Comments: Murrieta Council Meeting: 8-7-2018
WRCOG CCA now known as Western Community Energy (WCE)
By Jim Phelps: jimphelps56@gmail.com

Jim Phelps is coauthor of the report, *Community Choice Aggregation: A False Choice*

Point #1 **PCIA (Edison exit fees)**

https://vimeo.com/284211488 (WCE's Rick Bishop at elapsed time 2:39:37)
WCE representative Rick Bishop claimed at Murrieta on August 7 that the CPUC had recently reduced and capped PCIA (exit fees) to 2.2¢ per kilowatt-hour, and that his CCA group was *very pleased* because its feasibility study was based upon a (conservative) "*very high* PCIA charge of over 4¢ a kilowatt-hour."

https://vimeo.com/284211488 (WCE's Rick Bishop at elapsed time 3:35:55)
Mr. Bishop then restates that PCIA is "now a moot point."

Several comments:

First, according to page 67 of WRCOG's Feasibility Study, a PCIA charge of 2.5¢ was used, not a (conservative) "*very high*" 4¢ [**see Feasibility Study's page 67, attached**].
This......eliminates WCE's claim of conservatism;

Second, the 2.2¢ that the CPUC issued was a *preliminary* decision, and will likely be reviewed in September or later. It could increase following that review;

Third, the preliminary 2.2¢ is the first year cap, and is subject to ½ cent annual increase;

Last, there is an annual true-up that is part of the preliminary decision and, after annual reconciliation, allows Edison to recoup more than the capped amount from CCA.

PCIA is not settled and is subject to increase.

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Point #2 **"local" business development -- The Energy Authority and Calpine?**

- Why are California cities and counties that claim CCA is "local" teaming with The Energy Authority (TEA), a company that is owned by power companies in Florida, South Carolina, Georgia, and the Midwest?

Associated Companies - The Authority is a member of The Energy Authority (TEA).
:e as follows:

Years Ended December 31,	2017	2016
Owners	Ownership (%)	
City Utilities of Springfield (Missouri)	**5.55**	5.55
Cowlitz Public Utility District (Washington)	**5.55**	5.55
Gainesville Regional Utilities (Florida)	**5.55**	5.55
American Municipal Power (Ohio)	**16.67**	16.67
JEA (Florida)	**16.67**	16.67
MEAG Power (Georgia)	**16.67**	16.67
Nebraska Public Power District (Nebraska)	**16.67**	16.67
Santee Cooper (South Carolina)	**16.67**	16.67
Total	**100.00**	100.00

Source: Santee Cooper 2017 Annual Report

- Per WRCOG CCA proforma, Total Operating Costs through 2036 = $7 billion. Why isn't WRCOG using a California-based company where whatever portion of the $7 billion that's directed to TEA is instead directed to a **locally headquartered** company for true "local" economic growth?

- Another main contractor at WRCOG's CCA is Texas-based Calpine, which handles: data management, call center, billing administration, electronic data exchange, customer relationship management, and reporting services.

Why are we saying "local" and then, in addition to TEA, sending our money to Texas? Are we helping our local economy, or Texas' and the Southeastern U.S. ?

Point #3 **Ownership stability behind The Energy Authority**
https://vimeo.com/284211488 (WCE's Barbara Spoonhour at elapsed time 2:48:00)

Barbara Spoonhour told Murrieta on August 7 that prime CCA contractor The Energy Authority (TEA) is managing WCE's energy portfolio and… "is a non-profit entity that is owned by 8 municipal utilities... we would not be moving forward with a consultant that did not have a strong track record behind them… and if something doesn't look right then we don't move forward – that's where we are -- … there is no way our governing board moves forward, or says *'You know what, let's roll the dice'."*

However, three of The Energy Authority's owners -- Santee Cooper (South Carolina Public Service Authority), MEAG (Municipal Electric Authority of Georgia), and JEA (Jacksonville Energy Authority) -- are embroiled in multi-billion dollar cost over-runs at nuclear plants in Georgia and South Carolina that threaten these owners' financial status. [1] These three owners own more than 50% of The Energy Authority.

This begs the questions:

- What sort of due diligence is WCE (and WRCOG) conducting on our behalf?
- Why would we want to have anything to do with the same kind of nuclear-created financial-meltdown that put utilities on verge of bankruptcy, and caused many power companies to downsize, or merge and disappear in the 1980s? [2]
- No matter how this is couched, we are definitely "rolling the dice" here.

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[1] https://palmettopromise.org/wp-content/uploads/2018/03/Santee-Cooper.pdf

http://www.jacksonville.com/news/20180809/jea-faces-another-spike-in-plant-vogtle-nuclear-construction-costs

https://www.utilitydive.com/news/death-of-a-nuke-build-summer-abandonment-leaves-ratepayers-holding-the-bag/448597/

https://www.chooseenergy.com/news/article/s-c-electric-cooperatives-sue-santee-cooper-nuclear-charges/

https://www.postandcourier.com/business/bankrupt-contractor-on-south-carolina-s-failed-nuclear-project-to/article_9bca1df8-f162-11e7-8561-077944ae6351.html

[2] Public Service Indiana --Marble Hill Nuclear Plant; Public Service New Hampshire -- Seabrook Nuclear; Long Island Lighting Company – Shorham; Gulf States Utilities –Riverbend; Washington Public Power Supply System – Washington Nuclear 2; Palo Verde – Arizona Public Service.

Point #4 **Getting out of CCA – not so easy**

https://m.youtube.com/watch?v=2FDGJB-xYYs (WRCOG's Barbara Spoonhour at elapsed time 7:45).
https://vimeo.com/284211488 (WCE's Rick Bishop at elapsed time 3:14:30).

WCE says that a municipality could depart CCA by notifying CCA and then (A) allowing the municipality's share of energy contracts to expire or (B) reselling the power that the municipality is obligated to buy. But it's not that straightforward:

⇒ (A) Contracts expire in a multiple, time-staggered manner:

- The CCA law, AB 117, does not address coincident service from CCA and some other energy supplier.

- Who makes up the balance of your required energy while "no further power is purchased on your behalf" and as "your energy contracts expire"?

- Who is going to pay for the complex interfacing of the CCA's Scheduling Coordinator and the new supplier's Scheduling Coordinator? What's that cost for this, if even doable? Where is this being done?

- How are electric meters reconciled to differentiate CCA's electrons from new supplier's electrons? Energy contract costs vary per time of day, and day of week. This becomes even more convoluted if the municipality is a solar Net Electric Meter customer. How is billing handled during periods of intermittent sun?

Regardless of WCE's "*no problem*" representations, the reality of merely letting your energy contracts expire would be a logistical and accounting nightmare. This compounds when examining back-office legalities including the required procurement of Resource Adequacy (RA) energy – the electricity that backs up the designated energy supplier in event of power disruptions. Which entity pays for the RA – CCA or the new supplier? How is RA handled as CCA power purchase contracts lapse? Who is considered the *provider of last resort*?

Again, WRCOG's representations that power contracts "simply die off" as you try to depart are overly simplistic and intended to sound easy in order to induce you into joining the CCA.

⇒ (B) Resell the power that you're contractually obligated to buy from CCA?

- What is the economic climate if you're trying to get out of CCA?
- Why would others want to buy the energy you're trying to ditch?

Point #5 **Minimal savings – recast as large savings**
https://vimeo.com/284211488 (WCE's Rick Bishop at elapsed time 2:28:09)
A typical (Murrieta) resident saves $6 per month. WCE spins this to show $1.9 million by lumping all Murrieta residents together. Why not dramatize it further and show a 100-yr savings of $190 million?

In truth, $6 is lost on the average home in a month. This contrasts against the huge financial risk of Menifee entering into a commodity market where the returns are small.

This, while the city is locked into a program that favors out-of-state consultants TEA and Calpine while we're locked into a scheme that favors their on-going fees and salaries.

Point #6 **WRCOG Feasibility Study not follow economics:**
WRCOG's "Inland Choice Power" proforma for the original collective of CVAG + SANBAG + WRCOG shows annual energy volumes of 60% larger than LA's business plan's proforma, yet LA's energy costs are 3.5% less. The same consultant, EES Consulting, authored both Business Plans six months apart from one another.

- WCE's (WRCOG's) feasibility study is contrary to economic laws of volume pricing.
- WRCOG buys more energy but pays more per kilowatt-hour than LA CCE (Clean Power Alliance of Southern California).
- The numbers in the proformas are manipulated, or else the feasibility study is based on incorrect assumptions.

Point #7 **WRCOG Feasibility Study does not follow CA energy law**:
Page 26 of WRCOG'S Business Plan, Exhibit 14 shows, beginning in 2024 that 100% of the program's renewable energy is PCC2 (Portfolio Content Category 2 – aka "firm-and-shape RECs"). This is 4x what is allowed by California law.

- WRCOGs feasibility study is wrong, and includes erroneous information in its projections and conclusions. How can anyone join this program when no one has read the Business Plan carefully enough to identify its many errors?
- Be aware that peer reviews, if any, are conducted by a small pool of CCA consultants who scratch each other's backs.

SCE Rates and Surcharges

The base case forecast of SCE rates assumes delivery rates increase at 2 percent per year and generation rates increase approximately 2 percent based on the projected market prices and renewable resource growth rates. In addition, SCE's generation cost was modeled in the high and low case by incorporating the expected range of market and renewable resource costs into SCE's portfolio.

The level of the PCIA will impact the cost competiveness of ICP. In order to be cost-effective, ICP power supply costs plus PCIA and other surcharges must be lower than SCE's generation rates. Over time, the PCIA will vary, but it is expected that it will decline as market prices increase. The PCIA reflects SCE's own resources and signed contracts. Once the contracts expire, the related PCIA will disappear. Sensitivity to the PCIA has been modeled in the high case by assuming the PCIA would increase to reflect a historic high of 2.5 cents per kWh and remain flat for the 20-year analysis period. For the low case, it was assumed that the PCIA decreases by 50 percent in year 1 and remains flat for the 20-year analysis period.

Sensitivity Results

Exhibit 49 provides the results of the sensitivity analysis for the 50% Green ICP scenario, which is the most likely portfolio for ICP to pursue. This sensitivity shows that the biggest risk to ICP is if the PCIA increases to historic levels, ICP does not achieve sufficient customer participation or if market prices fall significantly below their current historical low level.

Exhibit 49
50% Green Portfolio Sensitivity
20- year Levelized Average System Rate (cents per kWh)