

Community Choice Energy Frequently Asked Questions

The cities of Carlsbad, Del Mar, Encinitas and Oceanside are working together to evaluate a new approach to providing electric power in their communities. This new approach is called Community Choice Energy (CCE). An initial CCE feasibility study was completed in March 2019.

1. Is the CCE model economically feasible? What would the potential ratepayer savings be?

A feasibility study shows that the CCE model is financially feasible and would save residents and businesses at least 2% a year compared to SDG&E. In addition, discretionary net proceeds of roughly \$15 million could be generated annually. This net income could be used for further rate savings, investment in local distributed energy generation, enhanced energy efficiency programs, additional support for low-income customers, energy storage, electric vehicle charging and any other program related to the CCE business model. The decisions regarding utilization of discretionary net income will rest with the CCE Board of Directors.

2. What assumptions were made about purchasing renewable energy?

The feasibility study assumes and evaluates three different CCE power supply portfolios:

- Option 1 – Same renewable portfolio used by SDG&E – increases from 46% renewable energy in 2021 to 60% in 2030.
- Option 2 – 100% renewable energy by 2030 – increases from 50% renewable energy in 2021 to 100% in 2030.
- Option 3 – 100% renewable energy throughout the study period (2021-2030).

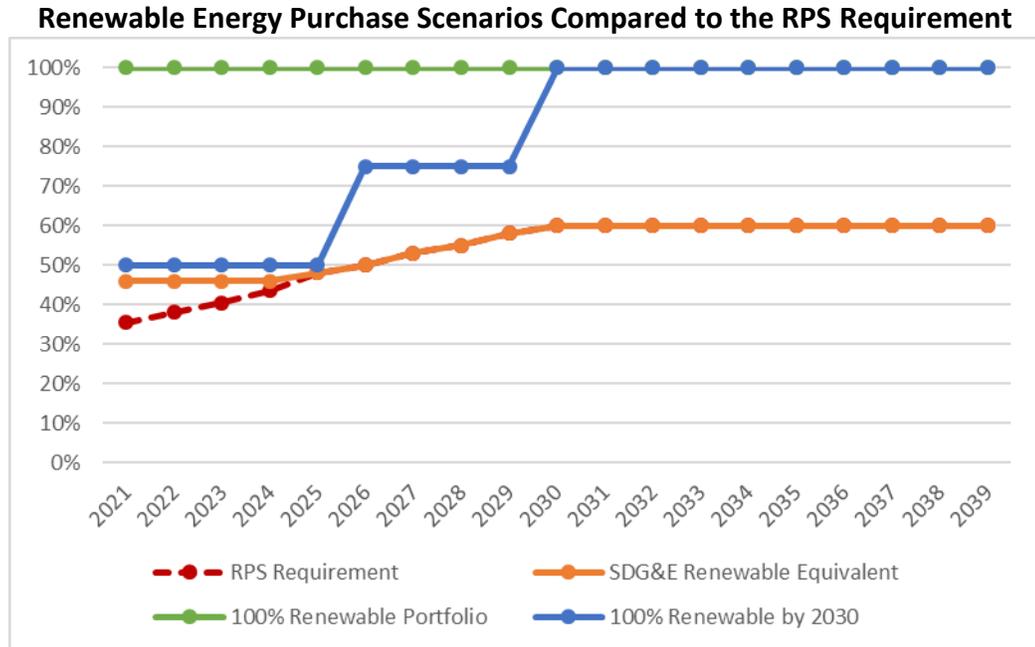
CCEs face the same requirements for renewable energy purchases as the investor-owned utilities (such as SDG&E) and public utilities and are required to comply with all applicable state laws (including SB 350 and SB 100). The feasibility study also assumes all renewable resources are located in California, and no unbundled renewable energy credit utilization.

3. Would the CCE model help reduce greenhouse gas emissions?

Yes, all three options evaluated in the feasibility study would reduce greenhouse gas emissions at various levels during the study period (2021-2030).

- The Option 1 portfolio is 80% greenhouse gas free throughout the study period.
- The Option 2 portfolio is 80% greenhouse gas free in 2021, ramping up to 100% greenhouse gas free in 2030.
- The Option 3 portfolio is 100% greenhouse gas free throughout the study period.

For comparison, SDG&E's portfolio is expected to be 46% greenhouse gas free in 2021, ramping up to 60% greenhouse gas free in 2030.



4. Will this CCE power supply strategy encourage development of new renewable energy resources?

Yes, the greater percentage of renewable energy purchases reflected in each option would encourage and expedite the construction of new renewable energy sources.

5. Have other existing California CCE programs developed new renewable resources?

Yes, to date, the 18 existing CCE programs (currently serving more than 100 California cities and counties) have developed 1,360 megawatts of new solar energy, 741 megawatts of new wind energy, 12 megawatts of energy from biogas generation and 360 Megawatt Hours of new energy storage.

6. What technical data was used for the feasibility study?

The feasibility study data included the most recent SDG&E retail rates, the power charge indifference adjustment pursuant to the California Public Utility Commission Alternate Proposed Decision, dated Oct. 11, 2018, and wholesale market prices for energy as of February 2019.

7. What assumptions were made by the feasibility study regarding SDG&E utility rate increases over time?

The feasibility study assumed a 1% increase in the SDG&E generation rate and a 2% increase for the delivery charge annually. This escalation rate is conservative considering SDG&E generation rates have increased as much as 2 to 9% from 2006 to 2015. If the SDG&E generation rate increases at a rate greater than 1% annually, the CCE’s financial position would improve.

8. Does the feasibility study assess the risk of a potential increase in customers buying their electricity directly from electric service providers (Direct Access)?

California Senate Bill 237, Electricity: direct transactions (adopted in 2018) provides for a 16% increase in the amount of nonresidential load that can move to direct access schedules. For commercial and industrial accounts, the feasibility study assumes a participation rate of 85%, which adjusts historic participation rates to account for the newly expanded cap on direct access.

9. Will grid reliability change under the CCE business model?

Maintaining grid reliability is the function and responsibility of the California Independent System Operator. The California Independent System Operator will continue to perform this function under the CCE business model, therefore grid reliability will remain unchanged.

10. Will the growth in CCEs adversely impact the financial stability of the incumbent investor-owned utilities?

The power charge indifference adjustment was implemented to ensure that the investor-owned utilities were held harmless from load loss resulting from the growth in CCE programs or direct access.

11. SDG&E pays local, state and federal taxes. Will the recipients of these tax payments be negatively impacted?

The primary taxes that SDG&E pays are property, state and federal income taxes. Under the CCE business model, all SDG&E tax recipients will not be impacted. SDG&E will maintain the same asset base if a CCE is formed so property tax payments will be unchanged. Income tax is paid based upon profitability. SDG&E makes its profits on delivery facilities which will remain with SDG&E so profitability and income taxes payable will remain unchanged. The only function the CCE will assume from SDG&E is power procurement. SD&GE is prohibited by law from earning a profit on the power procurement function.

12. How will the formation of a CCE program for the four cities impact the local economy?

A CCE program could save customers in Carlsbad, Del Mar, Encinitas and Oceanside approximately \$9 million annually in electricity costs. This increase in disposable income could result in the creation of approximately 100 new local jobs and \$13 million in new annual local economic activity.

The CCE's economic impact could be greater if the CCE invests in local distributed energy resources. Through incentive programs and direct investments CCEs can create new demand for manufacturing, construction and installation of local distributed energy resources, leading to an increase in employment in those sectors. Decisions concerning investments in distributed energy resources, such as the construction of new community solar or battery storage projects, would be made by the CCE Board of Directors.