

Butte Choice Energy Authority

Board of Directors Special Meeting
Monday, September 28 2020, 5:30 pm
326 Huss Lane, Chico, CA 95928

Board members may be present via teleconference or in person.

Members of the Public may view the meeting and comment as set forth below.

Members of the public will NOT be permitted to enter the meeting site.

Coronavirus (COVID-19) Advisory Notice: The health and safety of community members, public officials and employees is a top priority for BCEA. In compliance with local and state Public Health stay at home orders currently in effect, and as authorized by Executive Orders N-25-20 and N-29-20, the members of the BCEA Board and BCEA staff will be participating in person, electronically, or via teleconference in this meeting. The public will not be permitted to attend at the meeting site to comply with Public Health Orders and social distancing rules. Members of the public are encouraged to participate remotely from a safe location in the manner described below. Please note: should the stay at home orders change prior to this special meeting, this agenda will be updated. Please check back on September 28 for any changes.

Remote Public Participation:

A) How to watch the meeting via YouTube:

- a) From your on-line location,
<https://www.youtube.com/channel/UCHidik5N5lu0dU8NwhK3hIw>. Please note there may be a several second delay when you view the livestream webcast.

B) How to provide public comment:

- a) Before the meeting: email your comments to ButteChoiceEnergyCOB@buttecounty.net no later than noon on Monday, September 28, 2020 and they will be forwarded to the Board and included in the public record. Be sure to include the agenda item number you are addressing, as well as your full name and address.
- b) During the meeting: email your comment to ButteChoiceEnergyCOB@buttecounty.net and your comment will be read verbatim into the record.
- c) Size limit for Public Comments to be Read at the Meeting. Public comments from members of the public that are read at this meeting will be limited to 300 words. If a public comment is longer than 300 words, only the first 300 words will be read. The entire ocmments will be forwarded to the Board as set forth above.

Individuals who need special assistance or a disability-related modification or accommodation to participate in this meeting, or who have a disability and wish to request an alternative format for the meeting materials, should contact ButteChoiceEnergyCOB@buttecounty.net as soon as possbile to ensure arrangements for accommodation.

1. Call to Order

2. **Regular Agenda**

a) **Receive City of Oroville/BCE Load Analysis and Provide Direction Regarding Potential Next Steps with the City of Oroville**

Requested Action: Provide direction to staff to work with the City of Oroville, or not, regarding membership with BCE.

b) **Update on BCE Financial Projections with Potential Inclusion of the City of Oroville**

Requested Action: Receive update on key variables included in the updated proforma, the underlying assumptions and preliminary financial projections assuming inclusion of City of Oroville with BCE.

3. **Board Member and Staff Announcements**

Board Members may briefly provide information to other members of the Board and the public, ask questions of staff, request an item to be placed on a future agenda, or report on conferences, events or activities related to BCE business. There is to be no action taken on comments made by Directors unless authorized by law.

4. **Adjournment**

Public records that relate to any item on the open session agenda for a regular Board meeting are available on the BCEA website at www.buttechoiceenergy.org. Public records that are distributed less than 24 hours prior to the meeting will be posted for public review at the same time they are distributed to all members, or a majority of the members of the Board.

BUTTE CHOICE ENERGY AUTHORITY

Staff Report – Item 2a

To: Butte Choice Energy (BCE) Board of Directors

From: Brian Ring, BCE Interim Co-Executive Officer and Assistant Chief Administrative Officer, County of Butte
Erik Gustafson, BCE Interim Co-Executive Officer and Public Works Director, City of Chico
Denis Vermette, President, Pilot Power Group

Subject: City of Oroville Load Analysis and Discussion re: Next Steps

Date: September 28, 2020

Recommendation

Receive City of Oroville/BCE load impact analysis and provide direction to staff to work with the City of Oroville, or not, regarding next steps for membership with BCE.

Background

When Butte Choice Energy's Joint Powers Agency (JPA) was formed in 2019, the City of Oroville had other priorities but asked to circle back on possible membership in 2020. In July of this year, the City sent a letter of interest to BCE about the possibility of joining BCE in 2020 so that their customers could participate in the CCA program along with those of BCE's existing member agencies from the City of Chico and the unincorporated County.

Sections 2.5 and 4.1 of BCE's JPA agreement specifies that a quantitative analysis is required as part of the preliminary evaluation process for JPA membership. The attached analysis, completed by Pilot Power Group, is responsive to those requirements and determines the anticipated fiscal and load impacts should the City of Oroville become a member of BCE going forward.

Analysis and Discussion

The attached study is based on PG&E interval and aggregated load data for the years 2017-2019. It assumes a CCA launch date of January 2022, and examines the financial impacts of various rate discounts, ranging from 0%-2%. The study finds that:

- 1) There is an overall positive effect for BCE with the addition of Oroville into its CCA and JPA.

- 2) It is estimated that the addition of residential and commercial customers located in the City of Oroville would yield annual revenues of \$11.6 million on average over five years, commencing 2022.¹
- 3) With the addition of Oroville customers, inclusive of anticipated opt-outs, BCE's load would increase approximately 148,567 MWh in 2022 or approximately 15.87% over existing BCE load forecasts.
- 4) There is an incremental increase in certain variable costs including data management and call center fees, customer noticing, PG&E consolidated billing fees, and potential legal and regulatory fees. Fixed costs associated with scheduling coordination, portfolio management, and staffing are not materially impacted by the addition of Oroville and its associated load.
- 5) The addition of Oroville customers includes the benefits of economies of scale, spreading fixed operating costs over a greater number of MWh or customer accounts, thus decreasing the average cost of BCE's operating expenses per customer and MWh.

The study also notes that the evaluation of Oroville's potential inclusion is part of a larger discussion underway regarding the overall financial feasibility of BCE, which centers on market conditions, power costs and the timing of CCA program launch. Several Agency-level considerations need to be analyzed and discussed including: the feasibility of certain rate discounts, when to launch within the calendar year, considering a later launch when the PCIA exit fee begins to decline (estimated 2023/2024), and initially excluding expensive NEM customer enrollments during the first few years of operations.

Potential Next Steps

If the BCE Board is interested in adding the City of Oroville to BCE's membership, it can do so through adoption of a resolution of membership that specifies any additional financial terms and amendment to BCE's JPA to include the City of Oroville. As per the terms of the JPA Agreement, the City of Oroville would need to approve BCE's JPA Agreement by resolution and also pass a CCA ordinance. From there, the City would appoint two members of its City Council to serve on the BCE Board of Directors. If there is a decision to move forward with a 2022 program launch, the inclusion of Oroville must occur within the next one-two months so that a new Implementation Plan can be prepared and submitted to the CPUC by the January 1, 2021 required deadline.

Fiscal Impact

Potential additional gross revenues of up to \$11.6M per year if the City of Oroville joins BCE.

¹ For purposes of this report, customer enrollment in January 2022 is assumed. However, the analysis holds even if BCE decides to delay launch to 2023 for example.



BUTTE CHOICE ENERGY

Analysis

Oroville Load Analysis and
Impact to Butte Choice
Energy CCA



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A. Summary

In 2018/2019, when Community Choice Aggregation (CCA) was originally studied in Butte County, the City of Oroville was contemplating membership in the Butte Choice Energy (BCE) Joint Powers Authority (JPA). When BCE's Implementation Plan and Statement of Intent (Implementation Plan) was finalized in December 2019, the City of Oroville had decided to wait on membership but indicated a desire to revisit the issue in 2020. In July 2020, BCE received a letter of interest from the City of Oroville requesting potential membership with BCE, and in September 2020, the City authorized release of PG&E load data and an initial financial contribution to cover the costs of evaluation and analytics related to joining the JPA. Sections 2.5 and 4.1 of the BCE joint powers agreement specifies that a quantitative analysis is required as part of the preliminary evaluation process for JPA membership. This analysis is responsive to those requirements and determines the anticipated fiscal impacts should the City of Oroville become a member of BCE going forward.

As noted, BCE has received a membership request from the City of Oroville and is prepared to take the required steps to be considered for membership in BCE. Membership would entail expanding planned CCA service to residential and commercial customers within the city limits of Oroville. The results of the quantitative analysis are summarized in this report.

In general, the quantitative analysis indicates a positive effect for BCE with the addition of Oroville into its CCA and JPA. **It is estimated that the addition of residential and commercial customers located in the City of Oroville would yield annual revenues of \$11.6 million on average over five years, commencing 2022.**

B. Background

Butte Choice Energy (BCE) is a quasi-public agency located within Butte County, formed to implement a CCA program in jurisdictions that have elected to participate. To date, the Member Agencies of BCE are the City of Chico, a municipality located within the County of Butte, and the unincorporated areas of Butte County, both of which have elected to allow BCE to provide electric generation service within their respective jurisdictions.

BCE's original Implementation Plan, adopted in December 2019, describes plans to implement a CCA program starting in 2021 for applicable electric customers within the jurisdictional boundaries of the City of Chico and unincorporated County that currently take bundled electric service from Pacific Gas & Electric (PG&E). The BCE Program would provide eligible electric customers the opportunity to join together to procure electricity from competitive suppliers, with such electricity being delivered over PG&E's transmission and distribution system. The planned start date for the CCA Program was initially April 1, 2021, but launch has since been delayed to a date to-be-determined in 2022 or possibly later. For the purpose of this analysis, a launch date of January 2022 is assumed. Once the new launch date is determined, all current PG&E customers within BCE's service area will receive information describing the CCA Program and will have multiple opportunities to opt-out, choosing to remain full requirement (bundled) customers of PG&E, in which case they will not be automatically enrolled. Thus, participation in the BCE Program is completely voluntary; however, customers, as provided by law, will be

automatically enrolled according to a predetermined phase-in schedule unless they affirmatively elect to opt-out. As noted below, this analysis assumes a 5% opt-out rate for commercial customers and a more conservative 10% opt-out for residential customers.

C. Analysis

Founded in California in 2001, Pilot Power Group, LLC (Pilot Power) has become a leading provider of innovative energy supply and energy management solutions for customers in the deregulated energy market. With the formation of CCAs in California and across the United States, Pilot Power has also provided a full range of services to local communities in establishing and operating CCA programs.

Pilot Power analyzed the potential impact of the addition of the City of Oroville, CA on BCE’s load profile and its economics. Oroville is situated at the base of the foothills on the banks of the Feather River. It has an estimated population of 20,737¹. This analysis incorporates historical electric usage data provided by Pacific Gas and Electric (PG&E) for all electric customers located within the service boundaries of the City of Oroville. The data provided was for the calendar years of 2017, 2018, and 2019 and consists of interval data at the 15-minute interval for commercial and industrial customers and the hourly interval for residential customers. Additionally, PG&E provided aggregated data for these three years at the rate-class level.

Table 1 summarizes the electricity usage data (Channel 1) by customer classification and year. The data indicates with the addition of Oroville, an increase in BCE annual electricity sales of approximately 162,535 MWh per year. Of the Oroville load, 70.16% or 114,041 MWh is classified as commercial and industrial. The remaining 29.84% or 48,493 MWh is classified as residential. Within the broader commercial and industrial classification, 36.93% or 60,021 MWh is classified as medium commercial, 17.38% or 28,244 MWh is classified as industrial, and 15.82% or 25,705 MWh is classified as small commercial.

Table 1 - Channel 1 Historical Usage

USAGE MWh	Years			
Classification		2017	2018	2019
Residential		49,762	46,899	48,493
Small Commercial		23,314	24,282	25,705
Medium Commercial		61,638	61,486	60,021
Industrial		25,872	27,213	28,244
Lighting		69	73	71
Grand Total		160,655	159,953	162,535

In addition to the Channel 1 data, there is Channel 2 data, which consists of the Net Energy Metering (NEM) accounts. Customers who have solar arrays either on their homes or business facilities can generate, at times, more electricity than they can consume. This excess generation is then delivered

¹United States Census Bureau. 2020. “Population and Housing Unit Estimates Tables”. United States Census Bureau.

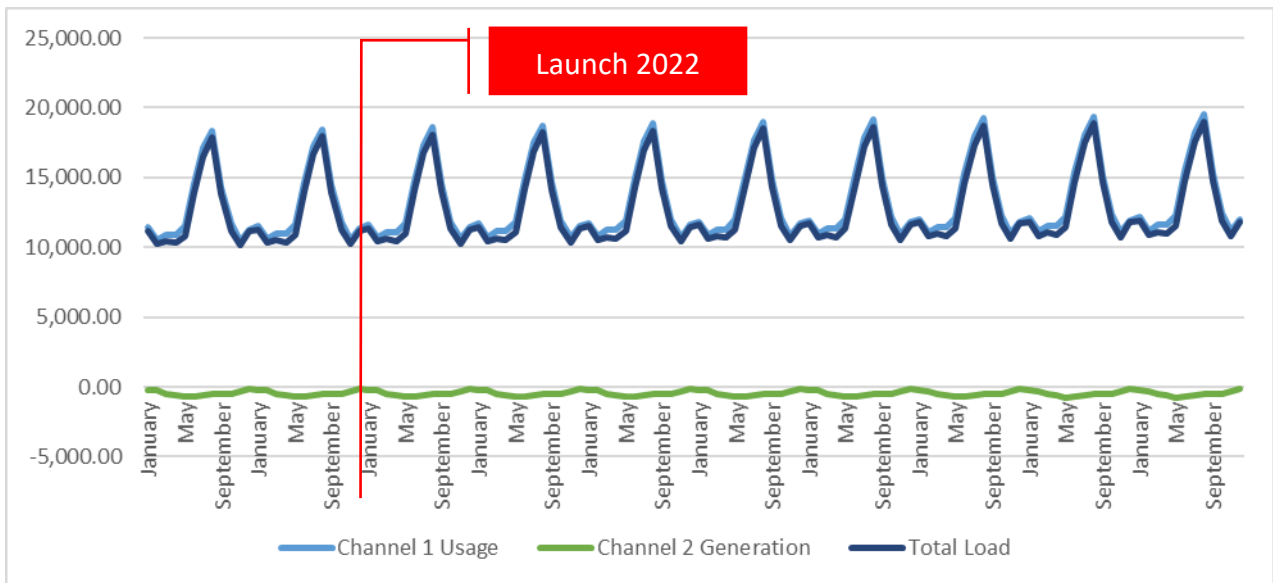
into the grid and sold back to the utility (or CCA) at the wholesale or retail rate of energy at the time of the customer’s NEM true-up. Table 2 summarizes the electricity generation by Oroville NEM customers by customer classification and year. CCAs have historically paid NEM customers for their excess generation at the retail rate versus the wholesale rate, providing the customer with incentive and value greater than what the utility provides to the customer's account. This retail/incentivized NEM credit would be an expense to the CCA.

Table 2 - Channel 2 - Historical Generation

NEM CREDIT MWh	Years			
Classification		2017	2018	2019
Residential		1,916	2,393	2,731
Small Commercial		1,832	2,296	2,519
Medium Commercial		288	536	656
Grand Total		4,036	5,225	5,906

Based on the historical data received, a forecast of the expected load is expected to increase at an average rate of 0.7% year over year. Over the ten-year forecast, the peak monthly net load is expected to reach 19,007 MWh in July 2030 and a peak annual net load of 157,094 MWh, as charted in Figure 1. BCE’s forecasted load is expected to increase by 148,567 MWh, after opt-outs, by enrolling customers in the City of Oroville in 2022. For the purpose of this analysis, it was assumed the launch of BCE would be January 2022.

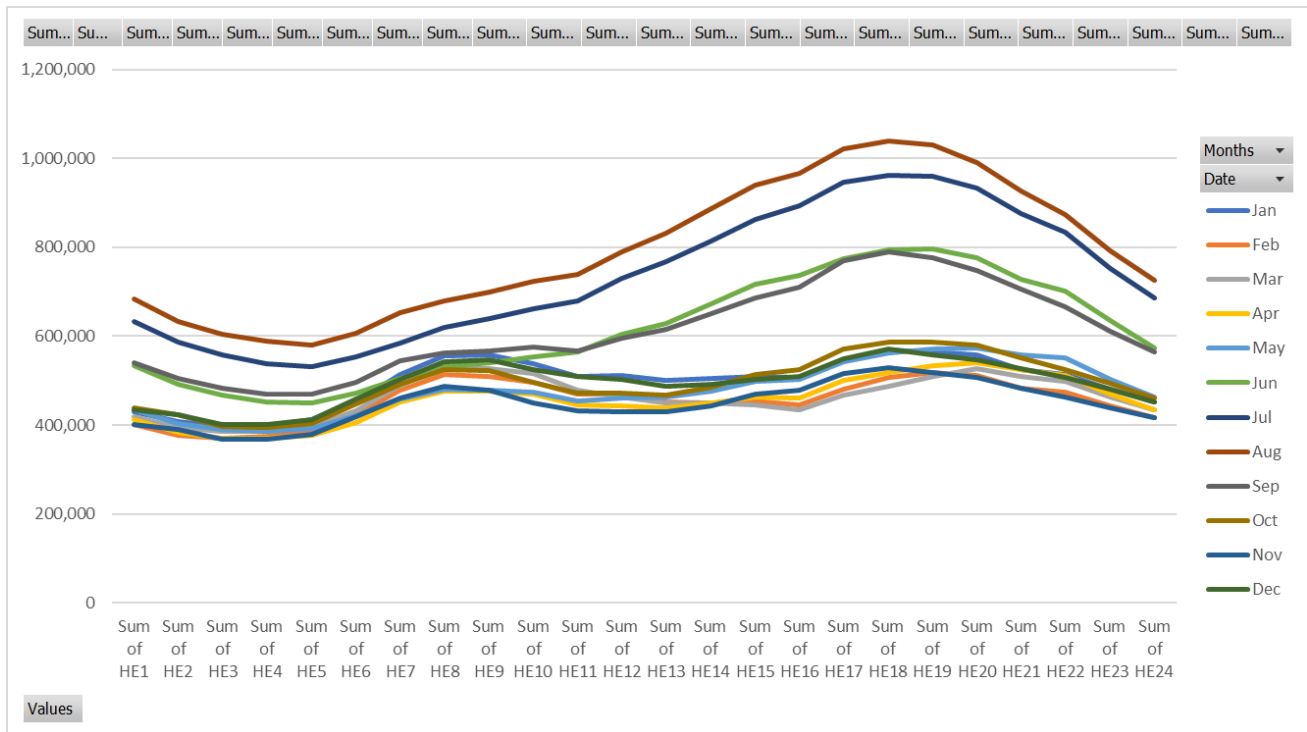
Figure 1 - Oroville Forecast Load 2021-2030



As to be anticipated, there is a seasonal component to electricity consumption; electricity usage in the City is greater during June through September primarily due to increased air-condition usage because of higher cooling days required during the summer months, as shown in Figure 2. On average, households in the mixed-day/hot-dry climate region, where Oroville is situated, air conditioning is used by 94% of households and air conditioning made up 27% of home energy expenditures². During the months of October through May, the load during these months is fairly consistent with usage increasing during the hours between 6 AM through 10 PM.

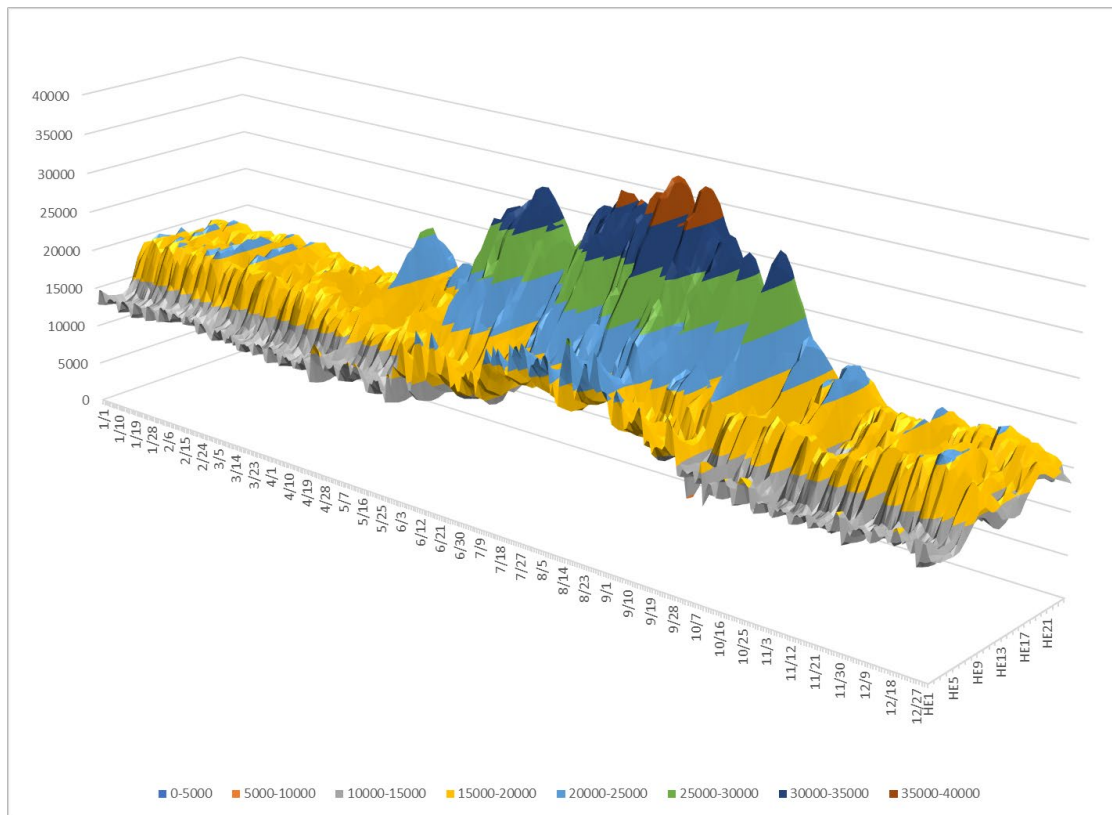
Seasonal consumption patterns can also be illustrated 3-dimensionally, with days over the X-axis, load over the Y-axis, and hours of the day over the Z-axis. In Figure 3 below, the data shows consistent usage during October through May period but begins to spike from June through September. With the peak usage during July and August the hours between 5 PM through 8 PM, with load reaching 39,000 kW in a given hour.

Figure 2 - Load Shape by Month and Hour Ending (kWh)



²US Energy Information Administration. 2018. Today in Energy. 07 23. <https://www.eia.gov/todayinenergy/detail.php?id=36692>.

Figure 3 - Oroville Annual Forecast by Day and Hour (kW)



D. Financial Impact

For the fiscal impact analysis, it is assumed that service would be initiated to Oroville customers at the same time as the launch to existing BCE customers (County of Butte and City of Chico) commencing in January of 2022 for purposes of this analysis. This assumes an opt-out rate of 5% and 10% for commercial/industrial and residential customers, respectively. With the addition of Oroville customers, BCE’s load would increase approximately 148,567 MWh in 2022 or approximately 15.87% over existing BCE load forecasts.

Revenue was determined for the first five years of operation based on projected BCE rates for each rate class, time of use, anticipated 2022 PCIA vintage forward, and anticipated utility generation rate for 2022 forward. To provide an incremental baseline revenue, the discount to the PG&E generation rate was set to 0.0%, and running scenarios for 0.5%, 1.0% and 2.0% generation discounts. In the base scenario, the additional revenue to BCE is \$9,149,701 in 2022 (Figure 4). In each scenario, the generation discount was increased, resulting, as expected, in a decline in additional annual revenues (Figures 5, 6, 7).

Figure 4 - Revenue (0% Generation Discount)



Figure 5 - Revenue (0.5% Generation Discount)

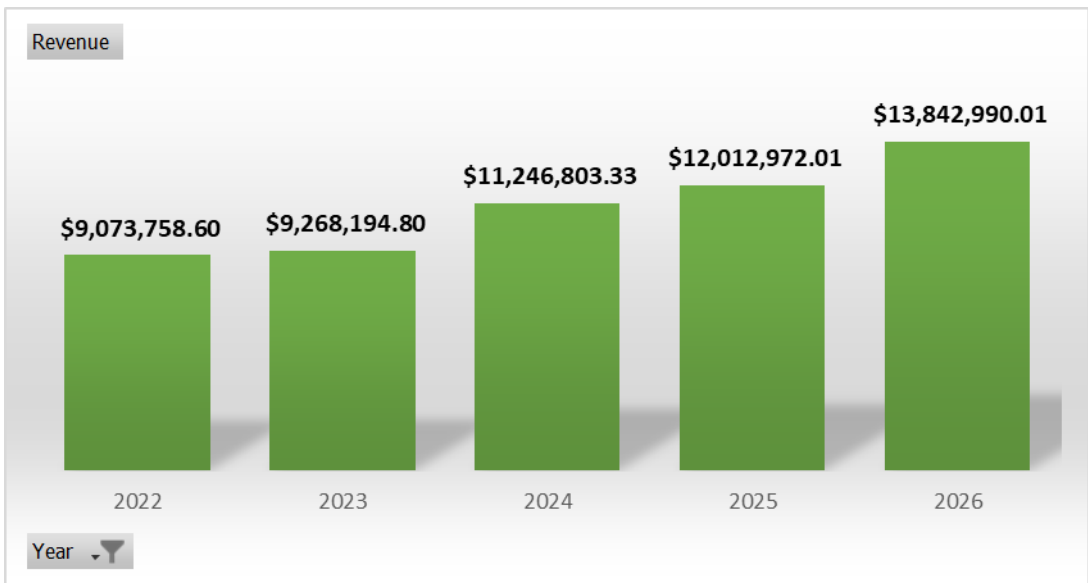


Figure 6 - Revenue (1.0% Generation Discount)

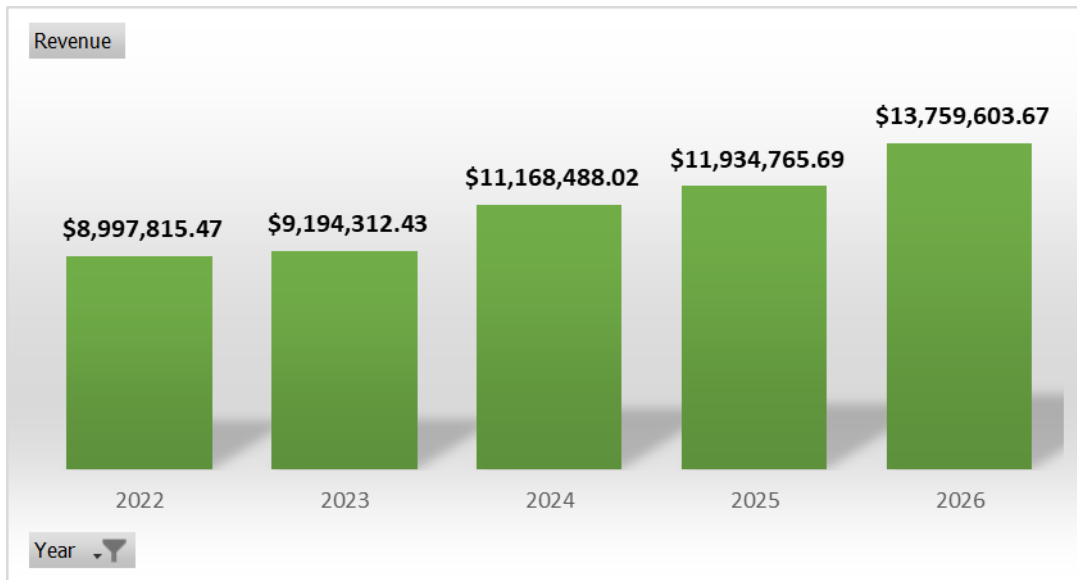
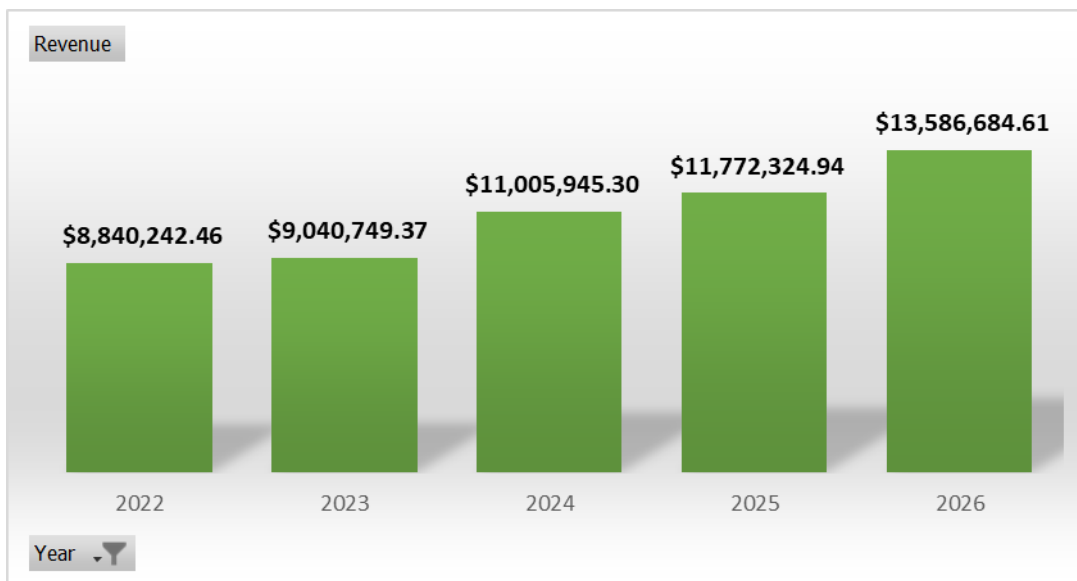


Figure 7 - Revenue (2.0% Generation Discount)



Operating expenses are considered either fixed or variable, as outlined in Table 3 below. Variable expenses are directly tied to customer accounts. With the addition of the Oroville customers, there is an incremental cost of data management and call center fees, customer noticing, PG&E consolidated billing fees, and potential legal and regulatory fees. Costs associated with scheduling coordination, portfolio management, and staffing can be considered fixed and are not materially impacted by the addition of Oroville customers and its associated load. **The addition of Oroville customers includes benefits of economies of scale, spreading fixed operating costs over a greater number of MWh or customer accounts, thus decreasing the average cost of BCE’s operating expenses per MWh.**

Table 3 - Operating Cost Impact

Category	Cost Type	Incremental Cost (Yr 1)	Adjustment per MWh
Data Mgmt/Call Center	Variable	\$121,900	\$0.82
Marketing	Variable	\$26,382	\$0.07
Legal/Regulatory	Variable	\$10,500	\$0.18
IOU Services Fees	Variable	\$41,664	\$0.28
Program Manager	Fixed	\$0.00	(\$0.027)
Schedule Coordination	Fixed	\$0.00	(\$0.023)
Consulting Services	Fixed	\$0.00	(\$0.113)
CCA Staff	Fixed	\$0.00	(\$0.088)
Gen. & Admin.	Fixed	\$0.00	(\$0.004)

E. Limitations and Considerations

The analysis of the Oroville electric data is limited to the historical information provided by PG&E and the impact it would have on projected future revenues of BCE. It should be noted that this evaluation is part of a larger discussion regarding the overall financial feasibility of BCE, which centers on market conditions, power costs and the timing of CCA program launch. Several considerations need to be analyzed and discussed regarding the overall financial future of BCE including: the feasibility of certain rate discounts, when to launch within the calendar year, considering a later launch when the PCIA exit fee begins to decline (estimated 2023/2024), and initially excluding expensive NEM customer enrollments during the first few years of operations. These and other considerations will be discussed in the context of the entire agency, with the assumption that the City of Oroville and BCE decide to move forward with adding the City to BCE's JPA.

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BUTTE CHOICE ENERGY AUTHORITY

Staff Report – Item 2b

To: Butte Choice Energy (BCE) Board of Directors

From: Brian Ring, BCE Interim Co-Executive Officer and Assistant Chief Administrative Officer, County of Butte
Erik Gustafson, BCE Interim Co-Executive Officer and Public Works Director, City of Chico
Denis Vermette, President, Pilot Power Group

Subject: Update on BCE Financial Projections with Potential Inclusion of City of Oroville

Date: September 28, 2020

Recommendation

Receive update and provide feedback on key variables to be included in the updated proforma, its underlying assumptions, and the various levers/scenarios that can be modified to achieve the greatest value and fiscal health for BCE going forward.

Background

BCEA's Implementation Plan submitted to the CPUC in late December 2019 indicated a target launch date of April 2021. Due to events such as COVID having dragged on for months, pricing of resource adequacy (RA), projected changes to the PCIA (exit fee) over the next several years, and the tightening of credit markets, it was recommended at the July 27, 2020 Board meeting to delay the launch of BCE's CCA program to sometime in 2022, with a more precise launch date to be determined when more is known about PCIA/RA projections and BCE's financial outlook.

At the July 27th meeting, staff was also directed to take a fresh look at BCE's proforma projections using updated load data, refreshed power pricing and cost assumptions, and the inclusion of the City of Oroville's load.

Analysis and Discussion

Staff and energy/finance experts at Pilot Power Group (PPG) are working on an updated 5-year proforma for BCE. The revised proforma will include the City of Oroville's load and will examine the impact of assorted variables that can be modified to extract the greatest financial value while maintaining an accurate and realistic financial outlook for BCE.

Even with the addition of Oroville and its ~\$11,000,000 annual revenue contribution, the financial success and cash flow for BCE remain challenging in its first few years of operation

(assuming a 2022 launch), due mainly to projected increasing PCIA charges and the continuing high cost of local resource adequacy (RA). This is expected to improve in 2023/2024 when PCIA fees are anticipated to dramatically fall, thereby creating additional margins. In addition, there are different approaches and variables within the proforma that can be adjusted to mitigate some of the high-cost impacts in the first few years. These include:

- 1) **Rate Discounts.** One way to improve the Agency's financial outlook is to reduce potential generation rate discounts and discounts on demand charges until the PCIA eases and revenues have stabilized, likely in 2024. The Oroville study considers revenue impacts of generation rates that match those of PG&E up to a 2% discount. Many CCAs, especially those recently launched, have had to revisit rate assumptions in their early years; it is notable that opt-out rates have not differed significantly whether a CCA offers a 1% or a 5% discount on generation rates.
- 2) **Renewable Content.** At present, BCE is contemplating an RPS portfolio that matches the state minimum, a 75% renewable option, and a 100% renewable option. Dialing back the level of renewable power for the latter two products in the first few years could be a cost savings measure worth considering.
- 3) **Launch Year/PCIA.** As noted above, one of the key expense considerations is the high cost of PCIA exit fees which are "absorbed by the CCA" and taken into account during the rate setting process. Currently high PCIA/exit fees are projected to significantly decline in 2024, which will create additional budget headroom and available revenues.
- 4) **Launch Month Within a Year.** The timing of launch can be later in the year (e.g. October) to avoid significant RA obligations and costs; this is something that will be studied in combination with other launch scenarios.
- 5) **Phase-In Schedule.** Analysis shows that enrolling residential customers first may yield a better early economic outlook for BCE by avoiding high RA costs associated with commercial load. This is being further investigated to assess financial impact of various enrollment scenarios.
- 6) **NEM Enrollments.** As noted in the Oroville study, excess generation from NEM customers is an operating expense for a CCA, especially those that offer retail rates for excess generation. BCE may want to consider deferring NEM enrollments in the first few years until revenues stabilize and the Agency can afford NEM generation payments as a cost center.
- 7) **Operating Costs.** Staff and PPG are working on ways to reduce BCE's operating costs, especially in the first few "lean" years. The addition of Oroville load spreads fixed costs over a larger customer base, which is helpful. We are also looking at other ways to trim or defer operating costs in the program's early years.

Next Steps

BCE Staff, along with the finance team at Pilot Power Group, are working on an updated BCE proforma that will include various scenarios and options from which to determine the best path forward for BCE. Detailed proforma(s) applying different variables will be presented at the Board's October 12th meeting, along with a discussion about the most advantageous launch timing and various options for BCE.