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Subject: EBCPA Response to MRW

May 25, 2016

Dear Bruce Jensen,

The East Bay Clean Power Alliance is submitting a response to the MRW presentation of May 4th 2016 at the Alameda County Community Choice Steering Committee meeting. We are not seeking revisions in the MRW study, but pointing out that while these findings support the launch of an Alameda County Community Choice program in the near term, the Alliance has serious reservations about the value and applicability of the study for designing Alameda County's Community Choice program.

Please distribute a copy of this document to all members of the Steering Committee prior to the next Steering Committee meeting, in addition to the public record.

Jessica Tovar

On behalf of the East Bay Clean Power Alliance

Response of East Bay Clean Power Alliance to MRW Draft CCA Feasibility Study

Date: May 23, 2016

To: Bruce Jensen, Alameda County Planning Department
Alameda County Community Choice Steering Committee

The East Bay Clean Power Alliance appreciates the efforts of MRW in providing a draft "CCA Feasibility Study for Alameda County," as presented to the Alameda County Community Choice Steering Committee on May 4, 2016. The Alliance notes that the draft study indicates that due to relatively high electricity costs of current PG&E contracts compared to electricity costs on the market, that Alameda County could launch a Community Choice energy program that would be competitive with the incumbent utility for at least the first few years of the program.

While the Alliance recognizes that these findings support the launch of an Alameda County Community Choice program in the near term, the Alliance has serious reservations about the value and applicability of the study for designing Alameda County's Community Choice program. The assumptions and methodology of the study limit its ability to provide meaningful guidance to decision-makers as to the long-term feasibility of a Community Choice energy program in the County or its ability to provide important benefits to our communities.

Among the aspects of the study that limit its value as a guide to Community Choice program design are the following:

- **It assumes a market-based procurement model with no significant development of local renewable generating assets.**
  The study assumes a cap of 10% of renewable supply by 2030 (over 13 years) from local solar resources. No material basis is provided for this extremely low target. As a result of this assumption, the projection of direct local construction jobs created is ridiculously low: 143 average annual jobs in Alameda (Slide 29). The community has called for development of local resources as a key goal of the program and the basis for economic development, clean energy jobs, and long-term program stability.

- **It gives no priority to demand reduction, making energy savings an insignificant part of the Community Choice program.**
  The study makes no reference to the many methods of reducing system demand or re-shaping the load. These include behind-the-meter generation and reshaping the load as critical factors in determining the energy resources required to serve the county, and, hence, the overall cost of electricity. As regards energy efficiency programs, the study assumes there are no improvements in energy efficiency improvements for 4 years after launch of the program (Slide 21)! Demand reduction is assumed to be so negligible in this study that it is not even visible on the system load forecast chart (Slide 3). Demand reduction is a crucial component any Community Choice program meant to provide community benefits and local job creation.

- **It Assumes that bill savings are the most significant contributor to job creation.**
  The study's economic analysis shows 81% of jobs created will be jobs due to bill savings from the differential between CCA costs of electricity and PG&E rates (Slide 28). Scenarios with higher

renewable content will therefore create fewer jobs due to the lower differential (lower bill savings). Because the study assumes that local resources would cost more than market purchases (Slide 5), local development would narrow the differential and lower the number of jobs created by the program: that is, creating direct local clean energy jobs lowers the number of jobs that could be created from bill savings!

The community has emphasized the importance of good, family-supporting and union jobs as a key community benefit of investment in developing local renewable energy resources.

More fundamentally flawed is the assumption that all of the differential between CCA costs of electricity and PG&E rates would go directly into lowering customer bills. A Community Choice program should use most of that differential to create a reserve fund, to create programs to incentivize development of local resources, to spur community benefits, and to make other investments into the long-term sustainability of the program. The remaining differential—a few percent—would be used to undercut PG&E rates. Hence there is little, if any, basis for the job creation analysis presented in the study.

- **It is unable to anticipate volatilities in the market and uncertainties in the legislative/regulatory domain**

  The study assumes that the specified risks and pro forma sensitivities (Slide 16) are accurate out to the year 2030, a highly questionable assumption. For example, just this year Power Charge Indifference Adjustment (PCIA) fees in PG&E territory jumped by 100%, far more than that projected in the study for thirteen years out. Furthermore, the study does not take into account the impact on PCIA from the anticipated departure to Community Choice of about half of investor-owned utility load in the next five years.

  Similarly, the projected increase in natural gas prices—almost a certainty as the fracking bubble bursts—for thirteen years into the future is highly questionable, if relying on industry projections.

  The study shows these risks in the sensitivity results chart (Slide 17) as independent impacts. However, even with the likely underestimate of price projections in the study, a combination of High PCIA *and* High Natural Gas would come close to wiping out the rate differentials in the base case (for all three scenarios).

  All of this points to the questionable validity of basing long-term feasibility of a Community Choice program on averaging projected risk conditions over thirteen years forward in a volatile market and regulatory domain. Rather, the long-term feasibility of the program should be based on careful fiscal management, the development of local assets that are not subject to market volatility, and on an integrated resource development plan that optimizes system energy resources.

For the reasons cited above, the East Bay Clean Power Alliance sees assumptions and methodologies of the MRW study as posing fundamental challenges to the its usefulness in regard to the long-term feasibility or design of a Community Choice program in Alameda County that is able to provide important long-term benefits to our communities.