



WESTERN
COMMUNITY ENERGY
YOUR NEIGHBORHOOD POWER AUTHORITY

Community Choice Aggregation Implementation **Plan & Statement of **Intent****

DECEMBER 12, 2018

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ABBREVIATIONS

CAISO	California Independent System Operator
CARE	California Alternative Rate for Energy
CCA	Community choice aggregation
CEC	California Energy CPUC
CP	Commercial paper
CPUC	California Public Utilities CPUC
CRC	Cost recovery charge
CRS	Cost responsibility surcharge
DLAP	Default load aggregation point
EEI	Edison Electric Institute
ESP	Energy service provider
FERC	Federal Energy Regulatory CPUC
FIT	Feed-in tariff
GHG	Greenhouse gas
GWh	Gigawatt-hour
ICE	Intercontinental Exchange
IDSM	Integrated demand side management
ISDA	International Swaps and Derivatives Association
IOU	Investor owned utility
kWh	Kilowatt-hour
LRA	Local reliability area
LSE	Load serving entity
MW	Megawatt
NEM	Net energy metering
PAC	Program administrator costs
PCC	Portfolio content category
PCIA	Power Charge Indifference Adjustment
PGC	Public Goods Charge
PV	Photovoltaic
RA	Resource adequacy
REC	Renewable energy credit
RFO	Request for offers
RFP	Request for proposals
RPS	Renewable portfolio standard
RTO	Regional transmission organization
SCE	Southern California Edison
TEA	The Energy Authority
TRC	Total resource cost
WCE	Western Community Energy
WRCOG	Western Riverside Council of Governments
WSPP	Western System Power Pool

Chapter 1: Agency Introduction

INTRODUCTION

This document constitutes Western Community Energy’s (WCE’s) Implementation Plan (Plan) and Statement of Intent to create a voluntary Program for electric customers within the jurisdictional boundaries of its Members that currently take bundled electric service from Southern California Edison (SCE). The Program will give electricity customers the opportunity to join together to procure electricity from competitive suppliers, with such electricity being delivered over SCE’s transmission and distribution system.

Western Community Energy’s (WCE’s) efforts to form a Community Choice Aggregation (CCA) Program began in 2016 with the support of the Western Riverside Council of Governments (WRCOG) Executive Committee, and interest from many of the Cities within Riverside and San Bernardino Counties.

WRCOG, a Joint Powers Authority (JPA), received direction from its Executive Committee to explore the feasibility of implementing a CCA. WRCOG partnered with Coachella Valley Association of Governments (CVAG), and San Bernardino Council of Governments (SBCOG) to undertake a Feasibility Study for Riverside and San Bernardino Counties. The Study was completed and adopted by the WRCOG Executive Committee in December 2016 and showed it feasible to move forward with developing a CCA.

WRCOG’s Executive Committee directed staff to develop a stand-alone joint powers authority (JPA) to implement a Community Choice Aggregation (CCA) Program, now known as, Western Community Energy (WCE or Authority). Established on August 23, 2018, WCE is a public agency located within Western Riverside County, formed for the purpose of implementing a CCA. WCE’s JPA can be found in Appendix B. Member Agencies include seven cities (Members or Member Agencies), which have elected to allow WCE to provide electric generation service within its respective jurisdictions.

These Members include:

Member Agencies			
Canyon Lake	Eastvale	Hemet	Jurupa Valley
Norco	Perris	Wildomar	

The anticipated start date to begin servicing customers is April 1, 2020 (subject to the final review and approval of WCE’s Board of Directors). Again, participation is completely voluntary; however, customers will be automatically enrolled, as provided by law, unless they affirmatively elect to opt-out. All current SCE customers within the jurisdictional boundaries of its Members (the Program’s service area) will receive information describing the Program and will have multiple opportunities to express their desire to remain as a bundled customer of SCE, in which case they will not be enrolled.

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

WCE’s primary objectives are to provide:

- 1) Provide local control in rate setting.
- 2) Provide overall rates that are lower and/or competitive with those offered by SCE for similar power supplies.
- 3) Provide options to residents and businesses.
- 4) Provide expanded options for economic development.
- 5) Supply an energy portfolio that will use local and/or regional renewable resources (in the future), including existing facilities, to the maximum extent technically and economically feasible.

The prospective benefits to consumers include increase electric generation reliability; the ability to reduce energy costs; stabilize electric rates; influence which technologies are used to meet electricity needs (including a potential increased use of renewable energy); ensure effective planning of sufficient resources and energy infrastructure to serve its Members' residents and businesses; and improve the local and regional economy.

The California Public Utilities Code (Code) provides the relevant legal authority for WCE to become an aggregator and invests the California Public Utilities Commission (CPUC) with the responsibility for establishing the cost recovery mechanism that must be in place before customers can begin receiving electrical service through the Program. The CPUC also has responsibility for registering WCE as an aggregator and ensuring compliance with basic consumer protection rules. The Code requires that an Implementation Plan be adopted at a duly noticed public hearing and that it be filed and certified with the CPUC to determine the cost recovery mechanism to be paid by customers of the Program to prevent shifting of costs to SCE's bundled customers.

The Draft Plan will be published on WCE's website (www.westerncommunityenergy.org) and on WRCOG's website (www.wrcog.us) on October 25, 2018; it will also be made available at the office of WRCOG. Any person will be able to view the Draft Plan and provide comments for consideration in the final version. SCE's CCA staff will also provide a copy of the Draft Plan on October 25, 2018.

At the release of the Draft Plan, WCE intends on conducting a Public Hearing on December 12, 2018, to formally adopt the Plan, through a WCE Resolution, which will be provided in Appendix A.

Finally, each of its Members will have adopted an ordinance to implement a CCA Program through WCE by the end of 2018. With each of these milestones having been accomplished, WCE now submits its Plan to the CPUC for certification. Once certified, WCE will take the final steps needed to register as a CCA prior to initiating the customer notification and enrollment process.

As jurisdictions members join WCE, the Plan will be modified and filed regularly with the CPUC, with plans to serve load in accordance with the Resource Adequacy Proceeding and Resolution E-4907. Prior to submittal, WCE will notify CPUC staff of its intent to file a modified plan and will collaborate with SCE on launch dates, which would correspond to the CPUC's Resource Adequacy Proceeding and Resolution E-4907. WCE will maintain a current version on file with the CPUC and its website.

IMPLEMENTATION PLAN ORGANIZATION

The Plan complies with the statutory requirements of AB 117. As required by Code Section 366.2(c)(3), the Plan details the process and consequences of aggregation and provides WCE's Statement of Intent for implementing a CCA Program that includes the following:

-  Universal access
-  Reliability
-  Equitable treatment of all customer classes
-  Any requirements established by state law or by the CPUC concerning aggregated service

The remainder of the Plan is organized as follows:

- Chapter 2: Aggregation process
- Chapter 3: Organizational structure
- Chapter 4: Start-up plan and funding
- Chapter 5: Program Phase-In
- Chapter 6: Load forecast and 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: WCE resolution approving implementation plan and member ordinances
- Appendix B: WCE Joint Powers Agreement

The requirements of AB 117 are cross-referenced to Chapters of its Implementation Plan in Table 1.

Table 1. Cross-reference table of ab 117 requirements and implementation plan chapters

AB 117 REQUIREMENT	IMPLEMENTATION PLAN CHAPTER
Program Statement of Intent	Chapter 1: Introduction
Process and consequences of aggregation	Chapter 2: Aggregation process
Organizational structure of the Program, its operations and funding	Chapter 3: Organizational structure Chapter 4: Start-up plan and funding Chapter 7: Financing plans
Disclosure and due process in setting rates and allocating costs among participants	Chapter 8: Rate setting
Rate setting and other cost to participants	Chapter 8: Rate setting Chapter 9: Customer rights and
Participants rights and responsibilities	Chapter 9: Customer rights and responsibilities
Methods for entering and terminating agreement	Chapter 10: Procurement process
Description of third parties that will be supplying electricity under the Program, including information about financial, technical, and operational capabilities	Chapter 10: Procurement process
Termination of the Program	Chapter 11: Contingency plan for Program termination

Chapter 2: Aggregation Process

INTRODUCTION

Since its inaugural meeting on August 23, 2018, WCE's Board of Directors has been meeting to determine policies and procedures to implement the Program. The following chapter lays out the aggregation process.

PROCESS OF AGGREGATION

WCE's objectives are 1) provide local control in rate setting 2) provide overall rates that are lower and/or competitive with those offered by SCE for similar power supplies, 3) provide options to residents and businesses, 4) provide expanded options for economic development, and 5) supply an energy portfolio that will use local and/or regional renewable resources (in the future), including existing facilities, to the maximum extent technically and economically feasible.

To ensure successful operation, WCE is partnering with experienced energy suppliers and consultants to provide energy and implementation services. A competitive solicitation process was used and subsequent contract negotiations to choose qualified consultants to support implementation and provide requisite energy products and scheduling coordinator services to meet the electric energy requirements. Initially, Program operations will rely heavily on consultants with WRCOG in-house support; however, over time this may change. As the Program matures, WCE will evaluate its operational model and determine if there continues to be a need for heavy consulting support or it may be more efficient and cost effective to move tasks in-house. The Plan represents a partnership amongst WCE, its Members, other not-for-profit entities, and the private sector to bring the benefits of competition and choice to Member residents and businesses. By exercising its legal right to form a CCA, Members' constituents will have access to the competitive market for energy and exert local control over the community's electricity supply. Absent action by WCE or its individual Members, very few customers (i.e. those who have direct access (DA) arrangements) would have the ability to choose an electric supplier other than SCE.

The core consultant team consists of:

-  The Energy Authority: Providing technical services, power procurement and supply management, CAISO credit requirements, power purchase negotiation assistance, rate design, risk management, scheduling coordination, and related services.
-  EES Consulting: Assisting with long term planning, rate design/setting, and regulatory filings.
-  Public Financial Management (PFM): Assisting with financial planning and reserve policies.
-  Calpine Energy Solutions: Providing customer and data management, call center, and risk reporting services.
-  Best, Best & Krieger: Providing legal assistance.

These core consultants are also supported by marketing firms and other additional technical consultants in sub-contracting roles.

Before being enrolled in the Program, customers will receive two notices in the mail from WCE that

will provide information needed to understand the Program’s terms and conditions of service and explain how customers can opt-out of the Program, if desired. All customers that do not follow the opt-out process specified in the customer notices will be automatically enrolled. Enrolled customers will begin receiving electric service from the Program at their next regularly scheduled meter read date (following the date of automatic enrollment). Table 2 outlines the schedule for notification and enrollment.

Table 2: Notification and enrollment schedule

DATE	ACTION
February 2020	Notification #1
March 2020	Notification #2
April 2020	Enrollment
April 2020	Notification #3
May 2020	Notification #4

Customers automatically enrolled will continue to have their electric meters read and will be billed for electric service by SCE. The electric bill will show separate charges for generation procured by WCE. All other charges related to delivery of the electricity and other utility charges will continue to be assessed by SCE.

After automatic enrollment, customers will be given two additional opportunities to opt-out and return to SCE following the cutover 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 WCE but will not otherwise be subject to any penalty for leaving the Program. Customers that have not opted-out within sixty days of cutover to WCE service will be deemed to have elected to become a participant and to have agreed to the Program’s terms and conditions, including those pertaining to requests to terminate service, as further described in Chapter 9.

New customers who establish service within the Program service area will be automatically enrolled in the Program and will receive two notifications within 60 days post enrollment, with the option to opt-out at any time.

A high-level process overview and timeline for Aggregation is shown in Table 3.

Table 3: Aggregation process timeline

ACTIVITY	TIMELINE
Implementation Plan filed with CPUC	December 2018
CPUC certifies receipt of Implementation Plan	March 2019
WCE finalizes initial rates	October 2019
WCE executes service agreement with SCE.	October 2019

WCE submits registration package to CPUC	November 2019
WCE customer outreach and pre-enrollment opt-out notices	November 2019
Initial Notification Period Commences	February 2020
Customers switched to CCA service on next scheduled meter read date	April 2020
Post enrollment opt-out notices	April and May 2020

CONSEQUENCES OR IMPACTS OF AGGREGATION

The following outlines the consequences or impacts of aggregation on the community.

Rate impacts

Customers will see no obvious changes in electric service other than the price and composition of their electric bills. Customers will pay the generation charges set by the Program and will no longer pay the costs of SCE procurement and generation. Customers enrolled will be subject to the Program’s terms and conditions, including responsibility for payment of all Program charges as described in Chapter 9.

The rate setting policies, described in Chapter 8, establish a goal of providing rates that are competitive and/or lower than the equivalent procurement and generation rates offered by SCE. Established rates will be sufficient to recover all costs related to operations, and actual rates will be adopted by the Board of Directors, who represent participating jurisdictions.

The total electric rate will be reduced for customers if the Program is successful in obtaining electric generation at a lower cost than charged by SCE. Initial Program rates will be established following approval of the budget, reflecting final costs from the Program’s energy supplier(s). WCE’s goal is to have initial rates set at 2% below those charged by SCE. Information regarding final Program rates will be disclosed along with other terms and conditions of service in the pre-enrollment opt-out notices sent to potential customers.

Once WCE gives notice to SCE that it will commence service, customers, generally, will not be responsible in any way for costs associated with SCE’s future electricity procurement contracts or power plant investments. Certain pre-existing generation costs will continue to be charged by SCE to customers through a separate rate component, called the Cost Responsibility Surcharge (CRS). This charge is shown in SCE’s tariffs, which can be accessed from SCE’s website, and is already included in rates currently paid. As noted in SCE’s electric schedule CCA-CRS, “The CCA CRS consists of the Department of Water Resources (DWR) Bond Charge, the Energy Cost Recovery Amount, Ongoing Competition Transition Charges and the Power Charge Indifference Adjustment (PCIA), as set forth in each rate schedule.”

Renewable energy impacts

The Program anticipates an increase in the proportion of energy generated and supplied by renewable resources. The resource plan includes procurement of renewable energy sufficient to meet 33% of the Program’s electricity needs, increasing to 45% by the Program’s fifth year of operation. The renewable content goal has been established to be consistent with California RPS. This renewable energy will come from a combination of sources, with the goal to increase

the portion of renewable energy produced locally and/or regionally over time, as facilities are brought on-line.

Energy efficiency impacts

The Program will have an increase in Energy Efficiency (EE) Program investments and activities. The existing EE Programs administered by SCE are not expected to change as a result of Program implementation. Customers will continue to pay the public goods charges to the distribution utility which funds energy efficiency programs for all customers, regardless of generation supplier. The EE investments ultimately planned for the Program, as described in Chapter 6, will be in addition to the level of investment that would continue in the absence of the Program. Thus, the Program has the potential for increased energy savings and a further reduction in emissions due to expanded EE Programs.

Greenhouse gas emissions impacts

With the implementation of the Program, there will be environmental benefit associated with reducing greenhouse gas emissions. Members have adopted Climate Action Plans with the goal of reducing greenhouse gas emissions to 1990 levels. WCE offers an opportunity to cut carbon emissions below what may be achieved by SCE. The amount of renewable power in SCE's power supply portfolio is currently 32 percent according to its 2017 Power Content Label,¹ and is scheduled to increase to 33 percent by 2020. WCE will meet SCE's GHG-free supply percentage with the opportunity to further reduce GHG emissions through targeted energy efficiency programs and 100% renewable service.

Economic development impacts

The Program intends to increase local economic development. The Feasibility Study described indirect effects which will benefit the local economy, including increased local investments in energy efficiency and distributed energy resources (DER), increased disposable income due to bill savings, and improved environmental and health conditions. In addition to increased economic activity due to electric bill savings, potential local renewable energy projects can also create job and economic growth within the service territory.

¹SCE 2017 Power Content Label. Available online:<https://www.sce.com/wps/wcm/connect/6ee40264-673a-45ee-b79a-5a6350ed4a50/2017PCL.pdf?MOD=AJPERES>

Chapter 3: Organizational Structure

INTRODUCTION

As discussed in Chapter 1, WCE was formed as a new JPA established on August 23, 2018, representing seven (7) cities. The governance, organizational, management and staffing, and operational aspects of the Agency were considered and are outlined below.

GOVERNANCE

WCE has a Board of Directors (Board) that establishes Program policies and objectives; management and administrative services will be provided by WRCOG, which will be responsible for operating the Program in accordance with such policies, and consultants that will provide energy and other specialized services.

The Board includes one appointed elected designee (with one elected alternate) from each of its Members. WCE was established through a JPA on August 23, 2018 and formed under California law. WCE's members include seven (7) municipalities located within the region, which have elected to allow WCE to provide electric generation service within its respective jurisdictions. Other jurisdictions within the region can join WCE at a future date, if they so desire, but its load would not be able to serve until the following next year, in accordance with the Resource Adequacy Proceeding and Resolution E-4907.

The Board is the local authority with jurisdiction over WCE with the primary duties to include:

-  Establish policies.
-  Authorize any subsequent changes to its Implementation Plan.
-  Review and approve Resource Plans.
-  Review and approve proposed rates and rate changes.
-  Establish committees and/or sub-committees to oversee and advise operational activities.
-  Provide policy direction to WRCOG's Executive Director, who will have general accountability for WCE operations, consistent with the policies established by the Board.

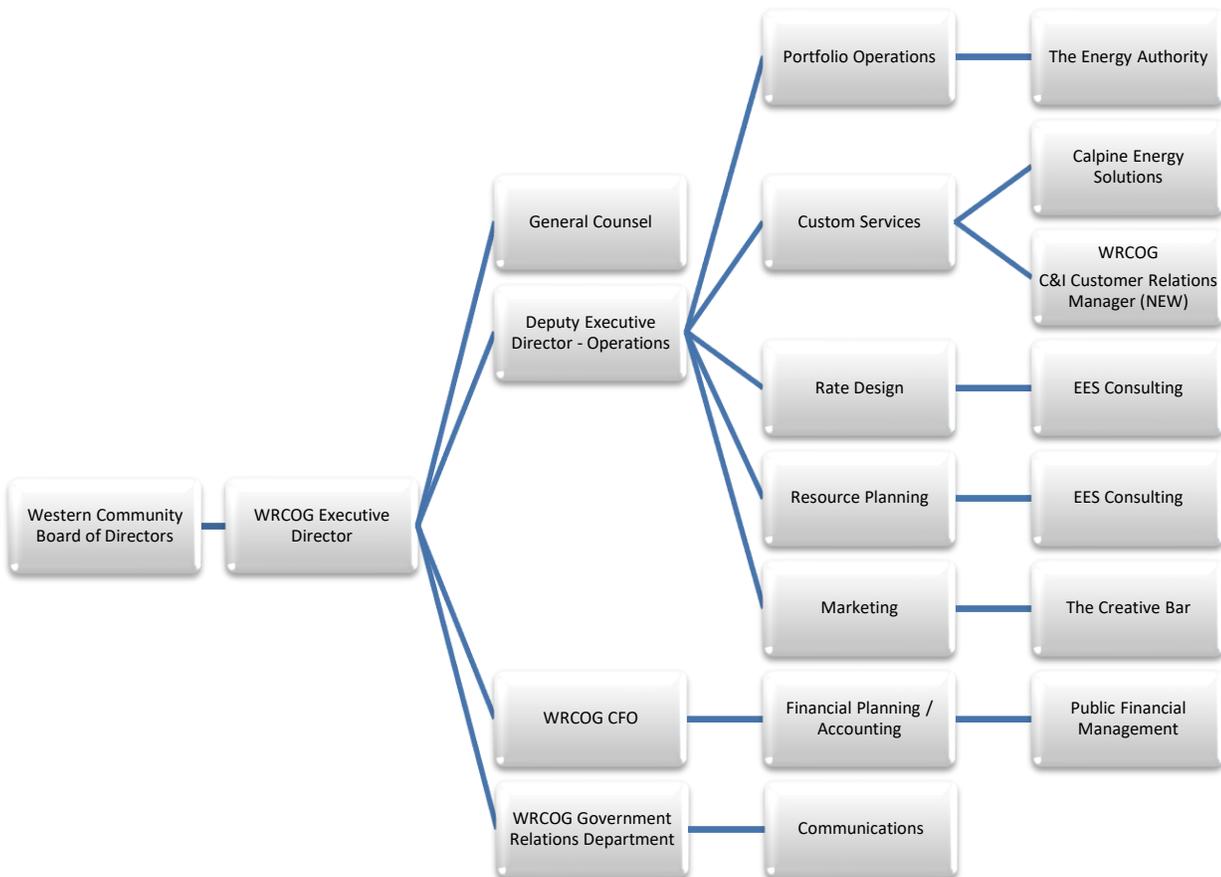
The Board has established a Chair and Vice- Chair from amongst its members and may establish other committees and sub-committees, as needed, to address issues that require greater expertise in areas (e.g., finance or contracts). WCE may also form various standing and ad hoc committees or advisory groups, as appropriate, which would have responsibility for evaluating various issues that may affect WCE and its customers, including rate-related and power contracting issues, and would provide analytical support and recommendations to the Board in these regards.

ORGANIZATIONAL OVERVIEW

WCE is the public agency that is registering with the CPUC to implement a CCA Program. WCE has entered into an Implementation and Management Services Agreement with WRCOG to provide administrative and management services. The Board of Directors has determined that WCE will be operated under the direction of WRCOG's Executive Director, with legal and regulatory support provided by WRCOG's General Counsel. Until WCE deems differently, staffing hired to work for WCE will be WRCOG employees. If the Board desires to move away from its Implementation and Management Services Agreement with WRCOG, WCE would have the option to hire those WRCOG employees.

The Executive Director has designated the Deputy Executive Director – Operations (Director) to have management responsibilities over the functional areas of Resource Planning, Electric Supply, Local Energy Programs, Finance and Rates, and Customer Services and Regulatory Affairs. In carrying out these responsibilities, the Director will utilize a combination of internal WRCOG staff and consultants. Certain specialized functions needed for Program operations, namely the electric supply and customer account management functions described below, will be performed initially by TEA, Calpine Energy Solutions, Public Financial Management, The Creative Bar, and EES Consulting.

Figure 1. Organizational chart



WRCOG staffing

Once fully operational, staffing requirements are anticipated to increase from 1 3/4 to 4 1/2 full-time equivalent positions. These staffing requirements are in addition to the services and staffing provided by third-party energy suppliers and contractors.

Table 4 shows the staffing plan at full-scale operational levels at the beginning of 2020. WCE staffing requirements during the pre-start-up and phase-in periods are discussed in Chapter 4. Longer-term staffing needs will include personnel to support energy efficiency activities and potentially the creation of an internal organization to perform the portfolio operations and account services functions that will originally be contracted out.

Table 4: Staffing plan for WCE

POSITION	2018	2019	2020
WRCOG Executive Director	¼	¼	¼
WRCOG CFO	¼	¼	¼
Deputy Executive Director - Operations	1	1	1
WRCOG Program Manager	¼	1	1
Administrative Assistant		¼	1
C & I Customer Support Manager		½	1
Total Staffing	1 ¾	3 ½	4 ½

Resource planning

The Director is charged with leading the development of both short (one and two- year) and long-term resource plans, under the guidance provided by the WRCOG Executive Director and the Board and in compliance with California Law, and other requirements of California regulatory bodies, including the CPUC and the California Energy Commission (CEC) Long-term resource planning includes load forecasting and supply planning on a 10- to 20-year time horizon. The Director will lead and coordinate the development of an Integrated Resource Plan (IRP) that will meet Program supply objectives and balance cost, risk, and environmental considerations. The IRP will consider demand side energy efficiency and demand response programs, as well as, traditional supply options.

Portfolio operations

Portfolio operations encompass the activities necessary for wholesale procurement of electricity to serve end use customers. WCE has initially contracted with TEA which has the necessary experience to perform most of the portfolio operation requirements. This will include the procurement of energy and ancillary services, scheduling coordinator services, and day-ahead, and real-time trading. A description of TEA’s services, including information about technical and operations capabilities, is contained in Chapter 10. Long-term energy procurement and generation project development will be managed by the Director.

These activities include the following:

-  ***Electricity Procurement:*** Assemble a portfolio of electricity resources to supply the electric needs of Program customers.
-  ***Risk Management:*** Standard industry risk management techniques will be employed to reduce exposure to the volatility of energy

- markets and insulate customer rates from sudden changes in wholesale market prices.
-  **Load Forecasting:** Develop accurate load forecasts, both long term for resource planning, and 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).

Local energy programs

The Director is charged with the development and implementation of integrated demand side management (IDSM) programs. These programs will include the existing energy efficiency programs currently offered by WRCOG, SCE, and others, in addition to new efficiency and demand response programs that complement, but do not duplicate those already funded by SCE and administered by WRCOG and others. IDSM programs can be used as cost-effective alternatives to procurement of supply-side resources.

An example of a potential local energy program is solar development which encourages both residential and commercial constituents to invest in solar generation through available financing options, by taking advantage of Property Assessed Clean Energy (PACE) Programs and federal solar investment tax credits.

Rate setting

The Board will have the ultimate responsibility for setting the electric generation rates. The Director, in consultation with staff and consultants, will develop proposed rates and options for the Board to consider before the finalization of the actual rates, subject to the notice requirements and process described in Chapter 8. The final approved rates will, at a minimum, meet the annual revenue requirement for the Program, including any reserves or coverage requirements set forth in bond covenants. The Board will have the flexibility to consider rate adjustments within ranges, provided that the overall revenue requirement is achieved; this provides an opportunity for economic development rates or other rate incentives. WCE will administer a standardization set of electrical rates and may offer optional rates to encourage policy goals.

Financial management/accounting

With consultant support from Public Financial Management (PFM), WRCOG's Chief Financial Officer (CFO) is responsible for managing the financial management and accounting for WCE which includes: developing the annual budget and revenue requirement, managing and maintaining cash flow requirements, securing bridge loans and other financial tools as needed, and overseeing a large volume of billing settlements. Managing the overall financial aspects is expected to be a significant work activity.

The finance function arranges financing for capital projects, prepares financial reports, and ensures sufficient cash flow for the Program. The finance function plays an important Program risk management function of monitoring the credit of suppliers so that credit risk is managed properly. Credit monitoring is important to keep abreast of changes in a supplier's financial condition and credit rating. The finance function establishes credit policies that the Program must follow.

Settlements (customer billing) will be contracted out to Calpine Energy Solutions, an organization with the necessary infrastructure and capability to handle the approximately 120,000 accounts (pending eligible customer accounts from SCE) that are expected to first participate in the Program. This function is described under Customer Services below.

Customer services

WCE has contracted with Calpine Energy Solutions for certain billing related or “Customer Account Services” as described below, which the Director will oversee. In addition to general Program communications and marketing, which will be handled by WRCOG’s Government Relations team, a significant amount of customer service and key account representation will be necessary. This includes both a call center for questions and routine interaction with customer accounts.

The Customer Account Services function performs retail settlements-related duties and manages customer account data. It processes customer service requests and administers customer enrollments and departures from the Program, maintaining a current database of customers enrolled in the Program. This function coordinates the issuance of monthly bills through the distribution utility’s billing process and tracks customer payments. Business-to-business data transactions with SCE will include the electronic exchange of usage, billing, and payment data between SCE and WCE. Additionally, Customer Account Services will be responsible for tracking of customer account receivables and payments, issuance of late payment and/or service termination notices (which would return affected customers to bundled service), and administration of customer deposits (if any) in accordance with WCE’s credit policies.

WCE will conduct the general Program marketing and key customer account management functions. These include assignment of account representatives for key accounts to provide high levels of customer service, and implementation of a marketing strategy to promote customer satisfaction. Ongoing communications, marketing messages, and information regarding WCE’s Program to all customers will be critical for the overall success of the Program and will be handed by WRCOG’s Government Relations Team.

Legal and regulatory representation

WCE will require ongoing regulatory representation to file resource plans, ensure resource adequacy (RA) and California Renewable Portfolio Standard (RPS) compliance, and provide overall representation on issues that will impact WCE and its CCA Members. WCE, with support from its consultant (EES Consulting) will play an active role in responding to regulatory or legislative actions that affect the Programs interests at the CPUC, CEC, and, as necessary, Federal Energy Regulatory Commission (FERC), and the California legislature.

WCE will retain legal services from Best Best & Krieger, LLC, to review contracts, and provide overall legal support to the activities of WCE.

Chapter 4: Start-Up Plan and Funding

INTRODUCTION

Ensuring that all start-up costs and ongoing funding is important to a successful program. WCE and its consultants have focused on this area and have outlined the following for its start-up activities, staffing and contract services, as well as capital requirements and financial planning.

START-UP ACTIVITIES

The start-up activities, including the necessary expenses and capital outlays, which have already begun and will continue once the CPUC certifies the receipt of this Implementation Plan.

The initial Program start-up activities include the following:

-  Hire staff and consultants to manage implementation - Completed
-  Identify and negotiate supplier/vendor contracts – Once CPUC certifies
 - Electric supplier and scheduling coordinator - Completed
 - Data management provider - Completed
-  Define and execute communications plan - Completed
 - Customer research/information gathering - Ongoing
 - Media campaign - Ongoing
 - Key customer/stakeholder outreach - Ongoing
 - Informational materials and customer notices - Ongoing
 - Customer call center – Once CPUC certifies
-  Pay utility service initiation, notification, and switching fees - Once CPUC certifies
-  Perform customer notification, opt-out and transfers - Once CPUC certifies
-  Conduct load forecasting - Once CPUC certifies
-  Establish rates - Once CPUC certifies
-  Obtain legal and regulatory support - Completed
-  Implement financial management and reporting - Once CPUC certifies

Other costs related to start-up are the responsibility of the Program consultants (and are assumed to be covered by any fees/charges imposed by such consultants). These include capital requirements needed for collateral/credit support for electric supply expenses, customer information system costs, electronic data exchange system costs, call center costs, and billing administration/settlements systems costs.

STAFFING AND CONTRACT SERVICES

As described in Chapter 3, WCE has entered into an Implementation and Management Services Agreement with WRCOG to utilize a mix of WRCOG staff and consultants for implementation. WRCOG currently has 30 full-time employees, including an Executive Director, several Directors, Program Managers, and finance and administrative support personnel to support regulatory, procurement, finance, legal, and communications activities that will be used. Personnel in the form of WRCOG staff or consultants will be added incrementally to match workloads involved in Program management. To determine the capital requirements for the start-up period, it is assumed that approximately 4 1/2 full time equivalent staff, as well as, supporting consulting professional services would be engaged by the end of 2020. Following the start-up period, additional staff and/or consultants may be retained to support the roll-out of additional value-added services and generation projects and programs.

CAPITAL REQUIREMENTS

The start-up will require capital for three major functions: 1) staffing and consultant costs; 2) deposits and reserves; and 3) working capital. Each of these functions and its anticipated capital requirements are discussed below. The finance plan contained in Chapter 7 provides a more detailed discussion of the longer-term capital requirements and Program finances.

- 1) **Staffing and consultant costs:** Start-up staffing and consultant costs are estimated to be approximately \$4.2 million, and includes internal staffing costs, and costs related to public relations support, technical support, and customer communications. Actual costs may vary depending on how WCE manages its start-up activities and the degree to which some or most of these start-up activities are performed by the selected energy services provider rather than by WCE. Most of these costs will be covered by WRCOG and conventional financing.
- 2) **Deposits and reserves:** Requisite deposits and operating reserves of the Program are estimated to approximate \$874,000 and include the following items: 1) operating reserves to address anticipated cash flow variations associated with WCE Program management - \$600,000 2) CCA bond (posted with the CPUC) - \$100,000; and 3) SCE service fee deposit - \$147,000. These will be covered by The Energy Authority and Calpine Energy Solutions.
- 3) **Working capital:** Operating revenues from sales of electricity will be remitted to WCE beginning approximately on day 47 of Program operations, based on SCE's standard meter reading cycle of 30 days and SCE's payment/collections cycle of 17 days. WCE will obtain its initial working capital requirements through conventional financing methods to fund payments to power suppliers made in advance of receiving Program revenues. The working capital needed to support electricity procurement, which is estimated to be \$15 million. This cost will be reflected in its price for providing full requirements electric service to the Program.

Therefore, the total staffing and contractor costs, applicable deposits, and working capital are expected to be approximately \$20 million for the first six months. These are costs that ultimately will be collected through Program rates; however, some of these costs will be incurred prior to WCE selling its first kWh of electricity, which WRCOG is fronting.

FINANCING PLAN

WCE's initial capital requirement will be provided via conventional financing methods (e.g., bank loans and/or lines of credit), not expected to exceed \$20 M. WCE will make repayments (including any interest, as applicable) over assumed 5-year terms, commencing in July 2020. Additional funding for communications services, via a line of credit, will be provided by Calpine Energy Solutions, which will be repaid at an annual interest of 5% follow Program commencement.

The balance of start-up funding will be provided by WRCOG. WCE will repay WRCOG within a sixty-month term starting the month after the Program launches. WCE will recover the principal and interest costs associated with the start-up funding via retail generation rates charged to Program 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. Pro forma projections for the initial four years of Program operations are shown in Chapter 7.

Chapter 5: Program Phase-In

INTRODUCTION

WCE plans to begin serving all residential and non-residential customers, except non-residential Direct Access or Standby Accounts, within its initial member jurisdictions with the below outlined Phase-in approach. WCE may consider servicing Standby Accounts at a future date. This approach will allow for an easier transition into the Program. Service is anticipated to begin in April 2020, with all accounts that have not opted-out being enrolled by the Program within two billing cycles of that date. The following provides an outline of 2 separate Phases for roll-out.

PHASE-IN APPROACH

Phase 1. Residential and non-residential accounts – April 2020

All residential and non-residential accounts would begin service on or after April 1, 2020. During Phase 1, WCE anticipates serving approximately 114,000 out of 120,500 accounts (pending receipt of eligible customers from SCE), representing 1,575 GWh or 93% of the total retail load. It is anticipated that the completion of Phase 1 will take approximately 2 billing cycles.

Phase 2. NEM customers – April 2020, July 2020, October 2020, And January 2021

The first group of NEM customers will be enrolled with Phase 1 and will continue over 9 months to ensure that NEM customers are brought across in a fashion that will provide as little impact as possible to their annual true-up. WCE will begin to serve load on or after April 1st, 2020 to NEM customers that have a true-up between February 1st and April 30th. NEM customers with a true up between May 1st and July 31st will see WCE servicing their load on their next meter read on or after July 1st, 2020. For NEM customers that are trued up between August 1st and October 31st, WCE will begin to serve load on their next meter read on or after October 1st, 2020. Finally, those NEM customers that are trued up between November 1st and January 31st, WCE will begin to serve load their next meter read on or after January 1st, 2021.

Once NEM customers are enrolled, their annual true-up will

ADDITIONAL MEMBERS ROLL-OUT

Jurisdictions can join WCE at any time they want to ~~make a decision~~decide to join. This leaves room for WCE to expand its territory. On a regular basis, an updated Plan will be submitted to the CPUC, if any new members join the Program, however, load will not be served until the next year, in accordance with the Resource Adequacy Proceeding and Resolution E-4907. Prior to submitting an updated Plan, WCE will work with SCE on the timeline to begin service and will provide notification to the CPUC staff that an update will be submitted.

NEW RESIDENTIAL AND NON-RESIDENTIAL CUSTOMERS

Riverside County is one of the fastest growing counties in the nation. For any new customers moving into the WCE service territory after it has begun servicing load, WCE intends to provide service to all customer classes (i.e., Residential, Commercial, and NEM customers) during one billing cycle. However, if a customer moves into the WCE region prior to April 1, enrollment, WCE will begin to service the load-based timeline stated above.

Chapter 6: Load Forecast and Resource Plan

INTRODUCTION

A ten-year resource plan seeks to implement the energy goals identified in a financially sustainable way, in compliance with CAISO and CPUC regulations. Several overarching policies govern the resource plan and the ensuing resource procurement activities that will be conducted in accordance with the plan. These key polices are as follows:

- 💡 Increase use of renewable energy resources and distributed energy resources in order to reduce reliance on fossil-fueled electric generation for purposes of reducing electric sector GHG emissions.
- 💡 Manage a diverse resource portfolio to increase control over energy costs and maintain competitive and stable electric rates.
- 💡 Apply for the administration of energy efficiency program funding to help customers reduce energy costs through administration of enhanced customer energy efficiency, distributed generation, and other demand reducing programs.
- 💡 Benefit the area’s economy through investment in local infrastructure, energy projects, and energy programs.

The initial resource mix will include a proportion of renewable energy meeting California’s prevailing RPS procurement mandate. As the Program moves forward, incremental renewable supply additions will be made based on resource availability, as well as, economic goals to achieve increased renewable energy content over time.

RESOURCE OVERVIEW

WCE has engaged TEA to act as its agent to procure supply in the bilateral markets as well as act as its Scheduling Coordinator with CAISO. TEA is a not-for-profit energy firm which assists over 40 municipal and state-chartered entities in energy procurement nationwide. TEA actively participates in forward markets through the Intercontinental Exchange (ICE) and on a bilateral basis – procuring energy, resource adequacy capacity and renewable energy credits. TEA will also assist WCE in running competitive solicitations for long-term supply contracts and to develop new resources.

WCE’s proposed ten-year resource plan for the years 2020 through 2029 is summarized in Table 5 (in GWh). Energy efficiency and behind-the meter resources are included in the retail load forecast.

Table 5: Proposed ten-year resource plan in GWh

YEAR	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Retail Load	1,286	1,575	1,585	1,595	1,604	1,614	1,624	1,635	1,645	1,655
Losses and UFE	72	88	89	89	90	90	91	91	92	93
Wholesale Load System	1,358	1,663	1,673	1,684	1,694	1,705	1,715	1,726	1,737	1,748
WCE Supply										

Renewable Resources	442	587	637	688	724	776	813	866	919	974
Conventional Resources	917	1,076	1,036	996	970	929	903	860	817	774
Total Supply	1,358	1,663	1,673	1,684	1,694	1,705	1,715	1,726	1,737	1,748
Energy Open Position	-	-	-	-	-	-	-	-	-	-

SUPPLY REQUIREMENTS

WCE is planning to roll the Program out to all its customers simultaneously, with NEM customers being phased in. To date seven cities, representing over 25% of potential load within the region, have elected to participate. Should additional cities elect to join prior to Program launch, WCE will work with SCE to determine their initial roll out and submit a modified Plan to the CPUC.

The starting point for the 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.”

LOAD FORECAST METHODOLOGY

To forecast future electricity consumption, SCE load shape data was applied to 2015 loads. The resulting forecast was extended using an annual growth rate of 0.6% per year (growth rate is net of energy efficiency and rooftop generation). Finally, distribution losses were applied to determine the wholesale procurement requirements.

CUSTOMER PARTICIPATION RATES

Customers will be automatically enrolled 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. WCE studied scenarios with participation rates between 85% and 95% based upon the experiences of other recent CCA formation and expansions in California. The expected case assumed a 95% participation rate for residential, agricultural, streetlighting and 90% for commercial and industrial. The commercial and industrial participation rates are lower based on the new direct access cap for SCE (SB 237). Planning around a “poor case” outcome assumed an 85% participation rate. WCE plans to offer rates that are competitive and/or lower than SCE’s and expects that will lead to fewer opt-outs.

CUSTOMER FORECAST

During the month of enrollment approximately 114,000 customers (pending receipt of eligible customer list from SCE) are expected to be enrolled across all rate classes, or ~3,800 per day. Total customer accounts by rate class are shown in Table 6 below.

Table 6: Expected WCE customer enrollments by rate class in April 2020

CUSTOMER CLASS	ACCOUNTS
Residential	89,081
Low Income Res	13,982
Agriculture	253

Small Commercial	7,102
Med Commercial	1,489
Large Commercial and Industrial	188
Street Lighting	1,909
TOTAL	114,003

The forecast of service accounts (customers) served for each of the next ten years is shown in Table 7, which reflects an estimated annual growth of 0.6%.

Table 7: Total projected service accounts by rate class

Year	Residential	Low Income Residential	Agriculture	Small Commercial	Medium Commercial	Large Commercial and Industrial	Street Lighting	Total
2020	89,492	13,874	250	7,138	1,507	189	1,927	114,378
2021	89,464	13,922	250	7,134	1,517	189	1,927	114,403
2022	89,479	13,962	251	7,137	1,516	188	1,927	114,460
2023	89,493	13,990	250	7,136	1,513	188	1,927	114,497
2024	89,522	14,009	251	7,138	1,512	188	1,927	114,547
2025	89,583	14,010	251	7,141	1,512	189	1,935	114,620
2026	89,651	14,007	251	7,143	1,513	189	1,935	114,690
2027	89,679	14,010	252	7,144	1,515	187	1,928	114,716
2028	89,653	14,044	253	7,145	1,516	187	1,923	114,720
2029	89,663	14,090	252	7,151	1,517	187	1,917	114,776

SALES FORECAST

The forecast of MWh sales reflects the roll-out and customer enrollment schedule shown above. The annual electricity needed to serve retail customers is shown in Table 8.

Table 8: Projected Energy Sales 2020-2029 in MWh

Year	Residential	Low Income Residential	Agriculture	Small Commercial	Medium Commercial	Large Commercial and Industrial	Street Lighting	Total
2020	628,204	95,423	36,480	71,682	182,788	255,452	15,275	1,285,305
2021	757,109	116,118	44,394	89,127	227,003	321,374	19,783	1,574,909
2022	761,815	116,840	44,670	89,681	228,414	323,371	19,906	1,584,697
2023	766,549	117,566	44,948	90,239	229,834	325,381	20,030	1,594,547
2024	771,314	118,297	45,227	90,800	231,262	327,403	20,155	1,604,457
2025	776,107	119,032	45,508	91,364	232,700	329,438	20,280	1,614,429
2026	780,931	119,772	45,791	91,932	234,146	331,485	20,406	1,624,463
2027	785,785	120,516	46,076	92,503	235,601	333,546	20,533	1,634,559
2028	790,668	121,265	46,362	93,078	237,065	335,619	20,660	1,644,718
2029	795,583	122,019	46,650	93,657	238,539	337,705	20,789	1,654,940

CAPACITY REQUIREMENTS

WCE is required to procure or self-provide sufficient generation capacity to meet the resource adequacy (RA) obligations as set forth by CAISO and the CPUC. The obligation is to demonstrate ownership of a combination of system-wide capacity from any generator within, or dynamically connected to the CAISO footprint; local capacity within specific local reliability areas (LRAs) within the same default load aggregation point (DLAP) which in WCE's case is the SCE DLAP; and flexible capacity to meet morning and evening ramps due to load ramping up and variable energy resources ramping down.

The amounts of the obligations in each category are determined by the CEC based on load forecasts provided by each load serving entity (LSE), as well as, information about any renewable resources which are under contract for the coming year. The amount of total capacity required (system plus local) is based on an individual LSE's (in this case WCE) coincident peak demand with CAISO. The amount is 115% of the coincident peak demand monthly. The local RA fraction is a pro-rata share of the total local capacity requirement within the SCE service territory. WCE must show it has procured 90% of its RA obligations for the year prior to the start of the year, and the remainder prior to the beginning of each month.

The Resource Adequacy filings take place in October of each year, according to the schedule established by the CEC for evaluating statewide resource adequacy based on resource plans filed by all LSEs in the state.

Local capacity (Western Riverside County subregion) requirements are a function of the SCE area resource adequacy requirements and WCE's projected peak demand. WCE will work with the CPUC's Energy Division and potentially CEC staff obtain the data necessary to calculate WCE's monthly local capacity requirement.

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.

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

RENEWABLE PORTFOLIO STANDARDS (RPS) REQUIREMENTS

WCE is required by law for ensuring CPUC regulations are met to procure a minimum percentage of its retail electricity sales from qualified renewable energy resources. The same standards and rules governing RPS compliance that are applicable to the distribution utilities apply equally to all CCAs.

RPS Standards

On October 7, 2015, Governor Brown signed Senate Bill 350 (De Leon and Leno), the Clean Energy and Pollution Reduction Act of 2015, which increased from 33 percent by 2020 to 50

percent by 2030 amongst other clean-energy initiatives. Many details related to SB 350 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 50 percent procurement mandate for planning purposes.

In September of 2018, Governor Brown signed into law SB 100, which calls for all electricity supplies in the State to be “carbon-free” by 2045. The legislation is important for all LSEs in that it tightens the RPS targets even from SB 350. While the PCC categorization has not been determined, the overall targets in SB 100 are as follows:

- 50% eligible renewable energy by 2026
- 60% eligible renewable by 2030
- 100% carbon free by 2045 (note “carbon-free” vs. “renewable”).

For the purposes of meeting the RPS, what qualifies a resource as renewable varies by the resource’s location and type of contract. Resources which have their first point of interconnection or are delivered directly to the California grid (Balancing Authorities within California) and are contracted for by the LSE as energy bundled with their renewable energy credits (RECs) qualify as Portfolio Content Category I (PCC1) resources. Resources which sell energy and RECs together but are not necessarily connected to the California grid and not delivered simultaneously (i.e. the energy may be “shaped” into flat blocks of power) qualify as PCC2 resources. RECs sold independently of the energy produced qualify as PCC3 resources.

California's Newest Renewable Targets

Target Date	2017	2020	2026	2030	2045
RPS Goal	20%	33%	50%	60%	100% ¹
Year Passed	2002 (SB 1078)	2011 (SB 21X)	2018 (SB 100)	2018 (SB 100)	2018 (SB 100)

¹ 100% carbon free, 60% renewable.

WCE’s RPS goals

WCE intends to pursue a renewable supply portfolio that meets the required statute prior to its implementation date of 2020 and 2030. This includes exceeding both the RPS mandate and SCE’s forecast for overall renewable portfolio percentage and using only PCC1 and PCC2 qualified renewables to meet the mandate. The basic retail offering will meet these objectives. In addition, WCE will offer a 100% renewable option available at a premium rate.

WCE plans to, at a minimum, meet the state RPS. WCE plans to meet the minimum RPS requirements while maintaining rate discounts from SCE rates and offer local programs.

RESOURCES

WCE plans to procure supply through a variety of resources. The long-term strategic vision is to procure and develop local renewable resources. WCE plans to issue a request for offers (RFO) to

procure output from local biomass generators for a portion of its supply needs at start-up. In addition, over time would like to procure from existing, develop local solar capacity, and potentially develop local wind supply.

WCE has contracted with a third-party service provider, TEA, to act as its agent in procuring power, capacity and renewable energy credits through the wholesale market. The arrangement provides flexibility such that WCE can incorporate contracted or new resources into the supply mix as they are procured. WCE will seek to spread transactions out amongst different counterparties and over time. This will lead to a lower risk portfolio over time as WCE's supply costs will tend to smooth out fluctuations in market prices.

In accordance with SB 350, beginning January 1, 2021, at least 65% of WCE's procurement will count toward the renewables portfolio standard requirement of each compliance period will be from its contracts of 10-years or more in duration or in its ownership or ownership agreements for eligible renewable energy resources.

PURCHASED POWER

An extensive use of power markets will be used to meet supply needs on an ongoing basis ~~in order to~~ retain rate competitiveness with SCE. A substantial portion of SCE's supply portfolio consists of short-term power and gas contracts procured from wholesale markets. WCE will need to follow a similar practice with respect to its power supply costs to mitigate the risks of having more expensive supply than SCE. As the proportion of renewable supply grows it can continue to maintain supply cost flexibility by having some of its contracts be index-based contracts, where the energy price varies with market prices. This residual exposure to market prices can then be systematically hedged using similar techniques to those discussed below.

Over-the-counter power markets such as the Intercontinental Exchange (ICE) provide a transparent platform upon which to procure power in standardized contracts with very low transaction costs. WCE plans to procure peak and off-peak power in annual, quarterly or monthly blocks in a systematic way to mitigate the risk of buying large percentages of supply when the market happens to be expensive. This smoothing, or dollar-cost-averaging of supply costs, is a standard best practice for utilities (as well as other participants in wholesale markets) to manage their price risk. WCE will make use of stochastic price and load models to measure the levels of risk and the effectiveness of various hedging transactions on reducing the risk.

WCE will also be able to procure power through CAISO in the Day-Ahead, Fifteen Minute, and 5 Minute Markets. These are also low-cost ways to procure power and can seamlessly provide supply shaping to match load shaping on hourly and sub-hourly granularity. WCE will plan to use the CAISO market to handle its hourly shaping needs and to contribute to the dollar-cost-averaging approach to risk mitigation.

Prior to beginning procurement and in collaboration with TEA, a strategy for procuring power based upon a variety of considerations will be developed that includes:

- 💡 Quantity and cost of procured local renewable supply
- 💡 SCE's rates and procurement practices
- 💡 Stochastically measured risk metrics and risk tolerances
- 💡 Plans for layering in local renewable supply over time
- 💡 Credit availability

REGIONAL RENEWABLE RESOURCES

WCE has a goal of supporting and developing local renewable resources. Additional local supply supports WCE's objective of greater electrical security given limited transmission access to the larger CAISO grid. Spending money on local supply also supports the objective of supporting the local economy. However, there are some obstacles to procuring local renewable supply.

Therefore, WCE proposes to procure regional renewable power as financial circumstances allow, and supplement with non-local, less expensive renewables available on a short-term bilateral basis. This may include utility-scale solar, wind, geothermal or other forms of renewable supply. WCE's wholesale services adviser (TEA), will solicit Category 1 and 2 power and RECs from marketers as needed to meet WCE's RPS obligations and renewable percentage objectives described earlier. WCE will make use of the wholesale service advisor's enabling agreements – with Western System Power Pool, Edison Electric Institute, and International Swaps and Derivatives Association (WSPP, EEI and ISDA) – to transact with marketers on a short-term basis. As more local renewables are contracted, the need for short-term renewable supply will diminish. Planned mechanisms for procurement of local renewable energy include feed-in tariffs for renewable energy systems with capacity less than 1 MW and with minimal on-site loads, and net metering arrangements like those offered by SCE for solar systems under 1 MW that principally serve on-site load².

ENERGY EFFICIENCY

California electric distribution utilities (investor owned utilities and municipal utilities) are required by law to include a separate line item on customer bills containing a surcharge to fund Public Purpose Programs supported by the Public Goods Charge (PGC). PGC funded programs include energy efficiency, renewable energy, low-income, and research and development programs. The PGC surcharge is non-bypassable, subject to payment regardless of whether the serving distribution utility provides the energy commodity. Therefore, customers purchasing energy from a private Energy Service Provider (ESP) or a CCA must pay the PGC and may participate in PGC funded programs. Additionally, under CCA enabling legislation, CCAs can apply to administer cost-effective energy efficiency programs. Energy efficiency programs provide a least-cost, least-risk resource and enhance customer service.

WRCOG, which will provide administrative and management services to WCE, already focuses on energy efficiency in western Riverside County. WRCOG currently receives funding through SCE and Southern California Gas Company to implement its Local Government Partnership. WRCOG plans to continue its current efficiency work post WCE implementation, and develop additional efficiency programs that enhance, but do not duplicate, existing programs in its overall integrated demand side management strategies.

WCE may complete the CPUC application process for administration of energy efficiency programs and use of funds collected through the existing public benefits surcharges paid by WCE customers. Additional details related to WCE's energy efficiency plan will be developed once WCE Program phase-in is underway and the financial viability of WCE is established.

DEMAND RESPONSE

Demand Response (DR) Programs provide incentives to customers to reduce demand upon request by the load serving entity (i.e., WCE), reducing the amount of generation capacity that must be

² Net metered rooftop solar supply will increase the overall renewable supply in Riverside County but will not count towards meeting WCE's RPS obligations.

maintained as infrequently-used reserves. DR Programs can be cost effective alternatives to capacity otherwise needed to comply with the resource adequacy requirements. The Programs also provide rate benefits to customers who have the flexibility to reduce or shift consumption for relatively short periods of time when generation capacity is most scarce. Like energy efficiency, demand response can be a win/win proposition, providing economic benefits to the electric supplier and customer service benefits to the customer.

WCE is interested in exploring the potential for DR within its service area. However, it is not clear at present how much potential there may be for effective demand response. Other CCAs have initiated some prototype DR projects, but have not found opportunities for large scale DR deployment to date. Two newly-emerging areas of demand response are electric vehicle and heat pumps with thermal storage combined with smart grid or timer control. WCE will explore the potential for fuel switching as a form of demand response.

SCE offers several demand response programs to its customers such as the Base Interruptible Program, the Demand Bidding Program, the Optional Binding Mandatory Curtailment Plan, and access to some DR aggregator programs. These may be available to WCE's customers as well. Some existing CCAs provide access to these programs, while others do not. WCE will explore options for including DR programs into its overall integrated demand side management strategies.

DISTRIBUTED GENERATION

WCE is strongly supportive of developing local renewable generation. One significant element of that objective is to incentivize the development of distributed generation, primarily rooftop and small-scale solar PV. WCE plans to implement Net Energy Metering (NEM) and Feed-in-Tariff (FIT) rate schedules which will be more remunerative than the comparable SCE schedules to encourage residents, businesses and developers to install more solar generation within the WCE service area. WCE's resource plan calls for several MWs of both NEM and FIT capacity to be developed within the first several years of operation.

The net metering rate allows PV customers to sell extra energy generated by their PV systems at the retail rate, which is significantly higher than the average procurement cost for energy. For customers, net metering provides a financial incentive to install solar PV. Because WCE customers are likely to be using and benefitting from SCE's Net Energy Metering (NEM) rate schedule, WCE will continue to offer this advantageous rate to continue supporting existing and encouraging additional PV installations.

There are clear environmental benefits and strong customer interest in distributed PV systems. To support such systems, WCE may provide direct financial incentives from revenues funded by customer rates to further support use of solar power and/or other renewable resources within the local area. With regards to WCE's prospective net energy metering program, it is anticipated that WCE would adopt a Program that would allow participating customers to sell excess energy produced by customer-sited renewable generating sources to WCE. Such a program would be consistent with principles identified in Assembly Bill 920 ("AB 920"), which directed the CPUC to establish and implement a compensation methodology for surplus renewable generation produced by net energy metered facilities located within the service territories of California's large investor owned utilities, including SCE. However, WCE may choose to offer enhanced compensation structures, relative to those implemented because of AB 920, as part of the direct incentives that may be established to promote distributed generation development within the region. To the

extent that incentives offered by WCE improve project economics for its customers, it is reasonable to assume that the penetration of distributed generation within the region would increase.

IMPACT OF RESOURCE PLAN ON GREENHOUSE GAS EMISSIONS

WCE plans to reduce CO₂ emissions from its supply portfolio relative to SCE's forecasted emissions rates. WCE plans to achieve emissions reductions through having a substantial part of their supply portfolio be non-fossil-fuel resources. This will consist of RPS-eligible renewable supply as well as other non-fossil-fuel supply such as large hydro generation.

Chapter 7: Financial Plan

INTRODUCTION

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

DESCRIPTION OF CASH FLOW ANALYSIS

The Cash Flow Analysis estimates the level of working capital that would be required until WCE begins to collect retail revenues. With a planned program start date of April 1, 2020 regular monthly revenues would not be realized until June 2020. The Cash Flow Analysis focuses primarily on the monthly costs and revenues associated with the CCA Program implementation period. The components of the Cash Flow Analysis can be summarized into two distinct categories:

- 💡 Cost of Program Operations, and
- 💡 Revenues from Program Operations.

The Cash Flow Analysis identifies and provides annual estimates for each of these two categories. A key aspect of the Cash Flow Analysis is to focus primarily on the costs and revenues associated with the CCA program implementation period, and specifically to account for the transition or “Phase-In” of Customers from SCE’s service territory. The Cash Flow Analysis assumes the Phase-In schedule for the WCE’s Program as described in Chapter 5.

Cost of program operations

The first category of the Cash Flow Analysis is the Cost of Operations. To estimate the overall costs associated with Operations, the following components were taken into consideration:

- 💡 Electricity Procurement
- 💡 Resource Adequacy and Renewable Energy Credit Requirements
- 💡 Exit Fees
- 💡 Staffing Requirements
- 💡 Consulting Costs
- 💡 Administrative Overhead
- 💡 3rd Party Wholesale Services and Data Management Fees
- 💡 Billing Costs
- 💡 Franchise Fees
- 💡 CCA Bond and Security Deposit
- 💡 CAISO Charges (Uplift, etc.)
- 💡 Debt Service

WCE has arranged for services contracts with a Data Management Provider (Calpine Energy Solutions). This contract was arranged to supply deferred payments to WCE through the implementation period. WCE will not begin being billed for these services until revenues start to accrue. Therefore, WCE will not require any additional financing for those services through that period.

Revenues from Program operations

The Cash Flow Analysis also provides estimates for revenues generated from electricity sales to customers. In determining the level of revenues, the Cash Flow Analysis assumes that WCE’s Program provides a discount of 2% from SCE’s rate for each customer class. Based on this assumed discount, Table 9 provides a comparison of the projected blended distribution utility rate and WCE’s blended electric rate over the Implementation period. Costs shown are per MWh.

Table 9: WCE and SCE Blended Rate Forecast for 2020

2020 Blended Rates Generation + Delivery	
WCE Generation Rate	\$66.32
SCE PCIA	\$17.92
SCE Transmission and Distribution	\$100.88
Total CCA Customer	\$185.11
SCE Generation	\$87.73
SCE Transmission and Distribution	\$100.88
Total SCE Bundled	\$188.60
Percentage Discounts	
Of Total Generation + Delivery	2.0%
Of Generation Rate (including PCIA)	4.0%

Cash flow analysis results

The results of the Cash Flow Analysis provide an estimate of the level of working capital required for WCE to move through the implementation period. This estimated level of working 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 by WCE, along with an assumption for when customer payments will be received. This identifies, monthly, what level of cash flow is available in terms of a surplus or deficit. About the assumptions related to payments streams, the Cash Flow Analysis assumes that customers will make payments within 60 days of the service month, and that WCE will make payments to suppliers within 30 days of the service month.

As a currently operating energy efficiency organization, WCE has already accounted for much of its overhead in terms of internal staff and operations. Therefore, WCE’s additional financing needs are limited to any incremental resources needed to meet staffing costs. WCE has entered

into an Implementation and Management Services Agreement with WRCOG to provide staffing and General Counsel, and consultant costs. WRCOG has funds that can be drawn down to cover these costs, but all WCE's current funding is on a reimbursable basis. Therefore, having a healthy general fund balance and/or line of credit is necessary to manage cash-flow for daily operations.

In terms of reviewing the results of the Cash Flow Analysis, it is important to note that from a feasibility standpoint, the Program is viable, meaning that the Program is feasible while providing cost savings to customers when compared to the costs for electricity those same customers pay under the incumbent distribution utility. The feasibility of the Program during the implementation period is summarized further below.

PROGRAM IMPLEMENTATION PRO-FORMA

In addition to developing a Cash Flow Analysis that estimates the level of working capital required to get WCE through full implementation, a summary analysis has been prepared that evaluates the feasibility of the Program during the implementation period. The difference between the Cash Flow Analysis and the Program Implementation Feasibility Analysis ("Feasibility Analysis") is that the Feasibility 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 Operations and rates charged to customers, remain the same.

The results of the Feasibility Analysis are in Table 10. Over the entire implementation period, while providing a 2% electricity savings to customers, estimated at over \$60 million, the Analysis demonstrates that the Program will generate an estimated positive cash flow of approximately \$40million. This amount is subject to change depending upon market prices, SCE rates, and other factors. Surplus revenues will form the basis of a rate-stabilization or reserve fund. They may also be used for the development and implementation of renewable energy projects, energy efficiency programs, and/or low-income assistance programs.

The pro-forma also include room for the Power Charge Indifference Allocation or "Exit Fee" charge by SCE to recover the market cost of its legacy contracts. On October 11, 2018 the CPUC voted unanimously to implement the Alternative Proposed Decision (APD) methodology beginning in 2019. The Analysis incorporates this decision in the forecast PCIA.

Table 10: WCE Pro-Forma from Feasibility Analysis in 2016\$. Net Programs Revenues is the Total Revenues minus Total Operations Costs

Implementation Plan Proforma												
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Revenues from Operations (\$)												
Electric Sales Revenues	\$ 74,698,058	\$ 104,886,972	\$ 110,451,065	\$ 116,402,178	\$ 118,936,173	\$ 124,919,979	\$ 131,046,785	\$ 139,095,639	\$ 146,695,151	\$ 154,657,107	\$ 163,252,292	\$ 1,385,041,398
Less Uncollected Accounts	\$ 373,490	\$ 524,435	\$ 552,255	\$ 582,011	\$ 594,681	\$ 624,600	\$ 655,234	\$ 695,478	\$ 733,476	\$ 773,286	\$ 816,261	\$ 6,925,207
Total Revenues	\$ 74,324,568	\$ 104,362,537	\$ 109,898,809	\$ 115,820,167	\$ 118,341,492	\$ 124,295,379	\$ 130,391,551	\$ 138,400,161	\$ 145,961,675	\$ 153,883,821	\$ 162,436,031	\$ 1,378,116,191
Cost of Operations (\$)												
Cost of Energy	\$ 71,574,412	\$ 95,807,193	\$ 101,032,195	\$ 105,869,606	\$ 111,953,251	\$ 113,077,249	\$ 119,583,290	\$ 127,004,257	\$ 135,284,774	\$ 144,572,415	\$ 154,822,630	\$ 1,280,581,274
Operating & Administrative												
Data Management	\$ 1,183,333	\$ 1,614,438	\$ 1,656,961	\$ 1,700,605	\$ 1,749,149	\$ 1,795,221	\$ 1,842,506	\$ 1,891,037	\$ 1,940,846	\$ 1,991,966	\$ 2,044,434	\$ 19,410,495
Scheduling Coordinator	\$ 466,500	\$ 633,403	\$ 646,071	\$ 658,993	\$ 673,273	\$ 686,738	\$ 700,473	\$ 714,482	\$ 728,772	\$ 743,348	\$ 758,215	\$ 7,410,268
SCE Fees (includes billing)	\$ 153,784	\$ 231,739	\$ 233,179	\$ 234,629	\$ 236,209	\$ 237,677	\$ 239,154	\$ 240,640	\$ 242,136	\$ 243,641	\$ 245,155	\$ 2,537,944
Consulting Services	\$ 388,500	\$ 319,464	\$ 325,853	\$ 332,370	\$ 339,018	\$ 345,798	\$ 352,714	\$ 359,768	\$ 366,964	\$ 374,303	\$ 381,789	\$ 3,886,542
Staffing	\$ 354,375	\$ 481,163	\$ 490,786	\$ 500,601	\$ 511,449	\$ 521,678	\$ 532,112	\$ 542,754	\$ 553,609	\$ 564,681	\$ 575,975	\$ 5,629,183
General & Administrative expenses	\$ 319,400	\$ 150,777	\$ 160,168	\$ 163,371	\$ 166,911	\$ 170,249	\$ 173,654	\$ 177,127	\$ 180,670	\$ 184,283	\$ 187,969	\$ 2,034,579
Debt Service	\$ 2,939,010	\$ 4,404,765	\$ 4,404,765	\$ 4,404,765	\$ 4,404,765	\$ 1,468,255	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,026,323
Total O&A Costs	\$ 5,804,902	\$ 7,835,748	\$ 7,917,783	\$ 7,995,333	\$ 8,080,773	\$ 5,225,616	\$ 3,840,613	\$ 3,925,809	\$ 4,012,996	\$ 4,102,222	\$ 4,193,536	\$ 62,935,334
Total Cost & Reserves	\$ 77,379,314	\$ 103,642,941	\$ 108,949,979	\$ 113,864,940	\$ 120,034,025	\$ 118,302,866	\$ 123,423,903	\$ 130,930,066	\$ 139,297,771	\$ 148,674,638	\$ 159,016,166	\$ 1,343,516,608
CCA Program Surplus/(Deficit)	\$ (3,054,746)	\$ 719,596	\$ 948,831	\$ 1,955,228	\$ (1,692,533)	\$ 5,992,513	\$ 6,967,647	\$ 7,470,094	\$ 6,663,904	\$ 5,209,183	\$ 3,419,865	\$ 34,599,583
Cash From Financing	\$20,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
CCA Accumulated Reserves	\$ 16,945,254	\$ 17,664,850	\$ 18,613,681	\$ 20,568,908	\$ 18,876,376	\$ 24,868,889	\$ 31,836,536	\$ 39,306,630	\$ 45,970,535	\$ 51,179,718	\$ 54,599,583	

FINANCINGS

Implementation financing

It is anticipated that one or more financings will be necessary to support WCE's implementation. Subsequent capital requirements will be self-funded from WCE's accrued financial reserves.

Local renewable resource project financing

WCE will issue Request for Offers (RFO) for local generation as its first purchase of resource-specific generation. It is anticipated that existing generators will respond and will not require any collateral or other initial funding. Any additional renewable generation development in the first several years of operations is expected to be funded out of operating revenues and/or accumulated reserves. The most likely early resource development efforts will be focused on relatively small scale solar PV developments.

Chapter 8: Rate Setting

INTRODUCTION

WCE has developed its initial policies for setting its rates for electric aggregation services, as outlined below. These include policies regarding rate design, rate objectives, net metering, and provision for due process in setting Program rates.

RATE POLICIES

WCE will establish rates sufficient to recover all costs related to operations, including any reserves that may be required as a condition of financing, and other discretionary reserve funds that may be approved by the Board. The initial goal has been set to build a discretionary reserve between \$35 and \$40 million over the first 8 years of operation, depending on market conditions. As a general policy, rate discounts relative to SCE will be uniform for all customer classes throughout the service area of the Program, comprised of the jurisdictional boundaries of WCE's Members.

Program rates are ultimately approved by the Board and it retains the authority to modify Program policies from time to time at its discretion.

WCE intends to allocate approximately 2% of its available budget to rate savings. This is estimated to translate into a targeted total customer rate savings of \$5.4 million per year on average over the first five years of operation, or \$27 million in cumulative rate savings over this period.

The primary objective of the rate setting plan is to set rates that achieve the following:

-  Rate competitiveness
-  Rate stability
-  Equity among customers
-  Customer understanding
-  Revenue sufficiency

Each of these objectives is described below.

Rate competitiveness

WCE's goal is to offer competitive and/or lower rates for the electric services it provides to participating customers than those served by SCE. The financial projections included in the Plan indicate that this target is achievable on a long-term basis due, in part, to WCE's access to low cost generation sources. Competitive rates will be critical to attracting and retaining key customers.

Rate stability

WCE will offer stable rates by hedging its supply costs over multiple time horizons. Rate stability considerations may mean that rates at any point in time may offer somewhat greater or lesser savings than the general rate targets set for the Program. Although WCE's rates will be stabilized through execution of appropriate price hedging strategies, the distribution utility's rates can fluctuate significantly year-to-year based on energy market conditions such as natural gas prices, the utility's hedging strategies, and hydro-electric conditions; and from rate impacts caused by periodic additions of generation to utility rate base.

Equity among customer classes

WCE’s policy is to provide rate benefits to all customer classes relative to the rates that would otherwise be paid to the local distribution utility. 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 Board.

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 helps minimize customer confusion and dissatisfaction but will also result in fewer billing inquiries to WCE’s customer service call center. Customer understanding also requires rate structures to make sense (i.e., there should not be differences in rates that are not justified by costs or by other policies such as providing incentives for conservation).

Revenue sufficiency

WCE’s rates must collect sufficient revenues from participating customers to fully fund the Program’s annual 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 Program costs.

RATE DESIGN

WCE’s rate designs will initially, mirror the structure of SCE’s generation rates so that similar rate benefits can be provided to all Program customers. WCE’s rates will not follow a similar tier structure as SCE’s but will offer a Time of Use rate that is consistent with the times SCE has outlined in its tariff. WCE will generally match the rate structures from SCE’s standard rates to avoid significantly different bill impacts across customers. WCE may also introduce new rate options for customers, such as rates designed to encourage economic expansion or business retention within WCE’s service area.

The proposed rate design approach will apply an equal percentage discount to the otherwise applicable rate for all of the various rate schedules offered by SCE. All customers, including low income residential customers receiving low income discounts, would receive the same rate benefit on a percentage basis.

The “equal benefits” rate design will facilitate easy rate comparisons and provide for a smooth transition of customers from bundled service to Program service. WCE’s Board has the discretion to modify its rate design policies.

Low-income customers who stay with the Program will still be eligible for the California Alternative Rate for Energy (CARE) plan through SCE. This program is funded by all customers through either the public purpose program charge or the investor owned utilities (IOUs) distribution rates and would not impose additional costs on Program customers. However, WCE may create additional programs to benefit low income customers.

NET ENERGY METERING

Customers with on-site generation eligible for net metering from SCE would be offered a net energy metering rate from WCE. Net energy metering (NEM) allows for customers with certain qualified

distributed generation to be billed based on their net energy consumption. WCE's objective is that WCE net energy metering tariff would apply to the generation component of the bill, and the SCE net energy metering tariff would apply to the utility's portion of the bill. To the extent that current CPUC regulations governing provision of net energy metering to CCA customers are unresolved, WCE would work with SCE and the CPUC to establish a net energy metering tariff that accomplishes this objective.

RATE IMPACTS

Based on projected costs for the first year of service, WCE's initial load-weighted average rate is expected to be 8.4 cents/kWh. This is below projected SCE generation rates, including the impact of the PCIA charge which WCE customers will also have to pay.

WCE's rates include all costs expected to be incurred by WCE related to the Program, including power supply costs, operations and administration costs, reserves, and billing and metering fees charged by SCE to WCE. Program rates are designed to be at or below SCE rates.

DISCLOSURE AND DUE PROCESS IN SETTING RATES AND ALLOCATING COSTS AMONG PARTICIPANTS

Initial Program rates will be adopted by the Board following the establishment of the first year's operating budget prior to initiating the customer notification process. Subsequently, WCE will prepare an annual budget and corresponding customer rates and submit these as an application for a change in rates to the Board. The rates must be approved at a public meeting of WCE no sooner than sixty days following submission of the proposed rates, during which affected customers will be able to provide comment on the proposed rate changes.

Within forty-five days after applying to increase any rate, WCE will furnish notice of its application to its customers affected by the proposed increase, either by mailing such notice postage prepaid to such customers or by including such notice with the regular bill for charges transmitted to such customers. The notice will state the amount of the proposed increase expressed in both dollar and percentage terms, a brief statement of the reasons the increase is required or sought, and the mailing address of WCE to which any customer inquiries relative to the proposed increase, including a request by the customer to receive notice of the date, time, and place of any hearing on the application, may be directed.

Chapter 9: Customer Rights and Responsibilities

INTRODUCTION

This chapter discusses customer rights, including the right to opt-out of the Program and the right to privacy of customer usage information, as well as obligations customers undertake upon agreement to enroll in the 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 Plan, the Board will have approved the customer rights and responsibilities policies contained herein to be effective at Program initiation. The Board retains authority to modify program policies from time to time at its discretion.

CUSTOMER OPT-OUT RIGHTS, NOTICES AND PROCESS

Customer rights, includes the right to opt-out of the Program, as well as obligations customers undertake upon agreement to enroll in WCE. All customers that do not opt-out within 60 days of enrollment (after having received the fourth opt- out 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.

Opt-out notices

A total of 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. Customers who do not affirmatively opt-out within this period shall be automatically enrolled in the Program.

Following automatic enrollment, a third opt-out notice will be sent within 30 days of enrollment, and a fourth and final opt-out notice will be sent within 60 days of enrollment. Customers who opt-out will be obligated to pay WCE's charges for electric services provided during the time the customer took service from the program but will otherwise not be subject to any penalty or transfer fee from WCE.

WCE will use its own mailing service for opt-out notices to increase the likelihood that customers will read the enrollment notices. Customers may opt-out by notifying WCE using the Program's designated telephone-based or internet opt-out processing service. Customers that contact SCE to opt-out will be transferred to the Program's call center to complete the opt-out process. Consistent with CPUC regulations, notices returned as undelivered mail will be treated as failure to opt-out and the customer will be automatically enrolled.

Termination fee

Customers that are automatically enrolled in the Program can elect to transfer back to SCE without penalty. WCE will not charge any fee to customers returning to bundled service with SCE. Customers electing to terminate service will be transferred to SCE on their next regularly scheduled meter read date if the termination notice is received a minimum of fifteen days prior to that date. Customers who voluntarily transfer back to SCE will also be liable for the nominal reentry fees imposed by SCE as set forth in the applicable SCE CCA tariffs. Such customers will

also be required to remain on bundled utility service for a period of one year, as described in SCE's CCA tariffs.

Customer re-entry

Customers that opt out within the initial and follow-up notification periods may return to WCE service at any time. A customer opting out after the follow-up notification period is locked in to SCE bundled service for a period of one year and subject to conditions imposed by SCE as set forth in the applicable SCE-CCA tariffs. However, WCE will not impose a customer reentry fee for the customer's change of service provider.

Customer confidentiality

WCE will maintain confidentiality of individual customer data. Confidential data includes individual customers' name, service address, billing address, telephone number, account number and electricity consumption. Aggregate data that does not compromise confidentiality of individual customers may be released at the discretion of WCE or as required by law or regulation.

An exception may be made where reasonably necessary to conduct business of WCE 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 WCE to provide service to its customers; c) collect unpaid bills; d) obtain and provide credit reporting information; or e) resolve customer disputes or inquiries. WCE will not disclose customer information for telemarketing, e-mail, or direct mail solicitation. This requirement does not extend to disclosure of generic information, or aggregate data, regarding the usage, load shape, or other general characteristics of a group or rate classification, unless the release of that information would reveal customer-specific information because of the size of the group, rate classification, or nature of the information. WCE will handle customer energy usage information in a manner that is fully compliant with the California Public Utility CPUC's required privacy protections for customers of Community Choice Aggregators, as currently defined in Decision 12-08-045.

Responsibility for payment

Pursuant to CPUC regulations, electricity service will not be shut off for failure to pay WCE's bill. In most circumstances, customers will be returned to SCE for failure to pay bills in full and customer deposits will be withheld in the case of unpaid bills. Late-payment notices will be sent to overdue customers; if payment is not received after an additional period as stated in the notices, service will 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 will not 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.

Customers will be obligated to pay WCE charges for services provided through the date of transfers, including any applicable Termination Fees. WCE will have an enforceable collection mechanism to support its credit and will attempt to negotiate collection arrangements with SCE that will satisfy WCE's credit requirements. WCE may petition the CPUC to obtain shut-off rights for a customer's non-payment of Program charges, if a satisfactory collections agreement cannot be negotiated with SCE.

Customer deposits

Customers may be required to post a deposit equal to two months' estimated bills for WCE's charges to obtain service from WCE under certain circumstances. A deposit would be required for an applicant who previously has been a customer of SCE or WCE and whose electric service has been discontinued by SCE during the last twelve months of that prior service because of nonpayment of bills. Such customers may be required to reestablish credit by depositing the prescribed amount. Additionally, a customer who fails to pay bills before they become past due as defined in SCE Electric Rule 11 (Discontinuance and Restoration of Service), and who further fails to pay such bills within five days after presentation of a discontinuance of service notice for nonpayment of bills, may be required to pay said bills and re-establish credit by depositing the prescribed amount. This rule will apply regardless of whether service has been discontinued for such nonpayment. Failure to post deposit as required would cause the account service transfer request to be rejected, and the account would remain with SCE.

Chapter 10: Procurement Process

INTRODUCTION

The following describes WCE's procurement process and the key third party service agreements that WCE will utilize to assist with operations.

PROCUREMENT METHODS

WCE has entered into and will continue to enter into agreements for a variety of services needed to support Program development, operation, and management.

WCE will utilize competitive procurement methods for services that are over \$50,000 and are not in relation to the procuring of energy. Anything under \$50,000 can be signed by the Executive Director without going through the competitive procurement process. Sole source procurement will only be used in the case of emergency or when a competitive process would be an idle act or take up too much time to process.

WCE utilized 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 the discretion of the Executive Director or Board.

The Executive Director will report monthly to the Board a summary of the actions taken with respect to the delegated procurement authority. Authority for terminating agreements will generally mirror the authority for entering into the agreements.

KEY CONTRACTS

The following outlines key contracts that WCE has entered for implementation.

Electric supply contract

WRCOG, on behalf of WCE conducted an open RFP process through which it has contracted with The Energy Authority (TEA) to provide wholesale power services including assistance with procurement, risk management and to act as its CAISO Scheduling Coordinator. TEA is a not-for-profit energy services company which is owned by and works exclusively for municipal and state agencies. TEA has over 50 customers for its services across the United States. TEA specializes in wholesale procurement in the forward, cash and real-time markets, both in bilateral and regional transmission organization (RTO) - based markets. TEA also provides risk management, valuation and other analytic and middle-office services.

TEA will serve as WCE's agent by procuring energy, capacity and renewable energy credits in the over-the-counter markets from energy marketers and other utilities. TEA will secure these products via multiple provider solicitations. WCE will contract directly with power suppliers.

TEA will also help WCE with competitive solicitations for local renewable generation, though WCE will contract with those generators directly. TEA will also act as the Scheduling Coordinator for WCE with CAISO. TEA will pass through CAISO charges and credits directly

to WCE.

Lastly, TEA will assist WCE in managing its portfolio. TEA will provide analytical expertise to help WCE manage its financial prospects, including stochastically driven metrics to understand its risks of, for example, not meeting budget or having to raise rates.

Data management contract

Calpine Energy Solutions will provide retail customer services including billing and other account services. Recognizing that some qualified wholesale energy suppliers do not typically conduct retail customer services whereas others (i.e., direct access providers) do, the data management contract is separate from the electric supply contract. Calpine Energy Solutions will be responsible for the following services:

-  Data exchange with SCE
-  Technical testing
-  Customer information system
-  Customer call center
-  Billing administration/retail settlements
-  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 cost from \$5 to 10 million dollars to implement and take significant time to deploy. A longer-term contract is appropriate for this service because of the time and expense that would be required to migrate data to a new system. Separation of the account services contract from the energy supply contract gives WCE greater flexibility to change energy suppliers, if desired, without facing an expensive data migration issue.

Chapter 11: Contingency Plan for Program Termination

INTRODUCTION

While it is not envisioned that the Program would terminate, the need for a termination process is needed. WCE has outlined the following process that would return Customers to SCE service, the proposed process is designed to minimize the impacts on its customers and on SCE. The termination plan follows the requirements set forth in SCE's tariff Rule 23 governing service to CCAs.

TERMINATION BY WCE

There is no planned Program termination date. In the unanticipated event the Board decides to terminate and any applicable restrictions on such termination have been satisfied, notice will be provided to customers six months in advance that they will be transferred back to SCE. A second notice will be provided the last sixty days in advance of the transfer. The notice will 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 will be provided to SCE and the CPUC before transferring customers, and WCE will coordinate the customer transfer process to minimize impacts on customers and ensure no disruption in service. Once the customer notice period is complete, customers will be transferred *en masse* on the date of their regularly scheduled meter read date.

WCE will maintain funds held in reserve to pay for potential transaction fees charged to the Program for switching customers back to distribution utility service. Reserves will be maintained against the fees imposed for processing customer transfers. The Public Utilities Code requires demonstration of insurance or posting of a bond sufficient to cover re-entry fees imposed on customers that are involuntarily returned to SCE under certain circumstances. The cost of re-entry 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. WCE will self-insure against the risk of customer reentry fees.

TERMINATION BY MEMBERS

As stated in article 5.1 of the JPA Agreement:

A Member Agency may withdraw its membership in the Authority, effective as of the beginning of the Authority's fiscal year, by giving no less than 180 days advance written notice of its election to do so, which notice shall be given to the Authority and each Member Agency. Withdrawal of a Member Agency shall require an affirmative vote of the Member Agency's Board. A Member Agency that withdraws its participation in the Authority pursuant to this subsection may be subject to certain continuing liabilities as described in Section 5.4. The withdrawing Member Agency and the Authority shall execute and deliver all further instruments and documents and take any further action that may be reasonably necessary, as determined by the Board, to effectuate the orderly withdrawal of such Member Agency.

As a consequence of a CCA Member's withdrawal from the Program, customers within the CCA Member's jurisdiction will be returned to SCE bundled service at their regularly scheduled meter

read date prior to the effective date of the CCA Member's withdrawal from the Program, following the 60-day notice period described above.

In accordance with the distribution utility tariffs, WCE will execute a revised service agreement or specialized service agreement, as appropriate, with SCE to coordinate the removal of the withdrawing CCA Member from WCE.

**Appendix A Resolution Adopting Implementation Plan and
Statement of Intent**

BEGINS ON THE FOLLOWING PAGE

Appendix B WCE Joint Powers Agreement

BEGINS ON THE FOLLOWING PAGE