EES Consulting

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SUBJECT: Addendum to Butte County CCA Feasibility Study

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Introduction

In July 2018, EES Consulting, Inc. (EES) completed a feasibility study (Study) for the County of Butte (County), the Cities of Chico and Oroville, and the Town of Paradise (Town) to evaluate whether forming a Community Choice Aggregation (CCA) entity is prudent. The Study shows that a CCA in Butte County is economically feasible; however, since the Study was finalized there have been several updates in the utility operational and regulatory environment including a final decision on the methodology for determining the exit fee paid by CCA customers to PG&E. Additionally, PG&E has filed for retail rate changes, which have now been approved by the California Public Utility Commission (CPUC). Finally, wholesale power prices have changed. Within this Addendum, all of these variables have been updated to reflect the current market outlook. In summary, this Study update shows that with the above changes, a Butte County CCA remains a feasible undertaking.

Study Updates

The Study period was updated to 2021 through 2030. The other updates to the feasibility Study are described below.

Power Charge Indifference Adjustment (PCIA)

The PCIA is the exit fee paid to PG&E by departing customers when receiving power supply from other sources such as through direct access (DA) or a CCA. The CPUC finalized its decision on the basic methodology for calculating the PCIA in November, 2018. The new methodology increased investor owned utility (IOU) PCIA rates across all customer classes compared with the previous PCIA methodology. As such, the CCA feasibility Study was updated to reflect this higher PCIA rate which, all else equal reduces the opportunity for CCAs to offer rate discounts off PG&E generation rates. For reference, the PG&E system PCIA went from $0.01938 $/kWh to $0.03161 $/kWh. This is a 63% increase. All else equal, this increase reduces the competitiveness of CCA in PG&E service territory.

PG&E Retail Rate Changes

PG&E filed an Energy Resource Recovery Account (ERRA) forecast in November, 2018 which would adjust both 2019 generation and PCIA rates. The CPUC accepted these changes in February 2019.[1] The current PG&E generation rate forecast is based on the latest approved ERRA revenue requirement. Overall the updated generation rates are higher than the previous forecast which makes it easier for a CCA to provide a rate discount.

Market Power Purchases

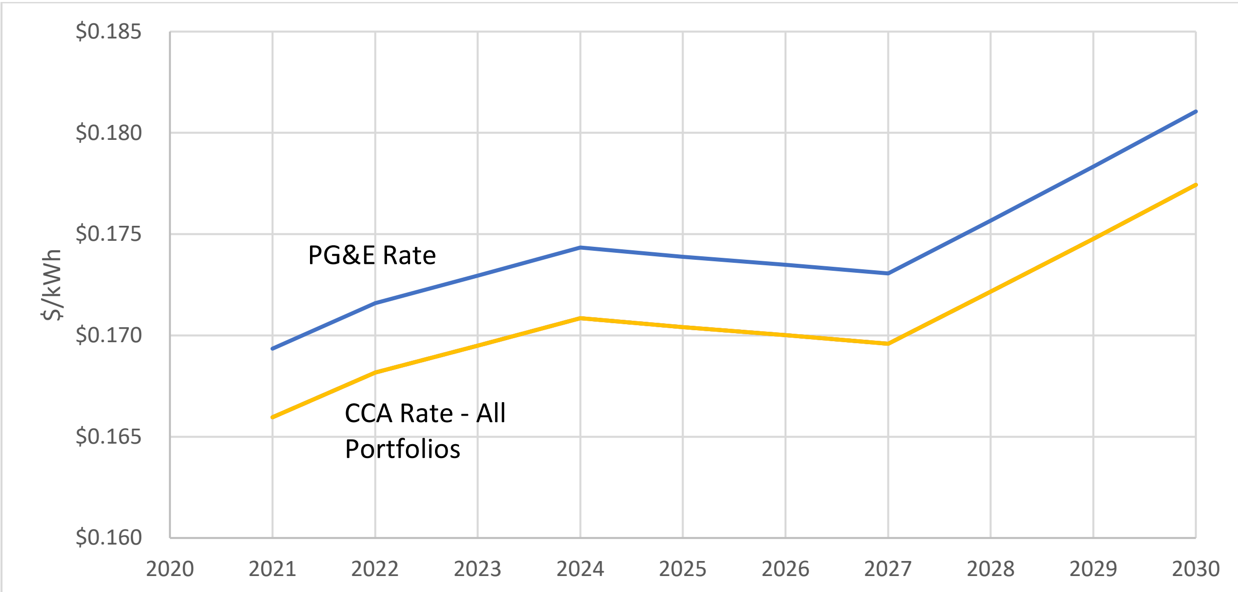
Market power prices for wholesale electricity, renewable energy, and greenhouse gas free energy have been updated according to current market conditions and outlook. Overall, market power prices have increased on average 4.5% compared with the prices assumed in the feasibility Study. Higher power prices make it more difficult for CCAs to offer rate discounts. While, traditional power source costs have increased, EES has adjusted the share of renewable energy purchased from long-term contracts (contracts greater than 10 years) pursuant to the Requirements of SB 350. The updated analysis assumes that the CCA would meet the requirements of SB350 which requires that 65% of the renewable energy requirement be purchased from long-term contracts. These long-term contracts have been typically priced lower than short-term contracts; therefore, the result is that the CCA power supply costs for renewable energy purchases is lower.

Study Results

Figure 1 shows that PG&E rates are higher compared with the three CCA power supply portfolios modeled: Renewable Portfolio Standard (RPS), 50% renewable; and 75% Renewable. Figure 1 illustrates that a CCA will likely provide consistent retail rate savings even when offering a higher percentage share of renewable energy compared with PG&E. The appendix to this Addendum shows the annual pro forma detail including collection of reserves and start-up capital requirements.

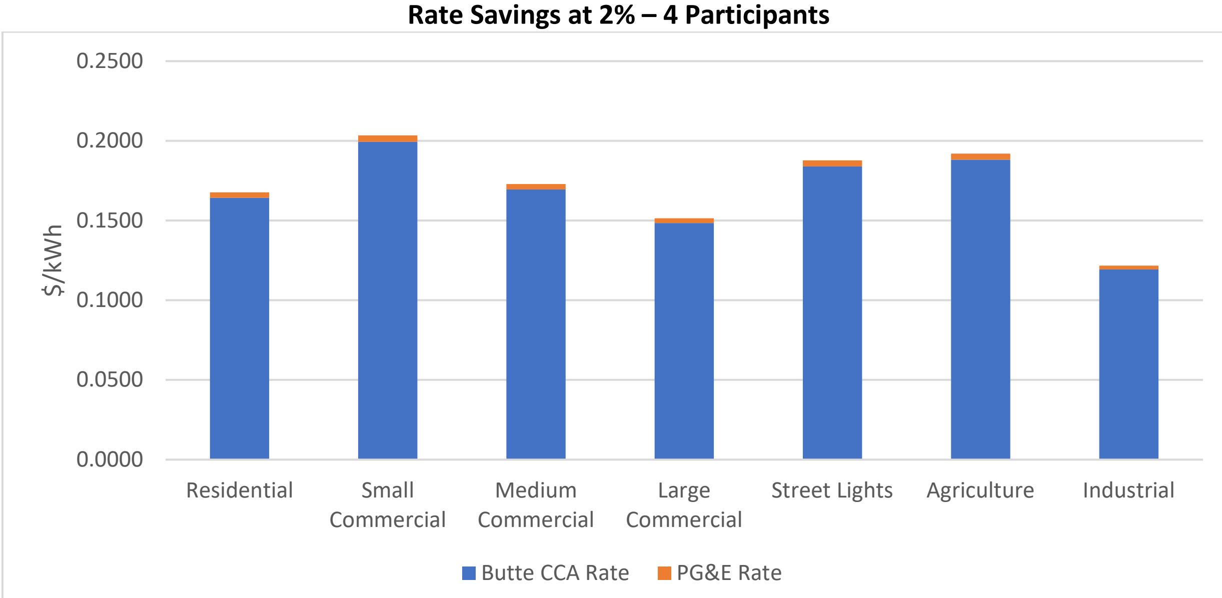
[1] Updated estimates provided in Advice Letter 5376-E-B filed February 26,2019.

Figure 1
Retail Rate Comparison, $/kWh – 4 Participants



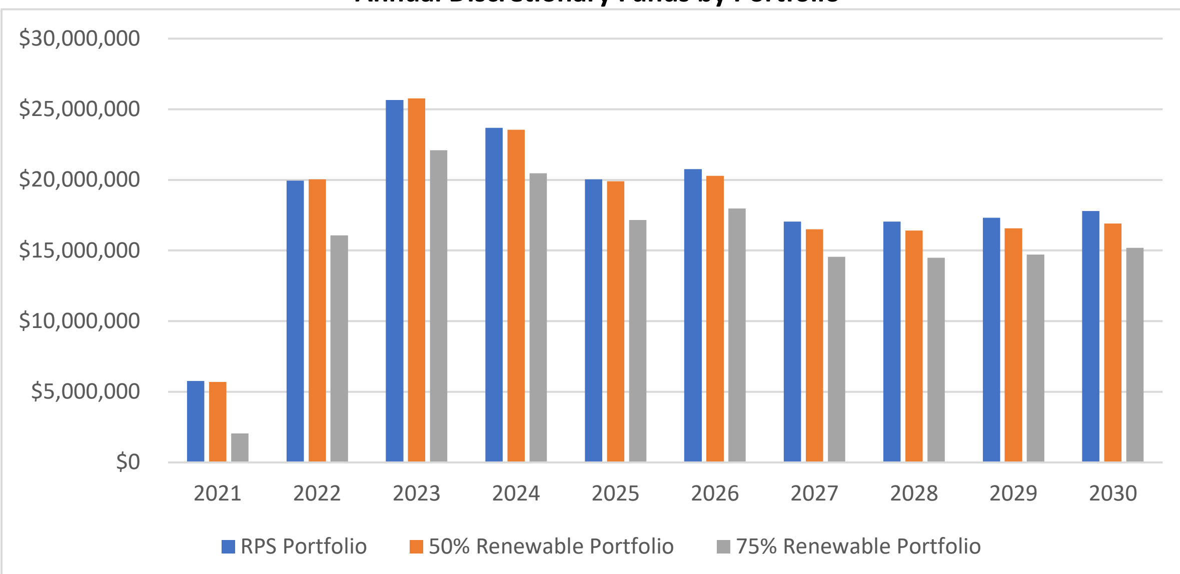
Note that Figure 1 shows CCA rates that offer a 2% rate savings for all portfolios. Because the CCA could offer the same rate discount regardless of power supply portfolio, the difference in the financial analysis between power supply portfolios is in the amount of funds available for discretionary programs. These are programs the CCA could choose to fund or alternatively the CCA could offer higher rate discounts. Note that energy efficiency funding from the CPUC is available to CCAs.

Figure 2
Rate Savings at 2% – 4 Participants



In addition to rate savings, the study found that the CCA generated discretionary income of roughly $10M - $15M annually. This discretionary income can be used to fund addition energy conservation measures, electric vehicle charging stations, more assistance to low income customer, battery storage, additional distributed energy resource (DER) projects, or additional CCA customer discounts. Figure 3 below shows the amount of discretionary funds availed vary by portfolio choice. Total discretionary funds over the 10-year study period for the RPS, 50% Renewable, and 75% renewable portfolios are $185, $182, and $154 million respectively.

Figure 3
Annual Discretionary Funds by Portfolio



Summary

The feasibility Study found that a Butte County CCA could result in rate savings in excess of 2% over PG&E bundled rates (generation plus distribution). Total aggregate rate savings estimated for the four Participants of the Butte County CCA is $8.7 million annually. The updated power costs, PG&E rate assumptions and PCIA levels do not change the findings of the original feasibility Study. The annual rate savings estimates are significant even if only the City of Chico and Unincorporated Butte County are included in the analysis ($7 million). It is recommended that the Participants continually update the pro forma analyses as they work toward CCA implementation.

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Cash In											
Money From Financing	$1,015,000	$5,000,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
CCE Rate Revenues	$0	$75,532,973	$99,836,380	$102,768,219	$104,262,969	$102,591,976	$104,578,316	$103,142,855	$105,399,022	$108,129,685	$111,062,511
Less Uncollectable Accounts	$0	$275,450	$360,775	$371,421	$386,834	$397,610	$403,973	$414,692	$425,919	$437,704	$449,595
Total Cash Available	$1,015,000	$80,257,523	$99,475,605	$102,396,798	$103,876,135	$102,194,366	$104,174,344	$102,728,163	$104,973,103	$107,691,980	$110,612,916
Cash Out											
Operating Expenses	$252,845	$55,238,954	$72,473,067	$74,647,583	$77,776,857	$80,193,069	$82,393,673	$84,874,475	$87,171,657	$89,581,850	$92,014,437
Debt Service	$213,264	$1,092,204	$1,378,722	$1,378,722	$1,378,722	$1,165,457	$286,517	$0	$0	$0	$0
CPUC and PG&E Bonds	$547,285	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Reserve Allocation	$1,605	$18,160,752	$5,666,010	$714,909	$1,028,802	$794,371	$723,487	$815,606	$755,238	$792,392	$799,755
Total Cash Used	$1,015,000	$74,491,910	$79,517,799	$76,741,214	$80,184,381	$82,152,897	$83,403,677	$85,690,081	$87,926,895	$90,374,242	$92,814,192
Discretionary Funds	$0	$5,765,613	$19,957,806	$25,655,584	$23,691,754	$20,041,469	$20,770,666	$17,038,081	$17,046,208	$17,317,739	$17,798,724
Total Accumulated Reserves	$1,605	$18,162,357	$23,828,367	$24,543,277	$25,572,079	$26,366,450	$27,089,936	$27,905,542	$28,660,780	$29,453,172	$30,252,927
PG&E Total Bill	$0	$153,826,485	$199,758,346	$202,656,532	$205,640,136	$206,457,394	$207,335,372	$208,191,041	$212,731,250	$217,386,062	$222,158,496
CCE Total Bill	$0	$150,749,648	$195,763,379	$198,603,604	$201,527,334	$202,328,453	$203,188,665	$204,027,220	$208,476,625	$213,038,341	$217,715,326
Discount	0	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%