by offering three distinct rate tariffs. The initial renewable energy content provided under BCE's base Tariff will meet California's prevailing renewable energy procurement mandate, and BCE will endeavor to increase this percentage on a going forward basis, subject to operational and economic constraints. BCE will also offer its customers a 50% and 100% renewable energy Tariff, which will supply participating customers with either 50 percent or 100 percent renewable energy at rates that reflect BCE's cost for procuring related energy supplies.

Participating qualified low- or fixed-income households, such as those currently enrolled in the California Alternate Rates for Energy (CARE) program, will be automatically enrolled in the standard Tariff and will continue to receive related discounts on monthly electricity bills through PG&E.

Rate Stability

BCE will offer stable rates by hedging its supply costs over multiple time horizons and by including renewable energy supplies that exhibit stable costs. Rate stability considerations may prevent BCE Program rates from directly tracking similar rates offered by the distribution utility, PG&E, and may result in differences from the general rate-related targets initially established for the BCE Program. BCE will attempt to maintain general rate parity with PG&E to ensure that BCE Program rates are not drastically different from the competitive alternative.

Equity among Customer Classes

BCE's initial rates will be set at a discount to the rates offered by PG&E, subject to final power price bids. The level of the discount will depend upon the default product chosen by the Member

Agency. Rate differences among customer classes will reflect the rates charged by the local distribution utility as well as differences in the costs of providing service to each class. Rate benefits may also vary among customers within the major customer class categories, depending upon the specific rate designs adopted by BCE.

Customer Understanding

The goal of customer understanding involves rate designs that are relatively straightforward so that customers can readily understand how their bills are calculated. This not only minimizes customer confusion and dissatisfaction but will also result in fewer billing inquiries to the BCE Program's customer service call center. Customer understanding also requires rate structures to reflect rational rate design principles (i.e., there should not be differences in rates that are not justified by costs or by other policies such as providing incentives for conservation).

Revenue Sufficiency

BCE Program rates must collect sufficient revenue from participating customers to fully fund BCE's annual budget. Rates will be set to collect the adopted budget based on a forecast of electric sales for the budget year. Rates will be adjusted as necessary to maintain the ability to fully recover all of costs of the BCE Program, subject to the disclosure and due process policies described later in this chapter. To ensure rate stability, funds available in BCE's rate stabilization fund may be used from time to time to augment operating revenues.

Rate Design

BCE will generally match the rate structures from the utilities' standard rates to avoid the possibility that customers would see significantly different bill impacts as a result of changes in rate structures that would take effect following enrollment in the BCE Program.

Custom Pricing Options

BCE may work to develop specially-tailored rate and electric service products that meet the specific load characteristics or power market risk profiles of larger commercial and industrial customers. This will allow such customers to have access to a wider range of products than is currently available under the incumbent utility and potentially reduce the cost of power for these customers. BCE may provide large energy users with custom pricing options to help these customers gain greater control over their energy costs. Some examples of potential custom pricing options are rates that are based on an observable market index (e.g., CAISO prices) or fixed priced contracts of various terms.

Net Energy Metering

As planned, customers with on-site generation eligible for net metering from PG&E will be offered a net energy metering rate from BCE. Net energy metering allows for customers with

certain qualified solar or wind distributed generation to be billed on the basis of their net energy consumption. The objective is that BCE's net energy metering tariff will apply to the generation component of the bill, and the PG&E net energy metering tariff will apply to the utility's portion of the bill. BCE plans to pay customers for excess power produced from net energy metered generation systems in accordance with the rate designs adopted by BCE.

Disclosure and Due Process in Setting Rates and Allocating Costs among Participants

Initial program rates will be adopted by BCE following the establishment of the first year's operating budget prior to initiating the customer notification process. Subsequently, BCE will prepare an annual budget and corresponding customer rates. Any proposed rate adjustment will be made to the Board of Directors and ample time will be given to affected customers to provide comment on the proposed rate changes.

After proposing a rate adjustment, BCE will furnish affected customers with a notice of its intent to adjust rates, either by mailing such notices postage prepaid to affected customers, by including such notices as an insert to the regular bill for charges transmitted to affected customers, or by including a related message directly on the customer's monthly electricity bill (on the page addressing BCE charges). The notice will provide a summary of the proposed rate adjustment and will include a link to the BCE Program website where information will be posted regarding the amount of the proposed adjustment, a brief statement of the reasons for the adjustment, and the mailing address of BCE to which any customer inquiries relative to the proposed adjustment, including a request by the customer to receive notice of the date, time, and place of any hearing on the proposed adjustment, may be directed.

Customer Deposits

Under certain circumstances, BCE customers may be required to post a deposit equal to the estimated charges for two months of CCA service prior to obtaining service from the BCE Program. A deposit would be required for an applicant who previously had been a customer of PG&E or BCE and whose electric service has been discontinued by PG&E or BCE during the last twelve months of that prior service arrangement as a result of bill nonpayment. Such customers may be required to reestablish credit by depositing the prescribed amount. Additionally, a customer who fails to pay bills before they become past due as defined in PG&E Electric Rule 11 (Discontinuance and Restoration of Service), and who further fails to pay such bills within five days after presentation of a discontinuance of service notice for nonpayment of bills, may be required to pay said bills and reestablish credit by depositing the prescribed amount. This rule will apply regardless of whether or not service has been discontinued for such nonpayment¹. Failure to post deposit as required would cause the account service transfer request to be rejected, and the account would remain with PG&E.

¹ A customer whose service is discontinued by BCE is returned to PG&E generation service.

Governance

The BCE Program will be governed by BCE's Board, which shall include two appointed designees from each of the Members. BCE will be a joint powers agency formed under California law created on November 5, 2019. The Members of BCE include one (1) municipality located within the County as well as the unincorporated areas of the County, all of which have elected to allow BCE to provide electric generation service within their respective jurisdictions. BCE's Board will be comprised of representatives appointed by each of the Members in accordance with the JPA agreement. The BCE Program will be operated under the direction of an executive director appointed by the Board, with legal and regulatory support provided by a Board appointed General Counsel.

The Board's primary duties are to establish program policies, approve rates and provide policy direction to the Executive Director, who has general responsibility for program operations, consistent with the policies established by the Board. The Board will elect a Chairman and Vice Chairman and will establish an Executive Committee, Finance Committee, and Community Advisory Committee. In the future, the Board may also establish other committees and sub-committees, as needed, to address issues that require greater expertise in particular areas. BCE may also form various standing and ad hoc committees, as appropriate, which would have responsibility for evaluating various issues that may affect BCE and its customers and would provide analytical support and recommendations to the Board in these regards.

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Staff Report – Item 8

To: Butte Choice Energy (BCE) Board of Directors

From: Shawn Marshall, LEAN Energy US

Cc: Brian Ring, Assistant Chief Administrative Officer, County of Butte
Erik Gustafson, Public Works Director, City of Chico

Subject: The Road Ahead – BCE Implementation Timeline

Date: November 18, 2019

Recommendation

Receive report and attached timeline and provide direction as needed. Direct staff to work toward goal of a Phase 1 customer launch in early spring 2021 with a Phase 2 launch to follow in late summer 2021.

Background

Butte Choice Energy, a California Joint Powers Authority, was formed on November 5, 2019 with the goal of launching service in Spring 2021. There are a myriad of steps to move BCE from its recently completed approvals phase to a fully functioning independent agency serving over 78,000 customers in ~17 months. It is an exciting and busy time with many decisions and tasks to be completed by BCE interim staff, consultants, and eventually BCE's permanent staff.

To support the effort, a detailed timeline has been created which is organized within the 6 core functional areas required for CCE Agency start-up and early operations. These functional areas are further described below.

Discussion and Analysis

A. Implementation Elements. There are six core elements common to new CCE start-ups. Following is a brief description of each area of activity. These functions will be supported by outside service providers until such time that the permanent CEO and staff is hired and can begin assuming some/all tasks when the Agency and CCE program becomes operational. At that time, some functions may be taken completely "in-house" while others may remain fully or partially outsourced at the discretion of the Board and CEO.

- 1) *BCE Administration/Organizational Devt.* This area entails all tasks associated with operationalizing BCE and designing the CCE program and its products and services. It includes overall project management, governance and administration, budget

development, staffing, and all operational elements required to transition BCE to a fully independent and functioning agency.

- 2) *Finance and Banking.* This area focuses on BCE’s finance functions including budgeting, accounting, and securing BCE’s working capital and depository operations as well as integration with the data management/back office function to ensure daily revenue transfers from PG&E.
- 3) *Technical and Energy Services.* This area focuses on the tasks required to complete BCE’s power procurement and resource adequacy plans, power contract negotiations, assistance with rate design and rate setting and CAISO registrations. This task area will also focus on development of initial energy programs such as net energy metering, energy efficiency, et al, as well as power-related compliance, integrated resource planning and long-term renewable contracts.
- 4) *Data Management and Call Center Services.* This area deals with “back office” technical functions associated with customer account switching, daily financial transfers and settlements, bill validation, customer relationship management (CRM) as well as the call center function for customers who choose to opt-out or opt-in to a different power choice.
- 5) *Communications and Marketing.* This function will build a public presence for BCE within Butte County and the City of Chico. It includes elements such as Agency logo, key messaging, website design, collateral design, customer outreach and customer noticing. As BCE nears launch, it will include a robust marketing campaign to notify future customers about BCE and their power options.
- 6) *Regulatory and Legislative Affairs.* Regulatory and legislative participation is an important component of BCE operations. As BCE moves closer to launch, it will need to file for party status with the CA Public Utilities Commission and will need to begin tracking and responding to legislation and regulatory proceedings. Although much of this can be done through Cal-CCA, the CCA industry trade association, BCE will want to have its own regulatory support to augment Cal-CCA’s statewide focus and advocacy.

B. Formation Timeline. Attachment A offers a detailed overview of the key functions, primary tasks, and timing required to bring BCE from concept and adoption to an independent public agency in 2021. There are, of course, thousands of additional tasks that will be completed within each functional area, but the attached Gantt chart provides an effective visual summary of the formation components and their timing. A few items of note:

1. The attached timeline covers a 26-month period from November 2019 – December 2021 which takes us from JPA adoption in November 2019, to initial program launch in March 2021, to the anticipated completion of customer noticing and enrollments by the end of 2021.
2. The attached timeline contemplates customer enrollments in two phases beginning in March 2021, followed by Phase 2 in August 2021. This enrollment schedule is

subject to change based on market conditions that could dictate a more economically advantageous phase-in schedule, possibly even a single phase-in depending on PG&E's capacity. In any case, the goal is to have all customers successfully enrolled in the 2021 calendar year. Staff will keep the Board apprised of any changes in BCE's proposed enrollment schedule.

Attachment A: BCE Formation Timeline as of November 18, 2019

