CLEAN POWER ALLIANCE

*Locally powered energy innovation.*

# Board of Directors Meeting

Thursday, January 9, 2020

2:00 p.m.

# I. Welcome & Roll Call

# II. General Public Comment

# III. Consent Agenda

# Item 1

Approve Minutes from December 5, 2019 Board of Directors Meeting

# Item 2

Authorize the Executive Director to execute Amendment No. 1 to the Power Purchase Agreement (PPA) with Golden Fields Solar III LLC and execute a Consent and Agreement for collateral assignment

# Item 3

Approve Submittal of Letter of Intent for CPA to participate in and contribute funding to the California Electric Vehicle Incentive Program (CALeVIP)

# IV. Regular Agenda

# Item 4

Adopt Resolution 20-01-001 to Approve CPA's Approach to the Default of Residential Customers to Time-of-Use (TOU) Rates

## Staff Recommendations

Today the Board is considering Resolution 20-001 which, if adopted, will direct

1) that CPA default its residential customers to time of use (TOU) generation rates and that the transition take place concurrently with SCE's transition of CPA's customers to TOU distribution rates;
2) that CPA offer TOU generation rates with the same TOU time periods as SCE delivery rates;
3) that CPA offer 12 months of bill protection to customers following the transition to default TOU generation rates; and
4) that CPA offer residential customers the ability to opt-out of CPA's default TOU generation rates and remain on flat rates.

Residential TOU rate design, which will involve setting actual rates and the rated differential between peak and non-peak time periods, would be addressed closer to the residential TOU transition period. These rates could differ from that of SCE.

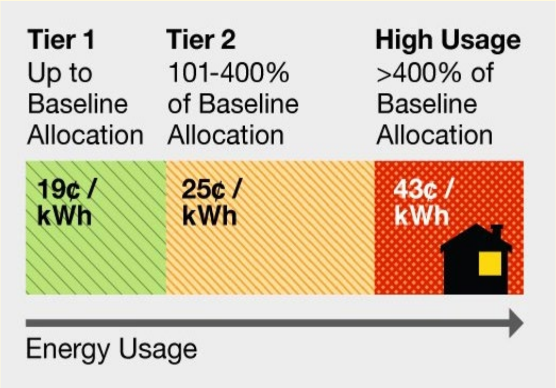
# Background

- Per state law, California's IOU's will begin defaulting residential customers to TOU in October of 2020
    - Customers will have the option to return to flat tiered rates if they choose
- CPA customers will be transitioned for the delivery (i.e. SCE) portion of their bill beginning in late 2021
- CCAs have discretion to determine whether and how to transition their customers to TOU for the generation portion of the bill
- In June 2019 CPA engaged Energy and Environmental Economics, Inc. (E3) to conduct a study on the impacts of residential TOU for CPA and its customers and aid staff in developing its recommendations

# Current Residential Tiered Rates

Currently, most residential customers take service on flat, tiered rates.

- Electricity costs the same, regardless of the time it is used
- The cost of electricity is the same per kWh within each tier
- As more electricity is consumed in the month, a customer may move into the next tier, and subsequent usage is billed at the new tier's rate
- The amount you can purchase in each tier is determined by a Baseline Allocation. Baseline Allocation varies by region and season (due to weather differences)

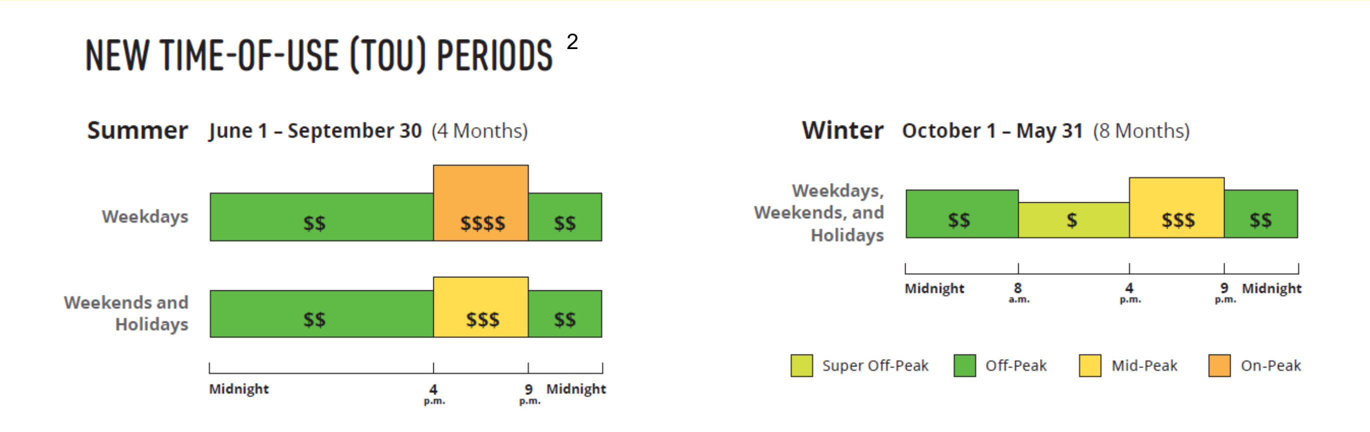


[1]

Tiering occurs on delivery side of customer bill, and CPA's generation rates are flat regardless of tier.

1 Graphic and description provided on SCE website communicating tiered rate structure.

# Proposed Time of Use Rates (TOU-D-4-9PM)




- Summer on-peak and winter mid-peak rates occur between the hours of 4pm-9pm (or between 5pm-8pm for option D-5-8PM)
- The summer mid-peak and off-peak rates vary on weekends versus weekdays

2 Graphic and description provided on SCE website communicating TOU period changes.

# Recommendation #1 – Default to TOU Rates

That CPA default its residential customers to time of use (TOU) generation rates and that the transition take place concurrently with SCE's transition of CPA's customers to TOU distribution rates

- California is transitioning eligible residential customers[3] to TOU rates in order to provide customers with a price signal to reduce consumption during periods of peak demand
- Potential benefits of TOU rates include:
  - Load shifting to daytime hours when solar generation is plentiful
  - Reduced system capacity needs and Resource Adequacy costs
  - GHG emissions reductions and local air quality improvements through reduced use of gas-fired generation during evening peak
  - Improved price signals for distributed energy resources such as solar PV and energy storage

3 The PUC has ordered that certain residential customers should be exempt from the IOUs' default TOU, including medical baseline customers and CARE/FERA customers in hot climate zones. CPA expects to substantially mirror these exemptions.

# Coordination with SCE

There are additional benefits associated with defaulting customers to TOU rates at the same time as SCE.

- Millions of dollars in ratepayer funds (including CPA customer funds) have been allocated for customer marketing, education and outreach
- Coordinating the timing with SCE will allow CPA to leverage local and statewide TOU education campaigns around the default TOU transition, and allow CPA to help shape messaging to its mutual customers with SCE
- Matching the timing of SCE’s transition could help to minimize customer confusion

# Risks and Benefits for CPA of TOU Default

| Benefits | Risks |
|---|---|
| Aligns rates with procurement costs | Bill increases for some customers with high on-peak usage |
| Supports grid decarbonization | Potential customer dissatisfaction with TOU rollout |
| Supports greater adoption of DERs | Operational coordination for rollout dependent on SCE |
| Coordinates with changes to delivery rates | |
| Significant funds available for customer education | |
| Provides opportunity for customers to lower bill by shifting times of consumption | |

# Recommendation #2 - Time of Use Periods

That CPA offer TOU generation rates with the same TOU periods as SCE delivery rates

- The CPUC has approved the following SCE TOU offerings:
  - TOU-D-4-9PM, a seasonal TOU rate structure with a peak period from 4pm to 9pm
  - TOU-D-5-8PM, a seasonal TOU rate structure with a peak period from 5pm to 8pm
- Establishing rates that match these TOU periods will help to avoid customer confusion that could be caused by a mismatch in TOU periods between the SCE and CPA portions of the customer bill
- Additionally, CPA incurs its highest energy costs during the hours of 4PM-9PM, therefore the recommended peak periods are well aligned with CPA's procurement strategy
- Establishing rates that match these TOU periods would still allow CPA to design its own rate amounts and rate differentials, i.e. the difference between peak and non-peak rates

# Recommendation #3 - Bill Protection

That CPA offer 12 months of bill protection to protect customers financially following the default TOU transition

- Bill protection will protect customers from adverse bill impacts during their first 12 months on TOU by guaranteeing they will not pay more than they would have paid under their previous flat tiered rate structure
- Provides customers with a no-fault “learning period,” and is a common practice among utilities during major rate design changes
- The IOUs are required by the CPUC to provide 12 months of bill protection to support customers during the transition period
    - CPA customers will receive bill protection for the delivery portion of their bill regardless of whether CPA elects to default customers to TOU
- Financial impact to CPA of bill protection should range from $75,000 - $1.5 million, depending on a variety of factors, and is a one-time cost

# Recommendation #4 – Customer Opt-Out Ability

That CPA offer residential customers the ability to opt-out of CPA's default TOU generation rates and remain on flat rates.

- Tiered flat rates will remain an option for the distribution (i.e. SCE) portion of customers' bills for customers that choose to opt-out of the default TOU transition.
- To maintain customer choice over their rate options and to avoid confusion CPA customers should have the option to opt-out of default TOU generation rates and remain on flat rates for the generation (i.e. CPA) portion of their bill.

# Next Steps

If Resolution 20-01-001 is adopted, staff will share TOU policy decisions with SCE and proceed with marketing and operational coordination.

As the implementation date for default TOU approaches, staff will evaluate the exact rate design(s) needed to fully implement the transition.

One approach studied by E3 would be to match the same on-peak, mid-peak, and off-peak TOU periods as SCE TOU rates (as recommended by staff) but base actual rate levels on CPA's revenue requirements, rather than mirroring SCE's TOU rates based on SCE's revenue requirements

- Basing rates on CPA's revenue requirements would result in different price differentials (ratios) between the on-peak and off-peak rates than those offered by SCE and those ratios could be optimized rates for a variety of policy and/or financial goals
- This type of approach, and others, would be looked at in the context of a larger policy discussion about transitioning to Cost of Service based ratemaking

# V. Management Update

# City Council Presentations

- CPA Staff is available, just ask!
- Staff will also be out at meetings with prospective new members
  - By invitation
  - By intention, based on criteria discussed at the Board retreat in June
- Pass contacts and thoughts along to us

# Community Solar / Low Income 100% Green Discount

- CPA submitted an Advice Letter to CPUC on Dec 27 requesting funding for two programs targeting Disadvantaged Communities (DACs) and Low-Income Customers
- First CCA to do so
- Customers in these programs would receive 100% Green Power and a 20% bill discount below the Clean Power rate
- CPUC funding covers bill discount, above-market procurement costs, administrative costs and funds for marketing/evaluation
- Funding source is GHG Cap-and-Trade program and public purpose charges; CPUC regulations apply
- Implementation would begin in 2020 or 2021

# Community Solar

- 3.13 MW of new solar capacity (~ 5 - 8 projects)
- Projects will be located in Disadvantaged Communities (DACs) in CPA service territory
- Eligible customers live within 5-mile radius of project
- Required involvement of a “Community Sponsor” who may be a project host and/or beneficiary of some of the energy output
- CPA will work to recruit and identify sites and Community Sponsors, link them with project developers, and purchase the energy output
- Anticipate that some CPA member agencies with DACs will have sites and/or want to be the Community Sponsor

# Low Income 100% Green Discount

- 12.13 MW of new solar capacity (~ 1 - 3 projects) *and* existing capacity on an interim basis
- Project(s) will be located in DACs in SCE territory with standard CPA preference for projects in LA and Ventura Counties
- Eligible to low-income CPA customers who also live in a DAC
- Number of customers limited by the total annual energy output of the 12.13 MW projects

# Community Based Organization (CBO) Outreach Grants

- Use community partners to engage underserved residents and small businesses about clean energy/CPA and promote enrollment in:
  - Financial assistance programs like CARE and Medical Baseline
  - CPA's DER Pilot Program (CPA Power Response)
  - Low Income 100% Green Discount program
- Approximately 8 grants of up to $20,000
- Accepting applications through January 31, 2020
- Visit www.cleanpoweralliance.org/jobs for info and application

# Lobbyist Hire/Legislative Session Reopens

- Hired lobbying team in December on 12-month contract
- Push to end of January, especially CCA/JPA/Local Government projects in potential Climate Resiliency Bond (Allen)
- Slew of new (and repurposed) bills dealing with Public Safety Power Shutoffs, and Distributed Energy Resources as mitigation
- Recurring themes of central procurement agency, resource adequacy, market restructuring
- Will be asking for support in the coming days and months

# Major Board Items (Tentative)

- **February –** GHG Free procurement strategy and targets
- **March –** Integrated Resources Plan (IRP) Discussion
- **April –** IRP Approval
- **May –** 2020 Rates, FY 20/21 Budget Priorities
- **June –** FY 20/21 Budget Approval

# VI. Committee Chair Updates

Legislative & Regulatory Committee Chair

Finance Committee Chair

Energy Planning & Resources Committee Chair

# VII. Board Member Comments

# VIII. Report from the Chair

# IX. Adjourn

## Next Meeting – February 6, 2020

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