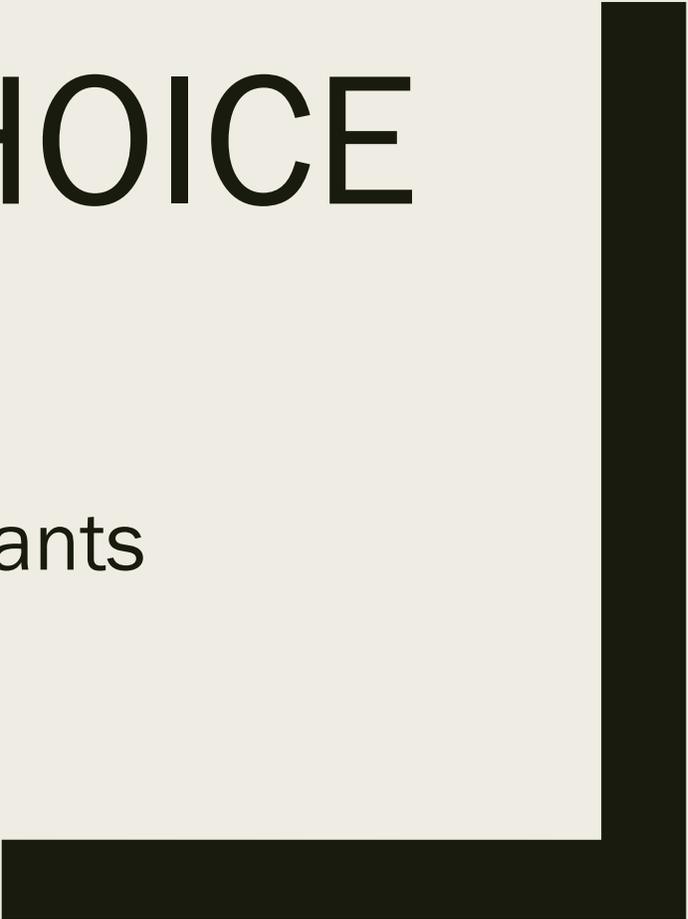




COMMUNITY CHOICE ENERGY

Key Messages from Consultants



The possible cities that may comprise North County Energy (NCE) vary widely in population size and energy load. How would a governance structure take this diversity into account?

JPA options

- Same offerings for everyone
- Differentiated offerings for each participating city

Voting options

- One city/one vote
- Proportional voting
- One vote/city for everyday decision-making; proportional voting for items of unusual importance

G2. Is Encinitas large enough to form a CCE without partners?

- No – minimum efficient scale is 250 – 500 MW of load
- Yes – overhead costs for CCE should still yield competitive rates
- Yes – based on Davis experience, but adding other cities would improve expected economic results and spread risk more broadly

G3: What operational structure can assure that all parties are able to meet their goals and objectives over time?

- Early development of vision/mission/goals
- Establishment of durable governance structure
- Selection of senior management team
- Early, public, robust vetting of the goals of each member, accompanied by expert review, analysis, and recommendations for policies that balance potentially competing goals
- Common set of clearly-defined and quantified objectives and a workable governance structure, with the ability to modify when necessary OR
 - *One JPA with the ability for individual communities to determine their own objectives.*

How would you propose to educate and engage the public? At what point should public outreach start?

- Citizens and stakeholders should be involved at the start
 - *Public meetings for the general public*
 - *Targeted stakeholder meetings*
- Building “ownership” and brand awareness is important to long-term CCE success.
- Closer to actual launch of operations, CCE regulations require a minimum of two formal notices to potential CCE customers within 60 days prior to the CCE “going-live” and two additional formal notices to potential CCE customers within 60 days following the CCE actual service start date (four notices total to each customer). These notices are to inform customers that the CCE is commencing or has commenced operations and provides information regarding such customers’ rights to “opt out” of participating in the newly established CCE

P2. What are the biggest challenges to gaining community acceptance of a CCE?

- Confidence and trust in existing local gov't officials and staff
 - *Skepticism among residents about whether CCE goals align with residents' needs & priorities as opposed to City or gov't staff wanting to increase its size/control over residents' lives.*
- Assurance that CCE can beat IOU rates
- Creation of a mechanism for the local community to have input into decision-making on an ongoing basis
- Vast majority of community opposition is based on lack of understanding – need robust and early community outreach and education.
- Need to reconcile competing or conflicting goals
- Lack of understanding that local utility will still provide many key functions
- Skepticism that CCE can outperform local utility

P3. What should be included in the Feasibility Study scope of work to guide the consultant, streamline efforts, and produce a robust report?

- *Costs, benefits, and risks*
- *Options available for CCA development, governance, and implementation*
- Conducting a “full feasibility” study that assesses economic viability may be unnecessary and add both more cost and time. **CCE is feasible at present.** Study should address;
 - *Economic viability to project available “headroom”*
 - *Business structure, JPA governance, JPA staffing and technical support options, financial requirement, customer contact/relations*
 - *Benefits of more or fewer JPA members*
- Operational analysis, definition of requirements, evaluation of alternatives, and recommended course(s) of action
 - *Specific elements: organizational structure, load analysis and forecast, energy supply scenarios and options, energy cost analysis, rate analysis, PCIA, financial analysis or pro forma, sensitivity analysis, economic analysis, risk analysis*

Mix of short and long-term contracts, How many suppliers?

- CCE should contract with an Energy Service Provider (ESP) that allows contracting with multiple parties.
- Ultimate power supply mix should be well diversified and predicated upon factors such as current and future projected load size and shape, availability of local resources, targeted power supply mix, ...
- What is most important in structuring the supply portfolio (and what is missing from the structure of the current CCEs' procurement processes and risk management frameworks) is to match the term and level of commitment for the load to that of the supply elements in the portfolio.
- **It is important to remember that all load will be met regardless of the CCE's contracts/resources portfolio as the CAISO retains responsibility for reliability (and will correspondingly invoice the CCE for the cost of its services and products).**

F1. Are there any grants that may be available to help with seed money?

■ No

R1. What are the major risks?

- Financial
 - *Initial funding*
 - *poor cost and revenue estimation*
- Market
 - *Inadequate management of supply portfolio*
- Legal
- Regulatory
- Operational
 - *JPA establishment*
 - *billing, customer service problems*
 - *Opt-outs*