REQUEST FOR PROPOSALS
RFP #2020-001

BANKING SERVICES
&
CREDIT SOLUTION

ISSUED ON:
JANUARY 15, 2020

PROPOSALS DUE:
FEBRUARY 7, 2020
5:00 PM Pacific Standard Time (PST)

CONTACT: BARBARA BOSWELL
INTERIM CHIEF EXECUTIVE OFFICER
CEO@TheCleanEnergyAlliance.org
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INTRODUCTION

Invitation

Clean Energy Alliance (CEA) is seeking proposals from qualified commercial banks (Bank) to provide comprehensive banking services for CEA’s bank accounts, lockbox and related depository and cash management operational banking services. CEA also requires credit solution to cover estimated start-up costs. To help inform CEA’s evaluation of credit solution, CEA is requesting that respondents provide indicative credit service proposals as described further below. Respondents may submit a proposal for either banking services or credit solution or both services.

CEA is a public joint powers agency located within the geographic boundaries of San Diego County, formed by founding Member Agencies City of Carlsbad, City of Del Mar and City of Solana Beach in November 2019. CEA was created for the purpose of establishing a Community Choice Aggregation (CCA) program in support of meeting climate action plan goals of its member agencies.

CEA filed its Implementation Plan and Statement of Intent (Attachment A) with the California Public Utilities Commission and anticipates it will begin serving approximately 60,000 customers in Spring 2021.

Background

In 2017 the cities of Del Mar, Carlsbad and other interested partner agencies engaged the assistance of a technical consultant to evaluate the feasibility of establishing a CCA program, considering various agency member formations. The studies revealed that a CCA program was viable, offering customers rates competitive with SDG&E. Throughout early 2019 the Member Agencies evaluated several different options related to the provision of CCA services to their service territories with Carlsbad, Del Mar and Solana Beach moving forward in approving the Joint Powers Agreement and forming CEA.

The CEA was formed with the following objectives: 1) procure a power supply from a minimum 50% renewable energy sources; 2) help meet the goals of the Member Agency’s Climate Action Plans to reduce GHG emissions; 3) provide cost-competitive electric services to the customers of CEA; 4) gain local control of the territory’s energy procurement needs; and 5) provide local clean energy programs and benefits.

The City of Solana Beach (“Solana Beach”) currently operates the Solana Energy Alliance (SEA), the only CCA that is currently serving customers in SDG&E territory. Solana Beach intends to transition its customers from SEA to CEA during CEA’s launch month of May 2021. Once its customers are fully transferred to CEA, Solana Beach will no longer operate SEA. Solana Beach has submitted an amended Implementation Plan, concurrent with the CEA Implementation Plan, that reflects its customers transitioning to CEA.
The CEA Program represents a culmination of planning efforts that are responsive to the expressed needs and priorities of the residents and business community within the service territory. The Alliance plans to expand the energy choices available to eligible customers through creation of innovative new programs for voluntary purchases of renewable energy and net energy metering to promote customer-owned renewable generation.
SCOPE OF SERVICES AND REQUIREMENTS

The intent of this solicitation is to establish an agreement with a Bank to provide banking services and credit solution that best serve the business and financial needs of CEA.

Banking Services

General Requirements

Banking pertains to day-to-day banking operations, excluding transactions of investment activities. Banking activities include deposits, disbursements, and related reconciliation.

Responsive proposals will specifically address the following topics:

• Deposit process and related structures (e.g., sweep accounts, lockbox, targeted balance);
• Lockbox/secured account(s) for deposits held as collateral, that is a blocked control account, payments from the account are to be disbursed as instructed;
• Policies on receiving same-day credit for deposit;
• Disbursement process and warrant accounts;
• Daily cash reconciliation;
• Identification of transactions and fees (e.g., deposits, withdrawals, chargebacks);
• Reporting needs relating to Operational Banking; and
• The security measures for ACH initiation and reception (i.e., ACH blocks and filters).

Requirements include:

a. The bank must be a Federal or State chartered commercial banking institution and a member of the Federal Reserve System or the Federal Deposit Insurance Corp or the National Credit Union Association;

b. The bank must be a qualified depository for public funds pursuant to the applicable State codes. All balances must be fully collateralized through the pool collateral system required by the State;

c. The bank will provide full account reconcilement, payee positive pay, electronic fraud protection, electronic deposits and disbursements, online wire entry, and online stop payment placement;

d. The bank must provide cleared check files that can be imported into an MS Excel file;
c. The bank must provide online reporting that includes a detailed report of prior day transactions;

f. The bank must provide blocked control account (BCA) and secure account/lockbox services, it is anticipated CEA will provide monthly disbursement instructions to the bank, per a yet to be developed Security Agreement. The bank will act as collateral agent on behalf of the secured power suppliers with a yet to be developed Intercreditor and Collateral Agency agreement. The secured account(s) or “Lockbox” are for daily deposits from SDG&E of cash collected from CEA customers and monthly payment to the power suppliers under contract.

g. The bank must provide the bank’s current level of public funds deposited and related collateral market value;

h. The bank must have the ability to process transactions electronically;

i. The bank must have the ability to require dual authentication for user access.

**Deposit Services**

Most, if not all, deposits will come through ACH deposits/wire transfer and EDI files from SDG&E on a daily basis. It is not anticipated that there will be a large volume of check deposits. CEA will have a qualified data management vendor manage billing administration and data exchange with SDG&E. Customer payments will not be processed by CEA. Deposits by SDG&E and payments to power suppliers will be by ACH and wire transfer.

**Disbursement Services**

Pre-launch CEA will issue approximately 25 payments (ACH, wire, on-line bill pay or written check) and once operational 50 – 75 payments per month through the main operating account. Positive pay services and check reconcilement services will be used. Accounts Payable positive pay data will be transmitted to the bank weekly.

Required services include:

a. Provision for payee positive pay services with online transmission of check details;

b. Provision for payee positive pay exception item review and correction online;

c. Provision for online stop payments services;

d. Provision for an electronic file of paid/cleared images (front and back), in addition to any alternative electronic archival stem used by the bank;

e. Provision for online access to cashed check images.

**Electronic Transfer of Funds**
It is not yet determined how CEA will process checks but anticipate that CEA will process approximately 25 ACH Credits and 25 ACH Debits each month. Most CCA programs use on-line bill payment with minimal need for paper checks. A bill payment system is used for payroll, vendor payments and occasional contract payments. A small number of wire transfers are also received or executed monthly.

Required services include:

a. Ability to accept and send ACH Transactions;
b. Ability to accept ACH payments from third parties;
c. Provision of ACH debit blocking services;
d. Provision of a secure electronic method with dual authorization for wiring funds; and
e. Ability to set up templates for repetitive wires and ACH.

Reporting

CEA will require access to daily balances and transactions reporting information. CEA will require access to prior day reporting, including ledger balance, available balance, and summary and detailed reports of credits and debits posted. Current day reporting requirements will include, but are not limited to, details of electronic debits and credits, wire transfer activity, controlled disbursements, and ACH activity.

Required services include:

a. Provision of online balance reporting services;
b. Allowing access to the bank’s online reporting system to approximately six employees with different levels of authorization;
c. Provision of account reconcilement services for disbursements (full, partial, or positive pay, depending on account);
d. Provision of monthly activity statements and reports for all accounts by the 10th day of the following month;
e. Provision of a detailed monthly account analysis statement for each individual account and a consolidated statement showing charges for all account services; and
f. Specific method of check image availability.

Bank Balances

Balances will be used to offset service fees and bank charges. CEA shall not be required to maintain a minimum balance.

Required services include:

a. Detailed account of all types of items and services that can be applied against account analysis;
Clean Energy Alliance
RFP For Banking and Credit Solution

b. Total account will be interest bearing and must be 110 percent collateralized at all times pursuant to all applicable sections of the California Government Code; and
c. Current and thorough disclosure of overnight sweep account options offered by the bank.

Credit Requirements

Estimated Start-up Costs

CEA estimated start-up costs are detailed below:

<table>
<thead>
<tr>
<th>Clean Energy Alliance Draft Budget Fiscal Years 19/20 and 20/21</th>
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<tbody>
<tr>
<td><strong>FY 19/20</strong></td>
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<tr>
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<tr>
<td>Staffing/Consultants</td>
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<tr>
<td>Legal Services</td>
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<tr>
<td>Professional Services</td>
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<tr>
<td>CCA Bond</td>
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<td>CAISO Fee</td>
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<td>CalCCA Membership &amp; Dues</td>
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<tr>
<td>Print-Mail Services</td>
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<tr>
<td>Advertising</td>
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<tr>
<td>Graphic Design Services</td>
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<tr>
<td>Website Maintenance</td>
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<tr>
<td>Audit Services</td>
</tr>
<tr>
<td>Cash Flow &amp; Lockbox Reserves</td>
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<tr>
<td><strong>TOTAL PROJECTED BUDGET</strong></td>
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</table>

The fiscal year 2019/20 costs in the amount of $450,000 are being funded by advances from each of the Member Agencies in the amount of $150,000 each. The advances are to be repaid within the first three years of CEA becoming operational, with no interest accrued. No repayment is due if CEA does not become operational. In addition to the cash advances, the Member Agencies are providing in-kind administrative services, that are being funded by the Member Agencies. These in-kind administrative expenses are to be repaid within the first three years of CEA becoming operational, with no interest accrued. No repayment is due to the Member Agency if CEA does not become operational.

CEA is seeking a credit solution for the $4.0M in estimated start-up costs anticipated to be incurred during fiscal year 2020/21 in anticipation of the May 2021 CCA launch. CEA expects to need to draw on the credit solution beginning in July 2020.

The Member Agencies do not wish to provide credit support to the credit facility and anticipate the CEA CCA program liable for the start-up related credit support provided pre-launch.

Resource Adequacy and Power Procurement

As a CCA program with an anticipated Spring 2021 launch, CEA will be required to enter into contracts for Resource Adequacy (RA) in October 2020 and long-term renewable energy, short-term renewable and conventional energy contracts prior to launch. Table 9 in the CEA
Implementation Plan estimates RA and other energy costs at $5.9M for fiscal year 2020/21, $54M for fiscal year 2021/22 and $60M for fiscal year 2022/23. The $2.5M cash flow and reserves line item for fiscal year 2020/21 in the table above is expected to cover the portion of energy related costs incurred prior to serving customers and revenues coming in.

CEA desires the flexibility to offer power providers Letters of Credit as collateral vs. cash as required by energy suppliers.

See Implementation Plan (Attached) for projected revenue, expense and cash flow, and the assumptions underlying those projections. CEA can provide no assurance that the projections shown therein will be realized; however, these projections are based on current and best available information.
CONDITIONS GOVERNING THIS PROCUREMENT

This section of the RFP provides the anticipated schedule for the procurement and describes the events and the conditions governing the procurement. CEA will make every effort to adhere to the anticipated schedule below.

Schedule

<table>
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<td>Issuance of RFP</td>
<td>January 15, 2020</td>
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<td>Deadline to Submit Written Questions (email only)</td>
<td>January 22, 2020 @ 5:00 PM (PST)</td>
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<tr>
<td>Response to Written Questions/RFP Addendum if applicable</td>
<td>January 28, 2020</td>
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<tr>
<td>Deadline to Submit Proposals</td>
<td>Feb 7, 2020 @ 5:00 PM (PST)</td>
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<td>Proposal Evaluation</td>
<td>February 7 – 14, 2020</td>
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<tr>
<td>Presentations and Interviews of Finalists</td>
<td>Week of February 17 (if needed)</td>
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<tr>
<td>Selection by Board of Directors</td>
<td>February 20, 2020</td>
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<tr>
<td>Final Negotiations and/or Best and Final Offer</td>
<td>Week of February 24, 2020</td>
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General Covenants

Rights of CEA
This RFP does not commit CEA to award, nor does it commit CEA to pay any cost incurred in the submission of the proposal, or in making necessary studies or designs for the preparation thereof, nor procure or contract for services or supplies. Further, no reimbursable cost may be incurred in anticipation of a contract award.

CEA reserves the right to reject any and all proposals, to waive any minor irregularities in a proposal, to request clarifications or additional information from an institution, and to reject any agreement deemed by CEA to be in its best interest with one or more institutions.

Claims against CEA
Neither your organization nor any of your representatives shall have any claims whatsoever against CEA, or any of its respective officials, agents, or employees arising out of or relating to this RFP or these RFP procedures, except as set forth in the terms of a definitive agreement between CEA and your organization.

Form of Proposals
Electronic proposals only will be accepted.
Amended Proposal
Banks may submit amended proposals before the Deadline to Submit Proposals. Such amended proposals must be complete replacements for previously submitted proposals and must be clearly identified in a written format. CEA will not merge, collate, or assemble proposal materials.

Withdrawal of Proposal
Banks may withdraw their proposals at any time prior to the Deadline to Submit Proposals. The Bank must submit a written withdrawal request signed by the Bank’s duly authorized representative addressed to and submitted to the Contact.

Late Responses
To be considered, proposals must be received via email by February 7, 2020, 5:00 PM PST.

No Public Proposal Opening
There will be no public opening for this RFP.

Public Records Act (CPRA)
Please note that any information provided as part of a submittal in response to the RFP may be subject to the Public Records Act (PRA). If the Bank feels that any part of its submission is proprietary information, please identify by section, paragraph, and page the information the Bank believes is proprietary. In the event of a PRA, this information may be reviewed by CEA’s attorneys for applicability. No guarantee can be provided that any part of the Bank’s information will be kept confidential.

Confidentiality
All data and information obtained from or on behalf of CEA by the Bank and its agents in this RFP process, including reports, recommendations, specifications, and data, shall be treated by the Bank and its agents as confidential. The Bank and its agents shall not disclose or communicate this information to a third party or use it in advertising, publicity, propaganda, or in another job or jobs, unless written consent is obtained from CEA. Generally, each proposal and all documentation, including financial information, submitted by a Bank to CEA is confidential until a contract is awarded, when such documents become public record under State and local law, unless exempted under PRA.
PROPOSAL EVALUATION

Evaluations will be based upon the information provided in the proposals and such other information requested by CEA. Proposals shall provide clear, concise information and sufficient detail to enable reviewers to evaluate the responsiveness and quality of the proposals to all RFP requirements. The reviewers will also review the proposals for format to ensure conformance with the RFP requirements. Proposals that fail to meet RFP requirements could be rejected. Reviewers may waive minor irregularities in proposals if doing so would be in the best interest of CEA. Reviewers may recommend discontinuing evaluation of any proposal that reviewers consider not in compliance with all of the RFP requirements.

Proposals will be evaluated based on the following criteria (not in order of importance):

- Ability to provide required services;
- Cost and pricing;
- Credit quality of Bank proposer;
- Qualifications and experience of firm.

As reflected in the Evaluation Criteria, contract award will not be based solely on cost, but on a combination of factors as determined to be in the best interest of CEA. CEA will not be bound to award the contract based solely on the lowest bid submitted.

After evaluating the proposals and discussing them further with the finalists or the tentatively selected Bank, CEA reserves the right to further negotiate the proposed work and/or method and amount of compensation. Telephone interviews may be conducted with proposers prior to a final selection being made.
INSTRUCTIONS TO BIDDER

CEA Contact

The evaluation phase of the competitive process shall begin upon receipt of bids until a contract has been awarded. Proposers shall not lobby evaluators during the evaluation process. Attempts by Proposer to lobby evaluators may result in disqualification of bidder.

All questions regarding this RFP are to be submitted in writing, via e-mail, by 5:00 p.m. PST on Wednesday January 22, 2020 to:

Barbara Boswell, Interim Chief Executive Officer
Clean Energy Alliance
E-Mail: CEO@TheCleanEnergyAlliance.org

Responses to written questions will be provided no later than Tuesday, January 28, 2020. Anyone wishing to receive copies of responses must email Barbara Boswell at the email address above requesting responses.

Submittal of Proposals

All bids must be received by Clean Energy Alliance by 5:00 p.m. on February 7, 2020. NOTE: LATE BIDS CANNOT BE ACCEPTED. Bids will be received only at the email address shown below, and by the time indicated in the Calendar of Events. Any bid received after said time and/or date or at a place other than the stated address cannot be considered. **Bids must be submitted in a non-alterable electronic format such as a .pdf.**

1. All proposals must be received by CEA by 5:00 pm, PST, Friday February 7, 2020. Proposals must be submitted by email in a PDF form. Emails are limited to 5 MB.

2. Please submit proposal to the following:
   - Barbara Boswell, Interim Chief Executive Officer, CEO@TheCleanEnergyAlliance.org
   - With a copy to Marie Berkuti, Interim Treasurer, MBerkuti@cosb.org

3. Proof of receipt before the deadline is a time and date receipt on the email. It is the responsibility of the firm replying to this RFP to see that any proposal shall have sufficient time to be received by CEA.

4. Any questions, technical or otherwise, pertaining to this RFP shall be directed only to Barbara Boswell at the email above. Interpretations or clarifications considered necessary in response to such questions will be resolved by the issuance of formal Addenda to the RFP. Questions pertaining to the RFP will be responded to in writing. The **deadline for all questions is 5:00 pm, PST, Wednesday January 22, 2020.** Questions received after this date and time will not be answered. Only questions
resolved by formal written Addenda will be binding. Oral and other interpretations or clarifications will be without legal or contractual effect.

5. All costs required for the preparation and submission of a bid shall be borne by Bidder.

6. Only one bid response will be accepted from any one person, partnership, corporation, or other entity; however, several alternatives may be included in one response. For purposes of this requirement, “partnership” shall mean, and is limited to, a legal partnership formed under one or more of the provisions of the California or other state’s Corporations Code or an equivalent statute.

7. All other information regarding the bid responses will be held as confidential until such time as the reviewers have completed their evaluation, a recommended award has been made by the CEA Board of Directors, and the contract has been fully negotiated.

8. California Government Code Section 4552: In submitting a bid to a public purchasing body, the bidder offers and agrees that if the bid is accepted, it will assign to the purchasing body all rights, title, and interest in and to all causes of action it may have under Section 4 of the Clayton Act (15 U.S.C. Sec. 15) or under the Cartwright Act (Chapter 2, commencing with Section 16700, of Part 2 of Division 7 of the Business and Professions Code), arising from purchases of goods, materials, or services by the bidder for sale to the purchasing body pursuant to the bid. Such assignment shall be made and become effective at the time the purchasing body tenders final payment to the bidder.

9. Bidder expressly acknowledges that it is aware that if a false claim is knowingly submitted (as the terms “claim” and “knowingly” are defined in the California False Claims Act, Cal. Gov. Code, §12650 et seq.), CEA will be entitled to civil remedies set forth in the California False Claim Act. It may also be considered fraud and the Contractor may be subject to criminal prosecution.

10. The undersigned Bidder certifies that it is, at the time of bidding, and shall be throughout the period of the contract, licensed by the State of California to do the type of work required under the terms of the Contract Documents. Bidder further certifies that it is regularly engaged in the general class and type of work called for in the Bid Documents.

11. It is understood that CEA reserves the right to reject this bid and that the bid shall remain open to acceptance and is irrevocable for a period of one-hundred and eighty (180) days, unless otherwise specified in the Bid Documents.

Response Format

1. Bid responses are to be straightforward, clear, concise and specific to the information requested.

2. Bid responses shall include the costs of Credit and Banking Services each itemized as separate schedule and cost items for each service.
3. Bid responses, in whole or in part, are NOT to be marked confidential or proprietary. CEA may refuse to consider any bid response or part thereof so marked. Bid responses submitted in response to this RFP may be subject to public disclosure. CEA shall not be liable in any way for disclosure of any such records.
REQUIRED DOCUMENTATION AND SUBMITTALS

All of the specific documentation listed below is required to be submitted in order for a bid to be deemed complete. Bidders shall submit all documentation, in the order listed below and clearly label each section with the appropriate title (i.e. Table of Contents, Letter of Transmittal, Key Personnel, etc.).

1. **Table of Contents:** Bid responses shall include a table of contents listing the individual sections of the proposal/quotation and their corresponding page numbers.

2. **Letter of Transmittal:** Bid responses shall include a description of Bidder’s capabilities and approach in providing its services to the CEA and provide a brief synopsis of the highlights of the Proposal and overall benefits of the Proposal to the CEA. This synopsis should not exceed three pages in length and should be easily understood.

3. **Overview of the Firm**
   a) Provide a brief description of your firm.
   b) Provide your firm’s total capital and total net assets for 2019, 2018 and 2017 Year-ending.
   c) Provide your firm’s current Long-term and Short-term credit ratings as well as Outlooks, if available.
   d) Provide your firm’s credit rating, if available.

4. **Qualifications**
   a) Provide a description of your bank’s experience in the government sector. What, if any, experience does your bank have with the members of CEA?
   b) Provide a description of your bank’s experience in the CCA sector.
   c) For banks without direct experience in the CCA sector, please provide your experience in related sectors or with other unrated entities.
   d) What assurances can you provide CEA on your bank’s ability to transact organizationally?
   c) Provide any other qualifications you believe are relevant to CEA related to the Scope.

5. **Key Personnel:** Bid responses shall identify the lead contact and include a complete list of all key personnel associated with the RFP. This list must include all key personnel who will provide services/training to CEA staff and all key personnel who will provide credit and support services. For each person on the list, the following information shall be included:

   a) The person’s relationship with Bidder, including job title and years of employment with Bidder;
   b) The role that the person will play in connection with the RFP;
   c) Address, telephone, fax numbers, and e-mail address; and
   d) Person’s relevant education, experience, certifications, and/or merits.

6. **Banking Services Proposal:**
Provide a proposal which details the costs, terms and conditions for providing the Banking services as outlined in the Scope of Services above in the RFP.

7. Credit Proposal

Provide a term sheet proposal which includes the following information:

a) Type of Facility
b) Commitment Size
c) Term (CEA is seeking 3- to 5-year commitments)
d) Pricing
   I. Commitment fee
   II. Interest rates on loans
   III. Legal expenses (please also provide law firm and lead attorney)
   IV. Any other fees or expenses
e) Security package requested (including but not limited to any guaranty or collateral requirements. Bidders should understand that CEA’s preference is not to have guaranty/collateral requirements.
f) CEA related covenants
g) Renewal and termination provisions
h) Term-out provisions
i) Other relevant terms

Bidders are encouraged to provide multiple term sheets or detail the different scenarios of terms/conditions they might be able to offer. (e.g. multiple terms and pricing adjustment for those different terms). Bidders should describe their credit approval process as it relates to the proposed facility.

8. References

Provide a minimum of two references that have similar scope to those outlined in this RFP.
ATTACHMENT
CLEAN ENERGY AUTHORITY IMPLEMENTATION PLAN

Page intentionally left blank. See attached for Implementation Plan.
CLEAN ENERGY ALLIANCE

Community Choice Aggregation
Implementation Plan

and

Statement of Intent

December 2019
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1 INTRODUCTION

The Clean Energy Alliance (“CEA” or “Alliance”), located within San Diego County, is a Joint Powers Authority (“JPA”) pursuing the implementation of a community choice aggregation program (“CCA” or “Program”). Founding Member Agencies of CEA include the following three (3) municipalities within the County of San Diego, which have elected to allow the JPA to provide electric generation service within their respective jurisdictions:

City of Carlsbad
City of Del Mar
City of Solana Beach

This Implementation Plan and Statement of Intent ("Implementation Plan") describes CEA’s plans to implement a voluntary CCA program for electric customers within the jurisdictional boundaries of the Member Agencies. Electric customers within the Cities of Carlsbad and Del Mar currently take bundled electric service from San Diego Gas and Electric (“SDG&E”). Electric customers within the City of Solana Beach currently have the option of taking electric service from Solana Energy Alliance (“SEA”), an existing Community Choice Aggregation program, or as a bundled customer of SDG&E. The Program will provide electricity customers the opportunity to jointly procure electricity from competitive suppliers, with such electricity being delivered over SDG&E’s transmission and distribution system. The planned start date for the Program is May 1, 2021. All current SDG&E customers within the Del Mar and Carlsbad service area will receive information describing the CEA Program and will have multiple opportunities to opt out and choose to remain full requirement (“bundled”) customers of SDG&E, in which case they will not be enrolled. Current SEA customers will receive information describing the CEA Program and their transition from SEA to CEA. They will also have multiple opportunities to opt out. Thus, participation in the CEA Program is completely voluntary. However, as provided by law, customers will be automatically enrolled according to the anticipated schedule later described in Chapter 5 unless they affirmatively elect to opt-out. Once, and as long as CEA is operational and all SEA customers have transitioned to CEA, SEA will cease to be an operational CCA.

Implementation of CEA will enable customers within CEA’s service area to take advantage of the opportunities granted by Assembly Bill 117 (“AB 117”), the Community Choice Aggregation Law.

CEA’s primary objectives in implementing this Program are to:

1) Procure an electric supply portfolio with higher renewable content than SDG&E;
2) Provide cost competitive electric services when compared to SDG&E;
3) Gain local control in rate setting to provide long-term rate stability for residents and businesses;
4) Meet Climate Action Plan goals of the Member Agencies.

The California Public Utilities Code provides the relevant legal authority for the Alliance 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 CEA Program. The CPUC also has responsibility for registering the JPA as a Community Choice Aggregator and ensuring compliance with
Clean Energy Alliance Implementation Plan

basic consumer protection rules. The Public Utilities Code requires adoption of an Implementation Plan at a duly noticed public hearing. The plan must then be filed with the Commission.

The Alliance is also aware that a CCA Program-specific Renewables Portfolio Standard ("RPS") Procurement Plan must be completed and submitted to the CPUC during its CCA registration process – the Alliance anticipates that the renewable energy targets reflected in this Implementation Plan will meet or exceed applicable procurement mandates, including prudent planning reserves.

On December 19, 2019, the JPA, at a duly noticed public hearing, adopted this Implementation Plan, through Resolution No. 2019-003 (a copy of which is included as part of Appendix A).

The Commission has established the methodology to use to determine the cost recovery mechanism, and SDG&E has approved tariffs for imposition of the cost recovery mechanism. The cities of Del Mar and Carlsbad have adopted an ordinance to implement a CCA program through its participation in CEA and Solana Beach adopted its ordinance to implement a CCA program as part of implementing SEA. Each of the Members has adopted a resolution permitting CEA to provide service within its jurisdiction. Having accomplished these milestones, CEA submits this Implementation Plan to the CPUC. Following the CPUC's acknowledgement of its receipt of this Implementation Plan and resolution of any outstanding issues, CEA will submit a draft customer notice, file a draft Renewable Portfolio Standards Procurement Plan, submit the Financial Security Requirement and execute the Service Agreement with San Diego Gas & Electric as established in CPUC Resolution E-4907. CEA will take the final steps needed to register as a CCA and participate in the year-ahead Resource Adequacy ("RA") process prior to initiating the customer notification and enrollment process.

1.1 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 Alliance’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.

1 Copies of individual ordinances adopted by the Clean Energy Alliance’s Members are included within Appendix A
1.2 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
- Chapter 11: Contingency Plan for Program Termination

Appendix A: Clean Energy Alliance Resolution No. 2019-XXX (Adopting Implementation Plan)

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

2.1 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 2017 the cities of Del Mar, Carlsbad and other interested partner agencies engaged the assistance of a technical consultant to evaluate the feasibility of establishing a CCA program, considering various agency member formations. The studies revealed that a CCA program was viable, offering customers rates competitive with SDG&E. Throughout early 2019 the Member Agencies evaluated several different options related to the provision of CCA services to their service territories. SEA has been a financially stable CCA since launching in June 2018. The financial model reflected in Section 7, Table 9, demonstrates that the proposed CEA is a financially viable CCA program.

The CEA was formed with the following objectives: 1) procure a power supply from a minimum 50% renewable energy sources; 2) help meet the goals of the Member Agency’s Climate Action Plans to reduce GHG emissions; 3) provide cost-competitive electric services to the customers of CEA; 4) gain local control of the territory’s energy procurement needs; and 5) provide local clean energy programs and benefits.

The City of Solana Beach (“Solana Beach”) currently operates SEA, the only CCA that is currently serving customers in SDG&E territory. Solana Beach intends to transition its customers from SEA to CEA during CEA’s launch month of May 2021. Once its customers are fully transferred to CEA, Solana Beach will no longer operate SEA. Solana Beach will submit an amended Implementation Plan, concurrent with this CEA Implementation Plan, that reflects its customers transitioning to CEA.

The Alliance released a draft Implementation Plan in November 2019, which described the planned organization, governance and operation of the CCA Program. Following consideration of comments related to the draft document, a final Implementation Plan was prepared and duly adopted by the CEA Board of Directors.

The CEA Program represents a culmination of planning efforts that are responsive to the expressed needs and priorities of the residents and business community within the service territory. The Alliance plans to expand the energy choices available to eligible customers through creation of innovative new programs for voluntary purchases of renewable energy and net energy metering to promote customer-owned renewable generation.

2.2 PROCESS OF AGGREGATION

Before they are enrolled in the Program, prospective CEA customers in Carlsbad and Del Mar will receive two written notices in the mail that will provide information needed to understand the Program’s terms and conditions of service and explain how customers, if they desire, can opt-out of the Program. 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 phase-in plan described in Chapter 5. The initial enrollment notices will be provided to customers in March 2021, with a second notice being provided in April 2021.

Customers currently being served by SEA were provided the required enrollment notices during their transition from SDG&E service in 2018. These customers are not subject to the four required notices for customers leaving SDG&E service, however, they will be provided at least one notice notifying them of the transition from SEA service to CEA service and any rate or service impacts.

Customers enrolled in the CEA Program will continue to have their electric meters read and to be billed for electric service by the distribution utility (SDG&E). The electric bill for Program customers will show
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separate charges for generation procured by CEA as well as other charges related to electricity delivery and other utility charges assessed by SDG&E.

After service cutover, customers will have approximately 60 days (two billing cycles) to opt-out of the CEA Program without penalty and return to the distribution utility (SDG&E). CEA 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 CEA but will not otherwise be subject to any penalty for leaving the program. Customers that have not opted-out within thirty days of the fourth enrollment notice will be deemed to have elected to become a participant in the CEA Program and to have agreed to the CEA Program’s terms and conditions, including those pertaining to requests for termination of service, as further described in Chapter 8.

2.3 CONSEQUENCES OF AGGREGATION

2.3.1 Rate Impacts
CEA customers will pay the generation charges set by the Alliance and no longer pay the costs of SDG&E generation. 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 Alliance’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 (SDG&E). The Alliance will establish rates sufficient to recover all costs related to operation of the Program, and the CEA Board will adopt actual rates.

Initial CEA Program rates will be established following approval of the Alliance’s inaugural program budget, reflecting final costs from the CEA Program’s energy procurement. The Alliance’s rate policies and procedures are detailed in Chapter 7. Information regarding final CEA Program rates will be disclosed along with other terms and conditions of service in the pre-enrollment and post-enrollment notices sent to potential customers.

Once CEA gives definitive notice to SDG&E that it will commence service, CEA customers will generally not be responsible for costs associated with SDG&E’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 SDG&E to CCA customers through separate rate components, called the Cost Responsibility Surcharge and the New System Generation Charge. These charges are shown in SDG&E’s electric service tariffs, which can be accessed from the utility’s website, and the costs are included in charges paid by both SDG&E bundled customers as well as CCA and Direct Access customers. SEA customers that transition to CEA will maintain their current Power Charge Indifference Adjustment (“PCIA”) vintage of 2017, having already departed from SDG&E generation services. Eligible Del Mar and Carlsbad customers who transition to CEA service will be assigned a 2020 PCIA vintage.

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2 For SDG&E bundled service customers, the Power Charge Indifference Adjustment element of the Cost Responsibility Surcharge is contained within the CCA-CRS rate tariff.
2.3.2 Renewable Energy Impacts
A second consequence of the Program will be an increase in the proportion of energy generated and supplied by RPS-eligible renewable resources. The resource plan includes procurement of renewable energy in excess of California’s renewable energy procurement mandate, and SDG&E’s forecast renewable percentage, with a goal of providing a minimum of 50% renewable energy at launch, for all enrolled customers. Consistent with Senate Bill 100, CEA renewable energy will increase toward 60% by 2030. CEA customers may also voluntarily participate in a higher renewable supply option, potentially up to 100%. To the extent that customers choose CEA’s voluntary renewable energy option, the renewable content of CEA’s aggregate supply portfolio will further increase. Initially, requisite renewable energy supply will be sourced through one or more short-term power purchase agreements; however, shortly after launching operations, long-term procurement of renewable energy will begin to meet California’s long-term renewable energy contracting requirements that become effective in Compliance Period 4 and beyond \(^3\). Over time, the Alliance will also consider independent development of new renewable generation resources.

2.3.3 Greenhouse Gas Reduction
A third consequence of the Program will be an anticipated reduction in the greenhouse gas emissions attributed to the CEA supply portfolio as compared to SDG&E. An important objective of the CEA formation is to support the Climate Action Plans of the Member Agencies. Therefore, CEA will set aggressive GHG-emissions reduction targets and acquire zero or low GHG-emitting supply to achieve those targets.

\(^3\) Under California’s RPS Program, 65 percent of mandated renewable energy purchases must be sourced from eligible long-term contracts beginning in calendar year 2021.
3 ORGANIZATION AND GOVERNANCE STRUCTURE

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

3.1 ORGANIZATIONAL OVERVIEW

CEA is a joint powers authority formed under the California Joint Exercise of Powers Act. It was established on November 4, 2019 with a Board of Directors serving as its Governing Board. The Board is responsible for establishing CEA’s Program policies and objectives and overseeing CEA’s operation. In December 2019, the Board appointed an Interim Chief Executive Officer (“CEO”) to manage the operation of the Alliance in accordance with policies adopted by the Board.

3.2 GOVERNANCE

The CEA Program will be governed by the CEA Board, which shall include one appointed designee from each of the Member Agencies. The Members of CEA include three (3) municipalities within the County of San Diego, Del Mar, Carlsbad and Solana Beach, all of which have elected to allow CEA to provide electric generation service within their respective jurisdictions. The Alliance’s Board will be comprised of representatives appointed by each of the Members in accordance with the JPA agreement. The CEA Program will be operated under the direction of an CEO appointed by the Board, with legal and regulatory support provided by a Board appointed General Counsel.

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

3.3 MANAGEMENT

The CEA CEO has management responsibilities over the functional areas of Administration & Finance, Marketing & Public Affairs, Power Resources & Energy Programs, and Government Affairs, as well as the assisting the Board with overall supervision of the legal services provided by the Alliance’s General Counsel. In performing the defined obligations to CEA, the CEO may utilize a combination of internal staff and/or contractors. Certain specialized functions needed for program operations, namely the electric supply and customer account management functions described below, will be performed by experienced third-party contractors.

Major functions of the Alliance that will be managed by the CEO are summarized below.
3.4 **Administration**
CEA’s CEO will be responsible for managing the organization’s human resources and administrative functions and will coordinate with the CEA Board, as necessary, with regard to these functions. The functional area of administration will include oversight of any employee hiring and termination, compensation and benefits management, identification and procurement of requisite office space and various other issues. It is likely that existing Member Agency staff will initially assist with this function.

3.5 **Finance**
The CEO is also responsible for managing the financial affairs of the Alliance, 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 Alliance will have the flexibility to consider rate adjustments, administer a standardized set of electric rates, and may offer optional rates to encourage policy goals such as encouraging renewable generation and incentivizing peak demand reduction, provided that the overall revenue requirement is achieved.

CEA’s finance function will be responsible for preparing the annual budget, arranging financing necessary for any capital projects, preparing financial reports, managing required audits and ensuring sufficient cash flow for successful operation of the CEA 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 Alliance will be able to take appropriate action, as would be provided for in the electric supply agreement(s).

3.6 **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 Alliance will conduct program marketing to raise consumer awareness of the CEA Program and to establish its “brand” in the minds of the public, with the goal of retaining and attracting as many customers as possible into the CEA 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 Alliance’s ability to differentiate itself as a highly customer-focused organization that is responsive to the needs of the community. CEA, through its data services provider, 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 CEA Program, maintaining a current database of enrolled customers. This function
coordinates the issuance of monthly bills through SDG&E’s billing process and tracks customer payments. Activities include the electronic exchange of usage, billing, and payments data with SDG&E and CEA, 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 Alliance.

The customer data management services function also manages billing-related communications with customers, customer call centers, and routine customer notices. The Alliance will contract with an experienced third party to perform the customer account and billing services functions.

3.7 **POWER RESOURCES & ENERGY PROGRAMS**

CEA 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. CEA’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, CEA is aware of compulsory Integrated Resource Planning requirements, as identified in Senate Bill 350 (de Léon, 2015), which require, among other provisions, that CCAs periodically submit integrated resource planning documents and related materials to the CPUC. Specifically, 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 Alliance intends to comply with this requirement similar to the manner in which other CCA organizations have complied and will rely on the experience gained by such organizations in completing pertinent data templates and documentation during future processes. Integrated resource planning efforts of the Alliance 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 Board as required by state law and applicable regulations. The Alliance is also aware of the need to periodically prepare and submit RPS Procurement Plans, which shall address the manner in which the CEA Program will achieve compliance with pertinent provisions of California’s RPS mandate. As required, the first RPS Procurement Plans will be developed and submitted during the 90-day certification period related to this Implementation Plan.

The Alliance may develop and administer complementary energy programs that may be offered to CEA 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 Alliance.

3.7.1 **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.
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- **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 Alliance will contract with one or more experienced and financially sound third-party energy services firms to perform most of the electric supply operations for the CEA 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.

### 3.8 GOVERNMENTAL AFFAIRS & LEGAL SUPPORT

The CEA Program will require ongoing regulatory and legislative representation to manage various regulatory compliance filings related to resource plans, RA, compliance with California’s RPS program and overall representation on issues that will impact CEA customers. The Alliance will maintain an active role at the CPUC, the California Energy Commission, the California Independent System Operator (“CAISO”), the California legislature and, as necessary, the Federal Energy Regulatory Commission with either in-house staff or contracted third parties with experience in the energy market arena.

CEA’s General Counsel is hired by and reports to the Board of Directors. However, the CEO will assist the Board in supervising the legal services as provided by General Counsel. The Alliance may retain specialized outside legal services, as necessary, to review power purchase agreements, give advice on regulatory matters, and provide other specialized legal services related to activities of the CEA Program. In addition, CEA’s wholesale services provider may assist with regulatory filings related to wholesale procurement.
4 STARTUP PLAN AND FUNDING

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

4.1 STARTUP ACTIVITIES

The initial program startup activities include the following:

- Hire staff and/or contractors to manage implementation
- Adopt policies and procedures for the operation of CEA
- 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
  - Website
- Post financial security requirement and complete requisite registration requirements
- Establish reserves that may be 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

Some costs related to starting up the CEA Program may be the responsibility of the CEA Program’s contractors. These may include capital requirements needed for collateral/credit support for electric
supply expenses, customer information system costs, bond requirements, electronic data exchange system costs, call center costs, and billing administration/settlements systems costs.

4.2 STAFFING AND CONTRACT SERVICES
Personnel in the form of Alliance staff, Member Agency staff, or contractors will be utilized as needed to match workloads involved in forming CEA, managing contracts, and initiating customer outreach/marketing during the pre-operations period. During the startup period, minimal personnel requirements may include a CEO, legal support, and other personnel needed to support regulatory, procurement, finance, legal, marketing, and communications activities. This support will come from existing Member Agency staff and contractors. Once operational, 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.

4.3 CAPITAL REQUIREMENTS
The start-up of the CCA Program will require capital for three major functions: (1) staffing and contractor costs; (2) deposits and reserves; and (3) operating cash flow. Based on the Alliance’s anticipated start-up activities and implementation schedule, a total need of $4.4M has been identified to support the aforementioned functions. Out of the $4.4 capital requirements, $450,000 will be funded from member advances for costs incurred in fiscal year 19/20, $959,000 is related to the implementation/startup efforts (i.e., rate setting, power procurement and contract negotiations, marketing and communications, regulatory compliance, SDG&E security deposit, etc.) in order to serve customers by May 2021. A deposit in the amount of $500,000 will also need to be posted to CAISO for the Alliance to be a Congestion Revenue Rights Holder. The remaining $2,500,000 is the “float” required for CEA to pay its monthly bills before the program generates enough internal cash to self-fund its working capital needs.

The capital requirement is further broken down as follows:

<table>
<thead>
<tr>
<th>Clean Energy Alliance Draft Budget Fiscal Years 19/20 and 20/21</th>
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<tbody>
<tr>
<td>FY 19/20</td>
</tr>
<tr>
<td>Staffing/Consultants</td>
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<tr>
<td>Legal Services</td>
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<tr>
<td>Professional Services</td>
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<tr>
<td>CCA Bond</td>
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<tr>
<td>CAISO Fee</td>
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<tr>
<td>CalCCA Membership &amp; Dues</td>
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<td>Print/Mail Services</td>
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<td>Graphic Design Services</td>
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<tr>
<td>Website Maintenance</td>
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<tr>
<td>Audit Services</td>
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<tr>
<td>Cash Flow &amp; Lockbox Reserves</td>
</tr>
<tr>
<td>TOTAL PROJECTED BUDGET</td>
</tr>
</tbody>
</table>
The finance plan in Chapter 7 provides additional detail regarding the Alliance’s expected capital requirements and general Program finances. All the capital required for start-up will be provided through in-kind support from Member Agencies, deferred fees, Member advances and direct loans.

Related to the Alliance’s initial capital requirement, this amount is expected to cover staffing and contractor costs during startup and pre-startup activities, including direct costs related to public relations support, technical support, and customer communications. Requisite deposits and operating reserves are also reflected in the initial capital requirement, including the following items: 1) operating reserves to address anticipated cash flow variations; 2) deposit with the CAISO prior to commencing market operations (if required); 3) Financial Security Requirement (CCA bond posted with the CPUC); and 4) SDG&E service fee deposit, if required.

Operating revenues from sales of electricity will be remitted to CEA 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. CEA will need working capital to support electricity procurement and costs related to program management, which is included in CEA’s initial $4,400,000 capital requirement.

### 4.4 Financing Plan

CEA’s initial capital requirement will be met through a combination of financing mechanisms. CEA will be seeking assistance through deferred fees from contractors and vendors, loans and/or lines of credit from financial institutions and in-kind services and advances provided by Member Agencies (to be reimbursed in the future). CEA will repay back the principal and interest costs associated with the start-up funding via retail generation rates charged to CEA customers. It is anticipated that the start-up costs will be fully recovered through such customer generation rates within the first three years of operations.
5 PROGRAM PHASE-IN

CEA plans to roll out its service offering to all eligible customers in a single phase at start-up. There are approximately 58,000 eligible customer accounts within the Alliance’s boundaries, resulting in a single-phase roll-out being reasonable and the most efficient way for CEA to serve customers beginning in May 2021.

Solana Beach is currently providing energy to its residents and businesses through SEA, its community choice aggregation program. During May 2021, SEA customers will transfer from SEA to CEA. Once, and as long as CEA is operational and all SEA customers have transitioned to CEA, SEA will cease operating as a community choice aggregation program.

It is possible that Net Energy Metering (“NEM”) customers may be enrolled over multiple periods to mitigate the impact of SDG&E NEM true-up treatment.
6 LOAD FORECAST & RESOURCE PLAN

6.1 INTRODUCTION
This Chapter describes the planned mix of electric resources that will meet the energy demands of CEA 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. The key policies are as follows:

- Develop a portfolio with a minimum 50% renewable energy and lower greenhouse gas ("GHG") emissions than SDG&E.
- Manage a diverse resource portfolio to increase control over energy costs and maintain competitive and stable electric rates.
- Comply with RA procurement requirements as established by CPUC Resolution E-4907.
- Comply with applicable renewable energy procurement mandates, as increased under Senate Bill 100 ("SB 100"; de Léon, 2018).
- Comply with SB 350, periodically preparing and submitting (for certification by the CPUC) an Integrated Resource Plan ("IRP").
- Comply with applicable requirements for ensuring procurement from small, local and diverse business enterprises in all categories, including, but not limited to, renewable energy, energy storage system, and smart grid projects as required by SB 255 ("SB 255"; Bradford, 2019).
- As applicable, annually prepare and submit a detailed and verifiable plan to the CPUC for increasing procurement from small, local and diverse business enterprises in all categories, including, but not limited to, renewable energy, energy storage system, and smart grid projects as required by SB 255.
- As applicable, annually prepare and submit a report to the CPUC regarding its procurement from women, minority, disabled veteran and LGBTQ business enterprises in all categories, including, but not limited to, renewable energy, energy storage system, and smart grid projects as required by SB 255.

The plan described in this section would accomplish the following:

- **Procure Competitive Supply**: Procure energy, RA, renewables and low-GHG supply through competitive processes in the open market to support the potential offering of service options to include a 100% renewable energy voluntary opt-up product.
- **Use Best Practices Risk Management**: Maintain rate competitiveness by using a dollar-cost-averaging approach with particular attention to the methodology used in the power charge indifference adjustment ("PCIA") calculation. Use stochastic modeling to measure and achieve risk management objectives.
- **Achieve Environmental Objectives**: Procure supply to offer two distinct generation rate tariffs: 1) a voluntary 100% renewable energy offered to CEA customers on a price premium basis relative
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- to CEA’s default retail option; and 2) a default CEA service option that is sourced from a minimum 50% renewable energy.

- **Provide NEM Tariff:** Encourage distributed renewable generation in the local area through the offering of a net energy metering tariff that is more remunerative than SDG&E’s NEM tariff.

- **Compliance:** Ensure compliance with participation in the Annual and Monthly RA process.

- **Diversity:** Encourage procurement from small, local and diverse business enterprises.

CEA will comply with regulatory rules applicable to California load serving entities. CEA will arrange for the scheduling of sufficient electric supplies to meet the demands of its customers. CEA 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 CEA’s customers, even if there were a need for the Alliance’s Program to cease operations and return customers to SDG&E. In addition, the Alliance 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 RA and the RPS.

In relation to its RPS procurement obligation, CEA is aware that SB 100 was signed into law by Governor Brown on September 10, 2018, with 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. The Alliance is also aware of applicable long-term renewable energy contracting requirements and plans to satisfy such requirements with one or more eligible contracts put in place prior to or during early-stage operation of the CCA Program. As a local governmental agency, the Alliance’s resource planning and procurement activities are subject to and overseen by its Board through an open and public process.

In relation to its small, local and diverse business enterprise procurement requirement, the Alliance is aware that SB 255 was signed into law by Governor Newsom on October 2, 2019. SB 255 requires the CEA Implementation Plan that to include the methods for ensuring procurement from small, local and diverse business enterprises in all categories, including, but not limited to, renewable energy, energy storage system, and smart grid projects. These methods are described in the Small, Local and Diverse Business Enterprise Procurement section.

### 6.2 Resource Plan Overview

To meet the aforementioned objectives and satisfy the applicable regulatory requirements pertaining to CEA’s status as a California load serving entity, CEA’s resource plan includes 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 will initially be comprised of power purchases from third party electric suppliers and, in the longer-term, may include renewable generation assets owned and/or controlled by CEA.
Clean Energy Alliance Implementation Plan

Once the CEA Program demonstrates it can operate successfully, CEA 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 CEA or controlled under a long-term power purchase agreement with a proven public power developer, could provide a portion of CEA’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 purchased under a cost-of-service arrangement can be more cost-effective than purchasing renewable energy from third party developers, which will allow the CEA Program to pass on cost savings to its customers through competitive generation rates. Any investment decisions in new renewable generating assets will be made following appropriate environmental reviews and in consultation with qualified financial and legal advisors.

As an alternative to direct investment, CEA may consider partnering with an experienced public power developer or other Joint Powers Authorities and could enter into a long-term (15-to-30 year) power purchase agreement that would support the development of new renewable generating capacity. Such an arrangement could be structured to reduce the CEA Program’s operational risk associated with capacity ownership while providing its customers with all renewable energy generated by the facility under contract.

CEA’s indicative resource plan for the years 2021 through 2030 is summarized in the following table. Note that CEA’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.

Table 1: Proposed Resource Plan

<table>
<thead>
<tr>
<th>Clean Energy Alliance Proposed Resource Plan (MWh)</th>
<th>2021 - 2030</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Demand (MWh)</strong></td>
<td></td>
</tr>
<tr>
<td>Retail</td>
<td>144,022</td>
</tr>
<tr>
<td>Losses</td>
<td>6,193</td>
</tr>
<tr>
<td>Wholesale</td>
<td>150,215</td>
</tr>
</tbody>
</table>

| **Supply (MWh)** | | | | | | | | | |
| Renewable | 72,011 | 464,327 | 474,703 | 482,808 | 490,109 | 495,433 | 518,542 | 556,036 | 594,823 | 634,939 |
| System | 78,204 | 504,259 | 515,527 | 524,329 | 532,259 | 538,041 | 521,533 | 504,840 | 487,271 | 468,797 |
| Total Supply | 150,215 | 968,586 | 990,230 | 1,007,137 | 1,022,368 | 1,033,474 | 1,040,075 | 1,060,877 | 1,082,094 | 1,103,736 |

6.3 **Supply Requirements**

The starting point for CEA’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 CEA’s plan to introduce the CEA Program to customers in one

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4 The Alliance has applied known RPS procurement targets, as reflected in SB 100, for calendar years 2024, 2027 and 2030. In the intervening years, the Alliance has assumed a general straight-line trajectory between each of the aforementioned years (which are associated with the final years of Compliance Periods 4, 5 and 6 respectively).
single phase and the degree to which customers choose to remain with SDG&E during the customer enrollment and opt-out period. The Alliance’s rollout plan and assumptions regarding customer participation rates are discussed below.

6.4 CUSTOMER PARTICIPATION RATES

Customers will be automatically enrolled in the CEA 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 Alliance anticipates an overall customer participation rate of approximately 90 percent of eligible SDG&E bundled service customers, based on reported opt-out rates for already operating CCAs. 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 Alliance will 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 a highly renewable energy product. The assumed participation rates will be refined as CEA’s public outreach and market research efforts continue to develop.

6.5 CUSTOMER FORECAST

Once customers enroll, they will be transferred to service by CEA on their regularly scheduled meter read date over an approximately thirty-one-day period. Approximately 2,900 service accounts per day will be transferred during the first month of service. The number of accounts anticipated to be served by CEA at the end of the enrollment period is shown in Table 2.

Table 2: Total Customer Counts at the end of First Month of Operation, here presuming enrollment occurs in May 2021.

<table>
<thead>
<tr>
<th>May-21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
</tr>
<tr>
<td>Commercial &amp; Agriculture</td>
</tr>
<tr>
<td>Street Lighting &amp; Traffic</td>
</tr>
</tbody>
</table>

The Alliance assumes that customer growth will generally offset customer attrition (opt-outs) over time, resulting in a relatively stable customer base (<1% 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 CEA Program. The Alliance believes that its assumptions regarding the offsetting effects of growth and attrition are reasonable in consideration of the historical customer growth (based on SDG&E data) within the JPA and the potential for continuing customer opt-outs following mandatory customer notification periods. The following table shows the forecast of service accounts (customers) served by CEA for each of the next ten years.

Table 3: Customer Accounts by Year

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
<th>2028</th>
<th>2029</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>49,800</td>
<td>49,800</td>
<td>49,900</td>
<td>49,900</td>
<td>50,000</td>
<td>50,100</td>
<td>50,100</td>
<td>51,100</td>
<td>52,200</td>
<td>53,200</td>
</tr>
<tr>
<td>Commercial &amp; Agriculture</td>
<td>8,000</td>
<td>8,000</td>
<td>8,000</td>
<td>8,000</td>
<td>8,000</td>
<td>8,000</td>
<td>8,000</td>
<td>8,200</td>
<td>8,400</td>
<td>8,500</td>
</tr>
<tr>
<td>Street Lighting &amp; Traffic</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
</tr>
</tbody>
</table>
Clean Energy Alliance Implementation Plan

6.6 Sales Forecast

The Alliance’s forecast reflects the rollout and customer enrollment schedule shown above.

Annual energy requirements are shown in Table 4.

Table 4: Demand Forecast in MWh, 2021-2030

<table>
<thead>
<tr>
<th>Demand (MWh)</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
<th>2028</th>
<th>2029</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>144,022</td>
<td>928,654</td>
<td>949,406</td>
<td>965,616</td>
<td>980,219</td>
<td>990,867</td>
<td>997,196</td>
<td>1,017,140</td>
<td>1,037,482</td>
<td>1,058,232</td>
</tr>
<tr>
<td>Losses</td>
<td>6,193</td>
<td>39,932</td>
<td>40,824</td>
<td>41,521</td>
<td>42,149</td>
<td>42,607</td>
<td>42,879</td>
<td>43,737</td>
<td>44,612</td>
<td>45,504</td>
</tr>
<tr>
<td>Wholesale</td>
<td>150,215</td>
<td>968,586</td>
<td>990,230</td>
<td>1,007,137</td>
<td>1,022,368</td>
<td>1,033,474</td>
<td>1,040,075</td>
<td>1,060,877</td>
<td>1,082,094</td>
<td>1,103,736</td>
</tr>
</tbody>
</table>

6.7 Capacity Requirements

The CPUC’s RA standards applicable to the CEA Program require a demonstration one year in advance that CEA 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 Alliance must demonstrate one year in advance that it has secured physical capacity for 100 percent of its local RA obligation across all months in the upcoming compliance year 2021 and the following compliance year 2022 and 50 percent across all months in 2023. On a month-ahead basis, CEA must demonstrate 100 percent of the peak load plus a minimum 15 percent reserve margin. Per CPUC Resolution E-4907, the Alliance must participate in the year-ahead RA compliance cycle in order to serve customers in the following calendar year. The Alliance will follow the prescribed year-ahead RA 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 2020;
- Submission of updated year-ahead load forecast to the CEC and CPUC in August 2020;
- Submission of year-ahead compliance materials in October 2020; and
- Submission of month-ahead load migration forecast by February 2021.

A portion of CEA’s capacity requirements must be procured locally, from the San Diego – Imperial Valley local capacity area as defined by the CAISO. The Alliance 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 (SDG&E service area) local capacity requirements adopted by the CPUC based on CEA’s forecasted peak load. CEA must demonstrate compliance or request a waiver from the CPUC requirement as provided for in cases where local capacity is not available.

CEA is also required to demonstrate that a specified portion of its capacity meets certain operational flexibility requirements under the CPUC and CAISO’s flexible RA framework.
Clean Energy Alliance Implementation Plan

The estimated forward RA requirements for 2021 through 2023 are shown in the following tables:

Table 5: Forward Capacity Requirements (Total) for 2021-2023 in MW, presuming service starts in May 2021

<table>
<thead>
<tr>
<th>Month</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>182.8</td>
<td>186.1</td>
<td></td>
</tr>
<tr>
<td>February</td>
<td>171.2</td>
<td>174.2</td>
<td></td>
</tr>
<tr>
<td>March</td>
<td>151.2</td>
<td>153.8</td>
<td></td>
</tr>
<tr>
<td>April</td>
<td>141.1</td>
<td>152.4</td>
<td></td>
</tr>
<tr>
<td>May</td>
<td>139.9</td>
<td>143.7</td>
<td>140.5</td>
</tr>
<tr>
<td>June</td>
<td>165.6</td>
<td>170.1</td>
<td>172.9</td>
</tr>
<tr>
<td>July</td>
<td>176.0</td>
<td>188.0</td>
<td>191.2</td>
</tr>
<tr>
<td>August</td>
<td>168.8</td>
<td>167.0</td>
<td>169.8</td>
</tr>
<tr>
<td>September</td>
<td>172.7</td>
<td>177.4</td>
<td>180.5</td>
</tr>
<tr>
<td>October</td>
<td>164.5</td>
<td>168.9</td>
<td>171.7</td>
</tr>
<tr>
<td>November</td>
<td>155.3</td>
<td>159.5</td>
<td>162.2</td>
</tr>
<tr>
<td>December</td>
<td>172.1</td>
<td>176.7</td>
<td>186.9</td>
</tr>
</tbody>
</table>

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

Table 6: Annual Maximum Capacity Requirements 2021-2030

<table>
<thead>
<tr>
<th>Max Wholesale Demand</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
<th>2028</th>
<th>2029</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Capacity Requirement</td>
<td>202.4</td>
<td>216.2</td>
<td>219.8</td>
<td>219.9</td>
<td>217.5</td>
<td>219.2</td>
<td>223.8</td>
<td>228.3</td>
<td>232.9</td>
<td>237.5</td>
</tr>
</tbody>
</table>

Local capacity requirements are a function of the SDG&E area RA requirements and CEA’s projected peak demand. CEA 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 CEA’s annual maximum local capacity requirement for the ten-year planning period ranges between 132-155 MW as shown in Table 7.

Table 7: Annual Maximum Local Capacity Requirements 2021-2030

<table>
<thead>
<tr>
<th>Max Wholesale Demand</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
<th>2028</th>
<th>2029</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Diego - IV (MW)</td>
<td>132.0</td>
<td>141.0</td>
<td>143.4</td>
<td>143.4</td>
<td>141.9</td>
<td>142.9</td>
<td>146.0</td>
<td>148.9</td>
<td>151.9</td>
<td>154.9</td>
</tr>
</tbody>
</table>

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.

CEA will coordinate with SDG&E and appropriate state agencies to manage the transition of responsibility for RA from SDG&E to CEA during CCA program phase-in. For system RA requirements, CEA will make month-ahead showings for each month that CEA plans to serve load, and load migration issues would be addressed through the CPUC’s approved procedures. CEA will work with the California Energy

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5 The figures shown in the tables are estimates. CEA’s RA 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 RA compliance process.
Commission and CPUC prior to commencing service to customers to ensure it meets its local and system RA obligations through its agreement(s) with its chosen electric supplier(s).

6.8 RENEWABLES PORTFOLIO STANDARDS ENERGY REQUIREMENTS

6.8.1 Basic RPS Requirements
CEA will be required by statute and CPUC regulations to procure a certain minimum percentage of its retail electricity sales from qualified renewable energy resources. For purposes of determining CEA’s renewable energy requirements, many of the same standards for RPS compliance that are applicable to the distribution utilities will apply to CEA.

California’s RPS program is currently undergoing reform. On October 7, 2015, Governor Brown signed Senate Bill 350 (“SB 350”; De Leon and Leno), the Clean Energy and Pollution Reduction Act of 2015, which increased California’s RPS procurement target from 33 percent by 2020 to 50 percent by 2030 amongst other clean-energy initiatives. The RPS program was further amended on September 10, 2018 when Governor Brown signed SB 100, increasing California’s RPS procurement target to 60 percent by 2030 amongst other clean-energy initiatives. Many details related to SB 100 implementation will be developed over time with oversight by designated regulatory agencies. However, it is reasonable to assume that interim annual renewable energy procurement targets will be imposed on CCAs and other retail electricity sellers to facilitate progress towards the 60 percent procurement mandate. For planning purposes, CEA has assumed straight-line annual increases (1.7 percent per year) to the RPS procurement target beginning in 2021, as the state advances on the 60 percent RPS in 2030. CEA will also adopt an integrated resource plan in compliance with SB 350. Furthermore, the Alliance 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.

6.8.2 CEA’s Renewables Portfolio Standards Requirement
CEA’s annual RPS procurement requirements, as specified under California’s RPS program, are shown in Table 8.

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
<th>2028</th>
<th>2029</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Load (MWh)</td>
<td>144,022</td>
<td>928,654</td>
<td>949,406</td>
<td>965,616</td>
<td>980,219</td>
<td>990,867</td>
<td>997,196</td>
<td>1,017,140</td>
<td>1,037,482</td>
<td>1,058,232</td>
</tr>
<tr>
<td>RPS % Target</td>
<td>36%</td>
<td>39%</td>
<td>41%</td>
<td>44%</td>
<td>47%</td>
<td>49%</td>
<td>52%</td>
<td>55%</td>
<td>57%</td>
<td>60%</td>
</tr>
<tr>
<td>RPS Obligation (MWh)</td>
<td>51,560</td>
<td>357,532</td>
<td>392,105</td>
<td>424,871</td>
<td>457,762</td>
<td>488,497</td>
<td>518,542</td>
<td>556,036</td>
<td>594,823</td>
<td>634,939</td>
</tr>
<tr>
<td>CEA % Target</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>52%</td>
<td>55%</td>
<td>57%</td>
<td>60%</td>
</tr>
<tr>
<td>CEA Target (MWh)</td>
<td>72,011</td>
<td>464,327</td>
<td>474,703</td>
<td>482,808</td>
<td>490,109</td>
<td>495,433</td>
<td>518,542</td>
<td>556,036</td>
<td>594,823</td>
<td>634,939</td>
</tr>
</tbody>
</table>

6.9 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 CEA Program operation. CEA will initially contract to obtain all of 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 CEA’s desired quantities of renewable energy, to provide a stable and cost-effective resource portfolio for the CEA Program.
Clean Energy Alliance Implementation Plan

6.10 RENEWABLE RESOURCES
CEA will initially secure necessary renewable power supply from its third-party electric supplier(s). CEA 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 CEA. 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 CEA, 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 Alliance. 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 CEA’s load zone, as defined by the CAISO.

6.11 SMALL, LOCAL AND DIVERSE BUSINESS ENTERPRISE PROCUREMENT
CEA’s procurement processes will be developed to ensure compliance with SB 255 regarding procurement from small, local and diverse business enterprises as applicable. These methods may include, but are not limited to, providing preferences to small, local and diverse business enterprises as permitted by law, developing specifications that encourage responses by small, local and diverse business enterprises, conducting outreach to these enterprises and other methods as may be directed by the CEA Board. CEA will request from contractors and information related to the hiring of small, local and diverse business enterprises that will be reported to commission.

6.12 ENERGY EFFICIENCY
CEA does not currently anticipate running locally managed energy efficiency programs. In the future, CEA may apply to become EE program administrators. In the meantime, CEA will support already existing energy efficiency efforts within its service territory.
7 **FINANCIAL PLAN**

This Chapter examines the monthly cash flows expected during the startup and customer phase-in period of the CEA 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.

7.1 **DESCRIPTION OF CASH FLOW ANALYSIS**

The Alliance’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 CEA Program’s monthly costs and revenues and the lags between when costs are incurred and revenues received.

7.2 **COST OF 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; and,
- Pre-Startup Cost Reimbursement.

7.3 **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 CEA charges a standard, default electricity tariff similar to the generation rates of SDG&E for each customer class and an optional renewable energy tariff (with a renewable energy content that exceeds the CEA default retail option) at a premium reflective of incremental renewable power costs. More detail on CEA Program rates can be found in Chapter 8.
7.4 Cash Flow Analysis Results

The results of the cash flow analysis provide an estimate of the level of capital required for the Alliance 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 CEA, 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, is determined to be $4.4M. Of the $4.4M in capital requirements, $1.4M is related to the implementation/startup efforts, to be incurred during fiscal years 19/20 and 20/21, (i.e., rate setting, power procurement and contract negotiations, marketing and communications, regulatory compliance, CPUC bond, SDG&E security deposit, etc.) in order to serve customers by May 2021. A deposit in the amount of $500,000 will also need to be posted to CAISO for the Alliance to be a Congestion Revenue Rights Holder. The other $2,500,000 is the “float” required for CEA to pay its monthly bills before the program generates enough internal cash to self-fund its working capital needs. Working capital requirements peak soon after enrollment of all CEA customers.

7.5 Program Implementation Pro Forma

In addition to developing a cash flow analysis that estimates the level of working capital required to move CEA 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 in Table 9. 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 loan repayments are included as a cost item.

The results of the pro forma analysis are shown in Table 9. In particular, the summary of CCA program startup and phase-in addresses projected CEA Program operations for the period beginning May 2021 through June 2030. The Alliance has also included a summary of Program reserves, which are expected to accrue over this same period.

Table 9: Pro Forma including Reserves Accumulation 2021-2030

Financial Plan
December 2019
Clean Energy Alliance Implementation Plan

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

7.6 **Clean Energy Alliance Financings**

It is anticipated that CEA will need financing for its start-up activities. CEA plans to seek financing through its service providers that will amortize their start-up costs over the subsequent months following when revenues begin flowing, through a loan or line of credit from a financial institution and through in-kind services and advances from its Member Agencies that will be repaid in the future. Subsequent capital requirements will be self-funded from accrued CEA financial reserves.

7.7 **Renewable Resource Project Financing**

CEA may consider project financings for renewable resources, likely local wind and solar projects. These financings would only occur after a sustained period of successful CEA 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 CEA.
8 RATE SETTING, PROGRAM TERMS AND CONDITIONS

8.1 INTRODUCTION
This Chapter describes the initial policies proposed for CEA 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 CEA Board. The Alliance would retain authority to modify program policies from time to time at its discretion.

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

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 CEA default retail service offering);
- Rate stability;
- Equity among customers in each tariff;
- Customer understanding; and
- Revenue sufficiency.

Each of these objectives is described below.

8.3 RATE COMPETITIVENESS
The primary goal is to offer competitive rates for electric services that CEA would provide to participating customers. For participants in the CEA default energy product, the goal would be for CEA Program target generation rates to be initially at least two percent below, subject to actual energy product pricing and decisions of the Board, similar generation rates offered by SDG&E. For participants in the CEA’s Program’s voluntary 100% renewable energy product, the goal would be to offer the lowest possible customer rates with an incremental monthly cost premium reflective of the actual cost of additional renewable energy supply required to serve such customers.

Competitive rates will be critical to attracting and retaining key customers. In order for CEA to be successful, the combination of price and value must be perceived as superior when compared to the bundled SDG&E alternative. As planned, the value provided by the CEA Program will include a local community focus, investment and control.
Clean Energy Alliance Implementation Plan

As previously discussed, the CEA Program will increase renewable energy supply to program customers by offering two distinct energy products. The default product for CEA Program customers will increase renewable energy supply to a minimum 50%, while maintaining generation rates that are targeted to provide a minimum two percent discount from comparable SDG&E rates. The initial renewable energy content provided under CEA’s default product will exceed California’s prevailing renewable energy procurement mandate during the initial years of operation, increasing to 60% by 2030. CEA will also offer its customers a voluntary 100% renewable energy tariff at rates that reflect CEA’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 default energy product and will continue to receive related discounts on monthly electricity bills through SDG&E.

8.4 RATE STABILITY
CEA 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 CEA Program rates from directly tracking similar rates offered by the distribution utility, SDG&E, and may result in differences from the general rate-related targets initially established for the CEA Program. The Alliance plans to offer the most competitive rates possible after all Program operating costs are recovered and reserve targets are achieved.

8.5 EQUITY AMONG CUSTOMER CLASSES
Initial rates of the CEA Program will be set based on cost-of-service considerations with reference to the rates customers would otherwise pay to SDG&E. 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 Alliance.

8.6 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 CEA 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).

8.7 REVENUE SUFFICIENCY
CEA Program rates must collect sufficient revenue from participating customers to fully fund the annual CEA operating budget. Rates will be set to collect the adopted budget based on a forecast of electric sales for the budget year. Rates will be adjusted as necessary to maintain the ability to fully recover all costs of the CEA Program, subject to the disclosure and due process policies described later in this chapter. To ensure rate stability, funds available in CEA’s rate stabilization reserve may be used from time to time to augment operating revenues.
8.8 **RATE DESIGN**
CEA will generally match the rate structures from SDG&E’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 CEA Program.

8.9 **NET ENERGY METERING**
As planned, customers with on-site generation eligible for net metering from SDG&E will be offered a net energy metering rate from CEA. 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. CEA’s net energy metering tariff will apply to the generation component of the bill, and the SDG&E net energy metering tariff will apply to the utility’s portion of the bill. CEA plans to pay customers for excess power produced from net energy metered generation systems in accordance with the rate designs adopted by the JPA. The goal is to offer a higher payout for surplus generation than SDG&E. In order to minimize the impact of mid-relevant period true-ups, NEM customers may be enrolled over multiple phases.

8.10 **DISCLOSURE AND DUE PROCESS IN SETTING RATES AND ALLOCATING COSTS AMONG PARTICIPANTS**
Initial program rates will be adopted by the CEA Board following the establishment of the first year’s operating budget prior to initiating the customer notification process. Subsequently, CEA will prepare an annual budget and corresponding customer rates. Following the commencement of service, any proposed rate adjustment will be made to the Board and affected customers will be given the opportunity to provide comment on the proposed rate changes.

After proposing a rate adjustment, CEA 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, by including a related message directly on the customer’s monthly electricity bill (on the page addressing CEA charges) or by following CEA’s public hearing noticing procedures adopted by the Board. The notice will provide a summary of the proposed rate adjustment and will include a link to the CEA 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 CEA 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.
9 CUSTOMER RIGHTS AND RESPONSIBILITIES

This Chapter discusses customer rights, including the right to opt-out of the CEA 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 Board from time to time.

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

9.1 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 Alliance will likely use its own mailing service for requisite enrollment notices rather than including the notices in SDG&E’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 CEA using the CEA Program’s designated telephone-based or Internet opt-out processing service. Should customers choose to initiate an opt-out request by contacting SDG&E, they would be transferred to the CEA 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 CEA service commences. Opt-out requests made on or before the sixtieth day following start of CEA 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 CEA during the time the customer took service from the CEA Program, but will otherwise not be subject to any penalty or transfer fee from CEA.

Customers who establish new electric service accounts within the Program’s service area will be automatically enrolled in the CEA 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 CEA’s privacy policy regarding customer usage information. CEA 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 CEA Program’s customer base.
9.2 **TERMINATION FEE**

Customers that are automatically enrolled in the CEA 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 CEA reserves the right to impose, if deemed necessary. Customers that relocate within CEA’s service territory would have CEA service continued at their new address. If a customer relocating to an address within CEA’s service territory elected to cancel CCA service, the Termination Fee could be applied. Program customers that move out of CEA’s service territory would not be subject to the Termination Fee. If deemed applicable by CEA, SDG&E would collect the Termination Fee from returning customers as part of CEA’s final bill to the customer.

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 adopted or changed by the CEA Board subject to applicable customer noticing requirements. Other CCAs have adopted small or zero-dollar termination fees, and CEA would likely do the same initially.

Customers electing to terminate service after the initial notification period would be transferred to SDG&E 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 reentry fees imposed by SDG&E and would be subject to SDG&E’s current terms and conditions, including being required to remain on bundled utility service for a period of one year, as described in the utility CCA tariffs.

9.3 **CUSTOMER CONFIDENTIALITY**

CEA 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. CEA 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 CEA 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 CEA to provide service to its customers; (c) collect unpaid bills; (d) obtain and provide credit reporting information; or (e) resolve customer disputes or inquiries. CEA will not disclose customer information for telemarketing, e-mail, or direct mail solicitation. Aggregate data may be released at CEA’s discretion.

9.4 **RESPONSIBILITY FOR PAYMENT**

Customers will be obligated to pay CEA Program charges for service provided through the date of transfer including any applicable Termination Fees. Pursuant to current CPUC regulations, CEA will not be able to direct that electricity service be shut off for failure to pay CEA bills. However, SDG&E has the right to shut off electricity to customers for failure to pay electricity bills, and SDG&E Electric Rule 23 mandates that partial payments are to be allocated pro rata between SDG&E 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. SDG&E 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.

9.5 CUSTOMER DEPOSITS
Under certain circumstances, CEA 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 CEA Program. A deposit would be required for an applicant who previously had been a customer of SDG&E or CEA and whose electric service has been discontinued by SDG&E or CEA 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 SDG&E 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 nonpayment\(^6\). Failure to post deposit as required would cause the account service transfer request to be rejected, and the account would remain with SDG&E.

\(^6\) A customer whose service is discontinued by Clean Energy Alliance is returned to SDG&E generation service.
10 PROCUREMENT PROCESS

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

10.2 PROCUREMENT METHODS
CEA will enter into agreements for a variety of services needed to support program development, operation and management. It is anticipated that CEA 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.

CEA 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 CEA’s discretion. Authority for terminating agreements will generally mirror the authority for entering into such agreements.

10.3 KEY CONTRACTS

10.3.1 Electric Supply
CEA will procure initial energy supply, as well as Scheduling Coordinator Services, through competitive solicitation in the over-the-counter electricity markets. Suppliers will be selected to hedge CEA’s financial risk, meet its capacity obligations and achieve its environmental objectives. CEA will administer Request for Proposal processes for energy supply. Procurement will commence once this implementation plan has been approved and the CEA Board has made the final determination to proceed to going live with the CCA.

Procurement will be an ongoing process in order to achieve desired levels of risk mitigation by dollar-cost-averaging supply costs. In addition, particular strategies will be employed to mitigate the risk of changes to the PCIA impacting CEA’s rate competitiveness. Specifically, this entails procuring a certain amount of supply annually during the month of October when the PCIA market price benchmark is set for the coming year.

CEA’s wholesale services provider will also serve as the Scheduling Coordinator for scheduling loads, resources and Inter-SC trades into the CAISO market. In addition, the provider will be responsible for ensuring CEA’s compliance with all applicable RA and regulatory requirements imposed by the CPUC or FERC.
10.3.2 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 SDG&E, billing, remittance processing, and account management). The data management contract will be awarded to an experienced data management services provider.

The data manager is responsible for the following services:

- Data exchange with SDG&E;
- Technical testing;
- Customer information system;
- Customer call center;
- Billing administration/retail settlements;
- Settlement quality meter data reporting; and
- 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 JPA with greater flexibility to change energy suppliers, if desired, without facing an expensive data migration issue.

11 Contingency Plan for Program Termination

11.1 Introduction
This Chapter describes the process to be followed in the case of CEA Program termination. By adopting the original Implementation Plan, the Alliance will have approved the general termination process contained herein to be effective at Program initiation. In the unexpected event that the JPA would terminate the CEA Program and return its customers to SDG&E service, the proposed process is designed to minimize the impacts on its customers and on SDG&E. The proposed termination plan follows the requirements set forth in SDG&E’s tariff Rule 27 governing service to CCAs. The JPA retains authority to modify program policies from time to time at its discretion.

11.2 Termination by Clean Energy Alliance
CEA will offer services for the long term with no planned Program termination date. In the unanticipated event that the JPA decides to terminate the Program, the Board 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 SDG&E. 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 SDG&E and the CPUC before transferring customers, and CEA 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 en masse on the date of their regularly scheduled meter read date.

CEA 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 (CCA Service Requests). 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 is the responsibility of the energy services provider or the community choice aggregator, except in the case of a customer returned for default or because its contract has expired. CEA 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.
12 APPENDIX A: CLEAN ENERGY ALLIANCE RESOLUTION NO. 2019-003
(ADOPTING IMPLEMENTATION PLAN)
RESOLUTION NO. 2019-003
A RESOLUTION OF THE CLEAN ENERGY ALLIANCE APPROVING THE COMMUNITY CHOICE AGGREGATION IMPLEMENTATION PLAN AND STATEMENT OF INTENT

WHEREAS, the Clean Energy Alliance (Alliance) is a joint powers agency created by the cities of Carlsbad, Del Mar and Solana Beach; and

WHEREAS, the members of the Alliance desire to establish a community choice aggregation (CCA) program in support of meeting their respective Climate Action Plan goals; and

WHEREAS, Public Utilities Code Section 366.2(c)(3) requires a prospective CCA to file an implementation plan and statement of intent ("Plan") with the California Public Utilities Commission (CPUC) for review and certification; and

WHEREAS, an Implementation Plan and Statement of Intent was drafted and presented to the CEA Board of Directors for review on November 19, 2019; and

WHEREAS, the final Implementation Plan and Statement of Intent was presented to the CEA Board of Directors at a duly noticed public hearing for its consideration and adoption on December 19, 2019.

NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors of the Clean Energy Alliance, as follows:

Section 1. The Board of Directors of the Clean Energy Alliance hereby approves the Clean Energy Alliance Community Choice Aggregation Implementation Plan and Statement of Intent.

Section 2. CEA staff is directed to file the Implementation Plan and Statement of Intent with the California Public Utilities Commission no later than December 31, 2019.

The foregoing Resolution was passed and adopted this 19th day of December, 2019, by the following vote:

AYES: Schumacher, Haviland, Becker.
NAYS: None.
ABSENT: None.
ABSTAIN: None.

APPROVED:

Cori Schumacher, Chair

ATTEST:

Sheila Cobian, Board Secretary