

Butte Choice Energy Authority

Board of Directors Regular Meeting

Monday, October 19 (continued from October 12), 2020, 5:30 pm
326 Huss Lane, Chico, CA 95928

Board members may be present via teleconference or in person.

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

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

Coronavirus (COVID-19) Advisory Notice: The health and safety of community members, public officials and employees is a top priority for BCEA. In compliance with local and state Public Health stay at home orders currently in effect, and as authorized by Executive Orders N-25-20 and N-29-20, the members of the BCEA Board and BCEA staff will be participating in person, electronically, or via teleconference in this meeting. The public will not be permitted to attend at the meeting site to comply with Public Health Orders and social distancing rules. Members of the public are encouraged to participate remotely from a safe location in the manner described below. Please note: should the stay at home orders change prior to this regular scheduled meeting, this agenda will be updated. Please check back on October 12th for any changes.

Remote Public Participation:

A) How to watch the meeting via Webex:

Meeting Link: bcadmin.net/bcemeeting

Case Sensitive Password: BCEOct!920

Audio Call In: 214-459-3653

Access Code: 146 468 7163

Attendees will be admitted into the meeting beginning at 5pm the day of the meeting.

B) How to provide public comment:

- a) Before the meeting: email your comments to ButteChoiceEnergyCOB@buttecounty.net no later than noon on Monday, October 12, 2020 and they will be forwarded to the Board and included in the public record. Be sure to include the agenda item number you are addressing, as well as your full name and address.
- b) During the meeting: email your comment to ButteChoiceEnergyCOB@buttecounty.net and your comment will be read verbatim into the record.

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

1. Call to Order

2. Public Comment For Items Not on the Agenda

This item is reserved for persons wishing to provide comment to the Board on any BCE-related matters that are not otherwise on this meeting agenda. Public comments on matters listed on the agenda shall be at the time the matter is called. Public comments from members of the public that are read at this meeting will be limited to 300 words.

3. Regular Agenda

a. Operations and Administration Report from Interim Executive Officers

Receive updates on various administrative activities and file with this report. Topics include:

- i. Completion of 2021 Regulatory/Decertification Requirements.
- ii. City of Oroville Membership Update
- iii. BCE Financial Update

Requested Action: Receive for information and provide any necessary direction.

b. BCE Proforma Update

Requested Action: Receive updated financial proformas covering the period 2022-2027 in order to inform BCE near-term decisions and next step discussion.

c. Discussion of Options and Next Steps for BCE

Requested Action: In light of updated financial projections, receive staff report regarding various options for BCE and provide direction to either: 1) move ahead (or not) with a late 2022 launch, 2) delay until late 2023/2024 when PCIA is expected to drop, 3) explore membership with one or more operational CCAs, or 4) cease all activity and disband JPA.

4. Board Member and Staff Announcements

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

5. Adjournment

Public records that relate to any item on the open session agenda for a regular Board meeting are available on the BCEA website at www.buttechoiceenergy.org. Public records that are distributed less than 72 hours prior to the meeting will be posted for public review at the same time they are distributed to all members, or a majority of the members of the Board.

BUTTE CHOICE ENERGY AUTHORITY

Staff Report – Item 3a

To: Butte Choice Energy (BCE) Board of Directors

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

Subject: Operations and Administration Report

Date: October 12, 2020

Recommendation

Receive update and provide direction and feedback as needed.

Background

Staff will provide regular updates to the Board of Directors regarding BCE organizational development, administration and start-up activities. These items are informational only.

Analysis and Discussion

- i. **Completion of 2021 Regulatory/Decertification Requirements.** All necessary actions for cancelling the 2021 program launch and decertifying BCE's 2019 Implementation Plan have been addressed with the CPUC. No further action is required on this item.
- ii. **City of Oroville Membership Update.** BCE interim executive officer, Brian Ring, has spoken to the City of Oroville to confirm the City's ongoing interest in joining BCE this year. The City is pushing forward with a JPA resolution and the first reading of a required ordinance on October 20th in order to complete next steps for membership with BCE. If the Council's vote is to proceed, they will have a second reading on the ordinance November 3rd, and the matter will return to the BCE Board for its consideration in November or December, 2020.

Pending the outcome of the Board's discussion on agenda item 3c, and as per BCE's new member policy, staff is proposing a new member contribution of \$90,000 for the City of Oroville. This contribution represents the City's 15% pro rata share (based on load size) of the \$600,000 that has already been contributed by the County and City of Chico. This new member fee, in addition to the \$20,000 already provided for the technical analysis and evaluation, is reimbursable to the City of Oroville on the same terms as existing BCE members as stipulated in the JPA Agreement.

- iii. **BCE Financial Update.** Attached please find an updated expense spreadsheet of interim staff, consulting and other recent decertification/implementation expenses that will be reimbursed to Butte County and City of Chico once BCE is revenue positive. These costs are contemplated in the cooperative service agreements with BCE and will be tracked for reimbursement as noted.

Attachments:

- A. BCE Expense Spreadsheet as of October 9, 2020

2018 - 2020 Butte Choice Energy - Expense Detail Report

<u>Date</u>	<u>Vender</u>	<u>Tasks</u>	<u>Costs</u>
2018-19	EES Consulting	Feasibility Study (approximate costs) Development and filing of Butte Choice Energy Authority	\$85,000
2019	EES Consulting	Implementation Plan	\$28,505.00
6-Jan	LEAN Consulting	Technical support for 2019	\$9,388.78
12-Mar	EES Consulting/GDS Associates	Technical support 2020 through February	\$19,847.50
26-Mar	LEAN Energy	Technical support through March 26, 2020	\$9,437.50
30-Mar	Avery and Associates	CEO Recruitment work	\$8,900.00
7-Apr	EES Consulting/GDS Associates	Technical support for March 2020	\$15,870.76
5-May	EES Consulting/GDS Associates	Technical support for April 2020	\$8,797.50
14-May	BB&K	Legal services (Regulatory)	\$8,536.50
14-May	BB&K	Legal services (General Counsel)	\$16,116.00
Through June	Butte County Labor	Labor to support Butte Choice Energy implementation efforts	\$93,649.59
FYTD	City of Chico Labor	Labor to support Butte Choice Energy implementation efforts	\$7,500.00
4-Jun	LEAN Energy	Technical support through May 2020	\$19,524.48
31-May	BB&K	Legal services (Regulatory)	\$7,649.50
31-May	BB&K	Legal services (General Counsel)	\$7,348.00
9-Jun	EES Consulting/GDS Associates	Technical Support	\$5,000.00
9-Jul	LEAN Energy	Technical Support through June 2020	\$5,546.50
7-Jul	Avery and Associates	CEO Recruitment work	\$5,500.00
7-Jul	Avery and Associates	CEO Recruitment work (expenses)	\$3,316.01
30-Jul	BB&K	Legal Services (General Counsel)	\$8,606.00
30-Jul	BB&K	Legal services (Regulatory)	\$10,379.50
30-Jul	BB&K	Legal Services (Power)	\$79.00
3-Aug	PFM	Financial Advisory Services	\$9,490.00
26-Aug	BB&K	Legal Services (General Counsel)	\$5,150.75
26-Aug	BB&K	Legal services (Regulatory)	\$8,612.00
18-Aug	EES Consulting/GDS Associates	Technical Support	\$7,400.00
23-Sep	BB&K	Legal services (General Counsel)	\$1,540.50
23-Sep	BB&K	Legal services (Regulatory)	\$28,148.50
9-Oct	LEAN Energy	Technical Support - July through Sept 2020	\$8,273.50

Total Expenses \$393,988.12

Balance Remaining on

Contracts

Contract Details

PFM	Banking and credit search consultant	\$510.00
Avery and Associates	CEO Recruitment	\$7,283.99
BB&K	General Counsel	\$17,833.75
EES Consulting/GDS Associates	Technical Support	\$0.00
LEAN Energy	Technical Support	\$31,829.24
EES Consulting/GDS Associates	Technical Support	\$22,600.00

BUTTE CHOICE ENERGY AUTHORITY

Staff Report – Item 3b

To: Butte Choice Energy (BCE) Board of Directors

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

Subject: BCE Proforma Update: Projections and Scenario Analysis

Date: October 12, 2020

Recommendation

Receive updated financial proformas and scenarios covering the period 2022-2027 in order to inform near-term Agency decisions and next step options.

Background

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

At the September 28th special meeting, staff was directed to take a revised look at BCE's proforma projections using various launch dates, phased enrollment approach, incorporating updated load data, updated power pricing and cost assumptions, and the inclusion of the City of Oroville's load.

Analysis and Discussion

Staff and energy/finance experts at Pilot Power Group (PPG) worked on updated 6-year (2022-2027) proforma scenarios for BCE based on a number of criteria. The revised proformas include the City of Oroville's load and examined the impact of assorted variables that can be modified to extract the greatest financial value while maintaining an accurate and realistic financial outlook for BCE.

After updating cost and revenue assumptions and running several scenarios, BCE's financial success - if it were to launch in 2022 - would be challenged in the first couple years of

operations, even with the addition of the City of Oroville. However, adjusting the launch year to avoid high PCIA and RA costs and phasing-in customers (rather than a single enrollment) increased the profitability and launch success of BCE. It is anticipated that PCIA charges will begin to level off and sharply decline starting in 2023/2024, providing the additional margin needed for BCE to be financially successful. In addition, there are different approaches and variables within the proforma that were adjusted to mitigate high cost impacts in the first few years. These include:

- 1) **Rate Discounts.** A generation discount of 1% was applied to all rate classes in four scenarios, and in the remaining four scenarios, a generation discount of 2% was applied. The generation discount would provide BCE customers a lower rate than PG&E's electric generation rate. Many CCAs, especially those recently launched, have had to revisit rate assumptions in their early years; it is notable that opt-out rates have not differed significantly whether a CCA offers a 1% or a 5% discount on generation rates; provided they are not exceeding the cost of the IOU (PG&E in this case).
- 2) **Renewable Content.** At present, BCE is contemplating an RPS portfolio to meet the minimum state-required for default customers. Alternatively, customers can opt-up to a higher renewable content of either 50% or a 100% renewable option. These higher renewable products would be provided at a premium to the default rate product. Dialing back the renewable content for the primary default product in the first few years could be a cost-savings measure worth considering while also allowing for a small rate discount. Four of the scenarios considered 50% greenhouse gas (GHG) free content as an alternative to brown energy, providing a higher carbon-free energy content within the default product.
- 3) **Launch Year/PCIA.** As noted above, one of the key expense considerations when setting rates is the high cost of PCIA exit fees, which are "absorbed by the CCA" and affects the ability to offer rate discounts. Four of the scenarios show BCE launching in late 2022 and the remaining four scenarios show a phase 1 launch in late 2023. The key difference is the expectation that the PCIA would begin to decline, resulting in better margins, when all BCE customers are enrolled in 2024.
- 4) **Launch Month Within a Calendar Year.** The launch month was set to October to avoid significant Local RA obligations and costs associated with Spring launches. This is consistent across all scenarios.
- 5) **Phase-In Schedule.** In all scenarios, residential customers are enrolled first, in October. These customers provide the greatest margin for BCE by volume and also avoid high RA costs associated with BCE's commercial load. Commercial load would be enrolled the following May as a phase 2 enrollment.

- 6) **NEM Enrollments.** In all scenarios, NEM customers were enrolled in the last phase of the program as NEM customers generally provide the least amount of revenue and at times, their excess generation is an operating expense for a CCA, especially those that offer retail rates for excess generation.

- 7) **Operating Costs.** Staff and PPG worked to reduce BCE's early operating costs, including realistic but conservative staff, consultant, legal and marketing budgets. Once the program is through its first year or so of operations, operating expenses can expand as needed, renewable and carbon free power content can increase, and energy programs can be added to the mix of BCE benefits.

Attachments:

- A. October 2020 BCE Proforma Scenarios and Analysis

Butte Choice Energy – Proforma Analysis

The attached proforma has been updated to show the yearly net income for Butte Choice Energy (BCE) over six years starting in 2022 and any expenses to date during 2019-2021. The proforma includes updates to the following:

1. Launch Period
 - a. October 2022 or October 2023
 - b. A phased approach to enrollments
 - i. Residential – October
 - ii. Commercial – May
 - iii. Net Energy Metering – Following October
2. Power Supply Costs
 - a. Energy Procurement
 - i. Imbalance Energy – Day-Ahead and Real-Time
 - ii. Renewables
 - iii. Green House Gas (GHG) Free Energy
 - b. Resource Adequacy
 - c. CAISO Services Fees
 - d. IOU Services Fees
3. Staffing, consulting costs, and overhead
4. Forecast PG&E generation rates
5. Forecast PG&E PCIA
6. Opt-out
 - a. Residential – 10%
 - b. Commercial/Agriculture – 5%
7. Opt-up
 - a. 50% PCC1 Renewable – 2.0% of the load
 - b. 100% PCC1 Renewable – 0.5% of the load

The summary of the various Scenarios is below.

Scenario	Phase Periods			Discount	GHG Free	2019-2021	2022	2023	2024	2025	2026	2027	Total
	Resi	Comm	NEM										
A	Oct-22	May-23	Oct-23	1%	0%	\$ (505,932)	\$ (672,830)	\$ (3,480,864)	\$ 7,320,099	\$ 8,669,978	\$ 16,404,579	\$ 22,948,120	\$ 50,683,151
B	Oct-22	May-23	Oct-23	1%	50%	\$ (505,932)	\$ (852,755)	\$ (5,279,250)	\$ 5,388,625	\$ 6,778,103	\$ 14,538,689	\$ 21,119,443	\$ 41,186,923
C	Oct-23	May-24	Oct-24	1%	0%	\$ (505,932)	\$ -	\$ (681,252)	\$ 10,417,014	\$ 8,669,978	\$ 16,404,579	\$ 22,948,120	\$ 57,252,508
D	Oct-23	May-24	Oct-24	1%	50%	\$ (505,932)	\$ -	\$ (858,038)	\$ 8,649,486	\$ 6,778,103	\$ 14,538,689	\$ 21,119,443	\$ 49,721,750
E	Oct-22	May-23	Oct-23	2%	0%	\$ (505,932)	\$ (777,071)	\$ (4,562,952)	\$ 6,160,688	\$ 7,491,943	\$ 15,170,814	\$ 21,667,159	\$ 44,644,650
F	Oct-22	May-23	Oct-23	2%	50%	\$ (505,932)	\$ (956,996)	\$ (6,361,338)	\$ 4,229,214	\$ 5,600,068	\$ 13,304,924	\$ 19,838,482	\$ 35,148,423
G	Oct-23	May-24	Oct-24	2%	0%	\$ (505,932)	\$ -	\$ (786,222)	\$ 9,308,704	\$ 7,491,943	\$ 15,170,814	\$ 21,667,159	\$ 52,346,466
H	Oct-23	May-24	Oct-24	2%	50%	\$ (505,932)	\$ -	\$ (963,009)	\$ 7,541,175	\$ 5,600,068	\$ 13,304,924	\$ 19,838,482	\$ 44,815,708

Butte Choice Energy**Scenario A**

Phase: Oct22 Resi, May23 Comm, Oct23 NEM

1% Discount, 0% GHG Free Energy

	2019-2021	2022	2023	2024	2025	2026	2027
Total CCA Revenues	\$ -	\$ 5,899,475	\$ 63,422,430	\$ 79,418,762	\$ 83,407,415	\$ 93,447,194	\$ 100,316,847
Power Supply Costs							
Energy Procurement	\$ -	\$ 3,432,703	\$ 34,681,353	\$ 38,895,212	\$ 40,118,257	\$ 40,990,149	\$ 41,031,156
Resource Adequacy	\$ -	\$ 1,316,182	\$ 26,868,024	\$ 27,402,499	\$ 28,744,080	\$ 30,103,100	\$ 30,313,821
CAISO Charges	\$ -	\$ 207,904	\$ 2,051,071	\$ 2,372,516	\$ 2,389,124	\$ 2,405,848	\$ 2,422,689
IOU Services Charges	\$ -	\$ 86,879	\$ 406,686	\$ 436,272	\$ 436,272	\$ 436,272	\$ 436,272
Total Power Supply Costs	\$ -	\$ 5,043,668	\$ 64,007,134	\$ 69,106,499	\$ 71,687,732	\$ 73,935,368	\$ 74,203,938
Gross Margin	\$ -	\$ 855,808	\$ (584,704)	\$ 10,312,262	\$ 11,719,682	\$ 19,511,826	\$ 26,112,908
Consulting and Services Fees							
Energy Services (PPG)	\$ -	\$ 46,500	\$ 189,720	\$ 193,440	\$ 197,160	\$ 200,880	\$ 204,600
Schedule Coordination (Zglobal)	\$ -	\$ 38,600	\$ 157,488	\$ 160,576	\$ 163,664	\$ 166,752	\$ 169,840
Data Mgmt and Call Center (Calpine)	\$ -	\$ 217,197	\$ 1,037,050	\$ 1,134,307	\$ 1,156,121	\$ 1,177,934	\$ 1,199,748
Consulting (Prog Mgmt, HR, IT, Acct/Fin)	\$ 252,616	\$ 267,656	\$ 244,800	\$ 249,600	\$ 254,400	\$ 259,200	\$ 264,000
BCE Staff	\$ 101,150	\$ 591,850	\$ 918,000	\$ 936,000	\$ 954,000	\$ 972,000	\$ 990,000
Legal/Regulatory	\$ 102,166	\$ 122,834	\$ 183,600	\$ 187,200	\$ 190,800	\$ 194,400	\$ 198,000
General & Administration	\$ -	\$ 60,000	\$ 79,560	\$ 81,120	\$ 82,680	\$ 84,240	\$ 85,800
Marketing Fees and Notices	\$ 50,000	\$ 184,000	\$ 85,942	\$ 49,920	\$ 50,880	\$ 51,840	\$ 52,800
Operating Sub-Total	\$ 505,932	\$ 1,528,637	\$ 2,896,160	\$ 2,992,163	\$ 3,049,705	\$ 3,107,246	\$ 3,164,788
Net Income	\$ (505,932)	\$ (672,830)	\$ (3,480,864)	\$ 7,320,099	\$ 8,669,978	\$ 16,404,579	\$ 22,948,120

Butte Choice Energy**Scenario B**

Phase: Oct22 Resi, May23 Comm, Oct23 NEM

1% Discount, 50% GHG Free Energy

	2019-2021	2022	2023	2024	2025	2026	2027
Total CCA Revenues	\$ -	\$ 5,899,475	\$ 63,422,430	\$ 79,418,762	\$ 83,407,415	\$ 93,447,194	\$ 100,316,847
Power Supply Costs							
Energy Procurement	\$ -	\$ 3,612,628	\$ 36,479,739	\$ 40,826,686	\$ 42,010,131	\$ 42,856,039	\$ 42,859,833
Resource Adequacy	\$ -	\$ 1,316,182	\$ 26,868,024	\$ 27,402,499	\$ 28,744,080	\$ 30,103,100	\$ 30,313,821
CAISO Charges	\$ -	\$ 207,904	\$ 2,051,071	\$ 2,372,516	\$ 2,389,124	\$ 2,405,848	\$ 2,422,689
IOU Services Charges	\$ -	\$ 86,879	\$ 406,686	\$ 436,272	\$ 436,272	\$ 436,272	\$ 436,272
Total Power Supply Costs	\$ -	\$ 5,223,593	\$ 65,805,520	\$ 71,037,973	\$ 73,579,607	\$ 75,801,259	\$ 76,032,615
Gross Margin	\$ -	\$ 675,882	\$ (2,383,089)	\$ 8,380,788	\$ 9,827,808	\$ 17,645,935	\$ 24,284,231
Consulting and Services Fees							
Energy Services (PPG)	\$ -	\$ 46,500	\$ 189,720	\$ 193,440	\$ 197,160	\$ 200,880	\$ 204,600
Schedule Coordination (Zglobal)	\$ -	\$ 38,600	\$ 157,488	\$ 160,576	\$ 163,664	\$ 166,752	\$ 169,840
Data Mgmt and Call Center (Calpine)	\$ -	\$ 217,197	\$ 1,037,050	\$ 1,134,307	\$ 1,156,121	\$ 1,177,934	\$ 1,199,748
Consulting (Prog Mgmt, HR, IT, Acct/Fin)	\$ 252,616	\$ 267,656	\$ 244,800	\$ 249,600	\$ 254,400	\$ 259,200	\$ 264,000
BCE Staff	\$ 101,150	\$ 591,850	\$ 918,000	\$ 936,000	\$ 954,000	\$ 972,000	\$ 990,000
Legal/Regulatory	\$ 102,166	\$ 122,834	\$ 183,600	\$ 187,200	\$ 190,800	\$ 194,400	\$ 198,000
General & Administration	\$ -	\$ 60,000	\$ 79,560	\$ 81,120	\$ 82,680	\$ 84,240	\$ 85,800
Marketing Fees and Notices	\$ 50,000	\$ 184,000	\$ 85,942	\$ 49,920	\$ 50,880	\$ 51,840	\$ 52,800
Operating Sub-Total	\$ 505,932	\$ 1,528,637	\$ 2,896,160	\$ 2,992,163	\$ 3,049,705	\$ 3,107,246	\$ 3,164,788
Net Income	\$ (505,932)	\$ (852,755)	\$ (5,279,250)	\$ 5,388,625	\$ 6,778,103	\$ 14,538,689	\$ 21,119,443

Butte Choice Energy

Scenario C

Phase: Oct23 Resi, May24 Comm, Oct24 NEM

1% Discount, 0% GHG Free Energy

	2019-2021	2022	2023	2024	2025	2026	2027
Total CCA Revenues	\$ -	\$ -	\$ 5,920,344	\$ 77,242,458	\$ 83,407,415	\$ 93,447,194	\$ 100,316,847
Power Supply Costs							
Energy Procurement	\$ -	\$ -	\$ 3,438,208	\$ 35,427,250	\$ 40,118,257	\$ 40,990,149	\$ 41,031,156
Resource Adequacy	\$ -	\$ -	\$ 1,325,395	\$ 25,973,856	\$ 28,744,080	\$ 30,103,100	\$ 30,313,821
CAISO Charges	\$ -	\$ -	\$ 209,359	\$ 2,065,428	\$ 2,389,124	\$ 2,405,848	\$ 2,422,689
IOU Services Charges	\$ -	\$ -	\$ 86,879	\$ 406,686	\$ 436,272	\$ 436,272	\$ 436,272
Total Power Supply Costs	\$ -	\$ -	\$ 5,059,842	\$ 63,873,221	\$ 71,687,732	\$ 73,935,368	\$ 74,203,938
Gross Margin	\$ -	\$ -	\$ 860,501	\$ 13,369,237	\$ 11,719,682	\$ 19,511,826	\$ 26,112,908
Consulting and Services Fees							
Energy Services (PPG)	\$ -	\$ -	\$ 47,430	\$ 193,440	\$ 197,160	\$ 200,880	\$ 204,600
Schedule Coordination (Zglobal)	\$ -	\$ -	\$ 39,372	\$ 160,576	\$ 163,664	\$ 166,752	\$ 169,840
Data Mgmt and Call Center (Calpine)	\$ -	\$ -	\$ 221,541	\$ 1,057,385	\$ 1,156,121	\$ 1,177,934	\$ 1,199,748
Consulting (Prog Mgmt, HR, IT, Acct/Fin)	\$ 252,616	\$ -	\$ 268,856	\$ 249,600	\$ 254,400	\$ 259,200	\$ 264,000
BCE Staff	\$ 101,150	\$ -	\$ 596,350	\$ 936,000	\$ 954,000	\$ 972,000	\$ 990,000
Legal/Regulatory	\$ 102,166	\$ -	\$ 123,734	\$ 187,200	\$ 190,800	\$ 194,400	\$ 198,000
General & Administration	\$ -	\$ -	\$ 60,390	\$ 81,120	\$ 82,680	\$ 84,240	\$ 85,800
Marketing Fees and Notices	\$ 50,000	\$ -	\$ 184,080	\$ 86,902	\$ 50,880	\$ 51,840	\$ 52,800
Operating Sub-Total	\$ 505,932	\$ -	\$ 1,541,753	\$ 2,952,223	\$ 3,049,705	\$ 3,107,246	\$ 3,164,788
Net Income	\$ (505,932)	\$ -	\$ (681,252)	\$ 10,417,014	\$ 8,669,978	\$ 16,404,579	\$ 22,948,120

Butte Choice Energy

Scenario D

Phase: Oct23 Resi, May24 Comm, Oct24 NEM

1% Discount, 50% GHG Free Energy

	2019-2021	2022	2023	2024	2025	2026	2027
Total CCA Revenues	\$ -	\$ -	\$ 5,920,344	\$ 77,242,458	\$ 83,407,415	\$ 93,447,194	\$ 100,316,847
Power Supply Costs							
Energy Procurement	\$ -	\$ -	\$ 3,614,995	\$ 37,194,779	\$ 42,010,131	\$ 42,856,039	\$ 42,859,833
Resource Adequacy	\$ -	\$ -	\$ 1,325,395	\$ 25,973,856	\$ 28,744,080	\$ 30,103,100	\$ 30,313,821
CAISO Charges	\$ -	\$ -	\$ 209,359	\$ 2,065,428	\$ 2,389,124	\$ 2,405,848	\$ 2,422,689
IOU Services Charges	\$ -	\$ -	\$ 86,879	\$ 406,686	\$ 436,272	\$ 436,272	\$ 436,272
Total Power Supply Costs	\$ -	\$ -	\$ 5,236,629	\$ 65,640,750	\$ 73,579,607	\$ 75,801,259	\$ 76,032,615
Gross Margin	\$ -	\$ -	\$ 683,715	\$ 11,601,708	\$ 9,827,808	\$ 17,645,935	\$ 24,284,231
Consulting and Services Fees							
Energy Services (PPG)	\$ -	\$ -	\$ 47,430	\$ 193,440	\$ 197,160	\$ 200,880	\$ 204,600
Schedule Coordination (Zglobal)	\$ -	\$ -	\$ 39,372	\$ 160,576	\$ 163,664	\$ 166,752	\$ 169,840
Data Mgmt and Call Center (Calpine)	\$ -	\$ -	\$ 221,541	\$ 1,057,385	\$ 1,156,121	\$ 1,177,934	\$ 1,199,748
Consulting (Prog Mgmt, HR, IT, Acct/Fin)	\$ 252,616	\$ -	\$ 268,856	\$ 249,600	\$ 254,400	\$ 259,200	\$ 264,000
BCE Staff	\$ 101,150	\$ -	\$ 596,350	\$ 936,000	\$ 954,000	\$ 972,000	\$ 990,000
Legal/Regulatory	\$ 102,166	\$ -	\$ 123,734	\$ 187,200	\$ 190,800	\$ 194,400	\$ 198,000
General & Administration	\$ -	\$ -	\$ 60,390	\$ 81,120	\$ 82,680	\$ 84,240	\$ 85,800
Marketing Fees and Notices	\$ 50,000	\$ -	\$ 184,080	\$ 86,902	\$ 50,880	\$ 51,840	\$ 52,800
Operating Sub-Total	\$ 505,932	\$ -	\$ 1,541,753	\$ 2,952,223	\$ 3,049,705	\$ 3,107,246	\$ 3,164,788
Net Income	\$ (505,932)	\$ -	\$ (858,038)	\$ 8,649,486	\$ 6,778,103	\$ 14,538,689	\$ 21,119,443

Butte Choice Energy**Scenario E**

Phase: Oct22 Resi, May23 Comm, Oct23 NEM

2% Discount, 0% GHG Free Energy

	2019-2021	2022	2023	2024	2025	2026	2027
Total CCA Revenues	\$ -	\$ 5,795,234	\$ 62,340,342	\$ 78,259,350	\$ 82,229,380	\$ 92,213,429	\$ 99,035,885
Power Supply Costs							
Energy Procurement	\$ -	\$ 3,432,703	\$ 34,681,353	\$ 38,895,212	\$ 40,118,257	\$ 40,990,149	\$ 41,031,156
Resource Adequacy	\$ -	\$ 1,316,182	\$ 26,868,024	\$ 27,402,499	\$ 28,744,080	\$ 30,103,100	\$ 30,313,821
CAISO Charges	\$ -	\$ 207,904	\$ 2,051,071	\$ 2,372,516	\$ 2,389,124	\$ 2,405,848	\$ 2,422,689
IOU Services Charges	\$ -	\$ 86,879	\$ 406,686	\$ 436,272	\$ 436,272	\$ 436,272	\$ 436,272
Total Power Supply Costs	\$ -	\$ 5,043,668	\$ 64,007,134	\$ 69,106,499	\$ 71,687,732	\$ 73,935,368	\$ 74,203,938
Gross Margin	\$ -	\$ 751,567	\$ (1,666,792)	\$ 9,152,851	\$ 10,541,648	\$ 18,278,061	\$ 24,831,947
Consulting and Services Fees							
Energy Services (PPG)	\$ -	\$ 46,500	\$ 189,720	\$ 193,440	\$ 197,160	\$ 200,880	\$ 204,600
Schedule Coordination (Zglobal)	\$ -	\$ 38,600	\$ 157,488	\$ 160,576	\$ 163,664	\$ 166,752	\$ 169,840
Data Mgmt and Call Center (Calpine)	\$ -	\$ 217,197	\$ 1,037,050	\$ 1,134,307	\$ 1,156,121	\$ 1,177,934	\$ 1,199,748
Consulting (Prog Mgmt, HR, IT, Acct/Fin)	\$ 252,616	\$ 267,656	\$ 244,800	\$ 249,600	\$ 254,400	\$ 259,200	\$ 264,000
BCE Staff	\$ 101,150	\$ 591,850	\$ 918,000	\$ 936,000	\$ 954,000	\$ 972,000	\$ 990,000
Legal/Regulatory	\$ 102,166	\$ 122,834	\$ 183,600	\$ 187,200	\$ 190,800	\$ 194,400	\$ 198,000
General & Administration	\$ -	\$ 60,000	\$ 79,560	\$ 81,120	\$ 82,680	\$ 84,240	\$ 85,800
Marketing Fees and Notices	\$ 50,000	\$ 184,000	\$ 85,942	\$ 49,920	\$ 50,880	\$ 51,840	\$ 52,800
Operating Sub-Total	\$ 505,932	\$ 1,528,637	\$ 2,896,160	\$ 2,992,163	\$ 3,049,705	\$ 3,107,246	\$ 3,164,788
Net Income	\$ (505,932)	\$ (777,071)	\$ (4,562,952)	\$ 6,160,688	\$ 7,491,943	\$ 15,170,814	\$ 21,667,159

Butte Choice Energy**Scenario F**

Phase: Oct22 Resi, May23 Comm, Oct23 NEM

2% Discount, 50% GHG Free Energy

	2019-2021	2022	2023	2024	2025	2026	2027
Total CCA Revenues	\$ -	\$ 5,795,234	\$ 62,340,342	\$ 78,259,350	\$ 82,229,380	\$ 92,213,429	\$ 99,035,885
Power Supply Costs							
Energy Procurement	\$ -	\$ 3,612,628	\$ 36,479,739	\$ 40,826,686	\$ 42,010,131	\$ 42,856,039	\$ 42,859,833
Resource Adequacy	\$ -	\$ 1,316,182	\$ 26,868,024	\$ 27,402,499	\$ 28,744,080	\$ 30,103,100	\$ 30,313,821
CAISO Charges	\$ -	\$ 207,904	\$ 2,051,071	\$ 2,372,516	\$ 2,389,124	\$ 2,405,848	\$ 2,422,689
IOU Services Charges	\$ -	\$ 86,879	\$ 406,686	\$ 436,272	\$ 436,272	\$ 436,272	\$ 436,272
Total Power Supply Costs	\$ -	\$ 5,223,593	\$ 65,805,520	\$ 71,037,973	\$ 73,579,607	\$ 75,801,259	\$ 76,032,615
Gross Margin	\$ -	\$ 571,641	\$ (3,465,177)	\$ 7,221,377	\$ 8,649,773	\$ 16,412,170	\$ 23,003,270
Consulting and Services Fees							
Energy Services (PPG)	\$ -	\$ 46,500	\$ 189,720	\$ 193,440	\$ 197,160	\$ 200,880	\$ 204,600
Schedule Coordination (Zglobal)	\$ -	\$ 38,600	\$ 157,488	\$ 160,576	\$ 163,664	\$ 166,752	\$ 169,840
Data Mgmt and Call Center (Calpine)	\$ -	\$ 217,197	\$ 1,037,050	\$ 1,134,307	\$ 1,156,121	\$ 1,177,934	\$ 1,199,748
Consulting (Prog Mgmt, HR, IT, Acct/Fin)	\$ 252,616	\$ 267,656	\$ 244,800	\$ 249,600	\$ 254,400	\$ 259,200	\$ 264,000
BCE Staff	\$ 101,150	\$ 591,850	\$ 918,000	\$ 936,000	\$ 954,000	\$ 972,000	\$ 990,000
Legal/Regulatory	\$ 102,166	\$ 122,834	\$ 183,600	\$ 187,200	\$ 190,800	\$ 194,400	\$ 198,000
General & Administration	\$ -	\$ 60,000	\$ 79,560	\$ 81,120	\$ 82,680	\$ 84,240	\$ 85,800
Marketing Fees and Notices	\$ 50,000	\$ 184,000	\$ 85,942	\$ 49,920	\$ 50,880	\$ 51,840	\$ 52,800
Operating Sub-Total	\$ 505,932	\$ 1,528,637	\$ 2,896,160	\$ 2,992,163	\$ 3,049,705	\$ 3,107,246	\$ 3,164,788
Net Income	\$ (505,932)	\$ (956,996)	\$ (6,361,338)	\$ 4,229,214	\$ 5,600,068	\$ 13,304,924	\$ 19,838,482

Butte Choice Energy

Scenario G

Phase: Oct23 Resi, May24 Comm, Oct24 NEM

2% Discount, 0% GHG Free Energy

	2019-2021	2022	2023	2024	2025	2026	2027
Total CCA Revenues	\$ -	\$ -	\$ 5,815,373	\$ 76,134,147	\$ 82,229,380	\$ 92,213,429	\$ 99,035,885
Power Supply Costs							
Energy Procurement	\$ -	\$ -	\$ 3,438,208	\$ 35,427,250	\$ 40,118,257	\$ 40,990,149	\$ 41,031,156
Resource Adequacy	\$ -	\$ -	\$ 1,325,395	\$ 25,973,856	\$ 28,744,080	\$ 30,103,100	\$ 30,313,821
CAISO Charges	\$ -	\$ -	\$ 209,359	\$ 2,065,428	\$ 2,389,124	\$ 2,405,848	\$ 2,422,689
IOU Services Charges	\$ -	\$ -	\$ 86,879	\$ 406,686	\$ 436,272	\$ 436,272	\$ 436,272
Total Power Supply Costs	\$ -	\$ -	\$ 5,059,842	\$ 63,873,221	\$ 71,687,732	\$ 73,935,368	\$ 74,203,938
Gross Margin	\$ -	\$ -	\$ 755,531	\$ 12,260,926	\$ 10,541,648	\$ 18,278,061	\$ 24,831,947
Consulting and Services Fees							
Energy Services (PPG)	\$ -	\$ -	\$ 47,430	\$ 193,440	\$ 197,160	\$ 200,880	\$ 204,600
Schedule Coordination (Zglobal)	\$ -	\$ -	\$ 39,372	\$ 160,576	\$ 163,664	\$ 166,752	\$ 169,840
Data Mgmt and Call Center (Calpine)	\$ -	\$ -	\$ 221,541	\$ 1,057,385	\$ 1,156,121	\$ 1,177,934	\$ 1,199,748
Consulting (Prog Mgmt, HR, IT, Acct/Fin)	\$ 252,616	\$ -	\$ 268,856	\$ 249,600	\$ 254,400	\$ 259,200	\$ 264,000
BCE Staff	\$ 101,150	\$ -	\$ 596,350	\$ 936,000	\$ 954,000	\$ 972,000	\$ 990,000
Legal/Regulatory	\$ 102,166	\$ -	\$ 123,734	\$ 187,200	\$ 190,800	\$ 194,400	\$ 198,000
General & Administration	\$ -	\$ -	\$ 60,390	\$ 81,120	\$ 82,680	\$ 84,240	\$ 85,800
Marketing Fees and Notices	\$ 50,000	\$ -	\$ 184,080	\$ 86,902	\$ 50,880	\$ 51,840	\$ 52,800
Operating Sub-Total	\$ 505,932	\$ -	\$ 1,541,753	\$ 2,952,223	\$ 3,049,705	\$ 3,107,246	\$ 3,164,788
Net Income	\$ (505,932)	\$ -	\$ (786,222)	\$ 9,308,704	\$ 7,491,943	\$ 15,170,814	\$ 21,667,159

Butte Choice Energy

Scenario H

Phase: Oct23 Resi, May24 Comm, Oct24 NEM

2% Discount, 50% GHG Free Energy

	2019-2021	2022	2023	2024	2025	2026	2027
Total CCA Revenues	\$ -	\$ -	\$ 5,815,373	\$ 76,134,147	\$ 82,229,380	\$ 92,213,429	\$ 99,035,885
Power Supply Costs							
Energy Procurement	\$ -	\$ -	\$ 3,614,995	\$ 37,194,779	\$ 42,010,131	\$ 42,856,039	\$ 42,859,833
Resource Adequacy	\$ -	\$ -	\$ 1,325,395	\$ 25,973,856	\$ 28,744,080	\$ 30,103,100	\$ 30,313,821
CAISO Charges	\$ -	\$ -	\$ 209,359	\$ 2,065,428	\$ 2,389,124	\$ 2,405,848	\$ 2,422,689
IOU Services Charges	\$ -	\$ -	\$ 86,879	\$ 406,686	\$ 436,272	\$ 436,272	\$ 436,272
Total Power Supply Costs	\$ -	\$ -	\$ 5,236,629	\$ 65,640,750	\$ 73,579,607	\$ 75,801,259	\$ 76,032,615
Gross Margin	\$ -	\$ -	\$ 578,744	\$ 10,493,397	\$ 8,649,773	\$ 16,412,170	\$ 23,003,270
Consulting and Services Fees							
Energy Services (PPG)	\$ -	\$ -	\$ 47,430	\$ 193,440	\$ 197,160	\$ 200,880	\$ 204,600
Schedule Coordination (Zglobal)	\$ -	\$ -	\$ 39,372	\$ 160,576	\$ 163,664	\$ 166,752	\$ 169,840
Data Mgmt and Call Center (Calpine)	\$ -	\$ -	\$ 221,541	\$ 1,057,385	\$ 1,156,121	\$ 1,177,934	\$ 1,199,748
Consulting (Prog Mgmt, HR, IT, Acct/Fin)	\$ 252,616	\$ -	\$ 268,856	\$ 249,600	\$ 254,400	\$ 259,200	\$ 264,000
BCE Staff	\$ 101,150	\$ -	\$ 596,350	\$ 936,000	\$ 954,000	\$ 972,000	\$ 990,000
Legal/Regulatory	\$ 102,166	\$ -	\$ 123,734	\$ 187,200	\$ 190,800	\$ 194,400	\$ 198,000
General & Administration	\$ -	\$ -	\$ 60,390	\$ 81,120	\$ 82,680	\$ 84,240	\$ 85,800
Marketing Fees and Notices	\$ 50,000	\$ -	\$ 184,080	\$ 86,902	\$ 50,880	\$ 51,840	\$ 52,800
Operating Sub-Total	\$ 505,932	\$ -	\$ 1,541,753	\$ 2,952,223	\$ 3,049,705	\$ 3,107,246	\$ 3,164,788
Net Income	\$ (505,932)	\$ -	\$ (963,009)	\$ 7,541,175	\$ 5,600,068	\$ 13,304,924	\$ 19,838,482

BUTTE CHOICE ENERGY AUTHORITY

Staff Report – Item 3c

To: Butte Choice Energy (BCE) Board of Directors

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

Subject: BCE Discussion of Agency Options and Next Steps

Date: October 12, 2020

Recommendation

Receive information and provide direction to staff regarding various options for BCE. Provide direction to either: 1) move ahead (or not) with a late 2022/2023 launch, 2) delay launch until late 2023/2024 when PCIA is expected to drop, 3) explore membership with one or more operational CCAs, or 4) cease activity and disband the JPA.

Background

At its Board meeting on July 27, 2020, the Board took action to change BCE's launch date from spring 2021 to a date to-be-determined in 2022 due to events such as COVID and the impacts it has had on the economy, the impacts on the resource adequacy (RA) market, projected changes to the PCIA (exit fee) over the next several years, and the tightening of credit markets. The Board also authorized staff to take the steps necessary to effectuate the change, and on August 26, 2020 the Board agreed to decertify BCE's CCA Implementation Plan to relieve the Agency of its Resource Adequacy (RA) obligations for 2021. Finally, the Board asked staff and consultants to monitor the credit markets, energy and RA pricing, and forecasted PCIA impacts and return with a potential path forward for a 2022 launch in the hopes that the situation would improve enough to support a 2022 timeline. That said, the Board has also been clear that it is not interested in launching "in the red" and/or assuming debt too far ahead of when revenues are scheduled to begin.

Analysis and Discussion

Unfortunately, the situation has not improved. The pandemic continues to wreak havoc on credit markets and the larger economy. Renewable pricing has dropped and RA pricing has leveled off, but not enough to create adequate headroom through which to offer rate discounts. RA is projected to remain volatile until the details of the Central Procurement Agency are ironed out and implemented, which is slated for 2023. Finally, PCIA forecasts continue to be especially high over the next few years, which only adds to the "perfect storm" of hurdles for nascent CCA start ups. The good news is that in 2024, PCIA fees in PG&E's service

territory are slated to dramatically drop due to the decommissioning of the Diablo Canyon Nuclear facility. As demonstrated by the updated proforma estimates, when the PCIA drops in 2024, the skies significantly clear and CCAs can once again recover some of the headroom needed to move forward with a viable launch.

The following provides a summary description, key considerations, and next steps for each of four options for the BCE organization at this time. Staff and consultants will be on hand to address any questions the Board may have.

1. **Move Ahead (or not) with Late 2022 Launch.** From a financial perspective, given ongoing pandemic concerns, high RA costs, and even higher PCIA impacts, this option is becoming very unlikely unless a third party lender and/or BCE member agenc(ies) are able to provide significant financial support to both launch the program and absorb anticipated losses in the first few years of operations. Given the Board’s concern about not “starting in the red,” moving ahead with a 2022 launch seems fiscally imprudent at this time. Under this scenario, it is also unlikely that a rate discount and/or meaningful carbon reductions can be achieved.
 - a. If the Board directs to move ahead with a late 2022 launch, the following are immediate next steps:
 - Reengage banks and local government funders;
 - Complete Oroville membership ASAP, including required JPA amendment; and
 - Prepare and adopt new Implementation Plan by December, 2020
 - b. If the Board directs not to proceed with 2022 launch, the following are the next steps:
 - Follow up with Oroville; proceed with membership this year if desired;
 - Follow up with current vendors and contractors on the status of their current contracts;
 - Adopt of Board of Directors calendar with fewer meetings in 2021;
 - Update website information and notify interested stakeholders; and
 - Proceed with next steps for whatever option is selected.
2. **Delay Launch Until Late 2023/2024.** The primary drivers in this scenario are: 1) leveling off of RA costs and 2) the anticipated reduction in PCIA exit fees (estimated to drop between 25% - 50% depending on rate class). While margins remain somewhat thin in the October 2023/phase 1 launch, things stabilize midway through 2024 and revenues continue at a pace to allow for reasonable headroom in the program’s first year and improvements year over year thereafter. While the loss of momentum and further delay is disappointing, this option appears to be the most financially viable if BCE wants to proceed with a County-focused program over the long term.
 - a. If the Board indicates a preference for a proposed October 2023/May 2024 launch, the following are near-term next steps:

- Notify City of Oroville of the Board’s direction; discuss membership process and timing;
- Notify contractors and vendors and determine best approach for contract hiatus or interruption;
- Adopt of Board of Directors calendar with fewer meetings in 2021
- Update website;
- Continue to track market pricing and regulatory/legislative changes; and
- Reengage lenders and complete new Implementation Plan by end of 2021

3. **Explore Membership with One or More Operational CCAs.** In previous discussions on this topic, elected representatives of BCE’s member agencies have expressed a preference for local-control and a Butte County focused JPA. While this may still be the case, staff wanted to include this as an option since circumstances have significantly changed. There are one or two nearby CCAs (Valley Clean Energy in Yolo County and Pioneer Community Energy in Placer County) that may be interested in expanding membership if the Board directs staff to inquire. The primary upside to this option is that BCE member cities would join a fully functioning CCA organization, thus mitigating the need to continue with the effort and cost of start-up, Agency financing, et al. The downsides are: 1) the inability to recoup already sunk costs provided by the County and City -- although this could be a point of discussion with the operational CCA, and 2) the more member agencies that are included dilutes some governance control. In any case, BCE customers would not likely be enrolled/receiving power until sometime in 2023 (possibly later) because there is not likely enough time to evaluate and join an existing CCA by the end of this year.

- a. If the Board directs staff to follow up on the CCA membership option, next steps are to:
- Reach out to the General Manager/CEO of identified CCAs to inquire about the feasibility of joining their JPA and steps in the process to do so;
 - Notify City of Oroville and BCE member agencies of the Board’s direction; discuss appropriate next steps re: future/current membership in BCE;
 - Notify contractors and vendors to determine best approach for contract hiatus or breakage;
 - Adopt of Board of Directors calendar with fewer meetings in 2021;
 - Update website;
 - Select CCA partner, negotiate terms, join as new members, and amend their Implementation Plan by end of 2021 for a 2023 launch (or 2020 for a 2022 launch, if feasible); and
 - Disband BCE JPA and website at a time appropriate.

4) **Cease Activity and Disband BCE JPA.** If the Board determines that BCE dissolution is the best course of action at this time, the JPA would be closed down in accordance with the law, existing contracts would be wrapped up and/or cancelled, and sunk costs would be absorbed as losses by the County and the City. Once these steps are completed, likely by the end of this year, all further activity on Butte’s CCA initiative would be curtailed.

- a. If the Board determines that ceasing further operations is the best course of action, next steps are to:
- Follow the termination provisions of the JPA Agreement and California law;
 - Wrap-up/cancel vendor contracts;
 - Complete final accounting report;
 - Notify state and other required stakeholders of JPA's dissolution; and
 - Remove website.

Fiscal Impact: Potentially minimal to significant depending on option selected.