

COMMUNITY CHOICE AGGREGATION PROPOSAL

ATTACHMENT 2

CONFIDENTIAL

Submitted by





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California Choice Energy Authority

Thank you for the opportunity to submit a proposal in support of your Community Choice Aggregation (CCA) implementation work. CCEA was designed expressly to help cities in Southern California Edison territory participate in community choice aggregation without having to sacrifice control often associated with JPAs or taking on the significant liability of a single entity CCA.

Current Associate Members of CCEA include the cities of Lancaster, Pico Rivera, San Jacinto and Rancho Mirage. CCEA has submitted implementation plans to the Public Utilities Commission (CPUC) on behalf of Pico Rivera, San Jacinto, Rancho Mirage and City of Hermosa Beach, all of which have been certified by the CPUC. The CCEA team was also successful in implementing the first standalone CCA in Southern California Edison (SCE) territory.

This proposal outlines the services provided by the CCEA including the review of your City's energy data, development of a financial based pro forma and implementation plan. CCEA also offers start up services as well as operational support services for CCA's.

If you have any questions regarding this proposal, please feel free to contact Barbara Boswell, 661-510-0425 or Marshall Linn at 714-833-1851, Marshall@BayshoreCGI.com.

Sincerely ,

Mark Bozigian
California Choice Energy Authority

BACKGROUND

Lancaster Mayor R. Rex Parris has led a comprehensive effort to implement renewable energy throughout the City of Lancaster in an effort to preserve our environment and protect our local air quality, with the ultimate goal of becoming the nation's first net-zero electricity city. Following a long and steadily increasing series of successful renewable energy projects in Lancaster, ranging from residential rooftop solar programs and energy storage to utility-scale solar developments, Lancaster Choice Energy (LCE) is the latest step in the city's quest to reach net-zero status. The mission to establish LCE officially began on May 13, 2014, when the Lancaster City Council approved the implementation plan which outlined the City's intent to establish a Community Choice Aggregator (CCA). A month later, the approved plan was submitted to the CPUC for review and certification, making LCE the first CCA in Southern California Edison (SCE) territory.

As of October 2015, LCE is buying and selling energy for nearly 52,000 customers, representing nearly 94% of eligible customer participation. In the first full year of operation, through October 2016, LCE customers have saved over \$700,000. The Lancaster City Council is the local authority with jurisdiction over LCE. The City Council's primary duties include establishing LCE policies, reviewing and approving resource plans, setting rates, establishing commissions, committees and/or sub-committees to oversee and advise LCE operational activities and providing policy direction to the City Manager, who will have general accountability for LCE operations, consistent with the policies established by the City Council.

The Lancaster City Manager and Deputy City Manager are accountable for overseeing LCE and ensuring compliance with the City Council approved implementation plan and other city policies. LCE operations utilize a combination of internal City staff and contractors. Certain specialized functions needed for LCE operations, namely the electric supply and customer account management, are performed by experienced and qualified third-party Electricity Service Providers (ESPs) and consultants.



The Lancaster City Manager and Deputy City Manager are accountable for overseeing LCE and ensuring compliance with the City Council approved implementation plan and other city policies. LCE operations utilize a combination of internal City staff and contractors. Certain specialized functions needed for LCE operations, namely the electric supply and customer account management, are performed by experienced and qualified third-party Electricity Service Providers (ESPs) and consultants.

CCA MODEL BACKGROUND

To date, there have been two types of CCA's formed in California. The first is the Marin and Sonoma County models in which a regional entity took the initiative to organize a JPA for the purpose of creating a regional CCA. The other is a stand-alone City CCA. In this case Lancaster was the first operational city CCA in California followed recently by CleanPowerSF in San Francisco. Other models have been presented by private firms that look and act similar to a franchise system. To date no CCAs are operating with the private model. This proposal does not intend to cast a negative light on any of the existing models but rather pose an alternative to the current opportunities.

There are strengths and weaknesses to all of these approaches. In the regional JPA model, each member city when becoming a member receives one voting position on the respective board, and must submit control to the collective group of members. In exchange, the JPA provides all the service, takes all the risk, with the revenues accruing to the JPA. This scenario has proven very effective in situations where like-minded cities and like-minded areas pool their resources and attributes to make the group stronger.

In the stand alone city model, the city assumes all the responsibilities and roles, in addition to all the risks. However,

"Through this innovative new program, we have succeeded in not only increasing the renewable energy content consumed by the citizens of Lancaster, but also lowering their energy rates. This places money squarely in the pockets of Lancaster residents and businesses, giving them more purchasing power while also keeping more money right here in our local economy."

- Mayor R. Rex Parris

the city retains all control of the rate setting, operations, and receives the operational revenues. This allows opportunities to tailor programs, and benefit from the continuing revenue stream as a community. The downside in this program is the amount of time, energy and expense it takes to gain the required experience and expertise for the creation of such an entity and operate the program. In addition, the knowledge gained is only used one time, in that a City is only required to set up the CCA one time. As a result, a lot of time is wasted in learning something once. This model works well where no cooperative like-minded cities exist, or for a city that has resources readily available to implement such a venture.

HYBRID JPA MODEL

In researching each of the JPA and CCA formation alternatives, it became apparent that first, one size does not fit all, and second, alternative JPA models can be created to mitigate the risk, share in experience and operational costs, and allow member agencies to maintain control, and program revenues. As a result, the City of Lancaster is proposing an alternative model to the formation and operation of a CCA.

In the proposed Hybrid model, an existing JPA, (California Choice Energy Authority [CCEA]) between the City of Lancaster and the City of San Jacinto, with the Lancaster City Council serving as the Board of Directors is a service provider for operational support to CCAs. These two cities are considered the “Original Members” and will receive no additional benefit other than that which is contracted for by any associate member agencies. The Board of Directors will serve as the legislative and operational oversight of the corresponding contractual relationships with associate member agencies. This structure will allow each member agency to benefit from the knowledge and experience Lancaster has gained and economies of scale by further aggregating energy needs and service needs, without ceding control to the JPA.

Under this scenario, a city would enter into a Master Services Agreement which lays out each city’s responsibilities, costs, and obligations. Each city’s contract will have unique qualities that allow them to tailor their relationship to be most beneficial and most appropriate for that city.

The CCEA will then contract with the City of Lancaster and other qualified third party consultants to perform an agreed upon scope of work. Being that each contract is unique, each city may choose which services are important, which can be done in house, and which should be performed under the CCEA.

This model allows each member agency the following benefits:

- Utilization of existing contracts and costs
- Benefit of existing trained and experienced staff
- Transparency to procurement costs
- Transparency to operational costs
- Maintain necessary operation controls
- Maintain rate setting capabilities
- Development of local programs tailored to each community
- Cost savings and efficiency
- Control of operational revenues for local program development

CCA FORMATION SERVICES

You have expressed an interest in CCEA assisting in your implementation of a Community Choice Aggregation program, including development of a financial pro-forma based on your aggregate load data from Southern California Edison, development of an Implementation Plan, Ordinance and Statement of Intent. As the first and only current operating CCA in Southern California Edison territory, Lancaster, through CCEA, is uniquely qualified to provide these services. To accomplish the tasks, CCEA will enlist the assistance of third party experts with experience in successful CCA implementations throughout California. This partnership ensures you have the benefits of working with a City that understands the complexities of establishing a CCA program as a municipal service as well as expertise that third party consultants provide.



California Choice Energy Authority

PROPOSAL FOR FORMATION SERVICES

As part of the formation, there are multiple tasks which need to be completed: Load data requests, load forecasting, rate analysis, Pro-forma development, preparation of the formation ordinance, and creation of the Implementation Plan. Each of these tasks are essential to understanding the viability of the CCA and are essential for CPUC approval. It is also important to note that these processes at no time put you, or CCEA, under any obligation.

CCA FORMATION & OPERATIONAL DEVELOPMENT

Milestone 1 - Load Forecasting, Data Analysis, and Pro-forma Development **\$48,000**

Aggregate load data requested from SCE. Once in receipt of the load data, a third party consultant, Pacific Energy Advisors (PEA), will provide the technical expertise to analyze the data, determine a load profile, estimate total usage, compare that to current market conditions, and prepare a pro-forma. Note that this is the initial pro-forma to submit in the Implementation Plan and only provides an estimate. The CCA cannot get the detailed load data from SCE until the Implementation Plan is certified by the CPUC. Cost includes initial meeting with staff to identify priorities of program, rate savings goals, and renewable energy assumptions, presentation of draft and final results to staff, and presentation of results to City Council.

Milestone 2 - Preparation of the Implementation Plan, Ordinance and Statement of Intent to Form a CCA **\$15,000**

An Implementation Plan and Ordinance must be prepared and adopted declaring a city’s intent to form a CCA. This is a relatively straightforward process and does not commit the City to any risk. The Implementation Plan will identify specific duties, address how the City will interface with consultants and other third parties, and develop organizational structures which outline the operational functions and duties. This phase also includes incorporating and synthesizing all information created and obtained, and preparing the final Implementation Plan to be reviewed and approved by your City Council and thereafter submitted to the CPUC. Again, note that when approved, the city still has no obligation to procure, sell or deliver energy.

As with all Ordinances, it requires a public hearing with two readings. The ordinance is non-specific to the price, terms and operations of the CCA. Proposal includes attendance at meetings with staff, City Council Study Sessions and City Council meetings as needed for a successful outcome.

Total Costs for Formation Work **\$63,000**

Project Team



R. Rex Parris, Mayor

R. Rex Parris is a Lancaster native who has served as Mayor for three terms, starting in 2008. The essential focus and stance of his leadership revolves around the overall well-being of Lancaster residents by aiming to promote public safety, reduce crime, create a sense of community and civic pride, as well as foster community health and wellness; all of which have resonated well among citizens and constituents, in addition to gaining Parris nationwide recognition. Parris has also been at the forefront of repositioning Lancaster as a global leader in the field of alternative and net-zero energy. His vision of making Lancaster the Alternative Energy Capital of the World, and his various successes in this endeavor, has garnered worldwide media attention.

Under his auspices, Parris has led the City into unique partnerships with innovative companies, including: eSolar, which built its 5MW solar project and solar thermal power tower plant in Lancaster; China-based Build Your Dreams (BYD) and KB Home, a collaboration resulting in the first affordable solar energy powered housing community; US Topco Energy, Inc., which entered into a memorandum of understanding and a power purchase agreement with the City; and, clean-energy investment firm Beautiful Earth Group, all of which contribute to the ultimate goal of making Lancaster one of the first “Net-Zero Cities” in the world.

Outside of his municipal duties, Parris is the co-founder of the R. Rex Parris Law Firm, which he established in 1985 with his wife Carrol. Parris is a graduate of Antelope Valley Community College, as well as the prestigious Scholar’s program at the University of California, Santa Barbara. He earned his Juris Doctor Degree from Southwestern University School of Law and was admitted to the California State Bar in 1980. Parris and his wife continuously support local charities, law enforcement and educational scholarships.



Mark Bozigian, City Manager

Mark Bozigian has been with the City of Lancaster for over 20 years, the last seven as City Manager. Prior to that, he served as Assistant City Manager, Redevelopment Director, Assistant to the City Manager, and Transportation Programs Coordinator. In total, Mr. Bozigian has been in the public sector for approximately 25 years. Mr. Bozigian’s primary areas of emphasis have been public safety, economic development, redevelopment, transportation, neighborhood revitalization, budgeting, government relations, and grant funding. Prior to his employment with the City, Mr. Bozigian was employed by the Los Angeles County Metropolitan Transportation Authority (MTA) for three years in the Capital Planning and Programming Department.

In that time, he directed many MTA programs including the MTA Call for Projects competitive grants program. During his last year at the MTA, he was the Director of the agency’s Long Range Financial Planning section.

Prior to his work in the public sector, Mr. Bozigian worked for twelve years in the private sector. He began his professional career at Hughes Aircraft Company. During his ten years at Hughes Aircraft, he held various management positions including that of Business Manager for two laser production programs. Mr. Bozigian also has experience as a realtor and as a partner in a small business and holds both a Bachelor’s and Masters Degree in Business Administration from Loyola Marymount University. He and his wife live in the Antelope Valley and have two adult children.

Project Team

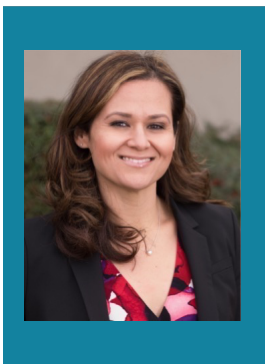


Jason Caudle, Deputy City Manager

Serving as Deputy City Manager of the City of Lancaster since November 2008, Mr. Caudle has played an integral role in the development of several sustainable energy projects. Caudle has overseen the formation of the Lancaster Power Authority (LPA) and the CCEA. Working closely with City planners and several solar developers, he continues to drive the creation of dynamic public-private partnerships on behalf of the City.

Before coming to Lancaster, Mr. Caudle served as the Vice President of Public Finance for an investment banking firm. He also served as the City Manager of the City of Tehachapi; making him one of the youngest city managers in the state.

Mr. Caudle holds a bachelor's degree in Political Science and a master's degree in Public Policy and Administration, both from California State University Bakersfield (CSUB). He has also served as an adjunct faculty member of the Political Science Department at Bakersfield.



Patti Garibay, Energy Manager

As the City's Energy Manager, Ms. Garibay handles all marketing and branding for Lancaster Choice Energy, develops energy programs, and ensures a positive relationship with both business and commercial customers. She is responsible for the utility's community outreach, customer care, and sponsorship programs as well as the utility's web content and management.

Prior to joining LCE, Ms. Garibay served as a Management Analyst to Lancaster's City Manager, worked with the City's Public Works Department and served as a Recreation Supervisor for the Parks, Recreation and Arts Department.

Ms. Garibay was a founding member of the Antelope Valley Jaycees and served as its President, Vice President and Secretary.

Ms. Garibay holds a bachelor's degree in Communication from San Diego State University and a master's degree in Public Administration with an emphasis in Public Sector Leadership from California State University Northridge.



Cathy DeFalco, Executive Director

Cathy DeFalco is the Executive Director for Lancaster Choice Energy. In this role, Ms. DeFalco is responsible for managing power procurement, and has oversight of load forecasting and compliance filings with the CPUC, CAISO, and CEC. In addition, Ms. DeFalco represents Lancaster Choice Energy at various proceedings advocating on behalf of LCE, ratepayers, and community choice programs on a range of regulatory and legislative issues.

Ms. DeFalco brings over 25 years of procurement, materials management, and contract management experience in both the public and private sectors to Lancaster Choice Energy. She received an undergraduate degree from the University of LaVerne, a Master Certificate in Contract Management

from Villanova University, and a juris doctorate degree from the Concord School of Law. Ms. DeFalco moved to the public sector in 2000 and has been with the City of Lancaster since 2006; serving as the City's Operations Manager of the Procurement and Contracts Division, and since the City's launch of Lancaster Choice Energy in 2015, as the City Regulatory Energy Manager.

LIST OF CLIENTS

City of Hermosa Beach - CCA Feasibility Study & Certified Implementation Plan

City of San Jacinto - Associate Member; CCA feasibility study & Certified Implementation Plan; Launch scheduled April 2018.

City of Pico Rivera- Associate Member; CCA feasibility study & Certified Implementation Plan. Began serving customers September 2017.

City of Rancho Mirage- Associate Member; CCA feasibility study & Certified Implementation Plan. Launch scheduled May 2018.

CONSULTANTS

Bayshore Consulting Group, Inc

Pacific Energy Advisors

Direct Energy

Calpine Energy Solutions

Braun Blaising McLaughlin & Smith PC

Troutman Sanders

Tripepi Smith & Associates

Thank you for the opportunity to assist you. Please feel free to contact the California Choice Energy Authority team should you have further questions.

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