

Los Angeles Community Choice Energy (LACCE)

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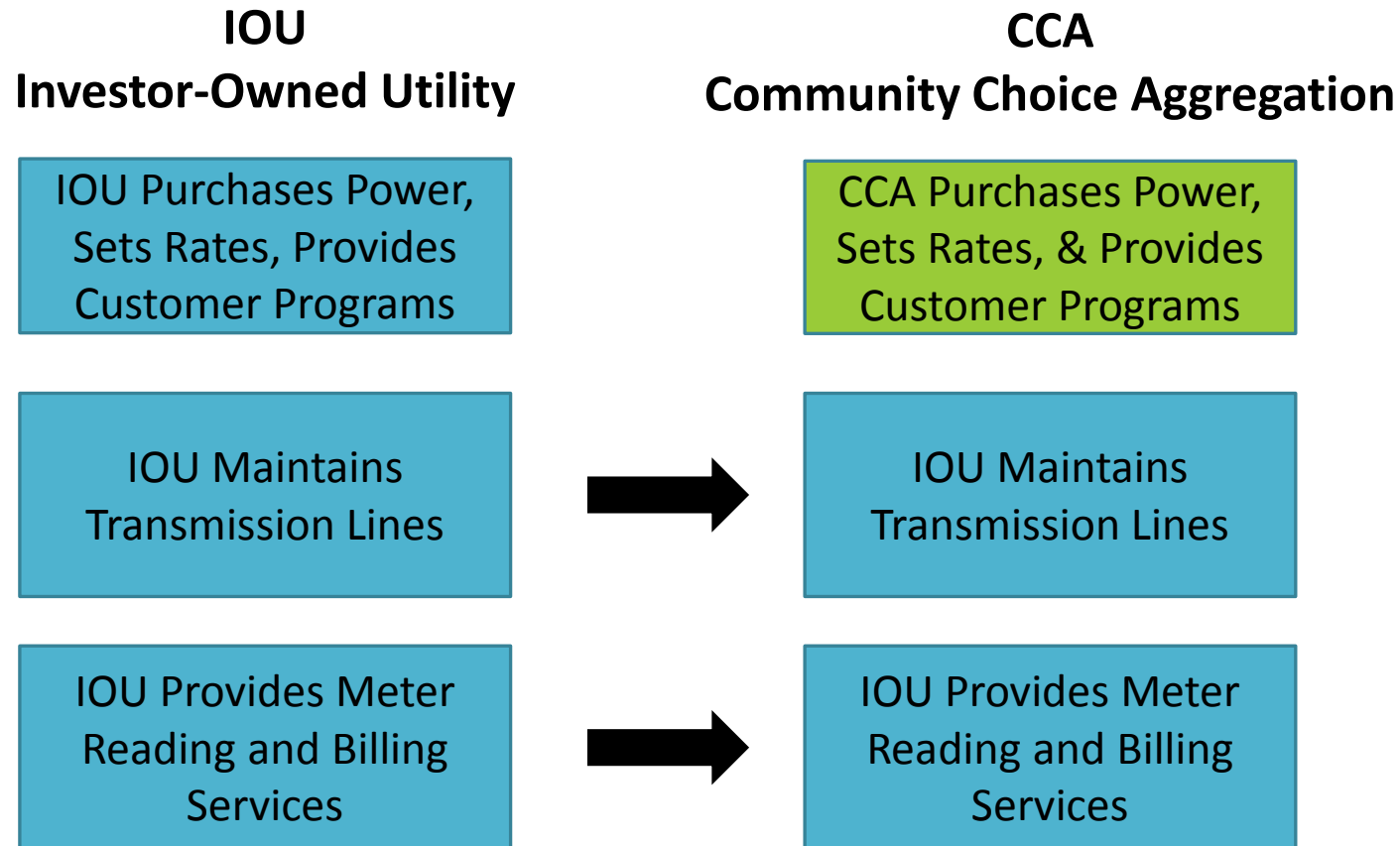
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Overview

1. What is a CCA?
2. CCA Benefits:
 - Rates
 - Greenhouse Gas Emissions
 - Economic Impacts
 - Customer Choice and Local Control
3. Risks of CCA
 - Participation
 - Cost Competition and PCIA
 - Regulation
4. JPA – Governance Options
5. Schedule for CCA in L.A. County
6. Next Steps for Cities

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Community Choice Aggregation (CCA): A Hybrid Approach to Utility Operations



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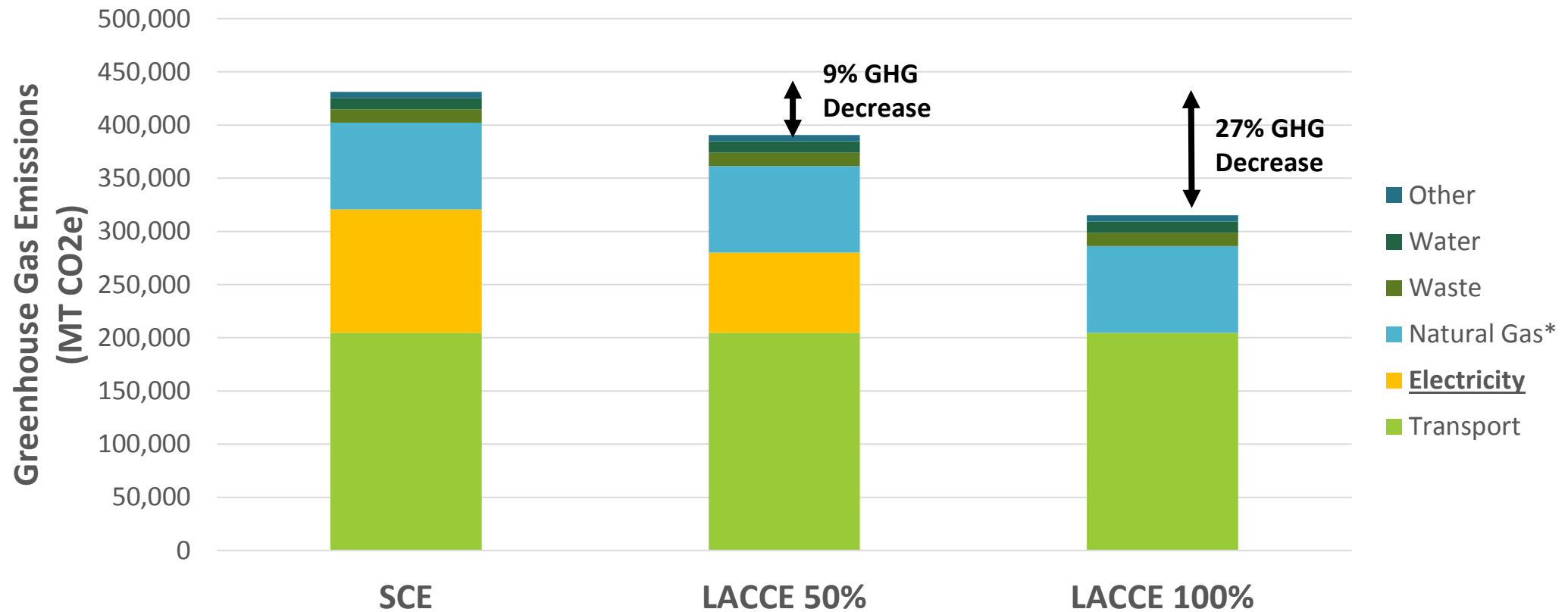
LACCE Benefits: Rates

Indicative Rate Comparison in ¢/kWh						
Rate Class	SCE Bundled Rate	LACCE RPS Bundled Rate	SCE 50% Green	LACCE 50% Green Bundled Rate	SCE 100% Green	LACCE 100% Green Bundled Rate
Residential	17.1	16.2	18.85	16.4	20.6	18.2
Small Commercial	16.6	15.7	18.35	15.9	20.1	17.7
Medium Commercial	15.8	15	17.55	15.2	19.3	16.9
Large Commercial	14.5	13.8	16.25	13.9	18	15.5
Small Public Authority	12.6	12	14.35	12.1	16.1	13.4
Large Public Authority	10.4	9.9	12.15	10	13.9	11.1
Small Industrial	13.1	12.4	14.85	12.6	16.6	14
Medium Industrial	11.7	11.1	13.45	11.2	15.2	12.5
Large Industrial	7.5	7.1	9.25	7.2	11	8
Total LACCE Rate Savings Over SCE Standard Rate		5.4%		4.1%		-6.3%
Savings Over Comparable SCE Rate		5.4%		13%		12%

- Rates are taken from the LACCE Business Plan
- LACCE rates include considerable financial reserve

LACCE Benefits: GHG Emissions

Example: Average L.A. City



*The natural gas category refers to use for heating and cooking in buildings, not for use in electricity generation.

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CCA Benefits: Economic Development

■ **Total Electricity Savings CCA vs. SCE**

- In Phase 2, a 5.4% rate reduction saves LACCE customers \$20 million/year
- This \$20 million rate reduction is estimated to create 200 new jobs in LA County.
- In aggregate, these benefits could add \$16 million to the County's economy.

■ **Power Supply Construction Projects**

- Construction of one 50 MW solar project in County could create 1,500 jobs during construction and 15 full-time permanent jobs.
- LACCE will need several dozen of these projects at full build-out.

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CCA Benefits: Customer Choice and Local Control

■ Customer Choice

- CCAs offer customers new options (CCA rate offerings), without removing old options (SCE)
- Having both CCA and SCE products gives customers choice

■ Local Control

- CCAs enable communities to invest locally; instead of sending money to SCE, CCA revenues can be reinvested in the local community
- CCAs have total local control over their power supply, rates, and customer programs (e.g., energy efficiency, solar incentives, EV incentives, etc.)



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Risks: Declining Customer Participation

■ Risk

- Customers can choose to opt-out of CCA
- High opt-out rates reduce sales, increase fixed cost per customer
- Average opt-out rates <10% for California CCAs

■ Mitigation Strategies

- Maintain competitive rates
- Tailor programs to local and customer priorities
- Focus on marketing, outreach, and communication
- Provide superior service

■ Bottom Line

- Lancaster Choice Energy (LCE) offers competitive rates and maintains a 93% customer participation rate
- LACCE can scale program size to city and customer participation rate, lowering fixed cost

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Risks: Unfavorable Rate Competition with SCE

■ Risk

- Unfavorable future power market conditions
- SCE's regulated charges (e.g. PCIA or 'exit fee' & others) increase in the future

■ Mitigation Strategies

- Diversify power contract and generation portfolio
- Maintain financial reserves and a rate stabilization plan
- Monitor SCE rates and CCA charges
- Leverage lower CCA overhead to compete on non-power supply costs
- Leverage CCA's tax-exempt borrowing advantage to reduce power supply costs

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Risks: Local, Agency, and State Policy

■ Risk

- State energy policy could create burdensome energy procurement requirements
- Legislation could hamper CCA efforts.

■ Mitigation Strategies

- Track and participate in relevant proceedings and bills
- Develop bi-partisan support with emphasis on both environmental/equity and financial/economic benefits associated with a CCA
- Make sure all CA utilities face the same government-imposed charges and policies



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Franchise Fees and Utility User Tax

Franchise Fees (a.k.a. Generation Municipal Surcharge)

- Surcharge paid by IOUs to cities and counties to use streets for utility service
- Calculated based on SCE rates
- City revenues from Franchise Fees do not change from IOU to CCA service

Utility User Tax (UUT)

- Calculated as a tax on each customer's energy bill
- UUT revenue would decrease by the same amount as customers save on bills
- CCA could make local governments whole through rates.

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LACCE Governance and Program Options

LACCE Governance:

- Every member government gets an equal seat on the Board (one member one vote principle)
- Most votes are by majority of the members present.
- Some items require 2/3s of the members present.
- There is an option to call for a weighted vote based on load share with the following restrictions:
 - 3 members must agree to have a weighted vote
 - Weighted votes can only follow an affirmative vote of the members.

Possible Program Offerings

1. Multiple Rate/Renewable Options:
 - A. Slightly exceed SCE's share of renewable power (SCE is 28% green so offer 30%)
 - B. 50% green
 - C. 100% green
2. Customer Programs
 - A. Net Energy Metering
 - B. Electric Vehicle Programs
 - C. Business Development rates
 - D. Other
3. Local Renewable Resource Development / Distributed Energy Resources (DER)

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LACCE Schedule

■ JPA Negotiations

- Began January 10, 2017
- Completed March 28, 2017
- Included public workshop at outset to get input and workshop to review draft JPA, including written comment period.

■ Next Steps

- County and cities adopt the JPA and the enabling ordinance (April – October)
- JPA (once formed) work with CPUC and SCE to obtain approval and begin transition process (April – December)
- Phase I launch at county municipal facilities (January 2018)
- Phase II expansion to city facilities and all commercial/industrial accounts (July 2018)
- Phase III expansion to all accounts (January 2019)

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Next Steps for Cities

1. Evaluate LACCE option
2. Adopt enabling ordinance and JPA agreement (beginning in April 2017)
3. Designate Board Director and alternate(s) (once JPA is adopted)
4. If participating in Phase 2 launch for city municipal facilities, acquire and provide load data for those facilities (by November 2017)
5. Evaluate your constituents' priorities for services and programs
6. Assist with public outreach and noticing

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Contact Information

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More information/documents can be found at:

<https://www.lacounty.gov/about-lacce>