Frequently Asked Questions for Local Governments

WRCOG is developing a Program, Western Community Energy (WCE), which will provide the community a choice in the energy supply it receives, enable local control over rate setting and customer programs, and offer rates competitive to Southern California Edison (SCE).

WESTERN COMMUNITY ENERGY HAS ECONOMIC AND ENVIRONMENTAL BENEFITS

In 2016, WRCOG completed a Feasibility Study to identify the potential benefits of implementing a Community Choice Aggregation (CCA) Program. Using conservative numbers and assumptions, the Feasibility Study indicates a CCA will reduce costs, yield positive environmental impacts, and increase local control.

The Program will give residents and business owners control over their rates, power supply and generation options. A CCA will also offer local investment opportunities, compounding the economic benefits of the Program throughout the community and economy as a whole.

WCE is anticipated to launch in late 2018 with five or six jurisdictions, representing over 160,000 residential and commercial accounts. Initially, the Western Riverside Council of Governments (WRCOG) will administer WCE while it establishes its Joint Powers Authority (JPA) and Governing Board.

PROGRAM OBJECTIVES

1. **Provide local control over programs, rates, power supply/ generation options.**
2. **Provide consumers a choice in energy supply.**
3. **Offer competitive utility rates.**
4. **Provide economic development through implementation of renewable energy projects.**

What is a "Community Choice Aggregation" Program?

ANSWER

Community Choice Aggregation (CCA) enables local governments (alone or with others through a JPA) to buy electricity and offer it to customers in their communities. The electricity will still be distributed and delivered over the existing Southern California Edison (SCE) electricity lines. Essentially, a CCA provides consumers with choices in their energy sources instead of being locked into the choices and rates set by SCE.

What is Western Community Energy?

ANSWER

Western Community Energy (WCE) will be a JPA that local governments can join to provide a choice of energy generation to its residents and businesses.

What are the benefits of WCE?

ANSWER

1. Consumers (residents and businesses) can choose what type of energy resources are serving the community.
2. Local elected officials will be in charge of energy resources, rate-setting, and administration, which provides local accountability and transparency.
3. Energy can be provided at lower and/or competitive rates through negotiation of energy prices below those offered by SCE.
4. Communities can spur economic development by investing in the development of local renewable energy production.

Are there any CCAs in California?

ANSWER

Yes. There are eight CCA programs up and running in California: Marin Clean Energy, Sonoma Clean Power, Lancaster Choice Energy, CleanPowerSF, Peninsula Clean Energy, Redwood Coast Energy Authority, Silicon Valley Clean Energy, and Apple Valley Choice Energy.

Are existing CCAs successful?

ANSWER

Yes. These CCAs are offering their customers 20-30% more renewable energy than the incumbent utility at prices that are competitive and in most cases lower than the utility rates. Marin and Sonoma are also procuring and co-developing in-state and local renewable resources and offering specialized energy programs designed for its local service areas.

How would a local government join Western Community Energy?

ANSWER

A local government would take formal action to join the WCE JPA and then adopt an ordinance to participate. The 2nd reading to the ordinance could be waived. Templates are available

Are all local governments in the subregion required to participate?

ANSWER

No. WCE does not have the authority to compel any local government to participate; any local government can choose to remain with SCE. A local government may also decide to join WCE after it has been established.

Can a local government opt-out of a CCA after it joins? How does that work?

ANSWER

Yes. A member would have the ability to opt-out and could do so for only its municipal facilities or for its entire community.

Who will manage WCE?

ANSWER

WRCOG will provide management and administrative services for the first three years of operation, or until the WCE Governing Board determines the JPA is prepared to take on full administration.

What does WCE need to "start business"?

ANSWER

Once its Governing Board is established, WCE must prepare and submit an Implementation Plan to the California Public Utilities Commission (CPUC) for certification.

What is an Implementation Plan?

ANSWER

The Implementation Plan outlines how WCE will function, set rates, purchase electricity, and carry out all other functions required under CPUC regulations.

Western Riverside Council of Governments 3390 University Avenue, Suite 450 | Riverside, CA 92501
www.wrcog.us | (951) 405-6760

What start-up costs are needed?

ANSWER

Start-up costs (consultants, administration functions, legal, staffing, data management, etc.) are estimated to be between $3-7 million. WRCOG will cover these costs or WCE (once established) can take out a loan. Start-up costs would be recouped by revenues realized during the first year of operation and would be returned to WRCOG or applied towards loan repayment.

What are the working capital requirements?

ANSWER

Power procurement is estimated to be between $21-50 million, depending on the number of WCE customers. Only 5-10% will be needed to cover the initial months of operations (billing, staffing, legal, and internal operations, etc.) until a revenue stream is established through customer utility bill payments. The remainder will accumulate over time in a reserve to build credit worthiness for WCE. The majority of the working capital funds can be realized from WCE bonding and/or securing a loan, which will be built into the rates.

How have other CCAs dealt with working capital costs?

ANSWER

Existing CCAs in California secured loans for the initial capital and repaid the loans within the first three years.

Are municipal General Funds at risk?

ANSWER

No. There is no risk to local government general funds. A CCA's budget is completely separate from the general funds of participating local governments.

Is this an "Opt-in" or an "Opt-out" Program?

ANSWER

California law states that CCAs are "Opt-out" Programs, meaning once a local government takes action, all the residents and businesses will be automatically enrolled in the CCA. Residents can choose to opt-out at any time and stay with SCE.

What if a jurisdiction joins the CCA but individual businesses or residents desire to stay with SCE?

ANSWER

Every customer can choose to remain with SCE for their energy supply. State law requires that customers receive several notifications so they can "opt-out" and remain with SCE at no charge, both before and just after a CCA Program launches. All customers can choose which electricity provider is best for them.

Will customers be able to switch back and forth between WCE and SCE?

ANSWER

Yes. Pursuant to state law, once a CCA becomes active, all customers are automatically transferred under the CCA. However, customers may go back to SCE at any time. SCE may charge a fee to accept the customers back and will require the customers to stay with SCE service for one year.

What if customers don't want their energy provided by WCE and just want to stay with SCE?

ANSWER

Every customer can choose to remain with SCE for both power resources and delivery. State law requires that customers receive several notifications so they can "opt-out" and remain with SCE at no charge, both before and just after WCE launches. All customers will now have a choice in which electricity provider is best for them.

Does SCE have a say in whether or not a CCA can be formed?

ANSWER

No.

What is SCE's role in WCE?

ANSWER

SCE will:

- Continue to own and operate the distribution lines.
- Be responsible for the reliable and safe delivery of electricity to the customer.
- Continue metering services.
- Continue meter reading and usage data acquisition.
- Handle billing and payment services.
- Provide customer care and account maintenance.

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What will WCE do?

ANSWER

WCE will:

- Procure and provide the generation portion of customer electricity needs.
- Ensure that power generated is delivered to the necessary grid location required to service the customers.
- Comply with the Resource Adequacy and Renewable Portfolio Standards (RPS) requirements.
- Respond to customer inquiries regarding energy supply, management, and oversight of WCE.

What role does the CPUC have in a CCA?

ANSWER

The CPUC has limited jurisdiction over CCA operations. The CPUC will certify WCE's Implementation Plan and ensure WCE is meeting its Renewable Portfolio Standards (RPS) requirements. WCE must annually file proof of resource adequacy / capacity and submit a number of regulatory reports to other agencies. The CPUC will oversee the relationship between SCE and WCE.

You say that WCE can provide energy at lower cost, but how can I know for sure?

ANSWER

The CCA Feasibility Study prepared for Western Riverside County concluded that a CCA could offer cost savings as compared to SCE. While there is no guarantee, other CCAs operating in California are experiencing savings compared to their respective investor owned utilities (IOUs). Each year WCE will work with SCE to compare the energy costs offered by both energy providers. This information will be distributed to all WCE customers. For information on additional benefits beyond cost savings, please see page 2.

How will the rates be set?

ANSWER

Energy rates will be set regularly, based on the projected cost of energy. Unlike SCE rates, which are set by the CPUC, WCE's energy rates will be set by local elected officials representing the participating communities. The public will be encouraged to attend and participate at rate setting meetings to ensure a more transparent process.

Will taxes increase?

ANSWER

No. WCE does not have the ability to tax and there are no impacts on taxes. WCE will be funded entirely by revenues from the ratepayers, requiring zero tax dollars from customers or participating communities.

Isn't renewable power more expensive than non-renewable electricity? Wouldn't a CCAs rates be higher?

ANSWER

In today's markets, that is not the case. To date, CCAs in California have been able to offer 25-30% cleaner energy at lower costs to customers compared to higher carbon-based energy sources.

What's the catch?

ANSWER

There are risks involved with any CCA. These include a potential reduction in SCE rates, higher "opt-out" rates than estimated (i.e., over 25%; current CCAs in CA have opt-out rates between 4% and 16%), higher exit fees charged by SCE, or legislative and/or regulatory changes. These scenarios were contemplated in the Feasibility Study.

Does this mean the CCA would be in the commodity market? How risky is this?

ANSWER

Yes. Electricity is a commodity and markets exist where electricity is traded daily with multiple buyers and sellers. While electricity can be purchased on a daily spot market with variable pricing, this is not how WCE would purchase its power needs. WCE would enter into contracts on the wholesale energy market.

ADDITIONAL QUESTIONS?

Contact WRCOG at 951.405.6760 or www.wrcog.us for additional information