October 16, 2017

Attached is the American Coalition for Sustainable Communities (ACSC) report, *Community Choice Aggregation: A False Choice.* This is the PDF version of the report, which includes this letter and *key emphasis points* that were distributed to cities and counties in California in the form of bulletins prior to the release of the report. We felt compelled to include here for your edification. Note, that these points are also included in the *Appendix* of the report. Finally, hard copies of the report are available at iAgenda21.com

Key Emphasis Point 1

Recent regulatory developments now render the economics contained in Community Choice Aggregation (CCA (CCE)) Business Plans and Feasibility Studies obsolete and potentially fatal, and may put your municipality in financial jeopardy. The two developments occurred mid-June 2017:

1) Exit fees levied by investor-owned utilities (IOUs) on all departing loads are now being litigated at the California Public Utilities Commission (CPUC). IOUs propose that these fees, known as PCIA (Power Charge Indifference Adjustment), be changed or that a new rate structure known as "PAM" (Portfolio Allocation Method) be implemented. LA CCE and ICP Business Plans' Sensitivity Analysis state: *The level of the PCIA (and the amount of franchise surcharges) will impact the cost competiveness of (CCA). In order to be cost-effective, (CCA) power supply costs plus PCIA and other surcharges must be lower than (IOU's) generation rates.* The outcome of PCIA and PAM will likely not be known until mid-2018.

2) AB 1110 anti-REC legislation. CCAs use renewable energy certificates (RECs) as a low-cost method for keeping prices low and advertising low greenhouse gas (GHG) emissions. The recently released draft implementation for AB 1110, prepared by California Energy Commission, identifies that RECs can no longer be used for (misrepresented) GHG reductions and GHG emission rates. This puts CCAs on a level field with IOUs and means CCAs must procure more expensive "bundled" (true) renewable energy for their standard default product. Additionally, RECs will not be allowed in CCA's 50% and 100% green energy products; the inherent cost issue of bundled energy is compounded by a lack of cost-effective renewable energy as CCAs enter the market en masse, as well as transmission constraints for that energy. The net is that renewable energy prices will increase significantly, changing the associated economics of CAA from what Business Plan authors could not know.

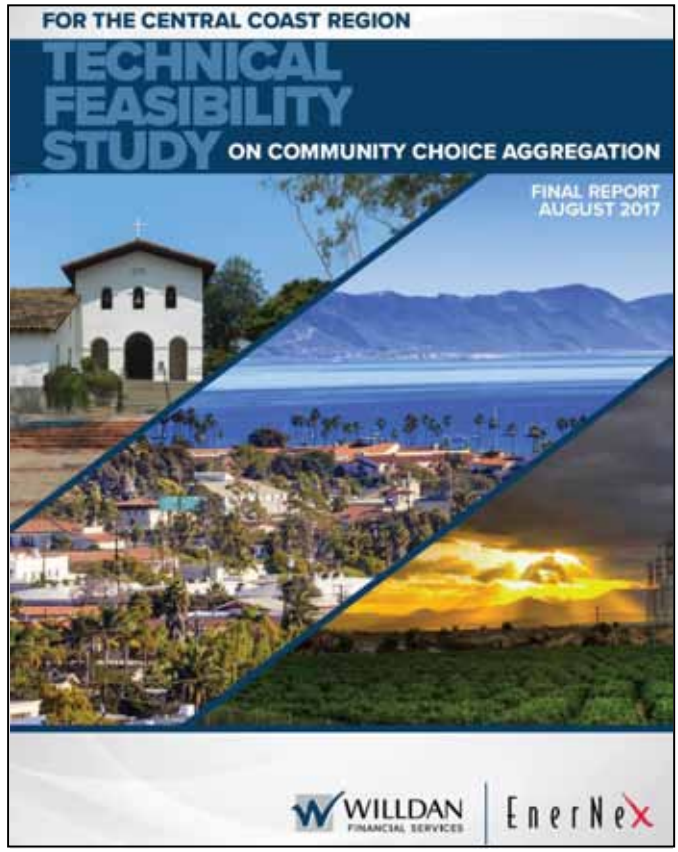
In the event that municipalities elect to join CCA in the interim, it should be noted that the JPA "financial firewall" does not protect individual municipalities from action against it by the JPA, nor insulate it from power contract resale liability, should the municipality attempt to subsequently opt out of CCA.

With respect to the above, the prudent course of action would be to delay further action on CCA until regulatory unknowns may be better quantified.

Key Emphasis Point 2

CENTRAL COAST REGION CCA TECHNICAL FEASIBILITY STUDY
Counties of San Luis Obispo, Santa Barbara, and Ventura
Source: http://www.centralcoastpower.org/resources.nrg#fasibility

Final Report, Dated August 2017



- "the CCA is deemed infeasible regarding rate competitiveness" (p. ES-23)
- "in order for the CCA to be feasible the Power Procurement costs would have to decrease 40% over the Study forecast" (p. ES-24)
- "the CCA is not expected to generate revenues in excess of operating costs" (p. II-116)
- "Given that the results of the Study indicate the CCA does not meet feasibility criteria, it is not recommended that Central Coast Power pursue a new CCA at this time."(IV. Conclusions & Recommendations)

CCA

ACSC

The American Coalition for Sustainable Communities

COMMUNITY CHOICE AGGREGATION: A FALSE CHOICE

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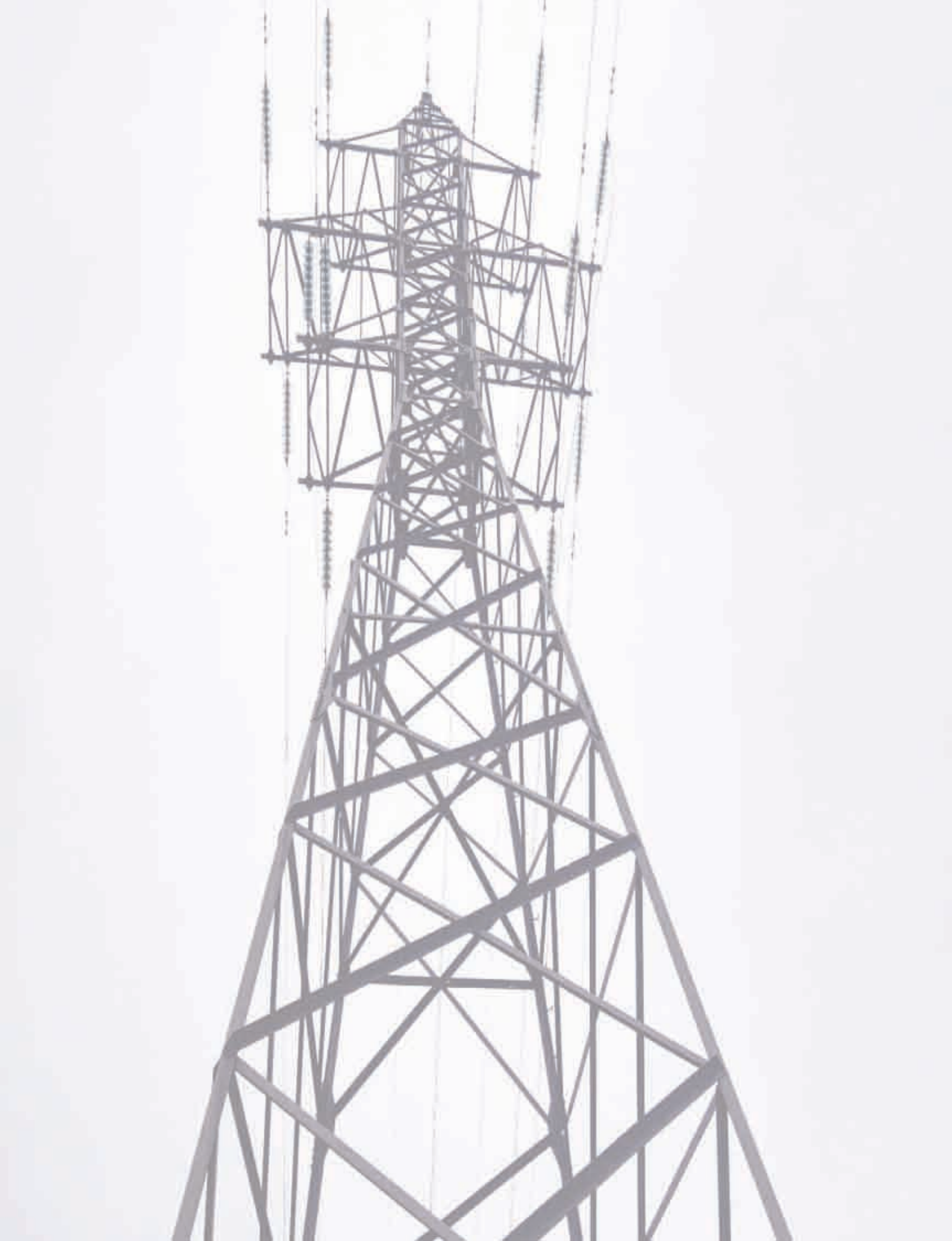
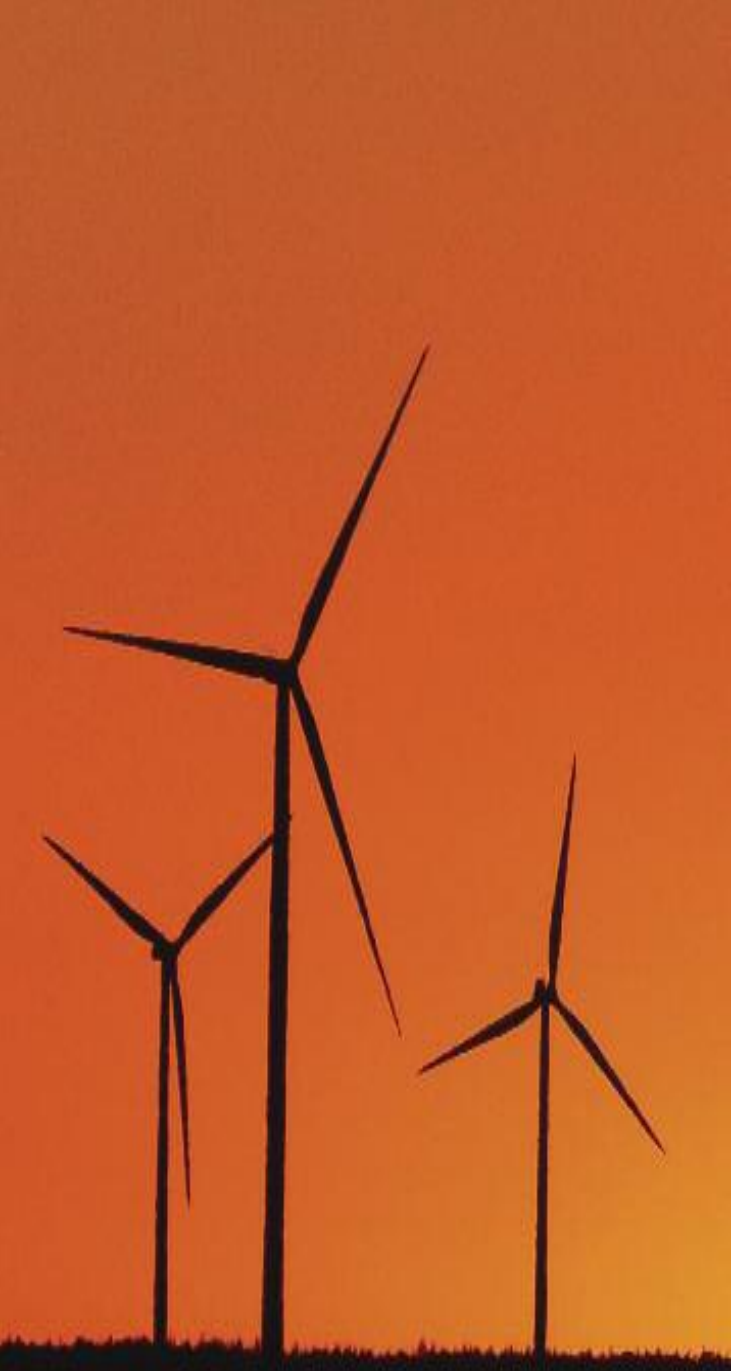
Questions

Special Message for Elected Officials and Staff

Are you aware of all liabilities contained in CCA Joint Powers Authority Agreements?

- What is your response to the public when you favor CCA, and yet CCA exposes the City's general funds to millions of dollars in liability — outside of the so called "financial firewall"?
- Do you favor joining a CCA that has the right to terminate your city from the CCA JPA while subsequently holding the city responsible for paying off multi-million dollar power purchase contracts?
- Are you aware that your city may remain responsible for paying off power purchase agreements if it finds lower cost energy elsewhere?
- Are you aware that your city is may not indemnified if a secondary purchaser of the city's power — following city's departure or involuntary termination from CCA — decides it no longer wants the power?
- Are you aware that a CCA will save the average resident of your city little if any money, and that Marin Clean Energy CCA — the blueprint for CCA *industry* — saves its customers typically less than one percent?
- Are you aware that many CCAs deliver energy that is no cleaner than what power utilities deliver because CCA engages in green-washing with RECs, and that much of CCAs "clean" energy is rebranded coal and gas-fired power?





Community Choice Aggregation

a false choice

The American Coalition for Sustainable Communities

ACSC

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Appendix

LA CCE Business Plan Review

Community Choice Aggregation: A False Choice

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American Coalition for Sustainable Communities

Sustainable Freedom Lab
sustainablefreedomlab.org

Citizens' Alliance for Property Rights (CAPR)
San Diego/ Orange County, California Chapters
caprsdoc.org

iAgenda 21
iagenda21.com

Scope

The American Coalition for Sustainable Communities (ACSC) is a voluntary coalition. National in scope, our mission is sustaining representative government, and protecting our elected representative's authority, which is being usurped, and in many cases, abdicated to unelected agencies, boards, bodies and commissions.

This report is offered as a counterweight argument for elected representatives and staff personnel who are reviewing, or may be considering Community Choice Aggregation (CCA).

The report begins with a history of CCAs; then, moves into an overview of sustainable development and its impacts. A review of renewable energy and three case studies are presented.

This introduction provides an overview and background of the genesis of this report. Also, cited are key summary arguments and findings for three CCAs reviewed in the report.

1. Inland Choice Power
2. South Bay Clean Power
3. LA CCA

The first two reviews are provided within the body of the report. The LA CCA is provided in the appendix because of it's late date in completion prior to publication of the report.

Finally, because of the fluid nature of CCAs, ACSC "felt compelled distribute" a bulletin recommendation to cities and counties in California. See the appendix for additional bulletins and references.

Background

The genesis of this report can be summed up in a press release dated Apr 6, 2017 when Inland Choice Power Business Plan failed to move forward because of fatal flaws. Here is an excerpt:

"The newly formed Foothill Tax Payers Association (FHTP) in association with the American Coalition for Sustainable Communities (ACSC) successfully executed a campaign involving local activists to stop the San Bernardino Council of Governments (SBCOG) from continuing collaborative research efforts in starting a Community Choice Aggregation (CCA). At a SBCOG board meeting on Wednesday, a staff recommendation to move forward with a CCA was defeated when no elected city members of the board would second a motion by John Harrison of Relands, to vote on the recommendation. When Chairman Robert Lovingood asked for a second motion, the room went silent. The issue never made it to a floor vote. It died right there.

Community Choice Aggregation is a policy where local governments aggregate (add up) electricity demand in order to procure alternative renewable energy (wind and solar) supplies while maintaining the existing electricity provider for transmission and distribution services. It promotes expensive renewable energy over traditional forms of energy.

"A six page critique of the Inland Choice Power: Community Choice Aggregation Business Plan - Final Draft, prepared by

EES Consulting for SBCOG, was found to be fatally flawed," said Linnie Drolet, president of FTPA. Dan Titus, who administers the Web site iAgenda21.com and is affiliated with ACSC concurred. "We found problems with the recommendation to move forward because the benefit of saving people 5% on their electric bill did not merit the millions of dollars of startup costs associated with the plan. We also fundamentally disagreed that people would automatically enrolled in a new government CCA without advance permission."

Summary Arguments

Inland Choice Power

The Inland Choice Power (ICP) Community Choice Aggregation Business Plan document contains fatal flaws for the program, which negates the feasibility of establishing a CCA.

- **ICP assumes $1.25 billion of debt** The Business Plan's proforma tables identify that ICP CCA assumes $1.25 billion of non-bypassable charges (Exit Fees, Cost Responsibility Surcharges, and Bond Costs) through 2036 that are levied by Southern California Edison. Even one-tenth of this sum is a huge debt burden for any upstart.
- **ICP makes no warranty that it will pay exit fee costs** that it triggers when automatically switching consumers into its program. It should be noted that model CCA, Marin Clean Energy (MCE), did commit to pay all of its own consumer costs in 2010 before reneging on its pledge 9-months after business launch. MCE offloaded its exit fee liability onto consumers in exchange for a temporary rate reduction that vanished when MCE subsequently raised its prices.
- **ICP's success based upon inaccurate Opt Out claim -** ICP's financial model is based upon customer participation projections that are wrong. Page 24 of the Business Plan states that Phase 2 (largest enrollment phase) assumes a 25% Opt Out, and that "These opt-out assumptions are conservative estimates when compared to participation rates in other CCAs." However, MCE's Opt Out numbers were 30% as it expanded into Richmond, a sizable amount considering that MCE had previously experienced a 20% Opt Out rate. This is all the more troubling when considering that ICP's conservative "Domestic" ratepayer class assumption represents 50% of ICP's total revenue.

At the Western Regional Council of Governments (WRCOG) board meeting agenda for May 1, 2017, the ICP CCA review was presented for the boards consideration in moving ahead with more study. This was a wake up call for board members because the only information that they had been exposed to were staff reports.

South Bay Clean Power

In April 2017 ACSC reviewed documents presented by advocates of South Bay Clean Power. On April 18th, activists armed with this information attended a Redondo Beach city council meeting, where talking points were read into the record.

"Our primary finding of the Business Plan

Draft for South Bay Clean Power and Joint Powers Authority Agreement is that the plan is overly ambitious and glazes over pitfalls, risks and potential liability for member cities, and ratepayers. We find that these points outweigh any potential benefits suggested by the plan."

Letter of Introduction: South Bay Clean Power (SBCP) promises local jobs (net-new of the SBCP enterprise itself), local power generation; local economic investment. These are the same commitments made by Marin Clean Energy (MCE). However, after 7 years, MCE has failed on most promises:

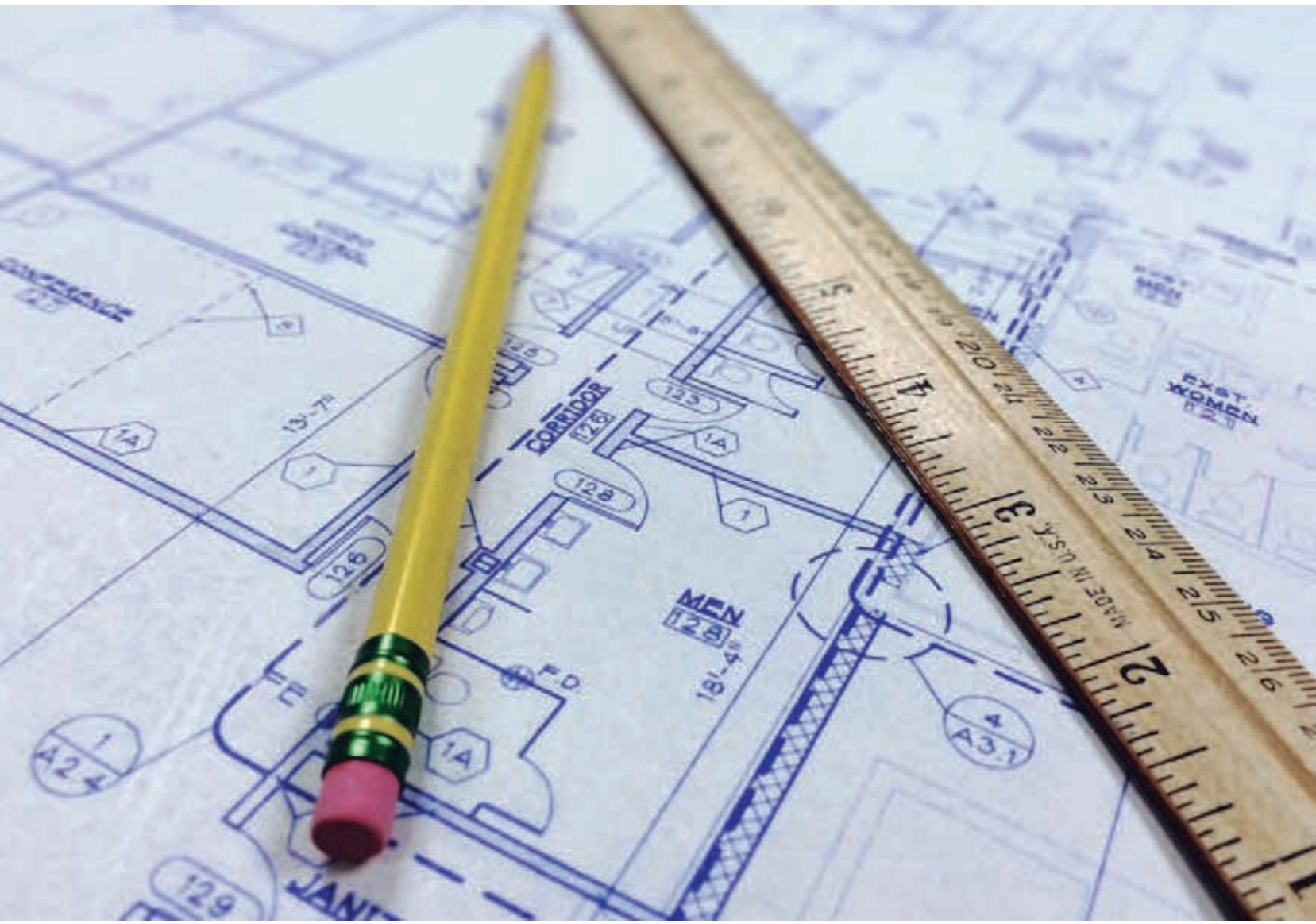
- Only 2% of MCE's net-new renewable power is generated locally.
- 3 full-time local jobs (excludes the 35+ staff employees at MCE) rather than major employment of Marin's skilled workforce.
- More than $2 billion of Marin's "local" money was exported to: Shell (The Hague), Electricity de France (Paris), Exelon (Chicago), Calpine (Houston), G2 Energy (Atlanta).
- MCE alienated local labor – MCE made an enemy of IBEW 1245, the electrical workers largest branch in Northern California and brought in out-of-area Cupertino Electric in order to advertise "partnership" with local labor unions.

Key Findings

- **To attain even a fraction of plan stated objectives requires unrealistic commitments** from cities, including real estate and capital investment. For example, Total Cost to install original solar panels and maintain MWh output as panels degrade is estimated to be over $13 billion dollars assuming use of U.S. domestic solar panels.
- The plan puts the city into a potentially acrimonious situation with other Joint Power Authority (JPA) cities. Real estate needed for solar installations and gathered through possible eminent domain, will pit residents against of their own city — Where's all that "local" solar going to be installed? There simply is not enough land available for the number of solar farms needed.

Total Cost to install original solar panels and maintain MWh output as panels degrade is estimated to be over $13 billion dollars.

- **The JPA Agreement makes it all but impossible to leave the JPA**, especially if the JPA makes decisions that trigger lawsuits if the city wants to leave;
- **The plan causes the cities to get into a new business** — SCE is already in compliance with California's renewable targets through the California Global Warming Solutions Act (AB32) — why would staff even consider this given that the cities are struggling to take care of there own obligations such as pensions, infrastructure and other programs?
- Up to 5% savings on electricity does not merit starting a business.



History of CCA

The Architect of CCA

Clean energy pioneer, Paul Fenn professed a community cooperative idea, where savings could be realized for electricity customers by aggregating demand (adding up), in order to achieve volume discounts from power producers. To accomplish this, he wrapped his argument around climate change. In order to save the environment, renewable energy would be the key in his new scheme.

In his article titled, *Power to the People*, Bryce Hubner provides a historical account about Fenn. As a history major at Bates College in Maine, Fenn has opined that he was influenced by the Marxist philosopher Georg Lukács, "who basically said that the problem with the world is the commoditization of everything." That is, we want everything to be tradeable — capitalism seems to viewed as a problem.

A self-identified intellectual, Fenn co-authored the original "Community Choice" law. The nation's first-ever CCA bill, Massachusetts Senate Bill 447, was submitted by Montigny in December 1994. Fenn viewed the bill as a historical exercise and he has stated that, "it never occurred to me that it would actually pass". He promoted it as a solution for climate change: "I got sucked into this and managed to convince some people in Cape Cod that it was a good idea for the purposes of climate change."[2]

"...I just cooked up the bill. Nobody was asking for it, no cities wanted to aggregate, no environmental groups wanted city government involved, and the utilities were obviously against it."

But shortly after the bill was filed, Montigny was stripped of his chairmanship of the Massachusetts Senate Committee on Energy after a losing political battle with then-Senate President Billy Bulger.

Senate Bill 447 was quickly laughed out of the Massachusetts State House. "It was an awkward moment," Fenn says. A bitter political lesson followed. Fenn learned what happens when a legislator submits legislation that no one wants. "I mean, I just cooked up the bill. Nobody was asking for it, no cities wanted to aggregate, no environmental groups wanted city government involved, and the utilities were obviously against it."[1]

With deregulation being encouraged at the federal level a couple of years later, CCA was part of a sweeping deregulation of Massachusetts utilities. Several communities on Cape Cod later established the Cape Light Compact, the nation's first CCA.[2]

California

In California, Fenn authored California's 2002 Community Choice (CCA) law, Assembly Bill 117, allowing municipalities to choose alternative electricity providers for their communities, and has played a leading role in their implementation. He says the genesis of his bill came about because utilities were "gaming" the system after deregulation.[2]

Decentralized Power Model

Paul Fenn promotes decentralized renewable models. For example a few years ago in reference to bringing 360 megawatts of green power into San Francisco, he stated, "The complexity of our venture has to do with a decentralized model… The energy we're trying to bring to San Francisco would normally equal one big power plant. We'll have to build a thousand small, green generators to hit that number. This is why our experience with telecommunications and wireless networks has been invaluable: Those companies deal with thousands of sites to deliver a product, and so will we."[3]

Opt In, CCA would have to rely on consumers' independent initiative to request being switched into CCA, and CCA would likely never get off the ground.

Power Companies React to Out Opt

In 2010, PG&E authored Proposition 16, which was the utility's attempt to circumvent CCAs automatic enrollment "Opt Out" feature. Prop 16 required a 2/3 super-majority vote of the residents within a target municipality that was contemplating a CCA. PG&E spent millions of dollars on anti-CCA advertising. Proposition 16 lost by a large margin, and was a huge victory for MCE, which mounted a successful opposition campaign. It is ironic that during this era of extreme acrimony toward PG&E, the utility's San Bruno pipeline exploded, which galvanized most of the Bay Area against PG&E's campaign.

CCAs Want to Appropriate Benefits

- CCAs want the reward without the risk. They want to reap the benefits of IOUs long-term investments by entering a more mature market where renewable energy prices are cheaper.
- CCAs want an instant customer base through Opt Out.
- CCAs offer a false benefits because advocates claim that the IOUs prices are too high and they make too much profit. This argument does not hold because IOUs can only legally charge what it costs them. This is known as pass through cost.

CCAs want to reap the benefits of IOUs long-term investments. They want the reward without the risk

Marin Clean Energy: California's Blueprint Model for CCAs

Every single business plan being presented for a CCA references MCE. As the State's first operating CCA, consultants seem to believe that MCE should be ordained with credibility and awarded a "gold standard" just for existing. MCE's history and dubious operating transparency shows otherwise.

Because MCE is the blueprint model for the CCA industry, the company's pitfalls and schemes are showing up in business plan proposals. What is disconcerting is that consultants are selling these flawed ideas to municipalities, and elected representatives are buying into them. For example, South Bay Clean Power claims it will adopt Silicon Valley Clean Energy's "best practices" as stated in their business plan.[7]

Marin County Supervisor Charles

President Trump says “no” to Sustainable Development; the United States pulls out of the Paris Climate Accord

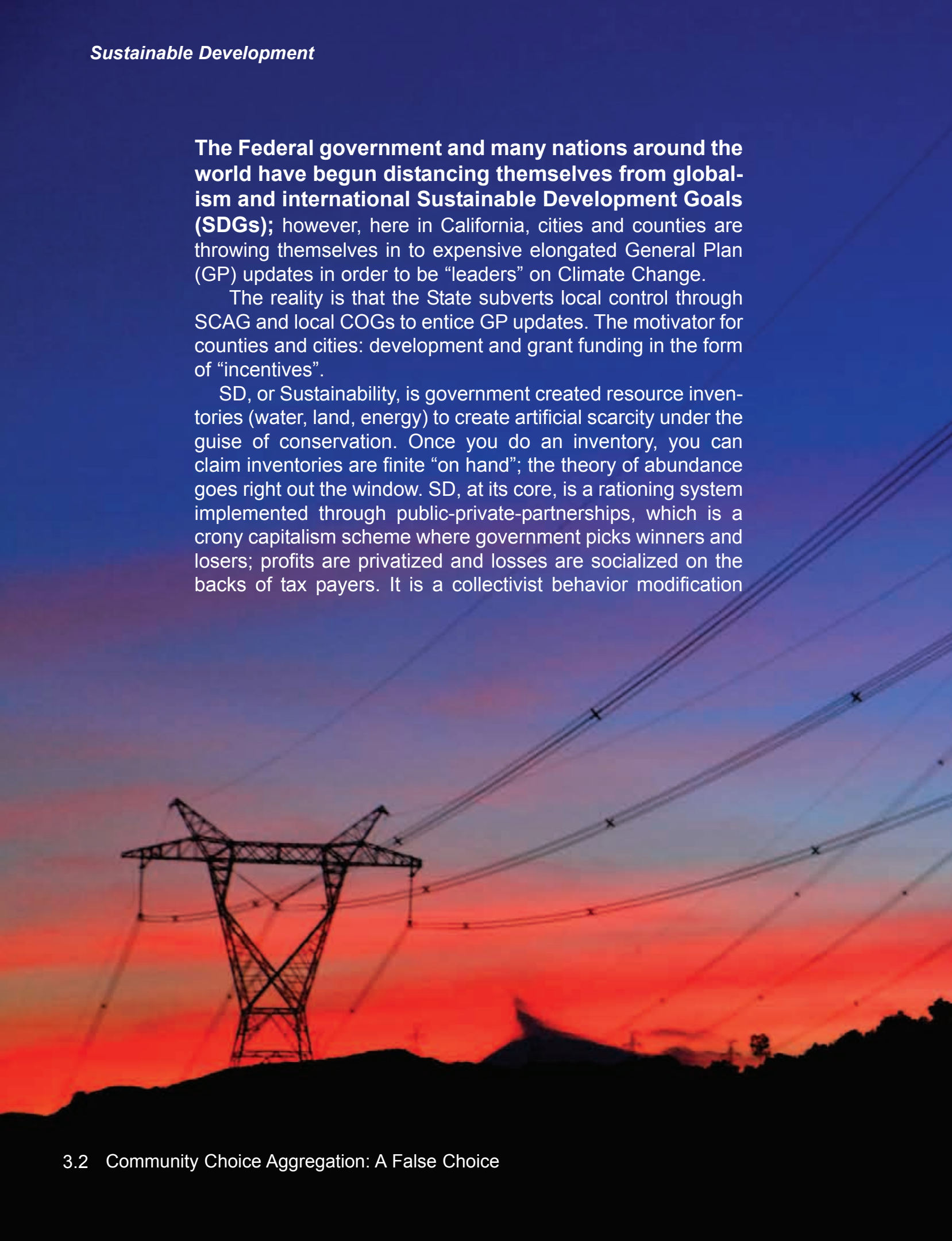
On Thursday June 1, 2017 President removed the U.S. from the Paris Accord that Secretary John Kerry signed on Earth Day 2016. The accord’s goal was to reduce CO2 to 25% below 2005 levels by 2025. Closely integrated with the Paris Accord are the 17 Sustainable Development Goals offered at the U.N. Sustainable Development Summit in September 2015 in a report titled, *Transforming Our World; The U.N. 2030 Agenda for Sustainable Development.* The report cited a 15 year action plan to remove poverty in the world. Couched around social justice, the goals seek to transfer wealth through reparations from industrial nations to poor nations.

Global warming legislation in California is tied to Sustainable Development. The exit from the Paris Accord puts downward pressure on the rational for this legislation as Sustainable Development continues to fall out of vogue and subsidies and tax credits dry up.

The Federal government and many nations around the world have begun distancing themselves from globalism and international Sustainable Development Goals (SDGs); however, here in California, cities and counties are throwing themselves in to expensive elongated General Plan (GP) updates in order to be "leaders" on Climate Change.

The reality is that the State subverts local control through SCAG and local COGs to entice GP updates. The motivator for counties and cities: development and grant funding in the form of "incentives".

SD, or Sustainability, is government created resource inventories (water, land, energy) to create artificial scarcity under the guise of conservation. Once you do an inventory, you can claim inventories are finite "on hand"; the theory of abundance goes right out the window. SD, at its core, is a rationing system implemented through public-private-partnerships, which is a crony capitalism scheme where government picks winners and losers; profits are privatized and losses are socialized on the backs of tax payers. It is a collectivist behavior modification



Hydro power supplies industrial societies with economical reliable power

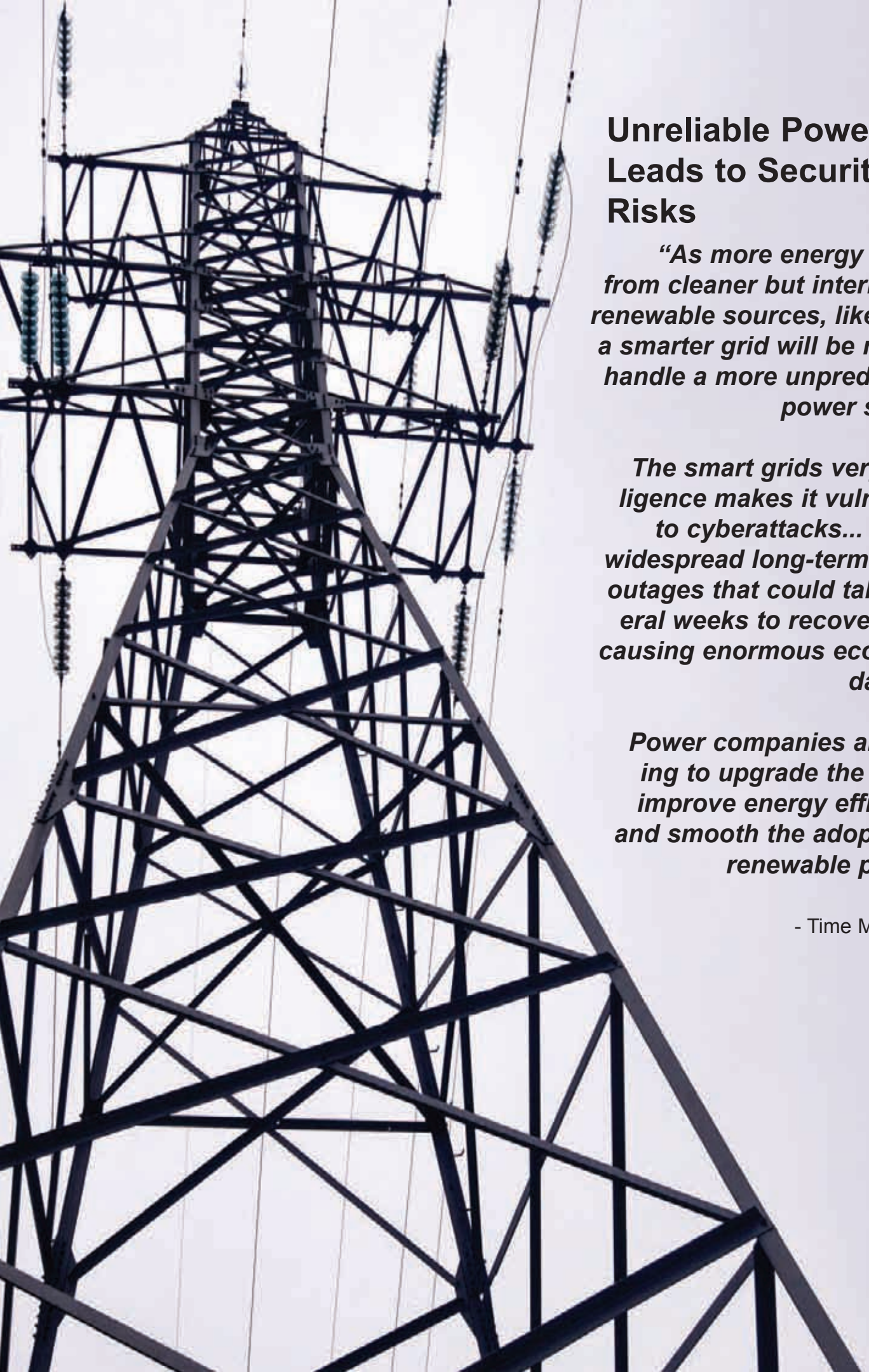
About 3% comes from hydroelectric. “Large” hydro power is *not* considered renewable energy.*

Solar is intermittent unreliable power

Renewable Energy

In 2017, governments are finding out that solar power generation when propped up by massive subsides, just does not work. The solar industry's biggest problem is the very mechanism that led to its rise: lucrative subsidies. SolarWorld, the largest US solar panel maker filed for bankruptcy after receiving $206 million in subsidies.[3] Bankrupt SunEdison has no hope for pay-outs for shareholders.[4] Tesla bought SolarCity in late 2016, was supposed to create a vertically integrated renewable energy company.[5] The bottom line,Tesla's new, "cool" and extremely expensive solar roof tiles are only viable due to yet another round of generous taxpayer subsidies in the form of tax credits, without which the entire concept falls apart as breathtakingly uneconomic.[6]

High electricity rates are plaguing California because of renewable energy. One of the first disruptive policies was the



Unreliable Power Leads to Security Risks

"As more energy comes from cleaner but intermittent renewable sources, like solar, a smarter grid will be needed handle a more unpredictable power supply.

The smart grids very intelligence makes it vulnerable to cyberattacks... expect widespread long-term power outages that could take several weeks to recover from, causing enormous economic damage.

Power companies are having to upgrade the grid to improve energy efficiency and smooth the adoption of renewable power."

- Time Magazine*


Wind power is intermittent
and unreliable
Wind and solar account for 2% of
overall energy needs — expensively
and intermittently — from facilities
across millions of acres.

Diablo Canyon. Cronyism is on display.

These schemes promote input from stakeholders and promote public-private partnerships for those fomenting "solutions" of renewable energy over nonrenewable energy. It's ironic that NRDC itself has significant, direct investments in natural gas and renewable energy companies. The two highest-ranking members of NRDC's Board of Trustees, its Chair and Vice Chair, as well as one of NRDC's single largest donors, are all major investors in natural gas. Futhermore, renewables companies, would benefit significantly from Diablo's closure.[12]

Review of Inland Choice Power Community Choice Aggregation Business Plan; Final Draft, Dated December 8, 2016

Key Findings

The author of IPC CCA draft, EES Consulting, Inc. and Bevilacqua-Knight, Inc., espouse the benefits of new Joint Powers Authority (JPA), which is a new agency proposed in the plan and antithetical to our mission statement. In general, we do not see the formation of new agencies, that govern under "agency discretion", as viable in California because these entities create a governance structure, which are essentially unelected regional bodies that insulate citizens and residents from Republican form of government stated in the U.S. Constitution.

The author further claims benefits: more efficient electricity, greater savings to consumers, and lower rates to commercial sector as an economic development benefit. The CCA is presented as a viable alternative to Southern California Edison (SCE) as an investor owned utility (IOU). In order to meet green renewable energy goals, the CCA will have to aggressively promote heavily subsidized renewable energy. Renewable energy can't compete in the marketplace without subsidies. Once subsidies go away, electric rates will have to correspondingly go up.

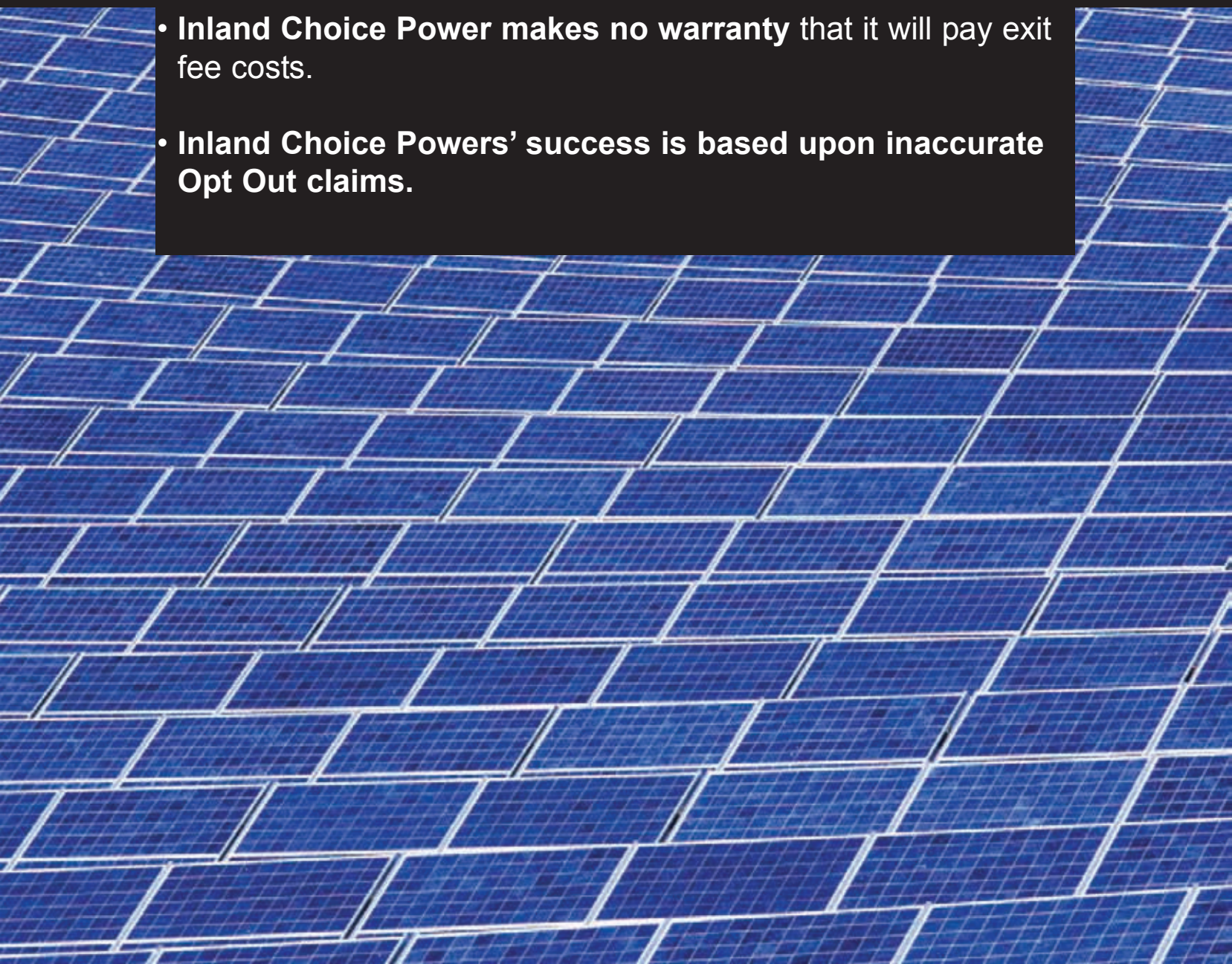
The plan is very ambitious and glazes over pitfalls and risks. Here are a few examples:

- ICP CCA requires nearly $200 million in start-up costs within a year after launching into business. Who guarantees the loan(s)? What is the risk to general funds and to taxpayers? It should be emphasized that municipal members who join the ICP CCA as a member of the JPA will not be insulated from loan liability via the touted JPA "financial firewall."
- The author claims that ICP CCA will result in millions of dollars of benefit to the economy, but does not include any footnotes or empiric data to support his claim.
- The Business Plan author fails to note that SCE employs many residents and taxpayers whose economic activity also results in economic benefit to the community.

ICP CCA requires nearly $200 million in start-up costs within a year of launch.

Problems

- **Inland Choice Power requires nearly $200 million in start-up costs** within a year after launching into business.
- **Inland Choice Power assumes $1.25 billion** in non-bypass-able exit fee charges.
- **Inland Choice Power makes no warranty** that it will pay exit fee costs.
- **Inland Choice Powers' success is based upon inaccurate Opt Out claims.**



Review

The American Coalition for Sustainable Communities (ACSC) has conducted a review of the Inland Choice Power Community Choice Aggregation's (ICP CCA) Business Plan and has identified several issues of question about the document and ICP CCAs purported value. There is not enough information to make for an informed decision about implementing ICP CCA.

Our review may be categorized into four general areas:

1. Prices.
2. Greenhouse Gas Reduction.
3. Start-up Costs.
4. Insider Conflict of Interest.

Prices

If exit fees increase, it is likely that cost-conscious consumers will opt out of CCA.

- The Business Plan (document) notes that ICP CCA prices could be greater than SCE prices "if exit fees (The Power Charge Indifference Adjustment - PCIA) become much larger."[1] If exit fees increase, it is likely that cost-conscious consumers will opt out of ICP CCA, putting ICP CCA into a potential death spiral where total costs are now spread over a shrinking customer base; thereby, triggering more exits. The document states that exit fees should be "fairly stable" because "the CCA community has become very vigilant in this area."

While the author's bias toward aligning himself with CCA is understandable, PCIA is not a "stable" issue and remains contentious among investor owned utilities at the California Public Utilities Commission (PUC) despite vigilance of the CCA community. Exit fee component costs are dynamic. Indeed, three years after PG&E's exit fees peaked in 2012 and subsequently declined, PG&E proposed doubling exit fees.[2]

There is no guarantee the exit fees will remain stable.

It is not unreasonable to expect SCE's exit fees will not be "fairly stable" as it experiences losses of energy consumers who are automatically switched into ICP CCA, much as PG&E did when Marin Clean Energy (MCE, aka MEA) began automatically switching large blocks of consumers into its program, beginning in May 2010.

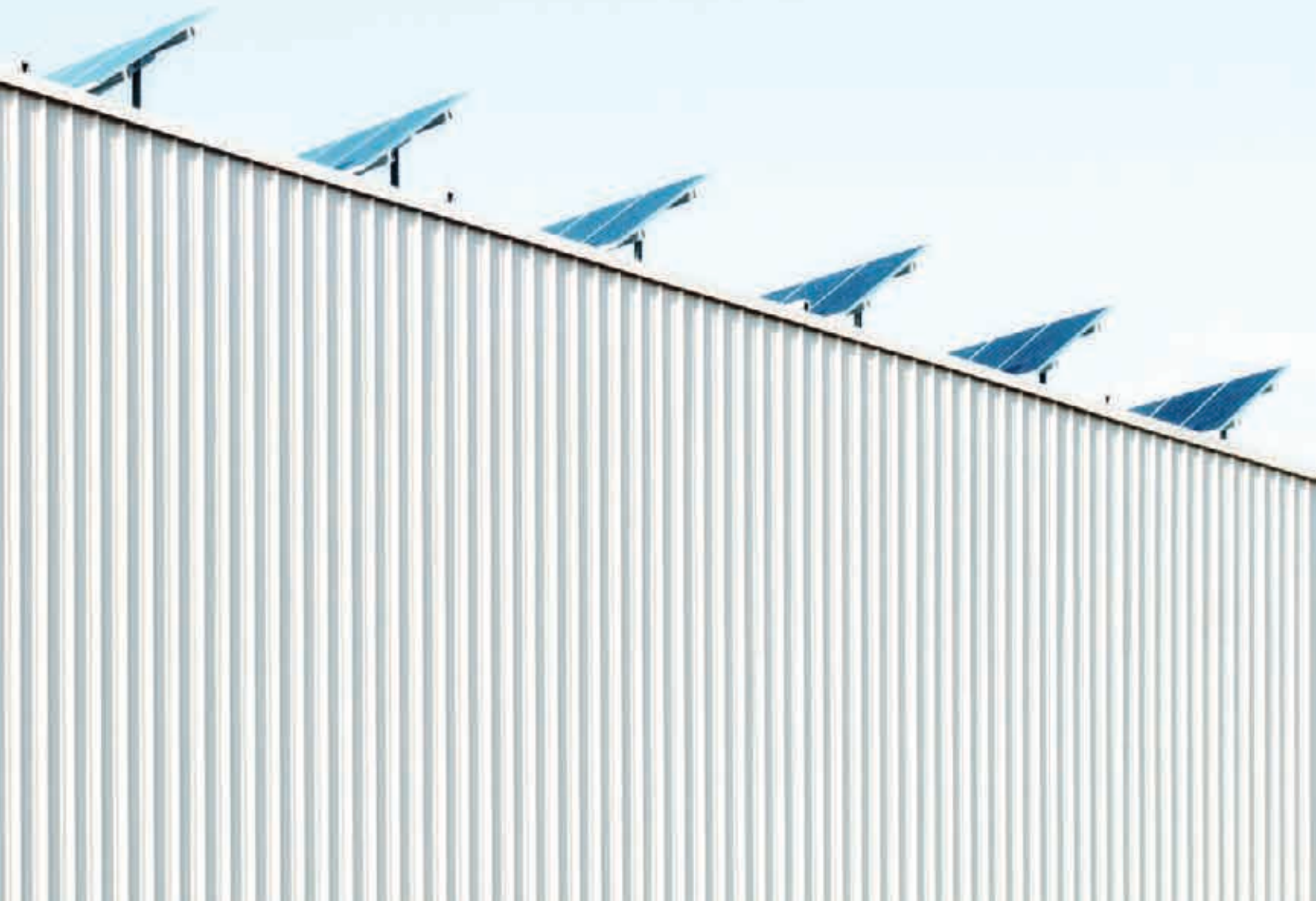
- SCE's temporary price advantage: The document states that if wholesale energy prices drop, after ICP CCA executes power contract, SCE will experience a "temporary" price advantage.[3] The author implies that ICP CCA will always have a price advantage over SCE unless wholesale energy prices drop. This gives rise to several questions. How can the author possibly define this? Does the author know SCE's yet-to-be-executed forward and

California is in a power glut - In 2017, the state's power plants are on track to produce at least 21% more electricity than it needs by 2020, based on official estimates. And that doesn't even count the soaring production of electricity by rooftop solar panels that has added to the surplus.

Because of conservation, California uses 2.6% less electricity annually now than in 2008. Even though there is less electricity usage, residential and business customers are paying $6.8 billion more for power.[17]

California must get rid of power to keep the grid performing efficiently. Excess solar and wind power can be sent to Arizona, Nevada and other states. If those States need it, they buy it; if they don't, California pays them to take it, which is called "negative pricing". When Arizona is paid to take California's excess solar power, Arizona Public Service says it has cut its own solar generation rather than fossil fuel power. So California's excess solar isn't reducing greenhouse gases when that happens. Furthermore, because of the growing supply of solar power, negative pricing could have a much greater impact in the future.[18]

California frequently pays as much as $25 dollars per megawatt-hour for other States to take excess solar power. In Arizona, utility buyers typically pay an average of $14 to $45 per megawatt-hour for electricity when there isn't a surplus from high solar power production.



the Jobs and Economic Development Impact (JEDI) tool models offered by the National Renewable Energy Laboratory (NREL), for determining economic merits of ICP CCA.[6] The author claims that ICP CCA will result in millions of dollars of benefit to the economy, but does not include any footnotes or empiric data to support his claim. However, the author asserts that

and municipalities.

- With respect to local economic benefits, the Business Plan author fails to note that SCE employs many residents and taxpayers whose economic activity also results in economic benefit to the community.

JEDI has "default but modifiable" inputs that help the user attain desired results. This introduces unchecked bias that undermines the objectivity of purported benefits, inasmuch as the author is tasked with presenting ICP CCA in optimistic terms for public consumption, while downplaying financial risk to taxpayers, resients,

Greenhouse Gas Reduction

- Environmental claims in the document are unsubstantiated. The document says ICP CCA will reduce GHGs between 2.9 billion

Insider Conflict of Interest

The Business Plan document does not identify who would be employed by ICP CCA, nor does it include language that addresses employment conflicts of interest. For instance, Marin Clean Energy's (MCE) CEO was originally a County of Marin Planner earning $54,000 per year while acting concurrently as MCE's interim director; today she receives a MCE salary of $248,000 per year.

Review of South Bay Clean Power Draft Business Plan, released 2/2017, And Joint Powers Authority Agreement

American Coalition for Sustainable Communities (ACSC) affiliate Jim Phelps offers a review of the Draft Business Plan for South Bay Clean Power (SBCP), released 2/2017, and Joint Powers Authority (JPA) Agreement written by Community Choice Partners. Mr. Phelps is a former power engineer and utility rate analyst.

Page 1 Letter of Introduction: South Bay Clean Power (SBCP) promises local jobs (net-new of the SBCP enterprise itself), local power generation; local economic investment. These are the same commitments made by Marin Clean Energy (MCE). However, after 7 years, MCE has failed on most promises:

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- 3 full-time local jobs (excludes the 35+ staff employees at MCE) rather than major employment of Marin's skilled workforce.
- More than a half-billion of Marin's "local" money is exported to: Shell (The Hague), Electricite de France (Paris), Exelon (Chicago), Calpine (Houston), G2 Energy (Atlanta).[1]
- MCE alienated local labor – MCE made an enemy of IBEW 1245, the electrical workers largest branch in N. CA. and brought in out-of-area Cupertino Electric in order to advertise "partnership" with local labor unions.

SBCP's Vision

Distributed Energy Resources (DER — distributed generation such as rooftop solar, energy efficiency, energy storage, demand responses and electric vehicles).

What is scope of SBCP CCA?

Page 2 of Executive Summary: SBCP has no specified deliverables. The Business Plan states "Note that, unlike the Los Angeles Community Choice Energy CCA Business plan of July 28, 2016 this report does not forecast the results of implementing a CCA in any quantitative manner. For example, we do not forecast the renewable content of the program's energy portfolio, or what the rates charged to customers will be in comparison to Southern California Edison's rates.

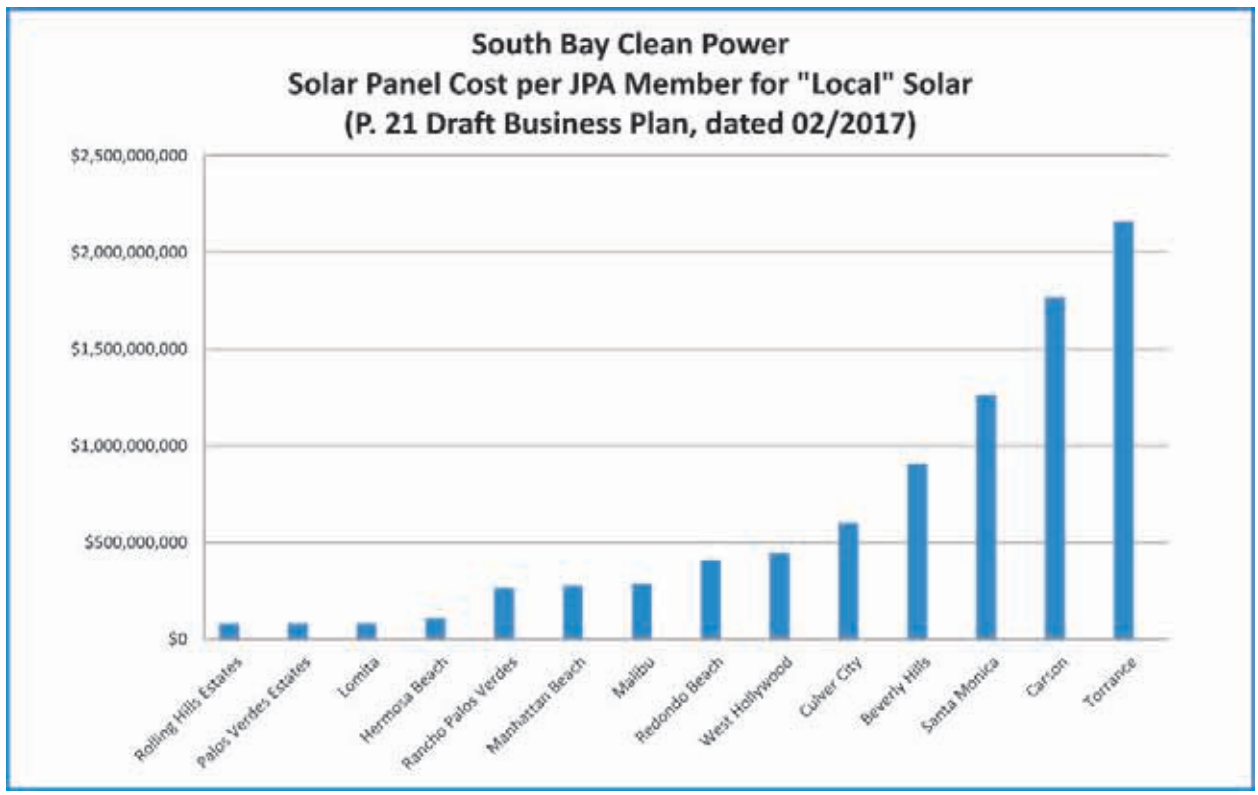
"...this report does not forecast the results of implementing a CCA in any quantitative manner..."

Viability of Renewable Energy (RE) Resources for SBCP Model

Net-new RE generation resources are required, otherwise no actual GHG reduction
Contracting with existing RE resources does not result in decrease of GHG emissions

RSP Energy Types	*Vibility*
Solar (PV)	**Net new. OK.**
Solar (thermal)	Economically unfeasible at $5.8MM/MW (Ivanpah). Environmental issues.
Wind	**BLM issues, EIR issues*. Otherwise, not net-new local resource. Not "local."**
Biomass	clean air (PM2.5 and PM10) & water use issues. "Spare the Air" days?
Biogas (LFGTE)	**Sierra Club = LFGTE results in net GHG emission increase.**
Small hydro (≤30 MW)	Not happening -- EIR. Also, not local.
Geothermal	**Not net-new. Not local.**
Tidal	Not commercially or technically viable.

* Birds, visual and noise



Appendix

Review of LA CCE Business Plan, dated June 30, 2016,
authored by EES, co-authored by Bevilacqua-Knight, Inc.

EXECUTIVE SUMMARY

This detailed review of LA CCE's Business Plan (footnote 1) examined all aspects of the document. The net result of the review is included in the attached pages. It can be stated with certainty that:

- The Business Plan includes basic mistakes about the renewable Portfolio Standard (RPS) that reveal the Business Plan author(s) do not understand the renewable energy market, which undermines LA CCE, from concept to roll out;

- The Business Plan fails to address all GHG emissions for which LA CCE is responsible, which eliminates most, or all, of the "GHG reductions" that LA CCE claims;

- Recent litigation of exit fees (PCIA) at the CPUC puts LA CCE's economic gains on uncertain ground. A changing PCIA can have a significant effect on the competitive position of LA CCE compared to SCE prices. Furthermore, this (stealth) **cost** is not transparently borne out by the Business Plan (p. 57), which states: *Customers will pay the power supply charges set by LACCE and no longer pay the higher **costs** of SCE power supply*. LA CCE is responsible for triggering the PCIA, yet LA CCE does not pay this cost on behalf of consumers;

- Price savings for consumers are not defined. The Business Plan states "it is likely" that some of the program's rate savings (savings compared to SCE prices) will be placed into a financial reserve account (rather than passed along to consumers). How much is "some"? This eliminates, or minimizes the core deliverable of the LA CCE program as written on page 57 of the Business Plan – RATE IMPACTS AND COMPARISONS -- "*The first impact associated with forming LACCE will be lower electricity bills for LACCE customers*." As a comparison, MCE's rates are less than 1% lower than Pacific Gas & Electric's prices after seven years of operation.

- The Business Plan fails to specifically address the growth of local solar farms, the energy from which was available in early 2016 to individuals and communities in the form of SCE's "Green Rate" (aka "Community Renewables"). Alternately, LA CCE's plan to construct fifty 1 MW solar farms will cost approximately $100 million, plus land-use costs.

- This review concludes that the Business Plan's omissions and flaws may be termed 'fatal'. Accordingly, the primary result of implementing LA CCE will

be the creation of a new government agency of unsubstantiated economic or environmental value.

3RD PARTY REVIEW OF LA CCE BUSINESS PLAN BY ARC ALTERNATIVES (footnote 2)

Independent Review submitted to Douglas Baron, LAC Office of the Chief Executive, as contracted by ARC Alternatives, dated September 16, 2016, notes omissions / oversights in the Business Plan:

- Page 2 of 3 of ARC review says *high level nature* and *accelerated schedule for performing (independent review)* would have afforded a *more robust* (accurate) analysis.
  → ARC Alternatives was engaged by LAC to perform a brief review of Business Plan, and to then rubber stamp it after LA County Internal Service Department's July 28, 2016 recommendation of the Business Plan to LAC Board of Supervisors.

- ARC questions *renewable energy source costs and rates* as unclear or incomplete.
  → This contrasts with page 5 of the July 28, 2016 LA County's internal letter to Supervisors from LA County Internal Service Department that says *these risk are manageable… based on conservative estimates of the factors identified which impact LACCE and SCE rates (Business Plan p. 3-4, 60).* It is unclear how LAC ISD claims that the PCIA (and Portfolio Allocation Methodology) are "manageable" when California Investor Owned Utilities are currently litigating overhauls to the PCIA and PAM at the CPUC.

- ARC indicates there was no way to *verify estimates of GHG reductions (the methodology was not explicit in the plan)*.
  → This contrasts with (i) page 3 of the July 28, 2016 letter to LAC Supervisors from LA County Internal Service Department, which says *"(LA CCE) would significantly reduce GHGs in the region* and (ii) page 4 reads *the 50% renewables rate would reduce GHG emissions by an estimated 500,000 tons of carbon annually.*

  Note: The Business Plan (Exhibit ES-4) shows tons as *metric ton tons*, however the LAC ISD letter of recommendation shows "500,000 tons." The difference is 51,000 tons.

RENEWABLE ENERGY

The Business Plan includes key mistakes that indicate the author does not understand California's Renewable Portfolio Standard (RPS). The Business Plan's energy portfolios are also loaded with unbundled RECs and firm-and-shape RECs that conceal actual underlying dirty energy that is delivered to California, while represented as "clean."

California RPS – a $175+ million mistakes in the Business Plan table

Each year a certain percentage of energy service providers' overall portfolio must comply with specified amounts of eligible renewable power. Each of three energy portfolios in the Business

Plan are based upon the RPS. The table below shows California's RPS mandate compared to the Business Plan's representation of the RPS on page 30.

Year	California RPS Mandate (%)	Business Plan RPS Mandate (%)	Business Plan RPS Shortfall (%)
2017	27	25	**2**
2018	29	25	**4**
2019	31	25	**6**
2020	33	33	OK
2021	34.8	33	**1.8**
2022	36.5	33	**3.5**
2023	38.3	33	**5.3**
2024	40	40	OK
2025	41.7	40	**1.7**
2026	43.3	40	**3.3**
2027	45	45	OK
2028	46.7	45	**1.7**
2029	48.3	45	**3.3**
2030	50	50	OK

This error represents a sizable liability volume and cost of required renewable energy that is not included in the Business Plan. For example, the Financial Proforma for the RPS Portfolio, (CY2019) shows LA CCE's total energy load is 2,894,927 MWh. The 6% shortfall translates to 173,695 MWh, enough to power 20,000 average sized homes per year, based upon estimated 725 KWh per house per month.

→ One hundred (100) 1 MW solar farms are required to cover the Business Plan's shortfall for 2019. Using conventional construction costs for a 1 MW solar farm as included in Local renewables (solar), at full rollout (discussed at end of this section), would cost LA CCE approximately $175 million.

→ Alternately, if calendar year 2023 is cited as an alternate data point, the Business Plan's 5.3% shortfall for that year would then be applied to the Total Energy Sales of 3,040,110 MWh in the Financial proforma, or 161,125 MWh. This shortfall requires ninety-three (93) 1 MW solar farms. Installation cost is $163 million.

Firm-and Shape RECs ("Bucket 2") – fatal flaw in the "RPS Requirement" chart
The Business Plan authors do not appear to understand California's Renewable Portfolio Standard (RPS) portfolio content categories.

P. 20 states that Exhibit 15 (below) *provides an overview* of the *RPS requirements until 2030*.

Sources

Introduction

1 Power to the People https://www.bates.edu/news/2010/04/21/power-by-the-people/

2 Paul Fenn: Origins of Community Choice Aggregation - Sane Society
http1-2 Paul Fenn, Biography

3 http://localpower.com/FounderBio.htmls://www.youtube.com/watch?v=HvDQs2qHlaQ

4 Marin Clean Energy, the first Community Choice Aggregator to launch in California exercised a 7-year contract with Shell worth approximately $400 million over a seven-year period. The contract calls for Shell, known as Shell Energy North America, or SENA, to act as MCE's "full-services energy provider."

5
http://www.cpuc.ca.gov/uploadedFiles/CPUC_Public_Website/Content/Utilities_and_Industries/Energy_-_Electricity_and_Natural_Gas/Shell%20Audio%20Greatest%20Hits%20Transciprts.pdf

6 Power company exit fees include Power Charge Indifference Adjustment (PCIA), Franchise Fee Surcharge (FFS), and Competitive Transition Charge (CTC). PCIA, FFS, CTC fees are included on billing statements. CTC -- covers above market costs of utility generation. This charge was rooted in California's original deregulation efforts. PCIA (Power Charge Indifference Adjustment) -- this charge covers IOU costs incurred on behalf of customers that depart for CCA or Direct Access. The idea is that energy and planning costs incurred by an IOU on behalf of a customer who now departs must be paid by that departing customer, otherwise those IOU costs are spread over a shrinking ratepayer base, penalizing those ratepayers that remain with the IOU. FFS -- franchise fee surcharge is a percentage of the transportation and energy costs to customers choosing to buy their energy from third parties. The IOU collects the surcharges and passes them to cities and counties

7 South Bay Clean Power Draft Business Plan, (February 2017), page 2.

8 Marin Energy Authority (dba "Marin Clean Energy) Public Workshop, Mill Valley, California, December 1, 2009. Today, large hydro constitutes a majority of MCE's, and other CCAs, "carbon-free" energy.

Business Plan Sources

Inlance Empire Choice Power CCA Draft
http://www.gosbcta.com/about-sbcta/agendas/2017/0317_gpc-item10.pdf

17 Assume 20 MW generator circulating 20,000 GPM through 20 (F) range (20,000 x .001 x 2 x 60 x 24 x 365), plus blow-down at 5 cycles circulating water.

18 “While the financial product chosen by the Redwood Coast Energy Authority may not prove to be appropriate or ideal for South Bay Clean Power, we recommend that South Bay Clean Power take advantage of the approach pioneered by the Redwood Coast Energy Authority to work with best-in-class power industry contractors.” SBCP Business Plan dated February 2017, page 63.

19 Draft South Bay Clean Power Business Plan, p. 58.

20 MCE’s 2/2017Integrated Resource Plan.
21 Sonoma Feasibility Study, Oct. 10, 2011, Part 2, p. 4 footnote identifies that each megawatt of solar requires between 5 and 8 acres, depending on exposure. (date at bottom of page shows Sept. 29, 2011).

22 Sonoma Clean Power Feasibility Study, October 10, 2011, Part II, p. 4, footnote 3 (date at bottom of page shows “September 29, 2011.” This complements County of San Bernardino empiric data contained in http://www.sbcounty.gov/uploads/lus/renewable/SolarProjectList.pdf that calculates to 8 acres per MW of solar.

23 SunPower SPG solar panel warranty is 95% output at year 5, and 0.004 decline/yr thereafter.

24 30,000/1,752 (1,752 MWh from 1 MW solar farm) x $4,000,000 / megawatt = $68,493,000 + land.

Contributors

Prior to starting a business consulting company in 1992 specializing in business planning and startups, Dan Titus was involved in high-tech electronics manufacturing in Orange County, California. He worked as a production and project manager in producing high-power amplification systems and computer components. Dan has authored several business planning publications and is a graduate of California State University, Long Beach.

Jim Phelps is a graduate of UC Berkeley and served the power, petrochemical, and geothermal industries for 37 years before his retirement. His background is in evaporative cooling tower technology and in California electric power rate structures. He provides advice to California retail energy consumers, and to California energy policymakers and regulators about California’s Community Choice Energy (CCE and CCA) programs, including energy costs and viability of represented “clean” energy supplies. Mr. Phelps is an expert in evaluating CCE energy portfolios, including reconciliation with California RPS requirements, WREGIS retirement, and CEC energy reporting. His investigations into Marin Clean Energy (MCE) were responsible for exposing the volumes of rebranded dirty power that is resold to consumers as “clean” energy. This rebranded energy permeates CCE programs.