
CITY OF CHULA VISTA

CCA FEASIBILITY STUDY DRAFT REPORT

JULY 23, 2019

Presented by:

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Gary Saleba, President

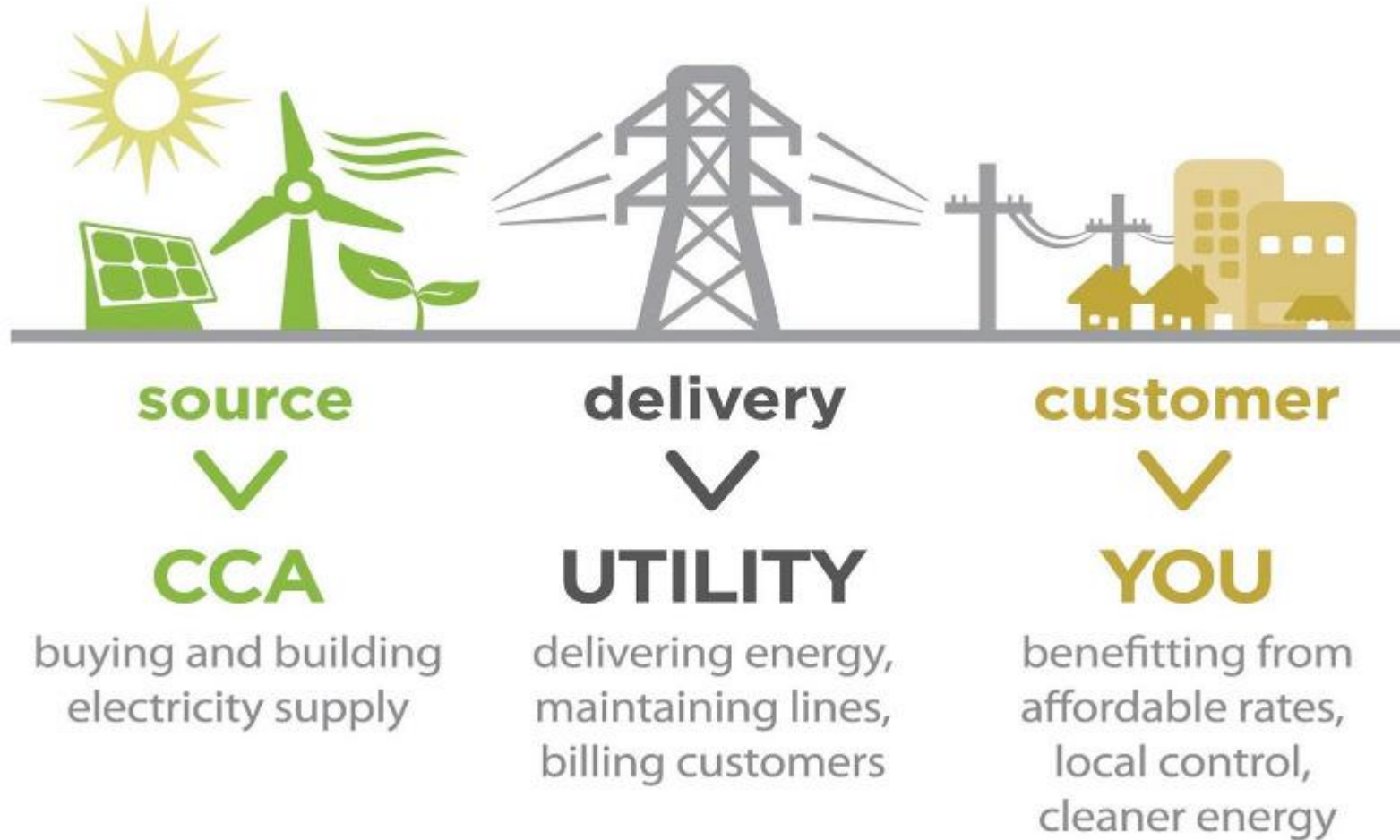
EES Consulting, Inc.

A registered professional engineering and management consulting firm with offices in Kirkland, WA; Portland, OR; Spokane, WA; and La Quinta, CA
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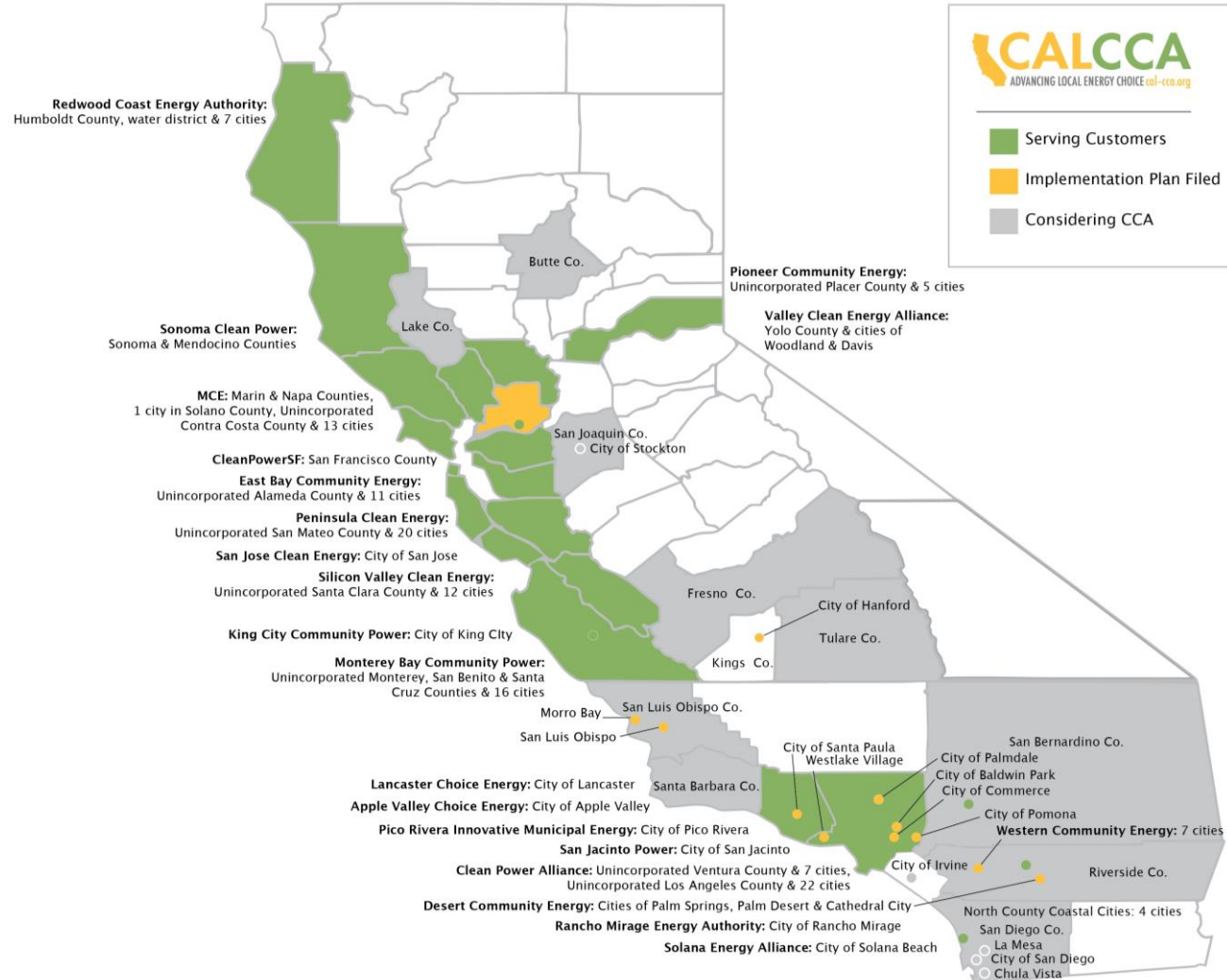
CCA FEASIBILITY STUDY TIMELINE

- ✓ Council Requests CCA Feasibility Study – March 2018
- ✓ Council Approves Cost Share Agreement– February 2019
- ✓ SDG&E Data Provided – April 2019
- ✓ Draft Report – July 1st
- ✓ Sustainability Commission – July 8th
- Draft Study to City Council – July 23rd

WHAT IS COMMUNITY CHOICE AGGREGATION?



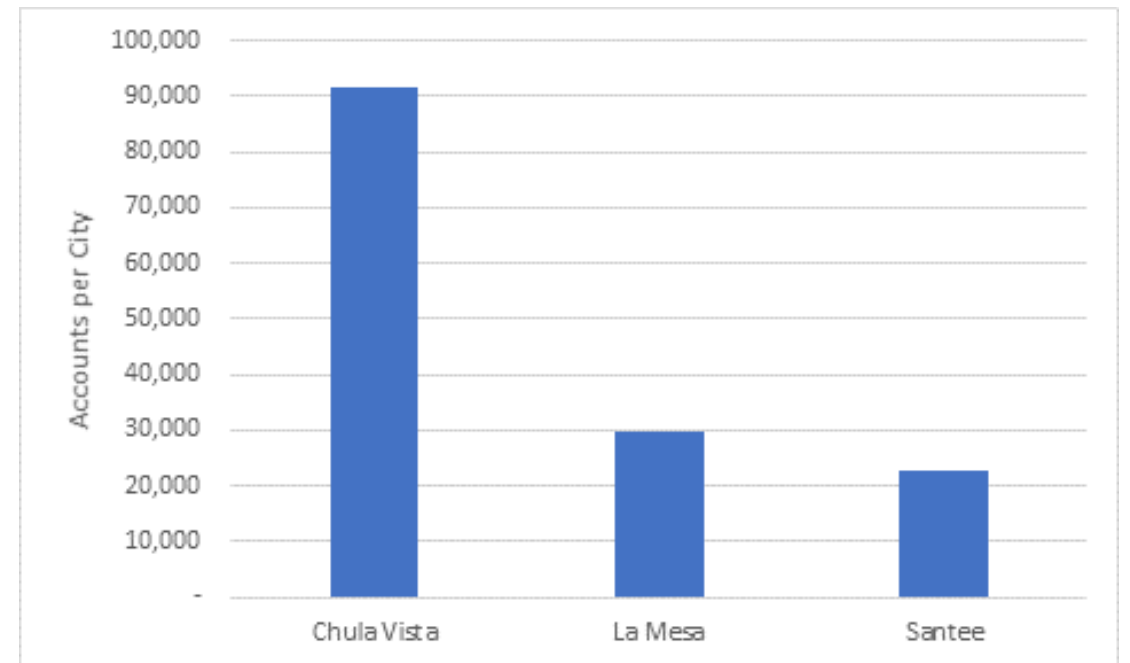
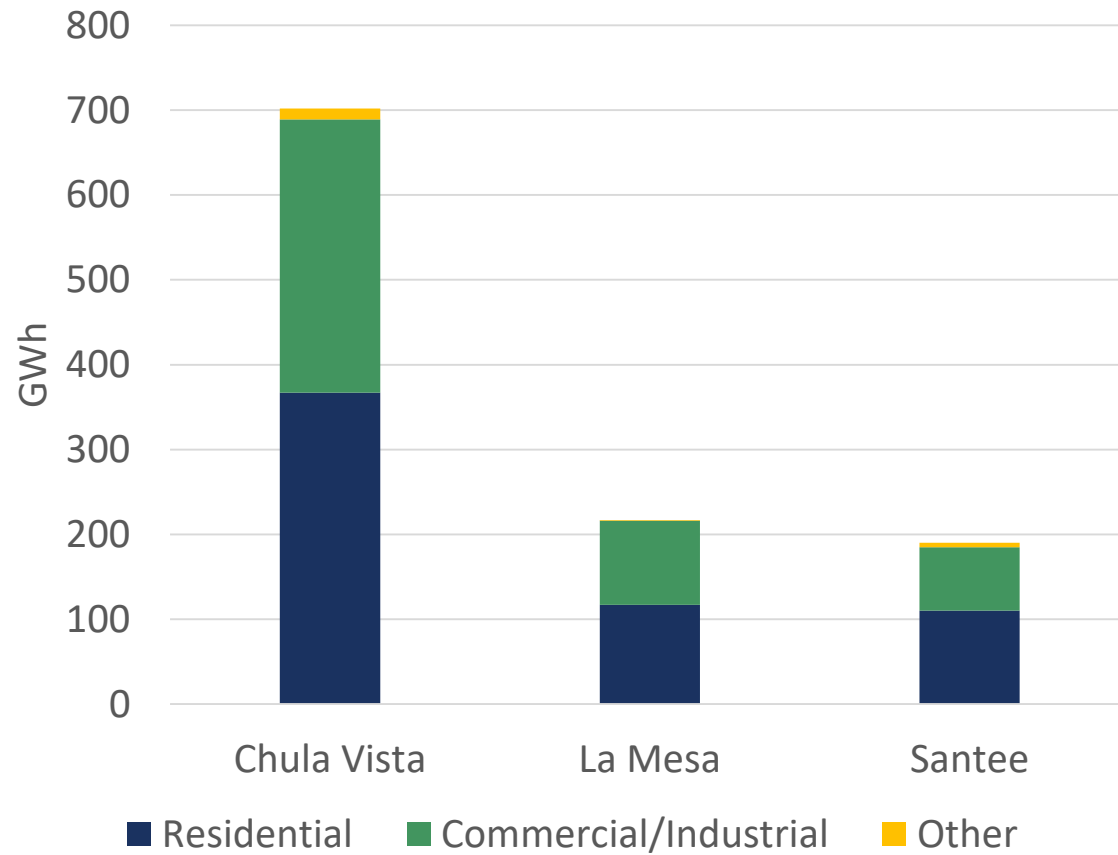
CALIFORNIA CCA ACTIVITY



STUDY GOALS

- Assess whether CCA program can offer electricity rates comparable to or lower than those of SDG&E
- Assess whether CCA program can achieve Climate Action Plan goals
 - Reduce greenhouse gas emissions by 53% by 2035
 - 100% renewable electricity by 2035
- Provide options for CCA Governance structure and management
- Evaluate risks and benefits

LOAD STUDY FOR 3 PARTNER CITIES



CCA SIZE COMPARISON

CCA	Customer Accounts	Annual Load 2018 (GWh)
Solana Energy Alliance	7,300	65
Santee	22,800	190
La Mesa	29,500	217
Lancaster Choice Energy	50,000	600
Redwood Coast Energy Authority	62,000	699
Chula Vista	91,700	702
Chula Vista, La Mesa, Santee	140,000	1,057
Encinitas, Oceanside, Carlsbad, Del Mar	147,000	1,561
San Diego County (Unincorporated)	187,700	1,940
CleanPower SF	110,000	2,600
Marin Clean Energy	470,000	5,275
City Of San Diego	525,000	6,000
Clean Power Alliance of Southern California	972,500	10,295

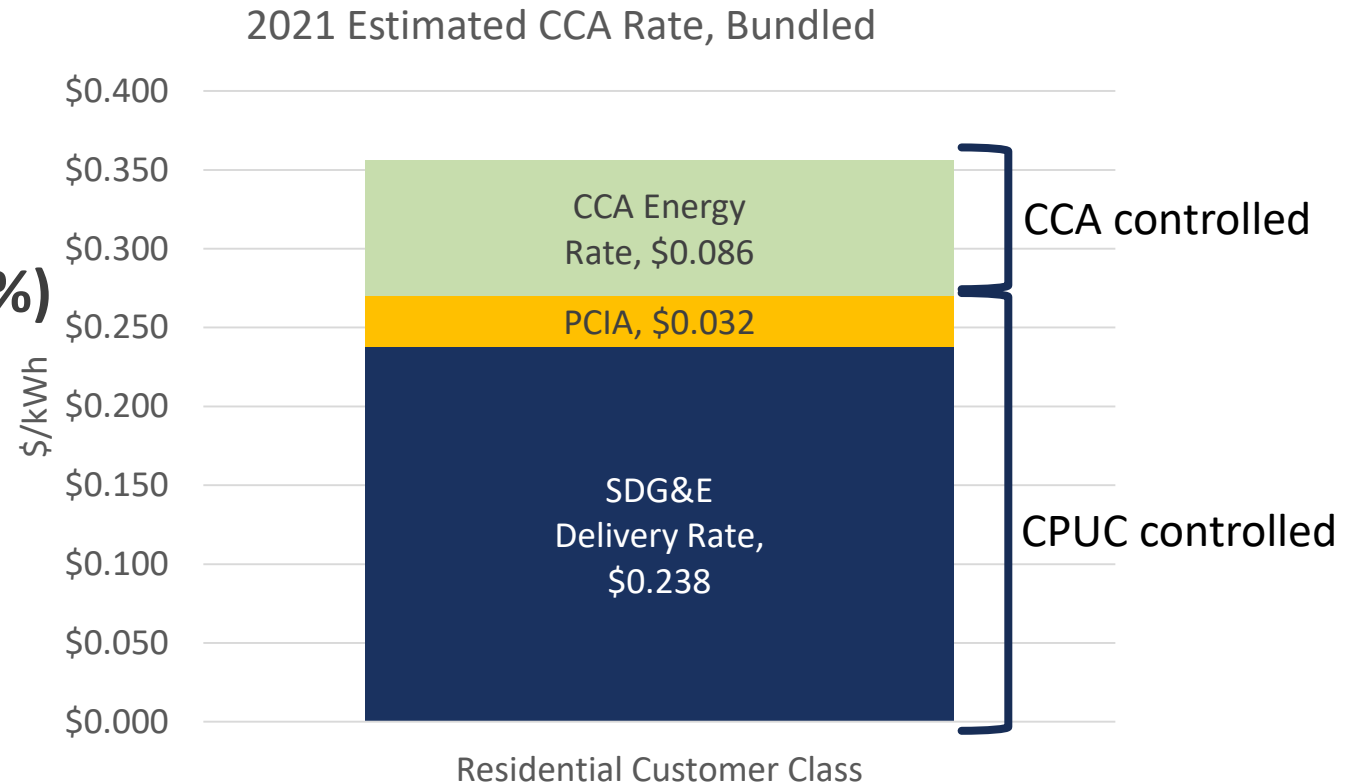
BASE STUDY CONSTRUCT

- **3-City Partner Joint Powers Authority (JPA)**
- **4 Power Supply Scenarios**
 - **Scenario 1:** SDG&E equivalent renewable portfolio
 - **Scenario 2:** 50% renewable at launch, with 100% by 2035
 - **Scenario 3:** 75% renewable at launch, with 100% by 2030
 - **Scenario 4:** 100% renewable portfolio at launch

WHAT MAKES UP THE ESTIMATED CCA RATE?

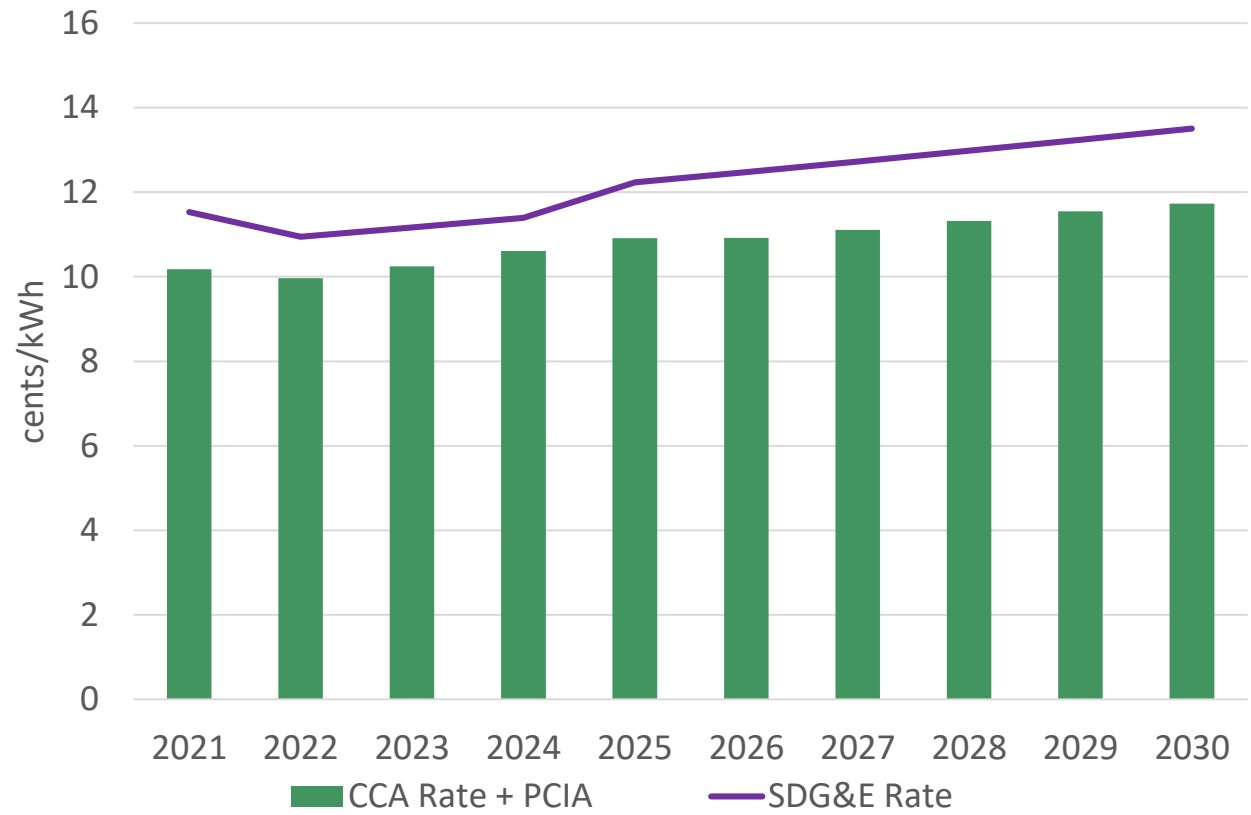
CCA Residential Rate Includes:

- SDG&E Transmission and Delivery (68%)
- PCIA “Exit Fee” (9%)
- CCA Energy Cost (23%)



CCA CUSTOMER COSTS VS. SDG&E: GENERATION RATES

- **Power Supply Scenario 2:**
50% renewable in 2021 to
100% renewable by 2035
- **2% Rate Discount**



FINANCING & STAFFING

Financing

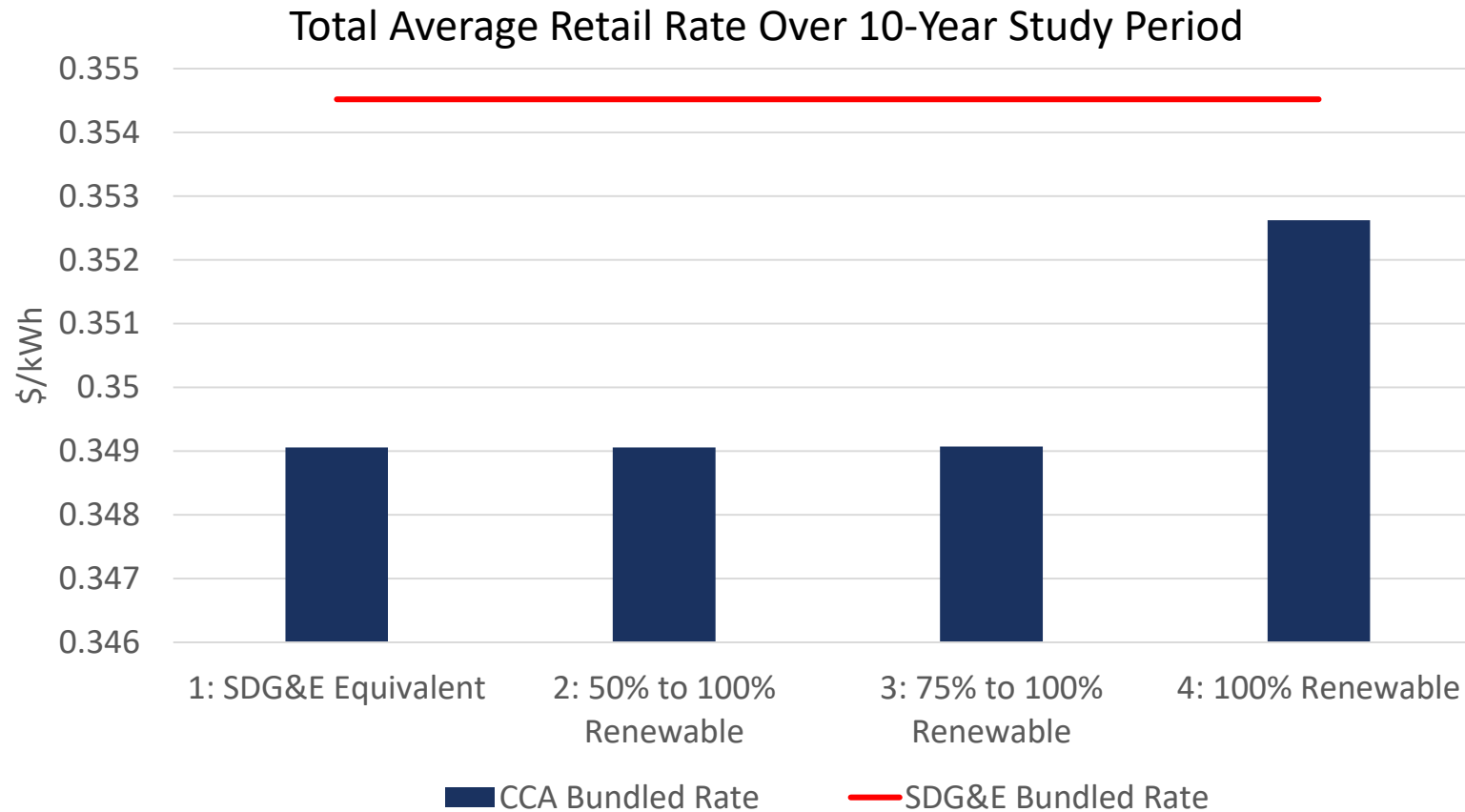
- **Cash Required to Fund Pre-Startup Activities, Salaries, Bonds**
 - \$1 million
- **Working Capital Required to Cover Cash Flow Requirements**
 - \$12 million
 - Flexible power procurement payment terms may reduce working capital requirements
- **Assumed Repayment of All Financing by December 2025**
- **Financing Options**
 - Line of credit
 - Term loan
 - Vendor provided cash
- **Target Cash Reserves of 120 Days of Budget or \$25M, Accrued Over Time**

Staffing

CCA Staff Positions	2021 Launch*	2022
Executive Director	1	1
Director of Marketing and Public Affairs	1	1
Account Service Manager	1	1
Account Representative	1	1
Communication Outreach Manager	1	1
Communication Specialist	1	1
Director of Power Resources	1	1
Power Resource Analyst	1	1
Power Supply Compliance Specialist	1	1
Administrative Assistant	1	1
Total Number of Employees	10	10
Total Staffing Costs	\$1,613,000	\$1,892,000

*Partial year

TOTAL RATE COMPARISON BY POWER SUPPLY OPTION RESULTS



¹Renewable includes only RPS eligible resources. All eligible renewable resources are greenhouse gas free.

SUMMARY OF REVENUE PROJECTIONS, \$MILLIONS

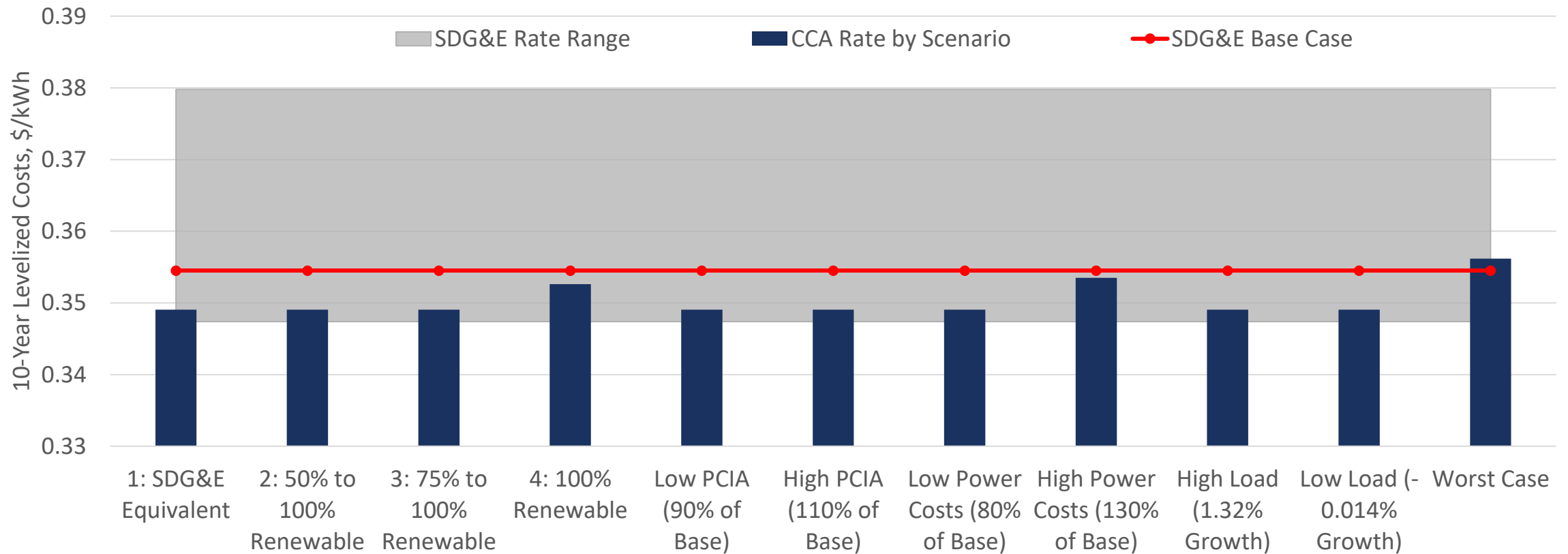
Year	CCA Revenues	Operating Costs Including Reserve Contributions	2% Rate Discount	Discretionary Funds
2021	\$58.1	\$65.3	\$4.8	\$0.0
2022	\$85.9	\$79.5	\$6.4	\$0.0
2023	\$87.8	\$81.2	\$6.6	\$0.0
2024	\$90.3	\$83.5	\$6.8	\$0.0
2025	\$98.8	\$91.7	\$7.1	\$0.0
2026	\$101.7	\$92.6	\$7.3	\$1.8
2027	\$105.3	\$88.2	\$7.5	\$9.6
2028	\$108.6	\$91.1	\$7.7	\$9.9
2029	\$112.1	\$94.1	\$7.9	\$10.2
2030	\$116.3	\$97.3	\$8.1	\$11.0

- Potential Discretionary Programs
 - Electric Vehicle Incentives or charging stations
 - Local Project Investment: Utility Solar
 - Net Energy Metering
 - Low Income Programs

RISKS AND UNCERTAINTIES

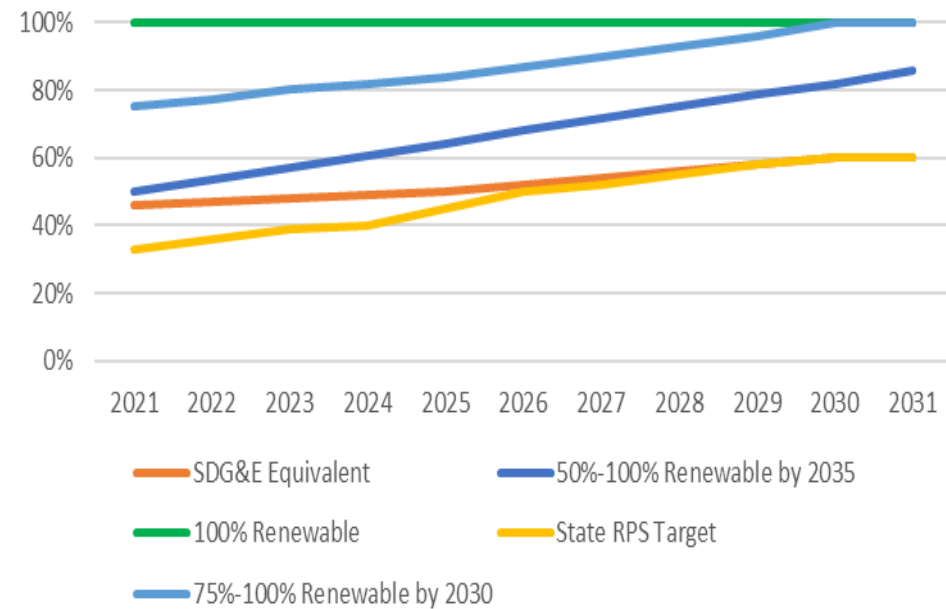
	Description	Mitigation
SDG&E Rates & Surcharges	SDG&E generation rates decrease or PCIA increases	Flexible power supply, rate stabilization fund,
Regulatory	Impact to cost competitiveness	Coordination with CCA community, advocacy, lobbyists etc
Power Costs	Power costs increase during launch phase	Long-term contracts, CCA reserves, SDG&E faces same market
SDG&E RPS Share	SDG&E's portfolio is greener than forecast impacting GHG savings	Increase RPS, emphasize rates and local programs
Customer Participation/Loads	Unprecedented opt-out rates	Increase marketing, reduce overhead, expand markets, merge with other CCA
Financial	Unable to obtain start-up funding	Gradual program roll out, rate stabilization fund

RISKS: BUNDLED RATE COMPARISON

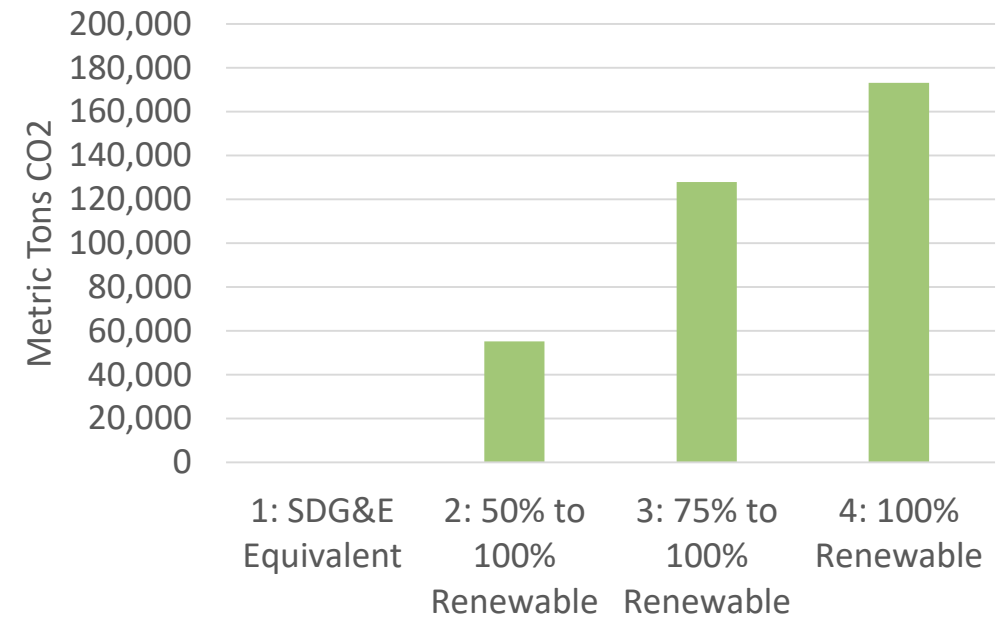


ENVIRONMENTAL BENEFITS

Renewable Energy Scenarios Compared to State Requirements



Average Annual Emissions Reductions over SDG&E Base Rate



10,000 metric tons = 2,200 vehicles off the road/year

ECONOMIC IMPACTS

Electric Rate Savings

- Lower electric bills for households and businesses
- 86 Permanent Jobs
- \$7.1 million rate savings
- \$10 million total output per year

GOVERNANCE OPTIONS

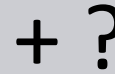
1. Enterprise




2. Partner CCA JPA





3. Regional CCA JPA









GOVERNANCE

	1. Enterprise
	
Pre-Launch Costs <i>(Conservative)</i>	\$400K - 600K
Start-Up and Working Capital (Financed)	\$5M
Estimated Rate Discount	2%
Probable Launch Date	2022
Rate Setting	Full control
General Fund Liability	Moderate/Low







GOVERNANCE

	1. Enterprise 	2. Partner CCA JPA 
Pre-Launch Costs <i>(Conservative)</i>	\$400K - 600K	\$600K - 800K
Start-Up and Working Capital (Financed)	\$5M	\$12 - \$20M
Estimated Rate Discount	2%	2%
Probable Launch Date	2022	2022
Rate Setting	Full control	1 city, 1 vote?
General Fund Liability	Moderate/Low	Low

GOVERNANCE

	1. Enterprise 	2. Partner CCA JPA   	3. Regional CCA JPA  
Pre-Launch Costs	\$400K - 600K	\$600K - 800K	\$0
Start-Up and Working Capital (Financed)	\$5M	\$12 - \$20M	\$0
Estimated Rate Discount	2%	2%	2%+
Probable Launch Date	2022	2022	2021
Rate Setting	Full control	1 city, 1 vote?	1 city, 1 vote, w/ weighted vote
General Fund Liability	Moderate/Low	Low	Low

GOVERNANCE

	1. Enterprise 	2. Partner CCA JPA   	3. Regional CCA JPA  The City of 	4. Enterprise JPA
Pre-Launch Costs	\$400K - 600K	\$600K - 800K	\$0	\$200K - 800K
Start-Up and Working Capital (Financed)	\$5M	\$12 - \$20M	\$0	Chula Vista: \$5M
Estimated Rate Discount	2%	2%	2%+	2%
Probable Launch Date	2022	2022	2021	2022
Rate Setting	Full control	1 city, 1 vote?	1 city, 1 vote, w/ weighted vote	Full control
General Fund Liability	Moderate/Low	Low	Low	Moderate/Low

OTHER GOVERNANCE CONSIDERATIONS

- With Partner CCA JPA, would add JPA members later if desirable
- Details of all three options not completely known at this time, need policy direction
- All options avail themselves to a central agency doing detailed back office functions
- More details on governance options to be provided after these preliminary policy maker discussions.

SUMMARY

- **Formation of a CCA is financially feasible**
- **Considerable benefit to participating residents and businesses**
 - **Electric rates 2% lower compared to SDG&E rates**
 - **Local control over power supply sources, rate levels, and customer programs**
- **Meet Climate Action Plan greenhouse gas reduction goals**
- **Local Economic Development Potential is Large**
- **Risks low, but those that do exist (regulatory, PCIA, etc.) can be managed**

NEXT STEPS

- **City Council accept the Study**
- **City Staff return with governance research as requested by City Council**



Questions