

## FAQ Sheet:

### **Questions Posed to Mr. Fulmer:**

1. I was wondering if I couldn't speak to someone further on this matter as we added SOLAR about 2 years ago. A whole lot of solar, including 2 car ports besides our entire roof. It seems that what SCE did was put us on the plan where now we generate our own power but may use some of theirs if it is a cloudy day, etc. However, their DEMAND charge is what our bill used to cost and this is where they get you. So, if what you are saying, that they would still be the supplier..... wouldn't we still be in the same boat?

Yes. Most demand charges occur in the Transmission and Distribution elements of a customer's rate. Since you will be paying the same "T&D" charges with a CCA that you do with Edison, those rates will not change.

2. CCA profits margins are shrinking due to: a) Rising PCIA fees; b) Resource adequacy costs. This seems to be a trend. How could it affect the financial health of CCA's in the future?

These two issues are shorter-term and will likely resolve in the next couple of years. With that said, CCA margins are not likely to fully return to what they were in the mid-2010's, so sound management will always be needed.

3. If a city joins a CCA and things go badly - is the city partially liable for the costs of the long-term energy contracts that the CCA entered into? Could this be a liability of many millions of dollars? Could it impact the city's general fund? If a city wants out - what options does it have?

Yes. Hypothetically, if "things go badly" Lake Forest can withdraw from a CCA-JPA or close down its own city-only CCA. Doing so would potentially create liability to the City for excess power procurement that the CCA entered into to serve the Lake Forest load. I cannot speak to the magnitude of the liability nor how that would impact the city finances or its general fund.

4. In terms of MOST CURRENT ratepayer costs, how many (what percent) of those CCA's that compete directly with Edison pay less for their residential energy than they would pay if they purchased it from Edison? What about for industrial energy? Please provide the data.

Please see figure 3 on page 7 of the *Technical Assessment of Community Choice Energy for the City of Lake Forest* report prepared for Lake Forest for the most recent residential rate comparisons that MRW has prepared. We have not performed an analogous survey for industrial CCA rates.

[https://lakeforest.primegov.com/meeting/attachment/48167.pdf?name=Attachment%20\\_CCA%20Assessment](https://lakeforest.primegov.com/meeting/attachment/48167.pdf?name=Attachment%20_CCA%20Assessment)

5. Ratepayers already have access to a wide range of renewable energy programs through Edison, which offers lean, clean and green renewable levels. What advantage is there purchasing renewable energy through a CCA?

Please see page 2 of the *Technical Assessment of Community Choice Energy for the City of Lake Forest* report prepared for Lake Forest.

[https://lakeforest.primegov.com/meeting/attachment/48167.pdf?name=Attachment%20\\_CCA%20Assessment](https://lakeforest.primegov.com/meeting/attachment/48167.pdf?name=Attachment%20_CCA%20Assessment)

6. Please explain what "Renewable Energy Certificates" (RECs) are used for and the term "Green Washing". Apparently, it's a maneuver that allows CCA's to purchase brown energy (made from natural gas and coal energy) with RECs, then re-label it as "green energy" upon sale to the consumer. Are you aware of this ploy? Has anything been done to stop it?

RECs are the way that renewable power is tracked. California has multiple types of RECs and limit the use of certain kinds of RECs. "PCC1" RECs are most commonly used by CCAs. A PCC1 REC certifies that the power was generated by a specific renewable generator within California and delivered to the California grid on behalf of the CCA purchaser. This ensures that the renewable power is real and can be used for meeting state renewable power content regulations.

"Greenwashing" occurs when an entity simply purchases power from wherever it wants but then purchase generic RECs from other states. These RECS show that renewable power was generated, but not that it was delivered into California or to that customer. California regulations prevent this kind of greenwashing.

7. The CPUC (government) regulates Edison and the other IOUs to ensure they behave above board. Who regulates the CCA's to keep them in line?

Just like municipal utilities are overseen by elected representatives, their city councils, CCAs are overseen by the elected officials on the CCAs' boards of directors.

8. Please discuss the following risks that are inherent with CCA's: a) market risk; b) regulatory risk; c) interagency risk d) political risk e) JPA public debt risk; f) lack of management industry experience.

Please see Please see the *Technical Assessment of Community Choice Energy for the City of Lake Forest* report prepared for Lake Forest.

[https://lakeforest.primegov.com/meeting/attachment/48167.pdf?name=Attachment%20\\_CCA%20Assessment](https://lakeforest.primegov.com/meeting/attachment/48167.pdf?name=Attachment%20_CCA%20Assessment)

9. Please elaborate on the difficulty (financial and procedural) of a city exiting a CCA after it joins.

Please see page 5 of the report, *Review of Orange County Power Authority Foundational Documents and CCA Options to the City of Lake Forest*, prepared for Lake Forest.

[https://lakeforest.primegov.com/meeting/attachment/48166.pdf?name=Attachment%201\\_OCPA%20Review](https://lakeforest.primegov.com/meeting/attachment/48166.pdf?name=Attachment%201_OCPA%20Review)

10. OCPA says that they will retire their outstanding debt in 2027. Theoretically, could the debt be extended past that year? Could Irvine's loan be refinanced?

This question does not pertain to the City of Lake Forest as the City is no longer a member of OCPA. All questions related to the management and operations of OCPA should be directed to OCPA staff. Please contact the Orange County Power Authority via email at [info@ocpower.org](mailto:info@ocpower.org) or (949) 767-8700.

11. Why should our City rush into a CCA, and its risks, if Southern California Edison has to meet the renewable quotas required by the State anyway?

The decision to form a CCA, or not, is based on benefit-risk tradeoffs. Local decision makers (i.e., the Lake Forest City Council) must weigh the benefits of CCA against its risks, including considering the benefits of renewable power content versus that being achieved by SCE.

12. Mr Fulmer, why do you think that AB 117 required all residents in a CCA area to be forced into a CCA energy program? And did the California Legislators use behavioral economics, counting on the fact that residents would not opt out of a default program?

While I cannot know what exactly they were thinking at the time, I suspect that the legislators wanted to remove barriers to CCA formation, and having it be "opt-out" addressed a major barrier.

13. If cities in a CCA have no liabilities if a JPA fails, do the customers of the CCA then become responsible for the liabilities? Explain how the liability is completely covered.

No, the customers are protected if the CCA fails. While I am not an attorney, I suspect that the CCA would enter into bankruptcy or something like bankruptcy to address residual liabilities.

14. As a resident of Lake Forest on a fixed income my major concern is financial. I am using Marin Clean Energy (MCE) as an example because it was the first CCA in California and is a model for all other CCAs in our State. Most CCA literature states that the savings over local Utilities will be around 1-2%. I did some research on MCE and found, in their CCA committee notes, that they only planned to keep their rates at .3% below PG&E not the 1-2% touted in CCA literature. I did find that they maintained minimal savings from 2010 until 2020. The big problem began at the start of 2021. MCE, being unregulated by the CPUC, hiked their electricity rates to \$10.30 then up again to \$11.18 per month over PG&E's standard rate. This increase over PG&E's rate for 2021 will wipe out all the average savings of \$0.70 per month for the last 10 years and will take over \$50 million out of residents personal incomes and their local economy. My research has also uncovered a rapid decline in rate savings with almost all CCAs and an increased costs over local Utilities in more vs SCE. What would your advice be to a city today knowing that CCA rate savings are trending down and CCA rates are increasingly more expensive than local Utilities?

The City is treading carefully and will consider the most up to date price and cost data before committing to CCA. If the data suggests that the price risk is higher than they want to face, then CCA formation should be delayed.

15. Thank you for continuing the conversation on Community Choice Energy/Community Choice Aggregation. Many of the existing 24 California CCAs are implementing innovative programs to benefit their communities. I have heard that Peninsula Clean Energy is installing solar panels on faith-based institutions and nonprofit organizations so they can be used as emergency cooling centers or shelters. This seems like a win/win for the organizations that benefit from getting solar energy, for PCE with increased availability of rooftop solar in the community, and for community members. Is this something that we might consider in a future Lake Forest Community Choice plan? And what other types of innovative programs could the city offer under a CCA?

If Lake Forest formed or joined a CCA, it would be up to the CCA's board of directors to decide if it wanted to pursue an analogous program. This decision, and any decision concerning programs, would be based on the board's priorities and availability of funding. You can see what some of the other programs CCAs are offering at: <https://cal-cca.org/cca-programs/>

16. If Lake Forest formed a CCA or joined a JPA and resident membership fell below 50% could the JPA expel Lake Forest? Would Lake Forest have to make other JPA cities whole for exit damage?

No and no.

17. Is the JPA a non-profit?

A JPA is an entity that allow two or more public agencies to jointly exercise common powers. Thus, it is still governmental, and such does not have to fund shareholders.

18. The JPA saves money to pay off exit fees. Once paid off, do members of the CCA receive lower rates?

CCA customers might receive lower rates once the exit fees are paid off. It would be up to the CCA's Board of Directors to determine what the best use of any excess revenues generated by a paid-off exit fee. In addition to reducing rates, the Board may also choose to fund additional programs or purchase more renewable power.

19. If energy is charged at the same market rate, will Edison and the JPA be purchasing energy at the same rate?

Both CCAs and Edison only purchase a portion of their power on the wholesale power market. They also enter into short-, medium-, and long-term contracts, as well as use financial hedging instruments to manage price risk. Because CCAs and Edison will not have to same contracts or hedges, their costs, and rates, will be different.

20. What are the renewables that Edison provides today and what are the yearly progressions of renewables for the next 5 to 10 years?

As of 2019 (the most recent data available), 35.1% of SCE's power can from renewables. Of this 35.1%, 16% was from solar, 11.5% from wind, 6% from geothermal, 1% from small hydroelectric, and 0.5% from biomass. As the state's renewable content requirements increase, SCE would likely mainly add more solar and wind.

See,

[https://www.sce.com/sites/default/files/inlinefiles/SCE\\_2019PowerContentLabel.pdf](https://www.sce.com/sites/default/files/inlinefiles/SCE_2019PowerContentLabel.pdf)

**General CCA Questions Received:**

21. Why did the LF City Council opt out of the JPA initiated by Irvine?

The Lake Forest City Council opted out of the OCPA, without penalty, to develop a public engagement plan to educate the community on the advantages and disadvantages of CCAs as well as identify the community's goals regarding electricity from renewable sources and local control. The engagement plan will help the City Council decide whether to move forward with some form of a CCA or to remain with SCE.

22. I'd like to understand the reasoning why Lake Forest City Council voted down joining Irvine (and other cities) as a coalition to purchase energy from renewal sources. By not joining a coalition of other cities to share costs I'd like to understand the added cost to Lake Forest, and of course, the residents by purchasing energy from renewable sources.

Please see the response above.

23. If CCA's are so attractive and offer so many benefits, why are ratepayers automatically enrolled in the CCA's after a city joins a CCA? Why aren't the consumers allowed to make their own decisions to switch from a IOU to the CCA rather than being enrolled involuntarily?

In 1996, the Legislature passed AB 1890, Chapter 856, Statutes of 1996, to restructure the electric industry. One of the key features of electrical restructuring was the authorization of retail competition within IOU service areas. AB 1890 ended the service monopoly of utilities and authorized retail customers to purchase energy directly from suppliers. These transactions are known as "direct access." Community Choice Aggregation is a form of direct access where, for example, a city may act as a purchasing agent on behalf of its residents.

Opt-in community aggregation, wherein the governing body of the community, such as the city council, chooses an electricity supplier for the entire community, was discussed but ultimately tabled during the AB 1890 debates. In 2002, state legislators passed California's Community Choice Aggregation law (AB 117), which resurrected that concept by permitting the governing body to select a provider of electricity which then becomes the default provider for everyone in the community. AB 117 mandates customers residing in a CCA service area would automatically be enrolled, unless they chose not to opt out and remain with the traditional provider.

24. OCPA refused to even discuss Lake Forest's reasonable requests to amend their agreement to allow Lake Forest more equity and a greater voice in the decision-making process. Why?

25. Many Orange County cities get their power from Edison. So far, only 4 have joined the CCA. Why is OCPA having such a difficult time recruiting new members?

26. Why is there an "eminent domain" clause in the OCPA agreement? Could OCPA/JPA direct a city to surrender some city property for energy infrastructure? If not, why does the clause remain in the contract?

Questions #24-27 pertain to the management and operations of the OC Power Authority. As the City is no longer a member of OCPA, these questions are best directed to OCPA staff. Please contact the Orange County Power Authority via email at [info@ocpower.org](mailto:info@ocpower.org) or (949) 767-8700.

27. What are the salaries for the CEO and COO of OCPA? Are those considered full-time jobs or do they hold other day jobs as well?

The salaries for OCPA staff are posted on the OC Power Authority website at [www.ocpower.org](http://www.ocpower.org).

28. Does the City of Lake Forest have the financial resources to start up a CCA without adding taxes to homeowners?

Yes, the City has the financial resources to form a CCA. State law limits the ability of cities to simply add taxes to homeowners without a vote of the people.