

City of Commerce



DRAFT COMMUNITY CHOICE AGGREGATION IMPLEMENTATION PLAN AND STATEMENT OF INTENT

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CHAPTER 1 – Introduction

The City of Commerce (“City” or “Commerce”), located within Los Angeles County, is pursuing the implementation of a community choice aggregation program (“CCA”), which has been named Commerce CCA (the “Program” or “Commerce CCA”). Commerce CCA is structured to offer service to all customers within the City’s geographic boundaries.

This Implementation Plan and Statement of Intent (“Implementation Plan”) describes the City’s plans to implement a voluntary CCA program for electric customers within the jurisdictional boundaries of Commerce that currently take bundled electric service from Southern California Edison (“SCE”), referred to as the “IOU”. The Commerce CCA Program will provide electricity customers the opportunity to join together to procure electricity from competitive suppliers, with such electricity being delivered over the IOU’s transmission and distribution system. The planned start date for the Program is May 1, 2020. All current IOU customers within the City’s service area will receive information describing the Commerce CCA Program and will have multiple opportunities to opt out, remaining full requirement (“bundled”) customers of the IOU, in which case they will not be enrolled or will be returned as customers of the incumbent IOU (if such opt out notification is received following such customer’s enrollment in the Commerce CCA). Thus, participation in the Commerce CCA Program is completely voluntary; however, customers, as provided by law, will be automatically enrolled according to the anticipated enrollment schedule later described in Chapter 5 unless they affirmatively elect to opt-out.

Implementation of Commerce CCA will enable customers within Commerce’s service area to take advantage of the opportunities granted by Assembly Bill 117 (“AB 117”), the Community Choice Aggregation Law. Commerce’s primary objectives in implementing this Program are to provide rate savings for electric generation services; promote local economic development; and support long-term rate stability for residents and businesses through local control over generation planning and procurement activities as well as generation rate setting functions. The prospective benefits to consumers include increased renewable service options, stable and competitive electric rates, and the opportunity for public participation in determining which technologies/options are utilized to meet local electricity needs.

To ensure successful operation of the program, the City will solicit energy product and service offers from energy suppliers and marketers through a competitive process. Following the receipt of such offers, the City anticipates negotiating with one or more qualified suppliers throughout 2019. Final selection of Commerce CCA’s initial energy supplier(s) will be made by Commerce following administration of the aforementioned solicitation process and related contract negotiations. Information regarding the anticipated solicitation process for Commerce CCA’s initial energy services provider(s) is contained in Chapter 10.

The California Public Utilities Code provides the relevant legal authority for the City 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 Commerce CCA Program. The CPUC also has responsibility for registering the City 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 in order for the Commission to determine the cost recovery mechanism to be paid by customers of the Program in order to prevent shifting of costs to bundled customers of the incumbent utility.

On October 16, 2018, the City, at a duly noticed public hearing, adopted this Implementation Plan, through Ordinance No. XX-XX (a copy of which is included as part of Appendix A).

The Commission has established the methodology that will be used to determine the cost recovery mechanism, and the IOU has approved tariffs for imposition of the cost recovery mechanism. With this milestone having been accomplished, the City 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, the City will take the final steps needed to register as a CCA and participate in the year ahead Resource Adequacy process prior to initiating the customer notification and enrollment process.

Statement of Intent

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 the City’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.

Organization of this Implementation Plan

The remainder of this Implementation Plan is organized as follows:

- Chapter 2: Aggregation Process
- Chapter 3: Organizational Structure
- Chapter 4: Startup Plan & Funding
- Chapter 5: Program Phase-In
- Chapter 6: Load Forecast & Resource Plan
- Chapter 7: Financial Plan
- Chapter 8: Rate setting
- Chapter 9: Customer Rights and Responsibilities
- Chapter 10: Procurement Process

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Chapter 11: Contingency Plan for Program Termination

Appendix A: City of Commerce Ordinance No. XX-XX (Adopting Implementation Plan)

The requirements of AB 117 are cross-referenced to Chapters of this Implementation Plan in the following table.

AB 117 Cross References

AB 117 REQUIREMENT	IMPLEMENTATION PLAN CHAPTER
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: Startup Plan & Funding Chapter 7: Financial Plan
Disclosure and due process in setting rates and allocating costs among participants	Chapter 8: Rate setting
Rate setting and other costs to participants	Chapter 8: Rate setting Chapter 9: Customer Rights and Responsibilities
Participant rights and responsibilities	Chapter 9: Customer Rights and Responsibilities
Methods for entering and terminating agreements with other entities	Chapter 10: Procurement Process
Description of third parties that will be supplying electricity under the program, including information about financial, technical and operational capabilities	Chapter 10: Procurement Process
Termination of the program	Chapter 11: Contingency Plan for Program Termination

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.

In 2018, Commerce engaged the assistance of the California Choice Energy Authority (CCEA) to evaluate the feasibility of Commerce operating a CCA program. The initial study revealed that a CCA program was viable, offering prospective CCA customers electric generation rates that were expected to be competitive with similar rates charged by the IOU. Amongst other assumptions, the study assumed that the City would become an Associate Member of CCEA, partnering with this organization on key operational matters such as resource planning and procurement, regulatory compliance and monitoring, and data management.

The City is creating Commerce CCA with the following objectives: 1) provide cost-competitive electric services; 2) incentivize economic development within Commerce; 3) and gain local control of the City's energy procurement needs and related decisions.

The Commerce CCA Program represents a culmination of planning efforts that are responsive to the expressed needs and priorities of the citizenry and business community within Commerce. Through implementation of the Commerce CCA, the City plans to expand energy choices available to eligible customers through the creation of innovative new programs for voluntary purchases of renewable energy and net energy metering to promote customer-sited renewable generation within the City.

Process of Aggregation

Before they are enrolled in the Program, prospective Commerce CCA customers will receive two written notices in the mail, from the City, that will provide information needed to understand the Program's terms and conditions of service and explain how customers can 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, and service will begin at their next regularly scheduled meter read date following the date of automatic enrollment, subject to the service enrollment plan later described in Chapter 5. The initial enrollment notices will be provided to customers in March 2020, with a second notice being provided in April 2020, prior to the initial enrollment of customer accounts in May 2020.

Customers enrolled in the Commerce CCA Program will continue to have their electric meters read and to be billed for electric service by the distribution utility. The electric bill for Program customers will show separate charges for generation procured by the City as well as other charges related to electricity delivery and other utility charges assessed by the IOU.

After service cutover, customers will have approximately 60 days (two billing cycles) to opt-out of the Commerce CCA Program without penalty and return to the distribution utility. Commerce CCA customers will be advised of these opportunities via the distribution of two additional enrollment notices provided within the first two months 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 Commerce CCA but will not otherwise be subject to any charges or penalties for leaving the program. Customers that have not opted-out within the 60-day post enrollment period will be deemed to have elected to become a participant in the Commerce CCA Program and to have agreed to the Commerce CCA Program's terms and conditions, including those pertaining to requests for termination of service, as further described in Chapter 8.

Consequences of Aggregation

Rate Impacts

Commerce CCA Customers will pay the generation charges set by the City and no longer pay the generation charges imposed by the incumbent IOU. Customers enrolled in the Program will be subject to the Program's terms and conditions, including responsibility for payment of all Program charges as described in Chapter 9.

The City's rate setting policies described in Chapter 7 establish a goal of providing rates that are competitive with the projected generation rates offered by the incumbent distribution utility (SCE). The City will establish rates sufficient to recover all costs related to operation of the Program, and actual rates will be adopted by the Commerce City Council.

Initial Commerce CCA Program rates will be established following approval of the City's inaugural program budget, reflecting final costs from the Commerce CCA Program's energy supplier(s). The City's rate policies and procedures are detailed in Chapter 7. Information regarding final Commerce CCA Program rates (to be offered at service commencement) will be disclosed along with other terms and conditions of service in the pre-enrollment and post-enrollment notices sent to potential customers.

Once Commerce gives definitive notice to the IOU that it will commence service, Commerce CCA customers will generally not be responsible for costs associated with the IOU's future electricity procurement contracts or power plant investments. Certain pre-existing generation costs and new generation costs that are deemed to provide system-wide benefits will continue to be charged by the IOU to CCA customers through separate rate components, called the Cost Responsibility Surcharge. Cost Responsibility Surcharges are shown in each of the IOU's respective electric service tariffs, which can be accessed on each IOU's respective website. Cost Responsibility Surcharges are included in charges paid by both CCA and Direct Access customers.¹

¹ For CCA and Direct Access customers, the Power Charge Indifference Adjustment element of the Cost Responsibility Surcharge is contained within the SCE CCA-CRS rate tariff.

Renewable Energy Impacts

A second consequence of the Program will be a potential increase in the proportion of energy generated and supplied by renewable resources. The resource plan includes procurement of renewable energy sufficient to meet California's prevailing renewable energy procurement mandate for all enrolled customers. The Commerce CCA may also offer a voluntary "clean energy" service option with levels of renewable energy and/or other carbon-free energy that exceed requisite statewide minimums. To the extent that customers voluntarily choose Commerce CCA's clean energy option, the renewable content of Commerce CCA's aggregate supply portfolio may further increase. Initially, requisite renewable energy supply will be sourced through one or more power purchase agreements with attention to California's long-term renewable energy contracting requirement which becomes effective in calendar year 2021 and beyond.² Over time, however, the City may consider independent development of new renewable generation resources.

Energy Efficiency Impacts

Through operation of the Program, there may also be an increase in energy efficiency program investments and activities, should the City decide to pursue administration of such programs. The existing energy efficiency programs administered by the distribution utility are not expected to change as a result of Commerce CCA Program implementation. Commerce CCA customers will continue to pay the public benefits surcharges to the distribution utility, which will fund energy efficiency programs for all customers, regardless of generation supplier. The energy efficiency investments that may be undertaken by the Commerce CCA Program, as described in Chapter 6, would follow Commerce's successful application for and administration of requisite program funding (from the CPUC) to independently administer energy efficiency programs within its jurisdiction. Such programs would be in addition to the level of investment that would continue in the absence of City-administered energy efficiency programs. Thus, the Commerce CCA Program has the potential for increased energy savings and a further reduction in emissions due to expanded energy efficiency programs, if Program governance determines to move forward with this process.

² Under California Renewables Portfolio Standard, 65 percent of mandated renewable energy purchases must be sourced from eligible long-term contracts beginning in calendar year 2021.

CHAPTER 3 – Organizational Structure

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

Organizational Overview

The Commerce City Council is responsible for establishing Commerce CCA Program policies and objectives as well as overseeing operation of the Commerce CCA. The Commerce City Manager will serve as the Commerce CCA Executive Director to manage operations of the Commerce CCA in accordance with policies adopted by the City Council.

Governance

The Commerce CCA Program will be governed by the Commerce City Council. Commerce CCA is the CCA entity that will register with the CPUC, and it is responsible for implementing and managing the program pursuant to the City Council's direction. The City Council is comprised of five councilmembers, one of which, the Mayor, serves as the presiding officer at all meetings.

The City Council's primary duties are to establish program policies, approve rates and provide policy direction to the Executive Director, who has general responsibility for program operations, consistent with the policies established by the City Council. The City may form various standing and ad hoc committees, as appropriate, which would have responsibility for evaluating various issues that may affect the City and its customers, including rate-related and power contracting issues, and would provide analytical support and recommendations to the City Council in these regards.

Management

The Commerce CCA Executive Director has management responsibilities over the functional areas of Administration & Finance, Marketing & Public Affairs, Power Resources & Energy Programs, and Government Affairs. In performing the defined obligations to Commerce CCA, the Executive Director may utilize a combination of internal staff, partnerships with other CCA agencies, and/or contractors. In particular, the Commerce CCA anticipates that services provided through its membership with CCEA will comprise a significant component of necessary operational and administrative support during early stage and ongoing Program operation. Certain specialized functions needed for program operations, namely the electric supply and customer account management functions described below, will also be provided through a service arrangement with CCEA or, if necessary, by other experienced third-party contractors.

Major functions of Commerce CCA that will be managed by the Executive Director are summarized below.

Administration

Commerce CCA's Executive Director will be responsible for managing the organization's human resources and administrative functions and will coordinate with the City Council, as necessary, with regard to these functions. The functional area of administration will include oversight of employee hiring and termination, compensation and benefits management, identification and procurement of requisite office space and various other issues.

Finance

The Executive Director is also responsible for managing the financial affairs of Commerce CCA, including the development of an annual budget, revenue requirement and rates; managing and maintaining cash flow requirements; arranging potential bridge loans as necessary; and other financial tools.

Revenues via rates and other funding sources (such as a rate stabilization fund, when necessary) must, at a minimum, meet the annual budgetary revenue requirement, including recovery of all expenses and any reserves or coverage requirements set forth in bond covenants or other agreements. The City will have the flexibility to consider rate adjustments within certain ranges, administer a standardized set of electric rates, and may offer optional rates to encourage policy goals such as economic development or low-income subsidy programs, provided that the overall revenue requirement is achieved.

Commerce CCA may also offer customized pricing options such as dynamic pricing or contract-based pricing for energy intensive customers to help these customers gain greater control over their energy costs. This would provide such customers – mostly larger energy users within the commercial sector – with greater rate-related flexibility than is currently available.

In conjunction with the City's finance department and CCEA, Commerce CCA's finance function will be responsible for preparing financial reports, ensuring sufficient cash flow for successful operation and arranging financing necessary for any future capital projects of the Commerce CCA Program. The finance function will play an important role in risk management by monitoring the credit of energy suppliers so that credit risk is properly understood and mitigated. In the event that changes in a supplier's financial condition and/or credit rating are identified, the City will be able to take appropriate action, as would be provided for in the electric supply agreement(s). This monitoring will be provided through the services of CCEA.

Marketing & Public Affairs

The marketing and public affairs functions include general program marketing and communications as well as direct customer interface ranging from management of key account relationships to call center and billing operations. The City will conduct program marketing to raise consumer awareness of the Commerce CCA Program and to establish the Commerce CCA "brand" in the minds of the public, with the goal of retaining and attracting as many customers as possible into the Commerce CCA Program. Communications will also be directed at key

policy-makers at the state and local level, community business and opinion leaders, and the media.

In addition to general program communications and marketing, a significant focus on customer service, particularly representation for key accounts, will enhance the City's ability to differentiate itself as a highly customer-focused organization that is responsive to the needs of the community. City will also establish a customer call center designed to field customer inquiries and routine interaction with customer accounts.

The customer service function also encompasses management of customer data. Customer data management services include retail settlements/billing-related activities and management of a customer database. This function processes customer service requests and administers customer enrollments and departures from the Commerce CCA Program, maintaining a current database of enrolled customers. 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 with the distribution utility and the City, tracking of customer payments and accounts receivable, issuance of late payment and/or service termination notices (which would return affected customers to bundled service), and administration of customer deposits in accordance with credit policies of the City.

The customer data management services function also manages billing-related communications with customers, customer call centers, and routine customer notices. Through its service arrangement with CCEA, the City will be provided such services by an experienced, third-party vendor with an appropriate customer information system to perform requisite customer account management and billing services functions.

Power Resources & Energy Programs

Commerce must plan for meeting the electricity needs of its customers utilizing resources consistent with its policy goals and objectives as well as applicable legislative and/or regulatory mandates. The City's long-term resource plans (addressing the 10-20 year planning horizon) will comply with California Law and other pertinent requirements of California regulatory bodies. In particular, the City is aware of compulsory Integrated Resource Planning requirements, as identified in Senate Bill 350 (de Léon, 2015), which require, among other concerns, that CCAs periodically submit integrated resource planning documents and related materials to the CPUC. In particular, the Public Utilities Code requires that, "The plan of a community choice aggregator shall be submitted to its governing board for approval and provided to the commission for certification, consistent with paragraph (5) of subdivision (a) of Section 366.2." The City intends to comply with this requirement similar to the manner in which other CCA organizations have recently complied (in mid-2018) and will rely on the experience gained by such organizations, including other CCEA members, in completing pertinent data templates and documentation during future processes. Integrated resource planning efforts of the City will make use of demand side energy efficiency, distributed generation and demand response programs as well as traditional supply options, which rely on structured wholesale transactions to meet customer

energy requirements. Integrated resource plans will be updated and adopted by the City Council as required by state law and applicable regulations.

The City may also develop and administer complementary energy programs that may be offered to Commerce CCA customers, including green pricing, energy efficiency, net energy metering and various other programs that may be identified to support the overarching goals and objectives of the City.

Electric Supply Operations

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

- *Electricity Procurement* – assemble a portfolio of electricity resources to supply the electric needs of Program customers.
- *Risk Management* – application of standard industry techniques to reduce exposure to the volatility of energy and credit markets and insulate customer rates from sudden changes in wholesale market prices.
- *Load Forecasting* – develop load forecasts, both long-term for resource planning, 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”).

The City will contract with one or more experienced and financially sound third-party energy services providers to perform the electric supply operations for the Commerce CCA Program. These requirements include the procurement of energy, capacity and ancillary services, scheduling coordinator services, short-term load forecasting and day-ahead and real-time electricity trading.

Governmental Affairs & Legal Support

The Commerce CCA Program will require ongoing regulatory and legislative representation to manage various regulatory compliance filings related to resource plans, resource adequacy, compliance with California’s Renewables Portfolio Standard (“RPS”), and overall representation on issues that will impact the City and Commerce CCA customers. Through its service arrangement with CCEA and other independently administered efforts, the City will maintain an active role at the CPUC, the California Energy Commission, the California Independent System Operator, the California legislature and, as necessary, the Federal Energy Regulatory Commission through its partnership with CCEA.

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The City intends to utilize legal services provided through its service arrangement with CCEA but may also retain outside legal services, as necessary, to administer the Commerce CCA, review contracts, and provide overall legal support related to activities of the Commerce CCA Program.

CHAPTER 4 – Startup Plan & Funding

This Chapter presents the City’s plans for the start-up period, including necessary expenses and capital outlays. As described in the previous Chapter, Commerce may utilize a mix of internal staff, partnerships with other CCA agencies, and contractors in its CCA Program implementation and operation.

Startup Activities

The initial program startup activities include the following:

- Hire staff and/or contractors to manage implementation
- Identify qualified suppliers (of requisite energy products and related services) and negotiate supplier contracts
 - Electric supplier and scheduling coordinator
 - Data management provider (if separate from energy supply)
- Define and execute communications plan
 - Customer research/information gathering
 - Media campaign
 - Key customer/stakeholder outreach
 - Informational materials and customer notices
 - Customer call center
- Post CCA bond and complete requisite registration requirements
- Establish reserves required by energy suppliers
- Pay utility service initiation, notification and switching fees
- Perform customer notification, opt-out and transfers
- Conduct load forecasting
- Establish rates
- Legal and regulatory support
- Financial management and reporting

Other costs related to starting up the Commerce CCA Program will be the responsibility of the Commerce CCA Program’s contractors (and are assumed to be covered by any fees/charges imposed by such contractors or CCEA). These may include additional 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

Personnel in the form of City staff, partnerships, or contractors will be added incrementally to match workloads involved in forming Commerce CCA, managing contracts, and initiating customer outreach/marketing during the pre-operations period. It is anticipated that the Commerce CCA’s staffing needs will be substantially met through its service arrangement with

CCEA, but other, incremental staffing needs may be identified over time. During the startup period and early stage operations, minimal personnel requirements may include an Executive Director and, if necessary, administrative support with the balance of requisite functions provided or performed by CCEA.

For budgetary purposes, it is assumed that one full-time equivalent (staff or contracted professional services) supporting the above listed activities would be engaged during the initial start-up period. This support may likely be provided by existing city staff or new staff with other functions performed by CCEA. Following this period, additional staff and/or contractors may be retained, as needed, to support the rollout of additional value-added services (e.g., efficiency projects) and local generation projects and programs.

Capital Requirements

The Start-up of the CCA Program will require capital for two major functions: (1) staffing and contractor costs; and (2) deposits and reserves. Based on the City's anticipated start-up activities and implementation schedule, a total need of up to \$610,000 has been identified to support the aforementioned functions. Out of the \$610 thousand in capital requirements, \$460 thousand is related to the implementation/startup efforts (i.e., rate setting, power procurement and contract negotiations, marketing and communications, regulatory compliance, etc.) in order to serve customers by May 2020. The other \$150 thousand included in the aforementioned sum reflects the required CPUC bond. The finance plan in Chapter 7 provides additional detail regarding the City's expected capital requirements and general Program finances.

Operating revenues from sales of electricity will be remitted to the City beginning approximately sixty days after the initial customer enrollments. This lag is due to the distribution utility's standard meter reading cycle of 30 days and a 30-day payment/collections cycle. CCEA endeavors to negotiate energy supply contracts which specify payment due dates that closely align with expected CCA revenue collection timelines. This results in a reduction to the CCA's initial funding requirement as working capital needs are substantively reduced.

Financing Plan

The Program's initial capital requirement will be provided via a term loan from the City's General Fund, or other eligible sources; subsumed in the initial capital requirement is the City's estimated start-up funding. For all amounts borrowed, the City will make repayments (including any interest, as applicable) over an assumed 5-year term, commencing in 2022. The City will recover the principal and interest costs associated with this start-up funding via retail generation rates charged to Commerce CCA customers and collected by the CCA. It is anticipated that the start-up costs will be fully recovered through such customer generation rates within the first five years of operations.

CHAPTER 5 – Program Phase-In

There are approximately 6,000 electric customers in Commerce. Commerce will roll out its service offering to all eligible customers, excluding non-residential Direct Access customers, over the course of a single phase.

Non-residential Direct Access customers will not be offered service during the mass enrollment phase. In the future, however, these customers may be offered service and could be enrolled following coordination with pertinent account representatives regarding potential impacts to Direct Access service arrangements.

The City may also evaluate other phase-in options based on prevailing market conditions observed prior to service commencement, statutory requirements and regulatory considerations as well as other factors potentially affecting the integration of additional customer accounts.

CHAPTER 6 - Load Forecast & Resource Plan

Introduction

This Chapter describes the planned mix of electric resources that will meet the energy demands of Commerce CCA customers using a diversified portfolio of electricity supplies. Several overarching policies govern the resource plan and the ensuing resource procurement activities that will be conducted in accordance with the plan. Certain key policies are as follows:

- The City will manage a diverse resource portfolio to increase control over energy costs and maintain competitive and stable electric rates.
- The City will benefit the area's economy through investment in local infrastructure, projects and energy programs, subject to customer rate impacts.
- The City will comply with Resource Adequacy procurement requirements as established by CPUC Resolution E-4907.
- The City will comply with applicable renewable energy procurement mandates, as recently increased under Senate Bill 100 ("SB 100"; de León, 2018).
- The City will periodically prepare and submit (for certification by the CPUC) an Integrated Resource Plan, as required by SB 350, which shall demonstrate conformance with prescribed portfolio emissions limitations supporting California's broader greenhouse gas emissions reduction goals.

The plan described in this section would accomplish the following:

- Procure energy through one or more contracts with experienced, financially stable energy suppliers in sufficient quantities to support the potential offering of multiple retail service options, which may include: 1) a default retail generation service option for customers of the Commerce CCA, which would incorporate a minimum quantity of renewable energy sufficient to satisfy applicable procurement mandates specified in California's Renewables Portfolio Standard Program; and 2) a voluntary retail generation service option with increased levels of renewable and/or other carbon-free energy (relative to the aforementioned default service option) which would be made available to any participating in the Commerce CCA program in consideration of an assumed cost-based rate premium. With regard to the voluntary retail generation service option (with increased levels of renewable and/or carbon-free energy), the timing, supply portfolio composition, rate premium and other considerations related to such option will be determined at the discretion of Commerce CCA's Governing Board at a yet to be determined public meeting. To the extent that the City is successful in applying for administration of public funding to support locally administered efficiency programs, it will attempt to reduce net electricity purchases within the region.

- Encourage distributed renewable generation in the local area through the offering of a net energy metering tariff.
- Ensure compliance with participation in the Year-Ahead Resource Adequacy process.

The City will comply with regulatory rules applicable to California load serving entities. The City will arrange for the scheduling of sufficient electric supplies to meet the demands of its customers. Commerce 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 the City's customers, even if there were a need for the Commerce CCA Program to cease operations and return customers to SCE. In addition, the City will be responsible for ensuring that its resource mix contains sufficient production from renewable energy resources needed to comply with the statewide RPS mandate (33 percent renewable energy by 2020, increasing to 60 percent by 2030). The resource plan will meet or exceed all of the applicable regulatory requirements related to resource adequacy and the RPS.

In relation to its RPS procurement obligation, the City is aware that SB 100 was signed into law by Governor Brown on September 10, 2018, and has an effective date of January 1, 2019. One of SB 100's key requirements is to increase California's RPS procurement mandate to 44 percent by December 31, 2024, 52 percent by December 31, 2027, and 60 percent by December 31, 2030. As a local governmental agency, the City's resource planning and procurement activities are subject to and overseen by its Governing Council through an open and public process. In light of the fact that SB 100 was only recently signed and is not yet effective, the City has not had an opportunity to fully discuss updated planning recommendations with its Governing Council but will do so during the period of time preceding implementation of its CCA Program.

Resource Plan Overview

To meet the aforementioned objectives and satisfy the applicable regulatory requirements pertaining to the City's status as a California load serving entity, Commerce's resource plan will include a diverse mix of power purchases, renewable energy, and potentially, new energy efficiency programs, demand response, and distributed generation. A diversified resource plan minimizes risk and volatility that can occur from over-reliance on a single resource type or fuel source, and thus increases the likelihood of rate stability. The planned power supply is initially comprised of power purchases from third party electric suppliers and, in the longer-term, may include renewable generation assets owned and/or controlled by the City.

Once the Commerce CCA Program demonstrates it can operate successfully, Commerce may begin evaluating opportunities for investment in renewable generating assets, subject to then-current market conditions, statutory requirements and regulatory considerations. Any renewable generation owned by the City or controlled under long-term power purchase agreement with a proven public power developer, could provide a portion of Commerce's electricity requirements on a cost-of-service basis. Depending upon market conditions and, importantly, the applicability of tax incentives for renewable energy development, electricity

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purchased under a cost-of-service arrangement can be more cost-effective than purchasing renewable energy from third party developers, which will allow the Commerce CCA Program to pass on cost savings to its customers through competitive generation rates. Any investment decisions will be made following thorough environmental reviews and in consultation with qualified financial and legal advisors.

As an alternative to direct investment, Commerce may consider partnering with an experienced public power developer and could enter into a long-term (10 years or longer) power purchase agreement that would support the development of new renewable generating capacity. Such an arrangement could be structured to reduce the Commerce CCA Program's operational risk associated with capacity ownership while providing its customers with all renewable energy generated by the facility under contract.

Commerce's indicative resource plan for the years 2020 through 2029 is summarized in the following table. Note that Commerce CCA's projections reflect a portfolio mix of renewable energy compliant with the annual RPS requirement and all other supply coming in the form of conventional resources or CAISO system power.³

City of Commerce Proposed Resource Plan (GWh) 2020 to 2029										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Commerce Demand (GWh)										
Retail Demand	(280)	(437)	(440)	(442)	(444)	(446)	(449)	(451)	(453)	(455)
Losses and UFE	(15)	(23)	(23)	(23)	(24)	(24)	(24)	(24)	(24)	(24)
Total Demand	(295)	(461)	(463)	(465)	(468)	(470)	(472)	(475)	(477)	(479)
Commerce Supply (GWh)										
<u>Renewable Resources</u>										
Total Renewable Resources	92	157	171	181	195	210	224	234	249	260
<u>Conventional Resources</u>										
Total Conventional Resources	203	303	292	284	272	260	248	240	228	220
Total Supply	295	461	463	465	468	470	472	475	477	479

Supply Requirements

The starting point for Commerce'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". The electric sales forecast and load profile will be affected by Commerce's plan to introduce the Commerce CCA Program to its SCE territory customers in one single phase and the degree to which customers choose to remain with the IOU during the customer enrollment and opt-out period. The City's rollout plan and assumptions regarding customer participation rates are discussed below.

³ As of the date of this Implementation Plan, implementing regulations for SB 100 have yet to be issued. With this in mind, the City has applied known RPS procurement targets, as reflected in SB 100, for calendar years 2024, 2027 and 2030. In the intervening years, the City has assumed a general straight-line trajectory between each of the aforementioned years (which are associated with the final years of Compliance Period 4, 5 and 6, respectively).

Customer Participation Rates

Customers will be automatically enrolled in the Commerce CCA 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. The City anticipates an overall customer participation rate of approximately 90 percent of eligible SCE bundled service customers, based on reported opt-out rates for the other operating CCA programs. It is assumed that customers taking direct access service from a competitive electricity provider will continue to remain with their current supplier.

The participation rate is not expected to vary significantly among customer classes, in part because the City is expecting to offer two distinct rate tariffs that will address the needs of cost-sensitive customers as well as the needs of both residential and business customers that prefer an alternative service option with comparatively higher levels of clean energy (renewable energy and non-RPS-eligible hydroelectricity). The assumed participation rates will be refined as Commerce's public outreach and market research efforts continue to develop.

Customer Forecast

Once customers enroll during May 2020, they will be switched over to service by the City on their regularly scheduled meter read date over an approximately thirty-one day period. Approximately 175 service accounts per day will be switched over during the first month of service. The number of accounts anticipated to be served by Commerce at the end of the May 2020 customer phase-in period is shown in the table below.

City of Commerce Enrolled Retail Service Accounts Phase-In Period (End of Month)	
Commerce Customers	<u>May-20</u>
Residential	2,993
Commercial	2,213
Industrial	34
Street Lighting & Traffic	159
Agricultural & Pumping	16
Total	5,415

The City assumes that customer growth will generally offset customer attrition (opt-outs) over time, resulting in a relatively stable customer base (0.5% annual growth) over the noted planning horizon. While the successful operating track record of California CCA programs continues to grow, there is a relatively short history with regard to CCA operations, which makes it difficult to anticipate the actual levels of customer participation within the Commerce CCA Program. The

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City believes that its assumptions regarding the offsetting effects of growth and attrition are reasonable in consideration of the historical customer growth within the City and the potential for continuing customer opt-outs following mandatory customer notification periods. The forecast of service accounts (customers) served by Commerce during the initial 10 years of Program operation is shown in the following table:

City of Commerce Retail Service Accounts (End of Year) 2020 to 2029										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Commerce Customers										
Residential	2,993	3,008	3,023	3,038	3,053	3,069	3,084	3,099	3,115	3,130
Commercial	2,213	2,224	2,235	2,246	2,258	2,269	2,280	2,292	2,303	2,315
Industrial	34	34	34	34	34	34	34	34	34	34
Street Lighting & Traffic	159	160	161	161	162	163	164	165	165	166
Agricultural & Pumping	16	16	16	16	16	16	16	17	17	17
Total (excluding Industrial)	5,415	5,442	5,469	5,496	5,523	5,551	5,578	5,606	5,634	5,662

Sales Forecast

The City's forecast of kWh sales reflects the rollout and customer enrollment schedule shown above. Annual energy requirements are shown below.

City of Commerce Energy Requirements (GWh) 2020 to 2029										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Commerce Energy Requirements (GWh)										
Retail Demand	280	437	440	442	444	446	449	451	453	455
Losses and UFE	15	23	23	23	24	24	24	24	24	24
Total Load Requirement	295	461	463	465	468	470	472	475	477	479

Capacity Requirements

The CPUC's resource adequacy standards applicable to the Commerce CCA Program require a demonstration one year in advance that the City has secured physical capacity for 90 percent of its projected peak loads for each of the five months May through September, plus a minimum 15 percent reserve margin. Additionally, the City must demonstrate one year in advance that it has secured physical capacity for 100 percent of its local resource adequacy obligation across all months in the upcoming compliance year. On a month-ahead basis, Commerce must demonstrate 100 percent of the peak load plus a minimum 15 percent reserve margin. Per CPUC Resolution E-4907, the City must participate in the year-ahead resource adequacy compliance cycle in order to serve customers in the following calendar year. The City will follow the prescribed year-ahead resource adequacy compliance timeline outlined within Appendix A of Resolution E-4907; this includes:

- Submission of year-ahead load forecast to the CEC and CPUC in April 2019;
- Submission of updated year-ahead load forecast to the CEC and CPUC in August 2019;
- Submission of year-ahead compliance materials in October 2019; and
- Submission of month-ahead load migration forecast by February 2020.

A portion of the City's capacity requirements must be procured locally, from the LA Basin and Big Creek/Ventura areas as defined by the CAISO. The City would be required to demonstrate its local capacity requirement for each month of the following calendar year. The local capacity requirement is a percentage of the total local capacity requirements adopted by the CPUC based on Commerce's forecasted peak load. Commerce must demonstrate compliance or request a waiver from the CPUC requirement as provided for in cases where local capacity is not available.

The City is also required to demonstrate that a specified portion of its capacity meets certain operational flexibility requirements under the CPUC and CAISO's flexible resource adequacy framework. Per the CPUC's resource adequacy standards, the City must demonstrate one year in advance that it has secured 90 percent of its flexible capacity obligation across all months; and then a month-ahead obligation to secure 100 percent of the City's flexible requirements.

The estimated forward resource adequacy requirements for 2020 through 2022 are shown in the following tables⁴:

City of Commerce
Forward Capacity and Reserve Requirements
(MW)
2020 to 2022

Month	2020	2021	2022
January	-	82	82
February	-	92	93
March	-	102	102
April	-	93	94
May	104	104	104
June	101	101	102
July	104	104	105
August	114	114	115
September	111	111	111
October	103	103	104
November	100	100	100
December	85	85	86

Commerce's plan ensures that sufficient reserves will be procured to meet its peak load at all times. The projected Commerce CCA annual capacity requirements are shown in the following table:

⁴ The figures shown in the table are estimates. Commerce's resource adequacy requirements will be subject to modification due to application of certain coincidence adjustments and resource allocations relating to utility demand response and energy efficiency programs, as well as generation capacity allocated through the Cost Allocation Mechanism. These adjustments are addressed through the CPUC's resource adequacy compliance process.

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City of Commerce Capacity Requirements (MW) 2020 to 2029										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Demand (MW)										
Retail Demand	94	94	95	95	96	96	97	97	98	98
Losses and UFE	5	5	5	5	5	5	5	5	5	5
Total Net Peak Demand	99	99	100	100	101	101	102	102	103	103
Reserve Requirement (%)	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Capacity Reserve Requirement	15	15	15	15	15	15	15	15	15	16
Capacity Requirement Including Reserve	114	114	115	115	116	117	117	118	118	119

Local capacity requirements are a function of the SCE area resource adequacy requirements and Commerce's projected peak demand. The City will need to work with the CPUC's Energy Division and staff at the California Energy Commission to obtain the data necessary to calculate its monthly local capacity requirement. A preliminary estimate of the City's annual local capacity requirement for the ten-year planning period remains constant at 15 MW as shown in the following table:

City of Commerce Local Capacity Requirements (MW) 2020 to 2029										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Commerce Peak (MW)	99	99	100	100	101	101	102	102	103	103
Local Capacity Requirement (% of Peak)	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Big Creek / Ventura Area Share of Local Capacity Requirement (%)	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%
LA Basin Area Share of Local Capacity Requirement (%)	76%	76%	76%	76%	76%	76%	76%	76%	76%	76%
Commerce Local Capacity Requirement Big Creek / Ventura (MW)	4	4	4	4	4	4	4	4	4	4
Commerce Local Capacity Requirement LA Basin (MW)	11	11	11	11	11	12	12	12	12	12
Commerce Local Capacity Requirement, Total (MW)	15	15	15	15	15	15	15	15	15	16

The CPUC assigns local capacity requirements during the year prior to the compliance period; thereafter, the CPUC provides local capacity requirement true-ups for the second half of each compliance year.

The City will coordinate with SCE and appropriate state agencies to manage the transition of responsibility for resource adequacy from SCE to Commerce during CCA program phase-in. For system resource adequacy requirements, the City will make month-ahead showings for each month that the City plans to serve load, and load migration issues would be addressed through the CPUC's approved procedures. Commerce will work with the California Energy Commission and CPUC prior to commencing service to customers to ensure it meets its local and system resource adequacy obligations through its agreement(s) with its chosen electric supplier(s).

Renewables Portfolio Standards Energy Requirements

Basic RPS Requirements

As a CCA, the City will be required by law and ensuing CPUC regulations to procure a certain minimum percentage of its retail electricity sales from qualified renewable energy resources. For purposes of determining Commerce’s renewable energy requirements, similar standards for RPS compliance that are applicable to the distribution utility will also apply to the Commerce CCA.

California’s RPS program is currently undergoing reform. On September 10, 2018, Governor Brown signed SB 100, which increases California’s RPS procurement target to 60 percent by 2030 amongst other clean-energy initiatives. Implementing regulations for SB 100 have yet to be developed. However, it is reasonable to assume that interim annual renewable energy procurement targets (in addition to the threshold renewable energy procurement requirements for calendar years 2024, 2027 and 2030 that are already established in the legislation) will be imposed on CCAs and other retail electricity sellers to facilitate progress towards the 60 percent procurement mandate. For planning purposes, the City has assumed general straight-line (with the exception of calendar year 2026, which was assigned a 50% renewable procurement mandate, consistent with SB 100) annual increases to the RPS procurement target beginning in 2021, as the state advances on the 60 percent RPS. Furthermore, the City will ensure that all long-term renewable energy contracting requirements, as imposed by SB 350, will be satisfied through appropriate transactions with qualified suppliers and will also reflect this intent in ongoing resource planning and procurement efforts.

Commerce’s Renewables Portfolio Standards Requirement

The City’s annual RPS procurement requirements, as specified under California’s RPS program, are shown in the table below.

	City of Commerce RPS Requirements (MWH) 2020 to 2029									
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Retail Sales	280,122	437,493	439,680	441,879	444,088	446,309	448,540	450,783	453,037	455,302
Annual Procurement Target	92,440	157,497	171,475	181,170	195,399	209,765	224,270	234,407	249,170	259,522
% of Current Year Retail Sales*	33%	36%	39%	41%	44%	47%	50%	52%	55%	57%

*Note: Certain details related to SB 100 implementation have yet to be identified. For purposes of this table, the City assumed a general straight-line increase from California’s 33 percent RPS procurement mandate in 2020 to California’s new, 60 percent RPS procurement mandate in 2030. The only exception is calendar year 2026, which reflects a 50 percent renewable energy procurement mandate, consistent with SB 100.

Purchased Power

Power purchased from power marketers, public agencies, generators, and/or utilities will be a significant source of supply during the first several years of Commerce CCA Program operation. Commerce will initially contract to obtain all its electricity from one or more third party electric providers under one or more power supply agreements, and the supplier(s) will be responsible for procuring the specified resource mix, including the City's desired quantities of renewable energy, to provide a stable and cost-effective resource portfolio for the Commerce CCA Program.

Renewable Resources

The City will initially secure necessary renewable power supply from its third-party electric supplier(s). Commerce may supplement the renewable energy provided under the initial power supply contract(s) with direct purchases of renewable energy from renewable energy facilities or from renewable generation developed and owned by the City. At this point in time, it is not possible to predict what projects might be proposed in response to future renewable energy solicitations administered by Commerce, unsolicited proposals or discussions with other agencies. Renewable projects that are located virtually anywhere in the Western Interconnection can be considered as long as the electricity is deliverable to the CAISO control area, as required to meet the Commission's RPS rules and any additional guidelines ultimately adopted by the City. The costs of transmission access and the risk of transmission congestion costs would need to be considered in the bid evaluation process if the delivery point is outside of the City's load zone, as defined by the CAISO. As part of the Program's renewable contracting process, it will remain attentive to the applicable long-term contracting requirements expressed in SB 350 (which equate to 65 percent of applicable renewable energy procurement requirements).

Energy Efficiency

Commerce CCA's energy efficiency goals will reflect a commitment to increasing energy efficiency within the City, expanding beyond the savings achieved by SCE's programs. To promote the achievement of this goal, Commerce CCA may complete the CPUC application process for third-party administration of energy efficiency programs and use of funds collected through the existing public benefits surcharges paid by Commerce CCA customers. To the extent that Commerce CCA is successful in this future application process, receiving funding to administer additional energy efficiency programs within the region, it will seek to maximize end-use customer energy efficiency by facilitating customer participation in existing utility programs as well as by forming new programs that will displace Commerce CCA's need for traditional electric procurement activities. Additional details related to Commerce CCA's energy efficiency plan will be developed once Commerce CCA Program phase-in is complete.

With regard to Commerce CCA's anticipated energy efficiency savings, a reasonable baseline assumption for efficiency savings related to the demand-side portion of the Commerce CCA resource plan is steady growth towards 0.5 percent of Commerce CCA's projected energy sales by 2029. These savings would be in addition to the savings achieved by SCE administered programs.

CHAPTER 7 – Financial Plan

This Chapter examines the monthly cash flows expected during the startup and customer phase-in period of the Commerce CCA Program and identifies the anticipated financing requirements. It includes estimates of program startup costs, including necessary expenses and capital outlays. It also describes the requirements for working capital and long-term financing for the potential investment in renewable generation, consistent with the resource plan contained in Chapter 6.

Description of Cash Flow Analysis

The City's cash flow analysis estimates the level of capital that will be required during the startup and phase-in period. The analysis focuses on the Commerce CCA Program's monthly costs and revenues and specifically accounts for the phased enrollment of Commerce CCA Program customers described in Chapter 5.

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;
- Ancillary Service Requirements;
- Exit Fees;
- Staffing and Professional Services;
- Data Management Costs;
- Administrative Overhead;
- Billing Costs;
- Scheduling Coordination;
- Grid Management and other CAISO Charges;
- CCA Bond and Security Deposit;
- Pre-Startup Cost Reimbursement; and
- Debt Service.

Revenues from CCA Program Operations

The cash flow analysis also provides estimates for revenues generated from CCA operations or from electricity sales to customers. In determining the level of revenues, the analysis assumes the customer phase-in schedule described herein, and assumes that Commerce charges a standard, default electricity tariff similar to the generation rates of SCE for each customer class and may offer an optional clean energy tariff (with a clean energy content, consisting of renewable energy and other carbon-free sources, that exceeds the Commerce CCA default retail option) at a

premium reflective of incremental clean energy costs. More detail on Commerce CCA Program rates can be found in Chapter 8.

Cash Flow Analysis Results

The results of the cash flow analysis provide an estimate of the level of capital required for the City to move through the CCA startup and phase-in periods. This estimated level of 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 or other cash requirements (e.g., deposits) by Commerce, along with estimates for 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.

The cash flow analysis identifies funding requirements in recognition of the potential lag between revenues received and payments made during the phase-in period. The estimated financing requirements for the startup and phase-in period, including working capital needs associated with the customer enrollments, was determined to be \$610 thousand. This amount includes costs that are related to the implementation/startup efforts (i.e., rate setting, power procurement and contract negotiations, marketing and communications, regulatory compliance, CPUC bond, SCE security deposit, etc.) in order to serve customers by May 2020.

CCA Program Implementation Pro Forma

In addition to developing a cash flow analysis that estimates the level of working capital required to move Commerce through full CCA phase-in, a summary pro forma analysis that evaluates the financial performance of the CCA program during the phase-in period is shown below. 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. Cash provided by financing activities are not shown in the pro forma analysis, although payments for debt service are included as a cost item.

The results of the pro forma analysis are shown in the following tables. In particular, the summary of CCA program startup and phase-in addresses projected Commerce CCA Program operations for the period beginning April 2019⁵ through June 2029⁶. The City has also included a summary of Program reserves, which are expected to accrue over this same period.

⁵ The results of the pro forma analysis are broken out by Commerce's fiscal year, which spans July to June; therefore, the financial results for FYE 2019 are only inclusive of April through June 2019); all other fiscal years span a twelve month period.

⁶ Costs projected for staffing & professional services and other administrative & general relate to energy procurement, administration of energy efficiency and other local programs, generation development, customer service, marketing, accounting, finance, legal and regulatory activities necessary for program operation.

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City of Commerce Summary of CCA Program Startup and Phase-In (July 2020 through June 2029)											
CATEGORY	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	TOTAL
I. REVENUES FROM OPERATIONS (\$)											
ELECTRIC SALES REVENUE	4,221,854	25,380,549	26,343,836	27,323,096	28,318,937	29,331,977	30,362,843	31,412,173	32,480,618	33,568,839	268,744,723
LESS UNCOLLECTIBLE ACCOUNTS	12,608	126,625	125,824	129,734	134,248	139,008	143,899	148,817	153,867	159,071	1,273,700
TOTAL REVENUES	4,209,247	25,253,924	26,218,011	27,193,362	28,184,690	29,192,970	30,218,944	31,263,357	32,326,751	33,409,768	267,471,023
II. COST OF OPERATIONS (\$)											
(A) OPERATIONS AND ADMINISTRATIVE (O&A)											
STAFFING & PROFESSIONAL SERVICES	485,159	757,388	780,035	803,436	827,539	852,365	877,936	904,274	931,402	959,344	8,178,877
MARKETING	57,997	65,999	61,650	63,500	65,404	67,367	69,388	71,469	73,613	75,822	672,209
DATA MANAGEMENT SERVICES	13,538	81,258	81,648	82,038	82,428	82,818	83,208	83,598	83,988	84,379	758,896
IOU FEES (INCLUDING BILLING)	2,365	14,191	14,238	14,285	14,331	14,378	14,425	14,472	14,519	14,565	131,768
OTHER ADMINISTRATIVE & GENERAL	40,000	60,000	61,650	63,500	65,404	67,367	69,388	71,469	73,613	75,822	648,213
SUBTOTAL O&A	599,058	978,835	999,220	1,026,757	1,055,107	1,084,294	1,114,343	1,145,282	1,177,135	1,209,932	10,389,962
(B) COST OF ENERGY	2,353,668	24,346,162	24,165,670	24,920,043	25,794,471	26,717,217	27,665,367	28,618,027	29,596,323	30,604,277	244,781,224
(C) OPERATING RESERVE	63,354	636,291	632,268	651,913	674,596	698,513	723,090	747,803	773,183	799,332	6,400,343
TOTAL COST AND OPERATING RESERVE	3,016,080	25,961,288	25,797,158	26,598,713	27,524,173	28,500,023	29,502,801	30,511,112	31,546,641	32,613,541	251,181,566
CCA PROGRAM SURPLUS/(DEFICIT)	1,193,167	(707,363)	420,854	594,649	660,517	692,946	716,143	752,245	780,110	796,228	5,899,495

City of Commerce Reserves Summary (July 2020 through June 2029)											
CATEGORY	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	TOTAL
I. RESERVE ADDITIONS											
(A) OPERATING RESERVE CONTRIBUTION	126,656	761,416	790,315	819,693	849,568	879,959	910,885	942,365	974,419	1,007,065	8,062,342
(B) CASH FROM FINANCING	607,000	-	-	-	-	-	-	-	-	-	607,000
SUBTOTAL RESERVE ADDITIONS	733,656	761,416	790,315	819,693	849,568	879,959	910,885	942,365	974,419	1,007,065	7,935,686
II. RESERVE SUBTRACTIONS											
(A) TOTAL FINANCING REPAYMENT	-	-	114,236	117,710	121,291	124,980	128,781	-	-	-	606,998
(B) INTEREST PAYMENTS	-	-	16,648	13,173	9,593	5,904	2,102	-	-	-	47,420
SUBTOTAL RESERVE SUBTRACTIONS	-	-	130,884	130,884	130,884	130,884	130,884	-	-	-	654,418
III. RATE STABILIZATION RESERVE BALANCE	733,656	1,495,072	2,154,504	2,843,313	3,561,998	4,311,073	5,091,075	6,033,440	7,007,859	8,014,924	

The surpluses achieved during the phase-in period serve to build Commerce CCA's net financial position and credit profile and to provide operating reserves for the City in the event that operating costs (such as power purchase costs) exceed collected revenues for short periods of time.

Commerce CCA Financings

It is anticipated that a loan from the City will be necessary to support Commerce CCA Program implementation. Subsequent capital requirements will be self-funded from the City's accrued Commerce CCA generated financial reserves. The anticipated financing approach is described below.

CCA Program Start-up and Working Capital

As previously discussed, the anticipated start-up and working capital requirements for the Commerce CCA Program are \$610 thousand. This amount is dependent upon the electric load served by the City, actual energy prices, payment terms established with the third-party supplier, and program rates. This figure would be refined during the startup period, as these variables become known. Once the Commerce CCA Program is up and running, these costs would be recovered from customers through retail rates.

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It is assumed that this financing will be primarily secured via one or more term loans from the City. Requisite financing would need to be arranged no later than the first quarter of 2019.

Renewable Resource Project Financing

Commerce may consider project financings for renewable resources, likely local wind, solar, and biomass projects. These financings would only occur after a sustained period of successful Commerce CCA Program operation and after appropriate project opportunities are identified and subjected to appropriate environmental review.

In the event that such financing occurs, funds would include any short-term financing for the renewable resource project development costs and would likely extend over a 20- to 30-year term. The security for such bonds would be the revenue from sales to the retail customers of Commerce.

CHAPTER 8 – Rate Setting, Program Terms and Conditions

Introduction

This Chapter describes the initial policies proposed for Commerce in setting its rates for electric aggregation services. These include policies regarding rate design, rate objectives, and provision for due process in setting Program rates. Program rates are ultimately approved by the Commerce City Council. The City would retain authority to modify program policies from time to time at its discretion.

Rate Policies

The City will establish rates sufficient to recover all costs related to operation of the Commerce CCA Program, including any reserves that may be required as a condition of financing and other discretionary reserve funds that may be approved by Commerce. As a general policy, rates will be uniform for all similarly situated customers enrolled in the Commerce CCA Program throughout the City.

The primary objectives of the rate setting plan are to set rates that achieve the following:

- Rate competitive tariff option (default service offering), including a proportionate quantity of renewable energy in excess of California’s prevailing renewable energy procurement mandate;
- Voluntary renewable energy supply option (renewable content greater than the Commerce CCA default retail service offering));
- Rate stability;
- Equity among customers in each tariff;
- Customer understanding; and
- Revenue sufficiency.

Each of these objectives is described below.

Rate Competitiveness

The primary goal is to offer competitive rates for electric services that the City would provide to participating customers. For participants in the Commerce CCA standard Tariff, the goal would be for Commerce CCA Program rates to be initially one to five percent below, subject to actual energy product pricing and decisions of the City Council, similar generation rates offered by SCE. For participants in the Commerce CCA Program’s prospective voluntary clean energy Tariff, the goal would be to offer the lowest possible customer rates with an incremental monthly cost premium reflective of the actual cost of additional clean energy supply (renewable energy and other carbon-free sources) required to serve such customers. Based on current estimates, the anticipated cost premium for the Commerce CCA Program’s voluntary clean energy supply option would be one to ten percent relative to the default Commerce CCA tariff.

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

As previously discussed, the Commerce CCA Program may increase renewable energy supply to program customers, relative to the incumbent utility, by offering two distinct rate tariffs. The default tariff for Commerce CCA Program customers will be the standard Tariff, which may increase renewable energy supply while maintaining generation rates that are generally comparable to SCE's. The initial renewable energy content provided under Commerce CCA's standard Tariff will at a minimum meet California's prevailing renewable energy procurement mandate. However, the City may also offer its customers a voluntary clean energy Tariff, which will supply participating customers with increased levels of renewable energy and/or other carbon-free sources at rates that reflect Commerce CCA's cost for procuring related energy supplies.

Participating qualified low- or fixed-income households, such as those currently enrolled in the California Alternate Rates for Energy ("CARE") program, will be automatically enrolled in the standard Tariff and will continue to receive related discounts on monthly electricity bills through SCE.

Rate Stability

The City will offer stable rates by hedging its supply costs over multiple time horizons and by including renewable energy supplies that exhibit stable costs. Rate stability considerations may prevent Commerce CCA Program rates from directly tracking similar rates offered by the distribution utility, SCE, and may result in differences from the general rate-related targets initially established for the Commerce CCA Program. Commerce plans to offer the most competitive rates possible after all Program operating costs are recovered and reserve targets are achieved.

Equity among Customer Classes

Initial rates of the Commerce CCA Program will be set based on cost-of-service considerations with reference to the rates customers would otherwise pay to SCE. 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 City.

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 minimizes customer confusion and dissatisfaction but will also result in fewer billing inquiries to the

Commerce CCA Program's customer service call center. Customer understanding also requires rate structures to reflect rational rate design principles (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

Commerce CCA Program rates must collect sufficient revenue from participating customers to fully fund the City's annual budget related to Commerce CCA operations. 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 all costs of the Commerce CCA Program, subject to the disclosure and due process policies described later in this chapter. To ensure rate stability, funds available in the City's rate stabilization fund may be used from time to time to augment operating revenues.

Rate Design

The City will generally match the rate structures from the utility's standard 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 the Commerce CCA Program.

Custom Pricing Options

The City may work to develop specially-tailored rate and electric service products that meet the specific load characteristics or power market risk profiles of larger commercial and industrial customers. This will allow such customers to have access to a wider range of products than is currently available under the incumbent utility and potentially reduce the cost of power for these customers. The City may provide large energy users with custom pricing options to help these customers gain greater control over their energy costs. Some examples of potential custom pricing options are rates that are based on an observable market index (e.g., CAISO prices) or fixed priced contracts of various terms.

Net Energy Metering

As planned, customers with on-site generation eligible for net metering from SCE will be offered a net energy metering rate from the City. Net energy metering allows for customers with certain qualified solar or wind distributed generation to be billed on the basis of their net energy consumption. The SCE net metering tariff ("NEM") requires the CCA to offer a net energy metering tariff in order for the customer to continue to be eligible for service on Schedule NEM. The objective is that Commerce's net energy metering tariff will apply to the generation component of the bill, and the SCE net energy metering tariff will apply to the utility's portion of the bill. The City plans to pay customers for excess power produced from net energy metered generation systems in accordance with the rate designs adopted by the City.

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

Initial program rates will be adopted by Commerce following the establishment of the first year's operating budget prior to initiating the customer notification process. Subsequently, the City will

prepare an annual budget and corresponding customer rates. Following the commencement of service, any proposed rate adjustment will be made to the City Council and ample time will be given to affected customers to provide comment on the proposed rate changes.

After proposing a rate adjustment, the City will furnish affected customers with a notice of its intent to adjust rates, either by mailing such notices postage prepaid to affected customers, by including such notices as an insert to the regular bill for charges transmitted to affected customers, or by including a related message directly on the customer's monthly electricity bill (on the page addressing Commerce CCA charges). The notice will provide a summary of the proposed rate adjustment and will include a link to the Commerce CCA Program website where information will be posted regarding the amount of the proposed adjustment, a brief statement of the reasons for the adjustment, and the mailing address of the Commerce CCA Program to which any customer inquiries relative to the proposed adjustment, including a request by the customer to receive notice of the date, time, and place of any hearing on the proposed adjustment, may be directed.

CHAPTER 9 – Customer Rights and Responsibilities

This chapter discusses customer rights, including the right to opt-out of the Commerce CCA Program and the right to privacy of customer usage information, as well as obligations customers undertake upon agreement to enroll in the CCA Program. All customers that do not opt out within 30 days of the fourth enrollment 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 Commerce CCA City Council from time to time.

By adopting this Implementation Plan, the City will have approved the customer rights and responsibilities policies contained herein to be effective at Program initiation. The City retains authority to modify program policies from time to time at its discretion.

Customer Notices

At the initiation of the customer enrollment process, four notices will be provided to customers describing the Program, informing them of their opt-out rights to 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. The City will likely use its own mailing service for requisite enrollment notices rather than including the notices in SCE's monthly bills. This is intended to increase the likelihood that customers will read the enrollment notices, which may otherwise be ignored if included as a bill insert. Customers may opt out by notifying the City using the Commerce CCA Program's designated telephone-based or internet opt-out processing service. Should customers choose to initiate an opt-out request by contacting SCE, they would be transferred to the Commerce CCA Program's call center to complete the opt-out request. Consistent with CPUC regulations, notices returned as undelivered mail would be treated as a failure to opt out, and the customer would be automatically enrolled.

Following automatic enrollment, at least two notices will be mailed to customers within the first two billing cycles (approximately sixty days) after Commerce CCA service commences. Opt-out requests made on or before the sixtieth day following start of Commerce CCA Program service will result in customer transfer to bundled utility service with no penalty. Such customers will be obligated to pay charges associated with the electric services provided by the City during the time the customer took service from the Commerce CCA Program, but will otherwise not be subject to any penalty or transfer fee from Commerce CCA.

Customers who establish new electric service accounts within the Program's service area will be automatically enrolled in the Commerce CCA Program and will have sixty days from the start of service to opt out if they so desire. Such customers will be provided with two enrollment notices within this sixty-day post enrollment period. Such customers will also receive a notice detailing the City's privacy policy regarding customer usage information. Commerce will have the authority to implement entry fees for customers that initially opt out of the Program, but later

decide to participate. Entry fees, if deemed necessary, would aid in resource planning by providing additional control over the Commerce CCA Program's customer base.

Termination Fee

Customers that are automatically enrolled in the Commerce CCA Program can elect to transfer back to the incumbent utility without penalty within the first two months of service. After this free opt-out period, customers will be allowed to terminate their participation but may be subject to payment of a Termination Fee, which Commerce reserves the right to impose, if deemed necessary. Customers that relocate within the City's service territory would have Commerce CCA service continued at their new address. If a customer relocating to an address within the City's service territory elected to cancel CCA service, the Termination Fee could be applied. Program customers that move out of Commerce's service territory would not be subject to the Termination Fee. If deemed applicable by Commerce, SCE would collect the Termination Fee from returning customers as part of Commerce CCA's final bill to the customer.

For illustrative purposes, Commerce CCA's Termination Fee could vary by customer class as set forth in the table below, subject to a final determination by the City.

COMMERCE CCA Program: Illustrative Schedule of Fees for Service Termination*

Customer Class	Fee
Residential	\$5
Non-Residential	\$25

*Note that Commerce has yet to adopt a Schedule of Fees for Service Termination. The fees reflected in this table are representative of similar charges adopted by California's operating CCA programs.

If adopted, the Termination Fee would be clearly disclosed in the four enrollment notices sent to customers during the sixty-day period before automatic enrollment and following commencement of service. The fee could also be changed prospectively by Commerce subject to applicable customer noticing requirements.

Customers electing to terminate service after the initial notification period would 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. Such customers would also be liable for the nominal reentry fees imposed by SCE and would be required to remain on bundled utility service for a period of one year, as described in the utility CCA tariffs.

Customer Confidentiality

Commerce will establish policies covering confidentiality of customer data that are fully compliant with the required privacy protection rules for CCA customer energy usage information, as detailed within Decision 12-08-045. The City will maintain the confidentiality of individual customers' names, service addresses, billing addresses, telephone numbers, account

numbers, and electricity consumption, except where reasonably necessary to conduct business of the Commerce CCA Program or to provide services to customers, including but not limited to where such disclosure is necessary to (a) comply with the law or regulations; (b) enable Commerce to provide service to its customers; (c) collect unpaid bills; (d) obtain and provide credit reporting information; or (e) resolve customer disputes or inquiries. The City will not disclose customer information for telemarketing, e-mail, or direct mail solicitation. Aggregate data may be released at Commerce's discretion.

Responsibility for Payment

Customers will be obligated to pay Commerce CCA Program charges for service provided through the date of transfer including any applicable Termination Fees. Pursuant to current CPUC regulations, the City will not be able to direct that electricity service be shut off for failure to pay Commerce CCA bills. However, SCE has the right to shut off electricity to customers for failure to pay electricity bills, and SCE Electric Rule 23 mandates that partial payments are to be allocated pro rata between SCE and the CCA. In most circumstances, customers would be returned to utility service for failure to pay bills in full and customer deposits (if any) would be withheld in the case of unpaid bills. SCE would attempt to collect any outstanding balance from customers in accordance with Rule 23 and the related CCA Service Agreement. The proposed process is for two late payment notices to be provided to the customer within 30 days of the original bill due date. If payment is not received within 45 days from the original due date, service would 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 cannot 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.

Customer Deposits

Under certain circumstances, Commerce CCA customers may be required to post a deposit equal to the estimated charges for two months of CCA service prior to obtaining service from the Commerce CCA Program. A deposit would be required for an applicant who previously had been a customer of SCE or Commerce CCA and whose electric service has been discontinued by SCE or Commerce CCA during the last twelve months of that prior service arrangement as a result of bill nonpayment. 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 reestablish credit by depositing the prescribed amount. This rule will apply regardless of whether or not service has been discontinued for such nonpayment⁷. Failure to post deposit as required would cause the account service transfer request to be rejected, and the account would remain with SCE.

⁷ A customer whose service is discontinued by Commerce is returned to SCE generation service.

CHAPTER 10 - Procurement Process

Introduction

This Chapter describes Commerce’s initial procurement policies and the key third party service agreements by which the City will obtain operational services for the Commerce CCA Program. By adopting this Implementation Plan, the City will have approved the general procurement policies contained herein to be effective at Program initiation. Commerce retains authority to modify Program policies from time to time at its discretion.

Procurement Methods

Commerce will enter into agreements for a variety of services needed to support program development, operation and management. It is anticipated that the City 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 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.

The City will utilize 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 Commerce’s discretion. Authority for terminating agreements will generally mirror the authority for entering into such agreements.

Key Contracts

Electric Supply Contract

Commerce will initiate service using supply contracts with one or more qualified providers to supply sufficient electric energy resources to meet Commerce CCA customer demand as well as applicable resource adequacy requirements, ancillary and other necessary services. It is anticipated working with CCEA to issue a Request for Proposals (“RFP”) for energy supply products and services including shaped conventional energy, renewable energy, resource adequacy capacity, and scheduling coordinator services will be issued in December 2019. The tentative RFP schedule and timeline is broken out below:

Release RFP	December 2019
Deadline for Question Submittal	December 2019
Proposals Due	January 2020
Notification of Short List	January 2020
Begin Contract Negotiations	February 2020
Best and Final Pricing	March 2020
Contract Approval and Execution	March 2020

As indicated in the above RFP timeline, the City plans to receive proposals, including indicative pricing for all requested products and services, in January 2020. This would provide the City with a sufficient amount of time to evaluate the proposals, develop a short-list, negotiate contracts, and execute final agreements by the end of the 1st quarter 2020.

The City may complete additional solicitations to supplement its energy supply and/or to replace contract volumes provided under the original contract. Commerce would begin such procurement sufficiently in advance of contract expiration so that the transition from the initial supply contract occurs smoothly, avoiding dependence on market conditions existing at any single point in time.

As part of the energy supply and services RFP released in December 2019, Commerce will solicit the services of a certified scheduling coordinator to schedule loads and resources to meet Commerce CCA customer demand. The City may designate the primary supplier to be responsible for day-to-day energy supply operations of the Commerce CCA Program and for managing the predominant supply risks for the term of the contract. The primary supplier may also contribute to meeting the Program's renewable energy supply goals. However, additional suppliers may be identified to supplement requisite energy supplier of the Commerce CCA program. Finally, the primary supplier may be responsible for ensuring Commerce's compliance with all applicable resource adequacy and regulatory requirements imposed by the CPUC or FERC.

Data Management Contract

A data manager will provide the retail customer services of billing and other customer account services (electronic data interchange or EDI with SCE, billing, remittance processing, and account management). 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 may be separate from the electric supply contract. It is anticipated that Commerce CCA will use CCEA's data manager to perform all of the data management functions.⁸

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; and
- Settlement quality meter data reporting

⁸ The contractor providing data management may also be the same entity as the contractor supplying electricity for the program.

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- 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 impose significant information technology costs and take significant time to deploy. Separation of the data management contract from the energy supply contract provides the City with greater flexibility to change energy suppliers, if desired, without facing an expensive data migration issue.

Commerce is considering joining California Choice Energy Authority, a hybrid JPA program, for various components of Commerce CCA's operations, including data management and call center functions. Should Commerce CCA decide not to partner for these services, an RFP process, similar to the electric supply RFP described above, will be completed. The tentative RFP schedule and timeline is broken out below:

Release RFP	December 2019
Deadline for Question Submittal	December 2019
Proposals Due	January 2020
Notification of Short List	January 2020
Short List Interviews	January 2020
Begin Contract Negotiations	January 2020
Contract Approval and Execution	January 2020

The RFP timeline will allow the City to get a data manager under contract by late January 2020. Even though Commerce CCA will not serve customers until May 2020, the data manager will need sufficient time to setup and integrate the various data systems with Commerce, SCE, and other third parties such as Commerce CCA's scheduling coordinator.

CHAPTER 11 – Contingency Plan for Program Termination

Introduction

This Chapter describes the process to be followed in the case of Commerce CCA Program termination. By adopting the original Implementation Plan, the City will have approved the general termination process contained herein to be effective at Program initiation. In the unexpected event that the City would terminate the Commerce CCA Program and return its customers to SCE service, the proposed process is designed to minimize the impacts on its customers and on SCE. The proposed termination plan follows the requirements set forth in SCE's tariff Rule 23 governing service to CCAs. The City retains authority to modify program policies from time to time at its discretion.

Termination by Commerce CCA

Commerce will offer services for the long term with no planned Program termination date. In the unanticipated event that the City decides to terminate the Program, the City Council would vote on Program termination.

After any applicable restrictions on such termination have been satisfied, notice would be provided to customers six months in advance that they will be transferred back to SCE. A second notice would be provided during the final sixty-days in advance of the transfer. The notice would 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 would be provided to SCE and the CPUC before transferring customers, and the City would coordinate the customer transfer process to minimize impacts on customers and ensure no disruption in service. Once the customer notice period is complete, customers would be transferred *in masse* on the date of their regularly scheduled meter read date.

Commerce will post a bond or maintain funds held in reserve to pay for potential transaction fees charged to the Program for switching customers back to distribution utility service. Reserves would be maintained against the fees imposed for processing customer transfers (CCASRs). The Public Utilities Code requires demonstration of insurance or posting of a bond sufficient to cover reentry fees imposed on customers that are involuntarily returned to distribution utility service under certain circumstances. The cost of reentry fees are 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. The City will post financial security in the appropriate amount as part of its registration materials and will maintain the financial security in the required amount, as necessary.

CHAPTER 12 – Appendices

Appendix A: City of Commerce Ordinance No. XX-XX (Adopting Implementation Plan)