

Desert Community Energy Notice

Desert Community Energy Board Meeting Agenda Monday, December 4, 2017 2:30 p.m.

Coachella Valley Association of Governments
73-710 Fred Waring Drive, Palm Desert
Suite 200 Conference Room
(760) 346-1127

THIS MEETING IS HANDICAPPED ACCESSIBLE.
ACTION MAY RESULT ON ANY ITEMS ON THIS AGENDA.

1. **CALL TO ORDER**

2. **ROLL CALL**

A. **Member Roster**

P3

3. **PLEDGE OF ALLEGIANCE**

4. **PUBLIC COMMENTS**

This is the time and place for any person wishing to address Desert Community Energy on items not appearing on the agenda to do so.

5. **COMMITTEE MEMBER / DIRECTOR COMMENTS**

6. **CONSENT CALENDAR**

A. **Approve minutes of October 30, 2017 Desert Community Energy
Board Meeting**

P4

7. **DISCUSSION / ACTION**

A. **Update on Our Progress – Tom Kirk**

P8

Information Only

B. **Adopt Resolution 2017-01 Approving the DCE Implementation Plan and Authorize its Submittal to the CPUC**

P12

RECOMMENDATION: Conduct a public hearing and, upon conclusion, adopt Resolution 2017-01 to approve the DCE Implementation Plan and authorize staff to make changes as appropriate to meet all requirements and then submit it to the CPUC

C. **Consider Proposed Change to Joint Powers Agreement**

P56

RECOMMENDATION: Approve a proposed change to the Joint Powers Agreement regarding withdrawal before launch, as requested by the City of Palm Desert

8. **INFORMATION**

1) Attendance Roster

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9. **ANNOUNCEMENTS**

Next meeting date and time to be announced.

10. **ADJOURNMENT**



ITEM 2A

DESERT COMMUNITY ENERGY

Board Meeting
December 4, 2017

Members	
City of Cathedral City	Shelley Kaplan Councilmember
City of Desert Hot Springs	Yvonne Parks Councilmember
City of Palm Desert	Sabby Jonathan Mayor Pro Tem
City of Palm Springs	Geoff Kors Councilmember

Staff
Tom Kirk, Executive Director
Katie Barrows, Director of Environmental Resources
Erica Felci, Governmental Projects Manager
Benjamin Druyon, Management Analyst
Linda Rogers, Program Assistant II



DESERT COMMUNITY ENERGY

Board Meeting Minutes

October 30, 2017

The audio file for this committee can be found at: <http://www.cvag.org/minutes.htm>

1. **CALL TO ORDER**

The meeting of the Energy & Environmental Resources Committee was called to order by Tom Kirk at 2:00 p.m. on October 30, 2017.

2. **ROLL CALL**

Roll call was taken and it was determined that a quorum was present.

The record reflects that two of the cities, Palm Springs and Cathedral City, have completed adoption of their ordinance including the first and second readings. The Cities of Desert Hot Springs and Palm Desert have not completed the process of their CCA Ordinance but were in attendance. The votes of Palm Springs and Cathedral City are recorded. The advisory votes of Palm Desert and Desert Hot Springs are also shown.

Members Present

Councilmember Shelly Kaplan
Councilmember Yvonne Parks (advisory)
(arrived late)
Mayor Pro Tem Sabby Jonathan (advisory)
Councilmember Geoff Kors

Agency

City of Cathedral City
City of Desert Hot Springs

City of Palm Desert
City of Palm Springs

Others Present

Charlie McClendon
Luke Rainey
Peter Castro
Lauri Aylaian
Ryan Stendell
Kim Floyd
Don Dame

City of Cathedral City
City of Desert Hot Springs
City of Indian Wells
City of Palm Desert
City of Palm Desert
Sierra Club
CVAG Consultant

CVAG Staff

Tom Kirk
Katie Barrows
Benjamin Druyon
Erica Felci

3. **PLEDGE OF ALLEGIANCE**

Mayor Pro Tem Jonathan led in the Pledge of Allegiance.

4. PUBLIC COMMENTS

This is the time and place for any person wishing to address Desert Community Energy on items not appearing on the agenda to do so.

5. COMMITTEE MEMBER / DIRECTOR COMMENTS

There were no committee member comments. Tom Kirk acknowledged the continuous efforts of CVAG staff as well as staff of member jurisdictions in getting to where we are.

6. CONSENT CALENDAR

IT WAS MOVED BY MAYOR PRO TEM JONATHAN, SECONDED BY COUNCILMEMBER KAPLAN, TO:

- A. Approve a non-substantive change to the Joint Powers Agreement as requested by the City of Palm Desert and authorize the Executive Director to proceed with actions necessary to effect this change.**

THE MOTION PASSED WITH 2 AYES. THE ADVISORY VOTE OF OTHER MEMBERS IS ALSO SHOWN.

Councilmember Shelly Kaplan	Aye
Councilmember Yvonne Parks (advisory)	Absent for Vote (not present yet)
Mayor Pro Tem Sabby Jonathan (advisory)	Aye
Councilmember Geoff Kors	Aye

7. DISCUSSION / ACTION

- A. Election of Chair and Vice Chair**

IT WAS MOVED BY COUNCILMEMBER KORS, SECONDED BY MAYOR PRO TEM JONATHAN, TO ELECT COUNCILMEMBER KAPLAN AS CHAIR THROUGH THE END OF 2018.

THE MOTION PASSED WITH 2 AYES. THE ADVISORY VOTE OF OTHER MEMBERS IS ALSO SHOWN.

Councilmember Shelly Kaplan	Aye
Councilmember Yvonne Parks (advisory)	Absent for Vote (not present yet)
Mayor Pro Tem Sabby Jonathan (advisory)	Aye
Councilmember Geoff Kors	Aye

IT WAS THEN MOVED BY CHAIR KAPLAN, SECONDED BY COUNCILMEMBER KORS TO ELECT MAYOR PRO TEM JONATHAN AS VICE CHAIR THROUGH THE END OF 2018.

Note: Because the City of Palm Desert has not yet completed the CCA ordinance adoption process, Mayor Pro Tem Jonathan will assume the position of Vice Chair once the City of Palm Desert completes this process.

THE MOTION PASSED WITH 2 AYES. THE ADVISORY VOTE OF OTHER MEMBERS IS ALSO SHOWN.

Councilmember Shelly Kaplan	Aye
Councilmember Yvonne Parks (advisory)	Absent for Vote (not present yet)

Mayor Pro Tem Sabby Jonathan (advisory)	Aye
Councilmember Geoff Kors	Aye

B. Update on Our Progress

Tom Kirk announced that along with our 2 members, the City of Palm Desert has completed their first reading and is scheduled for the second reading and the City of Desert Hot Springs is considering their first reading. WRCOG is proceeding with a CCA, though no cities have joined their JPA yet. Riverside County is also pursuing their own CCA.

C. Presentation of CCA Logo Concepts

Brian Rix, BurkeRix, presented logo concepts for the Desert Community Energy branding.

IT WAS AGREED UPON TO SELECT THE MOUNTAINSCAPE LOGO WITH BOLD COLORS.

Councilmember Shelly Kaplan	Aye
Councilmember Yvonne Parks (advisory)	Absent for Vote (not present yet)
Mayor Pro Tem Sabby Jonathan (advisory)	Aye
Councilmember Geoff Kors	Aye

D. Community Choice Aggregation: Agreement between CVAG and Desert Community Energy for Implementation and Management Services

IT WAS MOVED BY COUNCILMEMBER KORS, SECONDED BY MAYOR PRO TEM JONATHAN, TO AUTHORIZE THE CHAIR OR EXECUTIVE DIRECTOR TO EXECUTE AN AGREEMENT WITH COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS (CVAG) TO PROVIDE IMPLEMENTATION AND MANAGEMENT SERVICES FOR A COMMUNITY CHOICE AGGREGATION PROGRAM FOR THE COACHELLA VALLEY REGION.

THE MOTION PASSED WITH 2 AYES. THE ADVISORY VOTE OF OTHER MEMBERS IS ALSO SHOWN.

Councilmember Shelly Kaplan	Aye
Councilmember Yvonne Parks (advisory)	Absent for Vote (not present yet)
Mayor Pro Tem Sabby Jonathan (advisory)	Aye
Councilmember Geoff Kors	Aye

E. Agreement with The Energy Authority consultant team to provide CCA Implementation, Wholesale Power Procurement, and Associated Technical Operating Services

Councilmember Yvonne Parks is now present.

IT WAS MOVED BY CHAIR KAPLAN, SECONDED BY COUNCILMEMBER KORS, TO AUTHORIZE THE EXECUTIVE DIRECTOR TO NEGOTIATE AN AGREEMENT BETWEEN DESERT COMMUNITY ENERGY (DCE) AND THE ENERGY AUTHORITY (TEA) TEAM TO PROVIDE CCA LAUNCH, IMPLEMENTATION, WHOLESALE POWER PROCUREMENT, AND OPERATIONAL SERVICES FOR A COMMUNITY CHOICE AGGREGATION (CCA) PROGRAM AND BRING THE FINAL AGREEMENT BACK TO THE DCE BOARD FOR APPROVAL.

THE MOTION PASSED WITH 2 AYES. THE ADVISORY VOTE OF OTHER MEMBERS IS ALSO SHOWN.

Councilmember Shelly Kaplan	Aye
Councilmember Yvonne Parks (advisory)	Aye (now present)
Mayor Pro Tem Sabby Jonathan (advisory)	Aye
Councilmember Geoff Kors	Aye

F. Cost Sharing Agreements for Legal Services and Technical Consulting Services Related to Power Charge Indifference Adjustment (PCIA)

IT WAS MOVED BY CHAIR KAPLAN, SECONDED BY MAYOR PRO TEM JONATHAN, TO AUTHORIZE THE EXECUTIVE DIRECTOR TO:

- 1) Enter into a cost sharing agreement with Western Riverside Council of Governments and Los Angeles Community Choice Energy for legal services related to the California Public Utilities Commission Proceeding R17-06-026, Review of the Power Charge Indifference Adjustment, for not to exceed \$20,000 as DCE's share.
- 2) Enter into a cost sharing agreement with Los Angeles Community Choice Energy and Western Riverside Council of Governments for consulting services related to the California Public Utilities Commission Proceeding R17-06-026 Review of the Power Charge Indifference Adjustment, for not to exceed \$20,000 as DCE's share.

DUE TO THE ABSENCE OF ONE MEMBER A QUORUM WAS NOT PRESENT AND THE MOTION DID NOT PASS.

Councilmember Shelly Kaplan	Aye
Councilmember Yvonne Parks (advisory)	Aye
Mayor Pro Tem Sabby Jonathan (advisory)	Aye
Councilmember Geoff Kors	Absent for Vote (had to leave)

G. Discussion of a regularly scheduled meeting date and time

There was some discussion regarding the next meeting. It was agreed upon that the next meeting would be on December 4 at 2:30 p.m.

8. INFORMATION

9. ANNOUNCEMENTS

The next board meeting of Desert Community Energy will be Monday, December 4, 2017 at 2:30 p.m. at CVAG.

10. ADJOURNMENT

Respectfully submitted,

Benjamin Druyon
Management Analyst



DESERT COMMUNITY ENERGY

Board Meeting
December 4, 2017

Staff Report

Subject: Update on Our Progress

Contact: Tom Kirk, Executive Director (tkirk@cvag.org)

Recommendation: Information Only

Background: Here is a brief summary of our progress since our last meeting and what is yet to come. CVAG staff appreciates the commitment of time and valuable input by elected officials and jurisdiction staff throughout this process. A summary of the activities is provided in the following update.

Status of City Approvals. Here is the status for each city:

Palm Springs – approved July 5

Cathedral City – approved July 26

Palm Desert – first reading September 28, second reading December 14

Indian Wells – voted to wait and see

Desert Hot Springs – Discussed on November 21, continued to January 16, 2018

Blythe – may be interested at a later date

The Palm Desert City Council will have the second reading of their adoption of the CCA ordinance at their December 14 meeting. The item was postponed to provide for consideration of their requested changes to the JPA by the DCE Board (see Item 7C) at the December 4 meeting. The Desert Hot Springs City Council considered the JPA and CCA ordinance at their November 21 meeting. They voted to continue the item to their January 16 meeting to allow time for questions from several city council members to be addressed about sections of the JPA agreement on weighted voting and retirement benefits. Based on the schedule to submit the Implementation Plan before the end of the year, the City of Desert Hot Springs will not be included at this time. We cannot include jurisdictions which have not held the first reading of the CCA ordinance in the Implementation Plan prior to submission. A letter notifying the City of Desert Hot Springs of their status was sent to all council members and the city manager on November 22, a copy of the letter is attached. Staff will continue to work with Desert Hot Springs to determine if they will choose to join DCE at a later time.

Implementation Plan. The filing of an Implementation Plan with the California Public Utilities Commission (CPUC) and a notice of intent with Southern California Edison (SCE) are essential steps for the formation of a CCA. The draft Implementation Plan has been prepared by CVAG staff and the Energy Authority and is provided for your review (see Item 7B). In particular, the current discussion at the CPUC regarding the Power Charge Indifference Adjustment (PCIA) or “exit fee” has focused our attention on the importance of submitting the Implementation Plan before the end of 2017.

Marketing/Branding: Based on the feedback provided by the Board at the October 30 meeting, branding efforts are underway to introduce Desert Community Energy, with a tagline *The Power of Choice*, to the community. That includes using the new logo, chosen at the last meeting, all Desert Community Energy documents.

Outreach to communities and stakeholders has begun to introduce participating communities to CCA and provide opportunities for them to learn more. The outreach consultants (Green Ideals and BurkeRix, Inc.) are working on development of a website and social media platforms. An introductory webpage will be presented at the December 4 meeting. In the near future, a full website will be unveiled that includes interactive features, information about electricity options (lower rates, 100% renewable), information for residential and business customers, a way to opt out, as well as background information about CCA. The website will launch in early 2018, coinciding with outreach materials mailed to individual customers. A Frequently Asked Questions/FAQ is available on the CVAG website to answer common questions about CCAs. The marketing team will also handle development of a brochure, collateral, and information to potential customers, including a minimum of four opt-out notices explaining how a CCA works and their choices to join the CCA or stay with SCE.

Benchmark Steps to CCA Formation. We continue to move toward our goal of launching the program in summer 2018. Power procured prior to launch, in February/March, is generally available at lower prices. It is also better to launch before electricity bills increase during the summer months. An updated timeline is attached for your review; the schedule is estimated and may be adjusted.

CVAG staff anticipates bringing the final contracts with our consultant team to the DCE Board at the next meeting. There will be one overall contract, a Resource Management Agreement, with The Energy Authority (TEA). Other consultants will be subcontractors to The Energy Authority, including CalPine Energy Solutions for data management/customer service, LEAN USA for implementation support, Green Ideals and BurkeRix for marketing and outreach.

Other Coachella Valley CCA Programs

On September 19, 2017, the Rancho Mirage City Council approved an agreement with California Choice Energy Authority (CCEA), operated by the City of Lancaster and California Choice Energy Authority. Rancho Mirage's CCA program is expected to launch in May 2018.

Riverside County plans to establish their own Community Choice Aggregation (CCA) Program in partnership with Good Energy, L.P. The Board of Supervisors adopted the CCA ordinance at their meeting on November 14 along with approval of their Implementation Plan to be submitted to the California Public Utilities Commission.

Fiscal Analysis: No impact.

Attachments:

1. Letter to City of Desert Hot Springs
2. DCE CCA Implementation Timeline



November 22, 2017

Honorable Members of the City Council
City of Desert Hot Springs
65950 Pierson Blvd.
Desert Hot Springs, CA 92240

Dear Mayor and City Council;

Thank you for your consideration of joining the Community Choice Aggregation (CCA) program offered by Desert Community Energy. I understand that the City Council took action last night, November 21, 2017, to continue the item to the January 16, 2018 meeting. Desert Community Energy is preparing to submit the CCA Implementation Plan to the California Public Utilities Commission before the end of the year. The Implementation Plan will be considered by the DCE board at their meeting on December 4, 2017.

Our consultants have advised us that Desert Hot Springs cannot legally be included in the Implementation Plan unless the first reading of a CCA ordinance has occurred. To meet the current schedule established last spring, the City will not be included in the initial phase of the CCA but it could join later, during a future enrollment period. If the City were to vote to join the CCA, including the first reading of the CCA ordinance, at your December 2017 meeting, we would, however, make every effort to include Desert Hot Springs.

One of the most powerful opportunities of Community Choice Aggregation is the benefit to low-income customers. Residential CARE customers will enjoy an even larger savings, in addition to their existing CARE discount, as they are not subject to the Power Charge Indifference Adjustment (PCIA) or "exit fee" charged by SCE. Thus, Community Choice Energy offers people struggling to pay their electric bill an added benefit. With changes looming to the PCIA, joining a CCA, whether it is DCE or some other CCA, sooner than later would seem to offer the greatest benefit to your constituents.

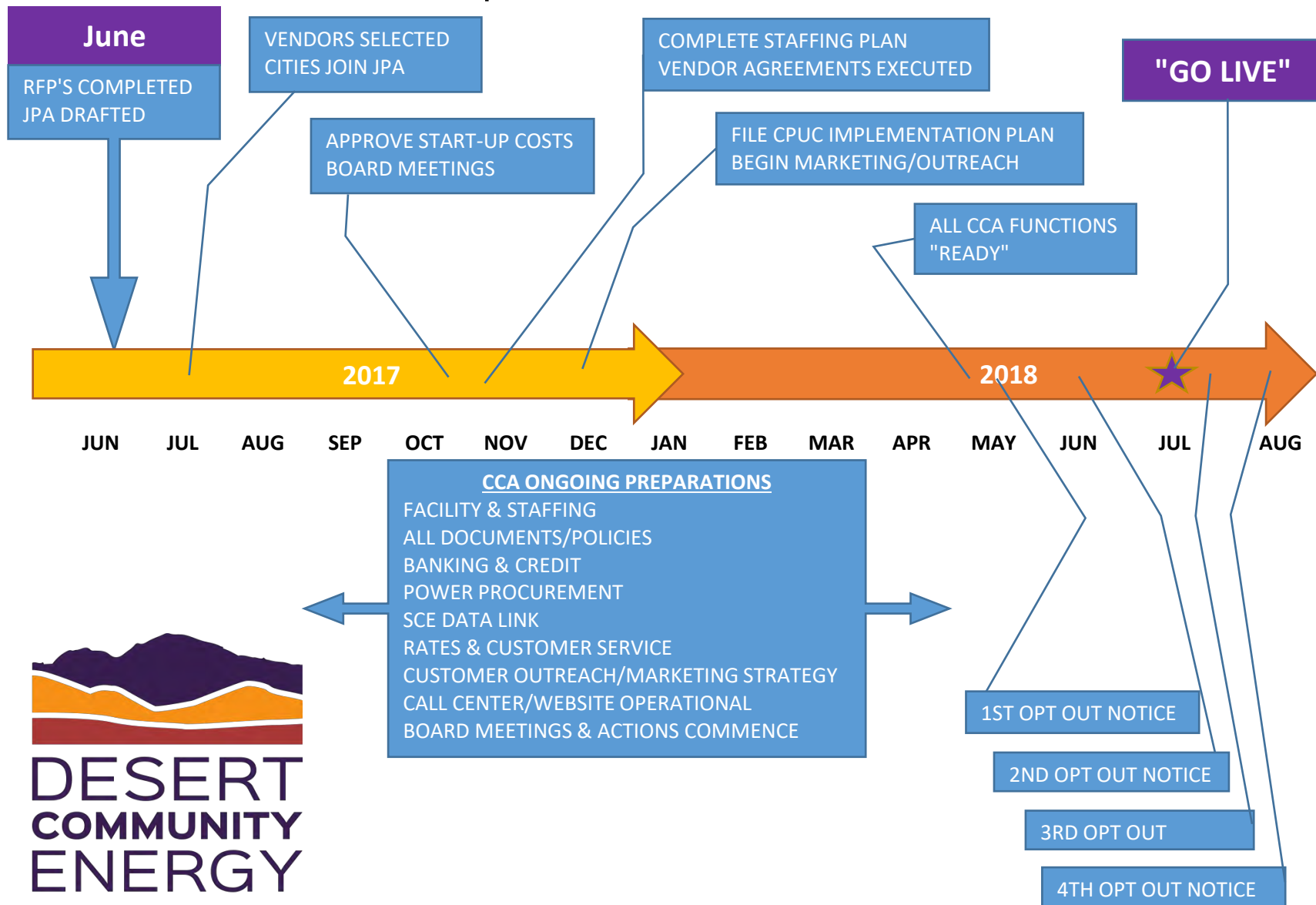
Please feel free to contact me any time if you have any questions.

Sincerely,

Tom Kirk

cc: DCE Chair Shelley Kaplan, City of Cathedral City
DCE Member Geoff Kors, City of Palm Springs
DCE Member Sabby Jonathan, City of Palm Desert
Chuck Maynard, City Manager

DCE CCA implementation Timeline



The POWER of choice



DESERT COMMUNITY ENERGY

Board Meeting
December 4, 2017

Staff Report

Subject: Adopt Resolution 2017-01 Approving the DCE Implementation Plan and Authorize its Submittal to the CPUC

Contact: Katie Barrows (kbarrows@cvag.org)

Recommendation: Conduct a public hearing and, upon conclusion, adopt Resolution 2017-01 to approve the DCE Implementation Plan and authorize staff to make changes as appropriate to meet all requirements and then submit it to the CPUC

Background: Desert Community Energy (DCE) must meet certain regulatory requirements set forth by the California Public Utilities Commission (CPUC) before providing electricity services. The filing of an Implementation Plan with the California Public Utilities Commission (CPUC) and a notice of intent with Southern California Edison (SCE) are essential steps for the formation of a CCA. The Implementation Plan must be reviewed at a public hearing and adopted by resolution by the DCE Board of Directors. The draft Implementation Plan has been prepared by CVAG staff and the Energy Authority and is provided for your review. The Implementation Plan must include the following:

- ✓ An organizational structure of the program, its operations, and its funding;
- ✓ Provisions for disclosure and due process in setting rates and allocating costs among participants;
- ✓ Methods for entering into and terminating agreements with other entities;
- ✓ Rights and responsibilities of program participants;
- ✓ Provisions for termination of the program;
- ✓ Description of third parties that will be supplying electricity under the program.

The CPUC has 90 days to complete a review and certify the Implementation Plan, though it is noted that previous reviews for other community choice energy programs have been completed in less time. Importantly, Southern California Edison (SCE) does not begin formally working on community choice aggregation implementation until an Implementation Plan has been filed. Therefore, submittal of the Plan is necessary for SCE to formally begin the process to transfer accounts into DCE service. SCE has requested that the Implementation Plan be submitted to their Customer Choice Services staff six months prior to the launch date. Pending approval by the DCE Board, this Implementation Plan will also be submitted to SCE.

This draft Implementation Plan details the governance of DCE and covers the launch of DCE services to electricity customers along with the total electric load of the cities combined. The Implementation Plan includes a financial proforma that identifies the revenues and expenses for Desert Community Energy. It also provides an estimate of the potential rate savings for CCA customers. It should be noted that this proforma represents a snapshot in time, based on current market prices for electricity, estimates of the exit fee (PCIA), and other factors. We will not know the actual energy costs and potential rate savings until we go out to the market to procure electricity in early 2018. The PCIA is also adjusted annually and announced in January. Rate setting will be a

process for the Board to complete prior to launch. Jeff Fuller from TEA will be present at the meeting to review the Implementation Plan and answer any questions; Don Dame will also be participating by telephone.

Following the initial enrollment period, DCE may submit an amended Implementation Plan to include cities that have not previously agreed to join DCE.

Staff recommends that the DCE Board review and approve the Implementation Plan and authorize submittal to the CPUC and Southern California Edison. Staff also requests authorization to make necessary changes to meet all requirements prior to submittal, in consultation with the Chair.

Fiscal Analysis: The preparation of the Implementation Plan has been a joint effort of CVAG staff and The Energy Authority. The cost of preparation of the Implementation Plan is included in the contract with The Energy Authority; invoicing for this project will be deferred until DCE begins to collect revenues.

Attachments:

1. Resolution No. 2017-01 approving the DCE Implementation Plan
2. DCE Implementation Plan

RESOLUTION NO. 2017-01

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE DESERT COMMUNITY ENERGY AUTHORITY ADOPTING THE IMPLEMENTATION PLAN REQUIRED BY PUBLIC UTILITIES CODE SECTION 366.2(c)(3).

THE BOARD OF DIRECTORS OF DESERT COMMUNITY ENERGY DOES HEREBY FIND, RESOLVE, AND ORDER AS FOLLOWS:

Section 1. Recitals:

(a) Desert Community Energy (“DCE”) is a joint powers authority established on October 30, 2017 for the purpose of studying, promoting, developing, conducting, operating and managing energy and energy-related climate change programs including but not limited to implementing a community choice aggregation program under Public Utilities Code Section 366.2.0

(b) The members of the DCE include the Cities of Cathedral City, Palm Springs, and Palm Desert;

(c) Public Utilities Code Section 366.2 requires that before commencing a community choice aggregation program, the DCE Authority first must prepare and adopt an Implementation Plan to be filed with the California Public Utilities Commission.

(d) The DCE Implementation Plan and Statement of Intent was presented to the Board of Directors at a duly noticed public hearing for its consideration and adoption.

Section 2. Adoption.

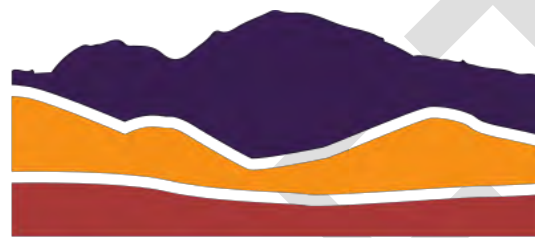
After conducting a duly noticed public hearing as required by Public Utilities Code Section 366.2(c)(3), the Board of Directors hereby adopts the DCE Implementation Plan and Statement of Intent. **ADOPTED AND APPROVED this 4th day of December 2017**

Shelley Kaplan
Chair, Desert Community Energy

Attest:

Tom Kirk
Secretary, Desert Community Energy

COMMUNITY CHOICE AGGREGATION IMPLEMENTATION PLAN & STATEMENT OF INTENT



**DESERT
COMMUNITY
ENERGY**

The POWER of choice

December 2017

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DRAFT

Abbreviations

CAISO	California Independent System Operator
CARE	California Alternative Rate for Energy
CCA	community choice aggregation
CEC	California Energy Commission
CP	commercial paper
CPUC	California Public Utilities Commission
CRC	cost recovery charge
CRS	cost responsibility surcharge
CVAG	Coachella Valley Association of Governments
DLAP	default load aggregation point
DCE	Desert Community Energy
EEI	Edison Electric Institute
ESP	energy service provider
FERC	Federal Energy Regulatory Commission
FIT	Feed-in tariff
GHG	greenhouse gas
ICE	Intercontinental Exchange
IDSM	Integrated demand side management
ISDA	International Swaps and Derivatives Association
IOU	investor owned utility
kWh	Kilowatt-hour
LRA	local reliability area
LSE	load serving entity
MW	Megawatt
NEM	Net energy metering
PAC	program administrator costs
PCC	portfolio content category
PCIA	power charge indifference adjustment
PG&E	Pacific Gas and Electric Company
PGC	Public Goods Charge
PV	photovoltaic
RA	resource adequacy
REC	Renewable energy credit
RFO	request for offers
RFP	request for proposals
RPS	renewable portfolio standard
RTO	regional transmission organization
SCE	Southern California Edison
SDG&E	San Diego Gas & Electric
TEA	The Energy Authority
TRC	total resource cost
WSPP	Western System Power Pool

Chapter 1: Introduction

Overview

Desert Community Energy (DCE) is a public joint powers agency located within the geographic boundaries of Riverside County, formed in 2017 for the purpose of offering rate savings to electricity customers and developing and implementing sustainable energy initiatives that reduce energy demand, increase energy efficiency, and advance the use of clean, efficient and renewable resources available in the region. Member agencies of DCE include three (3) cities located in Riverside County - Cathedral City, Palm Springs and Palm Desert. DCE members desire to further DCE goals by implementing and administering a common community choice aggregation (CCA) program ("Program") available to members that elect to become Program participants ("CCA Members").

This document constitutes DCE's Implementation Plan and Statement of Intent to create a voluntary Program for electric customers within the jurisdictional boundaries of CCA Members that currently take bundled electric service from Southern California Edison (SCE). The Program will give electricity customers the opportunity to join together to procure electricity from competitive suppliers, with such electricity being delivered over SCE's transmission and distribution system. The planned start date for the Program is July 1, 2018 (subject to the final review and approval of DCE's Board of Directors). All current SCE customers within the jurisdictional boundaries of DCE Members (the Program service area) will receive information describing the Program and will have multiple opportunities to express their desire to remain full requirement ("bundled") customers of SCE, in which case they will not be enrolled in the Program. Thus, participation in the Program is completely voluntary; however, customers will be automatically enrolled, as provided by law, unless they affirmatively elect to opt out of the Program.

Implementation of the Program will enable customers within the Program service area to take advantage of opportunities granted by Assembly Bill 117 ("AB 117"), the Community Choice Aggregation Law. DCE's primary objectives in implementing this Program are to provide overall rates that are lower or competitive with those offered by the incumbent utility for similar power supplies, to supply an energy portfolio that prioritizes the reduction of greenhouse gas emissions and the use of local renewable resources, including existing facilities, to the maximum extent technically and economically feasible, and to establish local control. The prospective benefits to local consumers include the ability to reduce energy costs; improve the local and regional economy; stabilize electric rates; increase local electric generation reliability; influence which technologies are used to meet local electricity needs (including a potential increased use of renewable energy); and to ensure effective planning and development of sufficient resources and energy infrastructure to serve the CCA Members' residents and businesses.

To ensure successful operation of the Program, DCE is partnering with a not-for-profit energy services company with experienced energy suppliers and contractors to provide energy services to Program customers. DCE used a competitive solicitation process and subsequent contract negotiations to choose qualified contractors to support Program implementation and to provide requisite energy products and scheduling coordinator services to meet the electric energy requirements of Program customers. Initially Program operations will rely heavily on contractors. Over time, as DCE builds capacity, the need for outsourced support will decrease and operational tasks will be handled by a combination of contractors and DCE staff. DCE's CCA Implementation

Plan represents a partnership among DCE, the CCA Members, other not-for-profit entities, and the private sector to bring the benefits of competition and choice to CCA Member residents and businesses. It is DCE's intent to operate the Program as cost efficiently as reasonably possible. By exercising its legal right to form a CCA, DCE will enable its CCA Members' constituents to access competitive energy markets and exert local control over their community's electricity supply. Absent action by DCE or its individual CCA Members, very few customers (i.e. those who have legacy direct access arrangements) would have the ability to choose an electric supplier other than the incumbent utility.

The California Public Utilities Code provides the relevant legal authority for DCE to become a Community Choice Aggregator and invests the California Public Utilities Commission (CPUC or Commission) with the responsibility for establishing the cost recovery mechanism that must be in place before customers can begin receiving electrical service through the Program. The CPUC also has responsibility for registering DCE as a Community Choice Aggregator and ensuring compliance with basic consumer protection rules. The Public Utilities Code requires that an Implementation Plan be adopted at a duly noticed public hearing and that it be filed with the Commission to determine the cost recovery mechanism to be paid by customers of the Program avoids any shifting of costs to bundled customers of the incumbent utility.

On December 4, 2017, at a duly noticed public hearing, DCE considered and adopted this Implementation Plan through DCE Resolution No. 2017-01 (Appendix A). In Decisions D.04-12-046, D.06-12-041, and D.07-01-025 the Commission established the methodology that will be used to determine the cost recovery mechanism, and SCE has approved tariffs for imposition of the cost recovery mechanism. Finally, each of DCE's CCA Members has adopted an ordinance to implement a CCA Program through DCE. With each of these milestones having been accomplished, DCE now submits this Implementation Plan to the CPUC. Following the CPUC's certification of its receipt of this Implementation Plan and resolution of any outstanding issues, DCE will take the final steps needed to register as a CCA prior to initiating the customer notification and enrollment process.

As the Implementation Plan is modified from time to time, DCE will maintain a current version on file with the CPUC. The current version of the Implementation Plan was adopted on December 4, 2017.

Organization of This Implementation Plan

The content of this Implementation Plan complies with the statutory requirements of AB 117. As required by Public Utilities Code Section 366.2(c)(3), this Implementation Plan details the process and consequences of aggregation and provides DCE's statement of intent for implementing a CCA Program that includes all of the following:

- Universal access;
- Reliability;
- Equitable treatment of all customer classes; and
- Any requirements established by state law or by the CPUC concerning aggregated service.

The remainder of this Implementation Plan is organized as follows:

Chapter 2: Aggregation Process

Chapter 3: Organizational Structure
Chapter 4: Start-up Plan and Funding
Chapter 5: Program Phase-In
Chapter 6: Load Forecast and Resource Plan
Chapter 7: Financial Plan
Chapter 8: Rate Setting
Chapter 9: Customer Rights and Responsibilities
Chapter 10: Procurement Process
Chapter 11: Contingency Plan for Program Termination
Appendix A: DCE Resolution Approving Implementation Plan and CCA Member Ordinances
Appendix B: DCE Amended Joint Powers Agreement

Requirements of AB 117 are cross-referenced to chapters of this Implementation Plan in Table 1.

Table 1. Cross-reference table of AB 117 requirements and Implementation Plan Chapters

AB 117 REQUIREMENT	IMPLEMENTATION PLAN CHAPTER
Program Statement of Intent	Chapter 1: Introduction
Process and consequences of aggregation	Chapter 2: Aggregation Process
Organizational structure of the Program, its operations and funding	Chapter 3: Organizational Structure Chapter 4: Start-up Plan and Funding Chapter 7: Financing Plans
Rate setting and other cost to participants	Chapter 8: Rate setting Chapter 9: Customer Rights and Responsibilities
Disclosure and due process in setting rates and allocating costs among participants	Chapter 8: Rate setting, Program Terms and Conditions
Methods for entering and terminating agreement with other entities	Chapter 10: Procurement Process
Participants rights and responsibilities	Chapter 9: Customer Rights and Responsibilities
Termination of the Program	Chapter 11: Contingency Plan for Program Termination
Description of third parties that will be supplying electricity under the Program, including information about financial, technical, and operational capabilities	Chapter 10: Procurement Process

Chapter 2: Aggregation Process

Introduction

This chapter describes the background leading to the development of this Implementation Plan and describes the process and consequences of aggregation, consistent with the requirements of AB 117.

The Coachella Valley Association of Governments (CVAG) began efforts to form a CCA Program in early 2016 with the support of the CVAG Executive Committee, and interest from many of the cities within CVAG's jurisdiction, with the objectives of 1) providing overall rates lower or competitive with those offered by the incumbent utility for similar power supplies; 2) supplying an energy portfolio that prioritizes the use of local renewable resources, including existing facilities, to the maximum extent technically and economically feasible; and 3) establishing local control. A technical feasibility study ("Feasibility Study") for a CCA program serving CVAG's jurisdiction, *Inland Choice Power Community Choice Aggregation Business Plan*, was completed in December 2016 and received by the CVAG Executive Committee in February 2017. The study was developed in partnership with Western Riverside Council of Governments (WRCOG) and San Bernardino Council of Governments (SBCOG); subsequently WRCOG and CVAG decided to form independent CCA programs and SBCOG has chosen not to move forward with CCA. The Feasibility Study found that there were numerous benefits (and certain risks) for CCA Members to further develop and ultimately implement a CCA. Following consideration of the Feasibility Study results, a Joint Powers Agreement (JPA) was developed and endorsed by the CVAG Executive Committee on June 26, 2017. The JPA agreement was then circulated for consideration by interested member agencies and approved by three cities.

Following the development of the JPA agreement, each of the three participating cities adopted an ordinance authorizing DCE to act on behalf of its member jurisdictions to implement and operate a Community Choice Aggregation program. DCE's CCA Members include the following local government entities:

- City of Cathedral City
- City of Palm Springs
- City of Palm Desert (pending second reading on Dec. 14, 2017)

DCE continued with the preparation of this Implementation Plan, which was completed in draft form in November 2017. The draft Implementation Plan was published on DCE's website (www.Desertcommunityenergy.org) and on CVAG's website (www.cvag.org); it was also made available at the office of CVAG. Any person was able to view the draft Implementation Plan and provide comments for consideration in the final version. The Implementation Plan was adopted at a duly noticed public hearing of DCE on December 4, 2017.

Process of Aggregation

A team of contractors with CCA expertise is assisting DCE in the development, launch, and early operation of its CCA Program. DCE's core team consists of three entities contracting with DCE:

- The Energy Authority -- providing technical services, power procurement and supply management, credit requirements, power purchase negotiation assistance, rate design, risk management, financial planning, scheduling coordination and related services;

- LEAN Energy US -- helping DCE to manage all elements of CCA formation and program launch including strategy, program design, community and local government outreach, marketing and communications, legal support, and regulatory and legislative affairs;
- Calpine Energy Solutions -- providing customer and data management, call center, and risk reporting services.

These core contractors are also supported by marketing consultants, two legal firms, and other additional technical consultants in sub-contracting roles.

Before being enrolled in the Program, customers will receive two notices in the mail from DCE that will provide information needed to understand Program terms and conditions of service, and to explain how customers may opt out of the Program, if desired. All customers that do not follow the opt-out process specified in the customer notices will be automatically enrolled. Enrolled customers will begin receiving electric service from the Program at their next regularly scheduled meter read date (following the date of automatic enrollment).

Customers automatically enrolled in the Program will continue to have their electric meters read and will be billed for electric service by their current distribution utility (SCE). The electric bill for Program customers will show separate charges for generation procured by the Program. All other charges related to delivery of electricity and other utility charges will continue to be assessed by SCE.

Subsequent to automatic enrollment, customers will be given two additional opportunities to opt out of the Program and return to their respective distribution utility (SCE) following the cutover of service. Customers that opt out between the initial cutover date and the close of the post enrollment opt out period will be responsible for Program charges for the time they were served by DCE, but will not otherwise be subject to any penalty for leaving the Program. Customers that have not opted out within sixty days of cutover to CCA service will be deemed to have elected to become a participant in the Program and to have agreed to Program terms and conditions, including those pertaining to requests to terminate service, as further described in Chapter 9.

New customers who establish electric service within the Program service area will be automatically enrolled in the Program and will receive two notifications within 60 days post enrollment, with the option to opt out at any time.

Consequences of Aggregation

Rate Impacts

Program customers will see no obvious changes in electric service other than the price and composition of their electric bills. Program customers will pay generation charges set by the Program and will no longer pay the costs of SCE procurement and generation. Customers enrolled in the Program will be subject to Program terms and conditions, including responsibility for payment of all Program charges as described in Chapter 9.

DCE's rate setting policies, described in Chapter 8, establish a goal of providing rates that are lower than the equivalent procurement and generation rates offered by the incumbent distribution utility (SCE). DCE will establish rates sufficient to recover all costs related to operation of the Program, and such rates will be adopted by the members of DCE's Board of Directors who represent participating jurisdictions.

The total electric rate will be reduced for customers if the Program is successful in obtaining electric generation at a lower cost than otherwise charged by the current distribution utility. Initial Program rates will be established following approval of DCE's inaugural Program budget, reflecting final actual and projected costs from the Program's energy supplier(s). DCE and its consultants developed three energy procurement scenarios that were analyzed in the Feasibility Study/Business Plan¹, received by the CVAG Executive Committee at its February 27, 2017 meeting. DCE is proceeding with procurement based on a strategy focused on low rates, reduced greenhouse gas emissions, and renewable energy greater than offered by SCE. Based on this strategy, DCE expects to charge rates initially 1% to 3% below those charged by SCE, with this differential stabilizing at about 4% below SCE rates by the fifth year of CCA operation. Information regarding final Program rates will be disclosed along with other terms and conditions of service in the pre-enrollment opt-out notices sent to potential Program customers.

Once the Program gives formal notice to SCE that it will commence service, Program customers, generally, will not be responsible in any way for costs associated with SCE's future electricity procurement contracts or power plant investments. Certain pre-existing generation costs will continue to be charged by SCE to CCA customers through a separate rate component, called the Cost Responsibility Surcharge or CRS. This charge is shown in SCE's tariffs, which can be accessed from the utility's website, and is already included in rates currently paid. As noted in SCE's electric schedule CCA-CRS, "The CCA CRS consists of the Department of Water Resources (DWR) Bond Charge, the Energy Cost Recovery Amount, Ongoing Competition Transition Charges and the Power Charge Indifference Adjustment (PCIA), as set forth in each rate schedule."

Renewable Energy Impacts

A second consequence of the Program will be an anticipated increase in the proportion of energy generated and supplied by renewable resources. The resource plan includes procurement of renewable energy sufficient to meet 35% of the Program's electricity needs, increasing to 48% by the program's fifth year of operation. DCE's initial target renewable content goal has been established relative to SCE renewable content to be three percentage points above the SCE mix, with greenhouse gas emissions 10% below emissions from the SCE mix. This renewable energy will come from a combination of local and out-of-area sources, with DCE's goal being to increase the portion of renewable energy produced locally over time.

Energy Efficiency Impacts

A third consequence of the Program will be an increase in local energy efficiency program investments and activities. The existing energy efficiency programs administered by SCE are not expected to change as a result of DCE forming the Program. CCA customers will continue to pay the public goods charges to the distribution utility which funds energy efficiency programs for all customers, regardless of generation supplier. In addition, CCAs are eligible to administer energy efficiency programs through an application to the CPUC. The energy efficiency investments ultimately planned for the Program, as described in Chapter 6, will be in addition to the level of

¹ *Inland Choice Power Community Choice Aggregation Business Plan, December 8, 2016*
http://cvag.org/library/pdf_files/enviro/CCA/CCA_CVAG_WRCOG_SBCOG_Final_Feasibility_Study%2012_08_16.pdf

investment that would continue in the absence of the Program. Thus, the Program has the potential for increased energy savings and a further reduction in emissions due to expanded energy efficiency programs. CVAG has been actively involved in promoting energy efficiency through its Desert Cities Energy Partnership in cooperation with member jurisdictions, SCE, and Southern California Gas Company.

Greenhouse Gas Emissions Impacts

A fourth consequence of the Program is the environmental benefit associated with reducing greenhouse gas emissions. CCA Member jurisdictions have adopted Climate Action Plans with the goal of reducing greenhouse gas emissions to 1990 levels. Community Choice Aggregation offers an opportunity to cut carbon emissions below what may be achieved by SCE. The amount of renewable power in SCE's power supply portfolio is currently 28 percent² and is scheduled to increase to 33 percent by 2020. Assuming DCE's plans to exceed SCE's renewable percentage and their GHG-free supply percentage, GHG emissions reductions attributable to DCE operations in 2019 are expected to be around 64 thousand metric tons CO₂ equivalent (CO₂e) per year, with a total projection of 329 thousand metric tons reduction through the first five years of operation (equivalent of removing 70,000 cars from the road for a year). The result will be a reduction in GHG emissions by 20% below SCE. This projected annual reduction will greatly assist DCE cities to reach or surpass their Climate Action Plan goals.

Economic Development Impacts

A fifth benefit of the Program is increased local economic development. The Feasibility Study describes indirect effects of CCA which will benefit the local economy, including increased local investments in energy efficiency and distributed energy resources (DER), increased disposable income due to bill savings, and improved environmental and health conditions. In addition to increased economic activity due to electric bill savings, potential local renewable energy projects can also create job and economic growth within the DCE service territory.

Chapter 3: Organizational Structure

This chapter provides an overview of the organizational structure of DCE and its proposed implementation of DCE's CCA Program. Specifically, the key agreements, governance, management, and organizational functions of DCE are outlined and discussed below.

Organizational Overview

The Program will have a governing board that establishes Program policies and objectives; management that is responsible for operating the Program in accordance with such policies; and contractors that will provide energy and other specialized services necessary for Program operations pursuant to procurement policies outlined in the contract between TEA and DCE.

Governance

The Program's governing Board of Directors ("Board") will include one appointed designee from each of the CCA Members. DCE was established through a joint powers agreement originally instituted on [October 30, 2017] and formed under California law. The CCA Members of DCE

² http://www.cpuc.ca.gov/RPS_Homepage/

include three (3) municipalities located within the CVAG jurisdiction, which have elected to allow DCE to provide electric generation service within their respective jurisdictions. DCE is the CCA entity that will register with the CPUC, and it is responsible for implementing and managing the Program pursuant to DCE's JPA. The Program will be operated under the direction of the DCE Board, with legal and regulatory support provided by a Board appointed General Counsel.

DCE will contract with the Coachella Valley Association of Governments (CVAG) for administrative and management services. Through this agreement, CVAG will provide management and other staff services including administration, accounting, and implementation of Board directed actions. The Board's primary duties will be to establish program policies, set rates and provide policy direction to the contracted management staff, who will have general responsibility for Program operations, consistent with the policies established by the Board. The Board has established a Chair and Vice-Chair from among its membership. The Board may establish an Executive Committee and other committees and sub-committees as needed to address issues that require greater expertise in particular areas (e.g., finance or contracts). DCE may also form various standing and ad hoc committees or advisory groups, as appropriate, which would have responsibility for evaluating various issues that may affect DCE and its customers, including rate-related and power contracting issues, and would provide analytical support and recommendations to the Board in these regards.

Management

During initial start-up, CVAG contract staff will provide management services. Management and support services will initially be provided by contract with CVAG which will bill DCE directly on an actual expense basis. The Board will be responsible for evaluating management's performance.

Management staff will have management responsibilities over the functional areas of Resource Planning, Electric Supply, Local Energy Programs, Finance and Rates, Customer Services and Regulatory Affairs. In carrying out these responsibilities to DCE, the contracted management staff may recommend to the DCE board that they utilize a combination of contractors. Certain specialized functions needed for program operations, namely the electric supply and customer account management functions described below, will be performed initially by experienced third party contractors. Under this model, it is expected that DCE will not hire employees and rely on a mix of contractors during the startup period and for up to five years.

Resource Planning

The DCE is responsible for the development of both short (one and two year) and long-term resource plans for the Program, with the assistance of experienced third-party contractors. Contractors will oversee the development of the resource plans under guidance provided by the Board and contracted management staff and in compliance with California Law, and other requirements of California regulatory bodies, including the California Public Utilities Commission and the California Energy Commission.

Long-term resource planning includes load forecasting and supply planning on a 10- to 20-year time horizon. The DCE Board will direct the development of integrated resource plans that meet Program supply objectives and balance cost, risk and environmental considerations. Integrated resource planning considers demand side energy efficiency and demand response programs as well as traditional supply options. The Program will require a planning function informed by public

input, even if day-to-day supply operations are contracted to third parties. This will ensure that local preferences regarding the future composition of supply and demand resources are planned for, developed, and implemented.

Portfolio Operations

Portfolio operations encompass the activities necessary for wholesale procurement of electricity to serve end use customers. These activities include the following:

- *Electricity Procurement* – assemble a portfolio of electricity resources to supply the electric needs of Program customers.
- *Risk Management* – standard industry risk management techniques will be employed to reduce exposure to the volatility of energy markets and insulate customer rates from sudden changes in wholesale market prices.
- *Load Forecasting* – develop accurate load forecasts, both long term for resource planning, and short-term for the electricity purchases and sales needed to maintain a balance between hourly resources and loads.
- *Scheduling Coordination* – scheduling and settling electric supply transactions with the California Independent System Operator (CAISO).

DCE has initially contracted with The Energy Authority (TEA) a not-for-profit agency with the necessary experience (and balance sheet) to perform most portfolio operation requirements for the Program. This will include the procurement of energy and ancillary services, scheduling coordinator services, and day-ahead and real-time trading. A description of the third parties that will be supplying electricity under the Program, including information about financial, technical and operations capabilities, is contained in Chapter 10. Long term energy procurement and generation project development will be managed by contractors and overseen by the DCE board.

Local Energy Programs

A key focus of the CCA Program will be the development and implementation of integrated demand side management (IDSM) programs. These programs will include the existing energy efficiency programs currently offered by SCE, the Desert Cities Energy Partnership, and others, in addition to new efficiency and demand response programs that complement, but do not duplicate those already funded by SCE and administered by DCE and others. IDSM programs can be used as cost-effective alternatives to procurement of supply-side resources.

Rate Setting

The Board of Directors will have the ultimate responsibility for setting electric generation rates for Program customers. Contract management staff, in consultation with staff and contractors, will develop proposed rates and options for the Board of Directors to consider before finalization of actual rates, subject to the notice requirements and process described in Chapter 8. The final approved rates must, at a minimum, meet the annual revenue requirement for the Program, including any reserves or coverage requirements set forth in bond covenants. The Board of Directors will have the flexibility to consider rate adjustments within ranges, provided that the overall revenue requirement is achieved; this flexibility provides an opportunity for economic development rates or other rate incentives.

Financial Management/Accounting

Managing the overall financial aspects of the CCA Program is expected to be a significant work

activity. With the support of TEA, CVAG staff, other consultants, and staff, the Executive Director will be responsible for managing this function which includes: developing the annual budget and revenue requirement, managing and maintaining cash flow requirements, securing bridge loans and other financial tools as needed, and overseeing a large volume of billing settlements.

The finance function arranges financing for capital projects, prepares financial reports, and ensures sufficient cash flow for the Program. The finance function plays an important Program risk management function of monitoring the credit of suppliers so that credit risk is managed properly. Credit monitoring is important to maintain awareness of changes in suppliers' financial conditions and credit ratings. The finance function establishes credit policies that the Program must follow.

Settlements (customer billing) will be contracted out to Calpine Energy Solutions, an organization with the necessary infrastructure and capability to handle the approximately 93,000 customer accounts that are expected to participate in the Program. This function is described under Customer Services below.

Customer Services

In addition to general Program communications and marketing, a significant amount of customer service and key account representation will be necessary. This will include both a call center for questions and routine interaction with customer accounts. CVAG staff, through the management services agreement with DCE, will be responsible for coordinating the customer services function. DCE will contract with Calpine Energy Solutions for certain billing related or "Customer Account Services" as described below.

The Customer Account Services function performs retail settlements-related duties and manages customer account data. It processes customer service requests and administers customer enrollments and departures from the Program, maintaining a current database of customers enrolled in the Program. This function coordinates the issuance of monthly bills through the distribution utility's billing process and tracks customer payments. Activities include the electronic exchange of usage, billing, and payments data between SCE and DCE, tracking of customer accounts receivables and payments, issuance of late payment and/or service termination notices, and administration of customer deposits in accordance with DCE credit policies.

The Customer Account Services function also manages billing related communications with customers, customer call centers, and routine customer notices. DCE will initially contract with Calpine Energy Solutions, who bring the necessary experience and computer systems (customer information system) to perform the customer account and billing services functions.

DCE will conduct the general Program marketing and key customer account management functions. These include assignment of account representatives for key accounts to provide high levels of customer service, and implementation of a marketing strategy to promote customer satisfaction with the CCA Program. Ongoing communications, marketing messages, and information regarding the CCA Program to all customers will be critical for the overall success of the CCA Program.

Legal and Regulatory Representation

The CCA Program will require ongoing regulatory representation to file resource plans, to ensure resource adequacy (RA) and California Renewable Portfolio Standard (RPS) compliance, and to

provide overall representation on issues that will impact DCE and its CCA Members. DCE, with support from its contractors, will play an active role in responding to regulatory or legislative actions that affect CCA interests at the CPUC, CEC, and, as necessary, Federal Energy Regulatory Commission (FERC) and the California legislature.

DCE will retain legal services, as necessary, to administer the Program, review contracts, and provide overall legal support to the DCE. In addition to its own General Counsel, DCE has access to the services of several legal firms with CCA expertise:

- Best Best & Krieger, specialists in utility, energy, and environmental law,
- Braun, Blasing, Smith, and Wynne, specialists in regulatory and energy law,
- Jenkins & Hugin, LLP, DCE General Counsel, specialists in municipal and JPA law

Chapter 4: Start-up Plan and Funding

This Chapter presents DCE's plans for the start-up period, including associated expenses and capital outlays, which will commence once the CPUC certifies the receipt of this Implementation Plan.

Startup Activities

Initial program startup activities (some of which have been initiated or completed, as noted) include the following:

- Hire staff and contractors to manage implementation (initiated)
- Identify and negotiate supplier/vendor contracts (initiated)
- Electric supplier and scheduling coordinator (The Energy Authority)
- Data management provider (Calpine Energy Solutions)
- Define and execute communications plan (initiated)
- Customer research/information gathering (initiated)
- Media campaign (initiated)
- Key customer/stakeholder outreach (initiated)
- Informational materials and customer notices
- Customer call center
- Pay utility service initiation, notification, and switching fees
- Perform customer notification, opt-out and transfers
- Conduct load forecasting
- Establish rates
- Obtain legal and regulatory support (BB&K, BBSW and Jenkins & Hugin)
- Implement financial management and reporting

Other costs related to starting up the Program will be the responsibility of Program contractors (and are assumed to be covered by any fees/charges imposed by such contractors). These include capital requirements needed for collateral/credit support for electric supply expenses, customer information system costs, electronic data exchange system costs, call center costs, and billing administration/settlements systems costs.

Staffing and Contract Services

As described in Chapter 3, DCE will contract with CVAG to provide management services, including contract staff and oversight of contractors for its Program implementation. Initially, a mix of CVAG staff and other contractors will provide implementation and operations services. DCE contemplates eventually hiring full-time staff, including an Executive Director, several program specialists, and finance and administrative support personnel to support regulatory, procurement, finance, legal and communications activities. Personnel in the form of DCE staff or contractors will be added incrementally to match workloads involved in Program management. To determine the capital requirements for the start-up period, it is assumed that approximately three full time equivalent staff as well as supporting contracted professional services would be engaged. Following the startup period, additional staff and/or contractors will be retained as needed to support the roll-out of additional value-added services and local generation projects and programs.

Capital Requirements

The start-up of the CCA Program will require capital for three major functions: (1) staffing and contractor costs; (2) deposits and reserves; and (3) working capital. Each of these functions and anticipated capital requirements are discussed below. The finance plan contained in Chapter 7 provides a more detailed discussion of longer term capital requirements and Program finances.

Start-up staffing and contractor costs are estimated to be approximately \$450,000, and include contract staffing costs, and costs related to public relations support, technical support, and customer communications. Actual costs may vary depending on how DCE manages its startup activities and the degree to which some or most of these startup activities are performed by the selected energy services provider rather than by DCE.

Requisite deposits and operating reserves of the Program are estimated to be approximate \$730,000 and include the following items: 1) operating reserves to address anticipated cash flow variation associated with DCE program management - \$600,000 2) CCA bond (posted with the CPUC) - \$100,000; and 3) SCE service fee deposit - \$30,000.

Operating revenues from retail sales of electricity will be remitted to DCE beginning approximately on day 47 of Program operations, based on SCE's standard meter reading cycle of 30 days and SCE's payment/collections cycle of 17 days. The electric supplier, TEA, will be responsible for providing the working capital needed to support electricity procurement, which is estimated to be \$16 million. This cost will be reflected in its price for providing full requirements electric service to the Program.

Total staffing and contractor costs, applicable deposits, and working capital will be collected through program rates; however, some of these costs will be incurred prior to DCE selling its first kWh of electricity and will require financing.

Financing Plan

The majority of anticipated startup funding will be provided to DCE through the energy supplier, TEA. Additional funding for communications services, via a line of credit, will be provided by Calpine Energy Solutions, which will be repaid at an annual interest of 5% following Program commencement. The balance of startup funding will be provided by CVAG or DCE member cities. DCE will recover the principal and interest costs associated with the start-up funding via retail generation rates charged to Program customers. It is anticipated that start-up costs will be fully

recovered through such customer generation rates within the first five years of operations. Pro forma projections for the initial four years of Program operations are shown in Chapter 7 below.

Chapter 5: Program Phase-in

Due to the relatively small utility customer base within the Coachella Valley cities participating in CCA, DCE plans to begin serving all customers within a single billing cycle. The phased approach generally used by larger CCAs in California, for example where participants' own (municipal) accounts are phased in first, followed by large accounts and then other remaining accounts, will not be employed. Service will begin on July 1, 2018, with all accounts that have not opted-out being enrolled into the Program within one billing cycle of that date. It is possible that NEM customers may be enrolled over multiple periods to mitigate the impact of SCE NEM true-up treatment.

Chapter 6: Load Forecast and Resource Plan

The ten-year DCE resource plan seeks to implement the energy goals identified through the Feasibility Study in a financially sustainable way, in compliance with CAISO and CPUC regulations. The key resource objectives for DCE are:

- Contract with and develop local renewable generation including geothermal, solar, wind and biomass;
- Support local distributed generation with Net-Energy Metering and Feed-in Tariffs;
- Promote greenhouse gas reduction and low/zero-carbon electricity sources;
- Continue and extend already existing investments and explore additional opportunities in energy efficiency, rooftop solar, electric vehicle charging, and other local energy programs;
- Practice prudent procurement strategies to mitigate market and regulatory risk by diversifying procurement across generation technologies, counterparties, tenor and execution time; and
- Establish sufficient financial reserves to manage unexpected outcomes, build creditworthiness, and support other resource and business objectives.

DCE will comply with regulatory rules applicable to California load serving entities. DCE will arrange for the scheduling of sufficient supplies to meet the demands of its customers. DCE will adhere to capacity reserve requirements established by the CPUC and the CAISO designed to address uncertainty in load forecasts and potential supply disruptions caused by generator outages and/or transmission contingencies. These rules also ensure that physical generation capacity is in place to serve DCE's customers, even if there were a need for the DCE Program to cease operations and return customers to SCE.

DCE's resource plan is designed to procure sufficient renewable and zero-carbon supply to meet California's Renewable Portfolio Standard and to meet or exceed the local utility's (SCE's) forecasted renewable supply percentage and carbon emissions reduction rates. DCE intends to make full use of liquid, over-the-counter markets for wholesale power, capacity and renewable energy to supplement bilateral procurement of local supply through RFPs and, potentially, development of new local resources. This includes relying on power provided through CAISO's Day-Ahead, Fifteen Minute, and Real-Time markets for hourly and sub-hourly shaping.

DCE has engaged TEA to act as its agent to procure supply in the bilateral markets as well as act as its Scheduling Coordinator with CAISO. TEA is a not-for-profit energy firm which assists over 40 municipal and state-chartered entities in energy procurement nationwide. TEA actively participates in forward markets through the Intercontinental Exchange (ICE) and on a bilateral basis – procuring energy, resource adequacy capacity and renewable energy credits. TEA will also assist DCE in running competitive solicitations for long-term supply contracts and to develop new resources.

DCE's proposed ten-year resource plan for the years 2018 through 2026 is summarized in Table 2:

Table 2: Proposed ten-year resource plan in GWh

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Demand										
Retail Demand	787	1433	1447	1462	1476	1491	1506	1521	1536	1552
Losses	37	67	68	69	69	70	71	71	72	73
Wholesale	824	1500	1515	1530	1546	1561	1577	1592	1608	1624
Supply										
Renewable	279	572	671	690	708	727	746	765	785	805
Large-scale Hydro	170	312	289	293	373	456	540	625	712	820
System	375	616	555	548	464	379	291	202	111	0
Total Supply	824	1,500	1,515	1,530	1,546	1,561	1,577	1,592	1,608	1,624
Net Position	0	0	0	0	0	0	0	0	0	0

Values for 2018 represent a partial year, from July through December

Retail load is after distribution losses

Supply Requirements

DCE is planning to launch its CCA Program to all customers simultaneously. In this initial Program launch, three cities (out of six eligible CVAG member agencies served by SCE) have elected to participate in the CCA, representing over 80% of potential eligible load within the CVAG jurisdiction. Should additional communities elect to join prior to program launch, they will be included in the initial roll-out subject to DCE's ability to timely attain requisite certification of any needed amendment to this document.

The starting point for DCE's resource plan is a projection of participating customers and associated electric consumption. Projected electric consumption is evaluated on an hourly basis, and matched with resources best suited to serving the aggregate of hourly demands or the Program's "load profile."

Load Forecast Methodology

To forecast future electricity consumption, weather normalization was applied to two years of historical monthly load data, and the resulting weather-adjusted data was extended forward with a presumed 1% per year net (i.e., taking into account energy efficiency and rooftop generation) load growth. SCE default load profiles were applied by customer class to determine estimated hourly consumption amounts. Finally, distribution losses were applied to determine the corresponding wholesale procurement requirements.

Roll-Out Schedule

DCE plans to begin serving its first customers July 1, 2018 and to have offered service to all customers by July 31, 2018. Eligible customers will be provided the opportunity to opt out of the Program per the requirements of the law enabling CCA formation.

Customer Participation Rates

Customers will be automatically enrolled in DCE's electricity Program unless they opt out during the customer notification process conducted during the 60-day period prior to enrollment and continuing through the 60-day period following commencement of service. DCE studied scenarios with customer participation rates between 85% and 95% based upon the experiences of other recent CCA formations and expansions in California. The expected case assumes a 90% participation rate. DCE plans to offer rates that are lower than SCE's and expects that will lead to fewer opt outs.

Customer Forecast

During the month of enrollment approximately 93,000 customer accounts are expected to be enrolled across all rate classes, or about 4,000 per day. Total customer accounts by rate class are shown in Table 3 below.

Table 3: Expected DCE Customer Enrollments by Rate Class in July 2018

<u>Class</u>	<u>Accounts</u>
Residential	79,536
Agriculture	276
Small Commercial	10,888
Medium	1,532
Large Commercial	78
Industrial	25
Street Lighting	941
Total	93,276

The forecast of service accounts (customers) served by DCE for each of the next ten years is shown in Table 4 below, which reflects an estimated annual growth of 1%.

Sales Forecast

DCE's forecast of kWh sales reflects the roll-out and customer enrollment schedule shown above. The annual electricity needed to serve DCE's retail customers is shown in Table 5 below.

Table 4: Total Projected Service Accounts by Rate Class

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Residential	79,536	80,331	81,134	81,946	82,765	83,593	84,429	85,273	86,126	86,987
Agriculture	276	279	282	285	288	290	293	296	299	302
Small Commercial	10,888	10,996	11,106	11,217	11,330	11,443	11,557	11,673	11,790	11,908
Medium Commercial	1,532	1,547	1,562	1,578	1,594	1,610	1,626	1,642	1,659	1,675
Large Commercial	78	79	80	81	82	82	83	84	85	86
Industrial	25	25	26	26	26	26	27	27	27	27
Street Lighting	941	951	960	970	979	989	999	1,009	1,019	1,029
Total	93,276	94,208	95,151	96,102	97,063	98,034	99,014	100,004	101,004	102,014

Table 5: Projected Energy Sales 2018-2027 in MWh

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Residential	436,595	771,318	779,031	786,822	794,690	802,637	810,663	818,770	826,957	835,227
Agriculture	47,354	93,728	94,666	95,612	96,568	97,534	98,509	99,494	100,489	101,494
Small Commercial	77,255	143,951	145,390	146,844	148,312	149,796	151,293	152,806	154,334	155,878
Medium Commercial	122,674	225,731	227,988	230,268	232,571	234,897	237,245	239,618	242,014	244,434
Large Commercial	44,784	84,370	85,214	86,066	86,927	87,796	88,674	89,561	90,457	91,361
Industrial	54,946	106,151	107,213	108,285	109,368	110,461	111,566	112,682	113,809	114,947
Street Lighting	3,603	7,575	7,650	7,727	7,804	7,882	7,961	8,041	8,121	8,202
Total	787,211	1,432,824	1,447,153	1,461,624	1,476,240	1,491,003	1,505,913	1,520,972	1,536,182	1,551,543

Capacity Requirements

DCE is required to procure or self-provide sufficient generation capacity to meet resource adequacy (RA) obligations as set forth by CAISO and the CPUC. This obligation is to demonstrate ownership of a combination of system-wide capacity from any generator within, or dynamically connected to the CAISO footprint; local capacity within specific local reliability areas (LRAs) within the same default load aggregation point (DLAP) which in DCE's case is the SCE DLAP; and flexible capacity to meet morning and evening ramps due to load ramping up and variable energy resources ramping down.

The obligation amounts in each category are determined by the California Energy Commission (CEC) based on load forecasts provided by each load serving entity (LSE) as well as information about any renewable resources which are under contract for the coming year. The amount of total capacity required (system plus local) is based on an individual LSE's (in this case DCE's) coincident peak demand within CAISO as a whole; this amount is 115% of the coincident peak demand on a monthly basis. The local RA fraction is a pro-rata share of the total local capacity requirement within the SCE service territory. DCE must show it has procured 90% of its RA obligation for the first full year of operation prior to the start of that year, and the remaining 10% prior to the beginning of each operating month.

DCE's resource adequacy filings will take place in October of each year, according to the schedule established by the California Energy Commission for evaluating statewide resource adequacy based on resource plans filed by all LSEs in the state. The forward resource adequacy requirements for DCE's initial two years are shown in Table 6. It is assumed that the Local Requirement will be approximately 50% of the total, and Flex will be 20% of the System + Local Requirement.

Table 6: Total Resource Adequacy Capacity Requirement Forecast in MW

Month	<u>2018</u>	<u>2019</u>
January		297
February		321
March		353
April		420
May		435
June		516
July	539	524
August	608	614
September	595	601
October	499	504
November	356	360
December	339	342

Local capacity requirements are a function of the SCE area resource adequacy requirements and DCE's projected peak demand. DCE will need to work with the CPUC's Energy Division and potentially the staff at the California Energy Commission to obtain the data necessary to calculate DCE's monthly local capacity requirement. A preliminary estimate of DCE's annual local capacity requirements is contained in Table 7.

Table 7: System and Local Capacity Requirements - Annual Max in MW

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Peak Demand	529	534	560	566	550	556	561	588	594	600
Total Capacity Requirement	608	614	644	650	633	639	645	677	684	690
Local Capacity (% of Total)	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Los Angeles Basin (MW)	304	307	322	325	316	319	323	338	342	345

Renewable Portfolio Standards Energy Requirements

RPS Requirements

As a CCA, DCE is required by law and ensuing CPUC regulations to procure a minimum percentage of its retail electricity sales from qualified renewable energy resources. The same standards and rules governing RPS compliance that are applicable to distribution utilities like SCE apply equally to all CCAs as well.

For purposes of meeting the RPS, what qualifies a resource as renewable varies by the resource's location and type of contract. Resources which have their first point of interconnection, or are delivered directly to the California grid (Balancing Authorities within California), and are contracted for by the LSE as energy bundled together with respective renewable energy credits (RECs) qualify as Portfolio Content Category 1 (PCC1) resources. Resources which sell energy and RECs together, but are not necessarily first connected to the California grid and not delivered simultaneously (i.e. the energy may be "shaped" into flat blocks of power) qualify as PCC2 resources. RECs sold independently of the energy produced qualify as PCC3 resources.

In the third RPS compliance period, which begins in 2017 and extends through 2020, LSEs are required to procure 75% of their overall RPS-compliant supply from PCC1 resources, no more than 10% from PCC3 resources, and the remainder can be from PCC2 resources. The total RPS percentage of the LSE's energy supply must be 29% in 2018, and the percentage increases linearly to 33% in 2020. Beyond 2020, the CEC and CPUC will set RPS requirements to enforce SB 350, which mandates a 50% RPS by 2030. The DCE resource plan assumes that the RPS will ramp up linearly between 2020 and 2030 and that requirements on portfolio content categories will remain the same.

DCE's Renewable Energy Goals

DCE intends to pursue a more aggressive renewable supply portfolio than the minimum required by statute. This includes exceeding both the RPS mandate as well as SCE's forecast renewable portfolio percentage and using only PCC1 and PCC2 qualified renewables to meet the mandate. The basic DCE retail offering will meet these objectives. There also will be potential for a 100% renewable option available to customers at a premium rate.

DCE plans to exceed SCE's renewable supply percentage within the first few years of operation and throughout the balance of the first ten years of operation. DCE will therefore significantly exceed the minimum RPS requirements as shown in Table 8 so long as it can, as currently expected, remain cost competitive with SCE's generation supply costs.

Table 8: DCE Renewable Portfolio Standard Compliance and Targets (GWh)

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Retail Load	787	1,433	1,447	1,462	1,476	1,491	1,506	1,521	1,536	1,552
RPS % Target	29%	31%	33%	36%	38%	40%	42%	43%	45%	47%
RPS Obligation	228	444	478	532	562	593	625	657	690	723
DCE % Target	35%	40%	46%	47%	48%	49%	50%	50%	51%	52%
DCE Target	279	572	671	690	708	727	746	765	785	805

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Resources

DCE plans to procure supply through a variety of sources. DCE's strategic vision is to procure and develop local renewable resources including existing and to be developed small hydro generation, local solar capacity, and local wind supply.

DCE has contracted with a third-party service provider, TEA, to act as its agent in procuring power, capacity and renewable energy credits through the wholesale power market. This arrangement provides flexibility such that DCE can incorporate contracted or new resources into its supply mix as procurement occurs. DCE will be transacting initially using TEA's contracts with generation marketers and will therefore be able to spread transactions out amongst multiple counterparties and over time. This will lead to a lower risk portfolio over time as DCE's supply costs will tend to smooth out fluctuations in market prices.

Purchased power

DCE will make extensive use of power markets to meet supply needs on an ongoing basis in order to retain rate competitiveness with SCE. A substantial portion of SCE's supply portfolio consists of short-term power and gas contracts procured from wholesale markets. DCE will need to follow a similar practice with respect to its power supply costs to mitigate the risks of having more expensive supply than SCE. As DCE's proportion of renewable supply grows it can continue to maintain supply cost flexibility by having some of its contracts be index-based , whereby energy price varies with market prices. This residual exposure to market price can then be systematically hedged using similar techniques to those discussed below.

Over-the-counter power markets such as the Intercontinental Exchange (ICE) provide a transparent platform upon which to procure power in standardized contracts with very low transaction costs. DCE plans to procure peak and off-peak power in annual, quarterly or monthly blocks in a systematic way to mitigate the risk of buying large percentages of supply when market conditions may be relatively expensive. This smoothing, or dollar-cost-averaging of supply costs, is a standard best practice for utilities (as well as other participants in wholesale markets) to manage price risk. DCE will make use of stochastic price and load models to measure risk levels and the effectiveness of various hedging transactions on reducing the risk.

DCE will also be able to procure power through CAISO in the Day-Ahead, Fifteen Minute, and 5 Minute Markets. These are also low transaction cost ways to procure power and seamlessly provide supply shaping to match load shape on hourly and sub-hourly granularity. DCE will plan to use the CAISO market to handle its hourly shaping needs and to contribute to the dollar-cost-averaging approach to risk mitigation.

Prior to beginning procurement and in collaboration with TEA, DCE will develop a strategy for procuring power based upon a variety of considerations including:

- Quantity and cost of procured local renewable supply;
- SCE's rates and procurement practices;
- Stochastically measured risk metrics and risk tolerances;
- Plans for layering in local renewable supply over time;
- Credit availability.

Renewable Resources

DCE has a goal of supporting and developing local renewable resources. Spending money on local supply also supports DCE's objective of supporting the local economy.

Therefore, DCE proposes to procure local renewable power as financial circumstances allow, and supplement with non-local, less expensive renewables available on a short-term bilateral basis. This may include utility-scale solar, wind, geothermal or other forms of renewable supply. DCE's wholesale services adviser (TEA), will solicit Category 1 and 2 power and RECs from marketers as needed to meet DCE's RPS obligations and renewable percentage objectives described earlier. DCE will make use of the wholesale service advisor's enabling agreements – with Western System Power Pool and Edison Electric Institute (WSPP and EEI) – to transact with marketers on a short-term basis. As more local renewables are contracted, the need for short-term renewable supply will diminish. Planned mechanisms for procurement of local renewable energy include feed-in tariffs for renewable energy systems with capacity less than 1 MW and with minimal on-site loads, and net metering arrangements similar to, or better than, those offered by SCE for solar systems under 1 MW that principally serve on-site load³.

Energy Efficiency

California electric distribution utilities (investor owned utilities and municipal utilities) are required by law to include a separate line item on customer bills containing a surcharge to fund Public Purpose Programs supported by the Public Goods Charge (PGC). PGC funded programs include energy efficiency, renewable energy, low-income, and research and development programs. The PGC surcharge is non-bypassable, subject to payment regardless of whether the serving distribution utility provides the energy commodity. Therefore, customers purchasing energy from a private Energy Service Provider (ESP) or a CCA must pay the PGC and may participate in PGC funded programs.

Additionally, CCA enabling legislation⁴ permits CCAs to apply to administer cost-effective energy efficiency programs. All electric utilities in the state include energy efficiency programs in their resource portfolios, and total state-wide annual budgets for these programs are approximately \$700 million. Energy efficiency programs provide a least-cost resource and enhance customer service.

CVAG has been active in advancing energy efficiency with its member jurisdictions in our region since 2008. CVAG currently receives funding from SCE through its Desert Cities Energy Partnership program to implement energy efficiency programs. The CVAG Executive Committee and member jurisdictions have committed to further efficiency efforts in the valley. CCA Members have adopted energy action plans to advance energy efficiency and climate action plans to reduce greenhouse gas emissions. DCE plans to continue this efficiency work post-CCA implementation, and develop additional efficiency programs that enhance, but do not duplicate, existing programs in its overall integrated demand side management strategies. DCE will explore options to incentivize energy efficiency and associated cost savings for its customers.

³ Net metered rooftop solar supply will increase the overall renewable supply in Riverside County but will not count towards meeting DCE's RPS obligations.

⁴ AB 117, Chapter 838, Chaptered September 24, 2002, adding Section 381.1 to Public Utilities Code

Demand Response

Demand response programs provide incentives to customers to reduce demand upon request by the load serving entity (i.e., DCE), and thereby reducing the amount of generation capacity that must be maintained as infrequently-used reserves. Demand response programs can be cost effective alternatives to capacity otherwise needed to comply with resource adequacy requirements. Such programs also typically provide rate benefits to customers who have the flexibility to reduce or shift consumption for relatively short periods of time when generation capacity is most scarce. Like energy efficiency, demand response can be a win/win proposition, providing economic benefits to the electric supplier and customer service benefits to the customer.

DCE is interested in exploring the potential for Demand Response (DR) within its service area. However, it is not clear at present how much potential there may be for effective demand response. Other CCAs have initiated some prototype DR projects, but have not found opportunities for large scale DR deployment to date. Two newly-emerging areas of demand response are electric vehicles and heat pumps with thermal storage combined with smart grid or timer control. DCE will explore the potential for fuel switching as a form of demand response.

SCE offers a number of demand response programs to its customers such as the Base Interruptible Program, the Demand Bidding Program, the Optional Binding Mandatory Curtailment Plan, and access to some DR aggregator programs. These may be available to DCE's customers as well. Some existing CCAs provide access to these programs, while others do not. DCE will explore options for including demand response programs into its overall integrated demand side management strategies.

Distributed Generation

DCE is strongly supportive of developing local renewable generation. One significant element of that objective is to incentivize the development of distributed generation, primarily rooftop and small scale solar PV. DCE plans to implement Net Energy Metering (NEM) and Feed-in-Tariff (FIT) rate schedules which will be more remunerative than comparable SCE schedules to encourage local residents, businesses and developers to install more solar generation within the DCE service area. DCE's resource plan calls for several MWs of both NEM and FIT capacity to be developed within the first several years of operation.

Impact of Resource Plan on Greenhouse Gas Emissions

DCE plans to reduce CO₂ emissions from its supply portfolio relative to SCE's forecasted emissions rates. Table 9 shows the projected CO₂ emissions rates in lbs/MWh for SCE and DCE over the 2018 to 2027 time period. DCE plans to achieve emissions reductions through having a substantial part of its supply portfolio be non-fossil-fuel resources. This will consist of RPS- eligible renewable supply as well as other non-fossil-fuel supply such as large hydro generation.

Table 9: Projected SCE and CCA CO₂ Emissions Rates in lbs/MWh

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
SCE Emissions Rate	523	481	439	432	424	417	410	402	395	388
DCE Emissions Rate	429	387	345	337	283	228	174	120	65	-

Chapter 7: Financial Plan

This section examines the monthly cash flows expected during the implementation period of the CCA Program and identifies the anticipated financing requirements for the overall CCA Program by DCE.

Description of Cash Flow Analysis

This Cash Flow Analysis estimates the level of working capital that would be required until DCE begins to collect retail revenues. With a planned program start date of July 1, 2018 regular monthly revenues would not be realized until the fourth quarter of 2018. The Cash Flow Analysis focuses primarily on the monthly costs and revenues associated with the CCA Program implementation period.

Cost of CCA Program Operations

The first category of the Cash Flow Analysis is the Cost of CCA Program Operations. To estimate the overall costs associated with CCA Program Operations, the following components were taken into consideration:

- Electricity Procurement
- Resource Adequacy and Renewable Energy Credit Requirements
- Exit Fees
- Staffing Requirements
- Contractor Costs
- 3rd Party Wholesale Services and Data Management Fees
- Billing Costs
- Franchise Fees
- CAISO Charges (Uplift, etc.)

DCE has arranged for services contracts with a Wholesale Services Provider (The Energy Authority) and a Data Management Provider (Calpine Energy Solutions). These contracts were arranged to supply financing to DCE through the implementation period and the beginning of the energy procurement period. DCE will not begin being billed for these services until revenues start to accrue. Therefore, DCE will not require any additional financing for those services through that period.

Cash Flow Analysis Results

The results of the Cash Flow Analysis provide an estimate of the level of working capital required for DCE to move through the CCA implementation period. This estimated level of working capital is determined by examining the monthly cumulative net cash flows (revenues from CCA operations

minus cost of CCA operations) based on assumptions for payment of costs by DCE, along with an assumption when customer payments will be received. This identifies, on a monthly basis, what level of cash flow is available in terms of a surplus or deficit. With regard to the assumptions related to payments streams, the Cash Flow Analysis assumes that customers will make payments within 60 days of a given service month, and that DCE will make payments to suppliers within 30 days of a given service month.

Because DCE has arranged for services contracts, including procurement, which include financing for the period between when costs are incurred and revenues are received, DCE's working capital requirements are reduced accordingly. In addition, DCE has reduced much of its overhead (e.g. rent) through use of contractors to provide implementation and operations services. Therefore, DCE's additional financing needs are generally limited to any incremental resources needed to meet staffing costs. CVAG is providing part-time support from existing staff to manage startup activities, and to cover General Counsel and some consultant costs. CVAG anticipates requesting reimbursement for these costs at such time as DCE is receiving ratepayer funds and has a positive cash flow. DCE will establish a general fund reserve balance that could be drawn down to cover these costs, but all of DCE's current funding is on a reimbursable basis. Therefore, establishing a healthy general fund balance and/or line of credit is necessary to manage cash-flow for daily operations.

In terms of reviewing the results of the Cash Flow Analysis, it is important to note that from a feasibility standpoint, the CCA Program is viable, meaning that the CCA Program is feasible while providing cost savings to customers when compared to the costs for electricity those same customers pay under incumbent distribution utility arrangements. The feasibility of the CCA Program during the implementation period is summarized further below.

CCA Program Implementation Pro Forma

In addition to developing a Cash Flow Analysis that estimates the level of working capital required to get DCE through full CCA implementation, a summary analysis that evaluates the financial performance of the CCA Program during the implementation period is also provided. The difference between the Cash Flow Analysis and the CCA pro forma analysis is that the pro forma analysis does not include a lag associated with payment streams. In essence, costs and revenues are reflected in the month in which service is provided. All other items, such as costs associated with CCA Program Operations and rates charged to customers, remain the same.

The results of the pro forma analysis are shown in Table 10. Over the 2018 – 2027 evaluation period, the Program is estimated to provide up to \$36 million in customer rate savings as well as approximately \$75 million net positive cash flow. These amounts are subject to change depending upon market prices, SCE rates, and other factors. Surplus revenues will form the basis of a rate-stabilization or reserve fund, as well as to build DCE's credit profile. They may also be used for the development and implementation of renewable energy projects, energy efficiency programs, and/or low-income assistance programs.

Table 10: DCE Pro-Forma . Net Programs Revenues is the Total Revenues minus Total Operations Costs

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Revenues from Operations (\$)										
Electric Sales Revenues	47,726,615	88,002,970	92,797,780	94,848,145	94,552,354	100,648,871	101,609,745	102,804,942	105,669,583	108,376,963
Uncollected Accounts	(143,180)	(264,009)	(278,393)	(284,544)	(283,657)	(301,947)	(304,829)	(308,415)	(317,009)	(325,131)
Total Revenues	47,583,436	87,738,962	92,519,387	94,563,601	94,268,697	100,346,925	101,304,916	102,496,527	105,352,574	108,051,832
Cost of Operations (\$)										
Staffing & Consulting	456,822	665,227	413,403	416,986	419,787	422,089	424,046	425,748	427,255	428,608
Wholesale Services	347,040	714,902	736,349	758,440	781,193	804,629	828,768	853,631	879,240	905,617
Data Management Services	643,603	1,339,079	1,393,044	1,449,184	1,507,586	1,568,342	1,631,546	1,697,297	1,765,698	1,836,856
IOU Fees	293,930	599,677	611,730	624,026	636,569	649,364	662,416	675,731	689,313	703,168
Energy Procurement	41,900,707	72,584,004	76,088,690	79,586,501	83,757,041	86,373,237	90,345,881	94,859,997	99,492,690	101,921,668
Total Operations	43,642,102	75,902,890	79,243,217	82,835,137	87,102,176	89,817,661	93,892,657	98,512,404	103,254,196	105,795,917
Net Program Revenues	3,941,334	11,836,072	13,276,170	11,728,463	7,166,520	10,529,264	7,412,259	3,984,123	2,098,378	2,255,916
Cumulative Reserves	3,941,334	15,777,405	29,053,575	40,782,038	47,948,559	58,477,822	65,890,081	69,874,204	71,972,582	74,228,498

DCE Financing

Implementation Financing

As previously mentioned, due to the majority of up front financial need being built into the structure of DCE's services contracts, DCE anticipates fairly minimal direct financing requirements during implementation to pay for any incremental resources. Any such funding is expected to come from a line of credit from [list additional funding source here]. Financing for power purchases as well as outsourced services is included in the costs for those services. These funding sources have a payback over the 5-year term of the contracts, and are accounted for in the applicable service charges.

Local Renewable Resource Project Financing

DCE will issue Request for Offers (RFO) for local solar/geothermal/wind generation as its first purchase of resource-specific generation. It is anticipated that existing local generators will respond and will not require further collateral or other initial funding. Any additional renewable generation development during the first several years of operations is expected to be funded out of operating revenues and/or accumulated reserves. The most likely early resource development efforts will be focused on relatively small scale solar PV developments. Other opportunities for local renewable resource development include geothermal developments near the Salton Sea, wind, and biomass.

Chapter 8: Rate setting

Introduction

This chapter describes the initial policies for DCE in setting its rates for electric aggregation services. These include policies regarding rate design, objectives, and due process in setting Program rates. This section also presents a comparison of preliminary Program rates to the distribution utility rates projected to be in effect at Program initiation. Final Program rates will be approved by the Board of Directors and included in the initial customer opt-out notices.

By adopting this Implementation Plan, the DCE's Board of Directors approved the rate policies and procedures contained herein to be effective at Program initiation. The Board of Directors retains authority to modify Program policies from time to time at its discretion.

Rate Policies

DCE will establish rates sufficient to recover all costs related to operation of the Program, including any reserves that may be required as a condition of financing, and other discretionary reserve funds that may be approved by the Board of Directors. The initial goal has been set to build a discretionary reserve between \$16 and \$50 million over the first five years of operation, depending on market conditions. As a general policy, rate discounts relative to SCE will be uniform for all customer classes throughout the Program service area, comprised of the jurisdictional boundaries of DCE's CCA Members.

The primary objective of the rate setting plan is to set rates that achieve the following:

- Rate competitiveness
- Rate stability
- Equity among customers
- Customer understanding
- Revenue sufficiency

Each of these objectives is described below.

Rate Competitiveness

DCE's goal is to offer competitive rates for the electric services it provides to participating customers. For participants in DCE's standard tariff, the goal is for the rates DCE customers pay to be at or below the equivalent generation rates offered by SCE, subject to actual energy product pricing and decisions by the Board and similar rates offered by SCE. For participants in DCE's voluntary renewable energy tariff, the goal will be to offer the lowest possible customer rates with an incremental monthly cost premium reflective of the actual costs of additional renewable energy supply required to serve such customers.

Competitive rates will be critical to attracting and retaining key customers. In order for DCE to be successful, the combination of price and value must be perceived as superior when compared to the bundled utility service alternative. As planned, the value provided by the DCE Program will include a community focus and local investment and control.

Rate Stability

DCE will offer stable rates by hedging its supply costs over multiple time horizons. Rate stability considerations may mean that rates at any point in time may offer somewhat greater or lesser savings than the general rate targets set for the Program. Although DCE's rates will be stabilized through execution of appropriate price hedging strategies, the distribution utility's rates can fluctuate significantly year-to-year based on energy market conditions such as natural gas prices, the utility's hedging strategies, and hydro-electric conditions; and from rate impacts caused by periodic additions of generation to utility rate base.

Equity among Customer Classes

DCE's policy is to provide rate benefits to all customer classes relative to the rates that would otherwise be paid to the local distribution utility. Rate differences among customer classes will reflect the rates charged by the local distribution utility as well as differences in the costs of providing service to each class. Rate benefits may also vary among customers within the major customer class categories, depending upon the specific rate designs adopted by the Board of Directors.

Customer Understanding

The goal of customer understanding involves rate designs that are relatively straightforward so that customers can readily understand how their bills are calculated. This not only helps minimize customer confusion and dissatisfaction but will also result in fewer billing inquiries to DCE's customer service call center. Customer understanding also requires rate structures to make sense

(i.e., there should not be differences in rates that are not justified by costs or by other policies such as providing incentives for conservation).

Revenue Sufficiency

DCE's rates must collect sufficient revenue from participating customers to fully fund the Program's annual budget. Rates will be set to collect the adopted budget based on a forecast of electric sales for the budget year. Rates will be adjusted as necessary to maintain the ability to fully recover Program costs.

Rate Design

DCE's rate designs will, at least initially, generally mirror the structure of SCE's generation rates to avoid the possibility that customers would see significantly different bill impacts as a result of changes in rate structures that would take effect following enrollment in DCE's Program.

The proposed rate design approach will apply an equal percentage discount to the otherwise applicable rate for all of the various rate schedules offered by SCE. All customers, including low income residential customers receiving low income discounts, would receive the same rate benefit on a percentage basis.

The "equal benefits" rate design will facilitate clear rate comparisons and provide for a smooth transition of customers from bundled service to Program service. DCE's Board of Directors has the discretion to modify its rate design policies, and it is likely that over time DCE's rates will become less tied to those offered by SCE.

Low-income customers who stay with the CCA Program will still be eligible for the California Alternative Rate for Energy (CARE) plan through SCE. This program is funded by all customers through either the public purpose program charge or the investor owned utilities (IOUs) distribution rates and will not impose additional costs on Program customers. However, DCE may create additional programs to benefit low income Program customers.

Net Energy Metering

Customers with on-site generation eligible for net metering from SCE will be offered a net energy metering rate from DCE; the potential for this rate to be greater than that offered by SCE will likely be considered by the DCE Board. Net energy metering allows customers with certain qualified distributed generation to be billed on the basis of their net energy consumption. DCE's objective is that the DCE net energy metering tariff would apply to DCE's generation component of the bill, and the SCE net energy metering tariff would apply to SCE's portion of the bill. To the extent that current CPUC regulations governing provision of net energy metering to CCA customers are unresolved, DCE would work with SCE and the CPUC to establish a net energy metering tariff that accomplishes this objective.

Rate Impacts

Based on projected costs for the first year of service, DCE's initial load-weighted average generation rate is expected to be 7 cents/kWh. This is below projected SCE generation rates, including the impact of the PCIA charge which DCE customers will also have to pay.

DCE's rates include all costs expected to be incurred by DCE related to the Program, including power supply costs, operations and administration costs, reserves, and billing and metering fees charged by SCE to DCE. Program rates are designed to be at or below SCE rates.

Disclosure and Due Process in Setting Rates and Allocating Costs among Participants

Initial Program rates will be adopted by the Board of Directors following the establishment of the first year's operating budget prior to initiating the customer notification process. Subsequently, DCE will prepare an annual budget together with any corresponding needed adjustments to customer rates. Any such rate change proposals will be submitted to the Board of Directors for review and approval. Revised rates must be approved at a public meeting of DCE no sooner than sixty days following submission of the proposed rates, during which time affected customers will be able to provide input and comment on the proposed rate changes.

Within forty-five days after submitting an application to increase any rate, DCE will furnish notice of its application to its customers affected by the proposed increase, either by mailing such notice postage prepaid to such customers or by including such notice with the regular bill for charges transmitted to such customers. The notice will state the amount of the proposed increase expressed in both dollar and percentage terms, a brief statement of the reasons the increase is required or sought, and the mailing address of DCE to which any customer inquiries relative to the proposed increase, including a request by the customer to receive notice of the date, time, and place of any hearing on the application, may be directed.

Chapter 9: Customer Rights and Responsibilities

This chapter discusses customer rights, including the right to opt out of the CCA Program, as well as obligations customers undertake upon agreement to enroll in the CCA Program. All customers that do not opt-out within 60 days of enrollment in the Program (after having received the fourth opt-out notice) will have agreed to become full status Program participants and must adhere to the obligations set forth below, as may be modified and expanded by the Board of Directors from time to time.

By adopting this Implementation Plan, DCE's Board of Directors approved the customer rights and responsibilities policies contained herein to be effective at Program initiation. The Board of Directors retains authority to modify Program policies from time to time at its discretion.

Customer Opt-Out Rights, Notices and Process

Opt-Out Notices

A total of four notices will be provided to customers describing the Program, informing them of their right to opt out and remain with utility bundled generation service, and containing a simple mechanism for exercising their opt out rights. The first notice will be mailed to customers approximately sixty days prior to the date of automatic enrollment. A second notice will be sent approximately thirty days later. Customers who do not affirmatively opt out within this period shall be automatically enrolled in the Program.

Following automatic enrollment, a third opt out notice will be included with the final bill containing utility generation charges, and a fourth and final opt out notice will be included with the first bill containing Program charges. Customers who opt out will be obligated to pay DCE's charges for electric services provided during the time such customers took service from the Program, but will otherwise not be subject to any penalty or transfer fee from DCE.

DCE will use its own mailing service for opt out notices to increase the likelihood that customers will read the notices. Customers may opt out by notifying DCE using the Program's designated telephone-based or internet opt out processing service. Customers that contact SCE to opt-out will be transferred to the Program's call center to complete the opt-out process. Consistent with CPUC regulations, notices returned as undelivered mail will be treated as failure to opt-out and the customer will be automatically enrolled.

Termination Fee

Customers that are automatically enrolled in the Program can elect to transfer back to the incumbent utility without penalty. DCE will not charge any fee to customers returning to bundled service from SCE. The DCE Board of Directors reserve the right to review and revise fees which may be assessed to Program customers returning to bundled utility service. Customers electing to terminate Program service will be transferred to SCE on their next regularly scheduled meter read date if the termination notice is received a minimum of fifteen days prior to that date. Customers who voluntarily transfer back to SCE will also be liable for any reentry fees imposed by SCE as set forth in applicable SCE CCA tariffs. Such customers will also be required to remain on bundled utility service for a period of at least one year, as described in SCE's CCA tariffs.

Customer Confidentiality

DCE will maintain confidentiality of individual customer data. Confidential data includes individual customers' name, service address, billing address, telephone number, account number and electricity consumption. Aggregate data that does not compromise confidentiality of individual customers may be released at the discretion of DCE or as required by law or regulation.

Responsibility for Payment

Pursuant to CPUC regulations, electricity service will not be shut off for failure to pay DCE's bill. In most circumstances, customers will be returned to bundled utility service for failure to pay bills in full, and customer deposits will be withheld in the case of unpaid bills. Late payment notices will be sent to overdue customers; if payment is not received after an additional period of time as stated in the notices, service will be transferred to the utility on the next regular meter read date, unless alternative payment arrangements have been made. Consistent with the CCA tariffs, Rule 23, service will not be discontinued to a residential customer for a disputed amount if that customer has filed a complaint with the CPUC and that customer has paid the disputed amount into an escrow account.

Customers will be obligated to pay DCE charges for Program services provided through the date of transfers, including any applicable termination fees. DCE will have an enforceable collection mechanism to support its credit and will attempt to negotiate collection arrangements with the distribution utility that will satisfy DCE's credit requirements. DCE may petition the Commission to

obtain shut-off rights for a customer's non-payment of Program charges if a satisfactory collections agreement cannot be negotiated with SCE.

Customer Deposits

Customers may be required to post a deposit equal to two months' estimated bills for DCE's charges to obtain service from DCE under certain circumstances. A deposit would be required for an applicant who previously has been a customer of SCE or DCE and whose electric service has been discontinued by SCE or DCE during the last twelve months of that prior service because of nonpayment of bills. Such customers may be required to reestablish credit by depositing the prescribed amount. Additionally, a customer who fails to pay bills before they become past due as defined in SCE Electric Rule 11 (Discontinuance and Restoration of Service), and who further fails to pay such bills within five days after presentation of a discontinuance of service notice for nonpayment of bills, may be required to pay said bills and re-establish credit by depositing the prescribed amount. This rule will apply regardless of whether or not service has been discontinued for such nonpayment. Failure to post deposit as required would cause the account service transfer request to be rejected, and the account would remain with SCE.

Chapter 10: Procurement Process

Introduction

This chapter describes DCE's initial procurement policies and the key third party service agreements by which DCE will obtain operational services for the CCA Program.

By adopting this Implementation Plan, DCE's Board of Directors approved the general procurement policies contained herein to be effective at Program initiation. The Board of Directors retains authority to modify Program policies from time to time at its discretion.

Procurement Methods

DCE has entered into and will continue to enter into agreements for a variety of services needed to support Program development, operation, and management. DCE will generally utilize competitive procurement methods for services but may also utilize direct procurement or sole source procurement, depending on the nature of the services to be procured. Direct procurement, or sole source procurement, is the purchase of goods or services without competition when multiple sources of supply are available. Sole source procurement is generally to be performed only in the case of emergency or when a competitive process would be an idle act.

DCE utilized a competitive solicitation process to enter into agreements with entities providing electrical services for the Program. Agreements with entities that provide professional legal or consulting services, and agreements pertaining to unique or time sensitive opportunities, may be entered into on a direct procurement or sole source basis at the discretion of DCE's contracted management staff or Board of Directors.

The contracted management staff will report quarterly to the Board of Directors a summary of the actions taken with respect to the delegated procurement authority.

Authority for terminating agreements will generally mirror the authority for entering into the agreements.

Key Contracts

Electric Supply Contract

DCE conducted an open RFP process through which it has contracted with The Energy Authority (TEA) to provide wholesale power services including assistance with procurement, risk management and to act as its CAISO Scheduling Coordinator. TEA is a not-for-profit energy services company which is owned by and works exclusively for municipal and state agencies. TEA has over 40 customers for its services across the United States. TEA specializes in wholesale procurement in the forward, cash and real-time markets, both in bilateral and regional transmission organization (RTO)- based markets. TEA also provides risk management, valuation and other analytic and middle-office services.

TEA will serve as DCE's agent by procuring energy, capacity and renewable energy supplies in the over-the-counter markets from energy marketers and other utilities. TEA will use its own contracts to secure these products via multiple provider solicitations and by utilizing the InterContinental Exchange for standardized power contracts. TEA will then pass through the costs of these contracts to DCE with no additional mark-up.

TEA will also help DCE with competitive solicitations for local renewable generation, though DCE will contract with those generators directly. TEA will also act as the Scheduling Coordinator for DCE with CAISO. TEA will pass through CAISO charges and credits directly to DCE.

Lastly, TEA will assist DCE in managing its portfolio. TEA will provide analytical expertise to help DCE manage its financial prospects, including stochastically driven metrics to understand its risks of, for example, not meeting budget or having to raise rates.

Data Management Contract

A data manager will provide retail customer services including billing and other account services. Recognizing that some qualified wholesale energy suppliers do not typically conduct retail customer services whereas others (i.e., direct access providers) do, the data management contract is separate from the electric supply contract. A single contractor, Calpine Energy Solutions, will perform all data management functions. The data manager is responsible for the following services:

- Data exchange with SCE
- Technical testing
- Customer information system
- Customer call center
- Billing administration/retail settlements
- Reporting and audits of utility billing

Utilizing a third party for account services eliminates a significant expense associated with implementing a customer information system. Such systems can cost millions of dollars to implement and take significant time to deploy. A longer term contract is appropriate for this service because of the time and expense that would be required to migrate data to a new system. Separation of account services contract from the energy supply contract gives DCE greater flexibility to change energy suppliers, if desired, without facing a potentially expensive data migration issue.

DCE has selected Calpine to provide its data management services through the same competitive solicitation as was used to select TEA as its wholesale services provider. Calpine has been selected as the data management services provider for most of the currently operating CCAs in the state of California.

Chapter 11: Contingency Plan for Program Termination

Introduction

This chapter describes the process to be followed in the case of Program termination. In the unexpected event that DCE would terminate the Program and return customers to SCE bundled service, the proposed process is designed to minimize impacts on Program customers and on SCE. The contingent termination plan follows the requirements set forth in SCE's tariff Rule 23 governing services to CCAs.

Termination by DCE

There is no planned Program termination date. In the unanticipated event the Board of Directors decides to terminate the Program and any applicable restrictions on such termination have been satisfied, notice will be provided to Program customers six months in advance that they will be transferred back to SCE bundled service. A second notice will be provided within the last sixty days in advance of the transfer. The notice will describe the applicable distribution utility bundled service requirements for returning customers then in effect, such as any transitional or bundled portfolio service rules.

At least one-year advance notice will be provided to SCE and the CPUC before transferring customers, and DCE will coordinate the customer transfer process to minimize impacts on customers and ensure no disruption in retail service. Once the customer notice period is complete, customers will be transferred en masse on their regularly scheduled meter read date.

DCE will maintain funds held in reserve to pay for potential transaction fees charged to the Program for switching customers back to distribution utility service. Reserves will be maintained against the fees imposed for processing customer transfers. The Public Utilities Code requires demonstration of insurance or posting of a bond sufficient to cover re-entry fees imposed on customers that are involuntarily returned to distribution utility service under certain circumstances. The cost of re-entry fees is the responsibility of the energy services provider or the Community Choice Aggregator, except in the case of a customer returned for default or because its contract has expired. DCE will self-insure against the risk of customer reentry fees.

Termination by Members

As stated in article 6.1.1 of the Joint Powers Agreement: “A Party may withdraw its participation in the CCA Program, effective as of the beginning of DCE’s next fiscal year, by giving no less than 6 months advance written notice of its election to do so, which notice shall be given to DCE and each Party. Withdrawal of a Party shall require an affirmative vote of the Party’s governing board.”

Further, Section 6.1.4 describes continuing financial obligations of a Party that chooses to withdraw: “Except as provided by Section 6.1.3 (Right to Withdraw Prior to Program Launch) a Party that withdraws its participation in the CCA Program may be subject to certain continuing financial obligations, as described in Section 6.3 of the Joint Powers Agreement. Each withdrawing Party and DCE shall execute and deliver all further instruments and documents, and take any further action that may be reasonably necessary, as determined by the Board, to effectuate the orderly withdrawal of such Party from participation in the CCA Program.”

As a consequence of a CCA Member’s withdrawal from the Program, customers within the CCA Member’s jurisdiction will be returned to SCE bundled service at their regularly scheduled meter read date prior to the effective date of the CCA Member’s withdrawal from the Program, following the 60-day notice period described above.

In accordance with the distribution utility tariffs, DCE will execute a revised service agreement or specialized service agreement, as appropriate, with the distribution utility to coordinate the removal of the withdrawing CCA Member from the CCA Program.

Appendix A
Resolution Adopting Implementation Plan and Statement of Intent

Begins on the following page

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Appendix B
DCE Amended Joint Powers Agreement

Begins on the following page

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DESERT COMMUNITY ENERGY

Board Meeting
December 4, 2017

Subject: Consider Proposed Change to Joint Powers Agreement

Contact: Katie Barrows, Director of Environmental Resources (kbarrows@cvag.org)

Recommendation: Approve a proposed change to the Joint Powers Agreement regarding withdrawal before launch, as requested by the City of Palm Desert

Background: During review of the Joint Powers Agreement by the City of Palm Desert, a minor change was proposed to Section 6.1.3 which covers the right of a jurisdiction to withdraw prior to program launch. This proposed change regards the time period during which member agencies are asked to provide notice of their intent to withdraw from Desert Community Energy. The members present at the October 30, 2017 meeting indicated their support for the proposed change. Consistent with Section 7.5 of the Joint Powers Agreement regarding amendment of the Agreement, a notice to participating agencies was distributed on November 1, 2017 to meet the requirement of at least 30 days prior to the meeting at which the Board votes on the amendment. The proposed change is further described in the following paragraphs.

It was noted during the Palm Desert City Council discussion that the current JPA provision allowing for a right to withdraw upon limited conditions within 15 days of receiving the report referenced in 6.1.3 is way too tight given the usual agenda sequence. The final motion approved by the Palm Desert City Council included instructions to the City Council's representative at the initial meeting of the Joint Powers Authority to seek an amendment to the draft Joint Powers Agreement in Section 6.1.3 so as to provide for the right to withdraw within 30 days of receiving the referenced report with impunity. The relevant portion of Section 6.1.3 is excerpted below, with the language of concern to Palm Desert and their proposed change shown in underline/strikeout:

The Right to Withdraw Prior to Program Launch. After receiving bids from power suppliers, DCE shall provide to the Parties the report from the electrical utility consultant(s) retained by DCE that compares the total estimated electrical rates that DCE will be charging to customers as well as the estimated greenhouse gas emissions rate and the amount of estimated renewable energy used with that of the incumbent utility (SCE)), providing such information as is available to assist with forecasting of conditions over the next three years. ~~If the report provides that DCE is unable to provide total electrical rates, as part of its baseline offering, to customers that are equal to or lower than the incumbent utility or to provide power in a manner that has a lower greenhouse gas emissions rate or uses more renewable energy than the incumbent utility,~~ A Party may immediately withdraw its membership in DCE without any further financial obligation, as long as the Party provides written notice of its intent to withdraw to DCE Board no more than fifteen (15) thirty (30) days after receiving the report. A Party may also withdraw its membership in DCE prior to December 31, 2017 for any reason. . ."

This change is considered non-substantive and very reasonable. Staff recommends that the Board approve this change, and authorize staff to amend the Joint Powers Agreement accordingly.

Given the timeline and efforts of participating cities to move this forward, a clause to allow CCA members to withdraw prior to December 31, 2017 for any reason was included in Section 6.1.3 of the JPA. Based on a launch date of June/July 2018, after December the new CCA will need to begin making commitments for purchase of power and will need to anticipate how many customers will need to be served when the CCA launches and begins providing electricity to participants.

Fiscal Analysis: No Impact

Attachments:

1. Joint Powers Agreement with proposed changes shown in underline/strikeout

ATTACHMENT 1:
DESERT COMMUNITY ENERGY
JOINT POWERS AGREEMENT

This Joint Powers Agreement ("Agreement"), effective as of _____, 2017 is made and entered into pursuant to the provisions of Title 1, Division 7, Chapter 5, Article 1 (Section 6500 et seq.) of the California Government Code relating to the joint exercise of powers among the parties set forth in Exhibit B (individually "Party" or "Member", collectively "Parties" or "Members"). The term "Parties" or "Members" shall also include an incorporated municipality or county added to this Agreement in accordance with Section 2.4.

RECITALS

- A. The Parties share various powers under California law, including but not limited to the power to purchase, supply, and aggregate electricity for themselves and customers within their jurisdictions.
- B. In 2006, the State Legislature adopted AB 32, the Global Warming Solutions Act, which mandates a reduction in greenhouse gas emissions in 2020 to 1990 levels. In 2016, the Legislature passed SB 32, which codifies a 2030 greenhouse gas emissions reduction target of 40 percent below 1990 levels.
- C. The purposes for entering into this Agreement include:
 - a. Reducing greenhouse gas emissions related to the use of power throughout the jurisdictions of the Parties and neighboring regions;
 - b. Providing electric power and other forms of energy to customers at a competitive cost;
 - c. Carrying out programs to reduce energy consumption;
 - d. Stimulating and sustaining the local economy by developing local jobs in renewable and conventional energy; and
 - e. Promoting long-term electric rate stability, energy security and reliability for residents through local control of electric generation resources.
- D. It is the mission and purpose of this Agreement to build a Community Choice Aggregation program that is locally controlled and delivers cost-competitive clean electricity, product choice, price stability, energy efficiency and greenhouse gas emission reductions.
- E. It is the intent of this Agreement to promote the development and use of a wide range of renewable and efficient energy sources and energy efficiency programs, including but not limited to solar, wind, and biomass energy production. The purchase of renewable power and greenhouse gas-free energy sources will be the desired approach to decrease regional greenhouse gas emissions and accelerate the State's transition to clean power resources to the extent feasible. The DCE

will also add increasing levels of locally generated renewable resources as these projects are developed and customer energy needs expand.

- F. The Parties desire to establish a separate public agency, known as the Desert Community Energy, or DCE, under the provisions of the Joint Exercise of Powers Act of the State of California (Government Code Section 6500 et seq.) ("Act") in order to collectively study, promote, develop, conduct, operate, and manage energy programs.
- G. The Parties anticipate adopting an ordinance electing to implement through the DCE a common Community Choice Aggregation (CCA) program, an electric service enterprise available to cities and counties pursuant to California Public Utilities Code Sections 331.1(b) and 366.2. The first priority of the DCE will be the consideration of those actions necessary to implement the CCA Program.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises, covenants, and conditions hereinafter set forth, it is agreed by and among the Parties as follows:

ARTICLE 1: DEFINITIONS AND EXHIBITS

- 1.1 Definitions. Capitalized terms used in the Agreement shall have the meanings specified in Exhibit A, unless the context requires otherwise.
- 1.2 Documents Included. This Agreement consists of this document and the following exhibits, all of which are hereby incorporated into this Agreement.

Exhibit A: Definitions
Exhibit B: List of the Parties
Exhibit C: Annual Energy Use
Exhibit D: Voting Shares
Exhibit E: Signatures

ARTICLE 2: FORMATION OF DESERT COMMUNITY ENERGY

- 2.1 Effective Date and Term. This Agreement shall become effective and DCE shall exist as a separate public agency on _____, 2017 or when the Parties execute this Agreement, whichever occurs later. The DCE shall provide notice to the Parties of the Effective Date. DCE shall continue to exist, and this Agreement shall be effective, until this Agreement is terminated in accordance with Section 6.4, subject to the rights of the Parties to withdraw from DCE.
- 2.2 Formation. There is formed as of the Effective Date a public agency named Desert Community Energy. Pursuant to Sections 6506 and 6507 of the Act, DCE is a public agency separate from the Parties. Pursuant to Sections 6508.1 of the Act, the debts, liabilities or obligations of DCE shall not be debts, liabilities or obligations of the individual Parties unless the governing board of a Party agrees in writing to assume any of the debts, liabilities or obligations of DCE. A Party who has not agreed to assume an Authority debt, liability or obligation shall not be responsible in any way for such debt, liability or obligation even if a majority of

the Parties agree to assume the debt, liability or obligation of DCE. Notwithstanding Section 7.54 of this Agreement, this Section 2.2 may not be amended unless such amendment is approved by the governing board of each Party.

2.2.1 Name. DCE may change its name at any time through adoption of a resolution of the Board of Directors.

2.3 Purpose. The purpose of this Agreement is to establish an independent public agency in order to exercise powers common to each Party to build a Community Choice Aggregation program that achieves significant, long-term GHG emission reductions by offering clean, cost effective and price stable electricity to residents, businesses, and agricultural producers while carrying out innovative programs to reduce customer energy use, and to promote local renewable and efficient energy production technologies. To that end, DCE will study, promote, develop, conduct, operate, and manage energy, energy efficiency and conservation, and other energy-related programs, and to exercise all other powers necessary and incidental to accomplishing this purpose. Without limiting the generality of the foregoing, the Parties intend for this Agreement to be used as a contractual mechanism by which the Parties are authorized to participate in the CCA Program, as further described in Section 4.1. The Parties intend that other agreements shall define the terms and conditions associated with the implementation of the CCA Program and any other energy programs approved by DCE.

2.4 Membership in DCE.

2.4.1 The initial Members of DCE are the Cities of Blythe, Cathedral City, Desert Hot Springs, Indian Wells, Palm Desert, and Palm Springs.

2.4.2 Any city or county may request to become a member of DCE by submitting a resolution adopted by its City Council or Board of Supervisors to the Board of DCE. The Board shall review the request and shall vote to approve or disapprove the request. The Board may establish conditions, including but not limited to financial conditions, under which the city or county may become a member of DCE. The Board shall notify the then members of DCE of this request and the date that the request will be on the Board's meeting agenda for action. The date set for Board action shall be at least forty-five (45) days from the date the notice is mailed to the members. If the request is approved by the Board, the city or county shall become a member of DCE under

the terms and conditions set forth by the Board and upon approval and execution of this Agreement by the requesting city or county.

2.5 Powers. DCE shall have all powers common to the Parties and such additional powers accorded to it by law. DCE is authorized, in its own name, to exercise all powers and do all acts necessary and proper to carry out the provisions of this Agreement and fulfill its purposes, including, but not limited to, each of the following powers, subject to the voting requirements set forth in Section 3.17:

2.5.1 to make and enter into contracts;

- 2.5.2 to employ agents and employees, including but not limited to an Executive Officer;
- 2.5.3 to acquire, contract, manage, maintain, and operate any buildings, infrastructure, works, or improvements;
- 2.5.4 to acquire property by eminent domain, or otherwise, except as limited under Section 6508 of the Act, and to hold or dispose of any property; however, DCE shall not exercise the power of eminent domain within the jurisdiction of a Party over its objection without first meeting and conferring in good faith;
- 2.5.5 to lease any property;
- 2.5.6 to sue and be sued in its own name;
- 2.5.7 to incur debts, liabilities, and obligations, including but not limited to loans from private lending sources pursuant to its temporary borrowing powers such as Government Code Sections 53850 et seq. and authority under the Act;
- 2.5.8 to form subsidiary or independent corporations or entities if necessary, to carry out energy supply and energy conservation programs at the lowest possible cost or to take advantage of legislative or regulatory changes;
- 2.5.9 to issue revenue bonds and other forms of indebtedness;
- 2.5.10 to apply for, accept, and receive all licenses, permits, grants, loans or other aids from any federal, state, or local public agency;
- 2.5.11 to submit documentation and notices, register, and comply with orders, tariffs and agreements for the establishment and implementation of the CCA Program and other energy programs;
- 2.5.12 to adopt Operating Rules and Regulations;
- 2.5.13 to make and enter into service agreements relating to the provision of services necessary to plan, implement, operate and administer the CCA Program and other energy programs, including the acquisition of electric power supply and the provision of retail and regulatory support services; and
- 2.5.14 to permit additional Parties to enter into this Agreement after the Effective Date and to permit another entity authorized to be a community choice aggregator to designate DCE to act as the community choice energy aggregator on its behalf.

2.6 Limitation on Powers. As required by Government Code Section 6509, the power of DCE is subject to the restrictions upon the manner of exercising power possessed by the City of (*insert name of one participating city*).

ARTICLE 3: GOVERNANCE AND INTERNAL ORGANIZATION

- 3.1 Governing Body. DCE shall be governed by a legislative body known as the Board of Directors ("Board"). The initial Board shall consist of one (1) director appointed by each of the initial members. Each Director shall serve at the pleasure of the governing board of the Party appointing such Director, and may be removed as Director by such governing board at any time. If at any time a vacancy occurs on the Board, a replacement shall be appointed to fill the position of the previous Director within 60 days of the date that such position becomes vacant. Directors shall be elected officials or senior staff of the appointing Party that is the signatory to this Agreement. Each Party may appoint an alternate to serve in the absence of its Director. Alternates may be either elected officials or senior staff of the appointing Party that is the signatory to this Agreement. The Board shall exercise all powers and conduct all business of DCE, either directly or by delegation to other bodies or persons pursuant to this Agreement.

If additional cities or counties join DCE, as set forth in section 2.4, each city or county that becomes a member of DCE shall be entitled to one (1) director and one (1) alternate appointed as set forth above.

Ex Officio Directors. The Board may appoint ex officio members of the Board. Ex officio directors shall receive all meeting notices, shall have the right to participate in Board discussions and the right to place items on the agenda but shall not be counted towards a quorum and shall have no vote.

- 3.2 Regular Board Meetings. The Board shall hold at least one regular annual meeting and shall provide for such other regular meetings as it deems necessary. Meetings of the Board shall be held at such locations within one of the member jurisdictions, and at such times as may be designated from time to time by the Board. Directors may participate in meetings telephonically, with full voting rights, only to the extent permitted by law. All meetings shall be conducted in accordance with the provisions of the Ralph M. Brown Act (California Government Code Sections 54950 et seq.).
- 3.3 Special Meetings of the Board. Subject to all noticing requirements of the Ralph M. Brown Act, special meetings of the Board may be called in accordance with the provisions of California Government Code Sections 54956 and 54956.5, to be held at such times and places within one of the member jurisdictions as may be ordered by the Chair. A majority of the Board may also call a special meeting for any purpose.
- 3.4 Chair and Vice-Chair. The Directors shall select, from among themselves, a Chair, who shall be the presiding officer of all Board meetings, and a Vice Chair, who shall serve in the absence of the Chair. The Chair and Vice Chair shall serve at the pleasure of the Board. There shall be no limit on the number of terms held by either the Chair or Vice Chair.
- 3.5 Conduct of Meetings. The Chair or, in the absence of the Chair, the Vice-Chair, shall preside at all meetings of the Board.
- 3.6 Resignation of a Director. Any Director may resign effective on giving written notice to the Board and the other Members, unless the notice specifies a later

time for the effectiveness of such resignation. A successor shall be appointed by the affected Member as provided for in this Agreement.

- 3.7 Quorum. Except as otherwise provided in this Agreement, every act or decision by the Board shall be made by a majority vote of the Directors present at a meeting duly held at which a quorum is present. No action may be taken by the Directors if a quorum of the Board is not present. In the absence of a quorum, any meeting of the Board may be adjourned from time to time by a vote of the majority present, but no other business may be transacted except as provided for in this Section.

A quorum shall exist if a majority of the Directors then designated by and serving on behalf of the Members are present at any duly called meeting of the Board. Ex officio, non-voting directors shall not be included when calculating the number of Directors necessary to constitute a quorum or the number of votes necessary to approve an action. In the event that a Member has failed to designate a Director, or a Member's designated Director has died, resigned, left office, been terminated or is otherwise unwilling or unable to act as the designating Member's representative, and a replacement Director has not yet been designated, and there is no designated alternate, such that a Member has no duly acting representative on the Board, then that Member's vacant Board position shall not be included when calculating the number of Directors necessary to constitute a quorum or the number of votes necessary to approve an action.

- 3.8 Other Officers. The Executive Officer of DCE shall be the secretary of DCE, or as otherwise determined by the Board. Any officer, employee or agent of any Member of DCE may also be an officer, employee, or agent of any of the Members. DCE shall have the power to appoint such additional officers and to employ such employees and assistants as may be appropriate. Each and all of said officers, employees and assistants shall serve at the pleasure of DCE and shall perform such duties and shall have such powers as DCE may, from time to time, determine. Any officer may resign at any time by giving written notice to the secretary. Any such resignation shall be effective upon receipt of such notice or at any later time specified in the notice. Officers shall assume the duties of their offices immediately after their appointment and shall hold office until their successors are appointed, except in the case of their removal or resignation. Vacancies of officers shall be filled by appointment of the Board and such appointee shall hold office until the appointment of his or her successor.
- 3.9 Minutes. The secretary of DCE shall cause to be kept minutes of regular, adjourned regular and special meetings of the Board. The secretary shall cause a copy of all minutes, along with copies of all ordinances and resolutions, to be forwarded to each of the Parties hereto.
- 3.10 Rules. A majority of Directors may adopt rules governing meetings if not inconsistent or in conflict with this Agreement. In the absence of rules adopted by the Directors, Roberts' Rules of Order, as they may be amended from time to time, shall govern the meetings of the Board in so far as they are not inconsistent or in conflict with this Agreement or any DCE bylaws.
- 3.11 Powers and Functions of the Board. The Board shall exercise general governance and oversight over the business and activities of DCE, consistent with this Agreement and applicable law. The Board shall provide general policy

guidance to the CCA Program. Board approval shall be required for any of the following actions:

- 3.11.1 The issuance of bonds or any other financing even if program revenues are expected to pay for such financing.
 - 3.11.2 The appointment or termination of the Executive Officer and General Counsel.
 - 3.11.3 The appointment or removal of officers described in Section 3.17, subject to Section 3.17.1.
 - 3.11.4 Any decision to provide retirement or post-retirement benefits that are defined benefit programs, subject to the requirements of section 5.3.4, below.
 - 3.11.5 The adoption of the Annual Budget.
 - 3.11.6 The adoption of an ordinance.
 - 3.11.7 The approval of agreements, except as provided by Section 3.12.
 - 3.11.8 The initiation or resolution of claims and litigation where DCE will be the defendant, plaintiff, petitioner, respondent, cross complainant or cross petitioner, or intervenor; provided, however, that the Executive Officer or General Counsel, on behalf of DCE, may intervene in, become a party to, or file comments with respect to any proceeding pending at the California Public Utilities Commission, the Federal Energy Regulatory Commission, or any other administrative agency, without approval of the Board as long as such action is consistent with any adopted Board policies.
 - 3.11.9 The setting of rates for power sold by DCE and the setting of charges for any other category of service provided by DCE.
 - 3.11.10 Termination of the CCA Program.
- 3.12 CVAG's Participation. CVAG shall provide, under contract with DCE, administrative services required by DCE during the first five (5) years of the implementation of the DCE; and thereafter as the administrative services contract may be renewed from time to time by DCE, and shall exercise such other powers and duties as the Board deems necessary to achieve the purpose of this Agreement. During any such term, CVAG's Executive Director may serve as the secretary of DCE.
- 3.13 Executive Officer. Except as may be provided pursuant to any administrative services agreement referenced in Section 3.12, the Board of Directors shall have the authority to appoint an Executive Officer for DCE, who shall be responsible for the day-to-day operation and management of DCE and the CCA Program. The Executive Officer may be retained under contract with DCE, be an employee of DCE, be an employee of CVAG, or be an employee of one of the Parties. The Executive Officer shall report directly to the Board and serve as staff to DCE. Except as otherwise set forth in this Agreement, the Executive Officer may

exercise all powers of DCE, including the power to hire, discipline and terminate employees as well as the power to approve any agreement if the total amount payable under the agreement is less than \$100,000 in any fiscal year, or such higher amount as may be established by the Board from time to time, by resolution of the Board, except the powers specifically set forth in Section 3.11 or those powers which by law must be exercised by the Board of Directors. The Executive Officer shall serve at the pleasure of the Board.

- 3.14 DCE Staff. Except as may be provided pursuant to any administrative services agreement referenced in Section 3.12, DCE may contract with CVAG for staff services, retain its own staff, or contract with another entity for services. Unless other employment is approved by the Commission, the DCE Executive Officer may utilize CVAG staff as may be necessary to accomplish the purposes of DCE. CVAG staff time, as well as office expenses, direct and indirect overhead, shall be charged to DCE utilizing direct billing and other accounting practices that provide for a clear separation of funds.

3.15 Commissions, Boards, and Committees

3.15.1 The Board may establish commissions, boards or committees, including but not limited to a standing executive committee of the Board, as the Board deems appropriate, to assist the Board in carrying out its authority and functions under this Agreement and may delegate authority to such commissions, boards or committees as set forth in a Board resolution. Such delegation may be modified, amended or revoked at any time the Board may deem appropriate. Any decision delegated pursuant to this subsection may be appealed to the Board, as the Board so determines.

3.15.2 The Board may also establish any advisory commissions, boards, and committees as the Board deems appropriate to assist the Board in carrying out its functions and implementing the CCA Program, other energy programs and the provisions of this Agreement.

3.15.3 Any board, commission or committee formed under this section shall comply with the requirements of the Ralph M. Brown Act. The Board may establish rules, regulations, policies, bylaws or procedures to govern any such commissions, boards, or committees, and shall determine whether members shall be compensated or entitled to reimbursement for expenses.

- 3.16 Director Compensation. Directors shall serve without compensation from DCE. However, Directors may be compensated by their respective appointing authorities. The Board, however, may adopt by resolution a policy relating to the reimbursement by DCE of expenses or other costs incurred by Directors.

- 3.17 Voting. As described in Section 3.7 and in Section 3.17.3, action by DCE Board will be taken solely by a majority vote of the total number of Directors present except as provided in Section 3.17.5 below. In addition, as described in Section 3.17.4, upon request of two (2) Directors, a weighted vote by shares will also be conducted. When such a request is made, an action must be approved by both a majority vote of Directors present and a majority of the Weighted Voting Shares present. No action may be approved solely by a majority vote by shares. The

voting shares of Directors and approval requirements for actions of the Board shall be as follows:

3.17.1 Weighted Voting Shares

Each member agency shall have a Voting Share as determined by the following formulas:

- (a) Pro Rata Voting Share. Each Member shall have an equal voting share determined by the following formula: ($[1 / \text{total number of Members}]$ multiplied by $\frac{1}{2}$), expressed as a percentage to two decimal places; and
- (b) Annual Energy Voting Share. Each Member shall have an additional voting share determined by the following formula: ($[\text{Total Annual Energy Use (expressed in MWh) in the Member's jurisdiction} / \text{combined Total Annual Energy Use in all Members' jurisdictions}]$ multiplied by $\frac{1}{2}$), expressed as a percentage to two decimal places. Annual Energy Use values are to be based on total CCA-related retail energy sales of all electric customer accounts as of December 31 of the most recent year for which such data is available. In the absence of actual data, the Board may approve the use of reasonably estimated Annual Energy Use values.
- (c) Weighted Voting Share. Each Member's Weighted Voting Share shall be the respective sum of the values computed in (a) and (b) above, expressed as a percentage to two decimal places. The combined total Weighted Voting Shares of all Members is 100.00 percent.

3.17.2 Exhibit Showing Weighted Voting Shares. The initial Weighted Voting Shares are set forth in Exhibit D based on data available as of the Effective Date of this Agreement. Exhibit D shall be revised no less than annually as necessary to account for changes in the number of Members and or changes in the Members' annual MWh retail energy usage. Adjustments to Exhibit D shall be approved by the Board.

3.17.3 Action Approval Requirements. Except as provided in Sections 3.17 and 3.17.4 and 3.17.5, the Board shall act solely upon the affirmative vote of a majority of Directors present at the meeting.

3.17.4 Option for Approval by Voting Shares. Notwithstanding Section 3.17.3, any two (2) Directors present at a meeting may demand that approval of any matter related to the CCA Program be determined on the basis of both Weighted Voting Shares and by the affirmative vote of a majority of Directors present at the meeting. If two Directors make such a demand with respect to approval of any such matter, then approval of such matter shall require the affirmative vote of a majority of Directors present at the meeting and the affirmative vote of Directors having a majority of Weighted Voting Shares present, as determined by Section 3.17.1 except as provided in Section 3.17.5.

3.17.5 Special Voting Requirements for Certain Matters.

- (a) Two-Thirds and Weighted Voting Approval Requirements Relating to Sections 6.2 and 7.54. Notwithstanding any other provision of this Agreement, action of the Board on the matters set forth in Section 6.2 (involuntary termination of a Member), or Section 7.54 (amendment of this Agreement) shall require the affirmative vote of at least two-thirds of Directors present; provided, however, that:
 - (i) notwithstanding the foregoing, any two (2) Directors present at a meeting may demand that the vote be determined on the basis of both Weighted Voting Shares and by the affirmative vote of Directors present, and if any two (2) Directors make such a demand, then approval shall require the affirmative vote of both at least two-thirds of Directors present and the affirmative vote of Directors having at least two-thirds of the Weighted Voting Shares present, as determined by Section 3.17.1; and (ii) for votes to involuntarily terminate a Member under Section 6.2, the Director for the Member subject to involuntary termination may not vote, and the number of Directors constituting two-thirds of all Directors, and the Weighted Voting Share of each Member shall be recalculated as if the Member subject to possible termination were not a Member.
- (b) Seventy-Five Percent Special Voting Requirements for Eminent Domain and Contributions or Pledge of Assets.
 - (i) A decision to exercise the power of eminent domain on behalf of DCE to acquire any property interest other than an easement, right-of-way, or temporary construction easement shall require a vote of at least 75% of all Directors.
 - (ii) The imposition on any Member of any obligation to make contributions or pledge assets as a condition of continued participation in the CCA Program shall require a vote of at least 75% of all Directors and the approval of the governing boards of the Members which are being asked to make such contribution or pledge.
 - (iii) Notwithstanding the foregoing, any two (2) Directors present at the meeting may demand that a vote under subsections (i) or (ii) be determined on the basis of Weighted Voting Shares and by the affirmative vote of Directors, and if any two (2) Directors make such a demand, then approval shall require both the affirmative vote of at least 75% of all Directors and the affirmative vote of Directors having at least 75% of all Weighted Voting Shares, as determined by Section 3.17.1. For purposes of this section, "imposition on any Member of any obligation to make contributions or pledge assets as a condition of continued participation in the CCA Program" does not include any obligations of a withdrawing or terminated Member imposed under Section 6.3.

- 3.18 Treasurer and Auditor. The Treasurer shall function as the combined offices of Treasurer and Auditor pursuant to Government code section 6505.6 and shall strictly comply with the statutes related to the duties and responsibilities specified in Section 65.5 of the Act. The Treasurer for DCE shall be the depository and have custody of all money of DCE from whatever source and shall draw all warrants and pay demands against DCE as approved by the Board. The Treasurer shall cause an independent audit(s) of the finances of DCE to be made by a certified public accountant, or public accountant, in compliance with Section 6505 of the Act. The Treasurer shall report directly to the Board and shall comply with the requirements of treasurers of incorporated municipalities. The Board may transfer the responsibilities of Treasurer to any person or entity as the law may provide at the time. The duties and obligations of the Treasurer are further specified in Article 5. The Treasurer shall serve at the pleasure of the Board.
- 3.19 Administrative Services Provider. The Board may appoint one or more administrative services providers to serve as DCE's agent for planning, implementing, operating and administering the CCA Program, and any other program approved by the Board. The appointed administrative services provider may be one of the Members, or CVAG as provided in Section 3.12. A separate services agreement shall set forth the terms and conditions by which the appointed administrative services provider(s) shall perform or cause to be performed tasks necessary for planning, implementing, operating and administering the CCA Program and other approved programs. Any such services agreement shall set forth the terms and the circumstances under which the services agreement may be terminated by DCE. This section shall not in any way be construed to limit the discretion of DCE to hire its own employees to administer all or any portion of the CCA Program or any other program.

ARTICLE 4: IMPLEMENTATION ACTION AND AUTHORITY DOCUMENTS

- 4.1 Preliminary Implementation of the CCA Program.
- 4.1.1 Enabling Ordinance. To be eligible to participate in the CCA Program, each Party must adopt an ordinance in accordance with Public Utilities Code Section 366.2(c)(12) for the purpose of specifying that the Party intends to implement a CCA Program by and through its participation in DCE.
- 4.1.2 Implementation Plan. DCE shall cause to be prepared an Implementation Plan meeting the requirements of Public Utilities Code Section 366.2 and any applicable Public Utilities Commission regulations as soon after the Effective Date as reasonably practicable. The Implementation Plan shall not be filed with the Public Utilities Commission until it is approved by the Board in the manner provided by Section 3.17.
- 4.1.3 Termination of CCA Program. Nothing contained in this Article or this Agreement shall be construed to limit the discretion of DCE to terminate the implementation or operation of the CCA Program at any time in accordance with any applicable requirements of state law.
- 4.2 Authority Documents. The Parties acknowledge and agree that the affairs of DCE will be implemented through various documents duly adopted by the Board through Board resolution. The Parties agree to abide by and comply with the

terms and conditions of all such documents that may be adopted by the Board, subject to the Parties' right to withdraw from DCE as described in Article 6.

ARTICLE 5: FINANCIAL PROVISIONS

5.1 Fiscal Year. DCE's fiscal year shall be 12 months commencing July 1 and ending June 30. The fiscal year may be changed by Board resolution.

5.2 Depository.

5.2.1 All funds of DCE shall be held in separate accounts in the name of DCE and not commingled with funds of any Party or any other person or entity.

5.2.2 All funds of DCE shall be strictly and separately accounted for, and regular reports shall be rendered of all receipts and disbursements, at least quarterly during the fiscal year. The books and records of DCE shall be open to inspection by the Parties at all reasonable times. The Board shall contract with a certified public accountant or public accountant to make an annual audit of the accounts and records of DCE, which shall be conducted in accordance with the requirements of Section 6505 of the Act.

5.2.3 All expenditures shall be made in accordance with the approved budget and upon the approval of any officer so authorized by the Board in accordance with its Operating Rules and Regulations. The Treasurer shall draw checks or warrants or make payments by other means for claims or disbursements not within an applicable budget only upon the prior approval of the Board.

5.3 Budget and Recovery of Costs.

5.3.1 Budget. The initial budget shall be approved by the Board. The Board may revise the budget from time to time as may be reasonably necessary to address contingencies and unexpected expenses. All subsequent budgets of DCE shall be approved by the Board in accordance with the Operating Rules and Regulations.

5.3.2 Funding of Initial Costs. The Parties acknowledge that implementing the CCA Program will require some form of funding either provided by all or some of the Parties or attained in some other manner. If the CCA Program becomes operational, these Initial Costs paid by such Parties or attained from other sources shall be included in the customer charges for electric services as provided by Section 5.3.3 to the extent permitted by law, and respective Parties or other sources shall be reimbursed from the payment of such charges by customers of DCE. CVAG shall also be entitled to reimbursement for Initial Costs. DCE may establish a reasonable time period over which such costs are recovered and repaid to respective Parties or other sources. In the event that the CCA Program does not become operational, respective Parties shall not be entitled to any reimbursement of the funded Initial Costs from DCE or any Party. If any of the initial member agencies or other sources assists in funding initial costs, they shall also be entitled to reimbursement pursuant to this section. The Board shall approve the manner of funding and

repayment of initial CCA program costs which may include reasonable interest charges.

- 5.3.3 CCA Program Costs. The Parties desire that all costs incurred by DCE that are directly or indirectly attributable to the provision of electric, conservation, efficiency, incentives, financing, or other services provided under the CCA Program, including but not limited to the establishment and maintenance of various reserves and performance funds and administrative, accounting, legal, consulting, and other similar costs, shall be recovered through charges to CCA customers receiving such electric services, or from revenues from grants or other third-party sources, to the extent permitted by law.
- 5.3.4 Employee Retirement and Post-retirement Benefits. Should the Board determine to provide a defined benefits retirement benefit to DCE employees (such as PERS) or other post-retirement benefits that would be within an Other Post-Retirement Benefits (OPEB) obligation to DCE employees, prior to providing such benefit(s) to any employee, the Board shall (1) obtain a third party independent actuarial report on the long term costs of the benefit or benefits, (2) adopt a funding plan for the payment of both current and long-term costs that provides for the payment of all such costs on a current, pay-as-you-go, basis and eliminates any known or reasonably anticipated unfunded liability associated with the benefit(s) and (3) notice all Member agencies of the pending consideration of the benefit(s) together with the actuarial report and funding plan, for at least sixty (60) days and obtain the consent, by resolution of not less than 75 percent of the then current Member agency boards or councils

ARTICLE 6: WITHDRAWAL AND TERMINATION

6.1 Withdrawal.

- 6.1.1 Right to Withdraw. A Party may withdraw its participation in the CCA Program, effective as of the beginning of DCE's next fiscal year, by giving no less than 6 months advance written notice of its election to do so, which notice shall be given to DCE and each Party. Withdrawal of a Party shall require an affirmative vote of the Party's governing board.
- 6.1.2 Right to Withdraw After Amendment. Notwithstanding Section 6.1.1, a Party may withdraw its membership in DCE following an amendment to this Agreement adopted by the Board which the Party's Director voted against, provided such notice is given in writing within thirty (30) days following the date of the vote. Withdrawal of a Party shall require an affirmative vote of the Party's governing board and shall not be subject to the six month advance notice provided in Section 6.1.1. In the event of such withdrawal, the Party shall be subject to the provisions of Section 6.3.
- 6.1.3 The Right to Withdraw Prior to Program Launch. After receiving bids from power suppliers, DCE shall provide to the Parties the report from the electrical utility consultant(s) retained by DCE that compares the total estimated electrical rates that DCE will be charging to customers as well as the estimated greenhouse gas emissions rate and the amount of

estimated renewable energy used with that of the incumbent utility (SCE), providing such information as is available to assist with forecasting of conditions over the next three years. ~~If the report provides that DCE is unable to provide total electrical rates, as part of its baseline offering, to customers that are equal to or lower than the incumbent utility or to provide power in a manner that has a lower greenhouse gas emissions rate or uses more renewable energy than the incumbent utility,~~ A Party may immediately withdraw its membership in DCE without any further financial obligation, as long as the Party provides written notice of its intent to withdraw to DCE Board no more than fifteen (15) thirty (30) days after receiving the report. A Party may also withdraw its membership in DCE prior to December 31, 2017 for any reason. Any withdrawing Party shall not be entitled to any return of funds it may have provided to DCE, provided, however, that if, after the program is launched there are unobligated and unused funds, the withdrawing member shall be refunded its pro rata share of the unobligated and unused funds.

6.1.4 Continuing Financial Obligation; Further Assurances. Except as provided by Section 6.1.3, a Party that withdraws its participation in the CCA Program may be subject to certain continuing financial obligations, as described in Section 6.3. Each withdrawing Party and DCE shall execute and deliver all further instruments and documents, and take any further action that may be reasonably necessary, as determined by the Board, to effectuate the orderly withdrawal of such Party from participation in the CCA Program.

6.2 Involuntary Termination of a Party. Participation of a Party in the CCA program may be terminated for material non-compliance with provisions of this Agreement or any other agreement relating to the Party's participation in the CCA Program upon a vote of Board members as provided in Section 3.17.5. Prior to any vote to terminate participation with respect to a Party, written notice of the proposed termination and the reason(s) for such termination shall be delivered to the Party whose termination is proposed at least thirty (30) days prior to the regular Board meeting at which such matter shall first be discussed as an agenda item. The written notice of proposed termination shall specify the particular provisions of this Agreement or other agreement that the Party has allegedly violated. The Party subject to possible termination shall have the opportunity at the next regular Board meeting to respond to any reasons and allegations that may be cited as a basis for termination prior to a vote regarding termination. A Party that has had its participation in the CCA Program terminated may be subject to certain continuing liabilities, as described in Section 6.3.

6.3 Continuing Financial Obligations; Refund. Except as provided by Section 6.1.3, upon a withdrawal or involuntary termination of a Party, the Party shall remain responsible for any claims, demands, damages, or other financial obligations arising from such Party's membership or participation in the CCA Program through the effective date of its withdrawal or involuntary termination, it being agreed that the Party shall not be responsible for any new financial obligations arising after the date of the Party's withdrawal or involuntary termination. Claims, demands, damages, or other financial obligations for which a withdrawing or terminated Party may remain liable include, but are not limited to, losses from the resale of power contracted for by DCE to serve the Party's load and any unfunded liabilities such as unfunded retirement contributions or costs and any

unfunded post-retirement benefits. With respect to such financial obligations, upon notice by a Party that it wishes to withdraw from the CCA Program, DCE shall notify the Party of the minimum waiting period under which the Party would have no costs for withdrawal if the Party agrees to stay in the CCA Program for such period. The waiting period will be set to the minimum duration such that there are no costs transferred to remaining ratepayers. If the Party elects to withdraw before the end of the minimum waiting period, the charge for exiting shall be set at a dollar amount that would offset actual costs to the remaining ratepayers, and may not include punitive charges that exceed actual costs. In addition, such Party shall also be responsible for any costs or obligations associated with the Party's participation in any program in accordance with the provisions of any agreements relating to such program provided such costs or obligations were incurred prior to the withdrawal of the Party. DCE may withhold funds otherwise owing to the Party or may require the Party to deposit sufficient funds with DCE, as reasonably determined by DCE and approved by a vote of the Board, to cover the Party's financial obligations for the costs described above. Any amount of the Party's funds held on deposit with DCE above that which is required to pay any existing or ongoing financial obligations shall be returned to the Party. If there is a disagreement related to the charge(s) for exiting, the Parties shall attempt to settle the amount through mediation or other dispute resolution process as authorized by section 7.1. If the dispute is not resolved, the Parties may agree to proceed to arbitration, or any party may seek judicial review. The liability of any Party under this section 6.3 is subject and subordinate to the provisions of Section 2.2, and nothing in this section 6.3 shall reduce, impair, or eliminate any immunity from liability provided by Section 2.2.

- 6.4 Mutual Termination. This Agreement may be terminated by mutual agreement of all the Parties; provided, however, the foregoing shall not be construed as limiting the rights of a Party to withdraw its participation in the CCA Program, as described in Section 6.1.
- 6.5 Disposition of Property upon Termination of Authority. Upon termination of this Agreement, any surplus money or assets in possession of DCE for use under this Agreement, after payment of all liabilities, costs, expenses, and charges incurred under this Agreement and under any program documents, shall be returned to the then-existing Parties in proportion to the contributions made by each.

ARTICLE 7: MISCELLANEOUS PROVISIONS

- 7.1 Dispute Resolution. The Parties and DCE shall make reasonable efforts to informally settle all disputes arising out of or in connection with this Agreement. Should such informal efforts to settle a dispute, after reasonable efforts, fail, the dispute shall be mediated in accordance with policies and procedures established by the Board.
- 7.2 Liability of Directors, Officers, and Employees. The Directors, officers, and employees of DCE shall use ordinary care and reasonable diligence in the exercise of their powers and in the performance of their duties pursuant to this Agreement. No current or former Director, officer, or employee will be responsible for any act or omission by another Director, officer, or employee. DCE shall defend, indemnify and hold harmless the individual current and former Directors, officers, and employees for any acts or omissions in the scope of their employment or duties in

the manner provided by Government Code Sections 995 et seq. Nothing in this section shall be construed to limit the defenses available under the law, to the Parties, DCE, or its Directors, officers, or employees

- 7.3 Indemnification of Parties. DCE shall acquire such insurance coverage as is necessary to protect the interests of DCE, the Parties, and the public. Subject to the provisions of Section 7.4 and provided that a Party has acted in good faith and in accordance with this Agreement, DCE shall defend with counsel acceptable to said Party, indemnify and hold such Party free and harmless from any loss, liability or damage incurred or suffered by such Party by reason of litigation arising from or as a result of any of the following: the Party's participation in the JPA; action taken to approve and/or implement the CCA; or any other act performed or to be performed by the Party pursuant to this Agreement; provided, however that such indemnification or agreement to hold harmless pursuant to this section shall be recoverable only out of DCE assets and not from other Parties. To the extent DCE's assets are insufficient to satisfy its obligations under this Section, any member Agency forced to expend its own funds to satisfy what would otherwise be DCE's obligations shall be entitled to reimbursement from DCE.
- 7.4 Limitations on Liability. The Parties acknowledge that Section 895.2 of the California Government Code provides that a Member is jointly and severally liable for the torts of the joint powers agency, but that Sections 895.4 and 895.6 of that Code allow the members of a joint powers agency to contractually agree to indemnify and contribution provisions that allow such liability to be apportioned among the members based on their respective degree of fault giving rise to the liability. The Parties further acknowledge that they have agreed at Section 7.3 above to indemnify and defend those Member agencies against loss, liability or damage suffered by a Member Agency individually as a result of that Agency's good faith acts taken pursuant to this Agreement. Now, therefore, in contemplation of such authority, the Parties agree that, as among themselves, each shall assume that portion of the liability imposed upon DCE or any of its Members, officers, agents or employees by law for injury caused by any negligent or wrongful act or omission occurring during the performance of this Agreement that is not covered by insurance, that is determined by the DCE to be that Member's proportionate share accruing during the Member's period of participation in DCE. Said determination shall be by three-fourths vote of the Member Agencies, meaning an affirmative vote of three-fourths of the total number of Member Agencies. The Members acknowledge that, given the possible variables, determination of a proper apportionment may be difficult. Therefore, subject only to arbitration rights set out at Section 6.3, the Members agree that the Board's good faith determination of a fair apportionment shall be final, binding and enforceable as a term of this Agreement. Each Member shall to the extent provided herein indemnify and hold harmless the other Members for any loss, costs or expenses that may be imposed on such other Members solely by virtue of Section 895.2.
- 7.5 Amendment of this Agreement. This Agreement may not be amended except by a written amendment approved by a vote of Board members as provided in Section 3.17.5. DCE shall provide written notice to all Parties of amendments to this Agreement, including the effective date of such amendments, at least 30 days prior to the date upon which the Board votes on such amendments.

Exhibits A through E of this Agreement may be revised from time to time by Board vote and copies of such revised exhibits shall be distributed to all Parties.

- 7.6 Assignment. Except as otherwise expressly provided in this Agreement, the rights and duties of the Parties may not be assigned or delegated without the advance written consent of all of the other Parties, and any attempt to assign or delegate such rights or duties in contravention of this Section 7.65 shall be null and void. This Agreement shall inure to the benefit of, and be binding upon, the successors and assigns of the Parties. This Section 7.65 does not prohibit a Party from entering into an independent agreement with another agency, person, or entity regarding the financing of that Party's contributions to DCE, or the disposition of proceeds which that Party receives under this Agreement, so long as such independent agreement does not affect, or purport to affect, the rights and duties of DCE or the Parties under this Agreement.
- 7.7 Severability. If one or more clauses, sentences, paragraphs or provisions of this Agreement shall be held to be unlawful, invalid or unenforceable, it is hereby agreed by the Parties, that the remainder of the Agreement shall not be affected thereby. Such clauses, sentences, paragraphs or provision shall be deemed reformed so as to be lawful, valid and enforced to the maximum extent possible.
- 7.8 Further Assurances. Each Party agrees to execute and deliver all further instruments and documents, and take any further action that may be reasonably necessary, to effectuate the purposes and intent of this Agreement.
- 7.9 Execution by Counterparts. This Agreement may be executed in any number of counterparts, and upon execution by all Parties, each executed counterpart shall have the same force and effect as an original instrument and as if all Parties had signed the same instrument. Any signature page of this Agreement may be detached from any counterpart of this Agreement without impairing the legal effect of any signatures thereon, and may be attached to another counterpart of this Agreement identical in form hereto but having attached to it one or more signature pages.
- 7.10 Parties to be Served Notice. Any notice authorized or required to be given pursuant to this Agreement shall be validly given if served in writing either personally, by deposit in the United States mail, first class postage prepaid with return receipt requested, or by a recognized courier service. Notices given (a) personally or by courier service shall be conclusively deemed received at the time of delivery and receipt and (b) by mail shall be conclusively deemed given 48 hours after the deposit thereof (excluding Saturdays, Sundays and holidays) if the sender receives the return receipt. All notices shall be addressed to the office of the clerk or secretary of DCE or Party, as the case may be, or such other person designated in writing by DCE or Party. Notices given to one Party shall be copied to all other Parties. Notices given to DCE shall be copied to all Parties.
- 7.11 No Third Party Beneficiaries. This Agreement shall reflect the Parties' rights and obligations as by and among themselves. Nothing herein shall create any right in any third party to enforce any right or obligation set out in this Agreement as against any Party hereto.

Exhibit A
Definitions

1. "Act" means the Joint Exercise of Powers Act of the State of California (Government Code Section 6500 et seq.)
2. "Administrative Services Agreement" means an agreement or agreements entered into after the Effective Date by DCE with one or more entity that will perform tasks necessary for planning, implementing, operating and/or administering the CCA Program, or any portion of the CCA Program or any other energy programs adopted by DCE.
3. "Agreement" means this Joint Powers Agreement.
4. "Annual Energy Use" has the meaning given in Section 3.17.1(b).
5. "Authority" means the DCE.
6. "Authority Document(s)" means document(s) duly adopted by the Board by resolution or motion implementing the powers, functions, and activities of DCE, including but not limited to the Operating Rules and Regulations, the annual budget, and plans and policies.
7. "Board" means the Board of Directors of DCE.
8. "CCA" or "Community Choice Aggregation" means an electric service option available to cities and counties pursuant to Public Utilities Code Section 366.2.
9. "CCA Program" means DCE's program relating to CCA that is principally described in Article 2 of this Agreement.
10. "CVAG" shall mean the Coachella Valley Association of Governments.
11. "Director" means a member of the Board of Directors appointed by and representing a Party.
12. "Effective Date" means _____, 2017 or when initial members of DCE execute this Agreement, whichever occurs later, as further described in Section 2.1.
13. "Implementation Plan" means the plan generally described in Section 4.1.2 of this Agreement that is required under Public Utilities Code Section 366.2 to be filed with the California Public Utilities Commission for the purpose of describing a proposed CCA Program.
14. "Initial Costs" means all costs incurred by the DCE and or any Parties relating to the establishment and initial operation of DCE, such as the hiring of an Executive Officer and any administrative staff, and any required accounting, administrative, technical, or legal services in support of DCE's initial activities or in support of the negotiation, preparation, and approval of one or more Administrative Services Agreements.
15. "Operating Rules and Regulations" means one or more sets of rules, regulations, policies, bylaws and procedures governing the operation of DCE.

16. "Parties" or "Members" means, collectively, the signatories to this Agreement.
17. "Party", "Member" or "Member Agency" means a signatory to this Agreement.
18. "Total Annual Energy Use" has the meaning given in Section 3.17.1(b).

Exhibit B
List of Parties

Parties: City of Blythe – not in first phase
 City of Cathedral City
 City of Desert Hot Springs – not in first phase
 City of Indian Wells – not in first phase
 City of Palm Desert
 City of Palm Springs

Exhibit C
PRO FORMA
Annual Energy Use

City	Electric Customers	Average Load (GWh)	Revenues (Million \$/yr)
Cathedral City	24,137	329	30
Palm Desert	39,459	699	58
Palm Springs	37,826	640	56
Total	101,422¹	1,668	\$ 144

¹ Total does not include opt out rate, estimated at 10%

Exhibit d
PRO FORMA
VOTING SHARES

CVCEA CCA Program Participation and Weighted Voting Shares					
Active Participants	Annual Use (MWh)	Percent Annual MWh	MWh Voting Share	Pro Rata Vote Share	Wtd Voting Share
Cathedral City	329,000	19.72%	9.86%	16.67%	26.53%
Palm Desert	699,000	41.91%	20.95%	16.67%	37.62%
Palm Springs	640,000	38.37%	19.18%	16.67%	35.85%
TOTALS	1,668,000	100.00%	50.00%	50.00%	100.00%

1. [

Formulas used:

1. ANNUAL ENERGY USE VOTING SHARE: TOTAL ANNUAL ENERGY USE (EXPRESSED IN MWH) IN THE MEMBER'S JURISDICTION / COMBINED TOTAL ANNUAL ENERGY USE ALL MEMBERS' JURISDICTIONS] MULTIPLIED BY ½), EXPRESSED AS A PERCENTAGE TO TWO DECIMAL PLACES. SEE SECTION 3.17.1 (B)
2. PRO-RATA VOTING SHARE: [1 / TOTAL NUMBER OF MEMBERS] MULTIPLIED BY ½), EXPRESSED AS A PERCENTAGE TO TWO DECIMAL PLACES. SEE SECTION 3.17.1 (A)
3. WEIGHTED VOTING SHARE: [THE RESPECTIVE SUM OF THE VALUES COMPUTED IN (1) AND (2) ABOVE, EXPRESSED AS A PERCENTAGE TO TWO DECIMAL PLACES. SEE SECTION 3.17.1 (C)

Exhibit E
Signatures

IN WITNESS WHEREOF, the Parties hereto have executed this Joint Powers Agreement establishing the Desert Community Energy, Community Choice Aggregation program.

By: _____

Name: _____

Title: _____

Date: _____

Party: _____

(One signature page for each Member)

Desert Community Energy
Board Meetings
Attendance Roster
2017-2018

Item 8.1

Jurisdictions	2017			2018											
	Oct	Nov	Dec	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec
Voting Members:															
Cathedral City	X														
Desert Hot Springs	X ¹														
Palm Desert	X														
Palm Springs	X														

X : Elected member in attendance

X¹ Arrived after Roll Call

= Member Absent

= Dark Month or no meeting scheduled