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Bruce Jensen  
Alameda County Planning Department  
224 West Winton Avenue, Room 111  
Hayward, CA 94544

Re: Draft RFP (technical feasibility study) for East Bay Community Energy program  
June 8, 2014

Dear Bruce,

The East Bay Clean Power Alliance would like to thank you for making the Draft RFP public with sufficient lead time for us to take a close look at it before it is placed on the agenda of the upcoming East Bay Community Energy (EBCE) Steering Committee meeting.

We also appreciate your incorporating most of the program goals for which we have been advocating into the list of goals itemized in the Draft RFP. We believe these goals provide the basis for establishing a Community Choice program that addresses the needs of the County's residences and businesses in the face of growing climate change impacts.

This letter is to provide you with feedback on the Draft RFP and to make recommendations for aligning the scope of the RFP with EBCE program goals. We would like to meet with you and at least one of the County's consultants to discuss our recommendations as soon as possible.

#### **Draft RFP and Program Goals**

The main deliverable set forth in the Draft RFP appears to be an assessment of "the overall cost-benefit potential to support a threshold decision to move forward with CCA. Costs shall include upfront Program development and implementation costs as well as net ratepayer costs over the forecast period. Quantifiable impacts shall include potential for: 1) annual and net savings over PG&E; 2) net GHG reductions; 3) expanded use of renewable energy resources and local economic development (job-years created and indirect economic impacts)."

The Draft RFP enumerates eight EBCE program goals, but notes that these goals are for reference and "not a statement of specific tasks or study scope." Nevertheless, three of the goals (competitive rates, lower GHG intensity, and renewable energy options) are prominently addressed in the RFP, while goals addressing other key community benefits (prioritizing development of local renewable resources and achieving demonstrated economic benefits) are largely ignored.

The Draft RFP does state that "local economic development (job-years created and indirect economic impacts)" is one of the three main impacts for assessing "the overall cost-benefit potential to support a threshold decision to move forward with CCA," and that the technical feasibility study should examine "direct and indirect employment creation." However, the Draft

RFP does not specify (or otherwise make clear) that development of local renewable resources be factored into the three supply scenarios (33%, 50%, and 100% renewable) requested by the RFP nor that additional scenarios representing different ten-year development models be considered.

We are concerned that the impacts of annual savings, GHG reductions, and local economic development cannot be assessed without reference to the development of local renewable resources. Where, for example, would local job creation come from in the absence of such development over the Draft RFP's ten-year forecast period?

### **Ten-Year Forecasting Methodology**

Because the Draft RFP does not address the development of local renewable resources, its call for a ten-year forecast is apparently based simply on (high, medium, and low) extrapolations of current market conditions. The energy market is very volatile and is likely to be increasingly so due to California drought conditions, the shuttering of nuclear power plants, and public opposition to cheap fracked natural gas.

Financial projections of the program's performance for the initial two or three years when electricity is being purchased on the market can be made using forward market prices for power from existing generation facilities. This type of short-term procurement forecasting can be done with a minimum of effort using published market prices for these categories of renewable energy, representative of the costs the program would incur in its first couple years of operations. This short-term projection is helpful in securing financing from a bank for program launch.

However, any projections of this type beyond two or three years, under dynamic market and development conditions, are highly speculative and unreliable. The CPUC, the investor-owned utilities, and municipal utilities use sophisticated power planning tools for such projections. These tools can be used to analyze available and proposed power generating sources, their integration on the grid, and how the development of local resources can be integrated into the power mix.

### **Greenhouse Gas Reductions**

Because it emphasizes GHG reductions as a major concern, the RFP should be more specific about what constitutes legitimate estimates of GHG reductions. In particular, it makes reference to "California Qualified Renewable" portfolios and content without addressing the issue of unbundled RECs.

California regulations do not address the use of unbundled RECs by Community Choice programs to claim GHG reductions beyond those called for through the Renewable Portfolio Standard (RPS) targets (33% renewables by 2020). Hence a Community Choice program is free to claim, as does Marin Clean Energy, that its purchase of unbundled RECs offsets its fossil-fuel portfolio, resulting in lower GHG emissions (less carbon intensive energy) than PG&E. This has become a major focus of attacks on Community Choice programs.<sup>1</sup>

We feel the RFP should make clear that unbundled RECs cannot legitimately be used in estimating GHG reductions beyond the RPS under the RFP. It should require that all scenarios

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<sup>1</sup> Note, for example, the [June 1, 2015 announcement by IBEW 1245](#) that it is filing a ballot initiative in San Francisco to require that any power labeled as clean or green by Clean Power SF "come from Category 1 renewable energy generated from solar, wind and other eligible renewable energy resources..."

that exceed the RPS requirements be based on real renewable energy procurement (bundled RECs), and not on purchase of unbundled RECs.

### **Multiple Scopes of Work**

It appears to us that the Draft RFP would be strengthened by calling for three different levels of study to establish a Community Choice program that could achieve the program goals cited in the Draft RFP:

1. **Short-term (2-3 year) procurement forecasts and cost of service modeling:** This provides a simple forecast using market price indices for power from existing power plants. This short-term forecasting is what is required by a bank to arrange financing for the program to launch. The analysis can be conducted rapidly, relatively cheaply, and allows the Community Choice formation activities to proceed quickly.
2. **Program design for development of local renewable energy resources:** This provides development scenarios for how the Community Choice program could facilitate the build-out of local assets to achieve key program goals such as annual savings, GHG reductions, and local economic benefits (job-years created and indirect economic impacts) over the course of about ten years.
3. **Power planning methodology and tools:** This provides recommendations for industry-accepted quantitative tools/software and ‘road map’ of regulatory and business processes required to make long-term power planning and integration of local resources a core part of the program’s operational activities. It includes risk-management policies similar to those used by municipal and investor-owned utilities.

### **Recommendations**

Based on our analysis of the Draft RFP and the comments we have provided above, the East Bay Clean Power Alliance proposes that the current Draft RFP, which implicitly calls for multiple scopes of work requiring different types of expertise, be separated out into three separate RFPs, which together would provide a stronger and more informed basis for moving forward with the EBCE program:

- A short-term technical feasibility study and pro-forma analysis for establishing EBCE based on a two to three year forecasting of the type described in the current Draft RFP. This study would inform a threshold decision to move forward with the formation of a JPA and Community Choice agency.
- A long-term (ten-year) technical analysis to address the program design needed to implement the build-out of local renewable energy resources. This RFP should cover how to achieve the benefits of lowering rates, reducing greenhouse gas emissions, achieving job creation, and other economic benefits of such local development. It should describe how local development could be phased in, how it could be financed, what contracting strategies could be used, what tradeoffs might be in play, what ownership models could be pursued, what mechanisms could be used to promote such development, and how local assets would be integrated into the program’s power mix. In other words, this RFP would call for the development of a local build-out plan which stops short of designing specific projects (would not trigger CEQA), but which addresses the issues mentioned above and how to meet the

stated program goals—perhaps comparing different development scenarios.<sup>2</sup> This study would inform a threshold decision to launch the EBCE program, that is, enrolling customers and delivering power, and could, if necessary, be concluded after JPA formation but before program launch.

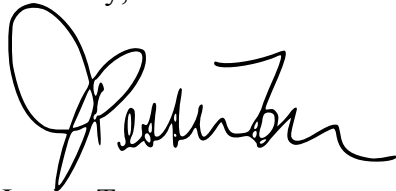
- A study to recommend how to estimate the economic impacts of building new local resources beyond a short-term timeframe, and how to perform long-term power planning exercises. It would recommend tools, methodologies, and procedures to be used operationally by the program to procure power and build specific projects after launch. This type of long-term power planning would incorporate both the volatility of the energy market and the integration of local generating sources over the program’s lifetime. This study, like the local build-out study, does not necessarily have to be completed prior to JPA formation, but would inform a threshold decision to launch EBCE.

### **Conclusion**

The East Bay Clean Power Alliance supports the Draft RFP’s intent to assess the impact of annual savings, GHG reductions, and local economic development in studying the technical feasibility of meeting the goals of a Community Choice program. However, we feel that this assessment should be performed not solely on the basis of market projections, but by conducting a separate resource development planning study specified in a separate RFP. Meanwhile a two-to-three-year market projection of the type called for in the present RFP can be used to support a decision to move forward in establishing an EBCE program agency.

On behalf of the East Bay Clean Power Alliance, thank you for your consideration of our request for a meeting.

Sincerely,



Jessica Tovar

LCEA Organizer c/o East Bay Clean Power Alliance\*:

Local Clean Energy Alliance

Sierra Club SF Bay Chapter

Tri-Valley Progressives

Clean Energy & Jobs Oakland Campaign of the Oakland Climate Action Coalition

Community Choice Working Group of the Berkeley Climate Action Coalition

Wellstone Democratic Renewal Club

Hayward Demos Democratic Club

Berkeley Climate Action Coalition

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<sup>2</sup> This study could be along the lines of the EnerNex study commissioned by San Francisco’s LAFCo: [Local Build-out of Energy Resources of the Community Choice Aggregation Program](#), January 2015, or of the earlier Local Power, Inc. study commissioned by San Francisco’s PUC: [Proposed CleanPowerSF Business Plan](#), March 2013.

\* The East Bay Clean Power Alliance advocates for Community Choice energy programs in the East Bay that serve to spur equitable economic development and family-sustaining clean energy jobs, reduce greenhouse gas emissions, stabilize or lower the cost of electricity, improve community health and social equity, and provide other community benefits. We see the development of local renewable energy resources (including reduced consumption) as key to securing these benefits.

We also see engagement of the East Bay community, broadly and equitably, as central to achieving such goals, both in establishing the Community Choice program and in the governance structure of the program once it is set up.