AGENDA

ALISO VIEJO CITY COUNCIL
WEDNESDAY, AUGUST 18, 2021
5:30 PM CLOSED SESSION
6:00 PM STUDY SESSION
7:00 PM REGULAR MEETING

City Hall
Council Chambers
12 Journey
Aliso Viejo, CA

Mayor Tiffany Ackley
Mayor Pro Tem Ross Chun
Councilmember David C. Harrington
Councilmember Richard W. Hurt
Councilmember Mike Munzing

SPECIAL NOTICE REGARDING COVID-19

On March 4, 2020, Governor Newsom proclaimed a State of Emergency in California as a result of the threat of COVID-19. On June 11, 2021, the Governor's Executive Order N-08-21 lifted several pandemic-related orders but continued, until September 30, 2021, to allow for the City Council to attend City Council meetings telephonically and for the public to participate in the City Council meeting by electronic means.

Given the health risks associated with COVID-19, the City of Aliso Viejo will not have the Council Chambers open to the public for this meeting. Members of the public may view the meeting live on Cox Communications Channel 851, AT&T U-Verse Channel 99 or on the City's website at www.avcity.org.

Public comments can be submitted via email to Community-Input@avcity.org or by calling (949) 425-2509 to leave a recorded message. Comments are limited to three minutes each. Recorded comments must be submitted by 4:00 p.m. on the day of the meeting.

WELCOME to the City of Aliso Viejo City Council meeting.

It is the City's intention to comply with the Americans with Disabilities Act (ADA). If you need special assistance to participate in the meeting, the City will make reasonable arrangements to ensure accessibility and/or accommodations. [28 CFR 35.102-35.104 ADA Title II] Please contact the City Clerk's Office at (949) 425-2505 at least 48 hours prior to the meeting.

Regular meetings of the City Council are held on the first and third Wednesday of the month at the City Hall Council Chambers, 12 Journey, Aliso Viejo. Copies of the agenda are available in the lobby at City Hall preceding a regularly scheduled City Council meeting. Supplemental documents relating to specific agenda items, including communications received after agenda delivery, are presented to the City Council and are available for review in the City Clerk's office, 12 Journey, Aliso Viejo. For more information, please contact City Hall at (949) 425-2505.

This meeting will be broadcast live on Cox Communications Channel 851, AT&T U-Verse Channel 99 and the City's website. By attending the City Council Meeting, you are giving your permission to be televised. The Council Meetings are rebroadcast on Wednesday at 7:00 p.m. on Cox Communications Channel 851, AT&T U-Verse Channel 99, and can be viewed on the internet at www.avcity.org.

DAVID A. DOYLE	SCOTT C. SMITH	MITZI ORTIZ
CITY MANAGER	CITY ATTORNEY	CITY CLERK

PLEASE SILENCE ALL CELL PHONES AND OTHER
ELECTRONIC EQUIPMENT WHILE CITY COUNCIL IS IN SESSION

CALL TO ORDER: CONVENE SPECIAL MEETING

PUBLIC COMMENTS:

CLOSED SESSION:

LIABILITY CLAIMS
Pursuant to Gov't Code Sec. 54956.95
Claimant: G. Tharani
Agency claimed against: City of Aliso Viejo

STUDY SESSION:

COMMUNITY CHOICE ENERGY (CCE) OVERVIEW
Buena Park Staff Report - 02-09-2021
Costa Mesa Staff Report - 11-17-2020
Fullerton Staff Report - 11-02-2020
Huntington Beach Staff Report - 12-10-2020
Irvine Staff Report - 11-10-2020
Lake Forest Staff Report - 02-16-2021
Placentia Staff Report - 04-06-2021

Santa Ana Staff Report - 02-02-2021
Stanton Staff Report - 02-23-2021

CALL TO ORDER: CONVENE REGULAR MEETING

ROLL CALL

PLEDGE OF ALLEGIANCE:

REPORT FROM CLOSED SESSION:

1. SPECIAL PRESENTATIONS:

1.1. FEATURED BUSINESS OF THE MONTH – SGT. PEPPERONI'S PIZZA STORE
Certificate of Recognition

1.2. PRESENTATION BY OC HUMAN RELATIONS

2. ADDITIONS, DELETIONS, REORDERING TO THE AGENDA:

3. COMMUNITY INPUT:

Members of the public wishing to address the City Council can submit public comments via email to Community-Input@avcity.org or by calling (949) 425-2509 to leave a recorded message. Recorded comments must be submitted by 4:00 p.m. on the day of the meeting. Written comments will be read into the record and recorded messages will be aired during the meeting. Comments are limited to three (3) minutes each. In compliance with the Brown Act, no discussion or action may be taken on comments received at this time, except the City Council may briefly respond to statements made or questions posed.

4. CONSENT CALENDAR:

All matters listed on the Consent Calendar will be acted upon by one vote unless members of the City Council, or staff request a matter to be discussed and/or removed from the Consent Calendar for separate action. Items removed from the Consent Calendar will be discussed and voted upon immediately following City Council action on the remainder of the Consent Calendar.

4.1. WAIVE THE READING OF ALL ORDINANCES AND RESOLUTIONS

Recommended Action: Approve the reading by title only of all ordinances and resolutions wherein the titles appear on the public agenda; said titles shall be determined to have been read by title, and further reading is waived.

4.2. APPROVAL OF MINUTES

Recommended Action: Approve the Minutes as submitted for the July 21, 2021 Regular Meeting.

Draft Minutes - July 21, 2021 Regular Meeting

4.3. ACCOUNTS PAYABLE

Recommended Action:

1. Ratify accounts payable checks and electronic funds transfers issued July 8, 2021 in the amount of $403,404.98; and
2. Ratify accounts payable checks and electronic funds transfers issued July 22, 2021 in the amount of $1,421,470.09.

Staff Report

Attachment 1 - Accounts Payable Report

4.4. TREASURER'S STATEMENT – JUNE 2021

Recommended Action: Approve June 2021 Treasurer's Statement.

Staff Report

Attachment 1 - Jun'21 Treasurer's Report

5. PUBLIC HEARINGS:

5.1. REQUEST TO APPROVE PLANNING APPLICATION PA21-011 (CUP/EP) FOR A CONDITIONAL USE PERMIT AND EXCEPTION PERMIT TO ALLOW FOR A LARGE OUTPATIENT MEDICAL USE AND ALLOW A PARKING DEFICIENCY OF LESS THAN 15 PERCENT AT 27372 ALISO CREEK ROAD

Recommended Action:

1. Conduct a public hearing;
2. Find that the request is exempt from the California Environmental Quality Act pursuant to State CEQA Guidelines Sections 15301 and 15303 (Existing Facilities and New Construction or Conversion of Small Structures); and
3. Adopt a Resolution to approve Planning Application PA21-011 (CUP/EP) for a conditional use permit and an exception permit to allow a large outpatient medical use and allow a parking deficiency of less than 15 percent at 27372 Aliso Creek Road.

Staff Report

Attachment 1 - Resolution

Attachment 2 - Applicant's Description Letter

Attachment 3 - Presentation

6. DISCUSSION:

6.1. DRAFT 2021-2029 HOUSING ELEMENT UPDATE

Recommended Action: Review and accept the draft 2021-2029 Housing Element Update document and direct staff to submit the document to the Department of Housing and Community Development (HCD) to start the State's 60-day review and comment

period. The City Council is not adopting or approving the draft housing element document at this time.

Staff Report
Attachment 1 - Draft 2021-2029 Housing Element Update
Attachment 2 - Study Session Agenda Item

6.2. BALLOT MEASURES FOR NOVEMBER 8, 2022 GENERAL MUNICIPAL ELECTION FOR THE ADOPTION OF AN ORDINANCE ESTABLISHING TERM LIMITS FOR MEMBERS OF THE CITY COUNCIL AND FOR THE ADOPTION OF A CHARTER ESTABLISHING TERM LIMITS FOR MEMBERS OF THE CITY COUNCIL AND REQUIRING SPECIAL ELECTIONS TO FILL COUNCIL VACANCIES

Recommended Action:

1. Consider a resolution for a ballot measure for the November 8, 2022 General Municipal Election adopting an ordinance establishing term limits for members of the City Council.
2. Instruct staff to set and notice a first and second hearing on a resolution placing on the November 8, 2022 ballot an Aliso Viejo charter establishing term limits for members of the City Council and requiring special elections for Council vacancies.

Staff Report
Attachment 1 - Resolution
Attachment 2 - Draft Charter

7. CITY MANAGER' S REPORT:

8. ANNOUNCEMENTS / COUNCIL COMMENTS / COMMITTEE UPDATES:

9. ADJOURNMENT:

The next regularly scheduled City Council meeting is September 1, 2021.

City of BUENA PARK

STUDY AND EXECUTIVE SESSION

BUENA PARK CITY COUNCIL
STUDY SESSION ◉ EXECUTIVE SESSION ○
SUMMARY SHEET

MEETING DATE: February 09, 2021

TOPIC: **DISCUSS AND PROVIDE DIRECTION ON THE CITY'S MEMBERSHIP IN THE ORANGE COUNTY POWER AUTHORITY (OCPA)**

FROM: Eddie Fenton, Assistant City Manager

EXECUTIVE SESSION INFORMATION REQUIRED BY THE BROWN ACT:

- ☐ License Permit Determination 54956.7
- ☐ Conf w/Legal Counsel-Existing Lit. 54956.9(d)(1)
- ☐ Liability Claims 54956.95
- ☐ Worker's Compensation Claims 54956.95
- ☐ Public Employee Appointment 54957
- ☐ Public Employee Performance Evaluation 54957
- ☐ Conference with Labor Negotiator 54957.6
- ☐ Case Review/Planning 54957.8
- ☐ Conference with Real Property Negotiator 54956.8
- ☐ Conf w/Legal-Anticipated Lit. (exposure to) 54956.9(d)(2)
- ☐ Conf w/ Legal-Anticipation Lit. (city initiated) 54956.9(d)(4)
- ☐ Threat to Public Services or Facilities 54957
- ☐ Public Employment 54957
- ☐ Public Employee Discipline/Dismissal/Release 54957
- ☐ Report Involving Trade Secret
- ☐ Hearings

Pursuant to Government Code Section _____(example: 54956.8, 54957.6)
Applicant: _____
Property: _____
Negotiating Parties: _____
Under Negotiation: _____
Name of Case: _____
Title (public employee items): _____
Employee Organization (labor items): _____
Subject Matter: _____
Other: _____

BACKUP MATERIAL? ○ YES ○ NO ☐ IN C.C. CONF. ROOM

REQUESTED OF COUNCIL/AGENCY BOARD:

Receive report and provide direction.

City of BUENA PARK

Agenda Report to City Council
Study Session

MEETING DATE: February 09, 2021

TO: The Mayor and City Council

TITLE: **DISCUSS AND PROVIDE DIRECTION ON THE CITY'S MEMBERSHIP IN THE ORANGE COUNTY POWER AUTHORITY (OCPA)**

DISCUSSION:

BACKGROUND:

In July 2020, the Irvine City Council directed staff to move forward and work with other cities to form a Community Choice Energy (CCE) Joint Power Authority (JPA), prepare necessary JPA documentation, and file the required CCE Implementation Plan with the California Public Utility Commission (CPUC) by its deadline of December 31, 2020. Failure to meet this deadline would have resulted in delaying implementation of the CCE program by a calendar year. Over the intervening months, the City of Irvine sought partnerships with other cities within Orange County including the City of Buena Park. On December 8, 2020, Mayor Traut requested a discussion of Buena Park joining the Orange County CCE to be agendized at a Special City Council meeting.

The City Council held a Special Meeting for this purpose on December 15, 2020, with the urgency of the meeting caused by the imminent December 31 deadline. 'Opting-in' to the authority before this deadline gave Buena Park the chance to be included on the Executive Board as a Founding Member, and to purchase electricity through the JPA in Spring 2022. If the decision were deferred, the City would have to wait until the Spring of 2023 before being allowed to purchase electricity in the CCE program and would not be included on the Executive Board as a Founding Member.

Given these considerations, at the December 15 meeting, the City Council took action to join the CCE JPA. More specifically, the City Council approved an Ordinance authorizing the implementation of a Community Choice Aggregation (CCA) program in the City of Buena Park, and adopted a Resolution approving the JPA and joining the Orange County Power Authority (OCPA).

In addition, the City Council appointed Council Member Sonne as a regular Board Member and Mayor Traut as an alternate Board Member to serve on the OCPA Executive Board on behalf of the City.

Furthermore, the City Council directed staff to hire an outside consultant and return to the City

Council with a report. The City hired MRW & Associates (MRW Consultant) to provide an independent analysis of the OCPA's financial viability, to review the OCPA Implementation Plan, and to provide an analysis of the benefits and risks the City would face if it remained in the OCPA. Staff was directed to bring back the report / analysis to the City Council prior to the deadline to 'opt out' of the OCPA. At the time, this deadline was March 1, 2021, with the deadline for the City to provide notice of its decision being February 14th (a Sunday).

At the request of several Founding Members, the OCPA Board voted to approve an extension of the 'opt out' deadline to April 1, 2021. However, the Joint Powers Authority Agreement requires 30-days notice to members before it may be amended; meaning the earliest the OCPA Board can take action to formally extend the deadline is February 11, 2021. However, the next regular meeting of OCPA Board is not scheduled until after the current deadline for Founding Members to provide their 'opt out' notice. In efforts to cure this, staff understands that the OCPA Board is considering the calling of a Special Meeting to take formal action to amend the JPA no later than February 12, 2021.

As of the writing of this report, Buena Park's official deadline to 'opt out' of the OCPA remains February 14th. **Staff is requesting direction and discussion on how to proceed with membership in the OCPA.** Mark Fulmer, MRW Consultant, is also available to answer questions regarding his attached report and analysis of the OCPA.

DISCUSSION:

CCA Background

California Assembly Bill 117, passed in 2002, established Community Choice Aggregation (CCA) in California, also referred to as Community Choice Energy, or CCE. This provided an opportunity for local governments or special jurisdictions to procure and provide electric power for their residents and businesses. Under existing rules administered by the California Public Utilities Commission (CPUC), Southern California Edison (SCE) must continue to provide electricity delivery services at the same price and at the same level of reliability to customers supplied by a CCE as it does for its own full-service customers.

There are currently 23 CCEs providing power in California, with at least another half-dozen planning on doing so in the next two years. CCEs are expected to serve over 63 gigawatt hours of electricity in the State by the end of 2021, with some projecting that by the mid-2020s between 50 to 80 percent of the electricity load across the State will be served by non-utility entities (CCEs and Direct Access providers).

What are CCEs?

Community Choice Energy (CCE) is a model that allows communities to purchase power to meet their electricity needs and thereby offers customer choice in the retail energy market. CCEs typically provide residents and businesses with more energy choices, including the potential for less expensive energy, the ability to select the amount of renewable energy they purchase, and the ability for local control of rate discounts and/or rate stability programs. CCEs are only responsible for the purchase of electricity, rate setting, and customer programs. SCE will continue to provide delivery services as well as meter reading and other customer programs.

While CCEs enable communities to have local control when it comes to the procurement and pricing of energy, as with any endeavor, CCEs come with risk. The organization and operational

structure of CCEs vary throughout the State, allowing communities to select which structure best accomplishes the community's goals.

What are some of the rewards of joining a CCE?

As discussed in great detail in the Consultant's report and analysis, the primary reasons a CCE will succeed are: 1) due to Buena Park's coastal climate, the OCPA will have less need for the highest cost electricity which occurs during peak demand in the summer (SCE must secure this power to support desert climates); 2) SCE has in their power portfolio some very expensive power purchase contracts; and 3) SCE is under more strict requirements of the CPUC in regards to their procurement processes. The OCPA (as with other CCEs) is anticipated to have greater control over purchasing, hedging, and risk than SCE.

Other Key Benefits include:

- Reduced electricity rates for residents and businesses, which could encourage economic growth and new jobs.
- Increased availability of renewable energy for the community.
- Revenues generated could fund incentive programs to encourage energy efficiency.
- Local control over the purchase of electricity for the community.

What are some considerations when joining a CCE?

As identified beginning on page 12 of the Consultant's report and analysis, there are many clear benefits to joining the CCE, but there are also risks.

1) Electric Rates.

A primary goal of a CCE is to offer power to residents and businesses at a competitive price relative to SCE. In this circumstance, competitiveness is tied to the rate offered by SCE. A number of factors can cause OCPA's net power costs to exceed SCE's costs. OCPA will have in place risk management plans and options to both mitigate these risks by lowering rates passed on to customers back down to a competitive rate as well as to address other unexpected risks. There could be circumstances that result in SCE's generation rates being less than OCPA's. For example, future electricity prices could differ substantially from forecasts, changing forecasted retail rates. Assuming that SCE's rates are based on its cost of service, OCPA obviously has little or no ability to influence the rates that SCE offers. As of the date of this report, City staff does not have specific details about the rate impacts to customers.

2) Power Charge Indifference Adjustment (PCIA).

Although electricity rates for the OCPA customers are currently projected to be less than SCE rates, one factor that could increase the cost of power for the OCPA customers is the PCIA 'exit fee' that the OCPA pays to SCE as customers leave SCE to join the OCPA. The PCIA is intended to ensure that generation costs incurred by SCE before a customer transitions to OCPA service are not shifted to remaining SCE bundled service customers.

3) Potential General Fund Impact.

A potentially major financial impact to the City could result from loss of some or most of the Electric Utility Franchise Fee revenue, currently budgeted at $750,000 annually, pursuant to the City's current Franchise agreement with SCE. Though staff is still analyzing this issue, it is possible that

City Franchise fee revenues (which are calculated based on a percentage of SCE's gross sales of electricity) may decrease as customers shift from SCE to the OCPA. Any financial gain to the City from joining the OCPA could be greatly outweighed by such a loss. Further research and information is necessary to determine the potential impact.

4) Three Energy Plan Choices.

The OCPA's primary goal is to offer its customers competitive rates for electric services relative to SCE. In addition, the OCPA provides customers with a choice about the energy sources they wish to support. The OCPA Program will offer increased renewable energy supply to program customers by offering three separate rate tariffs/plans. The initial renewable energy content provided under the OCPA's base tariff will meet California's current renewable energy procurement mandate, and the OCPA plans to increase this percentage on a going forward basis, subject to operational and economic constraints. The OCPA will also offer its customers additional choice of 50% and 100% renewable energy tariff options at rates equal to the cost to purchase those more expensive energy products.

There could be a risk if the OCPA board decides to transition all of its customers to the more expensive 100% renewable energy tariff plan. Though the Joint Powers Agreement indicates that OCPA will make several plan choices available to the City, the City's choices will be confined to the choices offered by OCPA and at the rates made available. There are alternative CCE structures that might afford the City greater flexibility or 'local control' over energy sources and rates, though additional analysis would be required to determine additional risks or benefits of these alternatives as compared with OCPA.

5) Financial Impact to the City.

It is assumed that the OCPA is formed as a financially-independent enterprise from the City of Buena Park or any other member, with no dollars flowing in or out of the City's General Fund. As such, the City's General Fund cannot be drawn upon by OCPA creditors, nor can OCPA dollars flow into the General Fund.

The JPA agreement defines the rights and responsibilities of each member of the CCA. With respect to financial support, Section 5.6 of the OCPA JPA agreement addresses Member contributions and payments. That section explicitly states, "except as otherwise specified herein, the Parties are not required under this Agreement to make any financial contribution of payments to the Authority, and the authority shall have no right to require such a contribution or payment." (§5.6) It goes on to say, "Unless otherwise agreed to by the Parties, the debts, liabilities and obligations of the agency shall not be the debts, liabilities and obligations, either jointly or severally, of the members" of the Authority. (§5.7) Still, an OCPA Member may, "in its sole discretion," agree to assume the Authority's debts, liabilities, or obligations. (§5.7)

The JPA cannot place any financial obligations or risks onto any of its members without that member's approval. There is a risk, albeit small, that OCPA may request the City of Buena Park to participate financially, similar to the City of Irvine in providing a loan to the Authority which would require City Council approval.

In addition, in the event Buena Park elects to 'opt out' of the OCPA at some point in the future (e.g. after the initial 'opt out' deadline'), the City will be required to provide six (6) months notice. Furthermore, following such termination the City (or its ratepayers) could be liable for the cost of energy that was procured by OCPA anticipated to serve Buena Park but is rendered surplus by

Buena Park's departure. The potential liability of this scenario is unknown, and would depend in part on OCPA energy demands and the duration of applicable energy procurement contracts (which could span several years).

6) Customer Opt-Out Potential.

Customers may choose to 'opt out' of the OCPA before or during their transfer to the CCE program, or in fact at any time. The 'opt out' risk comes at two distinct time periods. The first is the initial roll-out of the CCE program. The most recent CCE launches have experienced only very modest 'opt outs'; around two to three percent (2%-3%) of the eligible customers have elected not to take service from their CCE. If there are negative communications to Buena Park residents and businesses during the initial roll out (i.e. bad press), then the 'opt out' rate could increase. Second, customers could choose to leave OCPA service after the initial 'opt out' period.

7) Other Considerations May Include:

- Regulatory uncertainty – Unforeseen changes in legislation (CPUC, State) could impact aspects of the OCPA operations.
- Small OCPA loads - If many OCPA members withdraw from the JPA, the OCPA rates may not remain competitive with SCE rates.
- The OCPA could face financial risk of buying energy, capacity, Renewable Energy Credits (RECs), and carbon-free energy (if needed) at a cost that exceeds the revenue that it receives from its customers.
- To date the City has not conducted any public outreach or education regarding Community Choice Energy programs generally; or about joining the OCPA specifically. The potential impacts to residential and business electricity customers are not specifically known at this time, and it’s not known what utility considerations residents / businesses deem most critical (e.g. clean energy or cheaper rates).

Can Buena Park customers 'opt out'?

Under State law, when a City joins a CCE program, all customers in that jurisdiction are automatically enrolled in the CCE program and are provided an opportunity to 'opt out' at no cost for the first 60 days and return to SCE. After that, customers can 'opt out' for a one-time fee to cover costs associated with account processing (typically this cost is minimal). Customers transferring back to SCE services will not be eligible to return to the CCA service for twelve months. State law also requires multiple public notices before and after CCA program launch to ensure customers are aware of the transition and provided the option to return to SCE.

Conclusion

The attached Consultant's analysis indicates that the OCPA would provide a choice of electricity options that could cost less than what is available from SCE. In the short-term (first few years) those savings may be less than 2% target savings due to associated start-up costs for the agency which could prevent the OCPA from offering a rate discount or contributing to financial reserves.

The OCPA could reduce the amount of greenhouse gases associated with the consumption of electricity in Orange County under certain circumstances. Because SCE’s supply portfolio has significant carbon-free generation (large hydroelectric and nuclear generators), the OCPA must contract for significant amounts of carbon-free power above and beyond the required qualifying

renewables in order to actually reduce Orange County's electric carbon footprint.

Therefore, if carbon reductions are a high-priority for the CCE, a concerted effort to contract with hydroelectric or other carbon-free generators would be needed.

Finally, there is no City "cost" of staying with the OCPA. There could be a loss of Electric Utility Franchise Tax General Fund revenue if SCE is no longer required to pay a fee.

Staff is requesting the City Council discuss the Consultant's report and analysis and provide direction to staff regarding continuing membership in the OCPA.

Prepared by: Eddie Fenton, Assistant City Manager
Approved by: Aaron France, City Manager

Presented by: Eddie Fenton, Assistant City Manager

ATTACHMENTS
1) Community Choice Energy Plan Review

CCA Options, Risks and Benefits for the City of Buena Park

Prepared by:

MRW & Associates, LLC
1736 Franklin Street, Ste 700
Oakland, CA 94612

February 3, 2021

This report was prepared by MRW & Associates. MRW has been working on Community Choice Aggregation (CCA) issues since they were authorized by the California State Legislature in 2002. MRW has prepared and critiqued numerous CCA feasibility plans and is providing rate forecasting and other ongoing support to CCAs throughout the state.

This Study is based on the best information available at the time of its preparation, using publicly available sources for all assumptions to provide an objective assessment regarding the prospects of CCA operation in the City. It is important to keep in mind that the findings and recommendations reflected herein are substantially influenced by current market conditions within the electric utility industry and state regulations, both of which are subject to sudden and significant changes.

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Executive Summary

The City of Irvine has extended an invitation to Buena Park to become a member of the new Community Choice Aggregation (CCA) it is spearheading, the Orange County Power Authority (OCPA). Other cities which have committed to the OCPA include Fullerton, Huntington Beach, and Lake Forest. Like Buena Park, they too have the opportunity to withdraw from the JPA on or before April 1 (originally March 1).

Benefits and Risks of CCA Formation

There are a few key potential benefits associated with CCA formation. These include:

- Potentially lower rates than those offered by SCE.
- Potentially greater renewable content and lower GHG emissions than what is offered by SCE.
- Ability to offer community-targeted energy-related programs.
- Ability to source power from local renewable power projects.
- Ability to provide economic development to the region through lower rates, local projects and community-focused programs.

All of these potential benefits fall under the larger umbrella of "local control." That is, while SCE must balance the needs and desires of a large, diverse service area and respond to the priorities put upon it by the California Public Utilities Commission, the CCA can respond to their communities' priorities, values and needs. That is, if the community's priority is accelerated carbon reduction, the CCA can respond through procuring more renewable power and programs that equip residents and businesses to reduce their carbon footprint. On the other hand, if the community's priority is economic benefit and development, the CCA can work to keep rates as low as possible. In practice, each CCA Board must balance often conflicting goals to respond to the diverse priorities and needs of their community.

These benefits should be balanced against the risks. The primary risk faced by a CCA is that it may not provide power to its residents and businesses at a competitive price. This risk is caused not only by changes to the power market but also the changing regulatory requirements. The primary way that a CCA can address these risks is to use sound power procurement and risk management practices. While complex, these practices are well known and implementable.

Another major issue is the financial risk of forming a CCA. However, the risk of joining OCPA to the City's general fund is minimal. OCPA's Joint Powers Agreement specifically states that the debts of the OCPA cannot be transferred to its member cities, nor can the OCPA compel a member city to financially contribute to the OCPA. As such, the City's General Fund should not be impacted by joining OCPA, nor would its membership negatively impact the City's credit

rating or ability to borrow.[1] If Buena Park chose to form a stand-alone CCA enterprise, the City would have to provide a short-term loan to the CCA enterprise and provide a financial guarantee to the bank or other financial institution that provided the start-up capital to the CCA. As a member of OCPA, these financial burdens are being met by Irvine and are therefore not applicable to Buena Park.

OCPA's Implementation Plan

Overall, the assumptions and analysis in the Implementation Plan are sound. That is, the underlying customer phase-in, assumed power prices, operating costs, and CCA revenues are all reasonable or conservative. However, we note that the Implementation Plan may be underestimating the initial working capital requirements. The Implementation Plan assumes $15.5 million for start-up and a working capital loan/line of credit. This represents about 30 days of average cash flow in the first year, in which due to the phase-in schedule, is only a fraction of the load that would be served. MRW's more conservative analysis assumes that the working capital loan/line of credit would be for 60 days of cash flow assuming the full load is served.

San Diego Community Power (SDCP) provides another data reference. OCPA's load is projected to be about 62% of that of SDCP. SDCP required a $40 million initial line of credit. Simply scaling SDCP's requirement down to OCPA's level suggests an initial bank load/line of credit around $25 million.

Based on our review of the OCPA Implementation Plan, our financial feasibility analysis of a stand-alone Buena Park CCA to date, and our analysis conducted for the City of Huntington Beach, MRW believes that the OCPA is, in the long run, financially viable. However, we believe that OCPA may not be able to offer rate savings in the first few years of operation. This is because of SCE's rates (including the Power Charge Indifference Adjustment (PCIA)), the need to pay off its start-up debts, and the need to build up financial reserves.

OCPA's Joint Powers Agreement

Overall, the OCPA Joint Powers Agreement (JPA) is patterned after and consistent with other California CCA JPAs. First, it explicitly states that the JPA member cities are not required to provide any funding to the OCPA and the OCPA's debts, obligations, and liabilities cannot fall back onto the member cities. Second, the JPA also provides for a second "Voting Shares Vote."[2] The JPA states that during the same Board Meeting after an affirmative or tie vote, two or more Directors may request a "voting share vote" to reconsider the action approved by a first vote. (Both Directors cannot be from Irvine.) The voting shares are proportional to the annual energy use of the community. Given the current OCPA makeup, Buena Park Director's vote

[1] Note that MRW is not a law firm and that these conclusions do not represent a legal opinion, only a laymen's reading of the JPA document.
[2] OCPA JPA Agreement, Section 3.9.2

would be worth 10 out of a total of 100 (i.e., 10 percent). This is a common feature for all the CCA JPA Agreements that MRW has reviewed.

The OCPA JPA differs from other CCA JPAs in two ways. First, the City of Irvine will have two voting Directors on the OCPA Board of directors, while all other cities will have only one. Irvine will revert back to having only one Director once the $2.5 million loan the city has made to the OCPA is repaid. Second, there will be two types of OCPA members: cities that join the OCPA prior to April 1, 2021 will be Founding Parties, while those that join after will be Additional Parties. As Buena Park is a member of OCPA, if it does not withdraw it would be a Founding Party. Founding Parties are automatically placed on the OCPA's Executive Committee. (We note that the powers and responsivities of the Executive Committee are not delineated in the JPA). No other CCA has two different types of members.

CCA Options Available to Buena Park

Buena Park's immediate choice is to remain in OCPA, or not. Besides the general benefits and risks of CCA formation, remaining in OCPA is the faster path to CCA formation, requires no additional cost to the City, and affords it the status of a "Founding Party," which includes a place on OCPA's Executive Committee. Buena Park must weigh that against the uncertainty of joining a new CCA with no track record and beginning CCA service at a time when CCA financial margins are tight.

Withdrawing from OCPA now does not preclude future CCA formation. The City may be able to join OCPA in the future, albeit as an "Additional Party" without a place on the Executive Committee, and perhaps pay a small fee to OCPA. The City could also form its own CCA. This would provide greater freedom and flexibility to reflect Buena Park's priorities. As one member of OCPA, Buena Park's priorities might not be shared by the full board. This should especially be kept in mind given OCPA's desire to include more Orange County cities in the future. On the other hand, the stand-alone CCA would require additional staff resources to get the CCA off the ground and to manage on an ongoing basis. It will require the City to provide start-up funding and collateral and a loan guarantee for its initial bank financing.

If Buena Park chose to pursue a stand-alone CCA, it can join the CalChoice Energy Authority (CCEA). CCEA is a "hybrid" JPA, where the JPA provides services to its member CCAs but does not control any of its general policies or programs.[3] This is a good match for smaller cities who are interested in local control of the CCA but not interested in bringing in-house the day-to-day management needed to operate a CCA.

[3] *See*, https://californiachoiceenergyauthority.com/

Introduction and Background

The City of Irvine has extended an invitation to Buena Park to become a member of the new Community Choice Aggregation (CCA) it is spearheading, the Orange County Power Authority (OCPA). Other cities which have committed to the OCPA include Fullerton, Huntington Beach, and Lake Forest. Like Buena Park, they too have the opportunity to withdraw from the JPA on or before April 1 (originally March 1).

The City of Buena Park retained MRW & Associates (MRW) to review the technical elements of the OCPA foundational documents provided to the City. More specifically, MRW has been tasked with reviewing OCPA's SCE electric price forecasts, market electricity and gas price forecasts, non-bypassable charges (PCIA), credit and collections, SCE service charges, and other financial issues associated with CCA operation. Additionally, MRW will provide the City with information and advice pertaining to CCA formation, operations, history, risks, and any other topics of concern to the City of Buena Park.

Background

What is a CCA?

California Assembly Bill 117, passed in 2002, established Community Choice Aggregation in California, for the purpose of providing the opportunity for local governments or special jurisdictions to procure and provide electric power for their residents and businesses.

Under existing rules administered by the California Public Utilities Commission, an investor-owned utility (IOU) must use its transmission and distribution system to deliver the electricity supplied by a CCA in a non-discriminatory manner. That is, it must provide these delivery services at the same price and at the same level of reliability to customers supplied by a CCA as it does for its own full-service customers. By state law, an IOU also must provide all metering and billing services, its customers receiving a single electric bill each month from the IOU, which would differentiate the charges for generation services provided by the CCA as well as charges for IOU delivery services. Money collected by the IOU on behalf of the CCA must be remitted in a timely fashion (e.g., within 3 business days).

As a power provider, the CCA must abide by the rules and regulations placed on it by the state and its regulating agencies, such as maintaining demonstrably reliable supplies and fully cooperating with the State's power grid operator. However, the State has no rate-setting authority over the CCA; the CCA may set rates as it sees fit so as to best serve its constituent customers. This is in contrast to SCE, which requires approval by the California Public Utility Commission to set its rates.

Per California law, when a CCA is formed all the electric customers within its boundaries will be placed, by default, onto CCA service. However, customers retain the right to return to SCE service at will, subject to whatever administrative fees the CCA may choose to impose—typically $5 for a residential customer and $25 for a non-residential customer.

Typical CCA Objectives

The feasibility of a CCA program is a function of that program's ability to meet the sponsoring city's or JPA's goals and objectives. This section lays out the typical CCA goals and objectives and how they might apply to Buena Park.

Rate Competitiveness and Financial Stability

Like most CCAs, OCPA has set a goal to offer rates that are competitive with the projected generation rates offered by the incumbent electric utility, Southern California Edison (SCE). "Competitive" here means that the CCA, over the long run, could offer rates that are equal to or less than those offered by SCE. It does not mean that in every year a specific rate savings is offered. In fact, some CCAs have had to offer rates slightly higher than those offered by their host utilities during one or more of their first few years. We note that they did not experience significant opt-outs because of this.

CCAs also intend to offer long-term rate stability to its customers as well as maintain its own financial condition. This could be accomplished through conservative phasing in of customers and projects; establishing and maintaining appropriate lines of credit and financial reserves; and contracting with only experienced and financially solid providers of goods and services.

Greenhouse Gas Reduction

Particularly for the early CCAs, reducing carbon emissions has been a priority. Some, such as Silicon Valley Clean Power, plan to offer only 100% renewable power to their customers by the end of the decade.

The 2035 General Plan for the City of Buena Park includes language regarding the development of a "Climate Action Plan" (CAP). This plan seeks to reduce GHG emissions from municipal activities, reduce emissions from business activities, and promote the implementation of SB 375.[4] As discussed later, a CCA, if it is financially able and so chooses, can contribute to the City meeting its CAP objectives.

It must be noted that California is moving toward a carbon-free electricity policy. Senate Bill 100, which was signed into law by Governor Brown on September 17, 2018, increases the renewable power content requirement of all retail power providers, including utilities and CCAs, from 50% to 60% by 2030. The bill also says, "that it is the policy of the state that eligible renewable energy resources and zero-carbon resources supply 100% of retail sales of electricity to California end-use customers by December 31, 2045," and that all state agencies regulating electricity build this goal into their planning. This effectively means that the difference between the electricity carbon content of the CCA following the City's CAP and remaining with status quo utility service may not be significant.

[4] SB 375 directs CARB to set regional GHG emission reduction targets.

Additional Objectives

In addition to reducing costs and GHG emissions, a CCA can also serve as a vehicle to pursue other objectives that benefit the City, its residents, and businesses. Examples of additional objectives could include the following:

Economic development. A CCA can potentially contribute to local economic development in two ways. First, if the CCA offers reduced electricity rates, additional dollars can flow into the local economy as households and businesses spend their incomes on items and services other than electricity. Second, the CCA can offer programs that allow households and businesses to reduce their power consumption, such as energy efficiency and distributed energy resources.

Local jobs and employment. Beyond the potential jobs that could result from the economic stimulus of possibly lower rates, the CCA can more directly incentivize and support local job creation. This includes employing residents in CCA administration, using local contractors for energy efficiency programs, and distributed energy generation (e.g., rooftop solar installers and maintainers). The CCA can also partner with local community colleges and/or trades apprenticeship programs to support quality local job opportunities.

Prioritization of renewable power development. Beyond support of locally sited distributed energy generation ("DEG," e.g., rooftop solar), a CCA may prioritize siting larger, grid connected DEG and utility-scale renewable projects locally.

Local citizen input and participation. A primary purpose of a CCA is to better reflect its community's interests and values than a large-scale, investor-owned utility like SCE can. This is illustrated in the CCA's objective of supporting the City's CAP. However, it can go beyond this; the CCA can commit to creating opportunities for citizens to provide input into its programs and policies.

Renewables – What Does It Mean to be 100% Green?

Most CCAs offer rate options to customers that are "100% Green;" that is, the power consumed by customers on these rates is fully provided by qualifying renewable resources. Other CCAs have a goal of being 100% Green by a certain date (e.g., the newly formed San Diego Community Power intends to be fully green by 2035). The ability of a CCA or a customer to rely fully on renewable power is accurate within the framework of power procurement, but not necessarily transparent to the lay audience.

When a CCA is sourced fully by renewable power, it does not mean that for each hour of the day, 100% of the power injected into the California power grid by the CCA (that is, by the renewable generators owned or under contract to the CCA) will be renewable. There will be hours of the day where the CCA's solar resources will be generating more electricity than the CCA's customers are consuming. This power is sold into the California Independent System Operator's (CAISO's) wholesale market. There will also be hours of the day when the CCA's load is greater than their renewable resources' output, at which point they purchase power from the CAISO wholesale market. Currently, to be 100% renewable, the CCA's renewable resources would need to generate as much power as the CCA's customers consume, albeit not

necessarily at the same time. This is analogous to the "net-zero" energy home, where, over the course of a year, the solar panels on the house generate in total as much (or more) power than the house uses, but with some hours having the solar panels inject power into the grid while in others it takes power from the grid.

In the long run, in the late 2020s and beyond, the "balancing" function of the non-renewable generators in the wholesale market will likely be replaced in part with energy storage systems, such as pumped hydroelectric or batteries. At the point when fossil resources are not needed, one can say that the CCA—and the California Grid—is 100% carbon-free.

How are CCAs financially competitive with the utilities?

All but two active CCAs in California currently offer rates that are at or lower than their incumbent utility, be it SCE, Pacific Gas & Electric (PG&E), or San Diego Gas & Electric (SDG&E). CCAs' ability to do this, even with the exit fees (PCIA), is attributable to three factors.

First, the CCAs serving coastal areas do not have to serve as much air conditioning load as their incumbent utilities as a whole. (SCE serves inland regions that are much warmer than coastal areas, while coastal CCAs do not.) Because air conditioning loads often occur at the times of the day with the highest priced wholesale power, they are more costly to serve.

Second, the incumbent utilities have in their portfolios some relatively expensive, generally renewable, power purchase contracts. This raises the utilities' rates, but also begs the question of what happens when those contracts expire. Two things happen. Firstly, the Power Change Indifference Amount (PCIA) fee is reduced because it is the mechanism to capture the above-market costs of these expensive power contracts and pass them on to customers who were on utility service when the contracts were signed. Secondly, at worst, the utility will be participating equally in the same wholesale power and renewable markets as the CCA.

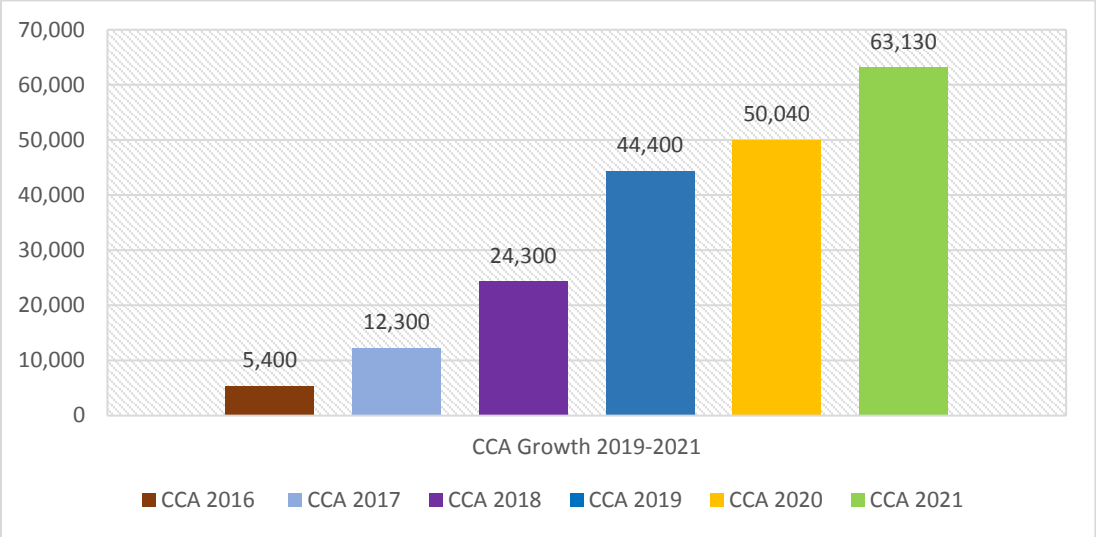
Third, the incumbent utilities are still under the jurisdiction of the California Public Utilities Commission (CPUC). This means that each and every power purchase contract the utility enters into goes through a cumbersome vetting process and must be approved by the full CPUC. Furthermore, the utilities must often comply with non-economic directives from the CPUC, which is why they have the expensive contracts in their portfolio in the first place. CCA procurement is not so tightly bound by the state; they can be nimbler in responding to market movement and have much greater control over their purchasing, hedging, and risk management than the incumbent utilities. It is these latter points that give the existing CCAs confidence that they will be able to compete even after the higher-priced contracts in the incumbent utilities' portfolios expire.

Status of CCAs in California

Even though the enabling legislation was enacted in 2002, the first CCA to provide power, Marin Clean Energy (MCE), did not enroll customers until 2010. For the next five years, others investigated CCA formation, with a few early adopters stepping up in 2014 through 2016. As shown in Figure 1, once these early adopters showed that CCAs could work, the flood gates

opened in 2017. By the end of 2021, CCAs are expected to serve over 63 GWhs, with some projecting that by the mid-2020s between 50 to 80 percent of the load in the three main IOU service territories will be served by non-utility entities (CCAs and Direct Access providers).

Figure 1. California CCA Load Growth (2021 Forecast)



CCA Sizes and Organization

Table 1 lists the active CCAs in California, including those that have announced intended launches in 2021, along with their location and governance structure. As the table shows, most of the current CCAs are in PG&E's service area, but the growth in 2020 came from new CCAs in SCE's territory. Currently, there is only one small CCA in SDG&E's territory, Solana Energy Alliance, but two large JPAs in the San Diego region are intending to begin service in 2021.

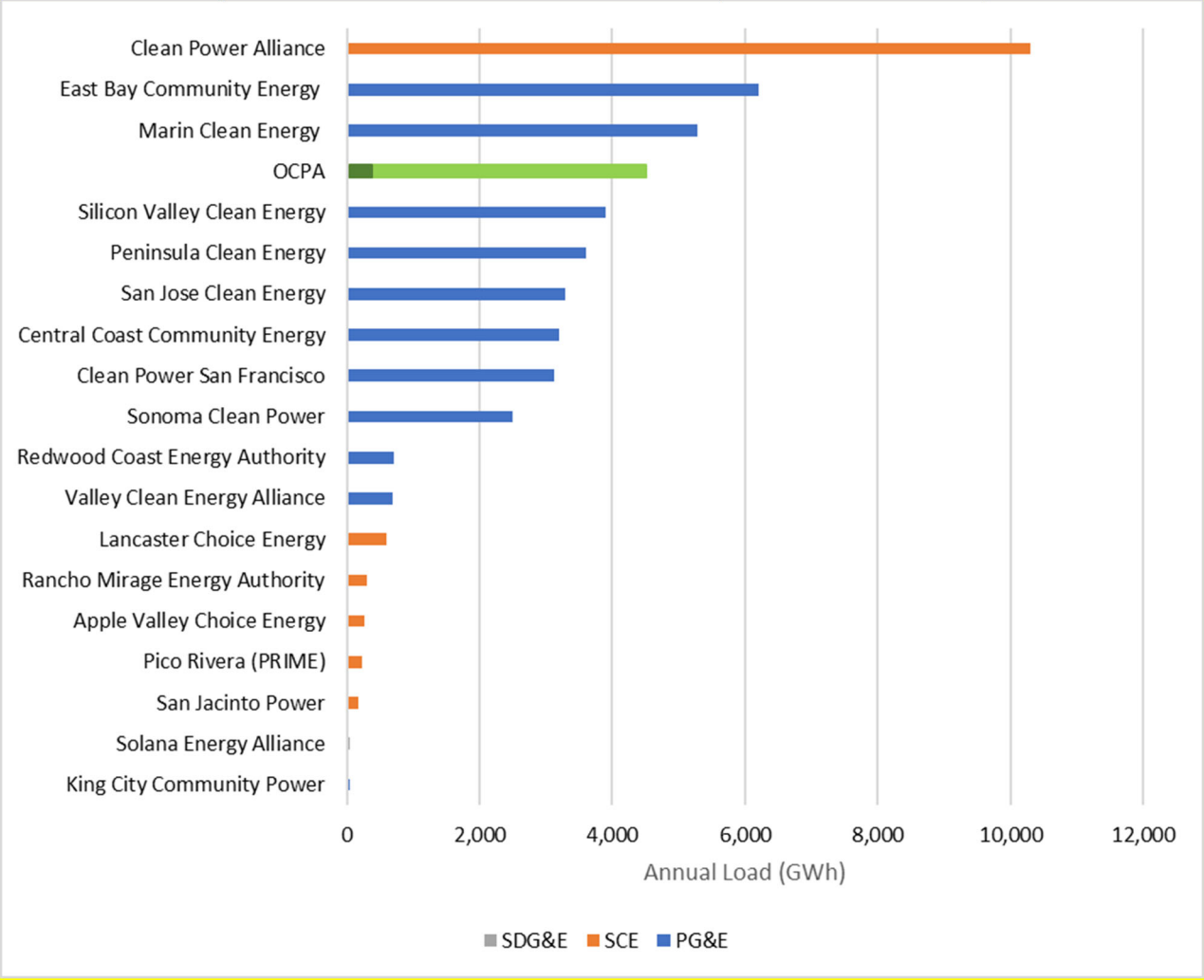
The table also shows that the majority of CCAs are organized as joint powers authorities (JPAs). There are also many smaller cities in SCE's area that use the "JPA Light" model, in which the CCA is technically a city enterprise that relies upon the California Choice Energy Authority (CCEA) to provide the technical operations. There are also three stand-alone city CCA enterprises, King City, San Francisco, and San Jose.

Table 1: CCAs in California

CCA	IOU	Type	Began Service	Load, GWh
CCAs Currently Delivering Power in California				
Clean Power San Francisco	PG&E	City	May 2016	3,135
East Bay Community Energy	PG&E	JPA	Jan.2018	6,200
Marin Clean Energy	PG&E	JPA	May 2010	5,275
Central Coast Community Energy	PG&E	JPA	March 2018	3,202
Peninsula Clean Energy	PG&E	JPA	Oct. 2016	3,600
Pioneer Community Energy	PG&E	JPA	2018	NA
Redwood Coast Energy Authority	PG&E	JPA	May 2017	699
San Jose Clean Energy	PG&E	City	Sept. 2018	3,286
Silicon Valley Clean Energy	PG&E	JPA	April 2017	3,898
Sonoma Clean Power	PG&E	JPA	May 2014	2,502
Valley Clean Energy Alliance	PG&E	JPA	Dec. 2016	682
King City Community Power	PG&E	City	July 2018	35
Clean Power Alliance	SCE	JPA	Feb. 2018	10,295
Apple Valley Choice Energy	SCE	City; CCEA	April 2017	260
Lancaster Choice Energy	SCE	City; CCEA	May 2015	600
Pico Rivera Innovative Muni'l Energy	SCE	City; CCEA	Sept. 2017	220
Rancho Mirage Energy Authority	SCE	City; CCEA	May 2018	300
San Jacinto Power	SCE	City; CCEA	April 2018	170
Desert Community Energy	SCE	JPA	April 2020	640
Western Community Energy	SCE	JPA	April 2020	1,285
Baldwin Park	SCE	City; CCEA	Oct. 2020	255
Pomona	SCE	City; CCEA	Oct. 2020	655
Solana Energy Alliance	SDG&E	City	June 2018	37
Planned Launch				
Orange Co. Power Authority	SCE	JPA	2022	4,000
San Diego Community Power	SDG&E	JPA	2021	6,800
Hanford	SCE	City; CCEA	TBD	285
Drafted Ordinances for Implementation as Soon as 2022				
North SD County CCA	SDG&E	JPA	2022	2,750
City of Montebello	SCE	City; CCEA	2022	
Butte County	PG&E	JPA	2022	1,080

Figure 2 shows the 2019 annual loads of several active California CCAs. Three observations can be made from this figure. First, Clean Power Alliance (CPA), the CCA that serves Los Angeles and Ventura counties along with selected communities therein, is the largest CCA in California by load—nearly twice the size of the second largest CCA, East Bay Community Energy. Second, were Buena Park and the other cities to join OCPA, OCPA would be one of the largest CCAs in California by load, indicating that economies of scale would have been reached. Third, Buena Park's load would make up one-tenth of OCPA's total load (the dark green segment of the OCPA bar).

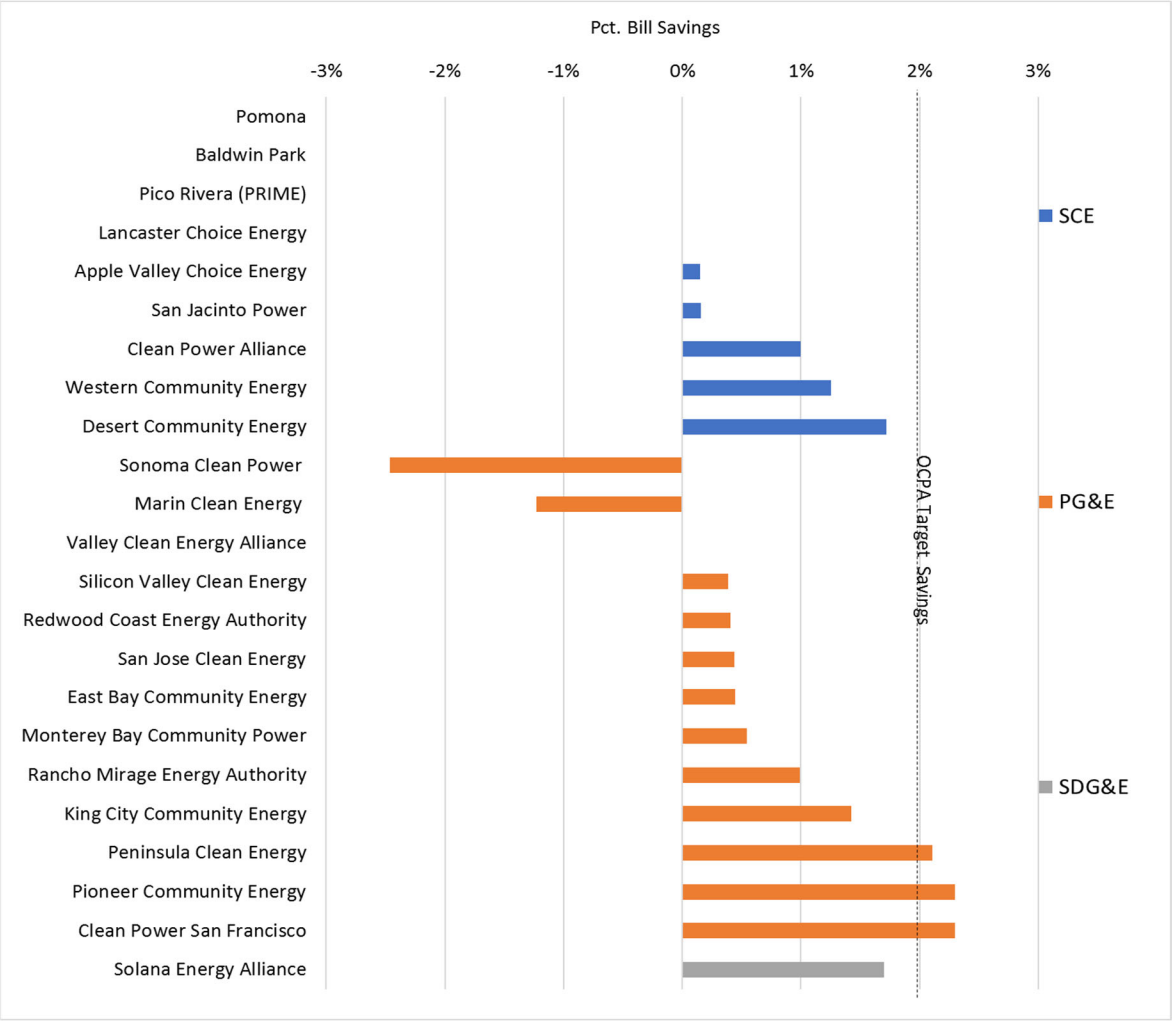
Figure 2. California Active CCA Loads (Annual GWhs, 2019)



CCA Rate Competitiveness

Figure 3 shows the residential rate savings offered by California CCAs as of January 15, 2021. The topmost CCAs in the figure, from Pomona to Desert Community Energy (blue bars), are CCAs in SCE's territory and thus compete against SCE rates, as would OCPA. These CCAs' currently offer rate savings of 0% to 1.7%, averaging 0.5%. When one includes the CCAs in the rest of the state, the greatest rate savings offered is 2.3% from CleanPowerSF and Pioneer Community Energy. There are two CCAs that offer rates greater than their incumbent utility: Sonoma Clean Power and Marion Clean Energy. Both of these CCAs have prioritized carbon reduction and programs over rate savings, so them having a higher rate than PG&E should not be completely surprising.

Figure 3. Residential Rate Savings Offered by CCAs (January 15, 2021)[5]



[5] These data are from each CCA's Joint Rate Comparison (JRC). JRCs are a common template that shows each CCAs rate offering to that of their incumbent utility. For this figure, we looked at the CCA's least cost residential rate and compared it against their incumbent utility's default rate.

As part of the review of the Irvine CCA Feasibility Study, MRW surveyed the rates offered by CCAs in May 2020. The rate savings offered by CCAs during that time are markedly higher than the more current rates shown in the figure above. In May 2020, CCAs in SCE's service area averaged rate savings of 1.8%, with one, PRIME, offering a 4.9% discount. Statewide, the average discount was 1.7%, with all CCAs either meeting or beating their incumbent utility's rates.

This decrease in rates between May 2020 and now should not be seen as a trend. Rather, it illustrates the fact that the savings offered by CCAs can change year-to-year, depending upon the wholesale market prices, the contracts that the CCAs have for power, the incumbent utilities' generation rates, and most importantly, the PCIA.

CCA Programs

Over the first years of operation, many California CCAs have been evolving from a simple commodity procurement entity—providing power, albeit greener, at a competitive rate. After a year or two (or more), many CCAs have expanded into providing targeted and specialized customer programs that while customized for their communities, are variations of services provided by their host IOU or are generally proven in the industry. Examples of this include CCAs like MCE, which has exercised its right to apply for energy efficiency (EE) program funding from the CPUC.[6] To do so, it must file various plans explicitly detailing what they intend to do in their EE program along with reporting requirements and protocols to verify that the energy savings that is projected will occur. If approved, the CCA receives money that is collected in IOU rates through the Public Purpose Program (PPP) rate element. Another example of this second phase of CCA evolution is offering rooftop solar programs and feed-in-tariffs (FiTs) for local renewable generation projects that connect "in front of" the customer meter. A third example is installing additional electric vehicle (EV) charging stations and encouraging EV purchasing and leasing.

The third phase in evolution observed in California CCAs is the movement into innovative and less common power-related programs and services. These are programs that are not common in California or elsewhere and may be more in the "demonstration" part of the program/technology lifecycle. Examples of these programs include Sonoma Clean Power's efforts to electrify the areas that were destroyed in wildfires (i.e., work with PG&E to perhaps not provide gas service to these areas) or the microgrid programs being pursued by Redwood Coast Energy Authority and Monterey Bay Community Power (now known as Central Coast Community Energy).

Table 2, below, shows a range of the programs being pursued by some California CCAs. These non-commodity program offerings are becoming the focus of CCAs in the state. At the Business of Local Energy Symposium, a large CCA-oriented conference held in June 2019 in Irvine, CA,

[6] Note that customers taking commodity service from a CCA are still eligible to participate in EE programs administered by their host IOU, regardless of whether or not the CCA is administering their own PPP-funded EE programs or not.

the speakers, panels, and presentations overwhelmingly focused on innovation that CCAs can do and are doing.[7] None of these addressed power procurement or cost competitiveness.

[7] https://theclimatecenter.org/the-business-of-local-energy-symposium-2019-presentations/

Table 2. Sample California CCA Program Offerings[8]

CALCCA ADVANCING LOCAL ENERGY CHOICE	Apple Valley Choice Energy	Central Coast Community Energy	Clean Power Alliance	CleanPowerSF	East Bay Community Energy	King City Community Power	Lancaster Choice Energy	MCE	Peninsula Clean Energy	Pioneer	PRIME	Rancho Mirage Energy Authority	Redwood Coast Energy Authority	San Jacinto Power	San Jose Clean Energy	Silicon Valley Clean Energy	Solana Energy Alliance	Sonoma Clean Power	Valley Clean Energy
Budget Billing				In dev.			✓												
Battery Storage Rate				In dev.	✓ (pilot)			✓								✓ (Same as PG&E)		In dev.	
Battery Storage Incentives								✓								In dev.		✓	
Demand Response		✓	✓	✓				In dev.	In dev.							In dev.		✓	✓
EV Rate		✓	✓	✓	✓ (Same as PG&E)		✓	✓	✓	✓ (Same as PG&E)	✓		✓		✓ (Same as PG&E)	✓ (Same as PG&E)	✓	✓	✓ (Same as PG&E)
EV Bus Program		✓		✓			✓		✓									✓	
EV Incentives (vehicles and/or charging)		✓					✓	✓	✓				✓		In dev.	✓		✓	In dev.
EV Load Shifting								✓								✓ (pilot)		✓	
Energy Efficiency				In dev.			✓	✓		In dev.			✓			In dev.		✓	✓
Energy Efficiency Data Sharing					✓														
Feed-In Tariff		In dev.		In dev.				✓					✓					✓	
Building Electrification		✓			In dev.			✓	In dev.				✓			✓		✓	In dev.
Low-Income & Multifamily EE		✓						✓	In dev.		✓		✓						
Solar Incentives												✓	✓						
On-Bill Repayment				In dev.				✓										In dev.	
Education, Outreach, and/or Innovation Grants			✓		✓				✓	In dev.						✓		✓	
Low-Income Solar Incentives		✓	In dev.	✓	✓	✓		✓	In dev.		✓								
Customer Load Shifting			✓	✓				✓								In dev.		✓	
Microgrid Development		✓					✓			In dev.			✓						
Citizen Sourcing			✓				✓						✓						
Energy Education in Local Schools				In dev.					✓						✓			✓	
Dividend Program		✓																	✓
Solar Referral Service			✓													✓			
Solar+Storage Offerings			In dev.		✓			✓	✓		In dev.		✓			✓		✓	
Advancing Reach Codes		✓			✓				✓							✓		✓	
Advanced Energy Rebuild								✓										✓	
TOU Rates				✓	✓ (Same as PG&E)		✓	✓		✓ (Same as PG&E)			✓		✓ (Same as PG&E)	✓ (Same as PG&E)	✓	✓ (Same as PG&E)	✓ (Same as PG&E)
Customer C&I Clean Power Offerings																✓			
Workforce Education & Training								✓								✓		✓	
Emissions Inventory Support for Member Agencies		✓														✓			
Property Assessed Clean Energy (PACE)										✓									

[8] https://cal-cca.org/cca-programs/

Benefits and Risks of CCA

The benefits and risks of CCA formation in general are outlined below.

Benefits

There are a few key potential benefits associated with CCA formation. These include:

- Potentially lower rates than those offered by SCE.
- Potentially greater renewable content and lower GHG emissions than what is offered by SCE.
- Ability to offer community-targeted energy-related programs.
- Ability to source power from local renewable power projects.
- Ability to provide economic development to the region through lower rates, local projects and community-focused programs.

Capturing these benefits correspond to the rationale for forming a CCA. As such, we do not repeat them here.

All of these potential benefits fall under the larger umbrella of "local control." That is, while SCE must balance the needs and desires of a large, diverse service area and respond to the priorities put upon it by the California Public Utilities Commission, the CCA can respond to their communities' priorities, values and needs. That is, if the community's priority is accelerated carbon reduction, the CCA can respond through procuring more renewable power and programs that equip residents and businesses to reduce their carbon footprint. On the other hand, if the community's priority is economic benefit and development, the CCA can work to keep rates as low as possible. In practice, each CCA Board must balance often conflicting goals to respond to the diverse priorities and needs of their community.

Risks

As discussed so far, there are clear benefits to CCA formation, but there are also risks. This chapter lists many of the larger risks that OCPA would face—and in fact all CCAs must deal with—along with summaries of how the CCA can address risk. If Buena Park were to pursue joining or forming a CCA, it should create a risk management plan that would flesh out more specific risk policies and proceedings.

Financial Risk to City

A single-city CCA is assumed to be formed as a financially independent enterprise, with no dollars flowing into or out of the City's general fund. As such, the general fund cannot be drawn upon by the CCA's creditors, nor can CCA dollars flow into the general fund.

In the event that Buena Park joins OCPA, the JPA agreement defines the rights and responsibilities of each member of the CCA. With respect to financial support, Section 5.6 of the OCAP JPA agreement addresses Member contributions and payments. That section explicitly states, "except as otherwise specified herein, the Parties are not required under this

Agreement to make any financial contribution of payments to the Authority, and the authority shall have no right to require such a contribution or payment." (§5.6) It goes on to say, "Unless otherwise agreed to by the Parties, the debts, liabilities and obligations of the agency shall not be the debts, liabilities and obligations, either jointly or severally, of the members" of the Authority. (§5.7) Still, a OCPA Member may, "in its sole discretion," agree to assume the Authority's debts, liabilities, or obligations. (§5.7) (Note that MRW is not a law firm and does not offer a legal opinion as to the financial obligations of OCPA Members to the Authority.)

Nonetheless, starting up a CCA often requires a credit-worthy entity to backstop its initial financing. Some, such as CleanPowerSF, use the balance sheet from their existing power enterprise to backstop initial financing. Others have relied upon their host city or county as a backstop for initial financing. For example, MCE's initial bank loans for working capital were guaranteed by Marin County and the Town of Fairfax. After approximately six years, the CCA had demonstrated its creditworthiness and the guarantees were lifted. Still, the JPA cannot place any financial obligations or risks onto any of its members without that member's approval. As discussed on the JPA review section, the City of Irvine has taken on the responsibility of providing a start-up loan and providing the collateral and load guarantees to OCPA.

Opt-Out Risk

Customers may choose to opt-out of a CCA service before or during their transfer to the CCA, or in fact at any time. The opt-out risk comes at two distinct time periods. The first is the initial roll-out of the CCA program. The most recent CCA launches have experienced only very modest opt-outs: around two to three percent of the eligible customers have elected not to take service from their CCA. If there are negative communications to Buena Park citizens and businesses during the initial roll out (e.g., bad press of some sort), then the opt-out rate could increase. More customers might also choose to leave CCA service after the initial opt-out period. The most likely driver of this opt-out risk is expanding Direct Access (DA) eligibility, which is addressed in more detail below.

Mitigation: The experience of the prior CCAs suggests that opt-outs at the beginning of service tend to be in a relatively narrow range, allowing for some predictability in initial opt-outs. In addition, prudent power procurement strategies will allow for a reasonable uncertainty in load, especially uncertainty associated with DA expansion, without having to either dump power at a loss or purchase excessive amounts at high spot market prices. CCAs also can charge an "exit fee" akin to the PCIA to customers who have left CCA service after the power contracts have been signed to serve their load, but to date none have been imposed.

Rate and PCIA Uncertainty

A primary goal of a CCA is to offer power to Buena Park residents and businesses at a competitive price relative to SCE. In this circumstance, competitiveness is tied to the rate offered by SCE. A number of factors can cause OCPA's net power costs to exceed SCE's costs. OCPA will have risk management plans in place and options to both mitigate these risks by lowering rates passed on to customers back down to a competitive rate as well as to address unexpected risks.

Changes to SCE Generation Rates: There could be circumstances that result in SCE's generation' rates being less than OCPA's. Assuming that SCE's rates are based on its cost of service, OCPA obviously has little or no ability to influence the rates that SCE offers.

Mitigation: While OCPA has little ability to affect SCE's generation rates, it can take proactive steps to mitigate the impact of reductions in SCE's generation rate. These steps are discussed below.

Changes to SCE's PCIA Rate: Assembly Bill 117, which established the Community Choice Aggregation program in California, included a provision that states that the customers that remain with the utility should be "indifferent" to the departure of customers from utility service to CCA service. This has been broadly interpreted by the CPUC to mean that the departure of customers to CCA service cannot cause the rates of the remaining utility "bundled" customers to go up. To maintain bundled customer rates, the CPUC has instituted an exit fee, known as the "Power Charge Indifference Amount" or "PCIA" that is charged to all CCA customers. The PCIA is intended to ensure that generation costs incurred by SCE before a customer transitions to CCA service are not shifted to remaining SCE bundled service customers.

Thus, for an OCPA customer to realize an economic benefit (i.e., pay the same or less for electricity), the sum of the OCPA charges plus the PCIA must be lower than SCE's generation rate.

Mitigation: The PCIA is established at the CPUC. To ensure that this charge is properly calculated and that it is correctly allocated to OCPA customers, it will be necessary for OCPA to monitor and possibly actively participate in the regulatory proceedings in which the CPUC sets the PCIA.

CPUC "Financial Security Requirement" Risk

Pursuant to CPUC Decision 05-12-041, a new CCA must include in its registration packet evidence of insurance or bonds that will cover costs as potential re-entry fees, specifically, the cost to SCE if the CCA were to suddenly fail and be forced to return all its customers back to SCE bundled service. Currently, a bond amount for CCAs is set at $147,000.

This CCA bond amount covers SCE's administrative cost to reintegrate failed Energy Service Provider (ESP) customers back into bundled service, plus any positive difference between market-based costs for SCE to serve the unexpected load and SCE's retail generation rates. Since the CCA bonding requirement has been in place, retail rates have always exceeded wholesale market prices, and thus CCAs' bond requirements have been simply equal to the modest administrative cost.

Mitigation: During normal conditions, the CCA Bond amount will not be a concern. However, during a wholesale market price spike, the bond amount could potentially increase to millions of dollars. But the high bond amount would likely be only short term, until more stable market conditions prevailed. Also, it is important to note that high power prices (that would cause a high bond requirement) would also depress SCE's PCIA and would also raise SCE's rates, which would in turn likely provide the CCA sufficient headroom to handle the higher bonding

requirement and keep its customers' overall costs competitive with what they would have paid had they remained with SCE.

Direct Access and Competitive Retail Services

The most likely driver of opt-out risk is expanding Direct Access eligibility. As noted earlier, about 15% of the load in SCE's territory is served through Direct Access, with an additional 3% in 2020 due to the limited expansion of the DA cap from SB 237**.** In addition to modestly expanding the availability of DA service, SB 237 also directed the CPUC to report to the Legislature by June 1 of 2020, a deadline that the Commission missed on how to open DA completely for all non-residential customers. The CPUC's report on how to fully open DA service was delayed due to the outbreak of COVID-19, and a preliminary Staff Report was eventually issued in September 2020. The Staff Report recommended that ESP's demonstrate obligation compliance by submitting robust IRPs and meeting their procurement, RA, and RPS requirements before further DA is opened. If legislation directs further reopening of non-residential DA, then a re-opening schedule of increments of 10 percent of eligible non-residential load per year should be used under the condition that each expansion meets IRP, RA, and RPS requirements and allows Load Serving Entities (LSEs) to fully comply with RA requirements. A fully opened DA market would allow any commercial or industrial customer to switch its provider to a third-party, potentially reducing OCPA's revenue and creating a mismatch between its wholesale power portfolio and the CCA's load.

Additional expansions are possible, if not likely. If they come to pass, CCAs will have to compete with the DA providers on price and/or other services.

Mitigation*:* As stated earlier, CCAs' history suggests that opt-outs at the beginning of service tend to be minor. Prudent power procurement strategies will allow for a reasonable uncertainty in load, including potential DA expansion, without having to dump power or purchase power at high spot prices. CCAs also can charge an "exit fee" akin to the PCIA to customers who have left CCA service after power contracts have been signed to serve their load, but to date none have been imposed.

Energy Procurement Risk

A LSE that is formed as a CCA faces financial risk of procuring energy, capacity, Renewable Energy Credits (RECs) and carbon-free energy (if needed) at a cost that exceeds the revenue that it receives from its retail customers. The other risks that are faced by the CCA roll up into the overarching risk of buying products and operating the CCA at a cost that exceeds revenue.

Mitigation: The CCA must establish a sound risk management program that forms the structure for measuring, monitoring, and managing risk. The elements that comprise risk, components, and functions of a Risk Management Program, and approaches that can be used to manage risk. CCA Risk Management plans can be found on their respective websites.[9]

[9] E.g., San Jose Clean Energy: http://www.sanjoseca.gov/DocumentCenter/View/77619; Silicon Valley Clean Power: https://www.svcleanenergy.org/wp-content/uploads/2019/03/2019-Risk-Management-Policy-F.pdf.

Legislative and Regulatory Risks

As noted above, the CCA must meet various procurement requirements established by the State and implemented by the CPUC or other agencies. Regulatory risk, which changes the rules under which CCAs operate, affects the CCA's ability to maintain stable procurement activities, manage costs to its customers, and compete with the local incumbent utility and direct access providers.

Regulation of the electric utility sector that affects CCAs at the federal level is provided by the Federal Energy Regulatory Commission (FERC) which regulates the CAISO and at the state level by the CPUC which implements legislation passed by the California State Legislature and signed into law by the governor. Although CCAs are not directly regulated by the CPUC but rather their own local governing bodies, the CPUC is tasked with implementing details of legislation signed into law.

The risk to CCAs is in changes in the regulatory environment that affects the CCAs ability to attract, compete for, and retain customers, the products that it has already procured, and procurement practices going forward. Major issues that are currently evolving include:

- Direct Access
- Resource Adequacy[10]
- Power Charge Indifference Adjustment
- Renewable Energy Purchase Requirement
- Power Content Label Reporting
- Central Procurement Entity
- Energy Provider of Last Resort (POLR)

These include procuring sufficient resource adequacy capacity of the proper type and meeting the RPS requirements that are evolving. Additional rules and requirements might be established. These could also affect the economic performance of the CCA.

There are potential risks associated with legislative proceedings that affect the Power Charge Indifference Adjustment (PCIA), which is a fee ($/kWh) charged by IOUs to cover the generation costs incurred before a customer changes to a new service provider, such as a CCA. The fee fluctuates per year based on the difference between an IOU's actual generation cost and the current market value of its generation portfolio. The PCIA charge also varies per customer based on the date or "vintage" they enrolled with an alternative provider. CCAs are concerned

[10] For example, on September 12, 2019, the CPUC issued a proposed decision requiring electric system reliability procurement for 2021-2023 in the Integrated Resource Planning proceeding, Rulemaking 16-02-007. That proposed decision directs Southern California Edison to procure 1,745 MW of Resource Adequacy with a start date ranging between August 1, 2021 and August 1, 2023. Although the decision is not final, if it holds, and Southern California Edison moves forward, it most likely will be long Resource Adequacy and will need to re-sell it or have it allocated to Load Serving Entities.

with changes in the PCIA since significant increases in the PCIA can affect the rate competitiveness of CCAs with IOUs.

Legislation that affects RA creates risks for CCAs since all CCAs, like IOUs and ESPs, have RA obligations. These obligations require LSEs to procure a specific amount of capacity so that this capacity is available to the CAISO in order to ensure electric service reliability. Drastic changes in RA requirements, particularly increases in obligation, would concern any LSE, especially since recently there was a decrease in available resource adequacy capacity in 2019.

Due to the rise in wildfire risks over the past several years, CCAs are following legislation that addresses wildfire mitigation and public safety power shutoffs (PSPS). Some CCAs are focused on insulating their customers from potential wildfire risks and subsequent power shutoffs.

***Mitigation**:* Regulatory and legislative risk can only be managed through close monitoring of the relevant proceedings at the CPUC and the legislation in Sacramento and through intervening where needed to advocate for CCAs. If Buena Park pursues forming or joining a CCA, the organization should consider teaming up with other CCAs, such as through the Cal-CCA trade organization on regulatory and legislative monitoring.

Review of OCPA Foundational Documents

Joint Powers Agreement

The Joint Powers Agreement (JPA) is the fundamental governance document for the OCPA. In this section, we review sections of the JPA that are particularly important to Buena Park and note where the OCPA JPA differs from, or is consistent with, other CCA JPAs.

Board of Directors and Voting

The OCPA would be governed by a Board of Directors, with one director appointed by each JPA member, except for the City of Irvine, which would initially have two directors but would drop down to one director once Irvine's loan to the OCPA is paid off.[11] Each one of these directors is given a vote. This structure is unique; all other California CCA JPA agreements that MRW has seen specify that each member community would have one member on its JPA Board.

The OCPA JPA also includes a second "Voting Shares Vote."[12] The JPA states that during the same Board Meeting after an affirmative or tie vote, two or more Directors may request a "Voting Shares Vote" to reconsider the action approved by a first vote. (Both Directors cannot be from Irvine.) The voting shares are proportional to the annual energy use of the community. Given the current OCPA makeup, a Buena Park Director's vote share vote would be worth 10 out of a total of 100 (i.e., 10 percent).

It is common for JPAs to include a voting shares vote option. East Bay Community Energy (EBCE), Marin Clean Energy (MCE), Clean Power Alliance, Peninsula Clean Energy, Sonoma Clean Energy, and Silicon Valley Clean Energy are all major CCAs that allow for a "Voting Shares Vote" for a particular matter if requested by a certain number of board directors. MRW is not aware of any CCA Board of Directors exercising a Voting Share Vote.

The OCPA JPA Agreement also explicitly states that membership does not require any financial obligations: "Parties are not required under this Agreement to make any financial contributions or payments to the Authority, and the Authority shall have no right to require such a contribution or payment."[13] Instead, the City of Irvine is providing the initial capital loan and collateral to the OCPA, with terms laid out in the JPA agreement Section 5.5 and Exhibit D.

The voting shares for OCPA, given the current makeup and projected load for each community, is shown in Table 3 below.

[11] OCPA JPA Agreement, Section 3.1
[12] OCPA JPA Agreement, Section 3.9.2
[13] OCPA JPA Agreement, Section 5.6.

Table 3: OCPA Voting Shares

Community	Directors	Equal Vote	Voting Shares Vote
Irvine	2*	33%	42.4%
Fullerton	1	17%	14.8%
Huntington Beach	1	17%	11.9%
Buena Park	1	17%	9.8%
Lake Forest	1	17%	10.0%
Total	6	100%	100%

*Irvine will have 2 Directors on the Board until its loan to the CCA is paid off.

Financial Exposure

Generally, all CCAs have similar stipulations in their JPA agreement to those of the OCPA regarding the financial obligations of their members. Individual member jurisdictions are not held responsible for the debts, liabilities, or obligations of a JPA unless the governing board of each member jurisdiction (i.e., its City Council) agrees to assume a debt, liability, or obligation. Additionally, CCAs typically indemnify and hold harmless member jurisdictions and their associated staff from any claims, losses, damages, costs, injuries, and liabilities arising directly or indirectly from the conduct, activities, operations, acts, and omissions of the JPA For those JPAs that allow for members to be required to make contributions or pledge assets as a condition of continued participation in a CCA program, the JPA agreement requires a vote of at least 75% of all directors and the approval of the governing boards of each member jurisdictions who are being asked to contribute.

The establishment of many JPAs necessitated that the initial implementation costs of a CCA Program be funded by an initial member jurisdiction. In these situations, the member jurisdiction providing the initial funding was not entitled to any reimbursement of these cost if the CCA program did not become operational. In the case of the OCPA, the City of Irvine has taken on the responsibility of providing initial funding to OCPA.

Founding Party Versus Additional Party

Since Buena Park joined the OCPA JPA before the end of the year, it is a "Founding Party;" if it withdraws membership before April 1 and rejoins sometime later, it will become an "Additional Party."[14] Being a Founding Party would automatically place the Buena Park

[14] OCPA JPA Agreement, Preamble.

Director on the JPA's Executive Committee. The benefits and obligations of being a member of the Executive Committee are not defined in the JPA. The Executive committee would be formed if the Authority' s membership reaches nine or more members. If the City waits to commit after the end of the year, it will join as an Additional Party and potentially be subject to a membership fee upon joining.[15] This tiered membership, which provides privileges to the initial members, is again unique among CCAs.

No other CCA JPA differentiates Board Members benefits based on when the jurisdiction joins. We note that there has been at least one instance where a JPA revised its board membership rules once it reached a certain number of member jurisdictions. Central Coast Community Power (formerly known as Monterey Bay Community Power) originally allocated seats on its Policy and Operations board based on a one jurisdiction, one seat basis until the number of member jurisdictions exceeded eleven. Once the number of member jurisdiction reached more than eleven, the JPA's Policy and Operations boards' composition shifted to a regional allocation based on population size.

Withdrawing from the JPA

The JPA agreement also provides for the right to withdraw from JPA membership: "a Party may withdraw from the Authority for any reason and without liability or cost prior to April 1, 2021 upon providing the Authority fifteen (15) days advance written notice."[16] This option reduces the risk to the City of committing to the OCPA now by allowing a more thorough analysis of the implications during the next few months.

After April 1, 2021, the City could withdraw from the JPA effective at the beginning of OCPA's fiscal year by providing no less than 180 days written notice. If the City exercises this latter withdrawal option, it could be responsible for the various damages and losses its withdrawal might cause to the JPA.[17] These damages would likely be associated with the value of the power purchase contracts entered into by the OCPA on the City's behalf which the OCPA could not liquidate.

Other CCA JPAs allow member jurisdictions to withdraw from the authority after giving a certain amount of notice in advance, usually 180 days. Like OCPA, some JPAs also require an affirmative vote from the governing board of the departing jurisdiction (i.e., City Council) before the jurisdiction can withdraw. However, JPAs will typically hold departing jurisdictions responsible for certain continuing liabilities or financial obligations, such as power purchase agreements. These liabilities and obligations are typically costs incurred by the JPA on behalf of the departing jurisdiction.

[15] OCPA JPA Agreement, Section 6.1.
[16] OCPA JPA Agreement, Section 6.1.
[17] OCPA JPA Agreement, Section 6.3.

OCPA's Implementation Plan

This section reviews the analytical approach, assumptions, and results of the OCPA Implementation Plan's pro forma financial analysis and compares the key assumptions and results against the independent analysis conducted by MRW. The fundamental question addressed is, "Are the assumptions reasonable and is the OCPA likely to be financially viable?"

As detailed below, the assumptions underlying the OCPA Implementation Plan are generally reasonable. Further, MRW believes that the OCPA is likely to be financially viable, although the margins in the first few years will be tight and the OCPA may not be able to offer more than token rate savings.

Table 4 summarizes MRW's findings on the financial analysis underlying the OCPA Implementation Plan. Each entry is discussed in the following sections.

Table 4: Implementation Plan Assumption Summary

		Conservative	Reasonable	Potential Issue
	Modeling Approach		✓	
Load Assumptions	Load Forecast		✓	
	Line Losses	✓		
	Opt-Out Rate	✓		
CCA Power Assumptions	CCA Power Portfolio		✓	
	Wholesale Power Prices		✓	
	Renewable Power Prices		✓	
	RA Costs		✓	X
CCA Admin. and Other Cost Assumptions	Startup Costs		✓	
	Financing Costs		✓	X
	Admin. Costs		✓	
SCE Rate Assumptions	PCIA	✓		
	SCE Generation Rate		✓	X

Implementation Plan Approach

The Implementation Plan's financial analysis approach is sound and complete. It includes all the necessary expense and revenue categories and modeled a CCA program's pro forma cash flow accurately.

Main Assumptions

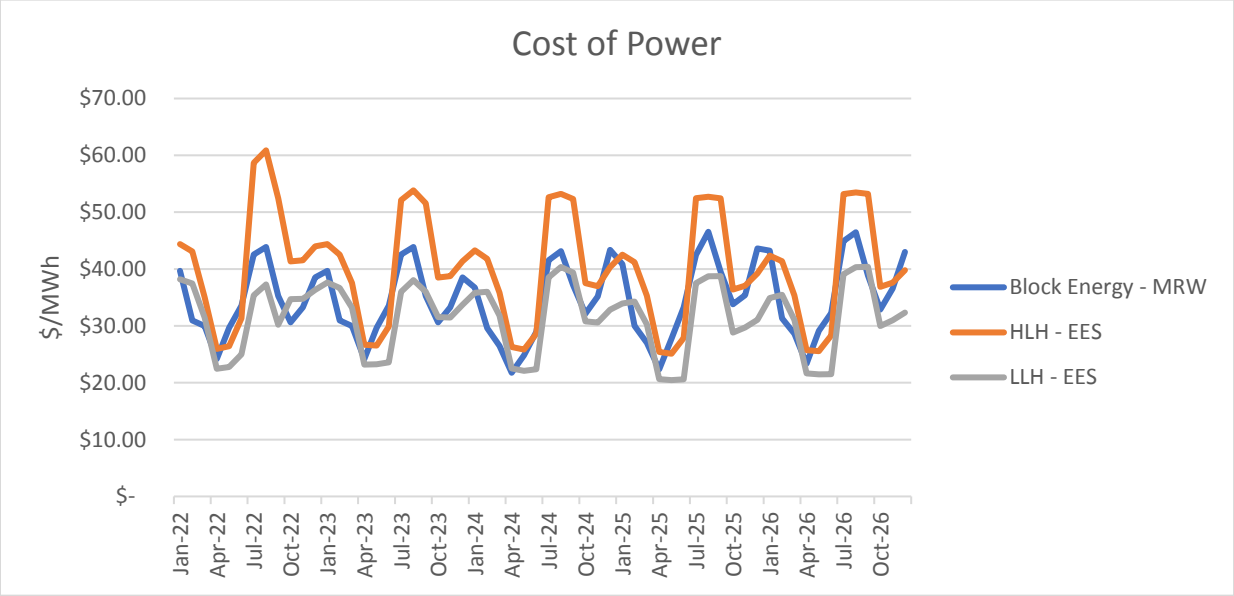
This section reviews each of the major assumptions that the Implementation Plan makes and opines on the reasonableness of the assumptions. While most of the assumptions made by the Implementation Plan were reasonable, two of the assumptions were understated or outdated. Additionally, many of the assumptions that the Implementation Plan characterizes as "conservative" MRW would consider reasonable, but not necessarily conservative.

Load Forecast. The Implementation Plan's load forecast is reasonable. It is based on recent historical data provided by SCE, assumes conservative opt-out rates, and modest growth. With respect to the opt-out rate, the Implementation Plan assumes that 5% of the residential customers and 10% of the commercial and industrial customers will choose to remain with SCE for their electric energy. With one notable exception, opt-out rates seen by recent CCA program launches have been less than this, making the assumption conservative. The exception is the Clean Power Alliance of Southern California (CPA), the CCA that serves Los Angeles and Ventura counties, which experienced a much higher opt-out rate, closer to 50%, for its largest industrial customers. This was because CPA chose not to offer rates that were lower than SCE's for this customer class, but instead chose to set rates at levels equal to CPA's cost to provide power to them. Because the CPA rates were higher, and this class is especially sensitive to power costs, a large fraction of the industrial customers declined to take service from CPA.

Cost of Power. As outlined in its Implementation Plan, OCPA intends to purchase significant amounts of power from power marketers, public agencies, generators, or utilities during the first several years of operation. It will utilize one or more power supply agreements to obtain all of its electricity from one or more third-party providers. These suppliers will be responsible for procuring the mix of resources, including renewable energy, needed to meet OCPA's portfolio requirements and provide cost-effective electricity.

Figure 4 below shows the forecasted monthly power costs for block energy estimated by MRW and the heavy load hours (HLH) and light load hours (LLH) used in the Implementation Plan. The figure shows that the Implementation Plan estimates are similar in pattern and value to MRW's estimate for block power and therefore appear reasonable.

Figure 4. Implementation Plan Assumed Cost of Power



Cost of Renewable Power. OCPA anticipates purchasing a minimum of 50% of renewable energy by 2026, 60% of renewable energy by 2030, and 100% carbon-free energy by 2045, as mandated by California law. To achieve these RPS goals, OCPA will secure renewable power supply from third-party electric suppliers, potentially supplementing these renewable power contracts with direct purchases of renewable energy from renewable energy facilities or from renewable generation owned by OCPA.

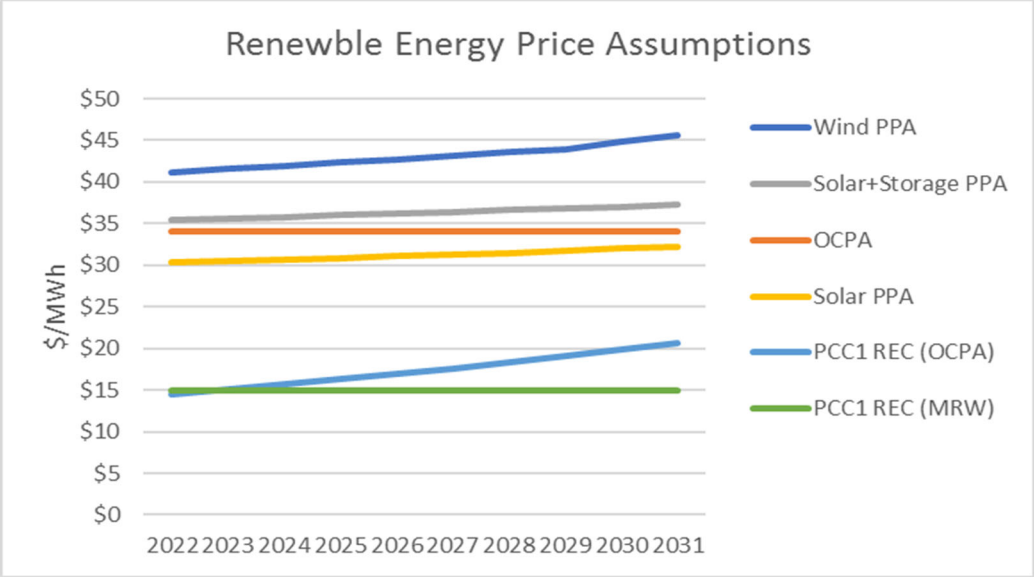
The renewable energy OCPA plans to procure would come bundled with its individual clean energy attributes in the form of RECs. RECs are tradable instruments, with each individual REC representing one megawatt hour of renewable energy generated. In California, there are different types of RECs. The most stringent is the "PCC-1" REC. These RECs require that the associated renewable power be directly provided into the California power grid. This is in contrast to the more generic PCC-3 REC, where the renewable power need not be used in California but generated elsewhere. The State sharply limits the use of these PCC-3 RECs, and the OCPA Implementation Plan's use of RECs is strictly limited to the stringent PCC-1 type.

Beyond these RECs, the OCPA Implementation Plan says it will secure renewable power from third-party suppliers, with the potential of supplemental procurement from other renewable facilities or OCPA-owned renewables. OCPA acknowledges in its Implementation Plan that transmission access cost and transmission congestion cost risks must be considered in any bid evaluation if the delivery point for electricity is outside of OCPA's load zone.

Figure 5 below shows the projected average annual renewable power costs based on current reported renewable contract prices from other load-serving entities, including California CCAs

and municipal utilities.[18] The Implementation Plan assumes a flat price of $34 per MWh for renewables across all years (orange line). The price used in the Implementation Plan falls between the expected price for a solar plus storage PPA (gray line) and a solar PPA. (yellow line). The Implementation Plan's assumed PCC1 REC price starts at about the same level as MRW's projection but escalates it modestly with time.

Figure 5. Implementation Plan and MRW Renewable Price Assumptions



Overall, the Implementation Plan's forecast of renewable energy purchasing and pricing is reasonable.

Cost of Resource Adequacy. Resource Adequacy, or "RA," is a state-mandated system whereby each load-serving entity (e.g., utility, CCA) must demonstrate that they have contracted with sufficient resources to keep the state's power grid reliable. To satisfy RA standards, OCPA will need to demonstrate one year in advance that it has secured physical capacity for 90 percent of its projected peak summer loads plus a minimum 15 percent reserve margin. It must also demonstrate 100 percent of the peak load plus a 15 percent reserve margin on a month-ahead basis. Up until 2023, each load-serving entity must also ensure that a fraction of the physical resources with which it has contracted are located within certain local areas ("Local RA") where transmission constraints require power plants/generators to be located within that area so as to maintain reliable service. After 2023, SCE will be in charge of purchasing the entire amount of required local RA on behalf of all load-serving entities, including any CCAs in their jurisdictions. Therefore, local RA will be purchased on behalf of

[18] https://emp.lbl.gov/sites/default/files/2020_utility-scale_solar_data_update.pdf

OCPA and other CCAs by SCE within its service territory and thus saving the CCAs the cost of procuring this resource themselves.

Although OCPA acknowledges that a portion of their capacity requirements must be procured locally (from the SCE jurisdictional area), its Implementation Plan does not take into account the transition to SCE as the procurer of local RA after 2023. This means that the Implementation Plan is overstating the costs for RA in 2023 and thereafter.

The Implementation Plan's projected costs for RA are based on publicly available documents from the CPUC.[19] While this is the best publicly available source, the amount the CCA's have had to pay for RA in 2019 and 2020 are about 20-30% higher than the Implementation Plan's assumption. Thus, MRW finds the Implementation Plan's RA cost assumptions to be at the low end of reasonableness, but not conservative.

Administrative Costs. The administrative and operating costs estimated by ESS for its pro forma analysis (2021 – 2031) for the Implementation Plan include costs for data management, a scheduling coordinator, SCE fees, consulting services, staffing, general & administrative expenses, and debt service payment on financing. The OCPA Implementation Plan thoroughly presents what types of activities a new CCA program should expect along with providing reasonably detailed estimates for the costs of those activities.

Financing. OCPA anticipates that "one or more rounds of financing, inclusive of prospective direct term loans between OCPA and its Member Agencies, will be necessary to support OCPA Program implementation," with any subsequent capital requirements met through OCPA's accrued financial reserves. MRW understands that "loans from its Member Agencies" refers to the $2.5 million loan from the City of Irvine. OCPA currently projects repaying this loan by 2027, subject to change based on final power prices. OCPA projects that its full start-up and working capital requirements will be $15.5 million, or $13 million beyond the Irvine loan. The OCPA Implementation Plan assumes that the remaining financing will be via a short-term loan or letter of credit, which would allow OCPA to draw cash as required. Requisite financing would need to be arranged no later than the first quarter of 2021.

MRW finds the start-up cost estimate to be reasonable, but the working capital amount to be low. The OCPA Implementation Plan assumes 30 days of cash or line of credit. MRW expects that a financer would require at least 60 days of working cash. In addition to the loan by Irvine, OCPA's financer will likely require a guarantor to any short-term loan or line of credit. This responsibility will likely have to be taken upon by an OCPA Member or Members.

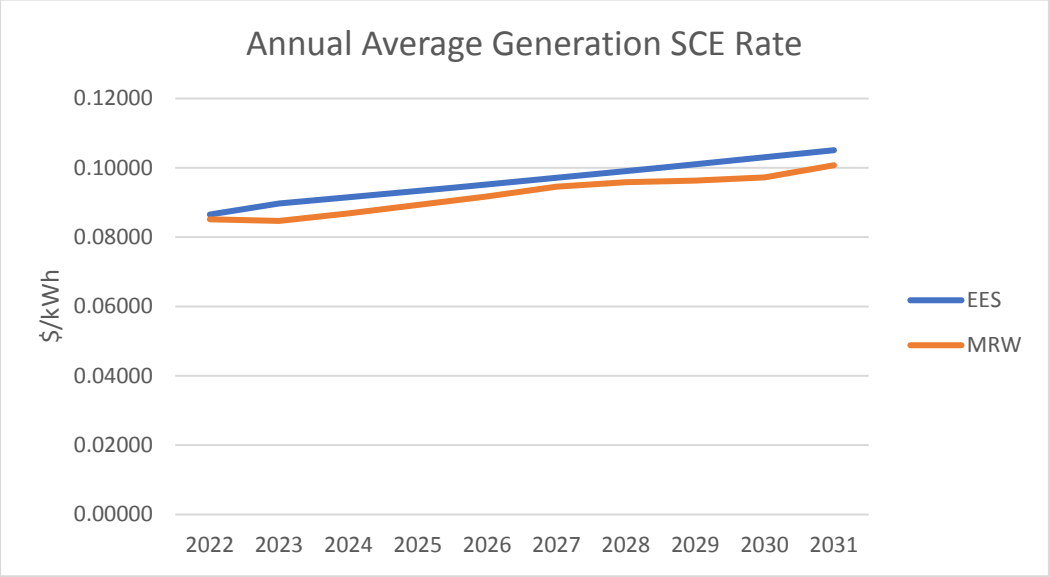
SCE Generation Rates. OCPA's goal is to offer customers competitive electric rates compared to SCE. OCPA plans to offer rate options for a higher proportion of renewable energy and reduced GHG emissions compared to SCE while also offering rates that are lower than SCE's bundled rates. The base rate tariff offered by OCPA will meet the state's renewable energy

[19] CPUC Energy Division, "Calculation of the Market Price Benchmarks for the Power Charge Indifference Adjustment Forecast and True Up," November 2, 2020

mandate, while the other tariff options will offer customers electricity based on 50% or 100% renewable energy. The initial rates offered by OCPA will be set at a discount to SCE's rates, with the discount level depending on the default product chosen by the member agencies of OCPA.[20] Any rate differences between customer classes will be based on the rates charged by SCE and costs differences in serving each class. Additionally, rate benefits may differ among customers based on OCPA's rate designs.

Figure 6 below shows the forecasted annual average generation rate for SCE estimated in the OCPA Implementation Plan and by MRW. It is important to note that the SCE generation rate estimate likely does not reflect the advent of SCE as the central procurement entity for local RA on OCPA's behalf after 2023. While the two rates are relatively consistent, MRW's is about 0.4¢/kWh lower than that shown in the Implementation Plan. A 0.4¢/kWh decrease in rates translates to a $13 million decrease in CCA revenue, which could, in some years, hamper the OCPA's ability to offer its target rate savings. However, as discussed below, these lower generation rates would be offset by the Implementation Plan's very conservative PCIA assumption.

Figure 6. Implementation Plan and MRW Projections of SCE Generation Rate



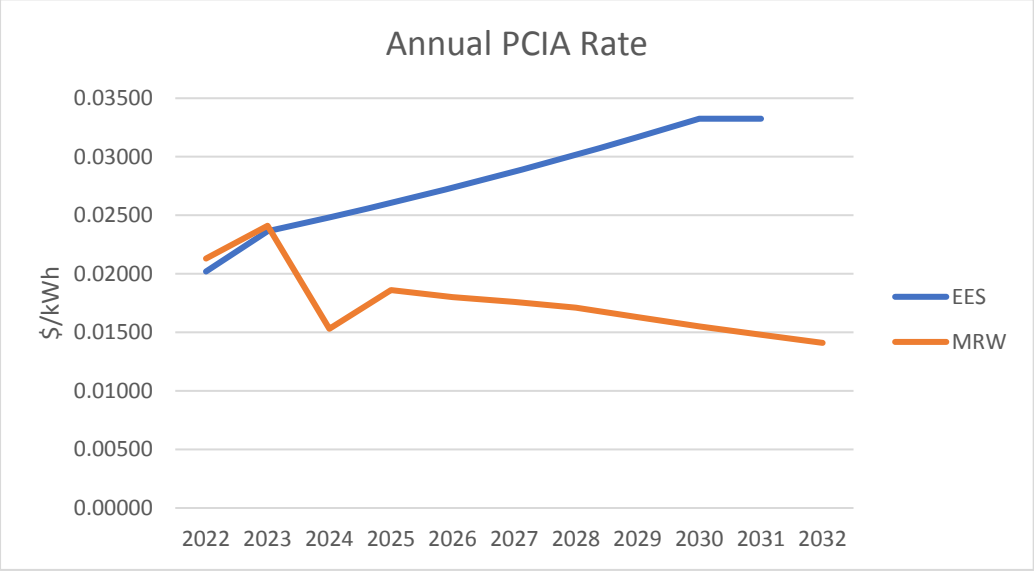
Power Charge Indifference Adjustment (PCIA). The PCIA is a fee charged to CCA customers by SCE (and other incumbent utilities) to ensure that remaining utility customers are not impacted by cost increases due to the departure of customers for CCA service. More specifically, it pays for the above-market costs of SCE generation resources that were acquired, or which SCE committed to acquire, prior to the customer's departure to a CCA. Bundled customers also pay the PCIA, but it is embedded into the commodity portion of their total rate.

[20] OCPA plans to base its initial rates at launch on default SCE TOU rates.

The value of the PCIA charged to customers is dependent on the year that they departed or "vintage." CCAs are sensitive to the value of the PCIA since high values could potentially cause CCA customers to pay more for electric service than if they stayed with SCE.

Figure 7 below shows the forecasted annual PCIA rate contained in the Implementation Plan compared to the rate estimated by MRW's forecast. The Implementation Plan's PCIA rate is much more conservative than MRW's forecast, with the rate reflecting a straight escalation approach versus the bottoms-up modeling approach used by MRW. This conservative approach used for the Implementation Plan removes the risk that OCPA will underestimate the impacts of the PCIA on their rates.

Figure 7. Implementation Plan and MRW Projections of SCE PCIA Rate



Is the OCPA likely to be financially viable?

Based on our review of the OCPA Implementation Plan and our analysis conducted for the City of Huntington Beach, MRW believes that the OCPA is, in the long run, financially viable. However, we believe that OCPA may not be able to offer rate savings in the first few years of operation. This is because of SCE's rates (including the PCIA), the need to pay off its start-up debts, and the need to build up financial reserves.

CCA Options Available to Buena Park

Buena Park's three primary options for community choice aggregation (CCA) are: joining the Orange County Power Authority (OCPA); forming a stand-alone Buena Park-only enterprise-based CCA; or forming a Buena Park CCA and joining the CalChoice Energy Authority. The primary benefits of either of the Buena Park-only CCA options are more local control over procurement practices and budgets and services better tailored to Buena Park. The primary benefits of joining with OCPA are foregoing the need to provide upfront financing for the CCA's startup process, less potential financial exposure to the City as the JPA will be a financially distinct entity, economies of scale which can translate into lower average operating costs and reduced administrative burdens.

Both the city enterprise model and the JPA create entities that are independent of the City's finances and offer protections to the city's general fund. The JPA model's independence is demonstrated by a number of CCAs[21] getting investment grade credit ratings independent of their member cities and counties. Still, no CCA has experienced serious financial difficulties, so how much a CCA could financially lean on its constituent members has never been tested.

Forming a Single City Agency

In a sole jurisdiction approach, the City maintains full flexibility—and responsibility—for developing policies and procedures. This means that they can be specifically tailored to and responsive to the City's stakeholders and constituents and based upon their own goals. The City would be responsible for setting policy priorities in general and making specific decisions about power generation, staffing policies, local economic development activities and strategies, formulation of financial and debt policies, and development of customer-focused programs, such as those promoting energy efficiency, electric vehicles (EV), and distributed generation (e.g., rooftop solar PV). Along with greater autonomy, the City would assume all risk, liability, and costs associated with operating the CCA. In this case, the likely path would be for the City to establish the CCA as an enterprise and work with appropriate legal counsel to explore options for controls and structural safeguards to financially insulate the CCA and minimize risk to the City's general fund.

Enterprises are commonly used for public utilities such as electric, water and wastewater, or other city functions where a public service is operated and provided in a manner similar to a separate business enterprise. Fees and charges are collected for services provided and accounting and budgeting are separate from a city's general fund. Establishing an enterprise provides management and CCA customers with visibility and accountability, and the ability to more easily separate and measure performance, analyze the impact of management decisions, determine the cost of providing electric service, and use this information to develop electric rates and services. Enterprise accounting would allow the City to demonstrate to customers, the

[21] E.g., Marin Clean Energy (Fitch "BBB+"), Central Coast Community Energy (S&P "A"), Peninsula Clean Energy (Moody's "Baa2")

public, and other stakeholders that the cost of power is being recovered through its rates, and not being subsidized or comingled with other City funds or functions.

Within the city-only option, the Buena Park CCA would have to determine if it is to be a fully in-house operation with existing or added City staff, or if the City would outsource some of or all of the activities, with the City only administering contracts and managing vendors. Examples of some of the categories of operating activities that would need to be performed in-house or outsourced include:

- Power procurement and operations
- Finance, budgeting, and accounting
- Coordinating with SCE on billing
- Customer service
- Communications, outreach, and public relations
- Customer service programs (EE, EV, or rooftop solar PV)
- Regulatory monitoring and compliance (e.g., CPUC filings)

The likely best short-term option would be to outsource the highly technical functions and maintain some of the management, planning, and other public-facing functions, like communications, in-house. The range of options depends upon the degree of operating control the City wishes to maintain, the costs associated with maintaining those functions, and the degree of risk it is willing to accept on its own, or delegate to third-party providers to assume these responsibilities.

If the Buena Park CCA were to pursue additional services, it would require at least one or two managers, supported by analyst professionals, some of whom could be shared with other Buena Park departments.

Joining a Joint Powers Agency (Generically)

The second option would be the formation of a JPA, where the JPA is an independent agency that operates on behalf of the public agencies which are party to its creation. In this approach, the City effectively shares responsibility with the other agencies participating in the JPA. The divisions of these responsibilities and the sharing of decision-making authority would be determined at the time the JPA is created. Other critical 'ground rules' are negotiated and memorialized, such as financial and possibly staffing commitments of each participating agency, and the composition of the board and voting procedures.

The JPA structure reduces the risks of implementing a CCA program for the City by completely separating its books from the financial assets and liabilities of the City and the other participating agencies, and distributing the risks and costs associated with the CCA among the participating entities. It could also provide the benefits of scale and economy for certain aspects of CCA operation, such as power procurement or back office billing and accounting functions.

Key tradeoffs to the benefits of a JPA are that decision making is allocated amongst the parties and management independence is diminished. Objectives of participating agencies will likely

differ, and reduced autonomy can manifest when setting priorities for local generation, economic development activities, and importance of support programs.

Joining CalChoice Energy Authority

CalChoice Energy Authority (CCEA) is described as a "hybrid" JPA, where the JPA provides requested services to its member CCAs but does not control any of its general policies or programs.[22] More specifically, CCEA provides to its members, as desired:

- Power, including contract procurement, portfolio management, load forecasting and scheduling, and complying with and demonstrating procurement-related regulatory requirements (e.g., resource adequacy, renewables, etc.).
- Regulatory and compliance support, including preparing and filing compliance reports to the California Public Utilities Commission, the California Energy Commission, and the California Independent System Operator; and general regulatory advocacy.
- Billing and data management, including interface with SCE and call center operations.
- Treasury, including CAISO invoice validation, rate design development, and risk management.

Thus, CCEA is effectively a non-profit outsource for all of the detailed activities of a CCA. This is a good match for smaller cities who are interested in the local control of the CCA but not interested in bringing in-house the day-to-day management needed to operate a CCA.

CCEA members that are providing power are: Lancaster Choice Energy, San Jacinto Power, Pico Rivera Innovative Municipal Energy, Rancho Mirage Energy Authority, and Apple Valley Choice Energy, Baldwin Park Resident Owned Utility District, and Pomona Choice Energy. The cities of Commerce, Palmdale, and Santa Barbara are members but have yet to begin service.

All of the city-only CCAs in SCE's territory are CCEA members. This makes sense in that they are all small. Only one, Lancaster Choice Energy, serves more load than would be served by a Buena Park CCA.

If Buena Park joined CCEA, it would be responsible for setting policies, setting rates, marketing and customer outreach, and the implementation of any desired local programs. It would also still have to provide any start-up loans and any collateral or loan guarantees needed to acquire financing.

The CCEA Board of Directors is the Lancaster City Council. The actual services provided by CCEA are via contractors and consultants supervised by City of Lancaster personnel (e.g., Lancaster City Manager, Lancaster Choice Energy's Executive Director.) Thus, CCEA's administrative simplicity (the city not having to acquire expertise or expert contractors) is a traded off against the fact that Buena Park would have to accept the contractors and service providers selected by CCEA. The bottom line is that CCEA is by design more of a contractor -

[22] *See*, https://californiachoiceenergyauthority.com/

Buena Park would remain fully in control of the power that the JPA purchased on its behalf as well as which services the JPA provides to the City.

Comparison of Buena Park Options

Table 5 below qualitatively compares Buena Park's three CCA options against remaining with SCE. First, MRW cannot project any quantifiable difference in rate or GHG savings between the three CCA options. The stand-alone and CCEA options offer greater flexibility and control, but at the price of higher start-up costs, greater staff effort, and higher financial risk. Lastly, remaining with OCPA is the quickest option, allowing for CCA formation at least one year sooner than the other two options.

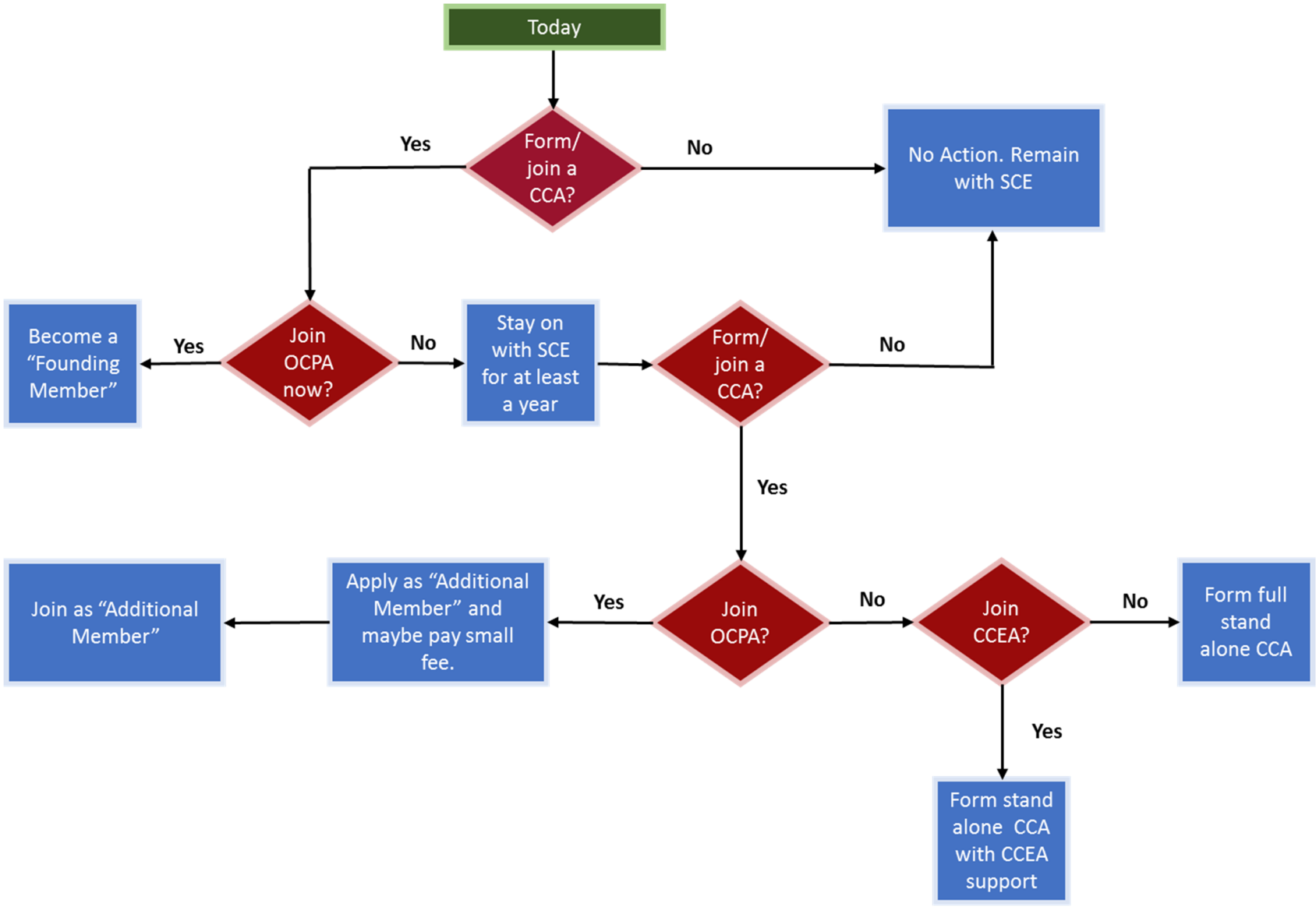
Table 5: Comparison of Buena Park CCA Options

Criterion	Join OCPA	Use CCEA JPA	Stand-alone Enterprise	Stay with SCE
Rates	Comparable/ modestly lower	Comparable/ modestly lower*	Comparable/ modestly lower*	Base
GHG Reduction Potential Over Forecast Period	Some	Some	Some	Base
Local Control/Governance	Some	Greater	Greatest	None
Local Economic Benefits	Some	Greater	Greatest	Minimal
Start Up Costs/Cost to Join	None	Some	Greatest	None
Level of Effort	Minimal	Some	Greatest	None
Timing (earliest)	2022	2023	2023	N/A

*Options not explicitly analyzed.

Figure 8 shows a flowchart of the possible CCA options for Buena Park. If the City wants CCA service quickly—as soon as 2022, then joining OCPA is its only option. However, if the City is willing to wait a year or two, the stand-alone options open up, as well as potentially joining OCPA as an Additional Member.

Figure 8. Available CCA Paths for Buena Park



CITY COUNCIL AGENDA REPORT

MEETING DATE: NOVEMBER 17, 2020 ITEM NUMBER: PH-2

SUBJECT: COMMUNITY CHOICE ENERGY JOINT POWERS AUTHORITY AGREEMENT AND FIRST READING OF AN ORDINANCE AUTHORIZING THE IMPLEMENTATION OF A COMMUNITY CHOICE AGGREGATION PROGRAM

DATE: NOVEMBER 9, 2020

FROM: PUBLIC SERVICES DEPARTMENT / ADMINISTRATION

PRESENTATION BY: RAJA SETHURAMAN, PUBLIC SERVICES DIRECTOR
SALEM AFEWORKI, ENERGY AND SUSTAINABILITY SERVICES MANAGER

FOR FURTHER INFORMATION CONTACT: SALEM AFEWORKI, LEED GA, ENV SP
ENERGY AND SUSTAINABILITY SERVICES MANAGER, (714) 754-5343

RECOMMENDATION:

Staff requests City Council direction regarding implementation of Community Choice Aggregation and joining the Orange County Joint Powers Authority as follows:

1. Consider approval of the Community Choice Energy (CCE) Joint Powers Authority (JPA) Agreement (Attachment 1) contingent on the City Manager and City Attorney successfully negotiating final terms;

2. Authorize the Mayor and City Clerk to execute the negotiated agreement;

3. Introduce for first reading, by title only, Ordinance No. 2020-xx (Attachment 2), authorizing the implementation of a Community Choice Aggregation Program;

4. Consider the appointment of one (1) regular board member and one (1) alternate member to act on behalf of the City of Costa Mesa on the Orange County CCE JPA Board.

BACKGROUND:

CCE is an alternative electricity supplier that can directly develop and buy electricity on behalf of local businesses and residents, and the incumbent Investor Owned Utility (IOU), Southern California Edison (SCE), will continue to provide transmission and delivery services. The California Public Utilities Commission (CPUC) regulates the CCE and once established, it will become the default electric utility provider of services for that area and the customers must opt-out of the CCE program in order to revert to IOU.

A key State of California mandate that is advancing the use of renewable energy is the Renewables Portfolio Standard (RPS). It requires California load-serving entities (LSEs) such as CCEs, to increase their procurement of eligible renewable energy resources (solar, wind, geothermal, biomass, and small hydroelectric) to 33 percent of retail sales by 2020, 44 percent by 2024, 52 percent by 2027, and 60 percent by 2030. Additionally, the state has made a commitment that renewable energy resources and zero-carbon resources supply 100 percent of all retail sales of electricity by 2045. This explains the increasing numbers of CCEs throughout California. A recent CPUC study states that CCEs will grow by 85 percent in the next decade; that translates to 15 million to 20 million customers.

At the regular meeting on October 20, 2020, the City Council received a presentation from staff on CCE options for Costa Mesa including a JPA led by the City of Irvine (Attachment 3). The City Council directed staff to continue its due diligence and detailed CCE JPA review in collaboration with Irvine and other OC interested cities and return with recommendations regarding next steps.

ANALYSIS:

The first step in establishing a CCE is to perform a technical and financial feasibility study to assess the costs, benefits and risks associated with developing the CCE.

On October 28, 2020, the City of Costa Mesa received Community Choice Energy materials from Irvine that included information on a draft Orange County CCE Pro-forma Pending specific detailed load data (Attachment 4), OC CCE Customer Programs (Attachment 5) and CCE low-income programs including CARE & Baseline Customers (Attachment 6). The draft 10 year financial pro-forma includes three (3) OC CCE scenarios – Scenario 1: Irvine and Huntington Beach; Scenario 2: Irvine, Huntington Beach, Costa Mesa and Fullerton; and Scenario 3: Irvine, Huntington Beach, Costa Mesa, Costa Mesa, Fullerton, Santa Ana, Lake Forest, Tustin, Yorba Linda, Villa Park and Laguna Woods. According to the draft pro-forma, the start-up loan of $2.5 million and the working capital loan of $10 – $18 million is expected to be repaid in 5-7 years through revenues from the net operating revenues of the CCE after expenses are paid. In addition, OC CCE hopes to build financial reserves over the first 5-7 years of 120 days of operating expenses. In the draft pro-forma, after the debt service is repaid, net income could be available to develop customer programs. Irvine's consultant, EES Consulting, will replace the draft estimated pro-forma with specific details and financial data by City, and for the JPA once they receive the Southern California Edison (SCE) load-data for each specific interested city. It is hoped that the joint feasibility study, expected to be finalized by late-November, will detail quantifiable benefits and actionable measures OC member cities can collectively take to mitigate risks and participate in greater opportunities.

At the same time, to meet the tight deadline of CPUC filing by December 31, 2020, the draft JPA terms and conditions are still being discussed and negotiated by Irvine and Costa Mesa. As the JPA will govern, operate and be liable for the OC CCE program, a thorough review and revision of the agreement is critical to meet the needs of the parties and help eliminate confusion about each member agency's assets and liabilities if they withdraw from the JPA or are involuntarily terminated. The City of Costa Mesa representatives – including the City Manager, City Attorney and Public Services staff, are continuing to have JPA negotiation meetings with Irvine to get clarifications and detailed information, with the aim of reaching consensus.

The City of Irvine's City Council considered and approved the attached CCE JPA at its meeting on November 10, 2020 and authorized the City of Irvine's City Manager and City Attorney to further negotiate with interested cities on a final JPA Agreement. The revised version of the JPA attached to this report, includes certain changes requested by the City of Costa Mesa. However, additional issues are still under consideration for further negotiation including the items outlined below. The City of Irvine also approved a finance agreement committing to loan funds to the JPA for initial start-up costs, working capital and to provide collateral for the loan for initial energy purchases. The agreement calls for repayment of the loan by the JPA with interest by 2027. Once the feasibility study is complete, the parties will have the information necessary to further develop and analyze the Exhibits (A, B, C and D) to the JPA related to the financial agreement and voting structures to provide further feedback to the City Council.

In order to meet the CPUC deadline, the City Council could approve the attached JPA contingent on successful resolution on the terms of the agreement to be negotiated by the City Manager and City Attorney. The following are some of the outstanding areas where additional clarification or consensus is needed:

- Equal and meaningful representation for member agencies on OC CCE governing board
- Financing mechanisms and specific loan repayment terms
- Items requiring per capita and special voting requirements
- Clear exit clauses pre- and post-CCE launch, including voluntary and involuntary withdrawals
- CCE assets, liabilities and retirement programs
- CCE milestones

Several of the above topics were also identified by the City Council at the October 20, 2020 meeting.

The Mayor and City Clerk will execute the negotiated JPA. Staff also requests City Council direction regarding the introduction and first reading of the Ordinance for the implementation of a Community Choice Aggregation program for the City of Costa Mesa.

The JPA will be governed by a Board consisting of representative members from each City appointed by their respective City Councils. As the Board is required to take several actions prior to formation of the CCE, staff requests City Council direction regarding the appointment of one member and one alternate to serve on the JPA Board.

ALTERNATIVES CONSIDERED:

The alternative to this Council action would be to continue a steadfast negotiation process with the City of Irvine and other interested cities over the next quarter in order to adequately review and assess the City's specific load data, the feasibility study to be conducted by EES, the elements of the JPA Agreement still requiring clarification and amendment to protect the City's interests, and adequate due diligence regarding all Exhibits to the JPA to which all member agencies would have to adhere. This option should be considered due to following reasons:

- Critical information such as the results of the feasibility study, and final revised JPA agreement that fully addresses Costa Mesa's concerns are not currently available.

The feasibility study is being conducted at this time and while a report may be provided by late November, staff will not have the ability to conduct its due diligence on this before the end of the year.

- Staff has not had the opportunity to conduct community outreach and engagement on CCE to gauge residents' interest in this kind of program. The success of the CCE is highly dependent on acceptance of this program by the community at large. The City and JPA Board will need to conduct outreach to Costa Mesa residents and businesses on the benefits of CCE and ensure that there will be successful participation and retention.
- The City's financial exposure will need to be further evaluated, especially with respect to exit clauses in the JPA agreement, loan repayment and employee benefits provisions for staff of the JPA.
- The CCE formation is on a fast track which has made it difficult for staff to have the data and information needed to make an objective decision on the Irvine led OC CCE at this time. Continuing the negotiations until the City's concerns are addressed is a good outcome and could also lead to additional cities joining the CCE beyond those currently identified.

FISCAL REVIEW:

At this time, there is limited information available to provide a detailed fiscal review and analysis of the potential benefits to Costa Mesa's ratepayers from a CCE partnership with Irvine. Following the receipt of load data and completion of the feasibility study, staff will have more information to further conduct this analysis. Other financial details such as JPA operating costs, debt repayment schedules and projected net revenues are also not available at this time, further limiting the capacity of staff to conduct appropriate due diligence on this important decision. As a member of the JPA, Costa Mesa's ratepayers will be part of a robust energy savings program that may yield positive benefits for many years to come; however, this cannot be achieved without initially incurring significant debt. Additional data, analysis and negotiation will help ensure that the final JPA Agreement maximizes the positive outcomes for Costa Mesa ratepayers.

LEGAL REVIEW:

The City Attorney's office has reviewed this Agenda Report and the Ordinance and approves them both as to form. The City is continuing negotiations with the City of Irvine on various aspects of the JPA agreement. This office recommends that the City Council vest the City Attorney and City Manager with the authority to approve the final language of the agreement prior to the City joining the JPA.

CITY COUNCIL GOALS & PRIORITIES:

A fully negotiated and well-documented CCE program can support the following City Council goals:

- Goal #3: Keep the City Fiscally Sustainable
  Take measures to reduce expenditures by including but not limited to implementing energy efficiencies and sustainability practices at City Hall, in public buildings, parks and public spaces.

- Goal #6: Good Government and Community Engagement

Maintain up-to-date and accessible information about public works projects, significant private development sites and other city activities.

CONCLUSION

Staff has evaluated CCE JPA documents and is continuing to have meetings with Irvine and interested OC cities. Staff requests City Council direction regarding implementation of Community Choice Aggregation and joining the Orange County Joint Powers Authority as follows:

1. Consider approval of the Community Choice Energy (CCE) Joint Powers Authority (JPA) Agreement (Attachment 1) contingent on the City Manager and City Attorney successfully negotiating final terms;

2. Authorize the Mayor and City Clerk to execute the negotiated agreement;

3. Introduce for first reading, by title only, Ordinance No. 2020-xx (Attachment 2), authorizing the implementation of a Community Choice Aggregation Program;

4. Consider the appointment of one (1) regular board member and one (1) alternate member to act on behalf of the City of Costa Mesa on the Orange County CCE JPA Board.

_____
SALEM AFEWORKI
Energy and Sustainability Manager

_____
RAJA SETHURAMAN
Public Services Director

_____
CAROL MOLINA
Finance Director

_____
KIMBERLY HALL BARLOW
City Attorney

ATTACHMENTS:
1 CCE Joint Powers Authority (JPA) Agreement
2 Proposed Ordinance No. 2020-xx
3 October 20, 2020 City Council Presentation on CCE
4 Orange County CCE Draft Pro Forma Pending Load Data
5 CCE Customer Programs Overview
6 CARE and Medical Baseline Customers

ORANGE COUNTY POWER AUTHORITY
JOINT POWERS AGREEMENT

This Joint Powers Agreement ("**Agreement**"), effective as of November 10, 2020 ("**Effective Date**") is made and entered into pursuant to the Joint Exercise of Powers Act (California Government Code § 6500 *et seq.*) relating to the joint exercise of powers among the parties set forth in Exhibit A (individually, "**Founding Party**" and collectively "**Founding Parties**"). This agreement further allows and provides for the inclusion of additional incorporated municipalities, counties, or other public agencies as parties to this agreement after the Effective Date (individually, "**Additional Party**" and collectively "**Additional Parties**"). The term "**Party**" refers individually to any Founding Party or Additional Party, and the term "**Parties**" refers collectively to the Founding Parties and the Additional Parties.

RECITALS

A. In 2002, Assembly Bill 117 (Stat. 2002, Ch. 838, codified at Public Utilities Code Sections 218.3, 366, 394, 394.25, 331.1 366.2, and 381.1) was signed into law allowing customers to aggregate their electrical loads as members of their local community with public agencies designated as community choice aggregators, and allowing such public agencies to aggregate the electrical load of interested consumers within their jurisdictional boundaries and purchase electricity on behalf of those consumers.

B. In 2006, Assembly Bill 32 (Stat. 2006, Ch. 488, codified at Health and Safety Code Sections 38500 *et seq.*), known as the Global Warming Solutions Act, was signed into law, mandating a reduction in greenhouse gas emissions to 1990 levels by 2020.

C. In 2015, Senate Bill 350 (Stat. 2015, Ch. 547, codified at Health and Safety Code Section 44258.5; Labor Code Section 1720; Public Resources Code Sections 25302.2, 25310, 25327 and 25943; and Public Utilities Code Sections 237.5, 337, 352, 359, 365.2, 366.3, 399.4, 399.11, 399.12, 399.13, 399.15, 399.16, 399.18, 399.21, 399.30, 454.51, 454.52, 454.55, 454.56, 701.1, 740.8, 740.12, 9505, 9620, 9621, 9622, and Article 17 (commencing with Public Utilities Code Section 400)) was signed into law, mandating a reduction in greenhouse gas emissions to 40 percent below 1990 levels by 2030 and to 80 percent below 1990 levels by 2050.

D. In 2018, Senate Bill 10 (Stat.f 2018, Ch. 312, codified at Public Utilities Code sections 399.11, 399.15, 399.30, and 454.53) was signed into law, directing that the Renewables Portfolio Standard to be increased to 60 percent renewables by 2030 and establishing a policy for eligible renewable energy resources and zero-carbon resources to supply 100 percent of electricity retail sales to California end-use customers by 2045.

E. The Parties each hold various powers under California law, including, but not limited to, the power to purchase, supply, and aggregate electricity for themselves and customers within their jurisdictions in accordance with Public Utilities Code Sections 333.1 and 366.2; they are therefore properly empowered to enter into this Agreement under the Joint Exercise of Powers Act (Government Code Section 6500 *et seq.*, the "**Act**").

F. The purposes for entering into this Agreement are more fully specified in subsection 1.4 below, but principally consist of the study, promotion, development, funding, financing, purchasing, conduct, operation, and management of energy, energy efficiency and conservation, and other energy-related and community choice aggregation programs (the "**CCA Program**"), through which the following objectives may be advanced: (a) reducing greenhouse gas emissions related to the use of power throughout the Parties' jurisdictions and neighboring regions; (b) providing electric power and other forms of energy to customers at a competitive cost; (c) carrying out programs for ratepayers of all income levels to reduce energy consumption; (d) stimulating and sustaining the local economy by developing local jobs in renewable and conventional energy; and (e) promoting long-term electric rate stability, energy security and reliability for residents through local control of electric generation resources.

G. The Founding Parties desire to establish a separate public agency, known as the Orange County Power Authority ("**Authority**"), under the Act and consistent with Assembly Bill 117, in order to collectively implement the CCA Program, and to exercise any powers common to the Authority's members to further these purposes.

H. The Parties have each adopted an ordinance electing to participate as a group in a community choice aggregation program through the Authority, as authorized by California Public Utilities Code § 366.2(a)(12)(B).

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises, covenants, and conditions hereinafter set forth, it is agreed by and among the Parties as follows:

SECTION 1. FORMATION OF AUTHORITY

1.1 Creation of Agency. Pursuant to the Act there is hereby created a public entity to be known as The Orange County Power Authority. Pursuant to Section 6507 of the Act, the Authority is a public agency separate from the Parties. The jurisdiction of the Authority shall be all territory within the geographic boundaries of the Parties; however, the Authority may, as authorized under applicable law, undertake any action outside such geographic boundaries as is necessary to accomplish its purpose.

1.2 Effective Date and Term. This Agreement shall become effective and the Authority shall exist as a separate public agency on the Effective Date of this Agreement. The Authority shall continue to exist, and this Agreement shall be effective, until this Agreement is terminated in accordance with this Agreement, subject to the rights of a Party to withdraw from the Authority.

1.3 Parties. The names, particular capacities, and addresses of the Parties are shown on Exhibit A, as it may be amended from time to time.

1.4 Purpose. The purpose of this Agreement is to establish an independent public agency in order to exercise powers common to each Party to implement the CCA Program, and to exercise all other powers necessary and incidental to accomplishing this purpose. This Agreement

authorizes the Authority to provide opportunities by which the Parties can work cooperatively to create economies of scale and implement sustainable energy initiatives that reduce energy demand, increase energy efficiency, provide consumer choice and cost savings, and advance the use of clean, efficient, and renewable resources in the region for the benefit of all the Parties and their constituents, including, but not limited to, establishing and operating a CCA Program (collectively, the "**Purpose**"). The Parties intend for this Agreement to be used as a contractual mechanism by which they are authorized to participate in the CCA Program and achieve the Purpose. The Parties intend that other agreements shall define the terms and conditions associated with the implementation of the CCA Program and any energy programs approved by the Authority.

SECTION 2. POWERS OF AUTHORITY

2.1 Powers. The Authority shall have all powers common to the Parties and such additional powers accorded to it by law. The Authority is authorized, in its own name, to exercise all powers and do all acts necessary and proper to carry out the provisions of this Agreement and fulfill its Purpose, including, but not limited to, each of the following powers:

2.1.1 Serve as a forum for the consideration, study, and recommendation of energy services for the CCA Program;

2.1.2 To make and enter into any and all contracts to effectuate the purpose of this Agreement, including, but not limited to, those relating to the purchase or sale of electrical energy or attributes thereof, and related service agreements;

2.1.3 To employ agents and employees, including, but not limited to, engineers, attorneys, planners, financial consultants, and separate and apart therefrom to employ such other persons, as it deems necessary;

2.1.4 To acquire, contract, manage, maintain, and operate any buildings, works, or improvements, including, but not limited to, electric generation resources;

2.1.5 To acquire property by eminent domain, or otherwise, except as limited by Section 6508 of the Act, and to hold or dispose of property;

2.1.6 To lease or license any property;

2.1.7 To sue and be sued in its own name;

2.1.8 To incur debts, liabilities, and obligations, including, but not limited to, loans from private lending sources pursuant to its temporary borrowing powers, such as California Government Code § 53850 *et seq.* and authority under the Act;

2.1.9 To form subsidiary or independent corporations or entities, if appropriate, to carry out energy supply and energy conservation programs, or to take advantage of legislative or regulatory changes;

2.1.10 To issue revenue bonds and other forms of indebtedness;

2.1.11 To apply for, accept, and receive all licenses, permits, grants, loans, or other assistance from any federal, state, or local agency;

2.1.12 To submit documentation and notices, register, and comply with orders, tariffs, and agreements for the establishment and implementation of the CCA Program and other energy and climate change programs;

2.1.13 To adopt rules, regulations, policies, bylaws, and procedures governing the operation of the Authority;

2.1.14 To receive loans, gifts, contributions, and donations of property, funds, services, and other forms of financial assistance from persons, firms, corporations, and any governmental entity;

2.1.15 To make and enter into service agreements relating to the provision of services necessary to plan, implement, operate and administer the CCA Program and other energy programs, including the acquisition of electric power supply and the provision of retail and regulatory support services;

2.1.16 To receive revenues from sale of electricity and other energy-related programs;

2.1.17 To partner or otherwise work cooperatively with other CCAs on the acquisition of electric resources, joint programs, advocacy and other efforts in the interests of the Authority; and

2.1.18 To the extent not specifically provided in this Agreement, to exercise any powers authorized by the member agencies to achieve the Authority's objectives and such further powers not specifically mentioned herein, but common to Parties, and authorized by the California Government Code.

2.2 Additional Powers to be Exercised. In addition to those powers common to each of the Parties, the Authority shall have those powers that may be conferred upon it by law and by subsequently enacted legislation.

2.3 Manner of Exercising Powers. The powers specified in subsections 2.1 and 2.2 shall be exercised by the Board (as defined in subsection 3.1, below), unless otherwise delegated to a committee of the Board or the Chief Executive Officer of the Authority in accordance with a Board adopted policy or action. All such powers shall be exercised in the manner set forth in this Agreement.

2.4 Limitation on Exercise of Powers: The powers of the Authority are subject to the restrictions upon the manner of exercising power possessed by the City of Irvine, California and any other restrictions on exercising the powers of the Authority that may be adopted by the Authority's Board of Directors.

SECTION 3: GOVERNANCE

3.1 General Governance; Board of Directors. The governing body of the Authority shall be a Board of Directors ("**Board**") consisting of one director for each Party appointed in accordance with subsection 3.2, except the City of Irvine whose governing body shall appoint two directors (the "**Irvine Directors**"). Notwithstanding the foregoing, the governing body of the City of Irvine shall appoint one director upon the full satisfaction and repayment of the Capital Loan, as defined in subsection 5.5.

3.2 Appointment of Directors. The governing body of each Party shall appoint and designate in writing the Director(s) who shall be authorized to act for and on behalf of the Party on matters within the powers of the Authority. The governing body of each Party shall also appoint and designate in writing an alternate Director(s) who may vote in matters when the regular Director is absent from a Board meeting. The governing bodies of the Founding Parties may, in their sole discretion, elect to appoint their respective Director(s) prior to the Effective Date, in which case such appointment(s) to the Board shall take effect on the Effective Date. The persons appointed and designated as the regular Director and the alternate Director shall be a member of the governing body of the Party when appointed.

3.3 Terms of Office. Each regular and alternate Director shall serve a term of four years. If at any time a vacancy occurs on the Board, a replacement shall be appointed by the governing body to fill the position of the previous Director within ninety (90) days of the date that such position becomes vacant. Replacement Directors shall serve until the scheduled expiration of the four year term of the Board member that they replace.

3.4 Quorum. A majority of the Directors of the entire Board shall constitute, and is necessary to constitute, a quorum, except that less than a quorum may adjourn a meeting from time to time in accordance with law.

3.5 Powers of the Board of Directors. The Board may exercise all the powers enumerated in this Agreement and shall conduct all business and activities of the Authority consistent with this Agreement and any bylaws, operating procedures, and applicable law.

3.6 Executive Committee. The Board shall establish an executive committee consisting of a smaller number of Directors upon the Authority's membership consisting of nine or more members. The initial members of the executive committee shall be the Directors of the Founding Members with the chair of the Board serving as chair of the Executive Committee.

3.7 Committees. The Board may establish committees as the Board deems appropriate to assist the Board in carrying out its functions and implementing the purposes of this Agreement. In accordance with subsection 2.3, the Board may delegate to any committees that consist solely of Board members any of the powers specified in subsection 2.1, except for the power to acquire property by eminent domain specified in subsection 2.1.5. Committees that include or consist of non-Board members shall be advisory only.

3.8 Director Compensation. The Board shall adopt policies establishing compensation attendance at Board and Committee meetings and work performed by each Director on behalf of

the Authority as well as policies for the reimbursement of expenses incurred by each Director; provided that in no instance shall the per meeting or per day compensation be less than the compensation provided to directors of the Orange County Sanitation District.

3.9 Voting by the Board of Directors.

3.9.1 Equal Vote. Each Director or participating alternate shall have one vote. Except as provided for in Sections 3.9.2, 3.9.3 and 3.9.4, action of the Board on all matters shall require an affirmative vote of a majority of all Directors who are present at the subject meeting ("Equal **Vote**").

3.9.2 Voting Shares Vote. Immediately after (and during the same Board Meeting as) an affirmative or tie Equal Vote, two or more Directors shall have the right to request and conduct a Voting Shares Vote (defined below) to reconsider that action approved by the Equal Vote. In the event of a Voting Shares Vote where the City of Irvine appoints two Directors to the Board and one or more Irvine Directors requests a Voting Shares Vote, a Party other than the City of Irvine must constitute the second Director for purposes of having the right to request and conduct a Voting Shares Vote. A "yes" vote on the Voting Shares Vote shall be a vote to reverse and reject the Equal Vote; a "no" vote on the Voting Shares Vote shall be a vote to affirm the Equal Vote. For Voting Shares Votes, votes shall be weighted as described in subsection 3.9.3. A "yes" vote on a Voting Shares Vote shall require (*i*) for votes requiring a majority under subsection 3.9.1, more than fifty percent (50%) of the voting shares of all Directors voting; (*ii*) for votes requiring a supermajority of two-thirds under this Agreement, sixty-seven percent (67%) or more of the voting shares of all Directors voting; and (iii) for votes requiring a supermajority of three quarters under this Agreement more than seventy-five percent (75%) of the voting shares of all Directors voting. All votes taken pursuant to this subsection 3.9.2 shall be referred to as a "**Voting Shares Vote**." If a Voting Shares Vote yields a "no" vote, the legal effect is to affirm the Equal Vote with respect to which the Voting Shares Vote was taken. If the Voting Shares Vote succeeds, the legal effect is to nullify the Equal Vote with respect to which the Voting Shares Vote was taken. If the underlying Equal Vote was a tie, the Voting Shares Vote replaces that tie vote. No action may be taken solely by a Voting Shares Vote without first having taken an Equal Vote.

3.9.3 Voting Shares Formula. When a Voting Shares Vote is requested by two or more Directors, voting shares of each Director shall be determined by the following formula:

(Annual Energy Use/Total Annual Energy) x 100

For purposes of this formula (a) "**Annual Energy Use**" means (*i*) for the first two years following the Effective Date, the annual electricity usage, expressed in kilowatt hours ("**kWh**"), within the jurisdiction of the Party appointing the Director(s) and (*ii*) following the second anniversary of the Effective Date, the annual electricity usage, expressed in kWh, of accounts within the jurisdiction of the Party appointing the Director(s) that are served by the Authority, and (b) "**Total Annual Energy**" means the sum of all Parties' Annual Energy Use. The initial values for Annual Energy use are designated in Exhibit B and the initial voting shares are designated in Exhibit C. Both Exhibit B and Exhibit C shall be adjusted annually as soon as reasonably practicable after January

1 of each year, but no later than March 1 of each year, subject to the approval of the Board. Voting shares attributable to Irvine shall be divided equally between the Irvine Directors.

3.9.4 Special Voting.

3.9.4.1 Two-Thirds Supermajority Votes. An affirmative vote of two-thirds of the Directors of the entire Board shall be required to take any action on the following (*i*) issuing or repayment of bonds loans or other forms of debt; (*ii*) adding or removing Parties; (*iii*) amending or terminating this Agreement or adopting or amending the bylaws of the Authority; and (*iv*) terminating the CCA Program.

3.9.4.2 Three-Fourths Supermajority Votes. An affirmative vote of three-fourths of the Directors of the Board shall be required to initiate any action for eminent domain and no eminent domain action shall be approved within the jurisdiction of a Party without the affirmative vote of such Party's Director (or both Irvine Directors, if applicable, in the case of eminent domain action within the City of Irvine).

3.9.4.3 Advance Notice of Special Voting. At least thirty (30) days advance written notice to the Parties shall be provided for all special voting items under subsection 3.9.4.1 and/or subsection 3.9.4.2. Such notice shall include a copy of all substantive documents necessary to meaningfully deliberate and consider the proposed vote (*e.g.*, any proposed amendment to this Agreement or the bylaws of the Authority). The Authority shall also provide prompt written notice to all Parties of the action taken, which shall include any resolution, ordinance, rule, policy, agreement, filing or other operative document (if any) adopted or approved by the Board.

3.10 Officers.

3.10.1 Chair and Vice Chair. The Directors shall select from among themselves a Chair and a Vice-Chair. The Chair shall be the presiding officer of all Board meetings. The Vice-Chair shall serve in the absence of the Chair. The term of office of the Chair and Vice-Chair shall continue until the expiration of the office of the Directors serving in such positions. There shall be no limit on the number of terms held by the Chair and the Vice-Chair. The office of either the Chair or Vice-Chair shall be declared vacant and a new selection shall be made if: (*i*) the person serving dies, resigns, or becomes legally unable to fulfill his or her duties, or (b) the Party that appointed the Chair or Vice-Chair withdraws from the Authority pursuant to the provisions of this Agreement.

3.10.2 Secretary. The Secretary shall be responsible for keeping the minutes of all meetings of the Board and all other official records of the Authority.

3.10.3 Treasurer/Auditor. In accordance with California Government Code § 6505.5, the Board shall appoint a qualified person to act as the Treasurer and a qualified person to act as the Auditor, neither of whom need be members of the Board. The Treasurer and the Auditor shall possess the powers of, and shall perform those functions required of

them by California Government Code §§ 6505, 6505.5, and 6505.6, and by all other applicable laws and regulations and amendments thereto.

3.11 Meetings. The Board shall provide for its regular meetings, the date, hour, and place of which shall be fixed by resolution of the Board. Regular, adjourned, and special meetings shall be called and conducted in accordance with the provisions of the Ralph M. Brown Act, California Government Code § 54950 *et seq*.

3.12 Chief Executive Officer. The Board shall appoint a Chief Executive Officer. The Chief Executive Officer shall be the chief administrative officer of the Authority, and shall be Secretary of the Board. The powers and duties of the Chief Executive Officer shall be those delegated and/or assigned to the Chief Executive Officer by duly adopted action of the Board.

3.13 Additional Officers and Employees. The Board shall have the power to authorize such additional officers and assistants as may be necessary and appropriate, including retaining one or more administrative service providers for planning, implementing, and administering the CCA Program. Such officers and employees may also be, but are not required to be, officers and employees of the Parties.

3.14 Bonding Requirement. The officers or persons who have charge of, handle, or have access to any property of the Authority shall be the members of the Board, the Treasurer, the Executive Director, and any such officers or persons to be designated or empowered by the Board. Each such officer or person shall be required to file an official bond with the Authority in an amount which shall be established by the Board. Should the existing bond or bonds of any such officer be extended to cover the obligations provided herein, said bond shall be the official bond required herein. The premiums on any such bond attributable to the coverage required herein shall be the appropriate expenses of the Authority.

3.15 Audit. The records and accounts of the Authority shall be audited annually by an independent certified public accountant with the final audit completed within six months of the fiscal year end,and copies of such audit report shall be filed with the State Controller, and each Party no later than fifteen (15) days after receipt of said audit by the Board.

3.16 Privileges and Immunities from Liability. All of the privileges and immunities from liability, exemption from laws, ordinances and rules, all pension, relief, disability, workers' compensation, and other benefits which apply to the activities of officers, agents, or employees of a public agency when performing their respective functions shall apply to the officers, agents, or employees of the Authority to the same degree and extent while engaged in the performance of any of the functions and other duties of such officers, agents, or employees under this Agreement. None of the officers, agents, or employees directly employed by the Authority shall be deemed, by reason of such employment to be employed by the Parties (or any of them).

SECTION 4: ADDITIONAL PARTIES AND IMPLEMENTATION OF CCA PROGRAM

4.1 Additional Parties. An incorporated city or county, or other public agency as authorized by California Public Utilities Code § 331.1, may become a member of the Authority and a Party to this Agreement upon satisfaction of the following:

4.1.1 Adoption of a resolution by the governing body of the Additional Party approving the Agreement, and requesting participation and an intent to join the Authority;

4.1.2 Adoption by an affirmative vote of two-thirds of the Board of a resolution authorizing participation of the Additional Party;

4.1.3 Satisfaction of any additional conditions as established by the Board or applicable laws or regulations; and

4.1.4 Execution of the Agreement by the Additional Party.

4.2 Continuing Participation. The Parties acknowledge that participation in the CCA Program may change by the addition or withdrawal or termination of a Party. The Parties agree to participate in good faith with additional members as may later be added. The Parties also agree that the withdrawal or termination of a Party shall not affect the enforceability of this Agreement as to the remaining Parties, or the remaining Parties' continuing obligations under this Agreement.

4.3 Implementation of CCA Program. The Authority shall cause to be prepared an implementation plan meeting the requirements of California Public Utilities Code § 366.2 ("**Implementation Plan**") and any applicable regulations of the California Public Utilities Commission ("**CPUC**"). The Board shall approve the Implementation Plan prior to it being filed with the CPUC. The Authority, acting by and through the Board, shall take all such steps as are necessary and appropriate to implement the Implementation Plan and the CCA Program in a manner consistent with this Agreement.

4.4 Power Supply. The Board will establish power supply options for the Authority. The Authority's power supply options will include, but not be limited to, renewable and GHG-free base product that is equivalent to the minimum required by law. Each Party may select its power supply base product for the ratepayers in its jurisdiction. Each Party shall also have the flexibility to achieve its climate goals without impeding any other Party from doing the same.

4.4 Authority Documents. The Parties acknowledge and agree that the operations of the Authority will be implemented through various program documents and regulatory filings duly adopted by the Board, including, but not limited to, bylaws, an annual budget, and plans and policies related to the CCA Program. The Parties agree to abide by and comply with the terms and conditions of all such Authority documents that may be approved or adopted by the Board.

4.5 Termination of CCA Program. Nothing contained in this Agreement shall be construed to limit the discretion of the Authority to terminate the implementation or operation of the CCA Program at any time, so long as such termination is in accordance with any applicable requirements of state law and the voting procedures specified in subsection 3.9.4.1, above.

SECTION 5: FINANCIAL PROVISIONS

5.1 Fiscal Year. The Authority's fiscal year shall be twelve (12) months commencing July 1 of each year and ending June 30 of the succeeding year.

5.2 Treasurer. The Treasurer for the Authority shall be the depository for the Authority. The Treasurer of the Authority shall have custody of all funds and shall provide for strict accountability thereof in accordance with California Government Code § 6505.5 and other applicable laws. The Treasurer shall perform all of the duties required in California Government Code § 6505 *et seq.* and all other such duties as may be prescribed by the Board.

5.3 Depository & Accounting. All funds of the Authority shall be held in separate accounts in the name of the Authority and not commingled with the funds of any Party or any other person or entity. Disbursement of such funds during the term of this Agreement shall be accounted for in accordance with generally accepted accounting principles applicable to governmental entities and pursuant to California Government Code § 6505 *et seq*. and other applicable laws. There shall be a strict accountability of all funds. All revenues and expenditures shall be reported regularly to the Board. The books and records of the Authority shall be promptly open to inspection by the Parties at all reasonable times.

5.4 Budget. The Board shall establish the budget for the Authority, and may from time to time amend the budget to incorporate additional income and disbursements that might become available to the Authority for its purposes during a fiscal year.

5.5 City of Irvine Initial Funding of Authority. The Authority shall, concurrent with the execution of this Agreement, enter into an agreement that covers repayment to the City of Irvine of (*i*) funding and collateral provided by the City of Irvine to the Authority to facilitate start-up and launch costs for the Authority and the CCA Program, and (*ii*) costs incurred by the City (including staff, consultant, and legal expenses, and associated allocated overhead and administrative expenses) in connection with the study and analysis of the CCA, the formation of the Authority, and the creation of the Implementation Plan (the "**Capital Loan Agreement**" or the "**Capital Loan**"). The Capital Loan shall be repaid from customer charges for electrical services to the extent permitted by law when the CCA Program becomes operational. The form of the Capital Loan Agreement is attached hereto as Exhibit D. The Authority shall enter into the Capital Loan Agreement so long as its final form is substantially consistent with the form attached as Exhibit D.

5.6 No Requirement for Contributions or Payments. Except as otherwise specified herein, the Parties are not required under this Agreement to make any financial contributions or payments to the Authority, and the Authority shall have no right to require such a contribution or payment.

5.6.1 Notwithstanding subsection 5.6, the Board may adopt a membership fee to be paid by Additional Parties upon entering into the Agreement, which membership fee shall be established (if at all) by the Board and may cover a reasonable estimate of the transactional and other costs incurred by the

Authority in processing the addition of the Additional Party to the Authority.

5.6.2 Notwithstanding subsection 5.6, the Authority and a Party may mutually and voluntarily enter into an agreement to provide the following: (*i*) contributions of public funds for the purposes set forth in this Agreement; (*ii*) advances of public funds for the purposes set forth in this Agreement, such advances to be repaid as provided by such written agreement; or (*iii*) its personnel, equipment or property.

5.6.3 For the avoidance of doubt, nothing in this Agreement requires, nor shall the Authority for any reason ever require, that any Party adopt any local tax, assessment, fee or charge for the benefit of the Authority.

5.7 Obligations of the Authority. Unless otherwise agreed by the Parties, the debts, liabilities, and obligations of the agency shall not be the debts, liabilities, and obligations, either jointly or severally, of the members of the agency. A Party may, in its sole discretion, agree to assume one or more of the debts, liabilities, and obligations of the Authority if, and only if, such Party, with the approval of its governing body, agrees in writing to assume any such debts, liabilities, or obligation of the Authority.

SECTION 6: WITHDRAWAL AND TERMINATION

6.1 Right to Withdraw.

6.1.1 Right to Withdraw Prior to March 1, 2021. Except for the City of Irvine, a Party may withdraw from the Authority for any reason and without liability or cost prior to March 1, 2021 upon providing the Authority fifteen (15) days advance written notice.

6.1.2 Right to Withdraw After March 1, 2021. Except for the withdrawal provided for in Section 6.1.1, a Party may withdraw its membership in the Authority, effective as of the beginning of the Authority's fiscal year, by giving no less than one hundred eighty (180) days advance written notice of its election to do so, which notice shall be given to the Authority and each Party. Withdrawal of a Party shall require an affirmative vote of the Party's governing board. A Party that withdraws from the Authority pursuant to this subsection may be subject to certain continuing liabilities as described in this Agreement. The withdrawing Party and the Authority shall execute and deliver all further instruments and documents, and take any further actions as may be reasonably necessary to effectuate the orderly withdrawal of such Party.

6.2 Involuntary Termination. This Agreement may be terminated with respect to a Party for material non-compliance with provisions of this Agreement upon a two-thirds vote of the entire Board (excluding the vote of the Party subject to possible termination) taken in accordance with subsection 3.9.4.1. Prior to any vote to terminate this Agreement with respect to a Party, written notice of the proposed termination and the reason(s) for such termination shall be delivered to the Party whose termination is proposed at least thirty (30) days prior to the regular Board meeting at which such matter shall first be discussed as an agenda item. The written notice of

proposed termination shall specify the particular provisions of this Agreement that the Party has allegedly violated with supporting documentation. The Party subject to possible termination shall have the opportunity at the next regular Board meeting following the expiration of the thirty-day (30) day notice period to respond to any reasons and allegations that may be cited as a basis for termination. The Party's response shall be evaluated at a public meeting prior to a vote regarding termination. A Party that has had its membership in the Authority terminated may be subject to certain continuing liabilities, as described in subsection 6.3. If the Board votes to terminate a Party's membership in the Authority, the effective date of the termination shall be scheduled by the Board, in its reasonable discretion, to ensure adequate time for the transition of the terminated Party's CCA Program customers to another electricity provider. The Parties expressly intend, agree and acknowledge that a Board action to terminate a Party's membership in the Authority shall be upheld so long as it is not arbitrary and capricious, and is supported by substantial evidence.

6.3 Continuing Liability; Refund. Upon a withdrawal of a Party under subsection 6.1.2 or involuntary termination of a Party under subsection 6.2, the Party shall be responsible for any claims, demands, damages, or liabilities attributable to the Party through the effective date of its withdrawal or involuntary termination. Such Party also shall be responsible liable to the Authority for (a) any damages, losses, or costs incurred by the Authority which result directly from the Party's withdrawal or termination, including, but not limited to, costs arising from the resale of capacity, electricity, or any attribute thereof no longer needed to serve such Party's load, and removal of customers from the CCA Program resulting from the withdrawal or termination of the Party; and (b) any costs or obligations associated with the Party's participation in any program in accordance with the program's terms, provided such costs or obligations were incurred prior to the withdrawal of the Party. Except as otherwise specified, such Party shall not be responsible for any claims, demands, damages, or liabilities commencing or arising after the effective date of the Party's withdrawal or involuntary termination. From and after the date a Party provides notice of its withdrawal or is terminated, the Authority shall reasonably and in good faith seek to mitigate any costs and obligations to be incurred by the withdrawing or terminated Party under this subsection through measures reasonable under the circumstances; provided, however, that this obligation to mitigate does not impose any obligation on the Authority to transfer any cost or obligation directly attributable to the membership and withdrawal or termination of the withdrawing or terminated Party to the ratepayers of the remaining Parties. Further the liability of the withdrawing or terminated Party shall be based on actual costs or damages incurred by the Authority and shall not include any penalties or punitive charges imposed by the Authority. The Authority may withhold funds otherwise owing to the Party or may require the Party to deposit sufficient funds with the Authority, as reasonably determined by the Authority, to cover the Party's liability for the costs described above. The withdrawing or terminated Party agrees to pay any such deposit determined by the Authority in consultation with a third party audit firm. Any amount of the withdrawing or terminated Party's funds held on deposit with the Authority above that which is required to pay any liabilities or obligations shall be returned to that Party. In the implementation of this subsection 6.3, the Parties intend, to the maximum extent possible, without compromising the viability of ongoing Authority operations, that any claims, demands, damages, or liabilities covered hereunder, be funded from the rates paid by CCA Program customers located within the service territory of the withdrawing Party, and not from the general fund of the withdrawing Party

itself. The liability of a withdrawing Party under this subsection shall be only to the Authority and not to any other Party.

6.4 Termination of Agreement. This Agreement may be terminated by vote of the Board in accordance with subsection 3.9.4.1, or by mutual agreement of all the Parties approved by majority votes of their respective governing bodies. provided, however, that this subsection shall not be construed as limiting the rights of a Party to withdraw in accordance with Section 6.

6.5 Disposition of Authority Assets Upon Termination of Agreement. Upon termination of this Agreement, any surplus money or assets in possession of the Authority for use under this Agreement, after payment of all liabilities, costs, expenses, and charges incurred by the Authority, shall be returned to the then-existing Parties in proportion to the contributions made by each.

SECTION 7: MISCELLANEOUS PROVISIONS

7.1 Dispute Resolution. The Parties and Authority shall make efforts to settle all disputes arising out of or in connection with this Agreement. Before exercising any remedy provided by law, a Party or Parties and the Authority shall engage in nonbinding mediation in the manner agreed to by the Party or Parties and the Authority. In the event that nonbinding mediation does not resolve a dispute within one hundred twenty (120) days after the demand for mediation is made, any Party or the Authority may pursue any all remedies provided by law.

7.2 Liability of Directors, Officers, and Employees. The Directors, officers, and employees of the Authority shall use ordinary care and reasonable diligence in the exercise of their powers and in the performance of their duties pursuant to this Agreement. No current or former Director, officer, or employee will be responsible for any act or omission by another Director, officer, or employee. The Authority shall defend, indemnify, and hold harmless the individual current and former Directors, officers, and employees for any acts or omissions in the scope of their employment or duties in the manner provided by California Government Code § 995 *et seq*. Nothing in this subsection shall be construed to limit the defenses available under the law to the Parties, the Authority, or its Directors, officers, or employees.

7.3 Indemnification. The Authority shall acquire such insurance coverage as the Board deems necessary to protect the interests of the Authority, the Parties, and the Authority's ratepayers. The Authority shall indemnify, defend, and hold harmless the Parties and each of their respective board members or council members, officers, agents, and employees, from any and all claims, losses, damages, costs, injuries, and liabilities of every kind to the extent arising directly or indirectly from the conduct, activities, operations, acts, and omissions of the Authority under this Agreement.

7.4 Assignment. The rights and duties of a Party may not be assigned or delegated without the advance written consent of all other Parties. Any attempt to assign or delegate such rights or duties without express written consent of all other Parties shall be null and void. This Agreement shall inure to the benefit of, and shall be binding upon, the successors and assigns of the Parties. This subsection does not prohibit a Party from entering into an independent agreement with another entity regarding the financing of that Party's contributions to the Authority (if any),

or the disposition of proceeds which that Party receives under this Agreement, so long as such independent agreement does not affect, or purport to affect, the rights and duties of the Authority or the Parties under this Agreement.

7.5 Severability. If any part of this Agreement is held, determined, or adjudicated to be illegal, void, or unenforceable by a court of competent jurisdiction, the remainder of this Agreement shall be given effect to the fullest extent reasonably possible.

7.6 Further Assurances. Each Party agrees to execute and deliver all further instruments and documents, and take any further action that may be reasonably necessary to effectuate the purposes of this Agreement.

7.7 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute but one and the same instrument.

7.8 Notices. Any notice authorized or required to be given pursuant to this Agreement shall be validly given if served in writing either personally, by deposit in the United States mail, first class postage prepaid with return receipt requested, or by a recognized courier service to the addresses specified on Exhibit A. Notices given (a) personally or by courier service shall be conclusively deemed received at the time of delivery and receipt and (b) by mail shall be conclusively deemed given 48 hours after the deposit thereof (excluding Saturdays, Sundays and holidays) if the sender receives the return receipt. All notices shall be addressed to the office of the clerk or secretary of the Authority or Party, as the case may be, or such other person designated in writing by the Authority or Party. Notices given to one Party shall be copied to all other Parties. Notices given to the Authority shall be copied to all Parties.

[Signature to Follow on Next Page]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as evidenced by the signatures below

MEMBER AGENCY:

CITY OF IRVINE

By: _____
Name:
Title:
Dated: _____, 2020

[_____]

By: _____
Name:
Title:
Dated: _____, 2020

EXHIBIT A

List of Parties

Founding Members:

City of Irvine
1 Civic Center Plaza
Irvine, CA 92606

EXHIBIT B

ANNUAL ENERGY USAGE BY JURISDICTION

[to be calculated and finalized upon obtaining SCE load data and execution of JPA agreement]

EXHIBIT C

PARTY VOTING SHARES

[to be calculated and finalized upon obtaining SCE load data and execution of JPA agreement]

EXHIBIT D

CAPITAL LOAN AGREEMENT

ATTACHMENT 2

ORDINANCE NO. 2020-xx

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF COSTA MESA AUTHORIZING THE IMPLEMENTATION OF A COMMUNITY CHOICE AGGREGATION PROGRAM

The City Council of the City of Costa Mesa does find and ordain as follows:

SECTION 1. FINDINGS.

1. The City of Costa Mesa ("City") has been actively investigating options to provide electric services to constituents within its service area with the intent of achieving greater local involvement over the provisions of electric services and promoting competitive retail choice.

2. Assembly Bill 117 (Stat. 2002, ch. 838; see California Public Utilities Code § 366.2 *et seq.*; hereinafter referred to as the "Act") authorizes any California city or county, whose governing body so elects, to combine the electricity load of its residents and businesses in a community-wide electricity aggregation program known as Community Choice Aggregation ("CCA").

3. The Act expressly authorizes participation in a CCA program through a joint powers authority, and to this end, the City of Cost Mesa has been evaluating a countywide CCA program.

4. Through Docket No. R.03-10-003, the California Public Utilities Commission ("Commission") has issued various decisions and rulings addressing the implementation of CCA programs, including establishing a procedure by which the Commission will review implementation plans, which are required to be submitted under the Act as the means of describing the CCA program and ensuring compliance with the Act.

5. The City has elected to form a joint powers authority that would specify the terms and conditions by which participants may participate as a group in energy programs, including, but not limited to, the implementation of a CCA program with the following benefits:

    a. Providing customers a choice of power providers;
    b. Increasing local control over energy rates and other energy-related matters;
    c. Providing electric rates that are competitive with those provided by the incumbent utility;
    d. Improving the local economy by increasing local and regional renewable generation capacity and energy conservation and efficiency projects and programs;
    e. Increasing regional energy self-sufficiency; and
    f. Reducing greenhouse gas emissions arising from electricity use in the City.

6. The Joint Powers Agreement creating the authority will govern and operate the CCA program on behalf of its member jurisdictions. The City may participate in

the Joint Powers Authority ("Authority") by approving the execution of the Joint Powers Agreement and adopting this ordinance, as required by Public Utilities Code § 366.2(c)(12). The City's participation in the Authority will include membership on the Board of Directors of the Authority as provided in the Joint Powers Agreement.

7. The Authority will enter into agreements with electric power suppliers and other services providers and, based on these agreements, the Authority plans to provide power to residents and businesses at rates that are competitive with those of the incumbent utility. Once the Commission approves the implementation plan prepared by the Authority, the Authority may provide service to customers within the City and those cities that choose to participate in the Authority.

8. Under Public Utilities Code § 366.2, customers have the right to opt-out of a CCA program and continue to receive service from the incumbent utility. Customers who desire to continue to receive service from the incumbent utility will be able to do so at any time.

9. On November 17, 2020, the City Council held a public meeting at which time interested persons had an opportunity to testify either in support or in opposition to implementation of the CCA program within the City.

10. This ordinance is exempt from the requirements of the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines, as it is not a "project" and has no potential to result in a direct or reasonably foreseeable indirect physical change to the environment because it is merely the formation of an organization. 14 CCR § 15378(a). The ordinance is also exempt from CEQA because it is an organizational or administrative activity of governments that will not result in direct or indirect physical change in the environment. 14 CCR § 15378(b)(5). The ordinance is also exempt from CEQA because it is merely a change in organization of local agencies. 14 CCR § 15320. Further, the ordinance is exempt from CEQA because there is no possibility that the ordinance or its implementation, which would only result in the formation of a governmental organization, would have a significant negative effect on the environment. 14 CCR § 15061(b)(3). The Director of Community and Economic Development shall cause a Notice of Exemption to be filed as authorized by CEQA and the State CEQA Guidelines.

SECTION 2. AUTHORIZATION TO IMPLEMENT A COMMUNITY CHOICE AGGREGATION PROGRAM. Based upon the foregoing, and in order to provide businesses and residents within the City with a choice of power providers, the City hereby elects to implement a community choice aggregation program within the jurisdiction of the City by participating in the CCA program of the Authority, as described in the Joint Powers Agreement.

SECTION 3. EFFECTIVE DATE. This ordinance shall take effect on the 31st day after its passage.

SECTION 4. INCONSISTENCIES. Any provision of the Costa Mesa Municipal Code or appendices thereto inconsistent with the provisions of this Ordinance, to the extent of

such inconsistencies and no further, is hereby repealed or modified to that extent necessary to affect the provisions of this Ordinance.

SECTION 5. SEVERABILITY. If any chapter, article, section, subsection, subdivision, sentence, clause, phrase, word, or portion of this Ordinance, or the application thereof to any person, is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portion of this Ordinance or its application to other persons. The City Council hereby declares that it would have adopted this Ordinance and each chapter, article, section, subsection, subdivision, sentence, clause, phrase, word, or portion thereof, irrespective of the fact that any one or more subsections, subdivisions, sentences, clauses, phrases, or portions of the application thereof to any person, be declared invalid or unconstitutional. No portion of this Ordinance shall supersede any local, state, or federal law, regulation, or codes dealing with life safety factors.

SECTION 6. EFFECTIVE DATE. This Ordinance shall take effect and be in full force thirty (30) days from and after the passage thereof, and prior to the expiration of fifteen (15) days from its passage shall be published once in the ORANGE COAST DAILY PILOT, a newspaper of general circulation, printed and published in the City of Costa Mesa or, in the alternative, the City Clerk may cause to be published a summary of this Ordinance and a certified copy of the text of this Ordinance shall be posted in the office of the City Clerk five (5) days prior to the date of adoption of this Ordinance, and within fifteen (15) days after adoption, the City Clerk shall cause to be published the aforementioned summary and shall post in the office of the City Clerk a certified copy of this Ordinance together with the names and member of the City Council voting for and against the same.

APPROVED AND ADOPTED on this ___ day of xx, 2020.

_____
Katrina Foley, Mayor

ATTEST:

_____
Brenda Green
City Clerk

I, BRENDA GREEN, CITY CLERK of the City of Costa Mesa, California, do hereby certify that the foregoing urgency ordinance was regularly introduced and adopted by the City Council of the City of Costa Mesa, California, at a regular meeting thereof held on the ___ day of xx, 2020, by the following vote of the City Council:

AYES:
NOES:
ABSENT:

ABSTAIN:

APPROVED AS TO FORM:

_____
Kimberly Hall Barlow
City Attorney

CITY COUNCIL AGENDA REPORT

MEETING DATE: OCTOBER 20, 2020 ITEM NUMBER: NB-4

SUBJECT: COMMUNITY CHOICE ENERGY UPDATE

DATE: OCTOBER 15, 2020

FROM: PUBLIC SERVICES DEPARTMENT / ADMINISTRATION

PRESENTATION BY: RAJA SETHURAMAN, PUBLIC SERVICES DIRECTOR
SALEM AFEWORKI, ENERGY AND SUSTAINABILITY SERVICES MANAGER

FOR FURTHER INFORMATION CONTACT: SALEM AFEWORKI, LEED GA, ENV SP ENERGY AND SUSTAINABILITY SERVICES MANAGER, (714) 754-5343

RECOMMENDATION:

Staff requests the City Council provide direction on Community Choice Energy (CCE) program.

BACKGROUND:

The California State Assembly Bill 117 (AB117) enacted in 2002, gave cities and counties the ability to aggregate the electric loads of residents, businesses and public facilities to facilitate the purchase and sale of energy. It allowed local governments to form Community Choice Energy (CCE) programs that offer an alternative electric power option to constituents currently served electric power by investor-owned utilities (IOUs). There are several CCEs throughout California with the intent to deliver competitive rates, promote local control, reduce greenhouse gas (GHG) emissions, increase renewable energy and potentially enhance economic activity by creating local jobs.

Under the CCE model, local governments purchase and manage their community's electric power supply, sourcing power from a preferred mix of traditional and renewable generation sources, while the incumbent IOU, in our case Southern California Edison, continues to provide distribution service. CCE is a customer opt-out program where the CCE provides power supply and behind the meter services including energy efficiency programs, net energy metering or other programs that promote the deployment of distributed energy resources (DERs). This gives CCEs the opportunity to design and potentially reduce retail rates for their constituents, promote local economic development and offer a cleaner power supply while building resilience.

In early 2020, the City of Irvine sent invitation letters to Orange County Cities to initiate discussions on a potential CCE partnership. At the regular Costa Mesa City Council meeting on February 4, 2020, the City Council authorized staff to evaluate opportunities for CCE and engage in discussions with the City of Irvine (Attachment 1).

Unfortunately, due to COVID-19 and its immediate impact on government operations and our communities, no discussions were held by Irvine and other interested cities between March and July 2020 due to the unexpected shift in priorities to address the global pandemic. On July 31, 2020, the City of Costa Mesa and other OC cities received a second letter of invitation to join Irvine in discussions to potentially form a CCE Joint Powers Authority (JPA) (Attachment 2) and file an application with the CPUC by December 31, 2020. In response to the invitation, the City sent letters (Attachment 3) indicating Costa Mesa's interest in discussing the potential benefits of an Orange County CCE program.

ANALYSIS:

There are 21 CCE programs serving more than 10 million customers in California, and dozens of communities are either engaged in or currently considering CCE. At the February 4, 2020 meeting, the City Council approved staff to explore CCE options. Below is a summary of research findings on the CCEs in Southern California:

Clean Power Alliance (CPA) – Established in 2017

- Southern California Edison (SCE) and the Los Angeles Department of Water and Power (LADWP) service territory.
- Provides services to residents of Los Angeles and Ventura Counties.
- Established in 2017 to provide cost competitive electric services, reduce electric sector greenhouse gas emissions, stimulate renewable energy development, implement distributed energy resources, promote energy efficiency and demand reduction programs, and sustain long-term rate stability for residents and businesses through local control.
- Serves approximately three million customers and one million customer accounts across 32 communities throughout Southern California including unincorporated Los Angeles and Ventura Counties and the cities of: Agoura Hills, Alhambra, Arcadia, Beverly Hills, Calabasas, Camarillo, Claremont, Carson, Culver City, Downey, Hawaiian Gardens, Hawthorne, Malibu, Manhattan Beach, Moorpark, Ojai, Oxnard, Paramount, Redondo Beach, Rolling Hills Estates, Santa Monica, Sierra Madre, Simi Valley, South Pasadena, Temple City, Thousand Oaks, Ventura, West Hollywood, Westlake Village and Whittier.
- *Governance:* Joint Powers Authority (JPA) Model. The JPA functions as an independent public agency, operating on behalf of its member jurisdictions with shared decision-making authority. This shared structure distributes the risks and liability across multiple jurisdictions as well; however, it also dilutes control as decision making power will be split among numerous member jurisdictions.
- *Recruiting/Accepting members*: 32 members, not accepting new cities to join at this time.

Lancaster Choice Energy (now part of CalChoice) – Established in 2015

- SCE service territory.
- Providing services to residents of Los Angeles, Santa Barbara, Riverside and San Bernardino Counties.
- Lancaster was the first city in California to create a stand-alone CCA in 2015 and the first within the SCE service area. Today, the City, through its own utility service –Lancaster Choice Energy, provides electrical service to nearly 95% of all residents.
- Initially, Lancaster Choice Energy had a single jurisdiction/city model. A jurisdiction individually establishes and operates a CCE and therefore retains full decision-making on revenues, power mix, and programs. The risk and liability also falls solely on this single jurisdiction. In this model, the jurisdiction will need to develop contractual language to minimize risk to the general fund, maintain adequate operating reserves, and proactively track regulatory activities and manage its energy portfolio.
- In 2018, the Cities of Lancaster and San Jacinto joined forces to create the California Choice Energy Authority (CalChoice), a JPA designed to help cities in SCE territory participate in CCE without having to sacrifice control or any of the benefits associated with a traditional JPA. This model provides members the ability to leverage CalChoice's knowledge and staff in order to benefit from lower energy procurement costs, regulatory matters, accounting, and compliance functions.
- CalChoice is governed by the Lancaster City Council with each city joining as an associate member of the JPA. Each associate city's Council would set rates for their city, purchase their energy and contract their CCA services through existing CalChoice contracts, which would help keep costs low and maximize revenues for each associate member. By joining together, CalChoice is able to cut costs for each city through the benefits of economy of scale. As more cities are added, each city's share of the fixed costs goes down. This also allows smaller cities to start a CCA who might have been too small to successfully operate one on their own.
- *Governance:* Hybrid-model.
- *Recruiting/Accepting members:* Yes, actively recruiting cities to join.
- *Cost of joining CalChoice*: $65,000 for a feasibility study and $150,000 for implementation plan for each city that wants to join.

San Diego Community Power (SDCP) – Estimated Launch Date in 2021

- San Diego Gas and Electric (SDG&E) service territory.
- Will provide services to residents of San Diego County.
- SDCP is a CCE program established to source clean, carbon-free electricity for communities. As a locally controlled not-for-profit energy provider, San Diego Community Power is not taxpayer funded and will support economic vitality by providing cleaner energy at competitive rates and funding local renewable energy projects.
- In September, 2019, the Cities of San Diego, Chula Vista, Encinitas, La Mesa and Imperial Beach adopted an ordinance and resolution to form San Diego Community Power, a California joint powers agency. SDCP's Board is comprised of elected representatives from each member jurisdiction which

may expand as new communities in the surrounding area decide whether to join SDCP in the future.
- *Governance:* JPA Model.
- *Recruiting/Accepting members:* N/A.

Clean Energy Alliance (CEA) – Estimated Launch Date in 2021

- San Diego Gas and Electric (SDG&E) service territory.
- Will provide services to residents of San Diego County.
- The City of Carlsbad, Del Mar and Solana Beach are members of the Clean Energy Alliance.
- Through CEA, participating cities are working towards providing cleaner energy for their communities and reducing greenhouse gas emissions.
- CEA is made up of local elected officials who oversee decisions regarding power purchasing programs, and rate setting, and are directly accountable to the people who elected them. Each member city has equal voting power and meetings are conducted in an open, transparent manner, ensuring the public has a voice in the CCE decision-making process. The CEA Program will be operated under the direction of a CEO appointed by the Board, with legal and regulatory support provided by a Board appointed General Counsel.
- *Governance:* JPA Model.
- *Recruiting/Accepting members*: N/A.

Irvine led Orange County CCE (Orange County Power Authority) – Under Discussion

- SCE service territory.
- Planned to serve residents in Orange County.
- City of Irvine has been working on CCE for over three years. In January 2020, the City of Irvine completed its feasibility study prepared by EES Consulting and in April 2020, brought onboard MRW Associates to conduct a Third Party Peer review of the initial Feasibility Study. In July 2020, Irvine City Council directed staff to work with surrounding cities to begin forming a CCE program via a JPA and prepare JPA documentation with the aim of filing the implementation plan with the California Public Utility Commission (CPUC) by December 31, 2020. EES Consulting is currently working on this second phase of the potential CCE implementation Plan.
- Since early 2020, Irvine's outreach to OC cities includes:
  - *Sent letter on July 31, 2020:* Second invitation to OC cities to explore joining Irvine in forming a CCE JPA. The letter stated the intent to file with the CPUC by December 31, 2020 and included initial cost of ($150,000), pre-launch ($2,500,000) and post-launch costs ($8,000,000 to 15,000,000 depending on the number of cities joining).
  - *Held two CCE JPA Informational meetings:* OC cities that have participated in informational meetings include Costa Mesa, Tustin, Fullerton, Huntington Beach, Laguna Woods, Yorba Linda, La Habra, Santa Ana and Lake Forest on September 15, 2020 and October 8, 2020.
  - *Developed the body of a draft JPA agreement and CCE Ordinance:* Irvine shared a preliminary draft JPA agreement developed by their CCE Special Counsel to interested cities. Certain portions of the Agreement are still pending (Exhibit A, Exhibit B, Exhibit C, and Exhibit D).

- *Initiated the process for a joint-feasibility study with interested cities*: Irvine has allowed interested cities to work with EES consulting to request SCE load data, and run the numbers for the joint feasibility study. Irvine is providing upfront funding for detailed SCE load data studies for interested cities and expects reimbursement from the JPA.

- *Recruiting/Accepting members:* Yes, actively recruiting OC cities to join. Hoping to launch in 2022.
- *Cost of joining OCPA:* a portion of $150,000 that will be split with all participating cities. This will cover feasibility study, legal fees, developing the implementation plan and filing with CPUC.
- Cost of Pre-Launch (approximately $2,500,000) and Energy Acquisition (approximately $8,000,000 or more based on participating cities): The City of Irvine has shared its intent to finance the pre-launch and energy acquisition costs upfront through a loan or other financing mechanism with repayment to be made by the JPA over time. The applicable interest rate, precise loan amounts, amortization schedules and/or other member agency shares or commitments if net revenues are insufficient to reimburse costs including required loan payments have not yet been determined.
- Status: Few cities such as Costa Mesa and Fullerton have requested that their SCE load data be shared with EES Consulting in order to help assess the viability of participating in the CCE.

CCE options for Costa Mesa

As stated in the letters sent to Irvine by the City regarding a potential CCE JPA, the City supports exploring CCE programs as they potentially promote local control, stable and competitive rates, allow consumer choice, increase higher renewable content and bring revenue that can be reinvested back to the community. The intent so far has been to explore the benefits of joining a newly formed or existing CCE if beneficial, but not to necessarily launch a stand-alone CCE.

As SCE is the investor owned utility serving Costa Mesa, only CCEs in the SCE territory are being considered. The Clean Power Alliance (Los Angeles County) is not accepting members and San Diego Community Power and Clean Energy Alliance are in SDG&E territory. The only two CCEs to consider for Costa Mesa are the potential Irvine/Orange County CCE or the CalChoice CCE (i.e. Lancaster Hybrid).

The City of Irvine has offered to pre-pay all initial upfront costs for studies and formation of the CCE and to be repaid by the JPA revenues over a defined period of time. The pre-launch and post-launch costs of at least $10,000,000 will be covered through a loan and third party financing between the City or Irvine and a financial lender. It is intended for the loan to be paid back through revenues generated by the JPA. However, given the lack of SCE load data specific to the potential member agencies, the estimated loan amounts, interest rate, timeframe for the debt repayment, and related financial impacts to the JPA's budget has not yet been ascertained. The JPA Board of Directors would make all financial and governance decision once seated.

The City of Irvine prepared the attached draft JPA Agreement (Attachment 4) and Model CCE Ordinance (Attachment 5) for the City's review and consideration. Exhibits A, B, C and D of the JPA Agreement have not yet been finalized by Irvine and will be provided to the City under separate cover.

The other option is CalChoice. This hybrid model CCE is governed by Lancaster and could require an initial investment from the City's general fund to join. Since joining and operating a CCE model is a complex process and Lancaster has been running a successful CCE since 2015, CalChoice potentially offers participating cities access to experienced staff who have been through the implementation and operational process for the past five years.

ALTERNATIVES CONSIDERED:

The City Council could choose to not pursue a CCE with Irvine at this time given that much of the information critical for making an informed decision is not available at this time and will not be available in sufficient time for the CPUC filing deadline of December 31, 2020. If this is selected, staff can still continue further technical studies, detailed reviews of fiscal aspects and a proposed JPA structure over the next twelve months for a potential filing by December 30, 2021. The City Council could also choose to direct staff to explore other potentially viable options such as the CalChoice option (formerly Lancaster CCE) for a more detailed and comprehensive review of available options.

FISCAL REVIEW:

At this time, there is limited information available to provide a detailed fiscal review and analysis of the potential benefits to Costa Mesa's ratepayers from a CCE partnership with Irvine. Following the receipt of load data and completion of the feasibility study, staff will have more information to conduct this analysis. Other financial details such as JPA operating costs, debt repayment schedules and projected net revenues are also not available at this time further limiting the capacity of staff to conduct appropriate due diligence on this important decision.

LEGAL REVIEW:

The City Attorney's Office has reviewed this agenda report and approves it alone as to form. This office notes that the sample Joint Power Authority (JPA) agreement, due to the conceptual stage of this CCE program, is in draft format only and does not include the four (4) required exhibits. Should the City Council direct staff to move forward, the City Attorney's Office will recommend that the draft JPA agreement be revised in various respects, including but not limited to changes to ensure that the City has equal representation and voting power on the JPA Board of Directors.

CITY COUNCIL GOALS & PRIORITIES:

Revenue generation, local economy development and resource efficiency are priority items and are supported by the following City Council goal:

- Goal #3: Keep the City Fiscally Sustainable
  Take measures to reduce expenditures by including but not limited to implementing energy efficiencies and sustainability practices at City Hall, in public buildings, parks and public spaces.

CONCLUSION

A review of CCE programs in the area was conducted and summarized in the report. The City of Irvine is looking for a partnership with other cities in Orange County and has prepared a preliminary draft JPA Agreement (Exhibits A, B, C and D still outstanding) and CCE Ordinance for review and consideration. Staff is reviewing these documents and continuing its review of this potential CCE program. Please note that most cities take between six to nine months, and in some cases a couple of years to adequately assess the feasibility of entering into a CCE, and the particulars of such an important endeavor. Unfortunately, due to the unprecedented impact on OC cities created by COVID-19, the region has not had the opportunity to conduct a thorough cost/benefit analysis of joining the Irvine CCE, or any other programs, at this time. A more viable path for the City at this time may be to conduct the proper due diligence over the next six to twelve months on this CCE and/or other CCE alternatives in order to make an informed recommendation to the City Council in time for a potential CPUC filing in 2021.

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SALEM AFEWORKI
Energy and Sustainability Manager

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RAJA SETHURAMAN
Public Services Director

_____
CAROL MOLINA
Finance Director

_____
KIMBERLY HALL BARLOW
City Attorney

ATTACHMENTS:
1 February 4, 2020 Agenda Report on CCE
2 Letter from City of Irvine, Mayor Shea (CCE)
3 Mayor Foley's Letters to Irvine on CCE JPA
4 Draft JPA Agreement
5 Model CCE Ordnance

EES Consulting
a GDS Associates Company

Amber Nyquist, Manager
amber.nyquist@gdsassociates.com
direct 425-655-1042
cell 360-319-7946

October 23, 2020

TO: OC CCA Interested Cities

FROM: Gary Saleba; Amber Nyquist

SUBJECT: OC CCA Preliminary *Pro Forma*

CC: Ryan Baron, Mark Steuer

Introduction

EES has completed a draft preliminary 10-year financial *pro forma* for the proposed Orange County CCA (OC CCA) joint powers authority. This *pro forma* utilizes population assumptions for the interested Orange County cities to develop CCA-wide load data, and is contingent on a final SCE 2021 PCIA amount forthcoming from the CPUC in November. Upon receiving the final PCIA, this *pro forma* will be updated and used to draft an Implementation Plan and obtain necessary financing. Key assumptions and updates for this version of the *pro forma* are summarized below.

1. The 2018 load data that was analyzed in the City of Irvine's feasibility study was the basis for this analysis and scaled based on the residential/non-residential split for potential participant scenarios, participating City populations, and non-residential usage per capital assumptions.[1] Impacts from COVID are not modeled.
2. There will be a phased launch of the JPA as is customary for all CCAs. Non-residential customers (commercial & industrial) are assumed to begin taking CCA service in April 2022 and residential customers will take service beginning October 2022. The later launch of residential customers significantly reduces the costs of resource adequacy and cash for working capital requirements.
3. 2020 SCE generation and delivery rates have been updated based on current SCE 2020 filings at the CPUC, including SCE's preliminary 2021 Energy Resource Recovery Account ("ERRA") filing. SCE's ERRA filing projects the following year's fuel and energy purchase costs. SCE generation rates for 2021 are estimated to increase by 2%.
4. Current PCIA rates and CTC rates are used as input (2020 vintage) and forecast to increase by 5% in 2021 and 2% per year after. As SCE's vintaged power contracts expire, the PCIA will decrease. This decrease is likely to occur over a 10-year period but was not modeled such that the PCIA in these *pro formas* remains conservatively high. Final 2021 Vintage PCIA rates will be available from the CPUC in November 2020.
5. Power costs for market (SCE area), resource adequacy, long-term renewable and short-term renewable energy having been updated to current levels. The approved 2021 PCIA will be included in the next *pro forma* update which will be used in any OC CCA Implementation Plan filing.

[1] The assumptions to prepare the load scenarios are based both on accounts and usage assumptions; however, there is a significant amount of uncertainty in non-residential usage assumptions in particular. The uncertainty will be eliminated when SCE provides the load data per city requests.

6. Power supply is assumed to be 38.5% renewable at launch then increases to 60% by 2030 to meet State mandates.
7. Start-up costs are $2.5 million and repaid starting in 2026 over a 3-year period. This assumption is made to comport with anticipated lending covenants.
8. Cash working capital requirements are estimated at $10-$18 million depending on the participation scenario. This cash working capital requirement is repaid 5 years from launch.
9. It is assumed that the CCA employs 5 full time staff at launch ramping up to 10 full time staff in 2023.

These updates and assumptions are described in more detail below.

Load Forecast

The OC CCA load forecast is based on 2018 usage for the City of Irvine scaled to participating city populations. Residential customer accounts and loads are scaled based on population data. Non-residential usage and accounts are scaled based on a kWh per capita assumption of 5,000 kWh per capita. The City of Irvine loads are 71% non-residential. This load distribution is higher compared to average City load characteristics. Therefore, other participating City non-residential loads are added assuming a smaller share of total City load is non-residential. The assumptions above result in all Cities except Irvine are modeled at 58% non-residential and 42% residential load shares. Table 1 shows the populations and Cities included in each Scenario.

TABLE 1

LOAD SCALING ASSUMPTIONS FOR OC CCA SCENARIOS

Potential Member	2018 Population
Scenario 1	
Irvine	282,572
Huntington Beach	200,641
Total	483,213
Scenario 2 = Scenario 1 Plus:	
Fullerton	139,640
Costa Mesa	113,615
Added population	253,255
Total	736,468
Scenario 3 = Scenario 2 Plus:	
Santa Ana	332,725
Lake Forest	85,623
Tustin	79,795
Yorba Linda	67,787
Villa Park	21,695
Laguna Woods	16,046
Added population	603,671
Total	1,340,139

In all Scenarios, load growth for energy is forecast assuming 0.62% annual growth. Table 2 below shows annual customer counts and energy forecasts developed for this update.

TABLE 2

OC CCA LOAD FORECAST **PRELIMINARY**

	Scenario 1		Scenario 2		Scenario 3	
	Load, GWh	Service Accounts	Load, GWh	Service Accounts	Load, GWh	Service Accounts
2022	1,547	191,183	1,992	286,132	3,055	512,458
2023	2,641	192,371	3,546	287,911	5,704	515,643
2024	2,657	193,564	3,568	289,696	5,740	518,840
2025	2,674	194,764	3,590	291,492	5,775	522,057
2026	2,690	195,972	3,613	293,299	5,811	525,294
2027	2,707	197,187	3,635	295,117	5,847	528,550
2028	2,724	198,409	3,658	296,947	5,884	531,827
2029	2,741	199,639	3,680	298,788	5,920	535,125
2030	2,758	200,877	3,703	300,641	5,957	538,443
2031	2,775	202,122	3,726	302,505	5,994	541,781

Power Costs

The largest expense item for a CCA is power supply costs. The power cost forecast assumes OC CCA meets California renewables portfolio standard (RPS) requirements, purchases resource adequacy consistent with California Public Utilities Commission (CPUC) requirements and meets requirements for all other applicable regulations. Total all-in RA prices range from $4/kW-month in winter to $13/kW-mo in summer months. For reference, the 85th percentile for RA costs in 2018 for 2020-2022 local and system RA were in the range of $3 to $5/kW-mo. The maximum price was $10/kW-mo.[2] Thus, the RA forecast used both reflects current trends and is conservatively high.

Market purchases are priced around $38/MWh (all hours), and short-term renewables are an additional $16/MWh (PCC1 RECs). PCC2 RECs are priced at an additional $6/MWh. Carbon free energy is priced as an adder of $6/MWh. In addition to these costs, OC CCA will have CAISO costs of approximately $1.75/MWh for transmission related services. Starting in 2021, OC CCA will need to procure 65% of the State mandated RPS from contracts that are 10 years or longer. Recent long-term contracts have been signed by CCAs for $20-$34/MWh. The *pro forma* assumes OC CCA will be able to purchase these contracts for $30/MWh which would include a mix of solar, wind, and solar plus storage. This price for long-term renewable power is also conservatively high.

[2] CPUC Energy Division. 2018 Resource Adequacy Report. August 2019. https://www.cpuc.ca.gov/uploadedFiles/CPUC_Public_Website/Content/Utilities_and_Industries/Energy/Energy_Programs/Electric_Power_Procurement_and_Generation/Procurement_and_RA/RA/2018%20RA%20Report%20rev.pdf

Staffing, Consulting, and Overhead

Consultant costs were updated to reflect recent consultant agreements negotiated by CCAs with their service providers. Upfront consulting costs for 2021 consist of legal/regulatory assistance, administration, marketing and outreach, financial services, technical consultants and initial CCA staff hires.

Staffing costs include salary and benefits for an Executive Director beginning in 2021, Executive Secretary beginning in April 2021, for a total of 5 full time staff members beginning in March 2022 ramping up to 10 full time staff members by January 2023. It should be noted that CCA staff do not typically participate in the State Cal PERS retirement program. Rather, they are offered a traditional 401k-type of retirement program.

Start-Up Cost Estimates

The amount needed prior to program launch varies depending on the size of the CCA. Table 3 below provides a range of estimated costs based on small, medium and large Scenarios. The *pro forma* assumes $2.5 million in start-up costs (medium Scenario). The actual cost will depend on decisions made by the JPA board and Executive Director such as timing of staff ramp-up, phased launch approach, office space, and any unforeseen changes in implementation due to SCE operational issues with billing and data management.

TABLE 3

OC CCA START-UP COST ESTIMATES **PRELIMINARY**

Task	Small (City-Only)	Medium (2 – 10 Members)	Large (20 → Members)
Solicit Members/Initial Outreach	$0	$50,000	$150,000
Form JPA	$0	$100,000	$200,000
CPUC Bond	$100,000	$140,000	$100,000
SCE Deposit	$200,000	$200,000	$200,000
Consultants			
Legal	$150,000	$400,000	$1,200,000
Technical	$30,000	$400,000	$1,000,000
Financial Advisor	$10,000	$150,000	$250,000
Marketing/Outreach	$10,000	$200,000	$200,000
CCA Staffing	$200,000	$550,000	$900,000
Infrastructure	$0	$300,000	$500,000
Total 18-Month Cash Outlay	**$700,000**	**$2,490,000**	**$4,700,000**

Debt Service

Two debt service payments are assumed. The first is for $2.5 million in start-up costs. Repayment of this loan begins in 2025 and will conclude in 3 years. In addition, a total of $10-18 million will be needed to bridge the gap in cash for working capital depending on participation Scenario. This amount is assumed to be financed over 5 years with repayment beginning at program launch. Operating CCAs have typically repaid these in 3-5 years. Table 4 shows the cash needs by participation Scenario.

TABLE 4

FINANCING NEEDS **PRELIMINARY**

Participation Scenario	Start-Up Costs, Millions	Cash for Working Capital, Millions
Scenario 1	$2.5	$10
Scenario 2	$2.5	$13
Scenario 3	$2.5	$18

OC CCA Revenues

Retail rate revenues are calculated based on forecast SCE generation rates and PCIA by class. OC CCA revenue is calculated based on an assumed 4% discount off the SCE generation rate. This translates to a 2% total discount off a CCA customer's total electric bill.

Summary

It is anticipated the OC CCA will be able to repay the start-up and working capital loans within 5-7 years and likely sooner. OC CCA will build financial reserves over the first 5-7 years of 120 days of operating expenses ($50M - $110M depending on participation Scenario but subject to JPA Board direction). After debt service is repaid, it is estimated that a significant amount of net income ($12-$38 million per year on average depending on Scenario) will be available to OC CCA for customer programs. All assumptions will need to be updated before the *pro forma* can populate the OC CCA Implementation Plan. In particular, the PCIA in SCE's 2021 ERRA filings must be incorporated into the final *pro formas*. EES is confident the level of all other *pro forma* estimates are more than acceptably accurate for feasibility study purposes.

EES Consulting
a GDS Associates Company

Amber Nyquist, Manager
amber.nyquist@gdsassociates.com
direct 425-655-1042
cell 360-319-7946

TABLE 5

SCENARIO 1 OC CCA PROFORMA, ACCRUAL BASIS **PRELIMINARY**

Scenario 1: Irvine, Huntington Beach											
	2021	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Revenues from Operations ($)											
Electric Sales Revenues for CCE	$0	$95,324,639	$163,054,533	$169,611,264	$170,634,813	$177,106,647	$184,903,274	$193,592,357	$202,958,962	$212,450,467	$222,675,481
Less Uncollected Accounts	$0	$476,623	$815,273	$848,056	$853,174	$885,533	$924,516	$967,962	$1,014,795	$1,062,252	$1,113,377
Total Revenues for CCA	$0	$94,848,016	$162,239,260	$168,763,208	$169,781,639	$176,221,114	$183,978,758	$192,624,395	$201,944,168	$211,388,214	$221,562,104
Cost of Operations ($)											
Block Energy Purchases		$52,845,903	$80,371,111	$79,370,597	$73,623,023	$71,296,183	$65,188,122	$62,603,799	$59,951,277	$58,002,795	$58,110,184
RPS Adders and Long-Term Energy		$9,918,063	$22,394,234	$23,422,226	$26,866,970	$30,359,961	$32,771,581	$35,393,444	$37,916,048	$39,844,611	$40,092,252
Resource Adequacy		$22,533,340	$39,133,021	$41,272,923	$43,682,118	$46,151,290	$48,760,034	$51,516,240	$54,428,243	$57,504,849	$60,755,364
Everything Else		$3,247,947	$5,188,945	$5,181,338	$5,243,486	$5,219,974	$5,822,651	$6,211,025	$6,572,387	$6,906,666	$7,172,200
Total Cost of Power Supply	$0	**$88,545,254**	**$147,087,312**	**$149,247,084**	**$149,415,597**	**$153,027,408**	**$152,542,388**	**$155,724,508**	**$158,867,954**	**$162,258,922**	**$166,130,000**
Operating & Administrative											
Data Management	$0	$509,494	$2,407,049	$2,470,450	$2,541,039	$2,607,968	$2,676,661	$2,747,163	$2,819,522	$2,893,786	$2,970,007
Scheduling Coordinator	$0	$340,000	$516,800	$527,136	$538,563	$549,334	$560,321	$571,527	$582,958	$594,617	$606,509
SCE Fees (includes billing)	$0	$4,897	$22,720	$22,861	$23,015	$23,158	$23,302	$23,447	$23,592	$23,739	$23,887
Consulting Services	$586,500	$993,582	$923,251	$941,716	$960,550	$979,761	$999,357	$1,019,344	$1,039,731	$1,060,525	$1,081,736
Staffing	$656,370	$1,248,010	$2,103,498	$2,166,460	$2,213,406	$2,257,674	$2,302,828	$2,348,884	$2,395,862	$2,443,779	$2,492,655
General & Administrative expenses	$24,480	$302,548	$207,682	$244,446	$249,743	$254,738	$259,833	$265,029	$270,330	$275,737	$281,251
Debt Service Payment on Financing	$0	$1,763,734	$2,116,481	$2,116,481	$2,645,602	$2,645,602	$881,867	$529,120	$529,120	$0	$0
Total O&A Costs	$1,267,350	$5,162,265	$8,297,481	$8,489,550	$9,171,918	$9,318,236	$7,704,168	$7,504,514	$7,661,115	$7,292,183	$7,456,045
Total Cost of Operations	$1,267,350	$93,707,519	$155,384,792	$157,736,634	$158,587,515	$162,345,644	$160,246,556	$163,229,022	$166,529,069	$169,551,105	$173,586,045
Net Income	($1,267,350)	$1,140,498	$6,854,468	$11,026,574	$11,194,124	$13,875,470	$23,732,202	$29,395,373	$35,415,099	$41,837,109	$47,976,059
Cash From Operations and Financing											
Net Income From Operations	($1,267,350)	$1,140,498	$6,854,468	$11,026,574	$11,194,124	$13,875,470	$23,732,202	$29,395,373	$35,415,099	$41,837,109	$47,976,059
Cash from Financing	$2,500,000	$10,000,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Cash Available	$1,232,650	$11,140,498	$6,854,468	$11,026,574	$11,194,124	$13,875,470	$23,732,202	$29,395,373	$35,415,099	$41,837,109	$47,976,059
Net Income Allocation											
Reserve Fund Contribution	$416,663	$11,140,498	$6,854,468	$11,026,574	$11,194,124	$13,875,470	$1,235,033	$0	$0	$0	$1,326,555
Money Available for Discretionary Programs	$475,987	$0	$0	$0	$0	$0	$22,497,170	$29,395,373	$35,415,099	$41,837,109	$46,649,504
Total Cash Outlays	$1,232,650	$0	$0	$0	$0	$0	$22,497,170	$29,395,373	$35,415,099	$41,837,109	$46,649,504
Rate Stabilization Reserve Balance	$416,663	$11,557,161	$18,411,629	$29,438,203	$40,632,326	$54,507,797	$55,742,829	$55,742,829	$55,742,829	$55,742,829	$57,069,385
Reserve Balance Target	$416,663	$30,807,951	$51,085,411	$51,858,619	$52,138,361	$53,373,910	$52,683,799	$53,664,336	$54,749,283	$55,742,829	$57,069,385
CCA Total Bill		$279,474,284	$510,745,006	$526,459,718	$536,882,464	$553,001,065	$570,698,550	$588,035,363	$606,268,066	$624,849,728	$644,394,803
SCE Total Bill		$284,690,269	$519,677,013	$535,777,773	$546,134,433	$563,047,972	$580,499,052	$598,505,181	$617,084,452	$636,255,560	$656,037,825
Difference		$5,215,985	$8,932,007	$9,318,056	$9,251,969	$10,046,907	$9,800,501	$10,469,818	$10,816,386	$11,405,832	$11,643,021
Total Bill Savings		2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Generation Rate Discount		4%	4%	4%	4%	4%	4%	4%	4%	4%	4%

TABLE 6

SCENARIO 2 OC CCA PROFORMA, ACCRUAL BASIS **PRELIMINARY**

Scenario 2: Irvine, Huntington Beach, Fullerton, Costa Mesa	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Revenues from Operations ($)											
Electric Sales Revenues for CCE	$0	$123,324,586	$221,244,900	$230,141,636	$232,020,313	$240,820,375	$251,421,821	$263,236,782	$275,973,004	$288,879,056	$302,782,497
Less Uncollected Accounts	$0	$616,623	$1,106,224	$1,150,708	$1,160,102	$1,204,102	$1,257,109	$1,316,184	$1,379,865	$1,444,395	$1,513,912
Total Revenues for CCA	$0	$122,707,963	$220,138,675	$228,990,928	$230,860,211	$239,616,273	$250,164,712	$261,920,598	$274,593,139	$287,434,660	$301,268,584
Cost of Operations ($)											
Block Energy Purchases		$68,135,864	$108,070,301	$106,744,781	$99,030,454	$95,911,148	$87,680,026	$84,191,906	$80,610,040	$77,974,359	$78,104,105
RPS Adders and Long-Term Energy		$12,776,330	$30,072,299	$31,452,746	$36,078,425	$40,769,456	$44,007,645	$47,528,441	$50,915,944	$53,505,734	$53,838,281
Resource Adequacy		$28,733,869	$52,625,728	$55,504,090	$58,743,312	$62,063,831	$65,572,047	$69,278,567	$73,194,602	$77,331,994	$81,703,256
Everything Else		$4,183,966	$6,968,027	$6,957,811	$7,031,071	$6,990,287	$7,819,005	$8,340,537	$8,825,795	$9,274,686	$9,631,261
Total Cost of Power Supply	$0	**$113,830,029**	**$197,736,355**	**$200,659,429**	**$200,883,261**	**$205,734,722**	**$205,078,723**	**$209,339,451**	**$213,546,381**	**$218,086,773**	**$223,276,902**
Operating & Administrative											
Data Management	$0	$733,267	$3,602,344	$3,697,228	$3,802,870	$3,903,036	$4,005,840	$4,111,351	$4,219,642	$4,330,785	$4,444,856
Scheduling Coordinator	$0	$340,000	$516,800	$527,136	$538,563	$549,334	$560,321	$571,527	$582,958	$594,617	$606,509
SCE Fees (includes billing)	$0	$7,048	$34,002	$34,213	$34,444	$34,658	$34,873	$35,090	$35,308	$35,528	$35,748
Consulting Services	$586,500	$993,582	$923,251	$941,716	$960,550	$979,761	$999,357	$1,019,344	$1,039,731	$1,060,525	$1,081,736
Staffing	$656,370	$1,248,010	$2,103,498	$2,166,460	$2,213,406	$2,257,674	$2,302,828	$2,348,884	$2,395,862	$2,443,779	$2,492,655
General & Administrative expenses	$24,480	$302,548	$207,682	$244,446	$249,743	$254,738	$259,833	$265,029	$270,330	$275,737	$281,251
Debt Service Payment on Financing	$0	$2,292,855	$2,751,426	$2,751,426	$3,280,546	$3,280,546	$987,691	$529,120	$529,120	$0	$0
Total O&A Costs	$1,267,350	$5,917,310	$10,139,001	$10,362,625	$11,080,122	$11,259,747	$9,150,742	$8,880,346	$9,072,951	$8,740,971	$8,942,755
Total Cost of Operations	$1,267,350	$119,747,339	$207,875,356	$211,022,054	$211,963,383	$216,994,469	$214,229,465	$218,219,797	$222,619,332	$226,827,743	$232,219,657
Net Income	($1,267,350)	$2,960,624	$12,263,319	$17,968,874	$18,896,828	$22,621,804	$35,935,248	$43,700,801	$51,973,807	$60,606,917	$69,048,927
Cash From Operations and Financing											
Net Income From Operations	($1,267,350)	$2,960,624	$12,263,319	$17,968,874	$18,896,828	$22,621,804	$35,935,248	$43,700,801	$51,973,807	$60,606,917	$69,048,927
Cash from Financing	$2,500,000	$13,000,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Cash Available	$1,232,650	$15,960,624	$12,263,319	$17,968,874	$18,896,828	$22,621,804	$35,935,248	$43,700,801	$51,973,807	$60,606,917	$69,048,927
Net Income Allocation											
Reserve Fund Contribution	$416,663	$15,960,624	$12,263,319	$17,968,874	$18,896,828	$9,067,197	$0	$0	$0	$0	$1,772,684
Money Available for Discretionary Programs	$475,987	$0	$0	$0	$0	$13,554,607	$35,935,248	$43,700,801	$51,973,807	$60,606,917	$67,276,243
Total Cash Outlays	$1,232,650	$0	$0	$0	$0	$13,554,607	$35,935,248	$43,700,801	$51,973,807	$60,606,917	$67,276,243
Rate Stabilization Reserve Balance	$416,663	$16,377,287	$28,640,606	$46,609,480	$65,506,308	$74,573,505	$74,573,505	$74,573,505	$74,573,505	$74,573,505	$76,346,189
Reserve Balance Target	$416,663	$39,368,988	$68,342,583	$69,377,114	$69,686,592	$71,340,647	$70,431,605	$71,743,495	$73,189,917	$74,573,505	$76,346,189
CCA Total Bill		$363,396,838	$696,866,831	$718,291,195	$733,027,469	$755,023,792	$779,169,081	$802,822,656	$827,696,499	$853,046,976	$879,709,646
SCE Total Bill		$369,970,820	$708,661,908	$730,601,721	$745,446,071	$768,519,048	$792,324,916	$816,887,534	$842,231,557	$868,382,460	$895,366,568
Difference		$6,573,982	$11,795,078	$12,310,526	$12,418,602	$13,495,257	$13,155,835	$14,064,878	$14,535,058	$15,335,484	$15,656,922
Total Bill Savings		2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Generation Rate Discount		4%	4%	4%	4%	4%	4%	4%	4%	4%	4%

TABLE 7

SCENARIO 3 OC CCA PROFORMA, ACCRUAL BASIS **PRELIMINARY**

Scenario 3: Irvine, Huntington Beach, Santa Ana, Fullerton, Costa Mesa, Lake Forest, Tustin, Yorba Linda, Villa Park, Laguna Woods											
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Revenues from Operations ($)											
Electric Sales Revenues for CCE	$0	$190,066,626	$359,950,302	$374,424,791	$378,341,790	$392,691,531	$409,978,682	$429,244,639	$450,012,842	$471,057,977	$493,729,495
Less Uncollected Accounts	$0	$950,333	$1,799,752	$1,872,124	$1,891,709	$1,963,458	$2,049,893	$2,146,223	$2,250,064	$2,355,290	$2,468,647
Total Revenues for CCA	$0	$189,116,293	$358,150,551	$372,552,667	$376,450,081	$390,728,073	$407,928,789	$427,098,416	$447,762,778	$468,702,687	$491,260,848
Cost of Operations ($)											
Block Energy Purchases		$104,581,763	$174,095,443	$171,995,225	$159,592,847	$154,584,581	$141,285,689	$135,636,472	$129,832,905	$125,552,907	$125,729,266
RPS Adders and Long-Term Energy		$19,589,435	$48,373,802	$50,594,685	$58,035,254	$65,582,036	$70,790,477	$76,454,011	$81,903,132	$86,069,055	$86,603,988
Resource Adequacy		$43,513,752	$84,787,603	$89,426,198	$94,643,909	$99,993,743	$105,645,982	$111,617,718	$117,927,012	$124,592,945	$131,635,676
Everything Else		$6,415,108	$11,204,422	$11,192,301	$11,289,147	$11,210,092	$12,577,612	$13,416,545	$14,197,129	$14,919,214	$15,492,797
Total Cost of Power Supply	$0	**$174,100,057**	**$318,461,270**	**$323,208,409**	**$323,561,157**	**$331,370,453**	**$330,299,759**	**$337,124,746**	**$343,860,178**	**$351,134,120**	**$359,461,728**
Operating & Administrative											
Data Management	$0	$1,266,665	$6,451,506	$6,621,435	$6,810,633	$6,990,021	$7,174,135	$7,363,097	$7,557,038	$7,756,086	$7,960,377
Scheduling Coordinator	$0	$340,000	$516,800	$527,136	$538,563	$549,334	$560,321	$571,527	$582,958	$594,617	$606,509
SCE Fees (includes billing)	$0	$12,175	$60,894	$61,273	$61,686	$62,069	$62,455	$62,843	$63,234	$63,627	$64,022
Consulting Services	$586,500	$993,582	$923,251	$941,716	$960,550	$979,761	$999,357	$1,019,344	$1,039,731	$1,060,525	$1,081,736
Staffing	$656,370	$1,248,010	$2,103,498	$2,166,460	$2,213,406	$2,257,674	$2,302,828	$2,348,884	$2,395,862	$2,443,779	$2,492,655
General & Administrative expenses	$24,480	$302,548	$207,682	$244,446	$249,743	$254,738	$259,833	$265,029	$270,330	$275,737	$281,251
Debt Service Payment on Financing	$0	$3,174,722	$3,809,666	$3,809,666	$4,338,787	$4,338,787	$1,164,065	$529,120	$529,120	$0	$0
Total O&A Costs	$1,267,350	$7,337,702	$14,073,297	$14,372,133	$15,173,368	$15,432,385	$12,522,992	$12,159,846	$12,438,272	$12,194,371	$12,486,550
Total Cost of Operations	$1,267,350	$181,437,759	$332,534,567	$337,580,541	$338,734,525	$346,802,838	$342,822,751	$349,284,592	$356,298,450	$363,328,491	$371,948,278
Net Income	($1,267,350)	$7,678,535	$25,615,984	$34,972,126	$37,715,556	$43,925,235	$65,106,038	$77,813,824	$91,464,328	$105,374,197	$119,312,570
Cash From Operations and Financing											
Net Income From Operations	($1,267,350)	$7,678,535	$25,615,984	$34,972,126	$37,715,556	$43,925,235	$65,106,038	$77,813,824	$91,464,328	$105,374,197	$119,312,570
Cash from Financing	$2,500,000	$18,000,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Cash Available	$1,232,650	$25,678,535	$25,615,984	$34,972,126	$37,715,556	$43,925,235	$65,106,038	$77,813,824	$91,464,328	$105,374,197	$119,312,570
Net Income Allocation											
Reserve Fund Contribution	$416,663	$25,678,535	$25,615,984	$34,972,126	$32,767,155	$0	$0	$0	$0	$0	$2,833,903
Money Available for Discretionary Programs	$475,987	$0	$0	$0	$4,948,401	$43,925,235	$65,106,038	$77,813,824	$91,464,328	$105,374,197	$116,478,667
Total Cash Outlays	$1,232,650	$0	$0	$0	$4,948,401	$43,925,235	$65,106,038	$77,813,824	$91,464,328	$105,374,197	$116,478,667
Rate Stabilization Reserve Balance	$416,663	$26,095,198	$51,711,182	$86,683,308	$119,450,463	$119,450,463	$119,450,463	$119,450,463	$119,450,463	$119,450,463	$122,284,365
Reserve Balance Target	$416,663	$59,650,770	$109,326,433	$110,985,383	$111,364,775	$114,017,371	$112,708,850	$114,833,291	$117,139,216	$119,450,463	$122,284,365
CCA Total Bill		$563,438,742	$1,140,515,913	$1,175,550,082	$1,200,568,293	$1,236,575,040	$1,276,089,631	$1,314,800,151	$1,355,504,140	$1,396,989,095	$1,440,617,611
SCE Total Bill		$573,249,711	$1,159,135,546	$1,194,993,608	$1,220,535,037	$1,258,289,952	$1,297,243,403	$1,337,434,389	$1,378,903,205	$1,421,691,488	$1,465,842,264
Difference		$9,810,969	$18,619,633	$19,443,526	$19,966,743	$21,714,912	$21,153,772	$22,634,238	$23,399,065	$24,702,393	$25,224,652
Total Bill Savings		2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Generation Rate Discount		4%	4%	4%	4%	4%	4%	4%	4%	4%	4%

COMMUNITY CHOICE ENERGY CUSTOMER PROGRAMS

Community Choice Energy (CCE) programs are a key element of CCE operations. Even as CCEs offer customers slight discounts (1 to 4% off of utility bills compared to IOUs), their delivery of unique customer programs is a large distinguishing characteristic of CCEs to their customers.

The EES Consulting team believes that CCEs can make a broader, positive customer and community stakeholder impact through the delivery of customer programs compared to offering slightly lower utility bills. CCEs are unique from the IOUs also in that their communities have a voice in the design of power supply portfolios, customer rates and customer program designs.

Status Quo

The California Public Utilities Commission (CPUC) authorizes about $1 billion per year to utilities and other energy efficiency program administrators for ratepayer funded energy efficiency programs; these are largely administered by the IOUs. Funding is also authorized for energy storage, electric vehicle charging and other customer programs.

These programs are designed by the IOUs for utilization by customers across their entire service territories. There are no community-specific customer programs. And the only way a community can have a voice in programs design is to participate in lengthy, expensive regulatory proceedings.

CCE Opportunities

The financial analyses completed by EES Consulting for all of their CCE clients includes a net operating revenue element; primarily established to pay off CCE start-up financing. After financing is paid off, net revenues may be used by a CCE for discretionary purposes. Net revenues may be used to lower rates, build up reserve funds, and/or establish customer programs.

The general policy for all operating CCEs is that funds are designated for uses and benefits of the CCE operations.

CCE customer programs generally break down into a handful of categories: special rates for customers, customer incentives, education and outreach. These are described in more detail below.

Programs Description

Special Rates:

CCEs in California all offer equivalent rate programs as the IOUs. However, to encourage greater customer solar PV utilization, CCEs have offered Net Energy Metering and Feed In Tariff (FIT) rates with greater benefits than the IOU equivalent. Net Energy Metering (NEM) rates allow customers to offset their energy usage with solar PV generation at their buildings; CCEs offer equivalent NEM rates. IOUs also offer FIT rates which pay a customer for excess solar PV generation delivered into the grid. CCEs generally offer a FIT benefit higher than the IOUs. While not directly funded out of net revenues, these rate benefits do impact a CCEs fiscal “bottom line.” Because CCE rates are not subject to CPUC approval, CCEs could design rates to encourage economic development or other types of business retention or development incentive.

Customer Incentives:

As mentioned earlier, CCEs have the opportunity to design and fund customer programs specific to their communities – which the IOUs do not do. So, a city with a large number of single family and multi-family units may design programs for energy upgrade incentives specific to these customers. Similar programs could be designed and offered for small/medium/large commercial buildings, industrial operations, or other customer classes. Programs could target low-income ratepayers or certain other types of business operations.

Incentives could include cash payments for installing certain types of equipment, financing or other operating benefits such as access to energy management tools.

Many CCEs are encouraging conversion to electric equipment from natural gas. Since the State is proceeding towards 100% greenhouse gas free operations by 2045; electrification of appliances, building heating and cooling, and electric vehicle charging supports greenhouse gas reduction targets for CCEs but also increases revenues. Incentives for electric equipment conversion and full electric conversion of buildings are being offered by CCEs. The long-term financial benefit of a home becoming fully electric for the next 50 years compared to a short-term financial incentive is significant.

Energy storage and electric vehicle charging also has financial operating benefits to CCEs if storage and charging are done at certain times of the day. CCEs are investigating rates that encourage these at the right time as well as incentives for customers to install storage and EV charging. Doing something as simple as compiling all of the EV incentives available to Californians from a variety of sources (utilities, State agencies, car dealerships, federal government) have already proven to drive increased EV procurement and EV charging infrastructure.

It is conceivable that a CCE may pilot any of these programs within internal operations as a precursor to designing and offering CCE customer programs – especially involving new technologies like battery storage and EVs and infrastructure.

CCEs have also embraced public-private arrangements where certain technology providers have been provided CCE branding and promotion and access to CCE customers to market products. To the extent the CCE customers benefit from new technologies and the CCE benefits financially from the business relationship, this is a win-win-win scenario.

Customer adoption efficient equipment and new technologies is enhanced through access to financing. Many local governments already work with private and public financing entities to design equipment financing programs for customers. This may be offered in concert with or separate from incentive programs.

It should be noted that CCE customers may access CCE-designed programs and IOU incentive programs; they are not mutually exclusive.

Education and Outreach:

CCEs also offer customer education and outreach programs through literature, events, websites, customer service phone desk, and other media channels. Primarily these have targeted disadvantaged, non-English speaking, and hard-to-reach customers; but they also target those that are simply not energy-savvy. Education and outreach have proven to be a strategic method for promoting CCE benefits to customers.

Other:

CCEs are also eligible to access CPUC Energy Efficiency Program funding – the $1 billion per year budget referenced earlier. So, CCEs may combine their net revenue programs with CPUC authorized funding. CCE programs and CPUC-funded programs would cover all program operating expenses – including any public agency staff or other expenses used to design, operate and administer the programs.

EES has reviewed the financial statements of several CCEs and in some cases, CCE operating expenses have included payments into jurisdictions' general funds to compensate for staff and other contributions to CCE operations.

A table of customer programs offered by CCEs is listed below. Regarding the CPUC Energy Efficiency Program funding described above, only two CCEs currently access that funding (Marin Clean Energy and Lancaster Choice Energy); nearly all the programs noted below are operated out of CCE net revenues and special rate designs.

EES Consulting is very familiar with the CPUC process for accessing CPUC funding and design cost-effective programs and can assist as needed.

CALCCA ADVANCING LOCAL ENERGY CHOICE	Apple Valley Choice Energy	Central Coast Community Energy	Clean Power Alliance	CleanPowerSF	East Bay Community Energy	King City Community Power	Lancaster Choice Energy	MCE	Peninsula Clean Energy	Pioneer	PRIME	Rancho Mirage Energy Authority	Redwood Coast Energy Authority	San Jacinto Power	San Jose Clean Energy	Silicon Valley Clean Energy	Solana Energy Alliance	Sonoma Clean Power	Valley Clean Energy
Budget Billing				*In dev.*			✔												
Battery Storage Rate				*In dev.*	✔ *(pilot)*			✔								✔ (Same as PG&E)		*In dev.*	
Battery Storage Incentives								✔								*In dev.*		✔	
Demand Response		✔	✔	✔				*In dev.*	*In dev.*							*In dev.*		✔	✔
EV Rate		✔	✔	✔	✔ (Same as PG&E)		✔	✔	✔	✔ (Same as PG&E)	✔		✔		✔ (Same as PG&E)	✔ (Same as PG&E)	✔	✔	✔ (Same as PG&E)
EV Bus Program		✔		✔			✔		✔									✔	
EV Incentives (vehicles and/or charging)		✔					✔	✔	✔				✔		*In dev.*	✔		✔	*In dev.*
EV Load Shifting								✔								✔ *(pilot)*		✔	
Energy Efficiency				*In dev.*			✔	✔		*In dev.*			✔			*In dev.*		✔	✔
Energy Efficiency Data Sharing					✔														
Feed-In Tariff		*In dev.*		*In dev.*				✔					✔					✔	
Building Electrification		✔			*In dev.*			✔	*In dev.*				✔			✔		✔	*In dev.*
Low-Income & Multifamily EE		✔						✔	*In dev.*		✔		✔						
Solar Incentives												✔	✔						
On-Bill Repayment				*In dev.*				✔										*In dev.*	
Education, Outreach, and/or Innovation Grants			✔		✔				✔	*In dev.*						✔		✔	
Low-Income Solar Incentives		✔	*In dev.*	✔	✔	✔		✔	*In dev.*		✔								

CALCCA ADVANCING LOCAL ENERGY CHOICE	Apple Valley Choice Energy	Central Coast Community Energy	Clean Power Alliance	CleanPowerSF	East Bay Community Energy	King City Community Power	Lancaster Choice Energy	MCE	Peninsula Clean Energy	Pioneer	PRIME	Rancho Mirage Energy Authority	Redwood Coast Energy Authority	San Jacinto Power	San Jose Clean Energy	Silicon Valley Clean Energy	Solana Energy Alliance	Sonoma Clean Power	Valley Clean Energy
Customer Load Shifting			✔	✔				✔								*In dev.*		✔	
Microgrid Development		✔					✔			*In dev.*			✔						
Citizen Sourcing			✔				✔						✔						
Energy Education in Local Schools				*In dev.*					✔						✔			✔	
Dividend Program		✔																	✔
Solar Referral Service			✔													✔			
Solar+Storage Offerings			*In dev.*		✔			✔	✔		*In dev.*		✔			✔		✔	
Advancing Reach Codes		✔			✔				✔							✔		✔	
Advanced Energy Rebuild								✔										✔	
TOU Rates				✔	✔ (Same as PG&E)		✔	✔		✔ (Same as PG&E)			✔		✔ (Same as PG&E)	✔ (Same as PG&E)	✔	✔ (Same as PG&E)	✔ (Same as PG&E)
Customer C&I Clean Power Offerings																✔			
Workforce Education & Training								✔								✔		✔	
Emissions Inventory Support for Member Agencies		✔														✔			
Property Assessed Clean Energy (PACE)										✔									

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a GDS Associates Company

ATTACHMENT 6

Amber Nyquist, Manager
amber.nyquist@gdsassociates.com
425-889-2700 x216
cell 360-319-7946

October 16, 2020

TO: OC CCA Interested Cities

FROM: Gary Saleba; Amber Nyquist

SUBJECT: CCA Low Income Programs

CC: Mark Steuer; Ryan Baron

DRAFT

Introduction

This memo describes how low income programs are implemented when a community choice aggregator (CCA) is established. In sum, low income programs offered by the incumbent investor-owned utility (IOU) are maintained under CCA structure without any impact to CCA financials. In addition to the current IOU programs, CCAs often offer additional assistance to low income customers. A survey of currently offered low income programs from established CCAs is provided at the end of this memo.

Low Income Rates

IOUs offer three rate programs to low income customers:

1. California Alternative Rates for Energy: CARE
2. Family Electric Rate Assistance: FERA
3. Medical Baseline

CARE and FERA offer discounts on the delivery rate portion of the customer's bill. Because these programs are based on the delivery portion, and CCAs provide only generation services, the program remains the same whether a customer is a bundled IOU customer or CCA customer. Similarly, the medical baseline program reduces average delivery rates by increasing the block of energy billed at the lowest rate offered on the applicable rate schedule. Table 1 summarizes these three rate programs.

TABLE 1 SCE LOW-INCOME AND MEDICAL BASELINE RATE PROGRAMS

Program	Eligibility	Approximate Rate Discount	Other Notes
CARE	Someone in home participates in at least one public assistance program[1] or income based adjusted for household size.	Delivery Rate: 50% Total Bill: 30%	Does not pay DWRBC charge
FERA	Income based adjusted for household size, higher income threshold than CARE.	Delivery Rate: 30% Total Bill: 18%	

[1] Public Assistance Programs include: Bureau of Indian Affairs General Assistance, CalFresh/SNAP, CalWorks (TANF) or Tribal TANF, Head Start Income Eligible (Tribal only), LIHEAP, Medi-Cal/Medicaid, Medi-Cal for Families, National School Lunch Program, Supplemental Security Income, or WIC.

Program	Eligibility	Approximate Rate Discount	Other Notes
Medical Baseline	Full time resident in home requires use of electric powered medical equipment, temperature sensitive, has life-threatening illness or compromised immune system requiring space conditioning.	Medical baseline allocation bills more kWh at lowest rate tier.	Does not pay DWRBC charge, Minimum bill is $5.

In addition to these programs, CCA customers are also eligible for on-bill financing through SCE for eligible energy efficiency investments. The financing is 0% for eligible customers. Low-income solar projects are also available for CCA customers through SCE's program offerings.[2]

CCA Low Income Programs

In addition to SCE low income programs, CCAs also offer programs as well. The list below summarizes some of the current offerings from CCAs.

- The California Public Utilities Commission (CPUC) has awarded $3.5 million to Marin Clean Energy (MCE) to conduct a two-year, Low-Income Family and Tenants (LIFT) pilot program to better serve income-qualified multifamily communities in MCE's service area. The program will help remove barriers to energy efficiency investments in rented properties as it will focus on engaging property owners. $1,200 per unit is available to fund energy efficiency improvements and appliances in 1,400 multifamily units for items such as pipe insulation, more efficient lighting, Energy Star refrigerators, and air conditioners.[3]
- Peninsula Clean Energy (PCE) partnered with several nonprofits to distribute low income qualifying grants to PCE customers for energy efficiency investments.[4]
- Clean Power Alliance (CPA) offers a 100% green energy rate to residents located in disadvantaged communities. This program will allow CPA to develop up to 12.19 MW of renewable energy and allocate the energy produced by those projects to low-income customers living in disadvantaged communities (DACs) anywhere in CPA's service territory. As with the Community Solar program, customers will get a 20% bill discount on top of their existing CARE or FERA discount. The generating projects may be located in a DAC anywhere in CPA's or SCE's service territories.

Summary

Low income customers have many options to reduce their energy bills under either bundled or unbundled service (CCA). CCAs have implemented additional program offerings that are available to CCAs and bundled SCE customers where qualifying criteria are met. CCA programs tend to focus on removing barriers to low income program participation.

[2] https://www.sce.com/residential/rebates-savings/residential-solar-programs

[3] https://www.mcecleanenergy.org/news/press-releases/lift-2/

[4] https://www.peninsulacleanenergy.com/peninsula-clean-energy-grant-program-funds-outreach-to-low-income-residents/

Agenda Report

Fullerton City Council

MEETING DATE: NOVEMBER 2, 2020

TO: CITY COUNCIL

SUBMITTED BY: KENNETH A. DOMER, CITY MANAGER

PREPARED BY: ANTONIA GRAHAM, DEPUTY CITY MANAGER

SUBJECT: COMMUNITY CHOICE ENERGY: ORANGE COUNTY POWER AUTHORITY JOINT POWERS AGREEMENT

SUMMARY

At the July 21, 2020 City Council Meeting, Council Member Zahra requested staff bring an update to City Council on Community Choice Energy in light of the City of Irvine requesting partnerships from other Orange County cities. Additionally, the City's Infrastructure and Natural Resources Advisory Committee (INRAC) in their recommendations to City Council recommended that the City explore and review Community Choice Energy (CCE) as a potential cost saving measure. On July 21, 2020, staff presented an overview of CCE and was directed by City Council to come back with an update on the joint effort led by the City of Irvine. This Agenda Report provides an update on discussions with the City of Irvine in regards to their Joint Powers Authority formation and seeks final direction from the City Council on exercising their discretion in determining whether to join the Orange County Power Authority.

RECOMMENDATIONS

City Council should exercise its discretion in determining whether to join the Orange County Power Authority Joint Powers Authority (JPA) for the implementation of a Community Choice Energy program in the City of Fullerton.

1. Should City Council elect to join the JPA, it is recommended that City Council authorize the Mayor to execute the JPA Agreement as approved as to form by the City Attorney.
2. Introduce Ordinance No. XXXX for first reading by title only and waive further reading of the Ordinance.

ORDINANCE NO. XXXX – AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FULLERTON, CALIFORNIA, AUTHORIZING THE IMPLEMENTATION OF A COMMUNITY CHOICE AGGREGATION PROGRAM

3. Delegate City Manager authority to execute and negotiate the Agreement in substantially similar form.
4. Appoint one regular Board Member and one alternate to act on behalf of City of Fullerton within the powers of Orange County Community Choice Energy JPA

or

1. Direct staff accordingly.

PRIORITY POLICY STATEMENTS

This item matches the following Priority Policy Statement:

- Fiscal and Organizational Stability.

FISCAL IMPACT

There is no fiscal impact associated with joining the Joint Powers Authority. It is proposed in the Agreement that all costs to form the Joint Powers Authority will be borne by the City of Irvine who will lend all start-up costs to the JPA. The start-up funds will be paid back by all ratepayers within the jurisdictional boundaries of the JPA, which is subject to a vote of the Irvine City Council in mid-November. There are no direct costs to be borne by the City of Fullerton. Once operational, the City will see a yet to be determined decrease in energy costs on municipal accounts.

The City of Irvine is still studying and analyzing the benefits of implementing a CCE, such as cost savings, JPA employee status and local control issues. However, in order to meet the deadline to launch the CCE in 2022, cities interested in participating by 2022 must express their intent to join the JPA by December 31, 2020. The City of Irvine has released tentative pro forma information showing savings to the JPA's ratepayers based on the cities that have expressed interest. It should be noted that the pro forma will be revised based on interested city load data, which is expected to be received in mid to late November. Should the City Council decide that joining this JPA does not align with the City's priorities, staff suggests that the JPA agreement be revised to allow ability to exit prior to March 2021.

BACKGROUND

In 2019, Council Member Zahra requested that staff prepare an update for the City Council on CCE. Around the same time, the Infrastructure and Natural Resources Advisory Committee began analyzing the City's infrastructure (including facilities) and worked on formulating recommendations on how the City could put more financial resources towards improving the City's infrastructure. One of their recommendations was for the City to explore CCE and energy efficiency projects. In February of 2020, City Council received a Memo on CCE from the City Manager's Office; this memo provided a similar overview outlined in this Agenda Report. In July 2020, Council Member Zahra

requested a more formal presentation on Community Choice Energy to the City Council along with an update on what is going on in Orange County in regards to this topic.

On July 21, 2020, staff presented City Council with an overview of CCE and an update on the efforts led by the City of Irvine. Staff was directed to continue discussions with the City of Irvine and return to Council with updates.

DISCUSSION

Community Choice Energy (CCE) is a model that allows communities to purchase power to meet their electricity needs, offering customer choice in the retail energy market. CCEs can provide the communities they serve with competitively priced clean energy choices, while reinvesting revenues into projects and programs, thus supporting the local economy. A CCE can also offer rate discounts and/or rate stability programs to residents and local businesses. While CCEs enable communities to have local control when it comes to the procurement and pricing of energy, as with any endeavor, CCEs come with risk.

In the late 1990s, California deregulated the electric industry, allowing customers to choose their wholesale power suppliers. But in 2000 and 2001, the new electric system collapsed, saddling customers with high costs and rolling outages due to market manipulation. The California Legislature reset the large regulated utilities as the dominant providers of electric service thereby the investor owned utilities sold off generation assets while continuing to provide retail distribution and transmission services procuring energy resources through long-term power purchase agreements.

We are seeing customers depart from the utilities as the providers of their electricity, which is projected to be 85% of the state by 2025. They are getting power from rooftop solar panels, from local agencies called Community Choice Aggregators or from private electric re-sellers called Direct Access providers. Large industrial customers are buying power directly from renewable generators, sometimes serving several locations from a distant wind farm or a solar array. Fewer and fewer customers are getting power from the traditional large regional utilities and the central decision making that we use for keeping the grid reliable, safe and affordable is splintering and has become the task of dozens of decision makers. There are now 21 CCE programs throughout the State of California serving more than 10 million customers and this movement is growing. In 2018, the California Public Utilities Commission issued a White Paper entitled, *California Customer Choice: An Evaluation of Regulatory Framework Options for an Evolving Electricity Market.* It is clear that we are in the midst of yet another energy transition one where customer choice is first.

City of Irvine and the Orange County Power Authority

On September 25, 2018 the Irvine City Council approved conducting a feasibility study to determine the pros and cons of implementing a CCE program, including the potential economic benefits for the community. The completed feasibility study indicated that should the City follow its recommendation to implement a CCE that there could be an expected savings of $7.7 million per year in citywide electricity cost savings for Irvine residents and businesses and $112,000 per year savings for the City itself in municipal energy costs, as well as driving additional local economic development benefits such as

new jobs and $10 million in annual economic output. In discussions with consultants in the CCE field it is estimated that participants in the JPA could see 3-5% savings on the generation side.

On December 10, 2019, the Irvine City Council voted unanimously to consider the formation of a CCE program in partnership with other Orange County cities. At that time, Irvine sent letters to cities in Orange County seeking interested partners to learn more about a potential partnership with the City of Irvine as they move towards the formation of a CCE. Additionally, the cities of Newport Beach and Laguna Beach had already completed feasibility studies (2018) and the City of Huntington Beach had issued a Request for Qualifications for a consultant to conduct a Feasibility Study. Since December, staff has had ongoing conversations with the City of Irvine's Public Works Director about the JPA and has actively participated in group meetings asking key questions to ensure an understanding of the proposed JPA.

On July 14, 2020, the Irvine City Council reviewed the findings of a Third Party Review conducted by MRW & Associates of the initial Feasibility Study completed by EES Consulting. The City Council then directed staff to move forward and work with other cities to form a Community Choice Energy Joint Power Authority (JPA), prepare necessary JPA documentation, and file the Implementation Plan with the California Public Utility Commission (CPUC) by the December 31, 2020 deadline. On July 28, 2020, the Irvine City Council approved a contract with EES Consulting to perform work related to Phase 2 of its Community Choice Energy Implementation Plan. Which was essentially to move forward with forming the JPA and working with other cities to join into their effort.

EES has been tasked with connecting with various cities and stakeholders throughout the County to see who will be interested in joining into this JPA effort. On two separate occasions, the City of Irvine staff along with their CCE counsel conducted information meetings (September 15th and October 8th) with interested cities and discussed next steps. On October 20, 2020, the City of Costa Mesa City Council approved joining in to the JPA so long as there is an exit clause and load data / feasibility studies have been provided to staff for review.

Next Steps

The City of Irvine is seeking partnerships with other cities within Orange County and has prepared a preliminary draft JPA Agreement (Attachment 1) and CCE Ordinance for review and consideration. Staff along with the City Attorney's Office has reviewed these documents and made suggested edits to the City of Irvine's CCE Counsel. Specifically the City has requested that the City of Fullerton, if City Council decides to join have equal representation and that equity is considered for all ratepayers regardless of jurisdiction.

If City Council desires for the City to join into this effort, City Council will need to formally execute the JPA Agreement and adopt the Model CCE Ordinance. The City of Fullerton can exit the JPA should the final JPA Agreement not meet the needs of the ratepayers within the City of Fullerton by **April 2021.**

In addition to the possible membership in the Orange County Power Authority the City is taking a holistic approach to ensure that the City's operations and facilities are as energy efficient as possible. Staff has issued a Request for Proposal for a comprehensive energy

audit of all City facilities including a renewable energy analysis (e.g. solar panel installations and storage) and received eight proposals from firms. All firms will be interviewed in the coming weeks and staff will bring back the most responsive proposal for City Council consideration in the next few months.

Attachments:

- Attachment 1 – Pro Forma Pending Load Data
- Attachment 2 – JPA Agreement for City Council Discussion
- Attachment 3 – Model CCE Ordinance

EES Consulting
a GDS Associates Company

Amber Nyquist, Manager
amber.nyquist@gdsassociates.com
direct 425-655-1042
cell 360-319-7946

October 23, 2020

TO: OC CCA Interested Cities

FROM: Gary Saleba; Amber Nyquist

SUBJECT: OC CCA Preliminary *Pro Forma*

CC: Ryan Baron, Mark Steuer

Introduction

EES has completed a draft preliminary 10-year financial *pro forma* for the proposed Orange County CCA (OC CCA) joint powers authority. This *pro forma* utilizes population assumptions for the interested Orange County cities to develop CCA-wide load data, and is contingent on a final SCE 2021 PCIA amount forthcoming from the CPUC in November. Upon receiving the final PCIA, this *pro forma* will be updated and used to draft an Implementation Plan and obtain necessary financing. Key assumptions and updates for this version of the *pro forma* are summarized below.

1. The 2018 load data that was analyzed in the City of Irvine's feasibility study was the basis for this analysis and scaled based on the residential/non-residential split for potential participant scenarios, participating City populations, and non-residential usage per capital assumptions.[1] Impacts from COVID are not modeled.
2. There will be a phased launch of the JPA as is customary for all CCAs. Non-residential customers (commercial & industrial) are assumed to begin taking CCA service in April 2022 and residential customers will take service beginning October 2022. The later launch of residential customers significantly reduces the costs of resource adequacy and cash for working capital requirements.
3. 2020 SCE generation and delivery rates have been updated based on current SCE 2020 filings at the CPUC, including SCE's preliminary 2021 Energy Resource Recovery Account ("ERRA") filing. SCE's ERRA filing projects the following year's fuel and energy purchase costs. SCE generation rates for 2021 are estimated to increase by 2%.
4. Current PCIA rates and CTC rates are used as input (2020 vintage) and forecast to increase by 5% in 2021 and 2% per year after. As SCE's vintaged power contracts expire, the PCIA will decrease. This decrease is likely to occur over a 10-year period but was not modeled such that the PCIA in these *pro formas* remains conservatively high. Final 2021 Vintage PCIA rates will be available from the CPUC in November 2020.
5. Power costs for market (SCE area), resource adequacy, long-term renewable and short-term renewable energy having been updated to current levels. The approved 2021 PCIA will be included in the next *pro forma* update which will be used in any OC CCA Implementation Plan filing.

[1] The assumptions to prepare the load scenarios are based both on accounts and usage assumptions; however, there is a significant amount of uncertainty in non-residential usage assumptions in particular. The uncertainty will be eliminated when SCE provides the load data per city requests.

6. Power supply is assumed to be 38.5% renewable at launch then increases to 60% by 2030 to meet State mandates.
7. Start-up costs are $2.5 million and repaid starting in 2026 over a 3-year period. This assumption is made to comport with anticipated lending covenants.
8. Cash working capital requirements are estimated at $10-$18 million depending on the participation scenario. This cash working capital requirement is repaid 5 years from launch.
9. It is assumed that the CCA employs 5 full time staff at launch ramping up to 10 full time staff in 2023.

These updates and assumptions are described in more detail below.

Load Forecast

The OC CCA load forecast is based on 2018 usage for the City of Irvine scaled to participating city populations. Residential customer accounts and loads are scaled based on population data. Non-residential usage and accounts are scaled based on a kWh per capita assumption of 5,000 kWh per capita. The City of Irvine loads are 71% non-residential. This load distribution is higher compared to average City load characteristics. Therefore, other participating City non-residential loads are added assuming a smaller share of total City load is non-residential. The assumptions above result in all Cities except Irvine are modeled at 58% non-residential and 42% residential load shares. Table 1 shows the populations and Cities included in each Scenario.

TABLE 1

LOAD SCALING ASSUMPTIONS FOR OC CCA SCENARIOS

Potential Member	2018 Population
Scenario 1	
Irvine	282,572
Huntington Beach	200,641
Total	483,213
Scenario 2 = Scenario 1 Plus:	
Fullerton	139,640
Costa Mesa	113,615
Added population	253,255
Total	736,468
Scenario 3 = Scenario 2 Plus:	
Santa Ana	332,725
Lake Forest	85,623
Tustin	79,795
Yorba Linda	67,787
Villa Park	21,695
Laguna Woods	16,046
Added population	603,671
Total	1,340,139

In all Scenarios, load growth for energy is forecast assuming 0.62% annual growth. Table 2 below shows annual customer counts and energy forecasts developed for this update.

TABLE 2

OC CCA LOAD FORECAST **PRELIMINARY**

	Scenario 1		Scenario 2		Scenario 3	
	Load, GWh	Service Accounts	Load, GWh	Service Accounts	Load, GWh	Service Accounts
2022	1,547	191,183	1,992	286,132	3,055	512,458
2023	2,641	192,371	3,546	287,911	5,704	515,643
2024	2,657	193,564	3,568	289,696	5,740	518,840
2025	2,674	194,764	3,590	291,492	5,775	522,057
2026	2,690	195,972	3,613	293,299	5,811	525,294
2027	2,707	197,187	3,635	295,117	5,847	528,550
2028	2,724	198,409	3,658	296,947	5,884	531,827
2029	2,741	199,639	3,680	298,788	5,920	535,125
2030	2,758	200,877	3,703	300,641	5,957	538,443
2031	2,775	202,122	3,726	302,505	5,994	541,781

Power Costs

The largest expense item for a CCA is power supply costs. The power cost forecast assumes OC CCA meets California renewables portfolio standard (RPS) requirements, purchases resource adequacy consistent with California Public Utilities Commission (CPUC) requirements and meets requirements for all other applicable regulations. Total all-in RA prices range from $4/kW-month in winter to $13/kW-mo in summer months. For reference, the 85th percentile for RA costs in 2018 for 2020-2022 local and system RA were in the range of $3 to $5/kW-mo. The maximum price was $10/kW-mo.[2] Thus, the RA forecast used both reflects current trends and is conservatively high.

Market purchases are priced around $38/MWh (all hours), and short-term renewables are an additional $16/MWh (PCC1 RECs). PCC2 RECs are priced at an additional $6/MWh. Carbon free energy is priced as an adder of $6/MWh. In addition to these costs, OC CCA will have CAISO costs of approximately $1.75/MWh for transmission related services. Starting in 2021, OC CCA will need to procure 65% of the State mandated RPS from contracts that are 10 years or longer. Recent long-term contracts have been signed by CCAs for $20-$34/MWh. The *pro forma* assumes OC CCA will be able to purchase these contracts for $30/MWh which would include a mix of solar, wind, and solar plus storage. This price for long-term renewable power is also conservatively high.

[2] CPUC Energy Division. 2018 Resource Adequacy Report. August 2019. https://www.cpuc.ca.gov/uploadedFiles/CPUC_Public_Website/Content/Utilities_and_Industries/Energy/Energy_Programs/Electric_Power_Procurement_and_Generation/Procurement_and_RA/RA/2018%20RA%20Report%20rev.pdf

Staffing, Consulting, and Overhead

Consultant costs were updated to reflect recent consultant agreements negotiated by CCAs with their service providers. Upfront consulting costs for 2021 consist of legal/regulatory assistance, administration, marketing and outreach, financial services, technical consultants and initial CCA staff hires.

Staffing costs include salary and benefits for an Executive Director beginning in 2021, Executive Secretary beginning in April 2021, for a total of 5 full time staff members beginning in March 2022 ramping up to 10 full time staff members by January 2023. It should be noted that CCA staff do not typically participate in the State Cal PERS retirement program. Rather, they are offered a traditional 401k-type of retirement program.

Start-Up Cost Estimates

The amount needed prior to program launch varies depending on the size of the CCA. Table 3 below provides a range of estimated costs based on small, medium and large Scenarios. The *pro forma* assumes $2.5 million in start-up costs (medium Scenario). The actual cost will depend on decisions made by the JPA board and Executive Director such as timing of staff ramp-up, phased launch approach, office space, and any unforeseen changes in implementation due to SCE operational issues with billing and data management.

TABLE 3

OC CCA START-UP COST ESTIMATES **PRELIMINARY**

Task	Small (City-Only)	Medium (2 – 10 Members)	Large (20 → Members)
Solicit Members/Initial Outreach	$0	$50,000	$150,000
Form JPA	$0	$100,000	$200,000
CPUC Bond	$100,000	$140,000	$100,000
SCE Deposit	$200,000	$200,000	$200,000
Consultants			
Legal	$150,000	$400,000	$1,200,000
Technical	$30,000	$400,000	$1,000,000
Financial Advisor	$10,000	$150,000	$250,000
Marketing/Outreach	$10,000	$200,000	$200,000
CCA Staffing	$200,000	$550,000	$900,000
Infrastructure	$0	$300,000	$500,000
Total 18-Month Cash Outlay	**$700,000**	**$2,490,000**	**$4,700,000**

Debt Service

Two debt service payments are assumed. The first is for $2.5 million in start-up costs. Repayment of this loan begins in 2025 and will conclude in 3 years. In addition, a total of $10-18 million will be needed to bridge the gap in cash for working capital depending on participation Scenario. This amount is assumed to be financed over 5 years with repayment beginning at program launch. Operating CCAs have typically repaid these in 3-5 years. Table 4 shows the cash needs by participation Scenario.

TABLE 4

FINANCING NEEDS **PRELIMINARY**

Participation Scenario	Start-Up Costs, Millions	Cash for Working Capital, Millions
Scenario 1	$2.5	$10
Scenario 2	$2.5	$13
Scenario 3	$2.5	$18

OC CCA Revenues

Retail rate revenues are calculated based on forecast SCE generation rates and PCIA by class. OC CCA revenue is calculated based on an assumed 4% discount off the SCE generation rate. This translates to a 2% total discount off a CCA customer's total electric bill.

Summary

It is anticipated the OC CCA will be able to repay the start-up and working capital loans within 5-7 years and likely sooner. OC CCA will build financial reserves over the first 5-7 years of 120 days of operating expenses ($50M - $110M depending on participation Scenario but subject to JPA Board direction). After debt service is repaid, it is estimated that a significant amount of net income ($12-$38 million per year on average depending on Scenario) will be available to OC CCA for customer programs. All assumptions will need to be updated before the *pro forma* can populate the OC CCA Implementation Plan. In particular, the PCIA in SCE's 2021 ERRA filings must be incorporated into the final *pro formas*. EES is confident the level of all other *pro forma* estimates are more than acceptably accurate for feasibility study purposes.

EES Consulting
a GDS Associates Company

Amber Nyquist, Manager
amber.nyquist@gdsassociates.com
direct 425-655-1042
cell 360-319-7946

TABLE 5

SCENARIO 1 OC CCA PROFORMA, ACCRUAL BASIS **PRELIMINARY**

Scenario 1: Irvine, Huntington Beach											
	2021	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Revenues from Operations ($)											
Electric Sales Revenues for CCE	$0	$95,324,639	$163,054,533	$169,611,264	$170,634,813	$177,106,647	$184,903,274	$193,592,357	$202,958,962	$212,450,467	$222,675,481
Less Uncollected Accounts	$0	$476,623	$815,273	$848,056	$853,174	$885,533	$924,516	$967,962	$1,014,795	$1,062,252	$1,113,377
Total Revenues for CCA	$0	$94,848,016	$162,239,260	$168,763,208	$169,781,639	$176,221,114	$183,978,758	$192,624,395	$201,944,168	$211,388,214	$221,562,104
Cost of Operations ($)											
Block Energy Purchases		$52,845,903	$80,371,111	$79,370,597	$73,623,023	$71,296,183	$65,188,122	$62,603,799	$59,951,277	$58,002,795	$58,110,184
RPS Adders and Long-Term Energy		$9,918,063	$22,394,234	$23,422,226	$26,866,970	$30,359,961	$32,771,581	$35,393,444	$37,916,048	$39,844,611	$40,092,252
Resource Adequacy		$22,533,340	$39,133,021	$41,272,923	$43,682,118	$46,151,290	$48,760,034	$51,516,240	$54,428,243	$57,504,849	$60,755,364
Everything Else		$3,247,947	$5,188,945	$5,181,338	$5,243,486	$5,219,974	$5,822,651	$6,211,025	$6,572,387	$6,906,666	$7,172,200
Total Cost of Power Supply	$0	**$88,545,254**	**$147,087,312**	**$149,247,084**	**$149,415,597**	**$153,027,408**	**$152,542,388**	**$155,724,508**	**$158,867,954**	**$162,258,922**	**$166,130,000**
Operating & Administrative											
Data Management	$0	$509,494	$2,407,049	$2,470,450	$2,541,039	$2,607,968	$2,676,661	$2,747,163	$2,819,522	$2,893,786	$2,970,007
Scheduling Coordinator	$0	$340,000	$516,800	$527,136	$538,563	$549,334	$560,321	$571,527	$582,958	$594,617	$606,509
SCE Fees (includes billing)	$0	$4,897	$22,720	$22,861	$23,015	$23,158	$23,302	$23,447	$23,592	$23,739	$23,887
Consulting Services	$586,500	$993,582	$923,251	$941,716	$960,550	$979,761	$999,357	$1,019,344	$1,039,731	$1,060,525	$1,081,736
Staffing	$656,370	$1,248,010	$2,103,498	$2,166,460	$2,213,406	$2,257,674	$2,302,828	$2,348,884	$2,395,862	$2,443,779	$2,492,655
General & Administrative expenses	$24,480	$302,548	$207,682	$244,446	$249,743	$254,738	$259,833	$265,029	$270,330	$275,737	$281,251
Debt Service Payment on Financing	$0	$1,763,734	$2,116,481	$2,116,481	$2,645,602	$2,645,602	$881,867	$529,120	$529,120	$0	$0
Total O&A Costs	$1,267,350	$5,162,265	$8,297,481	$8,489,550	$9,171,918	$9,318,236	$7,704,168	$7,504,514	$7,661,115	$7,292,183	$7,456,045
Total Cost of Operations	$1,267,350	$93,707,519	$155,384,792	$157,736,634	$158,587,515	$162,345,644	$160,246,556	$163,229,022	$166,529,069	$169,551,105	$173,586,045
Net Income	($1,267,350)	$1,140,498	$6,854,468	$11,026,574	$11,194,124	$13,875,470	$23,732,202	$29,395,373	$35,415,099	$41,837,109	$47,976,059
Cash From Operations and Financing											
Net Income From Operations	($1,267,350)	$1,140,498	$6,854,468	$11,026,574	$11,194,124	$13,875,470	$23,732,202	$29,395,373	$35,415,099	$41,837,109	$47,976,059
Cash from Financing	$2,500,000	$10,000,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Cash Available	$1,232,650	$11,140,498	$6,854,468	$11,026,574	$11,194,124	$13,875,470	$23,732,202	$29,395,373	$35,415,099	$41,837,109	$47,976,059
Net Income Allocation											
Reserve Fund Contribution	$416,663	$11,140,498	$6,854,468	$11,026,574	$11,194,124	$13,875,470	$1,235,033	$0	$0	$0	$1,326,555
Money Available for Discretionary Programs	$475,987	$0	$0	$0	$0	$0	$22,497,170	$29,395,373	$35,415,099	$41,837,109	$46,649,504
Total Cash Outlays	$1,232,650	$0	$0	$0	$0	$0	$22,497,170	$29,395,373	$35,415,099	$41,837,109	$46,649,504
Rate Stabilization Reserve Balance	$416,663	$11,557,161	$18,411,629	$29,438,203	$40,632,326	$54,507,797	$55,742,829	$55,742,829	$55,742,829	$55,742,829	$57,069,385
Reserve Balance Target	$416,663	$30,807,951	$51,085,411	$51,858,619	$52,138,361	$53,373,910	$52,683,799	$53,664,336	$54,749,283	$55,742,829	$57,069,385
CCA Total Bill		$279,474,284	$510,745,006	$526,459,718	$536,882,464	$553,001,065	$570,698,550	$588,035,363	$606,268,066	$624,849,728	$644,394,803
SCE Total Bill		$284,690,269	$519,677,013	$535,777,773	$546,134,433	$563,047,972	$580,499,052	$598,505,181	$617,084,452	$636,255,560	$656,037,825
Difference		$5,215,985	$8,932,007	$9,318,056	$9,251,969	$10,046,907	$9,800,501	$10,469,818	$10,816,386	$11,405,832	$11,643,021
Total Bill Savings		2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Generation Rate Discount		4%	4%	4%	4%	4%	4%	4%	4%	4%	4%

TABLE 6

SCENARIO 2 OC CCA PROFORMA, ACCRUAL BASIS **PRELIMINARY**

Scenario 2: Irvine, Huntington Beach, Fullerton, Costa Mesa	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Revenues from Operations ($)											
Electric Sales Revenues for CCE	$0	$123,324,586	$221,244,900	$230,141,636	$232,020,313	$240,820,375	$251,421,821	$263,236,782	$275,973,004	$288,879,056	$302,782,497
Less Uncollected Accounts	$0	$616,623	$1,106,224	$1,150,708	$1,160,102	$1,204,102	$1,257,109	$1,316,184	$1,379,865	$1,444,395	$1,513,912
Total Revenues for CCA	$0	$122,707,963	$220,138,675	$228,990,928	$230,860,211	$239,616,273	$250,164,712	$261,920,598	$274,593,139	$287,434,660	$301,268,584
Cost of Operations ($)											
Block Energy Purchases		$68,135,864	$108,070,301	$106,744,781	$99,030,454	$95,911,148	$87,680,026	$84,191,906	$80,610,040	$77,974,359	$78,104,105
RPS Adders and Long-Term Energy		$12,776,330	$30,072,299	$31,452,746	$36,078,425	$40,769,456	$44,007,645	$47,528,441	$50,915,944	$53,505,734	$53,838,281
Resource Adequacy		$28,733,869	$52,625,728	$55,504,090	$58,743,312	$62,063,831	$65,572,047	$69,278,567	$73,194,602	$77,331,994	$81,703,256
Everything Else		$4,183,966	$6,968,027	$6,957,811	$7,031,071	$6,990,287	$7,819,005	$8,340,537	$8,825,795	$9,274,686	$9,631,261
Total Cost of Power Supply	$0	**$113,830,029**	**$197,736,355**	**$200,659,429**	**$200,883,261**	**$205,734,722**	**$205,078,723**	**$209,339,451**	**$213,546,381**	**$218,086,773**	**$223,276,902**
Operating & Administrative											
Data Management	$0	$733,267	$3,602,344	$3,697,228	$3,802,870	$3,903,036	$4,005,840	$4,111,351	$4,219,642	$4,330,785	$4,444,856
Scheduling Coordinator	$0	$340,000	$516,800	$527,136	$538,563	$549,334	$560,321	$571,527	$582,958	$594,617	$606,509
SCE Fees (includes billing)	$0	$7,048	$34,002	$34,213	$34,444	$34,658	$34,873	$35,090	$35,308	$35,528	$35,748
Consulting Services	$586,500	$993,582	$923,251	$941,716	$960,550	$979,761	$999,357	$1,019,344	$1,039,731	$1,060,525	$1,081,736
Staffing	$656,370	$1,248,010	$2,103,498	$2,166,460	$2,213,406	$2,257,674	$2,302,828	$2,348,884	$2,395,862	$2,443,779	$2,492,655
General & Administrative expenses	$24,480	$302,548	$207,682	$244,446	$249,743	$254,738	$259,833	$265,029	$270,330	$275,737	$281,251
Debt Service Payment on Financing	$0	$2,292,855	$2,751,426	$2,751,426	$3,280,546	$3,280,546	$987,691	$529,120	$529,120	$0	$0
Total O&A Costs	$1,267,350	$5,917,310	$10,139,001	$10,362,625	$11,080,122	$11,259,747	$9,150,742	$8,880,346	$9,072,951	$8,740,971	$8,942,755
Total Cost of Operations	$1,267,350	$119,747,339	$207,875,356	$211,022,054	$211,963,383	$216,994,469	$214,229,465	$218,219,797	$222,619,332	$226,827,743	$232,219,657
Net Income	($1,267,350)	$2,960,624	$12,263,319	$17,968,874	$18,896,828	$22,621,804	$35,935,248	$43,700,801	$51,973,807	$60,606,917	$69,048,927
Cash From Operations and Financing											
Net Income From Operations	($1,267,350)	$2,960,624	$12,263,319	$17,968,874	$18,896,828	$22,621,804	$35,935,248	$43,700,801	$51,973,807	$60,606,917	$69,048,927
Cash from Financing	$2,500,000	$13,000,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Cash Available	$1,232,650	$15,960,624	$12,263,319	$17,968,874	$18,896,828	$22,621,804	$35,935,248	$43,700,801	$51,973,807	$60,606,917	$69,048,927
Net Income Allocation											
Reserve Fund Contribution	$416,663	$15,960,624	$12,263,319	$17,968,874	$18,896,828	$9,067,197	$0	$0	$0	$0	$1,772,684
Money Available for Discretionary Programs	$475,987	$0	$0	$0	$0	$13,554,607	$35,935,248	$43,700,801	$51,973,807	$60,606,917	$67,276,243
Total Cash Outlays	$1,232,650	$0	$0	$0	$0	$13,554,607	$35,935,248	$43,700,801	$51,973,807	$60,606,917	$67,276,243
Rate Stabilization Reserve Balance	$416,663	$16,377,287	$28,640,606	$46,609,480	$65,506,308	$74,573,505	$74,573,505	$74,573,505	$74,573,505	$74,573,505	$76,346,189
Reserve Balance Target	$416,663	$39,368,988	$68,342,583	$69,377,114	$69,686,592	$71,340,647	$70,431,605	$71,743,495	$73,189,917	$74,573,505	$76,346,189
CCA Total Bill		$363,396,838	$696,866,831	$718,291,195	$733,027,469	$755,023,792	$779,169,081	$802,822,656	$827,696,499	$853,046,976	$879,709,646
SCE Total Bill		$369,970,820	$708,661,908	$730,601,721	$745,446,071	$768,519,048	$792,324,916	$816,887,534	$842,231,557	$868,382,460	$895,366,568
Difference		$6,573,982	$11,795,078	$12,310,526	$12,418,602	$13,495,257	$13,155,835	$14,064,878	$14,535,058	$15,335,484	$15,656,922
Total Bill Savings		2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Generation Rate Discount		4%	4%	4%	4%	4%	4%	4%	4%	4%	4%

TABLE 7

SCENARIO 3 OC CCA PROFORMA, ACCRUAL BASIS **PRELIMINARY**

Scenario 3: Irvine, Huntington Beach, Santa Ana, Fullerton, Costa Mesa, Lake Forest, Tustin, Yorba Linda, Villa Park, Laguna Woods											
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Revenues from Operations ($)											
Electric Sales Revenues for CCE	$0	$190,066,626	$359,950,302	$374,424,791	$378,341,790	$392,691,531	$409,978,682	$429,244,639	$450,012,842	$471,057,977	$493,729,495
Less Uncollected Accounts	$0	$950,333	$1,799,752	$1,872,124	$1,891,709	$1,963,458	$2,049,893	$2,146,223	$2,250,064	$2,355,290	$2,468,647
Total Revenues for CCA	$0	$189,116,293	$358,150,551	$372,552,667	$376,450,081	$390,728,073	$407,928,789	$427,098,416	$447,762,778	$468,702,687	$491,260,848
Cost of Operations ($)											
Block Energy Purchases		$104,581,763	$174,095,443	$171,995,225	$159,592,847	$154,584,581	$141,285,689	$135,636,472	$129,832,905	$125,552,907	$125,729,266
RPS Adders and Long-Term Energy		$19,589,435	$48,373,802	$50,594,685	$58,035,254	$65,582,036	$70,790,477	$76,454,011	$81,903,132	$86,069,055	$86,603,988
Resource Adequacy		$43,513,752	$84,787,603	$89,426,198	$94,643,909	$99,993,743	$105,645,982	$111,617,718	$117,927,012	$124,592,945	$131,635,676
Everything Else		$6,415,108	$11,204,422	$11,192,301	$11,289,147	$11,210,092	$12,577,612	$13,416,545	$14,197,129	$14,919,214	$15,492,797
Total Cost of Power Supply	$0	**$174,100,057**	**$318,461,270**	**$323,208,409**	**$323,561,157**	**$331,370,453**	**$330,299,759**	**$337,124,746**	**$343,860,178**	**$351,134,120**	**$359,461,728**
Operating & Administrative											
Data Management	$0	$1,266,665	$6,451,506	$6,621,435	$6,810,633	$6,990,021	$7,174,135	$7,363,097	$7,557,038	$7,756,086	$7,960,377
Scheduling Coordinator	$0	$340,000	$516,800	$527,136	$538,563	$549,334	$560,321	$571,527	$582,958	$594,617	$606,509
SCE Fees (includes billing)	$0	$12,175	$60,894	$61,273	$61,686	$62,069	$62,455	$62,843	$63,234	$63,627	$64,022
Consulting Services	$586,500	$993,582	$923,251	$941,716	$960,550	$979,761	$999,357	$1,019,344	$1,039,731	$1,060,525	$1,081,736
Staffing	$656,370	$1,248,010	$2,103,498	$2,166,460	$2,213,406	$2,257,674	$2,302,828	$2,348,884	$2,395,862	$2,443,779	$2,492,655
General & Administrative expenses	$24,480	$302,548	$207,682	$244,446	$249,743	$254,738	$259,833	$265,029	$270,330	$275,737	$281,251
Debt Service Payment on Financing	$0	$3,174,722	$3,809,666	$3,809,666	$4,338,787	$4,338,787	$1,164,065	$529,120	$529,120	$0	$0
Total O&A Costs	$1,267,350	$7,337,702	$14,073,297	$14,372,133	$15,173,368	$15,432,385	$12,522,992	$12,159,846	$12,438,272	$12,194,371	$12,486,550
Total Cost of Operations	$1,267,350	$181,437,759	$332,534,567	$337,580,541	$338,734,525	$346,802,838	$342,822,751	$349,284,592	$356,298,450	$363,328,491	$371,948,278
Net Income	($1,267,350)	$7,678,535	$25,615,984	$34,972,126	$37,715,556	$43,925,235	$65,106,038	$77,813,824	$91,464,328	$105,374,197	$119,312,570
Cash From Operations and Financing											
Net Income From Operations	($1,267,350)	$7,678,535	$25,615,984	$34,972,126	$37,715,556	$43,925,235	$65,106,038	$77,813,824	$91,464,328	$105,374,197	$119,312,570
Cash from Financing	$2,500,000	$18,000,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Cash Available	$1,232,650	$25,678,535	$25,615,984	$34,972,126	$37,715,556	$43,925,235	$65,106,038	$77,813,824	$91,464,328	$105,374,197	$119,312,570
Net Income Allocation											
Reserve Fund Contribution	$416,663	$25,678,535	$25,615,984	$34,972,126	$32,767,155	$0	$0	$0	$0	$0	$2,833,903
Money Available for Discretionary Programs	$475,987	$0	$0	$0	$4,948,401	$43,925,235	$65,106,038	$77,813,824	$91,464,328	$105,374,197	$116,478,667
Total Cash Outlays	$1,232,650	$0	$0	$0	$4,948,401	$43,925,235	$65,106,038	$77,813,824	$91,464,328	$105,374,197	$116,478,667
Rate Stabilization Reserve Balance	$416,663	$26,095,198	$51,711,182	$86,683,308	$119,450,463	$119,450,463	$119,450,463	$119,450,463	$119,450,463	$119,450,463	$122,284,365
Reserve Balance Target	$416,663	$59,650,770	$109,326,433	$110,985,383	$111,364,775	$114,017,371	$112,708,850	$114,833,291	$117,139,216	$119,450,463	$122,284,365
CCA Total Bill		$563,438,742	$1,140,515,913	$1,175,550,082	$1,200,568,293	$1,236,575,040	$1,276,089,631	$1,314,800,151	$1,355,504,140	$1,396,989,095	$1,440,617,611
SCE Total Bill		$573,249,711	$1,159,135,546	$1,194,993,608	$1,220,535,037	$1,258,289,952	$1,297,243,403	$1,337,434,389	$1,378,903,205	$1,421,691,488	$1,465,842,264
Difference		$9,810,969	$18,619,633	$19,443,526	$19,966,743	$21,714,912	$21,153,772	$22,634,238	$23,399,065	$24,702,393	$25,224,652
Total Bill Savings		2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Generation Rate Discount		4%	4%	4%	4%	4%	4%	4%	4%	4%	4%

JOINT POWERS AGREEMENT

This Joint Powers Agreement ("**Agreement**"), effective as of [_____] [__], 2020 ("**Effective Date**") is made and entered into pursuant to the Joint Exercise of Powers Act (California Government Code § 6500 *et seq.*) relating to the joint exercise of powers among the parties the City of Irvine, and the City of _____, (individually, "**Founding Party**" and collectively "**Founding Parties**"). This agreement further allows and provides for the inclusion of additional incorporated municipalities, counties, or other public agencies as parties to this agreement after the Effective Date (individually, "**Additional Party**" and collectively "**Additional Parties**"). The term "**Party**" refers individually to any Founding Party or Additional Party, and the term "**Parties**" refers collectively to the Founding Parties and the Additional Parties.

RECITALS

A. In 2002, Assembly Bill 117 (Stat. 2002, Ch. 838, codified at Public Utilities Code Sections 218.3, 366, 394, 394.25, 331.1 366.2, and 381.1) was signed into law allowing customers to aggregate their electrical loads as members of their local community with public agencies designated as community choice aggregators, and allowing such public agencies to aggregate the electrical load of interested consumers within their jurisdictional boundaries and purchase electricity on behalf of those consumers.

B. In 2006, Assembly Bill 32 (Stat. 2006, Ch. 488, codified at Health and Safety Code Sections 38500 *et seq.*), known as the Global Warming Solutions Act, was signed into law, mandating a reduction in greenhouse gas emissions to 1990 levels by 2020.

C. In 2015, Senate Bill 350 (Stat. 2015, Ch. 547, codified at Health and Safety Code Section 44258.5; Labor Code Section 1720; Public Resources Code Sections 25302.2, 25310, 25327 and 25943; and Public Utilities Code Sections 237.5, 337, 352, 359, 365.2, 366.3, 399.4, 399.11, 399.12, 399.13, 399.15, 399.16, 399.18, 399.21, 399.30, 454.51, 454.52, 454.55, 454.56, 701.1, 740.8, 740.12, 9505, 9620, 9621, 9622, and Article 17 (commencing with Public Utilities Code Section 400)) was signed into law, mandating a reduction in greenhouse gas emissions to 40 percent below 1990 levels by 2030 and to 80 percent below 1990 levels by 2050.

D. In 2018, Senate Bill 10 (Stat.f 2018, Ch. 312, codified at Public Utilities Code sections 399.11, 399.15, 399.30, and 454.53) was signed into law, directing that the Renewables Portfolio Standard to be increased to 60 percent renewables by 2030 and establishing a policy for eligible renewable energy resources and zero-carbon resources to supply 100 percent of electricity retail sales to California end-use customers by 2045.

E. The Parties each hold various powers under California law, including, but not limited to, the power to purchase, supply, and aggregate electricity for themselves and customers within their jurisdictions in accordance with Public Utilities Code Sections 333.1 and 366.2; they are therefore properly empowered to enter into this Agreement under the Joint Exercise of Powers Act (Government Code Section 6500 *et seq.*, the "**Act**").

F. The purposes for entering into this Agreement are more fully specified in subsection 1.4 below, but principally consist of the study, promotion, development, funding, financing, purchasing, conduct, operation, and management of energy, energy efficiency and conservation, and other energy-related and community choice aggregation programs (the "**CCA Program**"), through which the following objectives may be advanced: (a) reducing greenhouse gas emissions related to the use of power throughout the Parties' jurisdictions and neighboring regions; (b) providing electric power and other forms of energy to customers at a competitive cost; (c) carrying out programs to reduce energy consumption; (d) stimulating and sustaining the local economy by developing local jobs in renewable and conventional energy; and (e) promoting long-term electric rate stability, energy security and reliability for residents through local control of electric generation resources.

G. The Founding Parties desire to establish a separate public agency, known as The Orange County Power Authority ("**Authority**"), under the Act and consistent with Assembly Bill 117, in order to collectively implement the CCA Program, and to exercise any powers common to the Authority's members to further these purposes.

H. The Parties have each adopted an ordinance electing to participate as a group in a community choice aggregation program through the Authority, as authorized by California Public Utilities Code § 366.2(a)(12)(B).

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises, covenants, and conditions hereinafter set forth, it is agreed by and among the Parties as follows:

SECTION 1. FORMATION OF AUTHORITY

1.1 Creation of Agency. Pursuant to the Act there is hereby created a public entity to be known as The Orange County Power Authority. Pursuant to Section 6507 of the Act, the Authority is a public agency separate from the Parties. The jurisdiction of the Authority shall be all territory within the geographic boundaries of the Parties; however, the Authority may, as authorized under applicable law, undertake any action outside such geographic boundaries as is necessary to accomplish its purpose.

1.2 Effective Date and Term. This Agreement shall become effective and the Authority shall exist as a separate public agency on the date this Agreement is executed by at least two Parties. The Authority shall continue to exist, and this Agreement shall be effective, until this Agreement is terminated in accordance with this Agreement, subject to the rights of a Party to withdraw from the Authority.

1.3 Parties. The names, particular capacities, and addresses of the Parties are shown on **Exhibit A**, as it may be amended from time to time.

1.4 Purpose. The purpose of this Agreement is to establish an independent public agency in order to exercise powers common to each Party to implement the CCA Program, and to

exercise all other powers necessary and incidental to accomplishing this purpose. This Agreement authorizes the Authority to provide opportunities by which the Parties can work cooperatively to create economies of scale and implement sustainable energy initiatives that reduce energy demand, increase energy efficiency, provide consumer choice and cost savings, and advance the use of clean, efficient, and renewable resources in the region for the benefit of all the Parties and their constituents, including, but not limited to, establishing and operating a CCA Program (collectively, the "**Purpose**"). The Parties intend for this Agreement to be used as a contractual mechanism by which they are authorized to participate in the CCA Program and achieve the Purpose. The Parties intend that other agreements shall define the terms and conditions associated with the implementation of the CCA Program and any energy programs approved by the Authority.

SECTION 2. POWERS OF AUTHORITY

2.1 Powers. The Authority shall have all powers common to the Parties and such additional powers accorded to it by law. The Authority is authorized, in its own name, to exercise all powers and do all acts necessary and proper to carry out the provisions of this Agreement and fulfill its Purpose, including, but not limited to, each of the following powers:

2.1.1 Serve as a forum for the consideration, study, and recommendation of energy services for the CCA Program;

2.1.2 To make and enter into any and all contracts to effectuate the purpose of this Agreement, including, but not limited to, those relating to the purchase or sale of electrical energy or attributes thereof, and related service agreements;

2.1.3 To employ agents and employees, including, but not limited to, engineers, attorneys, planners, financial consultants, and separate and apart therefrom to employ such other persons, as it deems necessary;

2.1.4 To acquire, contract, manage, maintain, and operate any buildings, works, or improvements, including, but not limited to, electric generation resources;

2.1.5 To acquire property by eminent domain, or otherwise, except as limited by Section 6508 of the Act, and to hold or dispose of property;

2.1.6 To lease or license any property;

2.1.7 To sue and be sued in its own name;

2.1.8 To incur debts, liabilities, and obligations, including, but not limited to, loans from private lending sources pursuant to its temporary borrowing powers, such as California Government Code § 53850 *et seq.* and authority under the Act;

2.1.9 To form subsidiary or independent corporations or entities, if appropriate, to carry out energy supply and energy conservation programs, or to take advantage of legislative or regulatory changes;

2.1.10 To issue revenue bonds and other forms of indebtedness;

2.1.11 To apply for, accept, and receive all licenses, permits, grants, loans, or other assistance from any federal, state, or local agency;

2.1.12 To submit documentation and notices, register, and comply with orders, tariffs, and agreements for the establishment and implementation of the CCA Program and other energy and climate change programs;

2.1.13 To adopt rules, regulations, policies, bylaws, and procedures governing the operation of the Authority;

2.1.14 To receive loans, gifts, contributions, and donations of property, funds, services, and other forms of financial assistance from persons, firms, corporations, and any governmental entity;

2.1.15 To make and enter into service agreements relating to the provision of services necessary to plan, implement, operate and administer the CCA Program and other energy programs, including the acquisition of electric power supply and the provision of retail and regulatory support services;

2.1.16 To receive revenues from sale of electricity and other energy-related programs;

2.1.17 To partner or otherwise work cooperatively with other CCAs on the acquisition of electric resources, joint programs, advocacy and other efforts in the interests of the Authority; and

2.1.18 To the extent not specifically provided in this Agreement, to exercise any powers authorized by the member agencies to achieve the Authority's objectives and such further powers not specifically mentioned herein, but common to Parties, and authorized by the California Government Code.

2.2 Additional Powers to be Exercised. In addition to those powers common to each of the Parties, the Authority shall have those powers that may be conferred upon it by law and by subsequently enacted legislation.

2.3 Manner of Exercising Powers. The powers specified in subsections 2.1 and 2.2 shall be exercised by the Board (as defined in subsection 3.1, below), unless otherwise delegated to a committee of the Board or the Chief Executive Officer of the Authority in accordance with a Board-adopted policy or action. All such powers shall be exercised in the manner set forth in this Agreement.

2.4 Limitation on Exercise of Powers: The powers of the Authority are subject to the restrictions upon the manner of exercising power possessed by the City of Irvine, California and

any other restrictions on exercising the powers of the Authority that may be adopted by the Authority's Board of Directors.

SECTION 3: GOVERNANCE

3.1 General Governance; Board of Directors. The governing body of the Authority shall be a Board of Directors ("**Board**") consisting of one director for each Party appointed in accordance with subsection 3.2, except the City of Irvine whose governing body shall appoint two directors (the "**Irvine Directors**").

3.2 Appointment of Directors. The governing body of each Party shall appoint and designate in writing the Director(s) who shall be authorized to act for and on behalf of the Party on matters within the powers of the Authority. The governing body of each Party shall also appoint and designate in writing an alternate Director(s) who may vote in matters when the regular Director is absent from a Board meeting. The governing bodies of the Founding Parties may, in their sole discretion, elect to appoint their respective Director(s) prior to the Effective Date, in which case such appointment(s) to the Board shall take effect on the Effective Date. The persons appointed and designated as the regular Director and the alternate Director shall be a member of the governing body of the Party when appointed.

3.3 Terms of Office. Each regular and alternate Director shall serve a term of three years. If at any time a vacancy occurs on the Board, a replacement shall be appointed by the governing body to fill the position of the previous Director within ninety (90) days of the date that such position becomes vacant. Replacement Directors shall serve until the scheduled expiration of the three year term of the Board member that they replace.

3.4 Quorum. A majority of the Directors of the entire Board shall constitute, and is necessary to constitute, a quorum, except that less than a quorum may adjourn a meeting from time to time in accordance with law. Notwithstanding the foregoing, until the Capital Loan is fully repaid, no meeting of the Board shall occur, and no action of the Board shall be taken, without the attendance of both of the Irvine Directors (or their respective alternate Directors).

3.5 Powers of the Board of Directors. The Board may exercise all the powers enumerated in this Agreement and shall conduct all business and activities of the Authority consistent with this Agreement and any bylaws, operating procedures, and applicable law.

3.6 Executive Committee. The Board may establish an executive committee consisting of a smaller number of Directors. The initial members of the executive committee shall be the Directors of the Founding Members. The composition of the executive committee shall not change until the Capital Loan (as defined in Section 5.5, below) is fully repaid, unless such change in composition is otherwise consented to by both of the Irvine Directors and the City Council of the City of Irvine.

3.7 Committees. The Board may establish committees as the Board deems appropriate to assist the Board in carrying out its functions and implementing the purposes of this Agreement. In accordance with subsection 2.3, the Board may delegate to any committees that consist solely

of Board members any of the powers specified in subsection 2.1. Committees that include or consist of non-Board members shall be advisory only.

3.8 Director Compensation. The Board shall adopt policies establishing compensation attendance at Board and Committee meetings and work performed by each Director on behalf of the Authority as well as policies for the reimbursement of expenses incurred by each Director; provided that in no instance shall the per meeting or per day compensation be less than the compensation provided to directors of the Orange County Sanitation District.

3.9 Voting by the Board of Directors.

3.9.1 Per Capita Vote. Each Director shall have one vote. Action of the Board on all matters shall require an affirmative vote of a majority of all Directors who are present at the subject meeting, except when a supermajority vote or vote of the Irvine Directors is expressly required by this Agreement ("**Per Capita Vote**").

3.9.2 Voting Shares Vote. Immediately after (and during the same Board Meeting as) an affirmative or tie Per Capita Vote, two or more Directors shall have the right to request and conduct a Voting Shares Vote (defined below) to reconsider that action approved by the Per Capita Vote. A "yes" vote on the Voting Shares Vote shall be a vote to reverse and reject the Per Capita Vote; a "no" vote on the Voting Shares Vote shall be a vote to affirm the Per Capita Vote. For Voting Shares Votes, votes shall be weighted as described in subsection 3.9.3. A "yes" vote on a Voting Shares Vote shall require (*i*) for votes requiring a majority under subsection 3.9.1, more than fifty percent (50%) of the voting shares of all Directors voting; (*ii*) for votes requiring a supermajority of two-thirds under this Agreement, sixty-seven percent (67%) or more of the voting shares of all Directors voting; and (iii) for votes requiring a supermajority of three quarters under this Agreement more than seventy-five percent (75%) of the voting shares of all Directors voting. All votes taken pursuant to this subsection 3.9.2 shall be referred to as a "**Voting Shares Vote**." If a Voting Shares Vote yields a "no" vote, the legal effect is to affirm the Equal Vote with respect to which the Voting Shares Vote was taken. If the Voting Shares Vote succeeds, the legal effect is to nullify the Equal Vote with respect to which the Voting Shares Vote was taken. If the underlying Equal Vote was a tie, the Voting Shares Vote replaces that tie vote. No action may be taken solely by a Voting Shares Vote without first having taken an Equal Vote.

3.9.3 Voting Shares Formula. When a voting shares vote is requested by two or more Directors, voting shares of each Director shall be determined by the following formula:

(Annual Energy Use/Total Annual Energy) x 100

For purposes of this formula (a) "**Annual Energy Use**" means (*i*) for the first two years following the Effective Date, the annual electricity usage, expressed in kilowatt hours ("**kWh**"), within the jurisdiction of the Party appointing the Director(s) and (*ii*) following the second anniversary of the Effective Date, the annual electricity usage, expressed in kWh, of accounts within the jurisdiction of the Party appointing the Director(s) that are served by the Authority, and (b) "**Total Annual Energy**" means the sum of all Parties' Annual Energy Use. The initial values for Annual Energy use are designated in **Exhibit B** and the initial voting shares are designated in **Exhibit C**. Both

Exhibit B and **Exhibit C** shall be adjusted annually as soon as reasonably practicable after January 1 of each year, but no later than March 1 of each year, subject to the approval of the Board. Voting shares attributable to Irvine shall be divided equally between the Irvine Directors.

3.9.4 Special Voting.

3.9.4.1 Two-Thirds Supermajority Votes. An affirmative votes of two-thirds of the Directors of the entire Board shall be required to take any action on the following (*i*) issuing or repayment of bonds loans or other forms of debt; (*ii*) adding or removing Parties; (*iii*) amending

or terminating this Agreement or adopting or amending the bylaws of the Authority; and (*iv*) terminating the CCA Program.

3.9.4.2 Three-Fourths Supermajority Votes. An affirmative vote of three-fourths of the Directors of the Board shall be required to initiate any action for eminent domain and no eminent domain action shall be approved within the jurisdiction of a Party without the affirmative vote of such Party's Director (or both Irvine Directors, in the case of eminent domain action within the City of Irvine).

3.9.4.3 Advance Notice of Special Voting. At least thirty (30) days advance written notice to the Parties shall be provided for all special voting items under subsection 3.9.4.1 and/or subsection 3.9.4.2. Such notice shall include a copy of all substantive documents necessary to meaningfully deliberate and consider the proposed vote (*e.g.*, any proposed amendment to this Agreement or the bylaws of the Authority). The Authority shall also provide prompt written notice to all Parties of the action taken, which shall include any resolution, ordinance, rule, policy, agreement, filing or other operative document (if any) adopted or approved by the Board; and

3.9.4.4 Additional Voting Requirement During Period of Capital Loan. In addition to the foregoing special voting requirements, until the Capital Loan (defined in subsection 5.5., below) is repaid, all special voting items under this subsection 3.9.4 shall require an affirmative vote of both of the Irvine Directors.

3.10 Officers.

3.10.1 Chair and Vice Chair. The Directors shall select from among themselves a Chair and a Vice-Chair. The Chair shall be the presiding officer of all Board meetings. The Vice-Chair shall serve in the absence of the Chair. The term of office of the Chair and Vice-Chair shall continue until the expiration of the office of the Directors serving in such positions. There shall be no limit on the number of terms held the Chair and the Vice-Chair. The office of either the Chair or Vice-Chair shall be declared vacant and a new selection shall be made if: (*i*) the person serving dies, resigns, or becomes legally unable to fulfill his or her duties, or (b) the Party that appointed the Chair or Vice-Chair withdraws from the Authority pursuant to the provisions of this Agreement.

3.10.2 Secretary. The Secretary shall be responsible for keeping the minutes of all meetings of the Board and all other official records of the Authority.

3.10.3 Treasurer/Auditor. The Board shall appoint a qualified person to act as the Treasurer and a qualified person to act as the Auditor, neither of whom need be members of the Board. Unless infeasible, the Treasurer of the Authority shall be the Treasurer of one of the Parties. The Treasurer and the Auditor shall possess the powers of, and shall perform those functions required of them by California Government Code §§ 6505, 6505.5, and 6505.6, and by all other applicable laws and regulations and amendments thereto.

3.11 Meetings. The Board shall provide for its regular meetings, the date, hour, and place of which shall be fixed by resolution of the Board. Regular, adjourned, and special meetings shall be called and conducted in accordance with the provisions of the Ralph M. Brown Act, California Government Code § 54950 *et seq*.

3.12 Chief Executive Officer. The Board shall appoint a Chief Executive Officer. The Chief Executive Officer shall be the chief administrative officer of the Authority, and shall be Secretary of the Board. The powers and duties of the Chief Executive Officer shall be those delegated and/or assigned to the Chief Executive Officer by duly adopted action of the Board.

3.13 Additional Officers and Employees. The Board shall have the power to authorize such additional officers and assistants as may be necessary and appropriate, including retaining one or more administrative service providers for planning, implementing, and administering the CCA Program. Such officers and employees may also be, but are not required to be, officers and employees of the Parties.

3.14 Bonding Requirement. The officers or persons who have charge of, handle, or have access to any property of the Authority shall be the members of the Board, the Treasurer, the Executive Director, and any such officers or persons to be designated or empowered by the Board. Each such officer of person shall be required to file an official bond with the Authority in an amount which shall be established by the Board. Should the existing bond or bonds of any such officer be extended to cover the obligations provided herein, said bond shall be the official bond required herein. The premiums on any such bond attributable to the coverage required herein shall be the appropriate expenses of the Authority.

3.15 Audit. The records and accounts of the Authority shall be audited annually by an independent certified public accountant and copies of such audit report shall be filed with the State Controller, and each Party no later than fifteen (15) days after receipt of said audit by the Board.

3.16 Privileges and Immunities from Liability. All of the privileges and immunities from liability, exemption from laws, ordinances and rules, all pension, relief, disability, workers' compensation, and other benefits which apply to the activities of officers, agents, or employees of a public agency when performing their respective functions shall apply to the officers, agents, or employees of the Authority to the same degree and extent while engaged in the performance of any of the functions and other duties of such officers, agents, or employees under this Agreement.

None of the officers, agents, or employees directly employed by the Authority shall be deemed, by reason of such employment to be employed by the Parties (or any of them).

SECTION 4: ADDITIONAL PARTIES AND IMPLEMENTATION OF CCA PROGRAM

4.1 Additional Parties. An interested incorporated municipality or county, or other public agency as authorized by California Public Utilities Code § 331.1, may become a member of the Authority and a Party to this Agreement upon satisfaction of the following:

4.1.1 Adoption of a resolution by the governing body of the Additional Party approving the Agreement, and requesting participation and an intent to join the Authority;

4.1.2 Adoption by an affirmative vote of two-thirds of the Board of a resolution authorizing participation of the Additional Party;

4.1.3 Satisfaction of any additional conditions as established by the Board or applicable laws or regulations; and

4.1.4 Execution of the Agreement by the Additional Party.

4.2 Continuing Participation. The Parties acknowledge that participation in the CCA Program may change by the addition or withdrawal or termination of a Party. The Parties agree to participate in good faith with additional members as may later be added. The Parties also agree that the withdrawal or termination of a Party shall not affect the enforceability of this Agreement as to the remaining Parties, or the remaining Parties' continuing obligations under this Agreement.

4.3 Implementation of CCA Program. The Authority shall cause to be prepared an implementation plan meeting the requirements of California Public Utilities Code § 366.2 ("**Implementation Plan**") and any applicable regulations of the California Public Utilities Commission ("**CPUC**"). The Board shall approve the Implementation Plan prior to it being filed with the CPUC. The Authority, acting by and through the Board, shall take all such steps as are necessary and appropriate to implement the Implementation Plan and the CCA Program in a manner consistent with this Agreement.

4.4 Authority Documents. The Parties acknowledge and agree that the operations of the Authority will be implemented through various program documents and regulatory filings duly adopted by the Board, including, but not limited to, operating rules, an annual budget, and plans and policies related to the CCA Program. The Parties agree to abide by and comply with the terms and conditions of all such Authority documents that may be approved or adopted by the Board.

4.5 Termination of CCA Program. Nothing contained in this Agreement shall be construed to limit the discretion of the Authority to terminate the implementation or operation of the CCA Program at any time, so long as such termination is in accordance with any applicable requirements of state law and the voting procedures specified in subsection 3.9.4.1, above.

SECTION 5: FINANCIAL PROVISIONS

5.1 Fiscal Year. The Authority's fiscal year shall be twelve (12) months commencing July 1 of each year and ending June 30 of the succeeding year.

5.2 Treasurer. The Treasury of the Party whose Treasurer is the Treasurer for the Authority shall be the depository for the Authority. The Treasurer of the Authority shall have custody of all funds and shall provide for strict accountability thereof in accordance with California Government Code § 6505.5 and other applicable laws. The Treasurer shall perform all of the duties required in California Government Code § 6505 *et seq.* and all other such duties as may be prescribed by the Board.

5.3 Depository & Accounting. All funds of the Authority shall be held in separate accounts in the name of the Authority and not commingled with the funds of any Party or any other person or entity. Disbursement of such funds during the term of this Agreement shall be accounted for in accordance with generally accepted accounting principles applicable to governmental entities and pursuant to California Government Code § 6505 *et seq*. and other applicable laws. There shall be a strict accountability of all funds. All revenues and expenditures shall be reported to the Board. The books and records of the Authority shall be promptly open to inspection by the Parties at all reasonable times.

5.4 Budget. The Board shall establish the budget for the Authority, and may from time to time amend the budget to incorporate additional income and disbursements that might become available to the Authority for its purposes during a fiscal year.

5.5 City of Irvine Initial Funding of Authority. The Authority shall, concurrent with the execution of this Agreement, enter into an agreement that covers repayment to the City of Irvine of (*i*) funding and collateral provided by the City of Irvine to the Authority to facilitate start-up and launch costs for the Authority and the CCA Program, and (*ii*) costs incurred by the City (including staff, consultant, and legal expenses, and associated allocated overhead and administrative expenses) in connection with the study and analysis of the CCA, the formation of the Authority through the Agreement, and the creation of the Implementation Plan (the "**Capital Loan Agreement**" or the "**Capital Loan**"). The Capital Loan shall be repaid from customer charges for electrical services to the extent permitted by law when the CCA Program becomes operationa. The form of the Capital Loan Agreement is attached hereto as **Exhibit D**. The Authority shall enter into the Capital Loan Agreement so long as its final form is substantially consistent with the form attached as **Exhibit D**.

5.6 No Requirement for Contributions or Payments. Except as otherwise specified herein, no Parties are not required under this Agreement to make any financial contributions or payments to the Authority, and the Authority shall have no right to require such a contribution or payment.

5.6.1 Notwithstanding subsection 5.6, the Board may adopt a membership fee to be paid by Additional Parties upon entering into the Agreement, which membership fee shall be established (if at all) by the Board and shall cover a reasonable estimate of the transactional and other costs incurred by the

Authority in processing the addition of the Additional Party to the Authority.

5.6.2 Notwithstanding subsection 5.6, the Authority and a Party may mutually and voluntarily enter into an agreement with the Authority to provide the following: (*i*) contributions of public funds for the purposes set forth in this Agreement; (*ii*) advances of public funds for the purposes set forth in this Agreement, such advances to be repaid as provided by such written agreement; or (*iii*) its personnel, equipment or property.

5.6.3 For the avoidance of doubt, nothing in this Agreement requires, nor shall the Authority for any reason ever require, that any Party adopt any local tax, assessment, fee or charge for the benefit of the Authority.

5.7 Obligations of the Authority. Unless otherwise agreed by the Parties, the debts, liabilities, and obligations of the agency shall not be the debts, liabilities, and obligations, either jointly or severally, of the members of the agency. A Party may, in its sole discretion, agree to assume one or more of the debts, liabilities, and obligations of the Authority if, and only if, such Party, with the approval of its governing body, agrees in writing to assume any such debts, liabilities, or obligation of the Authority.

SECTION 6: WITHDRAWAL AND TERMINATION

6.1 Right to Withdraw. A Party may withdraw its membership in the Authority, effective as of the beginning of the Authority's fiscal year, by giving no less than one hundred eighty (180) days advance written notice of its election to do so, which notice shall be given to the Authority and each Party. Withdrawal of a Party shall require an affirmative vote of the Party's governing board. A Party that withdraws from the Authority pursuant to this subsection may be subject to certain continuing liabilities as described in this Agreement. The withdrawing Party and the Authority shall execute and deliver all further instruments and documents, and take any further actions as may be reasonably necessary to effectuate the orderly withdrawal of such Party.

6.4 Involuntary Termination. This Agreement may be terminated with respect to a Party for material non-compliance with provisions of this Agreement upon a two-thirds vote of the entire Board (excluding the vote of the Party subject to possible termination) taken in accordance with subsection 3.9.4.1. Prior to any vote to terminate this Agreement with respect to a Party, written notice of the proposed termination and the reason(s) for such termination shall be delivered to the Party whose termination is proposed at least thirty (30) days prior to the regular Board meeting at which such matter shall first be discussed as an agenda item. The written notice of proposed termination shall specify the particular provisions of this Agreement that the Party has allegedly violated. The Party subject to possible termination shall have the opportunity at the next regular Board meeting following the expiration of the thirty-day (30) day notice period to respond to any reasons and allegations that may be cited as a basis for termination. The Party's response shall be evaluated prior to a vote regarding termination. A Party that has had its membership in the Authority terminated may be subject to certain continuing liabilities, as described in this Agreement. If the Board votes to terminate a Party's membership in the Authority, the effective

date of the termination shall be scheduled by the Board, in its reasonable discretion, to ensure adequate time for the transition of the terminated Party's CCA Program customers to another electricity provider. The parties expressly intend, agree and acknowledge that a Board action to terminate a Party's membership in the Authority shall be upheld so long as it is not arbitrary and capricious, and is supported by substantial evidence.

6.3 Continuing Liability; Refund. Upon a withdrawal or involuntary termination of a Party, the Party shall be responsible for any claims, demands, damages, or liabilities attributable to the Party through the effective date of its withdrawal or involuntary termination. Such Party also shall be responsible liable to the Authority for (a) any damages, losses, or costs incurred by the Authority which result directly from the Party's withdrawal or termination, including, but not limited to, costs arising from the resale of capacity, electricity, or any attribute thereof no longer needed to serve such Party's load, and removal of customers from the CCA Program resulting from the withdrawal or termination of the Party; and (b) any costs or obligations associated with the Party's participation in any program in accordance with the program's terms, provided such costs or obligations were incurred prior to the withdrawal of the Party. Except as otherwise specified, such Party shall not be responsible for any claims, demands, damages, or liabilities commencing or arising after the effective date of the Party's withdrawal or involuntary termination. From and after the date a Party provides notice of its withdrawal or is terminated, the Authority shall reasonably and in good faith seek to mitigate any costs and obligations to be incurred by the withdrawing or terminated Party under this subsection through measures reasonable under the circumstances; provided, however, that this obligation to mitigate does not impose any obligation on the Authority to transfer any cost or obligation directly attributable to the membership and withdrawal or termination of the withdrawing or terminated Party to the ratepayers of the remaining Parties. Further the liability of the withdrawing or terminated Party shall be based on actual costs or damages incurred by the Authority and shall not include any penalties or punitive charges imposed by the Authority. The Authority may withhold funds otherwise owing to the Party or may require the Party to deposit sufficient funds with the Authority, as reasonably determined by the Authority, to cover the Party's liability for the costs described above. The withdrawing or terminated Party agrees to pay any such deposit determined by the Authority. Any amount of the withdrawing or terminated Party's funds held on deposit with the Authority above that which is required to pay any liabilities or obligations shall be returned to that Party. In the implementation of this subsection 6.3, the Parties intend, to the maximum extent possible, without compromising the viability of ongoing Authority operations, that any claims, demands, damages, or liabilities covered hereunder, be funded from the rates paid by CCA Program customers located within the service territory of the withdrawing Party, and not from the general fund of the withdrawing Party itself. The liability of a withdrawing Party under this subsection shall be only to the Authority and not to any other Party.

6.6 Termination of Agreement. This Agreement may be terminated by vote of the Board in accordance with subsection 3.9.4.1, or by mutual agreement of all the Parties approved by majority votes of their respective governing bodies. provided, however, that this subsection shall not be construed as limiting the rights of a Party to withdraw in accordance with Section 6.

6.7 Disposition of Authority Assets Upon Termination of Agreement. Upon termination of this Agreement, any surplus money or assets in possession of the Authority for use

under this Agreement, after payment of all liabilities, costs, expenses, and charges incurred by the Authority, shall be returned to the then-existing Parties in proportion to the contributions made by each.

SECTION 7: MISCELLANEOUS PROVISIONS

7.1 Dispute Resolution. The Parties and Authority shall make efforts to settle all disputes arising out of or in connection with this Agreement. Before exercising any remedy provided by law, a Party or Parties and the Authority shall engage in nonbinding mediation in the manner agreed to by the Party or Parties and the Authority. In the event that nonbinding mediation does not resolve a dispute within one hundred twenty (120) days after the demand for mediation is made, any Party or the Authority may pursue any all remedies provided by law.

7.2 Liability of Directors, Officers, and Employees. The Directors, officers, and employees of the Authority shall use ordinary care and reasonable diligence in the exercise of their powers and in the performance of their duties pursuant to this Agreement. No current or former Director, officer, or employee will be responsible for any act or omission by another Director, officer, or employee. The Authority shall defend, indemnify, and hold harmless the individual current and former Directors, officers, and employees for any acts or omissions in the scope of their employment or duties in the manner provided by California Government Code § 995 *et seq*. Nothing in this subsection shall be construed to limit the defenses available under the law to the Parties, the Authority, or its Directors, officers, or employees.

7.3 Indemnification. The Authority shall acquire such insurance coverage as the Board deems necessary to protect the interests of the Authority, the Parties, and the Authority's ratepayers. The Authority shall indemnify, defend, and hold harmless the Parties and each of their respective members board or council members, officers, agents, and employees, from any and all claims, losses, damages, costs, injuries, and liabilities of every kind to the extent arising directly or indirectly from the conduct, activities, operations, acts, and omissions of the Authority under this Agreement.

7.5 Assignment. The rights and duties of the Parties may not be assigned or delegated without the advance written consent of all other Parties. Any attempt to assign or delegate such rights or duties without express written consent of all other Parties shall be null and void. This Agreement shall inure to the benefit of, and shall be binding upon, the successors and assigns of the Parties. This subsection does not prohibit a Party from entering into an independent agreement with another entity regarding the financing of that Party's contributions to the Authority (if any), or the disposition of proceeds which that Party receives under this Agreement, so long as such independent agreement does not affect, or purport to affect, the rights and duties of the Authority or the Parties under this Agreement.

7.6 Severability. If any part of this Agreement is held, determined, or adjudicated to be illegal, void, or unenforceable by a court of competent jurisdiction, the remainder of this Agreement shall be given effect to the fullest extent reasonably possible.

7.7 Further Assurances. Each Party agrees to execute and deliver all further instruments and documents, and take any further action that may be reasonably necessary to effectuate the purposes of this Agreement.

7.8 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute but one and the same instrument.

7.9 Notices. Any notice authorized or required to be given pursuant to this Agreement shall be validly given if served in writing either personally, by deposit in the United States mail, first class postage prepaid with return receipt requested, or by a recognized courier service to the addresses specified on **Exhibit A**. Notices given (a) personally or by courier service shall be conclusively deemed received at the time of delivery and receipt and (b) by mail shall be conclusively deemed given 48 hours after the deposit thereof (excluding Saturdays, Sundays and holidays) if the sender receives the return receipt. All notices shall be addressed to the office of the clerk or secretary of the Authority or Party, as the case may be, or such other person designated in writing by the Authority or Party. Notices given to one Party shall be copied to all other Parties. Notices given to the Authority shall be copied to all Parties.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as evidenced by the signatures below

MEMBER AGENCY:

CITY OF IRVINE

By: _____
Name:
Title:
Dated: _____, 2020

[_____]

By: _____
Name:
Title:
Dated: _____, 2020

EXHIBIT A

List of Parties

City of Irvine
City of _____
County of _____

EXHIBIT B TO JOINT POWERS AUTHORITY

ANNUAL ENERGY USAGE BY JURISDICTION

[to be calculated]

EXHIBIT C TO JOINT POWERS AUTHORITY

PARTY VOTING SHARES

[to be calculated]

EXHIBIT D

CAPITAL LOAN AGREEMENT

ORDINANCE NO. XXXX

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FULLERTON, CALIFORNIA, AUTHORIZING THE IMPLEMENTATION OF A COMMUNITY CHOICE AGGREGATION PROGRAM

The City Council of the City of Fullerton does ordain as follows:

SECTION 1. FINDINGS.

1. The City of Fullerton has been actively investigating options to provide electric services to constituents within its service area with the intent of achieving greater local involvement over the provisions of electric services and promoting competitive retail choice.

2. Assembly Bill 117 (Stat. 2002, ch. 838; see California Public Utilities Code Section 366.2 *et seq.*; hereinafter referred to as the "Act") authorizes any California city or county, whose governing body so elects, to combine the electricity load of its residents and businesses in a community-wide electricity aggregation program known as Community Choice Aggregation ("CCA").

3. The Act expressly authorizes participation in a CCA program through a joint powers agency, and to this end, the City of Fullerton has been evaluating a countywide CCA program.

4. Through Docket No. R.03-10-003, the California Public Utilities Commission ("Commission") has issued various decisions and rulings addressing the implementation of CCA programs, including establishing a procedure by which the Commission will review implementation plans, which are required to be submitted under the Act as the means of describing the CCA program and ensuring compliance with the Act.

5. The City has elected to form a joint powers authority that would specify the terms and conditions by which participants may participate as a group in energy programs, including, but not limited to, the implementation of a CCA program with the following benefits:

    a. Providing customers a choice of power providers.
    b. Increasing local control over energy rates and other energy-related matters.
    c. Providing electric rates that are competitive with those provided by the incumbent utility.
    d. Improving the local economy by increasing local and regional renewable generation capacity and energy conservation and efficiency projects and programs.

e. Increasing regional energy self-sufficiency.

f. Reducing greenhouse gas emissions arising from electricity use in the City.

6. The Joint Powers Agreement creating the Authority will govern and operate the CCA program on behalf of its member jurisdictions. The City may participate in the Authority by approving the execution of the Joint Powers Agreement and adoption of a CCA ordinance required by Public Utilities Code Section 366.2(c)(12). The City's participation in the Authority will include membership on the Board of Directors of the Authority as provided in the Joint Powers Agreement.

7. The Authority will enter into agreements with electric power suppliers and other services providers and, based on these agreements, the Authority plans to provide power to residents and businesses at rates that are competitive with those of the incumbent utility. Once the Commission approves the implementation plan prepared by the Authority, the Authority may provide service to customers within the City and those cities that choose to participate in the Authority.

8. Under Public Utilities Code Section 366.2, customers have the right to opt-out of a CCA program and continue to receive service from the incumbent utility. Customers who desire to continue to receive service from the incumbent utility will be able to do so at any time.

9. On [INSERT DATE], the City Council held a public meeting at which time interested persons had an opportunity to testify either in support or in opposition to implementation of the CCA program within the City.

10. This ordinance is exempt from the requirements of the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines, as it is not a "project" and has no potential to result in a direct or reasonably foreseeable indirect physical change to the environment because it is merely the formation of an organization. 14 Cal. Code Regs. Section 15378(a). The ordinance is also exempt from CEQA because it is an organizational or administrative activity of governments that will not result in direct or indirect physical change in the environment. 14 Cal. Code Regs. Section 15378(b)(5). The ordinance is also exempt from CEQA because it is merely a change in organization of local agencies. 14 Cal. Code Regs. Section 15320. Further, the ordinance is exempt from CEQA because there is no possibility that the ordinance or its implementation, which would only result in the formation of a governmental organization, would have a significant negative effect on the environment. 14 Cal. Code Regs. Section 15061(b)(3). The [INSERT TITLE OF CITY OFFICIAL] shall cause a Notice of Exemption to be filed as authorized by CEQA and the State CEQA Guidelines.

SECTION 2. AUTHORIZATION TO IMPLEMENT A COMMUNITY CHOICE AGGREGATION PROGRAM. Based upon the foregoing, and in order to provide businesses and residents within the City with a choice of power providers, the City hereby elects to implement a community choice aggregation program within the jurisdiction of the City by participating in the CCA program of the Authority, as described in the Joint Powers Agreement.

SECTION 3. SEVERABILITY. If any section, subsection, sentence, clause, phrase or portion of this ordinance is held for any reason to be invalid or unconstitutional by a decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this ordinance. The City Council hereby declares that it would have adopted this ordinance and each section, subsection, clause, phrase or portion thereof, irrespective of the fact that any one or more sections, subsections, sentences, clauses, phrases or portions be declared invalid or unconstitutional.

SECTION 4. EFFECTIVE DATE. This ordinance shall take effect 30 days after its passage.

ADOPTED BY THE FULLERTON CITY COUNCIL ON _____, 2020.

_____
Jennifer Fitzgerald
Mayor

ATTEST:

_____
Lucinda Williams, MMC
City Clerk

_____
Date

CITY OF HUNTINGTON BEACH
REQUEST FOR CITY COUNCIL ACTION

MEETING DATE:	12/10/2020
SUBMITTED TO:	Honorable Mayor and City Council Members
SUBMITTED BY:	Oliver Chi, City Manager
PREPARED BY:	Travis Hopkins, Assistant City Manager
SUBJECT:	Consider joining the Orange County Power Authority (OCPA), a Community Choice Energy (CCE) Joint Powers Authority (JPA)

Statement of Issue:
In 2018, the City of Irvine initiated a feasibility study to assess the possibility of implementing a CCE program for their community. Those efforts evolved over the past two years, and in 2020, Irvine extended an invitation to all Orange County municipalities, asking interested parties to consider joining them in forming a CCE JPA, which has since been named the Orange County Power Authority (OCPA).

Currently, the city of Fullerton has signed on to participate in the OCPA with Irvine. In addition, the cities of Buena Park and Lake Forest are also expected to sign-on in 2020 to join the OCPA. Pursuant to the OCPA JPA agreement, there are certain benefits to joining the group in 2020, including the following:

- Jurisdictions that join the group in 2020 will be considered a Founding Party member agency.
- Founding Party agencies will automatically be placed on the new JPAs Executive Committee.
- Those joining the JPA after 2020 will be considered an Additional Party member, and could be subject to a membership fee upon joining.

Of note, the JPA agreement also provides that any agency joining the group has the right to withdraw for any reason and without any liability or cost prior to March 1, 2021.

Given these factors, members of the City Council have requested the opportunity to consider joining the OCPA JPA, thereby opting Huntington Beach into the CCE program as a Founding Party member.

Financial Impact:
There is no direct fiscal impact from joining the OCPA JPA. Per the JPA agreement, participating agencies are not required to make any financial contribution. Rather, the City of Irvine has agreed through the JPA agreement to cover all initial start-up costs associated

with establishing the new OCPA entity. Those costs that Irvine has agreed to cover include the following:

- OCPA agency start-up costs, which are estimated at $2.5 M.

- Initial working capital cash, which is estimated to be $8 - $17 M, depending on the participation level in the initial JPA agency.

Additionally, as noted above, the JPA agreement stipulates that any participating agency has the right to withdraw from the venture for any reason and without any liability or cost prior to March 1, 2021.

Financial details and risks associated with the proposed JPA, and its associated impacts on Huntington Beach, would need to be further reviewed and assessed based on actual participation levels after the JPA is formed. Of note, under the JPA agreement, Founding Party members have no financial obligation to the CCE entity being formed, which provides financial protections for Huntington Beach in the event that the City Council decides to move forward joining the OCPA. Additionally, in California, there are currently 21 CCE entities that have been formed, and none of those entities have experienced any serious financial difficulties. This reality means that it remains untested how much a CCE JPA could financially lean into its member agency, should any fiscal difficulties arise.

Given these fiscal scenarios, should the City Council decide to move forward with joining the OCPA agency as a Founding Party member, staff would recommend that the City Council also direct that a full fiscal analysis of the JPA situation and its impacts on Huntington Beach be developed and presented for consideration by February 1, 2021.

Recommended Action:
Provide direction to staff on whether to join the Orange County Power Authority CCE JPA as a Founding Member.

If the City Council directs to move forward, the staff recommendation would be as follows:

A) Introduce Ordinance No. 4227 for first reading; An Ordinance of the City of Huntington Beach Authorizing the Implementation of a Community Choice Aggregation Program; and

B) Adopt Resolution No. 2020-87; A Resolution of the City Council of the City of Huntington Beach, Approving the Orange County Joint Powers Authority Agreement and Authorizing the Implementation of a Community Choice Aggregation Program; and

C) Authorize the City Manager to execute the Orange County Power Authority Joint Powers Agreement; and

D) Appoint from the City Council one Board Member and one Alternate to serve on the Board of Directors of the Orange County Power Authority on behalf of the City of Huntington Beach; and

E) Authorize and direct that staff perform a full financial risk assessment associated with joining the Orange County Power Authority, and bring those findings back for City Council consideration by February 1, 2021, to determine if the City should maintain membership or withdraw from the Orange County Power Authority before the March 1, 2021, no-risk deadline.

Alternatively, the City Council should take no action if the decision is made to not move forward with joining the Orange County Power Authority as a Founding Party member.

Analysis:

CCE Background

CCEs are a mechanism authorized in California in 2002 by Assembly Bill 117, whereby local electrical service customers are provided with options when it comes to determining who they purchase their power from. Under the CCE set-up, customers can continue to procure their electrical power through their current utility provider (in the case of Huntington Beach, that would be Southern California Edison), or they can opt to have a local municipal government (or a coalition of local governments) procure electrical power on their behalf.

Typically, CCEs are established with larger environmental or social goals in mind, such as increasing the share of power procured from renewable sources. In addition, CCEs have been shown to provide slight cost savings (around 1-2% decrease) over traditional investor-owned utility operations.

Of note, establishing a CCE does not mean completely severing ties with the investor-owned utility, given that the utility agency still owns and manages the distribution lines that transmit electrical power to homes and businesses. Further, the utility company still meters each customer's power usage, and continues to send customers their electrical bill. Under the CCE model, what changes is the entity which purchases electricity on behalf of the customer – rather than the utility company performing that role, the responsibility is transferred to the newly formed local entity.

The Orange County Power Authority

The City of Irvine has been spearheading an effort to create a regional CCE Joint Powers Authority (JPA), called the Orange County Power Authority (OCPA). Under this JPA approach, the OCPA would become the entity that procures power for its customer base, and would coordinate with SCE on electrical distribution, metering, and billing related matters. Of note, CCEs have been authorized to exist in California since 2002, and today, there are 21 CCE programs in California that serve around 10 million customers.

Based on Irvine's efforts to date, staff is aware of at least 8 other agencies that are interested in joining the OCPA today. Those agencies include:

1. Irvine
2. Fullerton
3. Lake Forest
4. Buena Park
5. Costa Mesa

6. Laguna Woods
7. Santa Ana
8. Villa Park

Of note, it appears that Irvine, Fullerton, Lake Forest, and Buena Park will be joining as Founding Party members by entering the JPA before the end of 2020, with the other identified agencies looking to participate as Additional Party members with possible JPA entry dates in 2021.

Given the uncertain nature of which agencies are looking to join the JPA, it is difficult to model precise fiscal data for the proposed OCPA entity. However, Irvine has commissioned a detailed fiscal analysis to assess various possible scenario through a 10-year pro forma document, a copy of which is included as an attachment to this report. Per that assessment, the proposed OCPA was identified as being financially viable, with the following key summary findings:

- OCPA would be able to repay the City of Irvine's start-up and working capital loans, and build up proper financial reserves, during the first 5-7 years of operation.

- After initial debt service costs are repaid, it is estimated that a significant amount of net income will be available to the OCPA for use towards customer program or additional electrical rate discounts.

If the decision is made to move forward with joining the OCPA, staff would recommend that a full assessment of the arrangement be analyzed and brought back for City Council review by February 1, 2021. In addition to a full financial analysis of the effort, included among some of the other issues that should be assessed are:

- Structure / Management of the OCPA
    - The proposed OCPA agency is expecting to hire 2 staff members in 2021, and ramping up to 5 staff members in 2022. At build out in 2023, the OCPA is expected to have 10 employees in 2023.
    - The staffing, structure, and management of the OCPA will be critical to its success, and needs to be assessed moving ahead.

- Customer Opt-out Risks
    - The primary risk to the CCE would be if it could no longer offer competitive electrical power rates when compared against SCE. Customers have the option of opting out of the OCPA CCE option, and will likely do so if power costs for the JPA exceed what is charged by SCE.
    - Based on actual experience in California, CCEs have seen opt-out rates of around 2-3% of eligible customers.
    - Additionally, customers could leave the OCPA entity and move to Direct Access programs.

- Energy Cost Risks
    - CCEs face real financial risks associated with procuring energy, capacity, renewable energy credits, and carbon-free energy, all at a cost that is below revenues received from retail customers.

- Legislative and Regulatory Risks
    - The electrical power industry is in the midst of significant change and disruption, and regulatory issues related to electrical energy procurement and management pose a possible risk moving forward. These issues need to be properly analyzed and reviewed moving forward.

Environmental Status:
Not applicable.

Strategic Plan Goal:
Click here to enter text.

Attachment(s):

1) Orange County Power Authority Joint Powers Agreement

2) Ordinance No. 4227, An Ordinance of the City of Huntington Beach Authorizing the Implementation of a Community Choice Aggregation Program

3) Resolution No 2020- 87, A Resolution of the City Council of the City of Huntington Beach Approving the Orange County Joint Powers Agreement and Authorizing Implementation of a Community Choice Aggregation Program

4) OCPA Preliminary *Pro Forma*

ORANGE COUNTY POWER AUTHORITY
JOINT POWERS AGREEMENT

This Joint Powers Agreement ("**Agreement**"), effective as of the date specified in Section 1.2, below, which is November __, 2020 ("**Effective Date**") is made and entered into pursuant to the Joint Exercise of Powers Act (California Government Code § 6500 *et seq.*) relating to the joint exercise of powers among the parties set forth in Exhibit A. All parties that execute this Agreement prior to December 31, 2020 shall be designated individually as "**Founding Party**" and collectively as "**Founding Parties**". All cities, counties, or other public agencies added as parties to this agreement after December 31, 2020 shall be designated individually as "**Additional Party**" and collectively "**Additional Parties**". The term "**Party**" refers individually to any Founding Party or Additional Party, and the term "**Parties**" refers collectively to the Founding Parties and the Additional Parties.

RECITALS

A. In 2002, Assembly Bill 117 (Stat. 2002, Ch. 838, codified at Public Utilities Code Sections 218.3, 366, 394, 394.25, 331.1 366.2, and 381.1) was signed into law allowing customers to aggregate their electrical loads as members of their local community with public agencies designated as community choice aggregators, and allowing such public agencies to aggregate the electrical load of interested consumers within their jurisdictional boundaries and purchase electricity on behalf of those consumers.

B. In 2006, Assembly Bill 32 (Stat. 2006, Ch. 488, codified at Health and Safety Code Sections 38500 *et seq.*), known as the Global Warming Solutions Act, was signed into law, mandating a reduction in greenhouse gas emissions to 1990 levels by 2020.

C. In 2015, Senate Bill 350 (Stat. 2015, Ch. 547, codified at Health and Safety Code Section 44258.5; Labor Code Section 1720; Public Resources Code Sections 25302.2, 25310, 25327 and 25943; and Public Utilities Code Sections 237.5, 337, 352, 359, 365.2, 366.3, 399.4, 399.11, 399.12, 399.13, 399.15, 399.16, 399.18, 399.21, 399.30, 454.51, 454.52, 454.55, 454.56, 701.1, 740.8, 740.12, 9505, 9620, 9621, 9622, and Article 17 (commencing with Public Utilities Code Section 400)) was signed into law, mandating a reduction in greenhouse gas emissions to 40 percent below 1990 levels by 2030 and to 80 percent below 1990 levels by 2050.

D. In 2018, Senate Bill 10 (Stat.f 2018, Ch. 312, codified at Public Utilities Code sections 399.11, 399.15, 399.30, and 454.53) was signed into law, directing that the Renewables Portfolio Standard to be increased to 60 percent renewables by 2030 and establishing a policy for eligible renewable energy resources and zero-carbon resources to supply 100 percent of electricity retail sales to California end-use customers by 2045.

E. The Parties each hold various powers under California law, including, but not limited to, the power to purchase, supply, and aggregate electricity for themselves and customers within their jurisdictions in accordance with Public Utilities Code Sections 333.1 and 366.2; they are therefore properly empowered to enter into this Agreement under the Joint Exercise of Powers Act (Government Code Section 6500 *et seq.*, the "**Act**").

F. The purposes for entering into this Agreement are more fully specified in subsection 1.4 below, but principally consist of the study, promotion, development, funding, financing, purchasing, conduct, operation, and management of energy, energy efficiency and conservation, and other energy-related and community choice aggregation programs (the "**CCA Program**"), through which the following objectives may be advanced: (a) reducing greenhouse gas emissions related to the use of power throughout the Parties' jurisdictions and neighboring regions; (b) providing electric power and other forms of energy to customers at a competitive cost; (c) carrying out programs for ratepayers of all income levels to reduce energy consumption; (d) stimulating and sustaining the local economy by developing local jobs in renewable and conventional energy; and (e) promoting long-term electric rate stability, energy security and reliability for residents through local control of electric generation resources.

G. The Founding Parties desire to establish a separate public agency, known as the Orange County Power Authority ("**Authority**"), under the Act and consistent with Assembly Bill 117, in order to collectively implement the CCA Program, and to exercise any powers common to the Authority's members to further these purposes.

H. The Parties have each adopted an ordinance electing to participate as a group in a community choice aggregation program through the Authority, as authorized by California Public Utilities Code § 366.2(a)(12)(B).

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises, covenants, and conditions hereinafter set forth, it is agreed by and among the Parties as follows:

SECTION 1. FORMATION OF AUTHORITY

1.1 Creation of Agency. Pursuant to the Act there is hereby created a public entity to be known as The Orange County Power Authority. Pursuant to Section 6507 of the Act, the Authority is a public agency separate from the Parties. The jurisdiction of the Authority shall be all territory within the geographic boundaries of the Parties; however, the Authority may, as authorized under applicable law, undertake any action outside such geographic boundaries as is necessary to accomplish its purpose.

1.2 Effective Date and Term. This Agreement shall become effective and the Authority shall exist as a separate public agency on the date this Agreement is executed by at least two Parties. The Authority shall continue to exist, and this Agreement shall be effective, until this Agreement is terminated in accordance with this Agreement, subject to the rights of a Party to withdraw from the Authority.

1.3 Parties. The names, particular capacities, and addresses of the Parties are shown on Exhibit A, as it may be amended from time to time.

1.4 Purpose. The purpose of this Agreement is to establish an independent public agency in order to exercise powers common to each Party to implement the CCA Program, and to

exercise all other powers necessary and incidental to accomplishing this purpose. This Agreement authorizes the Authority to provide opportunities by which the Parties can work cooperatively to create economies of scale and implement sustainable energy initiatives that reduce energy demand, increase energy efficiency, provide consumer choice and cost savings, and advance the use of clean, efficient, and renewable resources in the region for the benefit of all the Parties and their constituents, including, but not limited to, establishing and operating a CCA Program (collectively, the "**Purpose**"). The Parties intend for this Agreement to be used as a contractual mechanism by which they are authorized to participate in the CCA Program and achieve the Purpose. The Parties intend that other agreements shall define the terms and conditions associated with the implementation of the CCA Program and any energy programs approved by the Authority.

SECTION 2. POWERS OF AUTHORITY

2.1 Powers. The Authority shall have all powers common to the Parties and such additional powers accorded to it by law. The Authority is authorized, in its own name, to exercise all powers and do all acts necessary and proper to carry out the provisions of this Agreement and fulfill its Purpose, including, but not limited to, each of the following powers:

2.1.1 Serve as a forum for the consideration, study, and recommendation of energy services for the CCA Program;

2.1.2 To make and enter into any and all contracts to effectuate the purpose of this Agreement, including, but not limited to, those relating to the purchase or sale of electrical energy or attributes thereof, and related service agreements;

2.1.3 To employ agents and employees, including, but not limited to, engineers, attorneys, planners, financial consultants, and separate and apart therefrom to employ such other persons, as it deems necessary;

2.1.4 To acquire, contract, manage, maintain, and operate any buildings, works, or improvements, including, but not limited to, electric generation resources;

2.1.5 To acquire property by eminent domain, or otherwise, except as limited by Section 6508 of the Act, and to hold or dispose of property;

2.1.6 To lease or license any property;

2.1.7 To sue and be sued in its own name;

2.1.8 To incur debts, liabilities, and obligations, including, but not limited to, loans from private lending sources pursuant to its temporary borrowing powers, such as California Government Code § 53850 *et seq.* and authority under the Act;

2.1.9 To form subsidiary or independent corporations or entities, if appropriate, to carry out energy supply and energy conservation programs, or to take advantage of legislative or regulatory changes;

2.1.10 To issue revenue bonds and other forms of indebtedness;

2.1.11 To apply for, accept, and receive all licenses, permits, grants, loans, or other assistance from any federal, state, or local agency;

2.1.12 To submit documentation and notices, register, and comply with orders, tariffs, and agreements for the establishment and implementation of the CCA Program and other energy and climate change programs;

2.1.13 To adopt rules, regulations, policies, bylaws, and procedures governing the operation of the Authority;

2.1.14 To receive loans, gifts, contributions, and donations of property, funds, services, and other forms of financial assistance from persons, firms, corporations, and any governmental entity;

2.1.15 To make and enter into service agreements relating to the provision of services necessary to plan, implement, operate and administer the CCA Program and other energy programs, including the acquisition of electric power supply and the provision of retail and regulatory support services;

2.1.16 To receive revenues from sale of electricity and other energy-related programs;

2.1.17 To partner or otherwise work cooperatively with other CCAs on the acquisition of electric resources, joint programs, advocacy and other efforts in the interests of the Authority; and

2.1.18 To the extent not specifically provided in this Agreement, to exercise any powers authorized by the member agencies to achieve the Authority's objectives and such further powers not specifically mentioned herein, but common to Parties, and authorized by the California Government Code.

2.2 Additional Powers to be Exercised. In addition to those powers common to each of the Parties, the Authority shall have those powers that may be conferred upon it by law and by subsequently enacted legislation.

2.3 Manner of Exercising Powers. The powers specified in subsections 2.1 and 2.2 shall be exercised by the Board (as defined in subsection 3.1, below), unless otherwise delegated to a committee of the Board or the Chief Executive Officer of the Authority in accordance with a Board adopted policy or action. All such powers shall be exercised in the manner set forth in this Agreement.

2.4 Limitation on Exercise of Powers: The powers of the Authority are subject to the restrictions upon the manner of exercising power possessed by the City of Irvine, California and

any other restrictions on exercising the powers of the Authority that may be adopted by the Authority's Board of Directors.

SECTION 3: GOVERNANCE

3.1 General Governance; Board of Directors. The governing body of the Authority shall be a Board of Directors ("**Board**") consisting of one director for each Party appointed in accordance with subsection 3.2, except the City of Irvine whose governing body shall appoint two directors (the "**Irvine Directors**"). Notwithstanding the foregoing, the governing body of the City of Irvine shall appoint one director upon the full satisfaction and repayment of the Capital Loan, as defined in subsection 5.5.

3.2 Appointment of Directors. The governing body of each Party shall appoint and designate in writing the Director(s) who shall be authorized to act for and on behalf of the Party on matters within the powers of the Authority. The governing body of each Party shall also appoint and designate in writing an alternate Director(s) who may vote in matters when the regular Director is absent from a Board meeting. The governing bodies of the Founding Parties may, in their sole discretion, elect to appoint their respective Director(s) prior to the Effective Date, in which case such appointment(s) to the Board shall take effect on the Effective Date. The persons appointed and designated as the regular Director and the alternate Director shall be a member of the governing body of the Party when appointed.

3.3 Terms of Office. Each regular and alternate Director shall serve a term of four years. If at any time a vacancy occurs on the Board, a replacement shall be appointed by the governing body to fill the position of the previous Director within ninety (90) days of the date that such position becomes vacant. Replacement Directors shall serve until the scheduled expiration of the four year term of the Board member that they replace.

3.4 Quorum. A majority of the Directors of the entire Board shall constitute, and is necessary to constitute, a quorum, except that less than a quorum may adjourn a meeting from time to time in accordance with law.

3.5 Powers of the Board of Directors. The Board may exercise all the powers enumerated in this Agreement and shall conduct all business and activities of the Authority consistent with this Agreement and any bylaws, operating procedures, and applicable law.

3.6 Executive Committee. The Board shall establish an executive committee consisting of a smaller number of Directors upon the Authority's membership consisting of nine or more members. The initial members of the executive committee shall be the Directors of the Founding Members with the chair of the Board serving as chair of the Executive Committee.

3.7 Committees. The Board may establish committees as the Board deems appropriate to assist the Board in carrying out its functions and implementing the purposes of this Agreement. In accordance with subsection 2.3, the Board may delegate to any committees that consist solely of Board members any of the powers specified in subsection 2.1, except for the power to acquire property by eminent domain specified in subsection 2.1.5. Committees that include or consist of non-Board members shall be advisory only.

3.8 Director Compensation. The Board shall adopt policies establishing compensation attendance at Board and Committee meetings and work performed by each Director on behalf of the Authority as well as policies for the reimbursement of expenses incurred by each Director; provided that in no instance shall the per meeting or per day compensation be less than the compensation provided to directors of the Orange County Sanitation District.

3.9 Voting by the Board of Directors.

3.9.1 Equal Vote. Each Director or participating alternate shall have one vote. Except as provided for in Sections 3.9.2, 3.9.3 and 3.9.4, action of the Board on all matters shall require an affirmative vote of a majority of all Directors who are present at the subject meeting ("Equal **Vote**").

3.9.2 Voting Shares Vote. Immediately after (and during the same Board Meeting as) an affirmative or tie Equal Vote, two or more Directors shall have the right to request and conduct a Voting Shares Vote (defined below) to reconsider that action approved by the Equal Vote. In the event of a Voting Shares Vote where the City of Irvine appoints two Directors to the Board and one or more Irvine Directors requests a Voting Shares Vote, a Party other than the City of Irvine must constitute the second Director for purposes of having the right to request and conduct a Voting Shares Vote. A "yes" vote on the Voting Shares Vote shall be a vote to reverse and reject the Equal Vote; a "no" vote on the Voting Shares Vote shall be a vote to affirm the Equal Vote. For Voting Shares Votes, votes shall be weighted as described in subsection 3.9.3. A "yes" vote on a Voting Shares Vote shall require (*i*) for votes requiring a majority under subsection 3.9.1, more than fifty percent (50%) of the voting shares of all Directors voting; (*ii*) for votes requiring a supermajority of two-thirds under this Agreement, sixty-seven percent (67%) or more of the voting shares of all Directors voting; and (iii) for votes requiring a supermajority of three quarters under this Agreement more than seventy-five percent (75%) of the voting shares of all Directors voting. All votes taken pursuant to this subsection 3.9.2 shall be referred to as a "**Voting Shares Vote.**" If a Voting Shares Vote yields a "no" vote, the legal effect is to affirm the Equal Vote with respect to which the Voting Shares Vote was taken. If the Voting Shares Vote succeeds, the legal effect is to nullify the Equal Vote with respect to which the Voting Shares Vote was taken. If the underlying Equal Vote was a tie, the Voting Shares Vote replaces that tie vote. No action may be taken solely by a Voting Shares Vote without first having taken an Equal Vote.

3.9.3 Voting Shares Formula. When a Voting Shares Vote is requested by two or more Directors, voting shares of each Director shall be determined by the following formula:

(Annual Energy Use/Total Annual Energy) x 100

For purposes of this formula (a) "**Annual Energy Use**" means (*i*) for the first two years following the Effective Date, the annual electricity usage, expressed in kilowatt hours ("**kWh**"), within the jurisdiction of the Party appointing the Director(s) and (*ii*) following the second anniversary of the Effective Date, the annual electricity usage, expressed in kWh, of accounts within the jurisdiction of the Party appointing the Director(s) that are served by the Authority, and (b) "**Total Annual Energy**" means the sum of all Parties' Annual Energy Use. The initial values for Annual Energy

use are designated in Exhibit B and the initial voting shares are designated in Exhibit C. Both Exhibit B and Exhibit C shall be adjusted annually as soon as reasonably practicable after January 1 of each year, but no later than March 1 of each year, subject to the approval of the Board. Voting shares attributable to Irvine shall be divided equally between the Irvine Directors.

3.9.4 Special Voting.

3.9.4.1 Two-Thirds Supermajority Votes. An affirmative vote of two-thirds of the Directors of the entire Board shall be required to take any action on the following (*i*) issuing or repayment of bonds loans or other forms of debt; (*ii*) adding or removing Parties on or after January 1, 2021; (*iii*) amending or terminating this Agreement or adopting or amending the bylaws of the Authority; and (*iv*) terminating the CCA Program.

3.9.4.2 Three-Fourths Supermajority Votes. An affirmative vote of three-fourths of the Directors of the Board shall be required to initiate any action for eminent domain and no eminent domain action shall be approved within the jurisdiction of a Party without the affirmative vote of such Party's Director (or both Irvine Directors, if applicable, in the case of eminent domain action within the City of Irvine).

3.9.4.3 Advance Notice of Special Voting. At least thirty (30) days advance written notice to the Parties shall be provided for all special voting items under subsection 3.9.4.1 and/or subsection 3.9.4.2. Such notice shall include a copy of all substantive documents necessary to meaningfully deliberate and consider the proposed vote (*e.g.*, any proposed amendment to this Agreement or the bylaws of the Authority). The Authority shall also provide prompt written notice to all Parties of the action taken, which shall include any resolution, ordinance, rule, policy, agreement, filing or other operative document (if any) adopted or approved by the Board.

3.10 Officers.

3.10.1 Chair and Vice Chair. The Directors shall select from among themselves a Chair and a Vice-Chair. The Chair shall be the presiding officer of all Board meetings. The Vice-Chair shall serve in the absence of the Chair. The term of office of the Chair and Vice-Chair shall continue until the expiration of the office of the Directors serving in such positions. There shall be no limit on the number of terms held by the Chair and the Vice-Chair. The office of either the Chair or Vice-Chair shall be declared vacant and a new selection shall be made if: (*i*) the person serving dies, resigns, or becomes legally unable to fulfill his or her duties, or (b) the Party that appointed the Chair or Vice-Chair withdraws from the Authority pursuant to the provisions of this Agreement.

3.10.2 Secretary. The Secretary shall be responsible for keeping the minutes of all meetings of the Board and all other official records of the Authority.

3.10.3 Treasurer/Auditor. In accordance with California Government Code § 6505.5, the Board shall appoint a qualified person to act as the Treasurer and a qualified person to act as the Auditor, neither of whom need be members of the Board. The Treasurer

and the Auditor shall possess the powers of, and shall perform those functions required of them by California Government Code §§ 6505, 6505.5, and 6505.6, and by all other applicable laws and regulations and amendments thereto.

3.11 Meetings. The Board shall provide for its regular meetings, the date, hour, and place of which shall be fixed by resolution of the Board. Regular, adjourned, and special meetings shall be called and conducted in accordance with the provisions of the Ralph M. Brown Act, California Government Code § 54950 *et seq*.

3.12 Chief Executive Officer. The Board shall appoint a Chief Executive Officer. The Chief Executive Officer shall be the chief administrative officer of the Authority, and shall be Secretary of the Board. The powers and duties of the Chief Executive Officer shall be those delegated and/or assigned to the Chief Executive Officer by duly adopted action of the Board.

3.13 Additional Officers and Employees. The Board shall have the power to authorize such additional officers and assistants as may be necessary and appropriate, including retaining one or more administrative service providers for planning, implementing, and administering the CCA Program. Such officers and employees may also be, but are not required to be, officers and employees of the Parties.

3.14 Bonding Requirement. The officers or persons who have charge of, handle, or have access to any property of the Authority shall be the members of the Board, the Treasurer, the Executive Director, and any such officers or persons to be designated or empowered by the Board. Each such officer or person shall be required to file an official bond with the Authority in an amount which shall be established by the Board. Should the existing bond or bonds of any such officer be extended to cover the obligations provided herein, said bond shall be the official bond required herein. The premiums on any such bond attributable to the coverage required herein shall be the appropriate expenses of the Authority.

3.15 Audit. The records and accounts of the Authority shall be audited annually by an independent certified public accountant with the final audit completed within six months of the fiscal year end,and copies of such audit report shall be filed with the State Controller, and each Party no later than fifteen (15) days after receipt of said audit by the Board.

3.16 Privileges and Immunities from Liability. All of the privileges and immunities from liability, exemption from laws, ordinances and rules, all pension, relief, disability, workers' compensation, and other benefits which apply to the activities of officers, agents, or employees of a public agency when performing their respective functions shall apply to the officers, agents, or employees of the Authority to the same degree and extent while engaged in the performance of any of the functions and other duties of such officers, agents, or employees under this Agreement. None of the officers, agents, or employees directly employed by the Authority shall be deemed, by reason of such employment to be employed by the Parties (or any of them).

SECTION 4: ADDITIONAL PARTIES AND IMPLEMENTATION OF CCA PROGRAM

4.1 Additional Parties. An incorporated city or county, or other public agency as authorized by California Public Utilities Code § 331.1, may become a member of the Authority and a Party to this Agreement upon satisfaction of the following:

4.1.1 Adoption of a resolution by the governing body of the proposed additional party approving the Agreement, and requesting participation and an intent to join the Authority;

4.1.2 Adoption by the Board of a resolution authorizing participation of the proposed additional party;

4.1.3 Satisfaction of any additional conditions as established by the Board or applicable laws or regulations; and

4.1.4 Execution of the Agreement by the proposed additional party.

4.2 Continuing Participation. The Parties acknowledge that participation in the CCA Program may change by the addition or withdrawal or termination of a Party. The Parties agree to participate in good faith with additional members as may later be added. The Parties also agree that the withdrawal or termination of a Party shall not affect the enforceability of this Agreement as to the remaining Parties, or the remaining Parties' continuing obligations under this Agreement.

4.3 Implementation of CCA Program. The Authority shall cause to be prepared an implementation plan meeting the requirements of California Public Utilities Code § 366.2 ("**Implementation Plan**") and any applicable regulations of the California Public Utilities Commission ("**CPUC**"). The Board shall approve the Implementation Plan prior to it being filed with the CPUC. The Authority, acting by and through the Board, shall take all such steps as are necessary and appropriate to implement the Implementation Plan and the CCA Program in a manner consistent with this Agreement.

4.4 Power Supply. The Board will establish power supply options for the Authority. The Authority's power supply options will include, but not be limited to, renewable and GHG-free base product that is equivalent to the minimum required by law. Each Party may select its power supply base product for the ratepayers in its jurisdiction. Each Party shall also have the flexibility to achieve its climate goals without impeding any other Party from doing the same.

4.4 Authority Documents. The Parties acknowledge and agree that the operations of the Authority will be implemented through various program documents and regulatory filings duly adopted by the Board, including, but not limited to, bylaws, an annual budget, and plans and policies related to the CCA Program. The Parties agree to abide by and comply with the terms and conditions of all such Authority documents that may be approved or adopted by the Board.

4.5 Termination of CCA Program. Nothing contained in this Agreement shall be construed to limit the discretion of the Authority to terminate the implementation or operation of

the CCA Program at any time, so long as such termination is in accordance with any applicable requirements of state law and the voting procedures specified in subsection 3.9.4.1, above.

SECTION 5: FINANCIAL PROVISIONS

5.1 Fiscal Year. The Authority's fiscal year shall be twelve (12) months commencing July 1 of each year and ending June 30 of the succeeding year.

5.2 Treasurer. The Treasurer for the Authority shall be the depository for the Authority. The Treasurer of the Authority shall have custody of all funds and shall provide for strict accountability thereof in accordance with California Government Code § 6505.5 and other applicable laws. The Treasurer shall perform all of the duties required in California Government Code § 6505 *et seq.* and all other such duties as may be prescribed by the Board.

5.3 Depository & Accounting. All funds of the Authority shall be held in separate accounts in the name of the Authority and not commingled with the funds of any Party or any other person or entity. Disbursement of such funds during the term of this Agreement shall be accounted for in accordance with generally accepted accounting principles applicable to governmental entities and pursuant to California Government Code § 6505 *et seq.* and other applicable laws. There shall be a strict accountability of all funds. All revenues and expenditures shall be reported regularly to the Board. The books and records of the Authority shall be promptly open to inspection by the Parties at all reasonable times.

5.4 Budget. The Board shall establish the budget for the Authority, and may from time to time amend the budget to incorporate additional income and disbursements that might become available to the Authority for its purposes during a fiscal year.

5.5 City of Irvine Initial Funding of Authority. The Authority shall, concurrent with the execution of this Agreement, enter into an agreement that covers repayment to the City of Irvine of (*i*) funding and collateral provided by the City of Irvine to the Authority to facilitate start-up and launch costs for the Authority and the CCA Program, and (*ii*) costs incurred by the City (including staff, consultant, and legal expenses, and associated allocated overhead and administrative expenses) in connection with the study and analysis of the CCA, the formation of the Authority, and the creation of the Implementation Plan (the "**Capital Loan Agreement**" or the "**Capital Loan**"). The Capital Loan shall be repaid from customer charges for electrical services to the extent permitted by law when the CCA Program becomes operational. The form of the Capital Loan Agreement is attached hereto as Exhibit D. The Authority shall enter into the Capital Loan Agreement so long as its final form is substantially consistent with the form attached as Exhibit D.

5.6 No Requirement for Contributions or Payments. Except as otherwise specified herein, the Parties are not required under this Agreement to make any financial contributions or payments to the Authority, and the Authority shall have no right to require such a contribution or payment.

5.6.1 Notwithstanding subsection 5.6, the Board may adopt a membership fee to be paid by Additional Parties upon entering into the Agreement, which

membership fee shall be established (if at all) by the Board and may cover a reasonable estimate of the transactional and other costs incurred by the Authority in processing the addition of the Additional Party to the Authority.

5.6.2 Notwithstanding subsection 5.6, the Authority and a Party may mutually and voluntarily enter into an agreement to provide the following: (*i*) contributions of public funds for the purposes set forth in this Agreement; (*ii*) advances of public funds for the purposes set forth in this Agreement, such advances to be repaid as provided by such written agreement; or (*iii*) its personnel, equipment or property.

5.6.3 For the avoidance of doubt, nothing in this Agreement requires, nor shall the Authority for any reason ever require, that any Party adopt any local tax, assessment, fee or charge for the benefit of the Authority.

5.7 Obligations of the Authority. Unless otherwise agreed by the Parties, the debts, liabilities, and obligations of the agency shall not be the debts, liabilities, and obligations, either jointly or severally, of the members of the agency. A Party may, in its sole discretion, agree to assume one or more of the debts, liabilities, and obligations of the Authority if, and only if, such Party, with the approval of its governing body, agrees in writing to assume any such debts, liabilities, or obligation of the Authority.

SECTION 6: WITHDRAWAL AND TERMINATION

6.1 Right to Withdraw.

6.1.1 Right to Withdraw Prior to March 1, 2021. Except for the City of Irvine, a Party may withdraw from the Authority for any reason and without liability or cost prior to March 1, 2021 upon providing the Authority fifteen (15) days advance written notice.

6.1.2 Right to Withdraw After March 1, 2021. Except for the withdrawal provided for in Section 6.1.1, a Party may withdraw its membership in the Authority, effective as of the beginning of the Authority's fiscal year, by giving no less than one hundred eighty (180) days advance written notice of its election to do so, which notice shall be given to the Authority and each Party. Withdrawal of a Party shall require an affirmative vote of the Party's governing board. A Party that withdraws from the Authority pursuant to this subsection may be subject to certain continuing liabilities as described in this Agreement. The withdrawing Party and the Authority shall execute and deliver all further instruments and documents, and take any further actions as may be reasonably necessary to effectuate the orderly withdrawal of such Party.

6.2 Involuntary Termination. This Agreement may be terminated with respect to a Party for material non-compliance with provisions of this Agreement upon a two-thirds vote of the entire Board (excluding the vote of the Party subject to possible termination) taken in accordance with subsection 3.9.4.1. Prior to any vote to terminate this Agreement with respect to a Party, written notice of the proposed termination and the reason(s) for such termination shall be delivered

to the Party whose termination is proposed at least thirty (30) days prior to the regular Board meeting at which such matter shall first be discussed as an agenda item. The written notice of proposed termination shall specify the particular provisions of this Agreement that the Party has allegedly violated with supporting documentation. The Party subject to possible termination shall have the opportunity at the next regular Board meeting following the expiration of the thirty-day (30) day notice period to respond to any reasons and allegations that may be cited as a basis for termination. The Party's response shall be evaluated at a public meeting prior to a vote regarding termination. A Party that has had its membership in the Authority terminated may be subject to certain continuing liabilities, as described in subsection 6.3. If the Board votes to terminate a Party's membership in the Authority, the effective date of the termination shall be scheduled by the Board, in its reasonable discretion, to ensure adequate time for the transition of the terminated Party's CCA Program customers to another electricity provider. The Parties expressly intend, agree and acknowledge that a Board action to terminate a Party's membership in the Authority shall be upheld so long as it is not arbitrary and capricious, and is supported by substantial evidence.

6.3 Continuing Liability; Refund. Upon a withdrawal of a Party under subsection 6.1.2 or involuntary termination of a Party under subsection 6.2, the Party shall be responsible for any claims, demands, damages, or liabilities attributable to the Party through the effective date of its withdrawal or involuntary termination. Such Party also shall be responsible liable to the Authority for (a) any damages, losses, or costs incurred by the Authority which result directly from the Party's withdrawal or termination, including, but not limited to, costs arising from the resale of capacity, electricity, or any attribute thereof no longer needed to serve such Party's load, and removal of customers from the CCA Program resulting from the withdrawal or termination of the Party; and (b) any costs or obligations associated with the Party's participation in any program in accordance with the program's terms, provided such costs or obligations were incurred prior to the withdrawal of the Party. Except as otherwise specified, such Party shall not be responsible for any claims, demands, damages, or liabilities commencing or arising after the effective date of the Party's withdrawal or involuntary termination. From and after the date a Party provides notice of its withdrawal or is terminated, the Authority shall reasonably and in good faith seek to mitigate any costs and obligations to be incurred by the withdrawing or terminated Party under this subsection through measures reasonable under the circumstances; provided, however, that this obligation to mitigate does not impose any obligation on the Authority to transfer any cost or obligation directly attributable to the membership and withdrawal or termination of the withdrawing or terminated Party to the ratepayers of the remaining Parties. Further the liability of the withdrawing or terminated Party shall be based on actual costs or damages incurred by the Authority and shall not include any penalties or punitive charges imposed by the Authority. The Authority may withhold funds otherwise owing to the Party or may require the Party to deposit sufficient funds with the Authority, as reasonably determined by the Authority, to cover the Party's liability for the costs described above. The withdrawing or terminated Party agrees to pay any such deposit determined by the Authority in consultation with a third party audit firm. Any amount of the withdrawing or terminated Party's funds held on deposit with the Authority above that which is required to pay any liabilities or obligations shall be returned to that Party. In the implementation of this subsection 6.3, the Parties intend, to the maximum extent possible, without compromising the viability of ongoing Authority operations, that any claims, demands, damages, or liabilities covered hereunder, be funded from the rates paid by CCA Program customers located within the

service territory of the withdrawing Party, and not from the general fund of the withdrawing Party itself. The liability of a withdrawing Party under this subsection shall be only to the Authority and not to any other Party.

6.4 Termination of Agreement. This Agreement may be terminated by vote of the Board in accordance with subsection 3.9.4.1, or by mutual agreement of all the Parties approved by majority votes of their respective governing bodies. provided, however, that this subsection shall not be construed as limiting the rights of a Party to withdraw in accordance with Section 6.

6.5 Disposition of Authority Assets Upon Termination of Agreement. Upon termination of this Agreement, any surplus money or assets in possession of the Authority for use under this Agreement, after payment of all liabilities, costs, expenses, and charges incurred by the Authority, shall be returned to the then-existing Parties in proportion to the contributions made by each.

SECTION 7: MISCELLANEOUS PROVISIONS

7.1 Dispute Resolution. The Parties and Authority shall make efforts to settle all disputes arising out of or in connection with this Agreement. Before exercising any remedy provided by law, a Party or Parties and the Authority shall engage in nonbinding mediation in the manner agreed to by the Party or Parties and the Authority. In the event that nonbinding mediation does not resolve a dispute within one hundred twenty (120) days after the demand for mediation is made, any Party or the Authority may pursue any all remedies provided by law.

7.2 Liability of Directors, Officers, and Employees. The Directors, officers, and employees of the Authority shall use ordinary care and reasonable diligence in the exercise of their powers and in the performance of their duties pursuant to this Agreement. No current or former Director, officer, or employee will be responsible for any act or omission by another Director, officer, or employee. The Authority shall defend, indemnify, and hold harmless the individual current and former Directors, officers, and employees for any acts or omissions in the scope of their employment or duties in the manner provided by California Government Code § 995 *et seq.* Nothing in this subsection shall be construed to limit the defenses available under the law to the Parties, the Authority, or its Directors, officers, or employees.

7.3 Indemnification. The Authority shall acquire such insurance coverage as the Board deems necessary to protect the interests of the Authority, the Parties, and the Authority's ratepayers. The Authority shall indemnify, defend, and hold harmless the Parties and each of their respective board members or council members, officers, agents, and employees, from any and all claims, losses, damages, costs, injuries, and liabilities of every kind to the extent arising directly or indirectly from the conduct, activities, operations, acts, and omissions of the Authority under this Agreement.

7.4 Assignment. The rights and duties of a Party may not be assigned or delegated without the advance written consent of all other Parties. Any attempt to assign or delegate such rights or duties without express written consent of all other Parties shall be null and void. This Agreement shall inure to the benefit of, and shall be binding upon, the successors and assigns of the Parties. This subsection does not prohibit a Party from entering into an independent agreement

with another entity regarding the financing of that Party's contributions to the Authority (if any), or the disposition of proceeds which that Party receives under this Agreement, so long as such independent agreement does not affect, or purport to affect, the rights and duties of the Authority or the Parties under this Agreement.

7.5 Severability. If any part of this Agreement is held, determined, or adjudicated to be illegal, void, or unenforceable by a court of competent jurisdiction, the remainder of this Agreement shall be given effect to the fullest extent reasonably possible.

7.6 Further Assurances. Each Party agrees to execute and deliver all further instruments and documents, and take any further action that may be reasonably necessary to effectuate the purposes of this Agreement.

7.7 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute but one and the same instrument.

7.8 Notices. Any notice authorized or required to be given pursuant to this Agreement shall be validly given if served in writing either personally, by deposit in the United States mail, first class postage prepaid with return receipt requested, or by a recognized courier service to the addresses specified on Exhibit A. Notices given (a) personally or by courier service shall be conclusively deemed received at the time of delivery and receipt and (b) by mail shall be conclusively deemed given 48 hours after the deposit thereof (excluding Saturdays, Sundays and holidays) if the sender receives the return receipt. All notices shall be addressed to the office of the clerk or secretary of the Authority or Party, as the case may be, or such other person designated in writing by the Authority or Party. Notices given to one Party shall be copied to all other Parties. Notices given to the Authority shall be copied to all Parties.

[Signature to Follow on Next Page]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as evidenced by the signatures below

MEMBER AGENCY:

CITY OF IRVINE

By: _____
Name:
Title:
Dated: _____, 2020

Approved as to Form:

_____
City Attorney

Approved as to Form:

_____
Special Counsel

CITY OF HUNTINGTON BEACH

_____
Mayor

_____
City Clerk

REVIEWED AND APPROVED

_____
City Manager

Approved as to Form

_____
City Attorney MV

CITY OF FULLERTON

By: _____
Name:
Title:
Dated: _____, 2020

Approved as to Form:

_____
City Attorney

EXHIBIT A
LIST OF PARTIES

Founding Members:

City of Irvine
1 Civic Center Plaza
Irvine, CA 92606

City of Fullerton
303 W. Commonwealth Ave.
Fullerton, CA 92832

City of Huntington Beach
2000 Main Street
Huntington Beach, CA 92648

EXHIBIT B
ANNUAL ENERGY USAGE BY JURISDICTION

	2019 Annual Load GWh[1]
City of Buena Park[2]	450
City of Fullerton	676
City of Huntington Beach	1,046
City of Irvine	1,937
City of Lake Forest	459
Total	**4,569**

1. Annual energy usage is preliminary data and has not been validated by Southern California Edison (SCE) at the time of execution of the Agreement. This Exhibit will be updated without requiring an amendment of the Agreement upon SCE validation of the data.

2. City's 2019 annual load is an estimated value that may change pending preliminary and validated data from SCE.

EXHIBIT C
PARTY VOTING SHARES

	Estimated Voting Share[1]
City of Buena Park	9.8%
City of Fullerton	14.8%
City of Huntington Beach	22.9%
City of Irvine	42.4%
City of Lake Forest	10.0%
Total	**100.0%**

1. Estimated Voting Share is based on Exhibit B (Annual Energy Usage by Jurisdiction). Annual energy usage is preliminary data and has not been validated by Southern California Edison (SCE) at the time of execution of the Agreement. This Exhibit will be updated without requiring an amendment of the Agreement upon SCE validation of the data.

EXHIBIT D
FORM OF CAPITAL LOAN AGREEMENT

AGREEMENT BETWEEN THE CITY OF IRVINE AND THE ORANGE COUNTY POWER AUTHORITY FOR THE ADVANCE OF FUNDS FOR IMPLEMENTATION OF A COMMUNITY CHOICE ENERGY PROGRAM

This Agreement, effective _____ ("**Effective Date**"), is by and between the CITY OF IRVINE, a municipal corporation and charter city ("**City**"), and the ORANGE COUNTY POWER AUTHORITY, a California joint powers authority ("**Authority**"), for the purpose of stating the terms for an advance of funds from the City to be repaid to City by the Authority as provided herein. City and Authority shall be referred to individually as a "**Party**" collectively as the "**Parties.**"

RECITALS

A. On _____, the Authority was formed by participating Orange County cities, including the City, to administer a community choice aggregation ("**CCA**") program within the jurisdictional boundaries of its members in Orange County.

B. Prior to formation of the Authority, the City funded a feasibility study, peer review, and other activities necessary to evaluate the feasibility and implementation of a CCA program. The City also funded certain costs to form the Authority and implement the CCA program for itself and the Authority's founding members.

C. As expressly stated in that certain document entitled, *Orange County Power Authority Joint Powers Agreement*, at Section 5.5, which is incorporated herein by this reference, it was agreed upon by the parties thereto that the City would be reimbursed by the Authority for all costs regarding the feasibility and implementation of the CCA program, contingent upon the Authority's launch of the CCA program.

D. The City estimates that its costs to study, form and implement the Authority are $250,000, which include, but are not limited to, costs for its feasibility study, peer review, City staffing, legal costs, member and stakeholder outreach, and formation of the Authority ("**Formation Costs**").

E. The City estimates that the Authority will need approximately $2,500,000 for working capital to pay for implementation costs through a projected launch of the CCA program in 2022 ("**Pre-Launch Costs**").

F. The City further estimates that the Authority will need up to an additional $8,000,000 to $20,000,000 in the form of a credit facility for operational support and power procurement as well as other cash flow needs, and that any such credit facility may require cash collateral from an Authority member between $2,000,000 to $5,000,000 ("**Launch Costs**").

G. The Parties desire to enter into this Agreement to document the Authority's repayment obligations to the City for all such funds expended on behalf of, or in support of, the formation of the Authority and implementation of the CCA program.

AGREEMENT

NOW THEREFORE, in consideration of their mutual promises and obligations, the Parties hereby agree as follows:

1. City Loan to the Authority.

1.1. Formation Costs. The Authority acknowledges that the City has expended certain City funds toward Formation Costs and agrees to reimburse the City for such costs in an amount not to exceed $250,000 dollars, subject to the repayment provisions herein.

1.2. Pre-Launch Costs. The City agrees to loan the Authority Pre-Launch Costs in the amount of $2,500,000 by January 1, 2021, which shall be used by the Authority for working capital costs associated with the Authority's launch, anticipated in 2022.

1.3 Launch Costs. The City agrees to post the necessary cash collateral, not to exceed $5,000,000, in order for the Authority to secure a credit facility for its Launch Costs for additional working capital associated with power procurement and operational support ("**Credit Agreement**"). The City will also provide a loan for Launch Costs if needed by the Authority should a Credit Agreement be unavailable or insufficient to cover the Authority's working capital needs. The terms and conditions of any City loan to the Authority for Launch Costs (excluding the cash collateral requirement above) shall be negotiated and agreed upon in an amendment to this Agreement, subject to the reasonable approval of the Parties. The Authority shall provide the City with the Authority's *pro forma* demonstrating the amount needed for the aforementioned City loan.

1.4. City Loan Amount. Formation Costs, Pre-Launch Costs, and Launch Costs shall be collectively referred to herein as "**City Loan Amount.**"

2. Repayment; Interest.

2.1 Repayment Date. The Authority shall repay the City Loan Amount to City, plus interest, no later than the repayment date, which shall be January 1, 2027. The Parties acknowledge that they may modify the Repayment Date for the Launch Costs in an amendment to this Agreement depending on the terms and conditions of the Credit Agreement.

2.2 Interest Rate. In accordance with subsection 2.3, interest shall be paid on all outstanding portions of the City Loan Amount that bear interest. The interest rate on any outstanding amount shall be calculated according to the sum of the following calculation of each respective quarter:

Principal x Quarterly Interest Rate x (No. of Days in Quarter/No. of Days in Year)

Where "**Principal**" is the relevant funding of the City Loan Amount as described herein; "**Quarterly Interest Rate**" is the gross earnings for the respective quarter as reported in the City of Irvine Treasurer's monthly investment report found on the Treasurer's website https://www.cityofirvine.org/administrative-services-department/investment-policies-and-reports "**No. of Days in Quarter**" is the sum of days of each month that make up each respective quarter; and "**No. of Days in Year**" is 365, except in leap years, in which the number of days in the year shall be 366.

The City Loan Amount shall bear interest as follows:

a. Formation Costs shall bear no interest whatsoever and shall be repaid to City as reimbursement for out-of-pocket expenses by the Repayment Date.

b. Pre-Launch Costs shall bear interest beginning January 1, 2021 through the Repayment Date as estimated and set forth on Exhibit A, attached hereto.

c. Launch Costs for the City's collateral associated with the Credit Agreement shall bear interest beginning on the effective date of the Credit Agreement. Launch Costs for amendment to this Agreement, as set forth in subsection 1.3, through the Repayment Date.

In the event the City Loan Amount, along with any and all interest owed pursuant to this Section 2, are not repaid by the Repayment Date, any such amounts that remain outstanding shall accrue interest at the rate specified by law for prejudgment interest.

3. City Liability; Hold Harmless; Indemnification.

3.1 City Liability. The Authority acknowledges and agrees that by lending said funds to the Authority, the City does not assume any debt, liability, obligation, or duty whatsoever with respect to the Authority's operations, liabilities, business, or transactions.

3.2. Hold Harmless/Indemnification. The Authority shall hold harmless, indemnify and defend the City, its elected officials, officers, employees, and agents from and against any and all claims, suits or actions of every kind which arise out of the performance or nonperformance of the Authority's covenants, responsibilities, and obligations under this Agreement, and which result from the negligent or wrongful acts of the Authority or its board members, officers, employees, or agents. City shall hold harmless, indemnify and defend the Authority, its board members, officers, employees and agents from and against any and all claims, suits or actions of any kind which arise out of the performance or non-performance of the City's covenants, responsibilities and obligations under this Agreement and which result from the negligent or wrongful acts of the City or its elected officials, officers, employees or agents. In the event of concurrent negligence of the City, its officer or employees, and the Authority, its officers and employees, the liability for any and all claims for injuries or damages to persons

and/or property or any other loss or costs which arise out of the terms, conditions, covenants or responsibilities of this Agreement shall be apportioned according to the California theory of comparative negligence.

4. General Provisions.

4.1. Audit. Prior to January 1, 2023, the City may audit the Authority's expenditure of Pre-Launch Costs to confirm that such expenditures have been made consistent with the purposes of this Agreement.

4.2 Waiver. The waiver by City or Authority of any term, covenant, or condition herein contained shall not be deemed to a waiver of such term, covenant, or condition or any subsequent breach of the same or any other term, covenant, or condition herein contained.

4.2. Successors and Assigns/Assignment. The terms of this Agreement shall apply and bind the heirs, successors, executors, administrators and assigns of the Parties. No Party may assign this Agreement without the express written consent of the other Party, which shall not be unreasonably withheld.

4.3. Entirety/Amendment. This Agreement contains the entire understanding between the Parties relating to the obligations of the Parties described herein. No provision of this Agreement may be amended or added to except by an agreement in writing signed by the Parties or their respective successors in interest. This Agreement shall not be effective or binding until fully executed by both Parties.

4.4. Venue & Choice of Law. This Agreement shall be governed by and construed under the laws of the State of California. In the event of any legal action to enforce or interpret this Agreement, the sole and exclusive venue shall be a court of competent jurisdiction located in Orange County, California.

4.5. Independent Entities. This Agreement is by and between two independent entities and is not intended to and shall not be construed to create the relationship of agent, servant, employee, partnership, joint venture, joint employer, or association.

4.6. Authority to Execute Agreement. The Parties each warrant that they have the authority to execute this Agreement and that all actions have occurred, and all necessary approvals or consents have been obtained to allow each party to enter into this Agreement.

4.7. Notices. All notices provided for herein shall be in writing and shall be delivered to the appropriate parties as provided below:

For City: Attn: City Manager
City of Irvine
1 Civic Center Plaza
Irvine, CA 92606

For Authority: TBD

//

IN WITNESS WHEREOF, Authority and City have executed this Agreement on the date set forth below.

CITY OF IRVINE

Date: _____

By: _____

Title: _____

Approved as to Form:

_____
City Attorney

ORANGE COUNTY POWER AUTHORITY

Date: _____

By: _____

Title: _____

Approved as to Form:

_____
General Counsel

EXHIBIT A
PRE-LAUNCH COSTS INTEREST SCHEDULE

Loan Borrower	Orange County Power Authority	
Loan Amount/Pre-Launch	$2,500,000	
Loan Start Date	1/1/2021	
Loan Maturity Date	1/1/2027	
Estimated Interest Rate	1.75%	See Note on Interest Rate

	Period Interest	Cumulative Interest
3/31/2021	10,787.67	$10,787.67
6/30/2021	10,907.53	21,695.21
9/30/2021	11,027.40	32,722.60
12/31/2021	11,027.40	43,750.00
3/31/2022	10,787.67	54,537.67
6/30/2022	10,907.53	65,445.21
9/30/2022	11,027.40	76,472.60
12/31/2022	11,027.40	87,500.00
3/31/2023	10,787.67	98,287.67
6/30/2023	10,907.53	109,195.21
9/30/2023	11,027.40	120,222.60
12/31/2023	11,027.40	131,250.00
3/31/2024	10,877.73	142,127.73
6/30/2024	10,877.73	153,005.46
9/30/2024	10,997.27	164,002.73
12/31/2024	10,997.27	175,000.00
3/31/2025	10,787.67	185,787.67
6/30/2025	10,907.53	196,695.21
9/30/2025	11,027.40	207,722.60
12/31/2025	11,027.40	218,750.00
3/31/2026	10,787.67	229,537.67
6/30/2026	10,907.53	240,445.21
9/30/2026	11,027.40	251,472.60
12/31/2026	11,027.40	$262,500.00
	Pre-Launch Loan	$2,500,000.00
	Total Due 1/1/2027	$2,762,500.00

Note: Interest Rate is based on the average of last six months of interest earned on the City's investment portfolio.

ORDINANCE NO. 4227

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF HUNTINGTON BEACH AUTHORIZING THE IMPLEMENTATION OF A COMMUNITY CHOICE AGGREGATION PROGRAM

The City Council of the City of Huntington Beach does hereby ordain as follows:

SECTION 1. FINDINGS.

1. The City of Huntington Beach has been actively investigating options to provide electric services to constituents within its service area with the intent of achieving greater local involvement over the provisions of electric services and promoting competitive retail choice.

2. Assembly Bill 117 (Stat. 2002, ch. 838; see California Public Utilities Code § 366.2 *et seq.*; hereinafter referred to as the "Act") authorizes any California city or county, whose governing body so elects, to combine the electricity load of its residents and businesses in a community-wide electricity aggregation program known as Community Choice Aggregation ("CCA")

3. The Act expressly authorizes participation in a CCA program through a joint powers agency, and to this end, the City of Huntington Beach has been evaluating a countywide CCA program.

4. Through Docket No. R.03-10-003, the California Public Utilities Commission ("Commission") has issued various decisions and rulings addressing the implementation of CCA programs, including establishing a procedure by which the Commission will review implementation plans, which are required to be submitted under the Act as the means of describing the CCA program and ensuring compliance with the Act.

5. The City has elected to form a joint powers authority that would specify the terms and conditions by which participants may participate as a group in energy programs, including, but not limited to, the implementation of a CCA program with the following benefits:

    a. Providing customers a choice of power providers;
    b. Increasing local control over energy rates and other energy-related matters;
    c. Providing electric rates that are competitive with those provided by the incumbent utility;
    d. Improving the local economy by increasing local and regional renewable generation capacity and energy conservation and efficiency projects and programs;
    e. Increasing regional energy self-sufficiency; and
    f. Reducing greenhouse gas emissions arising from electricity use in the City.

6. The Joint Powers Agreement creating the Authority will govern and operate the CCA program on behalf of its member jurisdictions. The City may participate in the Authority by approving the execution of the Joint Powers Agreement and adoption of a CCA ordinance required by Public Utilities Code § 366.2(c)(12). The City's participation in the Authority will include membership on the Board of Directors of the Authority as provided in the Joint Powers Agreement.

7. The Authority will enter into agreements with electric power suppliers and other services providers and, based on these agreements, the Authority plans to provide power to residents and businesses at rates that are competitive with those of the incumbent utility. Once the Commission approves the implementation plan prepared by the Authority, the Authority may provide service to customers within the City and those cities that choose to participate in the Authority.

8. Under Public Utilities Code § 366.2, customers have the right to opt-out of a CCA program and continue to receive service from the incumbent utility. Customers who desire to continue to receive service from the incumbent utility will be able to do so at any time.

9. On December 10, 2020 the City Council held a public meeting at which time interested persons had an opportunity to testify either in support or in opposition to implementation of the CCA program within the City.

10. This ordinance is exempt from the requirements of the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines, as it is not a "project" and has no potential to result in a direct or reasonably foreseeable indirect physical change to the environment because it is merely the formation of an organization. 14 Cal. Code Regs. § 15378(a). The ordinance is also exempt from CEQA because it is an organizational or administrative activity of governments that will not result in direct or indirect physical change in the environment. 14 Cal. Code Regs. § 15378(b)(5). The ordinance is also exempt from CEQA because it is merely a change in organization of local agencies. 14 Cal. Code Regs. § 15320. Further, the ordinance is exempt from CEQA because there is no possibility that the ordinance or its implementation, which would only result in the formation of a governmental organization, would have a significant negative effect on the environment. 14 Cal. Code Regs. § 15061(b)(3). The City Manager shall cause a Notice of Exemption to be filed as authorized by CEQA and the State CEQA Guidelines.

SECTION 2. AUTHORIZATION TO IMPLEMENT A COMMUNITY CHOICE AGGREGATION PROGRAM. Based upon the foregoing, and in order to provide businesses and residents within the City with a choice of power providers, the City hereby elects to implement a community choice aggregation program within the jurisdiction of the City by participating in the CCA program of the Authority, as described in the Joint Powers Agreement.

SECTION 3. SEVERABILITY. If any section, subsection, sentence, clause, phrase or portion of this ordinance is held for any reason to be invalid or unconstitutional by a decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining

portions of this ordinance. The City Council hereby declares that it would have adopted this ordinance and each section, subsection, clause, phrase or portion thereof, irrespective of the fact that any one or more sections, subsections, sentences, clauses, phrases or portions be declared invalid or unconstitutional.

SECTION 4. EFFECTIVE DATE. That this Ordinance shall become effective thirty (30) days after its adoption.

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Huntington Beach on this _____ day of _____, 2020

_____
Mayor

REVIEWED AND APPROVED:

_____
City Manager

APPROVED AS TO FORM:

_____
City Attorney

INITIATED AND APPROVED:

_____
Assistant City Manager

RESOLUTION NO. 2020-87

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HUNTINGTON BEACH APPROVING THE ORANGE COUNTY JOINT POWERS AGREEMENT AND AUTHORIZING THE IMPLEMENTATION OF A COMMUNITY CHOICE AGGREGATION PROGRAM

The City of Huntington Beach has been actively investigating options to provide electric services to constituents within its service area with the intent of providing rate savings and consumer choice, encouraging adoption of renewable energy, reducing energy consumption, fostering local control, and providing Huntington Beach residents and businesses with alternatives to Southern California Edison Company ("SCE"); and

On September 24, 2002, the Governor signed into law Assembly Bill 117 (Migden, 2002; codified at California Public Utilities Code § 366.2; hereinafter referred to as the "Act"), which authorizes any California city or county, whose governing body so elects, or cities or counties through a joint powers authority, to combine the electricity load of its residents and businesses in a community-wide electricity aggregation program known as Community Choice Aggregation (CCA); and

On November 20, 2020, the Orange County Power Authority ("Authority") was established as a joint powers authority pursuant to that certain document entitled *Orange County Power Authority Joint Powers Agreement*, as amended from time to time ("Agreement"); and

The City of Huntington Beach is committed to the purposes of the Orange County Power Authority; and

Electricity in Huntington Beach is currently generated and provided by SCE and there is not presently an alternative provider in the City; and

The City finds it important that its customers – residents, businesses, and public facilities – have alternative choices to energy procurement beyond SCE; and

In order to become a member of the Authority, the Agreement requires the City to adopt a resolution electing to implement a Community Choice Aggregation program within its jurisdiction by and through its participation in the Authority.

NOW, THEREFORE, the City Council of the City of Huntington Beach resolves as follows:

Section 1. Based upon the foregoing recitals, the City of Huntington Beach City Council elects to implement a Community Choice Aggregation program within the City of Huntington Beach's jurisdiction by and through the City of Huntington Beach's participation in the Authority. The City Manager is hereby authorized to execute the Agreement.

Section 2. If any section, subsection, subdivision, sentence, clause, phrase, or portion of this Resolution for any reason is held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Resolution. The City Council hereby declares that it would have adopted this Resolution, and each section, subsection, subdivision, sentence, clause, phrase, or portion thereof, irrespective of the fact that any one or more sections, subsections, subdivisions, sentences, clauses, phrases, or portions thereof be declared invalid or unconstitutional.

Section 3. This resolution shall take effect on the date the Board of Directors of the Authority approves adding the City of Huntington Beach as a member.

Section 4. The City Clerk shall certify the adoption of this Resolution.

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Huntington Beach on this _____ day of _____, 2020.

_____
Mayor

REVIEWED AND APPROVED:

_____
City Manager

INITIATED AND APPROVED:

_____
Assistant City Manager

APPROVED AS TO FORM:

_____
City Attorney NW

EES Consulting
a GDS Associates Company

DRAFT
Amber Nyquist, Manager
amber.nyquist@gdsassociates.com
direct 425-655-1042
cell 360-319-7946

November 12, 2020

TO: Mark Steuer

FROM: Gary Saleba; Amber Nyquist

SUBJECT: OC CCA Preliminary Proforma

CC: Jeff Melching, Ryan Baron

Introduction

EES has updated the preliminary 10-year financial *pro forma* for the proposed Orange County CCA (OC CCA) joint powers authority. The update modifies several assumptions including incorporating preliminary load data provided by SCE for each potential city participant, and recent CPUC filings informing rate and power costs. Upon receiving the final SCE load data and 2021 PCIA, this *pro forma* will be updated by December 31, 2020 and used to draft an Implementation Plan and obtain necessary financing. Key assumptions and updates for this version of the *pro forma* are summarized below.

1. SCE provided preliminary 2019 load data for the following 7 cities: Irvine, Santa Ana, Huntington Beach, Fullerton, Costa Mesa, Lake Forest and Villa Park. This data was analyzed for reasonableness and used as the basis for the load forecasts. Impacts from COVID are not modeled.
2. There will be a phased launch of the JPA as is customary for all CCAs. Non-residential customers (commercial & industrial) are assumed to begin taking CCA service in April 2022 and residential customers will take service beginning October 2022. The later launch of residential customers significantly reduces the costs of resource adequacy and cash for working capital requirements.
3. 2020 SCE generation and delivery rates have been updated based on current SCE 2020 filings at the CPUC, including SCE's preliminary 2021 Energy Resource Recovery Account ("ERRA") filing. SCE's ERRA filing projects the following year's fuel and energy purchase costs. SCE generation rates for 2021 are estimated to increase by 3%.
4. The PCIA is based on SCE's draft 2021 ERRA filing ($0.0161/kWh filed in July 2020) where the 2021 vintage PCIA is increased by the $0.005/kWh cap in 2022 and increased annually at 5%. Final 2021 Vintage PCIA rates may not be available until December 2020 or even early 2021 depending on the proceedings that have received protests from currently operating CCAs.
5. Power costs for market (SCE area), resource adequacy, long-term renewable and short-term renewable energy having been updated based on the Market Price Benchmarks forecast by the CPUC.[1] The benchmark calculations have resulted in a decrease in forecast power prices compared with the previous *pro forma*.

[1] Calculation of the Market Price Benchmarks for the Power Charge Indifference Adjustment Forecast and True Up. November 2, 2020. Pursuant to Decision (D.) 19-10-001, Energy Division issues the following values for the Power

6. Power supply is assumed to be 38.5% renewable at launch then increases to 60% by 2030 to meet State mandates.
7. Start-up costs are $2.5 million and repaid starting in 2026 over a 3-year period. This assumption is made to comport with anticipated lending covenants.
8. Cash working capital requirements are estimated at $8-$17 million depending on the participation scenario. This cash working capital requirement is repaid over 5 years from launch.
9. It is assumed that the CCA employs 5 full time staff at launch ramping up to 10 full time staff in 2023.

These updates and assumptions are described in more detail below.

Load Forecast

The OC CCA load forecast is based on preliminary 2019 usage for bundled customers (i.e. direct access customers are excluded). Participation rates of 90% are applied to non-residential customers and 95% participation rates are applied to residential customers. Table 1 summarizes the load and service account forecasts for 3 CCA scenarios. Note that the three scenarios have been modified and include only cities for which SCE provided data.

TABLE 1

OC CCA LOAD FORECAST **PRELIMINARY**

	Scenario 1 Irvine and Fullerton		Scenario 2 Scenario 1 + Huntington Beach and Costa Mesa		Scenario 3 Scenario 2 + Santa Ana, Lake Forest, and Villa Park	
	Load GWh/Year	Service Accounts	Load GWh/Year	Service Accounts	Load GWh/Year	Service Accounts
2022	1,441	174,919	2,336	303,901	3,317	418,990
2023	2,442	176,006	4,024	305,790	5,694	421,594
2024	2,457	177,098	4,049	307,686	5,729	424,208
2025	2,472	178,196	4,074	309,593	5,765	426,838
2026	2,488	179,301	4,099	311,513	5,801	429,485
2027	2,503	180,412	4,125	313,444	5,837	432,148
2028	2,519	181,531	4,150	315,387	5,873	434,827
2029	2,534	182,656	4,176	317,343	5,910	437,523
2030	2,550	183,789	4,202	319,310	5,946	440,235
2031	2,566	184,928	4,228	321,290	5,983	442,965

Charge Indifference Adjustment (PCIA) Forecast and True Up to be used as inputs in utilities 2020 Energy Resource Recovery Account (ERRA) Forecast Updates in early November 2020.

Power Costs

The largest expense item for a CCA is power supply costs. The power cost forecast assumes OC CCA meets California renewables portfolio standard (RPS) requirements, purchases resource adequacy consistent with California Public Utilities Commission (CPUC) requirements and meets requirements for all other applicable regulations. Total all-in RA prices range from $5/kW-month in winter to $11/kW-mo in summer months. The weighted average annual RA prices is approximately $7.50/kW-month. For reference, the market price benchmark shows that 2021 forecast is $6.37/kW-mo for local RA, which is the highest price RA product. Thus, the RA forecast used both reflects current trends and is conservatively high.

Market purchases are priced around $38/MWh (all hours), and short-term renewables are an additional $14.49/MWh (PCC1 RECs) per the market price benchmark. PCC2 RECs are priced at an additional $6/MWh. Carbon free energy is priced as an adder of $6/MWh. In addition to these costs, OC CCA will have CAISO costs of approximately $3.90/MWh for transmission related services. Starting in 2021, OC CCA will need to procure 65% of the State mandated RPS from contracts that are 10 years or longer. Recent long-term contracts have been signed by CCAs for $20-$34/MWh. The *pro forma* assumes OC CCA will be able to purchase these contracts for $30/MWh which would include a mix of solar, wind, and solar plus storage. This price for long-term renewable power is also conservatively high.

Staffing, Consulting, and Overhead

Consultant costs were updated to reflect recent consultant agreements negotiated by CCAs with their service providers. Upfront consulting costs for 2021 consist of legal/regulatory assistance, administration, marketing and outreach, financial services, technical consultants and initial CCA staff hires.

Staffing costs include salary and benefits for an Executive Director beginning in 2021, Executive Secretary beginning in April 2021, for a total of 5 full time staff members beginning in March 2022 ramping up to 10 full time staff members by January 2023. It should be noted that CCA staff do not typically participate in the State Cal PERS retirement program. Rather, they are offered a traditional 401k-type of retirement program.

Start-Up Cost Estimates

The amount needed prior to program launch varies depending on the size of the CCA. Table 3 below provides a range of estimated costs based on small, medium, and large CCA scenarios. The *pro forma* assumes $2.5 million in start-up costs (medium scenario). The actual cost will depend on decisions made by the JPA board and Executive Director such as timing of staff ramp-up, phased launch approach, office space, and any unforeseen changes in implementation due to SCE operational issues with billing and data management.

TABLE 3

OC CCA START-UP COST ESTIMATES **PRELIMINARY**

Task	Small (City-Only)	Medium (2 – 10 Members)	Large (20 → Members)
Solicit Members/Initial Outreach	$0	$50,000	$150,000
Form JPA	$0	$100,000	$200,000
CPUC Bond	$100,000	$140,000	$100,000
SCE Deposit	$200,000	$200,000	$200,000
Consultants			
Legal	$150,000	$400,000	$1,200,000
Technical	$30,000	$400,000	$1,000,000
Financial Advisor	$10,000	$150,000	$250,000
Marketing/Outreach	$10,000	$200,000	$200,000
CCA Staffing	$200,000	$550,000	$900,000
Infrastructure	$0	$300,000	$500,000
Total 18-Month Cash Outlay	**$700,000**	**$2,490,000**	**$4,700,000**

Debt Service

Two debt service payments are assumed. The first is for $2.5 million in start-up costs. Repayment of this loan begins in 2025 and will conclude in 3 years. In addition, a total of $8-17 million will be needed to bridge the gap in cash for working capital depending on participation Scenario. This amount is assumed to be financed over 5 years with repayment beginning at program launch. Operating CCAs have typically repaid these in 3-5 years. Table 4 shows the cash needs by participation Scenario.

TABLE 4

FINANCING NEEDS **PRELIMINARY**

Participation Scenario	Start-Up Costs, Millions	Cash for Working Capital, Millions
Scenario 1	$2.5	$8
Scenario 2	$2.5	$12
Scenario 3	$2.5	$17

PCIA

As noted in the introduction and key assumptions, the 2021 vintage PCIA for SCE has not yet been determined for 2021, and it is not likely to be known until December 2020 at the earliest. Therefore, the 2021 vintage PCIA is modeled based on an expected level and a high level. The expected level is based on the initial 2021 ERRA filing made by SCE on July 1, 2020. The average 2021 vintage PCIA across all customer classes is $0.0161/kWh.[2] In subsequent filings, this amount has been estimated at $0.0146/kWh[3] based on revenue collection made during the August heat wave. The higher figure of $0.0161/kWh is used as

[2] Protest of Clean Power Alliance and California Choice Energy Authority to the Application of Southern California Edison. August 5, 2020. Table 1.

[3] Joint Opening Brief of the Clean Power Alliance and California Choice Energy Authority (the "SoCal CCAs") and the California Community Choice Association. October 26, 2020. Table 3.

the expected PCIA for the 2021 vintage PCIA. This value is increased by the full $0.005/kWh cap for the 2022 calendar year and 5% annually after.

OC CCA Revenues

Retail rate revenues are calculated based on forecast SCE generation rates and PCIA by class. OC CCA revenue is calculated based on an assumed 4% discount off the SCE generation rate. This translates to a 2% total discount off a CCA customer's total electric bill.

Summary

It is anticipated the OC CCA will be able to repay the start-up and working capital loans within 5-7 years and likely sooner. OC CCA will build financial reserves over the first 5-7 years of 120 days of operating expenses ($50M - $120M) depending on participation Scenario, and subject to JPA Board direction. After debt service is repaid, it is estimated that a significant amount of net income will be available to OC CCA for customer programs or additional rate discounts. All assumptions will need to be updated before the *pro forma* can populate the OC CCA Implementation Plan. In particular, the PCIA in SCE's 2021 ERRA filings must be finalized and incorporated into the final *pro formas*. EES is confident in level of all other *pro forma* estimates in that they are acceptably accurate for feasibility study purposes and overall, financially conservative.

EES Consulting
a GDS Associates Company

DRAFT

Amber Nyquist, Manager
amber.nyquist@gdsassociates.com
direct 425-655-1042
cell 360-319-7946

TABLE 5

SCENARIO 1 OC CCA PROFORMA, EXPECTED PCIA, ACCRUAL BASIS **PRELIMINARY**

Scenario 1: Irvine & Fullerton	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Revenues from Operations ($)											
Electric Sales Revenues for CCE	$0	$93,846,393	$157,945,554	$162,534,070	$161,599,939	$166,021,835	$170,803,823	$175,713,962	$180,755,248	$185,930,720	$195,027,587
Less Uncollected Accounts	$0	$469,232	$789,728	$812,670	$808,000	$830,109	$854,019	$878,570	$903,776	$929,654	$975,138
Total Revenues for CCA	$0	$93,377,161	$157,155,826	$161,721,400	$160,791,939	$165,191,726	$169,949,804	$174,835,393	$179,851,472	$185,001,067	$194,052,449
Cost of Operations ($)											
Block Energy Purchases		$49,382,486	$74,558,763	$73,649,078	$68,334,114	$66,182,771	$60,557,023	$58,190,726	$55,760,013	$53,982,334	$54,116,140
RPS Adders and Long-Term Energy		$9,218,686	$20,690,034	$21,632,286	$24,831,539	$28,066,204	$30,300,355	$32,723,119	$35,058,582	$36,845,261	$37,074,260
Resource Adequacy		$15,254,548	$26,759,096	$28,216,354	$29,869,761	$31,558,177	$33,342,032	$35,226,721	$37,217,943	$39,321,722	$41,544,418
Everything Else		$7,238,851	$12,244,142	$12,605,446	$13,059,536	$13,429,090	$14,463,461	$15,335,805	$16,212,180	$17,094,161	$17,944,952
Total Cost of Power Supply	$0	**$81,094,571**	**$134,252,035**	**$136,103,164**	**$136,094,950**	**$139,236,241**	**$138,662,870**	**$141,476,371**	**$144,248,719**	**$147,243,478**	**$150,679,771**
Operating & Administrative											
Data Management	$0	$502,232	$2,236,537	$2,295,447	$2,360,957	$2,423,143	$2,486,967	$2,552,473	$2,619,703	$2,688,705	$2,759,524
Scheduling Coordinator	$0	$340,000	$516,800	$527,136	$538,563	$549,334	$560,321	$571,527	$582,958	$594,617	$606,509
SCE Fees (includes billing)	$0	$4,827	$21,110	$21,241	$21,384	$21,517	$21,651	$21,785	$21,921	$22,057	$22,194
Consulting Services	$586,500	$993,582	$923,251	$941,716	$960,550	$979,761	$999,357	$1,019,344	$1,039,731	$1,060,525	$1,081,736
Staffing	$656,370	$1,248,010	$2,103,498	$2,166,460	$2,213,406	$2,257,674	$2,302,828	$2,348,884	$2,395,862	$2,443,779	$2,492,655
General & Administrative expenses	$24,480	$302,548	$207,682	$244,446	$249,743	$254,738	$259,833	$265,029	$270,330	$275,737	$281,251
Debt Service Payment on Financing	$0	$1,410,988	$1,693,185	$1,693,185	$2,222,305	$2,222,305	$811,318	$529,120	$529,120	$0	$0
Total O&A Costs	$1,267,350	$4,802,187	$7,702,062	$7,889,631	$8,566,908	$8,708,473	$7,442,274	$7,308,163	$7,459,625	$7,085,420	$7,243,869
Total Cost of Operations	$1,267,350	$85,896,758	$141,954,097	$143,992,795	$144,661,859	$147,944,714	$146,105,144	$148,784,534	$151,708,344	$154,328,898	$157,923,640
Net Income	($1,267,350)	$7,480,403	$15,201,729	$17,728,605	$16,130,081	$17,247,012	$23,844,660	$26,050,859	$28,143,128	$30,672,169	$36,128,809
Cash From Operations and Financing											
Net Income From Operations	($1,267,350)	$7,480,403	$15,201,729	$17,728,605	$16,130,081	$17,247,012	$23,844,660	$26,050,859	$28,143,128	$30,672,169	$36,128,809
Cash from Financing	$2,500,000	$8,000,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Cash Available	$1,232,650	$15,480,403	$15,201,729	$17,728,605	$16,130,081	$17,247,012	$23,844,660	$26,050,859	$28,143,128	$30,672,169	$36,128,809
Net Income Allocation											
Reserve Fund Contribution	$416,663	$15,480,403	$15,201,729	$17,728,605	$1,910,868	$0	$0	$0	$0	$0	$1,181,833
Money Available for Discretionary Programs	$475,987	$0	$0	$0	$14,219,213	$17,247,012	$23,844,660	$26,050,859	$28,143,128	$30,672,169	$34,946,976
Total Cash Outlays	$1,232,650	$0	$0	$0	$14,219,213	$17,247,012	$23,844,660	$26,050,859	$28,143,128	$30,672,169	$34,946,976
Rate Stabilization Reserve Balance	$416,663	$15,897,066	$31,098,795	$48,827,400	$50,738,268	$50,738,268	$50,738,268	$50,738,268	$50,738,268	$50,738,268	$51,920,101
Reserve Balance Target	$416,663	$28,240,030	$46,669,840	$47,340,097	$47,560,063	$48,639,358	$48,034,568	$48,915,463	$49,876,716	$50,738,268	$51,920,101
CCA Total Bill		$256,842,668	$462,479,175	$476,816,430	$485,985,463	$500,879,803	$516,519,071	$532,687,627	$549,405,539	$566,693,741	$584,127,374
SCE Total Bill		$262,149,083	$471,342,649	$486,011,849	$495,389,444	$510,801,172	$526,704,869	$543,116,626	$560,053,070	$577,531,385	$595,569,330
Difference		$5,306,415	$8,863,475	$9,195,419	$9,403,981	$9,921,369	$10,185,798	$10,428,999	$10,647,531	$10,837,643	$11,441,956
Total Bill Savings		2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Generation Rate Discount		4%	4%	4%	4%	4%	4%	4%	4%	4%	4%

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TABLE 6

SCENARIO 2 OC CCA PROFORMA, EXPECTED PCIA, ACCRUAL BASIS **PRELIMINARY**

Scenario 2: Irvine, Fullerton, Costa Mesa, Huntington Beach, with Expected PCIA											
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Revenues from Operations ($)											
Electric Sales Revenues for CCE	$0	$152,765,727	$261,771,065	$269,375,842	$268,178,337	$275,516,563	$283,452,367	$291,600,842	$299,966,956	$308,555,757	$323,652,189
Less Uncollected Accounts	$0	$763,829	$1,308,855	$1,346,879	$1,340,892	$1,377,583	$1,417,262	$1,458,004	$1,499,835	$1,542,779	$1,618,261
Total Revenues for CCA	$0	$152,001,899	$260,462,210	$268,028,963	$266,837,446	$274,138,980	$282,035,105	$290,142,838	$298,467,122	$307,012,978	$322,033,928
Cost of Operations ($)											
Block Energy Purchases		$80,128,068	$122,642,050	$121,058,894	$112,254,369	$108,682,176	$99,331,291	$95,325,887	$91,224,233	$88,199,357	$88,301,463
RPS Adders and Long-Term Energy		$14,938,156	$34,091,280	$35,643,761	$40,916,389	$46,246,522	$49,927,620	$53,919,447	$57,768,006	$60,712,542	$61,089,880
Resource Adequacy		$24,633,464	$43,879,284	$46,273,858	$48,980,120	$51,748,767	$54,673,913	$57,764,406	$61,029,593	$64,479,346	$68,124,101
Everything Else		$11,729,989	$20,175,539	$20,770,885	$21,541,750	$22,147,588	$23,832,467	$25,269,890	$26,713,955	$28,167,257	$29,569,165
Total Cost of Power Supply	$0	**$131,429,678**	**$220,788,153**	**$223,747,399**	**$223,692,627**	**$228,825,053**	**$227,765,292**	**$232,279,630**	**$236,735,786**	**$241,558,502**	**$247,084,609**
Operating & Administrative											
Data Management	$0	$879,112	$3,885,710	$3,988,057	$4,101,873	$4,209,914	$4,320,801	$4,434,608	$4,551,414	$4,671,296	$4,794,335
Scheduling Coordinator	$0	$340,000	$516,800	$527,136	$538,563	$549,334	$560,321	$571,527	$582,958	$594,617	$606,509
SCE Fees (includes billing)	$0	$8,450	$36,675	$36,903	$37,152	$37,383	$37,615	$37,849	$38,084	$38,321	$38,559
Consulting Services	$586,500	$993,582	$923,251	$941,716	$960,550	$979,761	$999,357	$1,019,344	$1,039,731	$1,060,525	$1,081,736
Staffing	$656,370	$1,248,010	$2,103,498	$2,166,460	$2,213,406	$2,257,674	$2,302,828	$2,348,884	$2,395,862	$2,443,779	$2,492,655
General & Administrative expenses	$24,480	$302,548	$207,682	$244,446	$249,743	$254,738	$259,833	$265,029	$270,330	$275,737	$281,251
Debt Service Payment on Financing	$0	$2,116,481	$2,539,778	$2,539,778	$3,068,898	$3,068,898	$952,417	$529,120	$529,120	$0	$0
Total O&A Costs	$1,267,350	$5,888,183	$10,213,393	$10,444,496	$11,170,185	$11,357,703	$9,433,171	$9,206,362	$9,407,499	$9,084,274	$9,295,045
Total Cost of Operations	$1,267,350	$137,317,860	$231,001,546	$234,191,895	$234,862,812	$240,182,756	$237,198,462	$241,485,992	$246,143,285	$250,642,776	$256,379,654
Net Income	($1,267,350)	$14,684,038	$29,460,664	$33,837,067	$31,974,633	$33,956,225	$44,836,643	$48,656,845	$52,323,837	$56,370,202	$65,654,274
Cash From Operations and Financing											
Net Income From Operations	($1,267,350)	$14,684,038	$29,460,664	$33,837,067	$31,974,633	$33,956,225	$44,836,643	$48,656,845	$52,323,837	$56,370,202	$65,654,274
Cash from Financing	$2,500,000	$12,000,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Cash Available	$1,232,650	$26,684,038	$29,460,664	$33,837,067	$31,974,633	$33,956,225	$44,836,643	$48,656,845	$52,323,837	$56,370,202	$65,654,274
Net Income Allocation											
Reserve Fund Contribution	$416,663	$26,684,038	$29,460,664	$25,841,739	$0	$0	$0	$0	$0	$0	$1,886,097
Money Available for Discretionary Programs	$475,987	$0	$0	$7,995,328	$31,974,633	$33,956,225	$44,836,643	$48,656,845	$52,323,837	$56,370,202	$63,768,177
Total Cash Outlays	$1,232,650	$0	$0	$7,995,328	$31,974,633	$33,956,225	$44,836,643	$48,656,845	$52,323,837	$56,370,202	$63,768,177
Rate Stabilization Reserve Balance	$416,663	$27,100,701	$56,561,365	$82,403,104	$82,403,104	$82,403,104	$82,403,104	$82,403,104	$82,403,104	$82,403,104	$84,289,201
Reserve Balance Target	$416,663	$45,145,598	$75,945,714	$76,994,596	$77,215,171	$78,964,194	$77,983,056	$79,392,655	$80,923,820	$82,403,104	$84,289,201
CCA Total Bill		$418,788,764	$767,888,563	$791,685,945	$807,269,313	$832,001,316	$857,969,608	$884,816,311	$912,574,711	$941,279,530	$970,238,071
SCE Total Bill		$427,462,457	$782,621,814	$806,971,796	$823,062,443	$848,663,635	$875,081,921	$902,344,022	$930,477,548	$959,511,036	$989,473,975
Difference		$8,673,692	$14,733,251	$15,285,851	$15,793,130	$16,662,318	$17,112,314	$17,527,711	$17,902,838	$18,231,506	$19,235,905
Total Bill Savings		2.0%	1.9%	1.9%	1.9%	2.0%	2.0%	1.9%	1.9%	2%	2%
Generation Rate Discount		4%	4%	4%	4%	4%	4%	4%	4%	4%	4%

TABLE 7

SCENARIO 3 OC CCA PROFORMA, EXPECTED PCIA, ACCRUAL BASIS **PRELIMINARY**

Scenario 3: Irvine, Fullerton, Costa Mesa, Huntington Beach, Santa Ana, Lake Forest, Villa Park, with Expected PCIA	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Revenues from Operations ($)											
Electric Sales Revenues for CCE	$0	$217,337,591	$370,764,540	$381,535,714	$379,755,056	$390,146,381	$401,383,909	$412,922,592	$424,769,463	$436,931,670	$458,309,036
Less Uncollected Accounts	$0	$1,086,688	$1,853,823	$1,907,679	$1,898,775	$1,950,732	$2,006,920	$2,064,613	$2,123,847	$2,184,658	$2,291,545
Total Revenues for CCA	$0	$216,250,903	$368,910,717	$379,628,035	$377,856,280	$388,195,649	$399,376,990	$410,857,979	$422,645,615	$434,747,011	$456,017,490
Cost of Operations ($)											
Block Energy Purchases		$113,722,441	$173,560,356	$171,327,620	$158,880,375	$153,827,673	$140,635,072	$135,002,132	$129,230,457	$124,981,639	$125,162,283
RPS Adders and Long-Term Energy		$21,215,345	$48,241,169	$50,438,040	$57,899,549	$65,441,918	$70,650,348	$76,299,106	$81,744,882	$85,911,352	$86,445,305
Resource Adequacy		$35,011,146	$62,094,162	$65,480,142	$69,312,424	$73,230,372	$77,369,786	$81,743,185	$86,363,793	$91,245,586	$96,403,327
Everything Else		$16,659,068	$28,549,419	$29,391,865	$30,491,837	$31,358,401	$33,724,161	$35,758,188	$37,801,613	$39,858,110	$41,841,882
Total Cost of Power Supply	$0	**$186,608,000**	**$312,445,107**	**$316,637,667**	**$316,584,185**	**$323,858,365**	**$322,379,367**	**$328,802,611**	**$335,140,745**	**$341,996,687**	**$349,852,798**
Operating & Administrative											
Data Management	$0	$1,231,173	$5,357,255	$5,498,362	$5,655,281	$5,804,238	$5,957,118	$6,114,026	$6,275,066	$6,440,348	$6,609,983
Scheduling Coordinator	$0	$340,000	$516,800	$527,136	$538,563	$549,334	$560,321	$571,527	$582,958	$594,617	$606,509
SCE Fees (includes billing)	$0	$11,834	$50,565	$50,879	$51,222	$51,540	$51,860	$52,183	$52,507	$52,833	$53,162
Consulting Services	$586,500	$993,582	$923,251	$941,716	$960,550	$979,761	$999,357	$1,019,344	$1,039,731	$1,060,525	$1,081,736
Staffing	$656,370	$1,248,010	$2,103,498	$2,166,460	$2,213,406	$2,257,674	$2,302,828	$2,348,884	$2,395,862	$2,443,779	$2,492,655
General & Administrative expenses	$24,480	$302,548	$207,682	$244,446	$249,743	$254,738	$259,833	$265,029	$270,330	$275,737	$281,251
Debt Service Payment on Financing	$0	$2,998,349	$3,598,018	$3,598,018	$4,127,139	$4,127,139	$1,128,790	$529,120	$529,120	$0	$0
Total O&A Costs	$1,267,350	$7,125,496	$12,757,068	$13,027,018	$13,795,903	$14,024,424	$11,260,106	$10,900,113	$11,145,573	$10,867,839	$11,125,296
Total Cost of Operations	$1,267,350	$193,733,495	$325,202,175	$329,664,684	$330,380,088	$337,882,789	$333,639,473	$339,702,724	$346,286,318	$352,864,526	$360,978,093
Net Income	($1,267,350)	$22,517,408	$43,708,542	$49,963,351	$47,476,193	$50,312,860	$65,737,517	$71,155,255	$76,359,297	$81,882,485	$95,039,397
Cash From Operations and Financing											
Net Income From Operations	($1,267,350)	$22,517,408	$43,708,542	$49,963,351	$47,476,193	$50,312,860	$65,737,517	$71,155,255	$76,359,297	$81,882,485	$95,039,397
Cash from Financing	$2,500,000	$17,000,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Cash Available	$1,232,650	$39,517,408	$43,708,542	$49,963,351	$47,476,193	$50,312,860	$65,737,517	$71,155,255	$76,359,297	$81,882,485	$95,039,397
Net Income Allocation											
Reserve Fund Contribution	$416,663	$39,517,408	$43,708,542	$32,367,642	$0	$0	$0	$0	$0	$0	$2,667,474
Money Available for Discretionary Programs	$475,987	$0	$0	$17,595,709	$47,476,193	$50,312,860	$65,737,517	$71,155,255	$76,359,297	$81,882,485	$92,371,923
Total Cash Outlays	$1,232,650	$0	$0	$17,595,709	$47,476,193	$50,312,860	$65,737,517	$71,155,255	$76,359,297	$81,882,485	$92,371,923
Rate Stabilization Reserve Balance	$416,663	$39,934,071	$83,642,613	$116,010,255	$116,010,255	$116,010,255	$116,010,255	$116,010,255	$116,010,255	$116,010,255	$118,677,729
Reserve Balance Target	$416,663	$63,693,204	$106,915,784	$108,382,910	$108,618,111	$111,084,752	$109,689,690	$111,683,087	$113,847,557	$116,010,255	$118,677,729
CCA Total Bill		$593,739,566	$1,078,436,243	$1,111,894,698	$1,133,627,686	$1,168,393,721	$1,204,903,366	$1,242,649,646	$1,281,679,486	$1,322,041,841	$1,362,767,326
SCE Total Bill		$606,181,535	$1,099,492,625	$1,133,744,430	$1,156,168,838	$1,192,175,708	$1,229,333,154	$1,267,678,842	$1,307,251,696	$1,348,091,945	$1,390,241,163
Difference		$12,441,969	$21,056,382	$21,849,732	$22,541,151	$23,781,987	$24,429,788	$25,029,196	$25,572,210	$26,050,104	$27,473,837
Total Bill Savings		2.1%	1.9%	1.9%	1.9%	2.0%	2.0%	2.0%	2.0%	2%	2%
Generation Rate Discount		4%	4%	4%	4%	4%	4%	4%	4%	4%	4%

570 Kirkland Way Suite 100 Kirkland, WA 98033
425-889-2700 Fax 866-611-3791 www.eesconsulting.com

Marietta, GA; Austin, TX; Auburn, AL; Manchester, NH; Madison, WI; Orlando, FL; Augusta, ME; Seattle, WA and Portland, OR

REQUEST FOR CITY COUNCIL ACTION

MEETING DATE: NOVEMBER 10, 2020

TITLE: COMMUNITY CHOICE ENERGY UPDATE

Mark Steuer
Director of Public Works and Transportation

Marianna Marysheva
Interim City Manager

RECOMMENDED ACTION

Receive staff presentation and provide direction.

EXECUTIVE SUMMARY

Consistent with prior City Council direction, City staff has been in communication with other cities in Orange County that have an interest in forming a joint powers authority (JPA) for the purpose of establishing a Community Choice Energy (CCE) program. City staff has specifically circulated (1) a ***draft*** Joint Powers Agreement, (2) a ***draft*** ordinance authorizing community choice aggregation, (3) a series of preliminary financial pro-formas, (4) information on potential CCE programs, and (5) a description of CCE low income programs. Each of those items is attached.

To date, Fullerton, Costa Mesa, and Huntington Beach have either agendized in November, or verbally informed Irvine staff that they intend to agendize, an item to discuss and potentially approve joining the subject CCE JPA. Also, in addition to the aforementioned cities, Laguna Woods, Lake Forest, Santa Ana, and Villa Park have formally requested SCE Load Data for their individual jurisdictions.

At the November 10, 2020 City Council meeting, City staff will be prepared to answer questions regarding the attached materials, provide an update on the current status of discussions with other potential member cities and make associated recommendations, and to take direction from the City Council regarding any of the attached documents and/or next steps in the formation of a JPA to operate a CCE program (including, for example, introduction of the attached ordinance and/or approval of the joint powers agreement).

REPORT PREPARED BY Jeffrey T. Melching, City Attorney
Mark Steuer, Director of Public Works and Transportation

ATTACHMENTS

1. Draft Joint Powers Agreement
2. Model Community Choice Energy Ordinance
3. Orange County Community Choice Aggregation Preliminary Pro Forma
4. Memorandum Regarding Community Choice Aggregation Low Income Programs
5. Community Choice Energy Customer Programs Overview

JOINT POWERS AGREEMENT

This Joint Powers Agreement ("**Agreement**"), effective as of [_____] [__], 2020 ("**Effective Date**") is made and entered into pursuant to the Joint Exercise of Powers Act (California Government Code § 6500 *et seq.*) relating to the joint exercise of powers among the parties the City of Irvine, and the City of _____, (individually, "**Founding Party**" and collectively "**Founding Parties**"). This agreement further allows and provides for the inclusion of additional incorporated municipalities, counties, or other public agencies as parties to this agreement after the Effective Date (individually, "**Additional Party**" and collectively "**Additional Parties**"). The term "**Party**" refers individually to any Founding Party or Additional Party, and the term "**Parties**" refers collectively to the Founding Parties and the Additional Parties.

RECITALS

A. In 2002, Assembly Bill 117 (Stat. 2002, Ch. 838, codified at Public Utilities Code Sections 218.3, 366, 394, 394.25, 331.1 366.2, and 381.1) was signed into law allowing customers to aggregate their electrical loads as members of their local community with public agencies designated as community choice aggregators, and allowing such public agencies to aggregate the electrical load of interested consumers within their jurisdictional boundaries and purchase electricity on behalf of those consumers.

B. In 2006, Assembly Bill 32 (Stat. 2006, Ch. 488, codified at Health and Safety Code Sections 38500 *et seq*.), known as the Global Warming Solutions Act, was signed into law, mandating a reduction in greenhouse gas emissions to 1990 levels by 2020.

C. In 2015, Senate Bill 350 (Stat. 2015, Ch. 547, codified at Health and Safety Code Section 44258.5; Labor Code Section 1720; Public Resources Code Sections 25302.2, 25310, 25327 and 25943; and Public Utilities Code Sections 237.5, 337, 352, 359, 365.2, 366.3, 399.4, 399.11, 399.12, 399.13, 399.15, 399.16, 399.18, 399.21, 399.30, 454.51, 454.52, 454.55, 454.56, 701.1, 740.8, 740.12, 9505, 9620, 9621, 9622, and Article 17 (commencing with Public Utilities Code Section 400)) was signed into law, mandating a reduction in greenhouse gas emissions to 40 percent below 1990 levels by 2030 and to 80 percent below 1990 levels by 2050.

D. In 2018, Senate Bill 10 (Stat.f 2018, Ch. 312, codified at Public Utilities Code sections 399.11, 399.15, 399.30, and 454.53) was signed into law, directing that the Renewables Portfolio Standard to be increased to 60 percent renewables by 2030 and establishing a policy for eligible renewable energy resources and zero-carbon resources to supply 100 percent of electricity retail sales to California end-use customers by 2045.

E. The Parties each hold various powers under California law, including, but not limited to, the power to purchase, supply, and aggregate electricity for themselves and customers within their jurisdictions in accordance with Public Utilities Code Sections 333.1 and 366.2; they are therefore properly empowered to enter into this Agreement under the Joint Exercise of Powers Act (Government Code Section 6500 *et seq.,* the "**Act**").

F. The purposes for entering into this Agreement are more fully specified in subsection 1.4 below, but principally consist of the study, promotion, development, funding, financing, purchasing, conduct, operation, and management of energy, energy efficiency and conservation, and other energy-related and community choice aggregation programs (the "**CCA Program**"), through which the following objectives may be advanced: (a) reducing greenhouse gas emissions related to the use of power throughout the Parties' jurisdictions and neighboring regions; (b) providing electric power and other forms of energy to customers at a competitive cost; (c) carrying out programs to reduce energy consumption; (d) stimulating and sustaining the local economy by developing local jobs in renewable and conventional energy; and (e) promoting long-term electric rate stability, energy security and reliability for residents through local control of electric generation resources.

G. The Founding Parties desire to establish a separate public agency, known as The Orange County Power Authority ("**Authority**"), under the Act and consistent with Assembly Bill 117, in order to collectively implement the CCA Program, and to exercise any powers common to the Authority's members to further these purposes.

H. The Parties have each adopted an ordinance electing to participate as a group in a community choice aggregation program through the Authority, as authorized by California Public Utilities Code § 366.2(a)(12)(B).

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises, covenants, and conditions hereinafter set forth, it is agreed by and among the Parties as follows:

SECTION 1. FORMATION OF AUTHORITY

1.1 Creation of Agency. Pursuant to the Act there is hereby created a public entity to be known as The Orange County Power Authority. Pursuant to Section 6507 of the Act, the Authority is a public agency separate from the Parties. The jurisdiction of the Authority shall be all territory within the geographic boundaries of the Parties; however, the Authority may, as authorized under applicable law, undertake any action outside such geographic boundaries as is necessary to accomplish its purpose.

1.2 Effective Date and Term. This Agreement shall become effective and the Authority shall exist as a separate public agency on the date this Agreement is executed by at least two Parties. The Authority shall continue to exist, and this Agreement shall be effective, until this Agreement is terminated in accordance with this Agreement, subject to the rights of a Party to withdraw from the Authority.

1.3 Parties. The names, particular capacities, and addresses of the Parties are shown on **Exhibit A**, as it may be amended from time to time.

1.4 Purpose. The purpose of this Agreement is to establish an independent public agency in order to exercise powers common to each Party to implement the CCA Program, and to

exercise all other powers necessary and incidental to accomplishing this purpose. This Agreement authorizes the Authority to provide opportunities by which the Parties can work cooperatively to create economies of scale and implement sustainable energy initiatives that reduce energy demand, increase energy efficiency, provide consumer choice and cost savings, and advance the use of clean, efficient, and renewable resources in the region for the benefit of all the Parties and their constituents, including, but not limited to, establishing and operating a CCA Program (collectively, the "**Purpose**"). The Parties intend for this Agreement to be used as a contractual mechanism by which they are authorized to participate in the CCA Program and achieve the Purpose. The Parties intend that other agreements shall define the terms and conditions associated with the implementation of the CCA Program and any energy programs approved by the Authority.

SECTION 2. POWERS OF AUTHORITY

2.1 Powers. The Authority shall have all powers common to the Parties and such additional powers accorded to it by law. The Authority is authorized, in its own name, to exercise all powers and do all acts necessary and proper to carry out the provisions of this Agreement and fulfill its Purpose, including, but not limited to, each of the following powers:

2.1.1 Serve as a forum for the consideration, study, and recommendation of energy services for the CCA Program;

2.1.2 To make and enter into any and all contracts to effectuate the purpose of this Agreement, including, but not limited to, those relating to the purchase or sale of electrical energy or attributes thereof, and related service agreements;

2.1.3 To employ agents and employees, including, but not limited to, engineers, attorneys, planners, financial consultants, and separate and apart therefrom to employ such other persons, as it deems necessary;

2.1.4 To acquire, contract, manage, maintain, and operate any buildings, works, or improvements, including, but not limited to, electric generation resources;

2.1.5 To acquire property by eminent domain, or otherwise, except as limited by Section 6508 of the Act, and to hold or dispose of property;

2.1.6 To lease or license any property;

2.1.7 To sue and be sued in its own name;

2.1.8 To incur debts, liabilities, and obligations, including, but not limited to, loans from private lending sources pursuant to its temporary borrowing powers, such as California Government Code § 53850 *et seq.* and authority under the Act;

2.1.9 To form subsidiary or independent corporations or entities, if appropriate, to carry out energy supply and energy conservation programs, or to take advantage of legislative or regulatory changes;

2.1.10 To issue revenue bonds and other forms of indebtedness;

2.1.11 To apply for, accept, and receive all licenses, permits, grants, loans, or other assistance from any federal, state, or local agency;

2.1.12 To submit documentation and notices, register, and comply with orders, tariffs, and agreements for the establishment and implementation of the CCA Program and other energy and climate change programs;

2.1.13 To adopt rules, regulations, policies, bylaws, and procedures governing the operation of the Authority;

2.1.14 To receive loans, gifts, contributions, and donations of property, funds, services, and other forms of financial assistance from persons, firms, corporations, and any governmental entity;

2.1.15 To make and enter into service agreements relating to the provision of services necessary to plan, implement, operate and administer the CCA Program and other energy programs, including the acquisition of electric power supply and the provision of retail and regulatory support services;

2.1.16 To receive revenues from sale of electricity and other energy-related programs;

2.1.17 To partner or otherwise work cooperatively with other CCAs on the acquisition of electric resources, joint programs, advocacy and other efforts in the interests of the Authority; and

2.1.18 To the extent not specifically provided in this Agreement, to exercise any powers authorized by the member agencies to achieve the Authority's objectives and such further powers not specifically mentioned herein, but common to Parties, and authorized by the California Government Code.

2.2 Additional Powers to be Exercised. In addition to those powers common to each of the Parties, the Authority shall have those powers that may be conferred upon it by law and by subsequently enacted legislation.

2.3 Manner of Exercising Powers. The powers specified in subsections 2.1 and 2.2 shall be exercised by the Board (as defined in subsection 3.1, below), unless otherwise delegated to a committee of the Board or the Chief Executive Officer of the Authority in accordance with a Board-adopted policy or action. All such powers shall be exercised in the manner set forth in this Agreement.

2.4 Limitation on Exercise of Powers: The powers of the Authority are subject to the restrictions upon the manner of exercising power possessed by the City of Irvine, California and

any other restrictions on exercising the powers of the Authority that may be adopted by the Authority's Board of Directors.

SECTION 3: GOVERNANCE

3.1 General Governance; Board of Directors. The governing body of the Authority shall be a Board of Directors ("**Board**") consisting of one director for each Party appointed in accordance with subsection 3.2, except the City of Irvine whose governing body shall appoint two directors (the "**Irvine Directors**").

3.2 Appointment of Directors. The governing body of each Party shall appoint and designate in writing the Director(s) who shall be authorized to act for and on behalf of the Party on matters within the powers of the Authority. The governing body of each Party shall also appoint and designate in writing an alternate Director(s) who may vote in matters when the regular Director is absent from a Board meeting. The governing bodies of the Founding Parties may, in their sole discretion, elect to appoint their respective Director(s) prior to the Effective Date, in which case such appointment(s) to the Board shall take effect on the Effective Date. The persons appointed and designated as the regular Director and the alternate Director shall be a member of the governing body of the Party when appointed.

3.3 Terms of Office. Each regular and alternate Director shall serve a term of three years. If at any time a vacancy occurs on the Board, a replacement shall be appointed by the governing body to fill the position of the previous Director within ninety (90) days of the date that such position becomes vacant. Replacement Directors shall serve until the scheduled expiration of the three year term of the Board member that they replace.

3.4 Quorum. A majority of the Directors of the entire Board shall constitute, and is necessary to constitute, a quorum, except that less than a quorum may adjourn a meeting from time to time in accordance with law. Notwithstanding the foregoing, until the Capital Loan is fully repaid, no meeting of the Board shall occur, and no action of the Board shall be taken, without the attendance of both of the Irvine Directors (or their respective alternate Directors).

3.5 Powers of the Board of Directors. The Board may exercise all the powers enumerated in this Agreement and shall conduct all business and activities of the Authority consistent with this Agreement and any bylaws, operating procedures, and applicable law.

3.6 Executive Committee. The Board may establish an executive committee consisting of a smaller number of Directors. The initial members of the executive committee shall be the Directors of the Founding Members. The composition of the executive committee shall not change until the Capital Loan (as defined in Section 5.5, below) is fully repaid, unless such change in composition is otherwise consented to by both of the Irvine Directors and the City Council of the City of Irvine.

3.7 Committees. The Board may establish committees as the Board deems appropriate to assist the Board in carrying out its functions and implementing the purposes of this Agreement. In accordance with subsection 2.3, the Board may delegate to any committees that consist solely

of Board members any of the powers specified in subsection 2.1. Committees that include or consist of non-Board members shall be advisory only.

3.8 Director Compensation. The Board shall adopt policies establishing compensation attendance at Board and Committee meetings and work performed by each Director on behalf of the Authority as well as policies for the reimbursement of expenses incurred by each Director; provided that in no instance shall the per meeting or per day compensation be less than the compensation provided to directors of the Orange County Sanitation District.

3.9 Voting by the Board of Directors.

3.9.1 Per Capita Vote. Each Director shall have one vote. Action of the Board on all matters shall require an affirmative vote of a majority of all Directors who are present at the subject meeting, except when a supermajority vote or vote of the Irvine Directors is expressly required by this Agreement ("**Per Capita Vote**").

3.9.2 Voting Shares Vote. Immediately after (and during the same Board Meeting as) an affirmative or tie Per Capita Vote, two or more Directors shall have the right to request and conduct a Voting Shares Vote (defined below) to reconsider that action approved by the Per Capita Vote. A "yes" vote on the Voting Shares Vote shall be a vote to reverse and reject the Per Capita Vote; a "no" vote on the Voting Shares Vote shall be a vote to affirm the Per Capita Vote. For Voting Shares Votes, votes shall be weighted as described in subsection 3.9.3. A "yes" vote on a Voting Shares Vote shall require (*i*) for votes requiring a majority under subsection 3.9.1, more than fifty percent (50%) of the voting shares of all Directors voting; (*ii*) for votes requiring a supermajority of two-thirds under this Agreement, sixty-seven percent (67%) or more of the voting shares of all Directors voting; and (iii) for votes requiring a supermajority of three quarters under this Agreement more than seventy-five percent (75%) of the voting shares of all Directors voting. All votes taken pursuant to this subsection 3.9.2 shall be referred to as a "**Voting Shares Vote**." If a Voting Shares Vote yields a "no" vote, the legal effect is to affirm the Equal Vote with respect to which the Voting Shares Vote was taken. If the Voting Shares Vote succeeds, the legal effect is to nullify the Equal Vote with respect to which the Voting Shares Vote was taken. If the underlying Equal Vote was a tie, the Voting Shares Vote replaces that tie vote. No action may be taken solely by a Voting Shares Vote without first having taken an Equal Vote.

3.9.3 Voting Shares Formula. When a voting shares vote is requested by two or more Directors, voting shares of each Director shall be determined by the following formula:

(Annual Energy Use/Total Annual Energy) x 100

For purposes of this formula (a) "**Annual Energy Use**" means (*i*) for the first two years following the Effective Date, the annual electricity usage, expressed in kilowatt hours ("**kWh**"), within the jurisdiction of the Party appointing the Director(s) and (*ii*) following the second anniversary of the Effective Date, the annual electricity usage, expressed in kWh, of accounts within the jurisdiction of the Party appointing the Director(s) that are served by the Authority, and (b) "**Total Annual Energy**" means the sum of all Parties' Annual Energy Use. The initial values for Annual Energy use are designated in **Exhibit B** and the initial voting shares are designated in **Exhibit C**. Both

Exhibit B and **Exhibit C** shall be adjusted annually as soon as reasonably practicable after January 1 of each year, but no later than March 1 of each year, subject to the approval of the Board. Voting shares attributable to Irvine shall be divided equally between the Irvine Directors.

3.9.4 Special Voting.

3.9.4.1 Two-Thirds Supermajority Votes. An affirmative votes of two-thirds of the Directors of the entire Board shall be required to take any action on the following (*i*) issuing or repayment of bonds loans or other forms of debt; (*ii*) adding or removing Parties; (*iii*) amending

or terminating this Agreement or adopting or amending the bylaws of the Authority; and (*iv*) terminating the CCA Program.

3.9.4.2 Three-Fourths Supermajority Votes. An affirmative vote of three-fourths of the Directors of the Board shall be required to initiate any action for eminent domain and no eminent domain action shall be approved within the jurisdiction of a Party without the affirmative vote of such Party's Director (or both Irvine Directors, in the case of eminent domain action within the City of Irvine).

3.9.4.3 Advance Notice of Special Voting. At least thirty (30) days advance written notice to the Parties shall be provided for all special voting items under subsection 3.9.4.1 and/or subsection 3.9.4.2. Such notice shall include a copy of all substantive documents necessary to meaningfully deliberate and consider the proposed vote (*e.g.*, any proposed amendment to this Agreement or the bylaws of the Authority). The Authority shall also provide prompt written notice to all Parties of the action taken, which shall include any resolution, ordinance, rule, policy, agreement, filing or other operative document (if any) adopted or approved by the Board; and

3.9.4.4 Additional Voting Requirement During Period of Capital Loan. In addition to the foregoing special voting requirements, until the Capital Loan (defined in subsection 5.5., below) is repaid, all special voting items under this subsection 3.9.4 shall require an affirmative vote of both of the Irvine Directors.

3.10 Officers.

3.10.1 Chair and Vice Chair. The Directors shall select from among themselves a Chair and a Vice-Chair. The Chair shall be the presiding officer of all Board meetings. The Vice-Chair shall serve in the absence of the Chair. The term of office of the Chair and Vice-Chair shall continue until the expiration of the office of the Directors serving in such positions. There shall be no limit on the number of terms held the Chair and the Vice-Chair. The office of either the Chair or Vice-Chair shall be declared vacant and a new selection shall be made if: (*i*) the person serving dies, resigns, or becomes legally unable to fulfill his or her duties, or (b) the Party that appointed the Chair or Vice-Chair withdraws from the Authority pursuant to the provisions of this Agreement.

3.10.2 Secretary. The Secretary shall be responsible for keeping the minutes of all meetings of the Board and all other official records of the Authority.

3.10.3 Treasurer/Auditor. The Board shall appoint a qualified person to act as the Treasurer and a qualified person to act as the Auditor, neither of whom need be members of the Board. Unless infeasible, the Treasurer of the Authority shall be the Treasurer of one of the Parties. The Treasurer and the Auditor shall possess the powers of, and shall perform those functions required of them by California Government Code §§ 6505, 6505.5, and 6505.6, and by all other applicable laws and regulations and amendments thereto.

3.11 Meetings. The Board shall provide for its regular meetings, the date, hour, and place of which shall be fixed by resolution of the Board. Regular, adjourned, and special meetings shall be called and conducted in accordance with the provisions of the Ralph M. Brown Act, California Government Code § 54950 *et seq*.

3.12 Chief Executive Officer. The Board shall appoint a Chief Executive Officer. The Chief Executive Officer shall be the chief administrative officer of the Authority, and shall be Secretary of the Board. The powers and duties of the Chief Executive Officer shall be those delegated and/or assigned to the Chief Executive Officer by duly adopted action of the Board.

3.13 Additional Officers and Employees. The Board shall have the power to authorize such additional officers and assistants as may be necessary and appropriate, including retaining one or more administrative service providers for planning, implementing, and administering the CCA Program. Such officers and employees may also be, but are not required to be, officers and employees of the Parties.

3.14 Bonding Requirement. The officers or persons who have charge of, handle, or have access to any property of the Authority shall be the members of the Board, the Treasurer, the Executive Director, and any such officers or persons to be designated or empowered by the Board. Each such officer of person shall be required to file an official bond with the Authority in an amount which shall be established by the Board. Should the existing bond or bonds of any such officer be extended to cover the obligations provided herein, said bond shall be the official bond required herein. The premiums on any such bond attributable to the coverage required herein shall be the appropriate expenses of the Authority.

3.15 Audit. The records and accounts of the Authority shall be audited annually by an independent certified public accountant and copies of such audit report shall be filed with the State Controller, and each Party no later than fifteen (15) days after receipt of said audit by the Board.

3.16 Privileges and Immunities from Liability. All of the privileges and immunities from liability, exemption from laws, ordinances and rules, all pension, relief, disability, workers' compensation, and other benefits which apply to the activities of officers, agents, or employees of a public agency when performing their respective functions shall apply to the officers, agents, or employees of the Authority to the same degree and extent while engaged in the performance of any of the functions and other duties of such officers, agents, or employees under this Agreement.

None of the officers, agents, or employees directly employed by the Authority shall be deemed, by reason of such employment to be employed by the Parties (or any of them).

SECTION 4: ADDITIONAL PARTIES AND IMPLEMENTATION OF CCA PROGRAM

4.1 Additional Parties. An interested incorporated municipality or county, or other public agency as authorized by California Public Utilities Code § 331.1, may become a member of the Authority and a Party to this Agreement upon satisfaction of the following:

4.1.1 Adoption of a resolution by the governing body of the Additional Party approving the Agreement, and requesting participation and an intent to join the Authority;

4.1.2 Adoption by an affirmative vote of two-thirds of the Board of a resolution authorizing participation of the Additional Party;

4.1.3 Satisfaction of any additional conditions as established by the Board or applicable laws or regulations; and

4.1.4 Execution of the Agreement by the Additional Party.

4.2 Continuing Participation. The Parties acknowledge that participation in the CCA Program may change by the addition or withdrawal or termination of a Party. The Parties agree to participate in good faith with additional members as may later be added. The Parties also agree that the withdrawal or termination of a Party shall not affect the enforceability of this Agreement as to the remaining Parties, or the remaining Parties' continuing obligations under this Agreement.

4.3 Implementation of CCA Program. The Authority shall cause to be prepared an implementation plan meeting the requirements of California Public Utilities Code § 366.2 ("**Implementation Plan**") and any applicable regulations of the California Public Utilities Commission ("**CPUC**"). The Board shall approve the Implementation Plan prior to it being filed with the CPUC. The Authority, acting by and through the Board, shall take all such steps as are necessary and appropriate to implement the Implementation Plan and the CCA Program in a manner consistent with this Agreement.

4.4 Authority Documents. The Parties acknowledge and agree that the operations of the Authority will be implemented through various program documents and regulatory filings duly adopted by the Board, including, but not limited to, operating rules, an annual budget, and plans and policies related to the CCA Program. The Parties agree to abide by and comply with the terms and conditions of all such Authority documents that may be approved or adopted by the Board.

4.5 Termination of CCA Program. Nothing contained in this Agreement shall be construed to limit the discretion of the Authority to terminate the implementation or operation of the CCA Program at any time, so long as such termination is in accordance with any applicable requirements of state law and the voting procedures specified in subsection 3.9.4.1, above.

SECTION 5: FINANCIAL PROVISIONS

5.1 Fiscal Year. The Authority's fiscal year shall be twelve (12) months commencing July 1 of each year and ending June 30 of the succeeding year.

5.2 Treasurer. The Treasury of the Party whose Treasurer is the Treasurer for the Authority shall be the depository for the Authority. The Treasurer of the Authority shall have custody of all funds and shall provide for strict accountability thereof in accordance with California Government Code § 6505.5 and other applicable laws. The Treasurer shall perform all of the duties required in California Government Code § 6505 *et seq.* and all other such duties as may be prescribed by the Board.

5.3 Depository & Accounting. All funds of the Authority shall be held in separate accounts in the name of the Authority and not commingled with the funds of any Party or any other person or entity. Disbursement of such funds during the term of this Agreement shall be accounted for in accordance with generally accepted accounting principles applicable to governmental entities and pursuant to California Government Code § 6505 *et seq*. and other applicable laws. There shall be a strict accountability of all funds. All revenues and expenditures shall be reported to the Board. The books and records of the Authority shall be promptly open to inspection by the Parties at all reasonable times.

5.4 Budget. The Board shall establish the budget for the Authority, and may from time to time amend the budget to incorporate additional income and disbursements that might become available to the Authority for its purposes during a fiscal year.

5.5 City of Irvine Initial Funding of Authority. The Authority shall, concurrent with the execution of this Agreement, enter into an agreement that covers repayment to the City of Irvine of (*i*) funding and collateral provided by the City of Irvine to the Authority to facilitate start-up and launch costs for the Authority and the CCA Program, and (*ii*) costs incurred by the City (including staff, consultant, and legal expenses, and associated allocated overhead and administrative expenses) in connection with the study and analysis of the CCA, the formation of the Authority through the Agreement, and the creation of the Implementation Plan (the "**Capital Loan Agreement**" or the "**Capital Loan**"). The Capital Loan shall be repaid from customer charges for electrical services to the extent permitted by law when the CCA Program becomes operationa. The form of the Capital Loan Agreement is attached hereto as **Exhibit D**. The Authority shall enter into the Capital Loan Agreement so long as its final form is substantially consistent with the form attached as **Exhibit D**.

5.6 No Requirement for Contributions or Payments. Except as otherwise specified herein, no Parties are not required under this Agreement to make any financial contributions or payments to the Authority, and the Authority shall have no right to require such a contribution or payment.

5.6.1 Notwithstanding subsection 5.6, the Board may adopt a membership fee to be paid by Additional Parties upon entering into the Agreement, which membership fee shall be established (if at all) by the Board and shall cover a reasonable estimate of the transactional and other costs incurred by the

Authority in processing the addition of the Additional Party to the Authority.

5.6.2 Notwithstanding subsection 5.6, the Authority and a Party may mutually and voluntarily enter into an agreement with the Authority to provide the following: (*i*) contributions of public funds for the purposes set forth in this Agreement; (*ii*) advances of public funds for the purposes set forth in this Agreement, such advances to be repaid as provided by such written agreement; or (*iii*) its personnel, equipment or property.

5.6.3 For the avoidance of doubt, nothing in this Agreement requires, nor shall the Authority for any reason ever require, that any Party adopt any local tax, assessment, fee or charge for the benefit of the Authority.

5.7 Obligations of the Authority. Unless otherwise agreed by the Parties, the debts, liabilities, and obligations of the agency shall not be the debts, liabilities, and obligations, either jointly or severally, of the members of the agency. A Party may, in its sole discretion, agree to assume one or more of the debts, liabilities, and obligations of the Authority if, and only if, such Party, with the approval of its governing body, agrees in writing to assume any such debts, liabilities, or obligation of the Authority.

SECTION 6: WITHDRAWAL AND TERMINATION

6.1 Right to Withdraw. A Party may withdraw its membership in the Authority, effective as of the beginning of the Authority's fiscal year, by giving no less than one hundred eighty (180) days advance written notice of its election to do so, which notice shall be given to the Authority and each Party. Withdrawal of a Party shall require an affirmative vote of the Party's governing board. A Party that withdraws from the Authority pursuant to this subsection may be subject to certain continuing liabilities as described in this Agreement. The withdrawing Party and the Authority shall execute and deliver all further instruments and documents, and take any further actions as may be reasonably necessary to effectuate the orderly withdrawal of such Party.

6.4 Involuntary Termination. This Agreement may be terminated with respect to a Party for material non-compliance with provisions of this Agreement upon a two-thirds vote of the entire Board (excluding the vote of the Party subject to possible termination) taken in accordance with subsection 3.9.4.1. Prior to any vote to terminate this Agreement with respect to a Party, written notice of the proposed termination and the reason(s) for such termination shall be delivered to the Party whose termination is proposed at least thirty (30) days prior to the regular Board meeting at which such matter shall first be discussed as an agenda item. The written notice of proposed termination shall specify the particular provisions of this Agreement that the Party has allegedly violated. The Party subject to possible termination shall have the opportunity at the next regular Board meeting following the expiration of the thirty-day (30) day notice period to respond to any reasons and allegations that may be cited as a basis for termination. The Party's response shall be evaluated prior to a vote regarding termination. A Party that has had its membership in the Authority terminated may be subject to certain continuing liabilities, as described in this Agreement. If the Board votes to terminate a Party's membership in the Authority, the effective

date of the termination shall be scheduled by the Board, in its reasonable discretion, to ensure adequate time for the transition of the terminated Party's CCA Program customers to another electricity provider. The parties expressly intend, agree and acknowledge that a Board action to terminate a Party's membership in the Authority shall be upheld so long as it is not arbitrary and capricious, and is supported by substantial evidence.

6.3 Continuing Liability; Refund. Upon a withdrawal or involuntary termination of a Party, the Party shall be responsible for any claims, demands, damages, or liabilities attributable to the Party through the effective date of its withdrawal or involuntary termination. Such Party also shall be responsible liable to the Authority for (a) any damages, losses, or costs incurred by the Authority which result directly from the Party's withdrawal or termination, including, but not limited to, costs arising from the resale of capacity, electricity, or any attribute thereof no longer needed to serve such Party's load, and removal of customers from the CCA Program resulting from the withdrawal or termination of the Party; and (b) any costs or obligations associated with the Party's participation in any program in accordance with the program's terms, provided such costs or obligations were incurred prior to the withdrawal of the Party. Except as otherwise specified, such Party shall not be responsible for any claims, demands, damages, or liabilities commencing or arising after the effective date of the Party's withdrawal or involuntary termination. From and after the date a Party provides notice of its withdrawal or is terminated, the Authority shall reasonably and in good faith seek to mitigate any costs and obligations to be incurred by the withdrawing or terminated Party under this subsection through measures reasonable under the circumstances; provided, however, that this obligation to mitigate does not impose any obligation on the Authority to transfer any cost or obligation directly attributable to the membership and withdrawal or termination of the withdrawing or terminated Party to the ratepayers of the remaining Parties. Further the liability of the withdrawing or terminated Party shall be based on actual costs or damages incurred by the Authority and shall not include any penalties or punitive charges imposed by the Authority. The Authority may withhold funds otherwise owing to the Party or may require the Party to deposit sufficient funds with the Authority, as reasonably determined by the Authority, to cover the Party's liability for the costs described above. The withdrawing or terminated Party agrees to pay any such deposit determined by the Authority. Any amount of the withdrawing or terminated Party's funds held on deposit with the Authority above that which is required to pay any liabilities or obligations shall be returned to that Party. In the implementation of this subsection 6.3, the Parties intend, to the maximum extent possible, without compromising the viability of ongoing Authority operations, that any claims, demands, damages, or liabilities covered hereunder, be funded from the rates paid by CCA Program customers located within the service territory of the withdrawing Party, and not from the general fund of the withdrawing Party itself. The liability of a withdrawing Party under this subsection shall be only to the Authority and not to any other Party.

6.6 Termination of Agreement. This Agreement may be terminated by vote of the Board in accordance with subsection 3.9.4.1, or by mutual agreement of all the Parties approved by majority votes of their respective governing bodies. provided, however, that this subsection shall not be construed as limiting the rights of a Party to withdraw in accordance with Section 6.

6.7 Disposition of Authority Assets Upon Termination of Agreement. Upon termination of this Agreement, any surplus money or assets in possession of the Authority for use

under this Agreement, after payment of all liabilities, costs, expenses, and charges incurred by the Authority, shall be returned to the then-existing Parties in proportion to the contributions made by each.

SECTION 7: MISCELLANEOUS PROVISIONS

7.1 Dispute Resolution. The Parties and Authority shall make efforts to settle all disputes arising out of or in connection with this Agreement. Before exercising any remedy provided by law, a Party or Parties and the Authority shall engage in nonbinding mediation in the manner agreed to by the Party or Parties and the Authority. In the event that nonbinding mediation does not resolve a dispute within one hundred twenty (120) days after the demand for mediation is made, any Party or the Authority may pursue any all remedies provided by law.

7.2 Liability of Directors, Officers, and Employees. The Directors, officers, and employees of the Authority shall use ordinary care and reasonable diligence in the exercise of their powers and in the performance of their duties pursuant to this Agreement. No current or former Director, officer, or employee will be responsible for any act or omission by another Director, officer, or employee. The Authority shall defend, indemnify, and hold harmless the individual current and former Directors, officers, and employees for any acts or omissions in the scope of their employment or duties in the manner provided by California Government Code § 995 *et seq*. Nothing in this subsection shall be construed to limit the defenses available under the law to the Parties, the Authority, or its Directors, officers, or employees.

7.3 Indemnification. The Authority shall acquire such insurance coverage as the Board deems necessary to protect the interests of the Authority, the Parties, and the Authority's ratepayers. The Authority shall indemnify, defend, and hold harmless the Parties and each of their respective members board or council members, officers, agents, and employees, from any and all claims, losses, damages, costs, injuries, and liabilities of every kind to the extent arising directly or indirectly from the conduct, activities, operations, acts, and omissions of the Authority under this Agreement.

7.5 Assignment. The rights and duties of the Parties may not be assigned or delegated without the advance written consent of all other Parties. Any attempt to assign or delegate such rights or duties without express written consent of all other Parties shall be null and void. This Agreement shall inure to the benefit of, and shall be binding upon, the successors and assigns of the Parties. This subsection does not prohibit a Party from entering into an independent agreement with another entity regarding the financing of that Party's contributions to the Authority (if any), or the disposition of proceeds which that Party receives under this Agreement, so long as such independent agreement does not affect, or purport to affect, the rights and duties of the Authority or the Parties under this Agreement.

7.6 Severability. If any part of this Agreement is held, determined, or adjudicated to be illegal, void, or unenforceable by a court of competent jurisdiction, the remainder of this Agreement shall be given effect to the fullest extent reasonably possible.

7.7 Further Assurances. Each Party agrees to execute and deliver all further instruments and documents, and take any further action that may be reasonably necessary to effectuate the purposes of this Agreement.

7.8 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute but one and the same instrument.

7.9 Notices. Any notice authorized or required to be given pursuant to this Agreement shall be validly given if served in writing either personally, by deposit in the United States mail, first class postage prepaid with return receipt requested, or by a recognized courier service to the addresses specified on **Exhibit A**. Notices given (a) personally or by courier service shall be conclusively deemed received at the time of delivery and receipt and (b) by mail shall be conclusively deemed given 48 hours after the deposit thereof (excluding Saturdays, Sundays and holidays) if the sender receives the return receipt. All notices shall be addressed to the office of the clerk or secretary of the Authority or Party, as the case may be, or such other person designated in writing by the Authority or Party. Notices given to one Party shall be copied to all other Parties. Notices given to the Authority shall be copied to all Parties.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as evidenced by the signatures below

MEMBER AGENCY:

CITY OF IRVINE

By: _____
Name:
Title:
Dated: _____, 2020

[_____]

By: _____
Name:
Title:
Dated: _____, 2020

EXHIBIT A

List of Parties

City of Irvine
City of _____
County of _____

EXHIBIT B TO JOINT POWERS AUTHORITY

ANNUAL ENERGY USAGE BY JURISDICTION

[to be calculated]

EXHIBIT C TO JOINT POWERS AUTHORITY

PARTY VOTING SHARES

[to be calculated]

EXHIBIT D

CAPITAL LOAN AGREEMENT

MODEL ORDINANCE COMMUNITY CHOICE AGGREGATION

AN ORDINANCE OF THE CITY OF IRVINE AUTHORIZING THE IMPLEMENTATION OF A COMMUNITY CHOICE AGGREGATION PROGRAM

The City Council of the City of Irvine does ordain as follows:

SECTION 1. FINDINGS.

1. The City of Irvine has been actively investigating options to provide electric services to constituents within its service area with the intent of achieving greater local involvement over the provisions of electric services and promoting competitive retail choice.

2. Assembly Bill 117 (Stat. 2002, ch. 838; see California Public Utilities Code § 366.2 *et seq.*; hereinafter referred to as the "Act") authorizes any California city or county, whose governing body so elects, to combine the electricity load of its residents and businesses in a community-wide electricity aggregation program known as Community Choice Aggregation ("CCA")

3. The Act expressly authorizes participation in a CCA program through a joint powers agency, and to this end, the City of Irvine has been evaluating a countywide CCA program.

4. Through Docket No. R.03-10-003, the California Public Utilities Commission ("Commission") has issued various decisions and rulings addressing the implementation of CCA programs, including establishing a procedure by which the Commission will review implementation plans, which are required to be submitted under the Act as the means of describing the CCA program and ensuring compliance with the Act.

5. The City has elected to form a joint powers authority that would specify the terms and conditions by which participants may participate as a group in energy programs, including, but not limited to, the implementation of a CCA program with the following benefits:

    a. Providing customers a choice of power providers;
    b. Increasing local control over energy rates and other energy-related matters;
    c. Providing electric rates that are competitive with those provided by the incumbent utility;
    d. Improving the local economy by increasing local and regional renewable generation capacity and energy conservation and efficiency projects and programs;
    e. Increasing regional energy self-sufficiency; and
    f. Reducing greenhouse gas emissions arising from electricity use in the City.

6. The Joint Powers Agreement creating the Authority will govern and operate the CCA program on behalf of its member jurisdictions. The City may participate in the Authority by approving the execution of the Joint Powers Agreement and adoption of a CCA ordinance required by Public Utilities Code § 366.2(c)(12). The City's participation in the Authority will include membership on the Board of Directors of the Authority as provided in the Joint Powers Agreement.

7. The Authority will enter into agreements with electric power suppliers and other services providers and, based on these agreements, the Authority plans to provide power to residents and businesses at rates that are competitive with those of the incumbent utility. Once the Commission approves the implementation plan prepared by the Authority, the Authority may provide service to customers within the City and those cities that choose to participate in the Authority.

8. Under Public Utilities Code § 366.2, customers have the right to opt-out of a CCA program and continue to receive service from the incumbent utility. Customers who desire to continue to receive service from the incumbent utility will be able to do so at any time.

9. On [INSERT DATE], the City Council held a public meeting at which time interested persons had an opportunity to testify either in support or in opposition to implementation of the CCA program within the City.

10. This ordinance is exempt from the requirements of the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines, as it is not a "project" and has no potential to result in a direct or reasonably foreseeable indirect physical change to the environment because it is merely the formation of an organization. 14 Cal. Code Regs. § 15378(a). The ordinance is also exempt from CEQA because it is an organizational or administrative activity of governments that will not result in direct or indirect physical change in the environment. 14 Cal. Code Regs. § 15378(b)(5). The ordinance is also exempt from CEQA because it is merely a change in organization of local agencies. 14 Cal. Code Regs. § 15320. Further, the ordinance is exempt from CEQA because there is no possibility that the ordinance or its implementation, which would only result in the formation of a governmental organization, would have a significant negative effect on the environment. 14 Cal. Code Regs. § 15061(b)(3). The [INSERT TITLE OF CITY OFFICIAL] shall cause a Notice of Exemption to be filed as authorized by CEQA and the State CEQA Guidelines.

SECTION 2. AUTHORIZATION TO IMPLEMENT A COMMUNITY CHOICE AGGREGATION PROGRAM. Based upon the foregoing, and in order to provide businesses and residents within the City with a choice of power providers, the City hereby elects to implement a community choice aggregation program within the jurisdiction of the City by participating in the CCA program of the Authority, as described in the Joint Powers Agreement.

SECTION 3. SEVERABILITY. If any section, subsection, sentence, clause, phrase or portion of this ordinance is held for any reason to be invalid or unconstitutional by a decision of any

court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this ordinance. The City Council hereby declares that it would have adopted this ordinance and each section, subsection, clause, phrase or portion thereof, irrespective of the fact that any one or more sections, subsections, sentences, clauses, phrases or portions be declared invalid or unconstitutional.

SECTION 4. EFFECTIVE DATE. This ordinance shall take effect 30 days after its passage.

EES Consulting
a GDS Associates Company

Amber Nyquist, Manager
amber.nyquist@gdsassociates.com
direct 425-655-1042
cell 360-319-7946

October 23, 2020

TO: OC CCA Interested Cities

FROM: Gary Saleba; Amber Nyquist

SUBJECT: OC CCA Preliminary *Pro Forma*

CC: Ryan Baron, Mark Steuer

Introduction

EES has completed a draft preliminary 10-year financial *pro forma* for the proposed Orange County CCA (OC CCA) joint powers authority. This *pro forma* utilizes population assumptions for the interested Orange County cities to develop CCA-wide load data, and is contingent on a final SCE 2021 PCIA amount forthcoming from the CPUC in November. Upon receiving the final PCIA, this *pro forma* will be updated and used to draft an Implementation Plan and obtain necessary financing. Key assumptions and updates for this version of the *pro forma* are summarized below.

1. The 2018 load data that was analyzed in the City of Irvine's feasibility study was the basis for this analysis and scaled based on the residential/non-residential split for potential participant scenarios, participating City populations, and non-residential usage per capital assumptions.[1] Impacts from COVID are not modeled.
2. There will be a phased launch of the JPA as is customary for all CCAs. Non-residential customers (commercial & industrial) are assumed to begin taking CCA service in April 2022 and residential customers will take service beginning October 2022. The later launch of residential customers significantly reduces the costs of resource adequacy and cash for working capital requirements.
3. 2020 SCE generation and delivery rates have been updated based on current SCE 2020 filings at the CPUC, including SCE's preliminary 2021 Energy Resource Recovery Account ("ERRA") filing. SCE's ERRA filing projects the following year's fuel and energy purchase costs. SCE generation rates for 2021 are estimated to increase by 2%.
4. Current PCIA rates and CTC rates are used as input (2020 vintage) and forecast to increase by 5% in 2021 and 2% per year after. As SCE's vintaged power contracts expire, the PCIA will decrease. This decrease is likely to occur over a 10-year period but was not modeled such that the PCIA in these *pro formas* remains conservatively high. Final 2021 Vintage PCIA rates will be available from the CPUC in November 2020.
5. Power costs for market (SCE area), resource adequacy, long-term renewable and short-term renewable energy having been updated to current levels. The approved 2021 PCIA will be included in the next *pro forma* update which will be used in any OC CCA Implementation Plan filing.

[1] The assumptions to prepare the load scenarios are based both on accounts and usage assumptions; however, there is a significant amount of uncertainty in non-residential usage assumptions in particular. The uncertainty will be eliminated when SCE provides the load data per city requests.

6. Power supply is assumed to be 38.5% renewable at launch then increases to 60% by 2030 to meet State mandates.
7. Start-up costs are $2.5 million and repaid starting in 2026 over a 3-year period. This assumption is made to comport with anticipated lending covenants.
8. Cash working capital requirements are estimated at $10-$18 million depending on the participation scenario. This cash working capital requirement is repaid 5 years from launch.
9. It is assumed that the CCA employs 5 full time staff at launch ramping up to 10 full time staff in 2023.

These updates and assumptions are described in more detail below.

Load Forecast

The OC CCA load forecast is based on 2018 usage for the City of Irvine scaled to participating city populations. Residential customer accounts and loads are scaled based on population data. Non-residential usage and accounts are scaled based on a kWh per capita assumption of 5,000 kWh per capita. The City of Irvine loads are 71% non-residential. This load distribution is higher compared to average City load characteristics. Therefore, other participating City non-residential loads are added assuming a smaller share of total City load is non-residential. The assumptions above result in all Cities except Irvine are modeled at 58% non-residential and 42% residential load shares. Table 1 shows the populations and Cities included in each Scenario.

TABLE 1

LOAD SCALING ASSUMPTIONS FOR OC CCA SCENARIOS

Potential Member	2018 Population
Scenario 1	
Irvine	282,572
Huntington Beach	200,641
Total	483,213
Scenario 2 = Scenario 1 Plus:	
Fullerton	139,640
Costa Mesa	113,615
Added population	253,255
Total	736,468
Scenario 3 = Scenario 2 Plus:	
Santa Ana	332,725
Lake Forest	85,623
Tustin	79,795
Yorba Linda	67,787
Villa Park	21,695
Laguna Woods	16,046
Added population	603,671
Total	1,340,139

In all Scenarios, load growth for energy is forecast assuming 0.62% annual growth. Table 2 below shows annual customer counts and energy forecasts developed for this update.

TABLE 2

OC CCA LOAD FORECAST **PRELIMINARY**

	Scenario 1		Scenario 2		Scenario 3	
	Load, GWh	Service Accounts	Load, GWh	Service Accounts	Load, GWh	Service Accounts
2022	1,547	191,183	1,992	286,132	3,055	512,458
2023	2,641	192,371	3,546	287,911	5,704	515,643
2024	2,657	193,564	3,568	289,696	5,740	518,840
2025	2,674	194,764	3,590	291,492	5,775	522,057
2026	2,690	195,972	3,613	293,299	5,811	525,294
2027	2,707	197,187	3,635	295,117	5,847	528,550
2028	2,724	198,409	3,658	296,947	5,884	531,827
2029	2,741	199,639	3,680	298,788	5,920	535,125
2030	2,758	200,877	3,703	300,641	5,957	538,443
2031	2,775	202,122	3,726	302,505	5,994	541,781

Power Costs

The largest expense item for a CCA is power supply costs. The power cost forecast assumes OC CCA meets California renewables portfolio standard (RPS) requirements, purchases resource adequacy consistent with California Public Utilities Commission (CPUC) requirements and meets requirements for all other applicable regulations. Total all-in RA prices range from $4/kW-month in winter to $13/kW-mo in summer months. For reference, the 85th percentile for RA costs in 2018 for 2020-2022 local and system RA were in the range of $3 to $5/kW-mo. The maximum price was $10/kW-mo.[2] Thus, the RA forecast used both reflects current trends and is conservatively high.

Market purchases are priced around $38/MWh (all hours), and short-term renewables are an additional $16/MWh (PCC1 RECs). PCC2 RECs are priced at an additional $6/MWh. Carbon free energy is priced as an adder of $6/MWh. In addition to these costs, OC CCA will have CAISO costs of approximately $1.75/MWh for transmission related services. Starting in 2021, OC CCA will need to procure 65% of the State mandated RPS from contracts that are 10 years or longer. Recent long-term contracts have been signed by CCAs for $20-$34/MWh. The *pro forma* assumes OC CCA will be able to purchase these contracts for $30/MWh which would include a mix of solar, wind, and solar plus storage. This price for long-term renewable power is also conservatively high.

[2] CPUC Energy Division. 2018 Resource Adequacy Report. August 2019. https://www.cpuc.ca.gov/uploadedFiles/CPUC_Public_Website/Content/Utilities_and_Industries/Energy/Energy_Programs/Electric_Power_Procurement_and_Generation/Procurement_and_RA/RA/2018%20RA%20Report%20rev.pdf

Staffing, Consulting, and Overhead

Consultant costs were updated to reflect recent consultant agreements negotiated by CCAs with their service providers. Upfront consulting costs for 2021 consist of legal/regulatory assistance, administration, marketing and outreach, financial services, technical consultants and initial CCA staff hires.

Staffing costs include salary and benefits for an Executive Director beginning in 2021, Executive Secretary beginning in April 2021, for a total of 5 full time staff members beginning in March 2022 ramping up to 10 full time staff members by January 2023. It should be noted that CCA staff do not typically participate in the State Cal PERS retirement program. Rather, they are offered a traditional 401k-type of retirement program.

Start-Up Cost Estimates

The amount needed prior to program launch varies depending on the size of the CCA. Table 3 below provides a range of estimated costs based on small, medium and large Scenarios. The *pro forma* assumes $2.5 million in start-up costs (medium Scenario). The actual cost will depend on decisions made by the JPA board and Executive Director such as timing of staff ramp-up, phased launch approach, office space, and any unforeseen changes in implementation due to SCE operational issues with billing and data management.

TABLE 3

OC CCA START-UP COST ESTIMATES **PRELIMINARY**

Task	Small (City-Only)	Medium (2 – 10 Members)	Large (20 → Members)
Solicit Members/Initial Outreach	$0	$50,000	$150,000
Form JPA	$0	$100,000	$200,000
CPUC Bond	$100,000	$140,000	$100,000
SCE Deposit	$200,000	$200,000	$200,000
Consultants			
Legal	$150,000	$400,000	$1,200,000
Technical	$30,000	$400,000	$1,000,000
Financial Advisor	$10,000	$150,000	$250,000
Marketing/Outreach	$10,000	$200,000	$200,000
CCA Staffing	$200,000	$550,000	$900,000
Infrastructure	$0	$300,000	$500,000
Total 18-Month Cash Outlay	**$700,000**	**$2,490,000**	**$4,700,000**

Debt Service

Two debt service payments are assumed. The first is for $2.5 million in start-up costs. Repayment of this loan begins in 2025 and will conclude in 3 years. In addition, a total of $10-18 million will be needed to bridge the gap in cash for working capital depending on participation Scenario. This amount is assumed to be financed over 5 years with repayment beginning at program launch. Operating CCAs have typically repaid these in 3-5 years. Table 4 shows the cash needs by participation Scenario.

TABLE 4

FINANCING NEEDS **PRELIMINARY**

Participation Scenario	Start-Up Costs, Millions	Cash for Working Capital, Millions
Scenario 1	$2.5	$10
Scenario 2	$2.5	$13
Scenario 3	$2.5	$18

OC CCA Revenues

Retail rate revenues are calculated based on forecast SCE generation rates and PCIA by class. OC CCA revenue is calculated based on an assumed 4% discount off the SCE generation rate. This translates to a 2% total discount off a CCA customer's total electric bill.

Summary

It is anticipated the OC CCA will be able to repay the start-up and working capital loans within 5-7 years and likely sooner. OC CCA will build financial reserves over the first 5-7 years of 120 days of operating expenses ($50M - $110M depending on participation Scenario but subject to JPA Board direction). After debt service is repaid, it is estimated that a significant amount of net income ($12-$38 million per year on average depending on Scenario) will be available to OC CCA for customer programs. All assumptions will need to be updated before the *pro forma* can populate the OC CCA Implementation Plan. In particular, the PCIA in SCE's 2021 ERRA filings must be incorporated into the final *pro formas*. EES is confident the level of all other *pro forma* estimates are more than acceptably accurate for feasibility study purposes.

EES Consulting
a GDS Associates Company

Amber Nyquist, Manager
amber.nyquist@gdsassociates.com
direct 425-655-1042
cell 360-319-7946

TABLE 5

SCENARIO 1 OC CCA PROFORMA, ACCRUAL BASIS **PRELIMINARY**

Scenario 1: Irvine, Huntington Beach											
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Revenues from Operations ($)											
Electric Sales Revenues for CCE	$0	$95,324,639	$163,054,533	$169,611,264	$170,634,813	$177,106,647	$184,903,274	$193,592,357	$202,958,962	$212,450,467	$222,675,481
Less Uncollected Accounts	$0	$476,623	$815,273	$848,056	$853,174	$885,533	$924,516	$967,962	$1,014,795	$1,062,252	$1,113,377
Total Revenues for CCA	$0	$94,848,016	$162,239,260	$168,763,208	$169,781,639	$176,221,114	$183,978,758	$192,624,395	$201,944,168	$211,388,214	$221,562,104
Cost of Operations ($)											
Block Energy Purchases		$52,845,903	$80,371,111	$79,370,597	$73,623,023	$71,296,183	$65,188,122	$62,603,799	$59,951,277	$58,002,795	$58,110,184
RPS Adders and Long-Term Energy		$9,918,063	$22,394,234	$23,422,226	$26,866,970	$30,359,961	$32,771,581	$35,393,444	$37,916,048	$39,844,611	$40,092,252
Resource Adequacy		$22,533,340	$39,133,021	$41,272,923	$43,682,118	$46,151,290	$48,760,034	$51,516,240	$54,428,243	$57,504,849	$60,755,364
Everything Else		$3,247,947	$5,188,945	$5,181,338	$5,243,486	$5,219,974	$5,822,651	$6,211,025	$6,572,387	$6,906,666	$7,172,200
Total Cost of Power Supply	$0	**$88,545,254**	**$147,087,312**	**$149,247,084**	**$149,415,597**	**$153,027,408**	**$152,542,388**	**$155,724,508**	**$158,867,954**	**$162,258,922**	**$166,130,000**
Operating & Administrative											
Data Management	$0	$509,494	$2,407,049	$2,470,450	$2,541,039	$2,607,968	$2,676,661	$2,747,163	$2,819,522	$2,893,786	$2,970,007
Scheduling Coordinator	$0	$340,000	$516,800	$527,136	$538,563	$549,334	$560,321	$571,527	$582,958	$594,617	$606,509
SCE Fees (includes billing)	$0	$4,897	$22,720	$22,861	$23,015	$23,158	$23,302	$23,447	$23,592	$23,739	$23,887
Consulting Services	$586,500	$993,582	$923,251	$941,716	$960,550	$979,761	$999,357	$1,019,344	$1,039,731	$1,060,525	$1,081,736
Staffing	$656,370	$1,248,010	$2,103,498	$2,166,460	$2,213,406	$2,257,674	$2,302,828	$2,348,884	$2,395,862	$2,443,779	$2,492,655
General & Administrative expenses	$24,480	$302,548	$207,682	$244,446	$249,743	$254,738	$259,833	$265,029	$270,330	$275,737	$281,251
Debt Service Payment on Financing	$0	$1,763,734	$2,116,481	$2,116,481	$2,645,602	$2,645,602	$881,867	$529,120	$529,120	$0	$0
Total O&A Costs	$1,267,350	$5,162,265	$8,297,481	$8,489,550	$9,171,918	$9,318,236	$7,704,168	$7,504,514	$7,661,115	$7,292,183	$7,456,045
Total Cost of Operations	$1,267,350	$93,707,519	$155,384,792	$157,736,634	$158,587,515	$162,345,644	$160,246,556	$163,229,022	$166,529,069	$169,551,105	$173,586,045
Net Income	($1,267,350)	$1,140,498	$6,854,468	$11,026,574	$11,194,124	$13,875,470	$23,732,202	$29,395,373	$35,415,099	$41,837,109	$47,976,059
Cash From Operations and Financing											
Net Income From Operations	($1,267,350)	$1,140,498	$6,854,468	$11,026,574	$11,194,124	$13,875,470	$23,732,202	$29,395,373	$35,415,099	$41,837,109	$47,976,059
Cash from Financing	$2,500,000	$10,000,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Cash Available	$1,232,650	$11,140,498	$6,854,468	$11,026,574	$11,194,124	$13,875,470	$23,732,202	$29,395,373	$35,415,099	$41,837,109	$47,976,059
Net Income Allocation											
Reserve Fund Contribution	$416,663	$11,140,498	$6,854,468	$11,026,574	$11,194,124	$13,875,470	$1,235,033	$0	$0	$0	$1,326,555
Money Available for Discretionary Programs	$475,987	$0	$0	$0	$0	$0	$22,497,170	$29,395,373	$35,415,099	$41,837,109	$46,649,504
Total Cash Outlays	$1,232,650	$0	$0	$0	$0	$0	$22,497,170	$29,395,373	$35,415,099	$41,837,109	$46,649,504
Rate Stabilization Reserve Balance	$416,663	$11,557,161	$18,411,629	$29,438,203	$40,632,326	$54,507,797	$55,742,829	$55,742,829	$55,742,829	$55,742,829	$57,069,385
Reserve Balance Target	$416,663	$30,807,951	$51,085,411	$51,858,619	$52,138,361	$53,373,910	$52,683,799	$53,664,336	$54,749,283	$55,742,829	$57,069,385
CCA Total Bill		$279,474,284	$510,745,006	$526,459,718	$536,882,464	$553,001,065	$570,698,550	$588,035,363	$606,268,066	$624,849,728	$644,394,803
SCE Total Bill		$284,690,269	$519,677,013	$535,777,773	$546,134,433	$563,047,972	$580,499,052	$598,505,181	$617,084,452	$636,255,560	$656,037,825
Difference		$5,215,985	$8,932,007	$9,318,056	$9,251,969	$10,046,907	$9,800,501	$10,469,818	$10,816,386	$11,405,832	$11,643,021
Total Bill Savings		2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Generation Rate Discount		4%	4%	4%	4%	4%	4%	4%	4%	4%	4%

TABLE 6

SCENARIO 2 OC CCA PROFORMA, ACCRUAL BASIS **PRELIMINARY**

Scenario 2: Irvine, Huntington Beach, Fullerton, Costa Mesa	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Revenues from Operations ($)											
Electric Sales Revenues for CCE	$0	$123,324,586	$221,244,900	$230,141,636	$232,020,313	$240,820,375	$251,421,821	$263,236,782	$275,973,004	$288,879,056	$302,782,497
Less Uncollected Accounts	$0	$616,623	$1,106,224	$1,150,708	$1,160,102	$1,204,102	$1,257,109	$1,316,184	$1,379,865	$1,444,395	$1,513,912
Total Revenues for CCA	$0	$122,707,963	$220,138,675	$228,990,928	$230,860,211	$239,616,273	$250,164,712	$261,920,598	$274,593,139	$287,434,660	$301,268,584
Cost of Operations ($)											
Block Energy Purchases		$68,135,864	$108,070,301	$106,744,781	$99,030,454	$95,911,148	$87,680,026	$84,191,906	$80,610,040	$77,974,359	$78,104,105
RPS Adders and Long-Term Energy		$12,776,330	$30,072,299	$31,452,746	$36,078,425	$40,769,456	$44,007,645	$47,528,441	$50,915,944	$53,505,734	$53,838,281
Resource Adequacy		$28,733,869	$52,625,728	$55,504,090	$58,743,312	$62,063,831	$65,572,047	$69,278,567	$73,194,602	$77,331,994	$81,703,256
Everything Else		$4,183,966	$6,968,027	$6,957,811	$7,031,071	$6,990,287	$7,819,005	$8,340,537	$8,825,795	$9,274,686	$9,631,261
Total Cost of Power Supply	$0	**$113,830,029**	**$197,736,355**	**$200,659,429**	**$200,883,261**	**$205,734,722**	**$205,078,723**	**$209,339,451**	**$213,546,381**	**$218,086,773**	**$223,276,902**
Operating & Administrative											
Data Management	$0	$733,267	$3,602,344	$3,697,228	$3,802,870	$3,903,036	$4,005,840	$4,111,351	$4,219,642	$4,330,785	$4,444,856
Scheduling Coordinator	$0	$340,000	$516,800	$527,136	$538,563	$549,334	$560,321	$571,527	$582,958	$594,617	$606,509
SCE Fees (includes billing)	$0	$7,048	$34,002	$34,213	$34,444	$34,658	$34,873	$35,090	$35,308	$35,528	$35,748
Consulting Services	$586,500	$993,582	$923,251	$941,716	$960,550	$979,761	$999,357	$1,019,344	$1,039,731	$1,060,525	$1,081,736
Staffing	$656,370	$1,248,010	$2,103,498	$2,166,460	$2,213,406	$2,257,674	$2,302,828	$2,348,884	$2,395,862	$2,443,779	$2,492,655
General & Administrative expenses	$24,480	$302,548	$207,682	$244,446	$249,743	$254,738	$259,833	$265,029	$270,330	$275,737	$281,251
Debt Service Payment on Financing	$0	$2,292,855	$2,751,426	$2,751,426	$3,280,546	$3,280,546	$987,691	$529,120	$529,120	$0	$0
Total O&A Costs	$1,267,350	$5,917,310	$10,139,001	$10,362,625	$11,080,122	$11,259,747	$9,150,742	$8,880,346	$9,072,951	$8,740,971	$8,942,755
Total Cost of Operations	$1,267,350	$119,747,339	$207,875,356	$211,022,054	$211,963,383	$216,994,469	$214,229,465	$218,219,797	$222,619,332	$226,827,743	$232,219,657
Net Income	($1,267,350)	$2,960,624	$12,263,319	$17,968,874	$18,896,828	$22,621,804	$35,935,248	$43,700,801	$51,973,807	$60,606,917	$69,048,927
Cash From Operations and Financing											
Net Income From Operations	($1,267,350)	$2,960,624	$12,263,319	$17,968,874	$18,896,828	$22,621,804	$35,935,248	$43,700,801	$51,973,807	$60,606,917	$69,048,927
Cash from Financing	$2,500,000	$13,000,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Cash Available	$1,232,650	$15,960,624	$12,263,319	$17,968,874	$18,896,828	$22,621,804	$35,935,248	$43,700,801	$51,973,807	$60,606,917	$69,048,927
Net Income Allocation											
Reserve Fund Contribution	$416,663	$15,960,624	$12,263,319	$17,968,874	$18,896,828	$9,067,197	$0	$0	$0	$0	$1,772,684
Money Available for Discretionary Programs	$475,987	$0	$0	$0	$0	$13,554,607	$35,935,248	$43,700,801	$51,973,807	$60,606,917	$67,276,243
Total Cash Outlays	$1,232,650	$0	$0	$0	$0	$13,554,607	$35,935,248	$43,700,801	$51,973,807	$60,606,917	$67,276,243
Rate Stabilization Reserve Balance	$416,663	$16,377,287	$28,640,606	$46,609,480	$65,506,308	$74,573,505	$74,573,505	$74,573,505	$74,573,505	$74,573,505	$76,346,189
Reserve Balance Target	$416,663	$39,368,988	$68,342,583	$69,377,114	$69,686,592	$71,340,647	$70,431,605	$71,743,495	$73,189,917	$74,573,505	$76,346,189
CCA Total Bill		$363,396,838	$696,866,831	$718,291,195	$733,027,469	$755,023,792	$779,169,081	$802,822,656	$827,696,499	$853,046,976	$879,709,646
SCE Total Bill		$369,970,820	$708,661,908	$730,601,721	$745,446,071	$768,519,048	$792,324,916	$816,887,534	$842,231,557	$868,382,460	$895,366,568
Difference		$6,573,982	$11,795,078	$12,310,526	$12,418,602	$13,495,257	$13,155,835	$14,064,878	$14,535,058	$15,335,484	$15,656,922
Total Bill Savings		2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Generation Rate Discount		4%	4%	4%	4%	4%	4%	4%	4%	4%	4%

TABLE 7

SCENARIO 3 OC CCA PROFORMA, ACCRUAL BASIS **PRELIMINARY**

Scenario 3: Irvine, Huntington Beach, Santa Ana, Fullerton, Costa Mesa, Lake Forest, Tustin, Yorba Linda, Villa Park, Laguna Woods											
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Revenues from Operations ($)											
Electric Sales Revenues for CCE	$0	$190,066,626	$359,950,302	$374,424,791	$378,341,790	$392,691,531	$409,978,682	$429,244,639	$450,012,842	$471,057,977	$493,729,495
Less Uncollected Accounts	$0	$950,333	$1,799,752	$1,872,124	$1,891,709	$1,963,458	$2,049,893	$2,146,223	$2,250,064	$2,355,290	$2,468,647
Total Revenues for CCA	$0	$189,116,293	$358,150,551	$372,552,667	$376,450,081	$390,728,073	$407,928,789	$427,098,416	$447,762,778	$468,702,687	$491,260,848
Cost of Operations ($)											
Block Energy Purchases		$104,581,763	$174,095,443	$171,995,225	$159,592,847	$154,584,581	$141,285,689	$135,636,472	$129,832,905	$125,552,907	$125,729,266
RPS Adders and Long-Term Energy		$19,589,435	$48,373,802	$50,594,685	$58,035,254	$65,582,036	$70,790,477	$76,454,011	$81,903,132	$86,069,055	$86,603,988
Resource Adequacy		$43,513,752	$84,787,603	$89,426,198	$94,643,909	$99,993,743	$105,645,982	$111,617,718	$117,927,012	$124,592,945	$131,635,676
Everything Else		$6,415,108	$11,204,422	$11,192,301	$11,289,147	$11,210,092	$12,577,612	$13,416,545	$14,197,129	$14,919,214	$15,492,797
Total Cost of Power Supply	$0	**$174,100,057**	**$318,461,270**	**$323,208,409**	**$323,561,157**	**$331,370,453**	**$330,299,759**	**$337,124,746**	**$343,860,178**	**$351,134,120**	**$359,461,728**
Operating & Administrative											
Data Management	$0	$1,266,665	$6,451,506	$6,621,435	$6,810,633	$6,990,021	$7,174,135	$7,363,097	$7,557,038	$7,756,086	$7,960,377
Scheduling Coordinator	$0	$340,000	$516,800	$527,136	$538,563	$549,334	$560,321	$571,527	$582,958	$594,617	$606,509
SCE Fees (includes billing)	$0	$12,175	$60,894	$61,273	$61,686	$62,069	$62,455	$62,843	$63,234	$63,627	$64,022
Consulting Services	$586,500	$993,582	$923,251	$941,716	$960,550	$979,761	$999,357	$1,019,344	$1,039,731	$1,060,525	$1,081,736
Staffing	$656,370	$1,248,010	$2,103,498	$2,166,460	$2,213,406	$2,257,674	$2,302,828	$2,348,884	$2,395,862	$2,443,779	$2,492,655
General & Administrative expenses	$24,480	$302,548	$207,682	$244,446	$249,743	$254,738	$259,833	$265,029	$270,330	$275,737	$281,251
Debt Service Payment on Financing	$0	$3,174,722	$3,809,666	$3,809,666	$4,338,787	$4,338,787	$1,164,065	$529,120	$529,120	$0	$0
Total O&A Costs	$1,267,350	$7,337,702	$14,073,297	$14,372,133	$15,173,368	$15,432,385	$12,522,992	$12,159,846	$12,438,272	$12,194,371	$12,486,550
Total Cost of Operations	$1,267,350	$181,437,759	$332,534,567	$337,580,541	$338,734,525	$346,802,838	$342,822,751	$349,284,592	$356,298,450	$363,328,491	$371,948,278
Net Income	($1,267,350)	$7,678,535	$25,615,984	$34,972,126	$37,715,556	$43,925,235	$65,106,038	$77,813,824	$91,464,328	$105,374,197	$119,312,570
Cash From Operations and Financing											
Net Income From Operations	($1,267,350)	$7,678,535	$25,615,984	$34,972,126	$37,715,556	$43,925,235	$65,106,038	$77,813,824	$91,464,328	$105,374,197	$119,312,570
Cash from Financing	$2,500,000	$18,000,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Cash Available	$1,232,650	$25,678,535	$25,615,984	$34,972,126	$37,715,556	$43,925,235	$65,106,038	$77,813,824	$91,464,328	$105,374,197	$119,312,570
Net Income Allocation											
Reserve Fund Contribution	$416,663	$25,678,535	$25,615,984	$34,972,126	$32,767,155	$0	$0	$0	$0	$0	$2,833,903
Money Available for Discretionary Programs	$475,987	$0	$0	$0	$4,948,401	$43,925,235	$65,106,038	$77,813,824	$91,464,328	$105,374,197	$116,478,667
Total Cash Outlays	$1,232,650	$0	$0	$0	$4,948,401	$43,925,235	$65,106,038	$77,813,824	$91,464,328	$105,374,197	$116,478,667
Rate Stabilization Reserve Balance	$416,663	$26,095,198	$51,711,182	$86,683,308	$119,450,463	$119,450,463	$119,450,463	$119,450,463	$119,450,463	$119,450,463	$122,284,365
Reserve Balance Target	$416,663	$59,650,770	$109,326,433	$110,985,383	$111,364,775	$114,017,371	$112,708,850	$114,833,291	$117,139,216	$119,450,463	$122,284,365
CCA Total Bill		$563,438,742	$1,140,515,913	$1,175,550,082	$1,200,568,293	$1,236,575,040	$1,276,089,631	$1,314,800,151	$1,355,504,140	$1,396,989,095	$1,440,617,611
SCE Total Bill		$573,249,711	$1,159,135,546	$1,194,993,608	$1,220,535,037	$1,258,289,952	$1,297,243,403	$1,337,434,389	$1,378,903,205	$1,421,691,488	$1,465,842,264
Difference		$9,810,969	$18,619,633	$19,443,526	$19,966,743	$21,714,912	$21,153,772	$22,634,238	$23,399,065	$24,702,393	$25,224,652
Total Bill Savings		2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Generation Rate Discount		4%	4%	4%	4%	4%	4%	4%	4%	4%	4%

EES Consulting
a GDS Associates Company

Amber Nyquist, Manager
amber.nyquist@gdsassociates.com
425-889-2700 x216
cell 360-319-7946

October 16, 2020

TO: OC CCA Interested Cities

FROM: Gary Saleba; Amber Nyquist

SUBJECT: CCA Low Income Programs

CC: Mark Steuer; Ryan Baron

Introduction

This memo describes how low income programs are implemented when a community choice aggregator (CCA) is established. In sum, low income programs offered by the incumbent investor-owned utility (IOU) are maintained under CCA structure without any impact to CCA financials. In addition to the current IOU programs, CCAs often offer additional assistance to low income customers. A survey of currently offered low income programs from established CCAs is provided at the end of this memo.

Low Income Rates

IOUs offer three rate programs to low income customers:

1. California Alternative Rates for Energy: CARE
2. Family Electric Rate Assistance: FERA
3. Medical Baseline

CARE and FERA offer discounts on the delivery rate portion of the customer's bill. Because these programs are based on the delivery portion, and CCAs provide only generation services, the program remains the same whether a customer is a bundled IOU customer or CCA customer. Similarly, the medical baseline program reduces average delivery rates by increasing the block of energy billed at the lowest rate offered on the applicable rate schedule. Table 1 summarizes these three rate programs.

TABLE 1 SCE LOW-INCOME AND MEDICAL BASELINE RATE PROGRAMS

Program	Eligibility	Approximate Rate Discount	Other Notes
CARE	Someone in home participates in at least one public assistance program[1] or income based adjusted for household size.	Delivery Rate: 50% Total Bill: 30%	Does not pay DWRBC charge
FERA	Income based adjusted for household size, higher income threshold than CARE.	Delivery Rate: 30% Total Bill: 18%	

[1] Public Assistance Programs include: Bureau of Indian Affairs General Assistance, CalFresh/SNAP, CalWorks (TANF) or Tribal TANF, Head Start Income Eligible (Tribal only), LIHEAP, Medi-Cal/Medicaid, Medi-Cal for Families, National School Lunch Program, Supplemental Security Income, or WIC.

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Program	Eligibility	Approximate Rate Discount	Other Notes
Medical Baseline	Full time resident in home requires use of electric powered medical equipment, temperature sensitive, has life-threatening illness or compromised immune system requiring space conditioning.	Medical baseline allocation bills more kWh at lowest rate tier.	Does not pay DWRBC charge, Minimum bill is $5.

In addition to these programs, CCA customers are also eligible for on-bill financing through SCE for eligible energy efficiency investments. The financing is 0% for eligible customers. Low-income solar projects are also available for CCA customers through SCE's program offerings.[2]

CCA Low Income Programs

In addition to SCE low income programs, CCAs also offer programs as well. The list below summarizes some of the current offerings from CCAs.

- The California Public Utilities Commission (CPUC) has awarded $3.5 million to Marin Clean Energy (MCE) to conduct a two-year, Low-Income Family and Tenants (LIFT) pilot program to better serve income-qualified multifamily communities in MCE's service area. The program will help remove barriers to energy efficiency investments in rented properties as it will focus on engaging property owners. $1,200 per unit is available to fund energy efficiency improvements and appliances in 1,400 multifamily units for items such as pipe insulation, more efficient lighting, Energy Star refrigerators, and air conditioners.[3]
- Peninsula Clean Energy (PCE) partnered with several nonprofits to distribute low income qualifying grants to PCE customers for energy efficiency investments.[4]
- Clean Power Alliance (CPA) offers a 100% green energy rate to residents located in disadvantaged communities. This program will allow CPA to develop up to 12.19 MW of renewable energy and allocate the energy produced by those projects to low-income customers living in disadvantaged communities (DACs) anywhere in CPA's service territory. As with the Community Solar program, customers will get a 20% bill discount on top of their existing CARE or FERA discount. The generating projects may be located in a DAC anywhere in CPA's or SCE's service territories.

Summary

Low income customers have many options to reduce their energy bills under either bundled or unbundled service (CCA). CCAs have implemented additional program offerings that are available to CCAs and bundled SCE customers where qualifying criteria are met. CCA programs tend to focus on removing barriers to low income program participation.

[2] https://www.sce.com/residential/rebates-savings/residential-solar-programs

[3] https://www.mcecleanenergy.org/news/press-releases/lift-2/

[4] https://www.peninsulacleanenergy.com/peninsula-clean-energy-grant-program-funds-outreach-to-low-income-residents/

COMMUNITY CHOICE ENERGY CUSTOMER PROGRAMS

Community Choice Energy (CCE) programs are a key element of CCE operations. Even as CCEs offer customers slight discounts (1 to 4% off of utility bills compared to IOUs), their delivery of unique customer programs is a large distinguishing characteristic of CCEs to their customers.

The EES Consulting team believes that CCEs can make a broader, positive customer and community stakeholder impact through the delivery of customer programs compared to offering slightly lower utility bills. CCEs are unique from the IOUs also in that their communities have a voice in the design of power supply portfolios, customer rates and customer program designs.

Status Quo

The California Public Utilities Commission (CPUC) authorizes about $1 billion per year to utilities and other energy efficiency program administrators for ratepayer funded energy efficiency programs; these are largely administered by the IOUs. Funding is also authorized for energy storage, electric vehicle charging and other customer programs.

These programs are designed by the IOUs for utilization by customers across their entire service territories. There are no community-specific customer programs. And the only way a community can have a voice in programs design is to participate in lengthy, expensive regulatory proceedings.

CCE Opportunities

The financial analyses completed by EES Consulting for all of their CCE clients includes a net operating revenue element; primarily established to pay off CCE start-up financing. After financing is paid off, net revenues may be used by a CCE for discretionary purposes. Net revenues may be used to lower rates, build up reserve funds, and/or establish customer programs.

The general policy for all operating CCEs is that funds are designated for uses and benefits of the CCE operations.

CCE customer programs generally break down into a handful of categories: special rates for customers, customer incentives, education and outreach. These are described in more detail below.

Programs Description

Special Rates:

CCEs in California all offer equivalent rate programs as the IOUs. However, to encourage greater customer solar PV utilization, CCEs have offered Net Energy Metering and Feed In Tariff (FIT) rates with greater benefits than the IOU equivalent. Net Energy Metering (NEM) rates allow customers to offset their energy usage with solar PV generation at their buildings; CCEs offer equivalent NEM rates. IOUs also offer FIT rates which pay a customer for excess solar PV generation delivered into the grid. CCEs generally offer a FIT benefit higher than the IOUs. While not directly funded out of net revenues, these rate benefits do impact a CCEs fiscal “bottom line.” Because CCE rates are not subject to CPUC approval, CCEs could design rates to encourage economic development or other types of business retention or development incentive.

Customer Incentives:

As mentioned earlier, CCEs have the opportunity to design and fund customer programs specific to their communities – which the IOUs do not do. So, a city with a large number of single family and multi-family units may design programs for energy upgrade incentives specific to these customers. Similar programs could be designed and offered for small/medium/large commercial buildings, industrial operations, or other customer classes. Programs could target low-income ratepayers or certain other types of business operations.

Incentives could include cash payments for installing certain types of equipment, financing or other operating benefits such as access to energy management tools.

Many CCEs are encouraging conversion to electric equipment from natural gas. Since the State is proceeding towards 100% greenhouse gas free operations by 2045; electrification of appliances, building heating and cooling, and electric vehicle charging supports greenhouse gas reduction targets for CCEs but also increases revenues. Incentives for electric equipment conversion and full electric conversion of buildings are being offered by CCEs. The long-term financial benefit of a home becoming fully electric for the next 50 years compared to a short-term financial incentive is significant.

Energy storage and electric vehicle charging also has financial operating benefits to CCEs if storage and charging are done at certain times of the day. CCEs are investigating rates that encourage these at the right time as well as incentives for customers to install storage and EV charging. Doing something as simple as compiling all of the EV incentives available to Californians from a variety of sources (utilities, State agencies, car dealerships, federal government) have already proven to drive increased EV procurement and EV charging infrastructure.

It is conceivable that a CCE may pilot any of these programs within internal operations as a precursor to designing and offering CCE customer programs – especially involving new technologies like battery storage and EVs and infrastructure.

CCEs have also embraced public-private arrangements where certain technology providers have been provided CCE branding and promotion and access to CCE customers to market products. To the extent the CCE customers benefit from new technologies and the CCE benefits financially from the business relationship, this is a win-win-win scenario.

Customer adoption efficient equipment and new technologies is enhanced through access to financing. Many local governments already work with private and public financing entities to design equipment financing programs for customers. This may be offered in concert with or separate from incentive programs.

It should be noted that CCE customers may access CCE-designed programs and IOU incentive programs; they are not mutually exclusive.

Education and Outreach:

CCEs also offer customer education and outreach programs through literature, events, websites, customer service phone desk, and other media channels. Primarily these have targeted disadvantaged, non-English speaking, and hard-to-reach customers; but they also target those that are simply not energy-savvy. Education and outreach have proven to be a strategic method for promoting CCE benefits to customers.

Other:

CCEs are also eligible to access CPUC Energy Efficiency Program funding – the $1 billion per year budget referenced earlier. So, CCEs may combine their net revenue programs with CPUC authorized funding. CCE programs and CPUC-funded programs would cover all program operating expenses – including any public agency staff or other expenses used to design, operate and administer the programs.

EES has reviewed the financial statements of several CCEs and in some cases, CCE operating expenses have included payments into jurisdictions' general funds to compensate for staff and other contributions to CCE operations.

A table of customer programs offered by CCEs is listed below. Regarding the CPUC Energy Efficiency Program funding described above, only two CCEs currently access that funding (Marin Clean Energy and Lancaster Choice Energy); nearly all the programs noted below are operated out of CCE net revenues and special rate designs.

EES Consulting is very familiar with the CPUC process for accessing CPUC funding and design cost-effective programs and can assist as needed.

CALCCA ADVANCING LOCAL ENERGY CHOICE	Apple Valley Choice Energy	Central Coast Community Energy	Clean Power Alliance	CleanPowerSF	East Bay Community Energy	King City Community Power	Lancaster Choice Energy	MCE	Peninsula Clean Energy	Pioneer	PRIME	Rancho Mirage Energy Authority	Redwood Coast Energy Authority	San Jacinto Power	San Jose Clean Energy	Silicon Valley Clean Energy	Solana Energy Alliance	Sonoma Clean Power	Valley Clean Energy
Budget Billing				*In dev.*			✔												
Battery Storage Rate				*In dev.*	✔ *(pilot)*			✔								✔ (Same as PG&E)		*In dev.*	
Battery Storage Incentives								✔								*In dev.*		✔	
Demand Response		✔	✔	✔				*In dev.*	*In dev.*							*In dev.*		✔	✔
EV Rate		✔	✔	✔	✔ (Same as PG&E)		✔	✔	✔	✔ (Same as PG&E)	✔		✔		✔ (Same as PG&E)	✔ (Same as PG&E)	✔	✔	✔ (Same as PG&E)
EV Bus Program		✔		✔			✔		✔									✔	
EV Incentives (vehicles and/or charging)		✔					✔	✔	✔				✔		*In dev.*	✔		✔	*In dev.*
EV Load Shifting								✔								✔ *(pilot)*		✔	
Energy Efficiency				*In dev.*			✔	✔		*In dev.*			✔			*In dev.*		✔	✔
Energy Efficiency Data Sharing					✔														
Feed-In Tariff		*In dev.*		*In dev.*				✔					✔					✔	
Building Electrification		✔			*In dev.*			✔	*In dev.*				✔			✔		✔	*In dev.*
Low-Income & Multifamily EE		✔						✔	*In dev.*		✔		✔						
Solar Incentives												✔	✔						
On-Bill Repayment				*In dev.*				✔										*In dev.*	
Education, Outreach, and/or Innovation Grants			✔		✔				✔	*In dev.*						✔		✔	
Low-Income Solar Incentives		✔	*In dev.*	✔	✔	✔		✔	*In dev.*		✔								

CALCCA ADVANCING LOCAL ENERGY CHOICE	Apple Valley Choice Energy	Central Coast Community Energy	Clean Power Alliance	CleanPowerSF	East Bay Community Energy	King City Community Power	Lancaster Choice Energy	MCE	Peninsula Clean Energy	Pioneer	PRIME	Rancho Mirage Energy Authority	Redwood Coast Energy Authority	San Jacinto Power	San Jose Clean Energy	Silicon Valley Clean Energy	Solana Energy Alliance	Sonoma Clean Power	Valley Clean Energy
Customer Load Shifting			✓	✓				✓								*In dev.*		✓	
Microgrid Development		✓					✓			*In dev.*			✓						
Citizen Sourcing			✓				✓						✓						
Energy Education in Local Schools				*In dev.*					✓						✓			✓	
Dividend Program		✓																	✓
Solar Referral Service			✓													✓			
Solar+Storage Offerings			*In dev.*		✓			✓	✓		*In dev.*		✓			✓		✓	
Advancing Reach Codes		✓			✓				✓							✓		✓	
Advanced Energy Rebuild								✓										✓	
TOU Rates				✓	✓ (Same as PG&E)		✓	✓		✓ (Same as PG&E)			✓		✓ (Same as PG&E)	✓ (Same as PG&E)	✓	✓ (Same as PG&E)	✓ (Same as PG&E)
Customer C&I Clean Power Offerings																✓			
Workforce Education & Training								✓								✓		✓	
Emissions Inventory Support for Member Agencies		✓														✓			
Property Assessed Clean Energy (PACE)										✓									

CITY COUNCIL AGENDA REPORT
MEETING DATE: 2/16/2021
DEPARTMENT: City Manager

SUBJECT:

COMMUNITY CHOICE AGGREGATION

RECOMMENDED ACTION(S):

1. Receive a Presentation from MRW regarding Feasibility Study Results; and
2. Exercise City Council Discretion.

EXECUTIVE SUMMARY:

On December 15, 2020, the City Council approved the required documents necessary to join the Orange County Power Authority ("OCPA"), a Community Choice Aggregation ("CCA") Joint Powers Authority ("JPA"). The City Council also directed staff to hire a consultant to: (1) review the OCPA JPA Agreement and Implementation Plan; and (2) conduct a financial feasibility study of a CCA solely serving the City of Lake Forest.

MRW's study found that overall, the OCPA appears feasible. Given current and expected market and regulatory conditions, OCPA should be able to, over the long run, offer its residents and businesses customers electric rates that are less than Southern California Edison ("SCE") rates. Nonetheless, margins are tight in the first few years which could potentially prevent the OCPA from offering a rate discount or contributing to financial reserves. At its February 9, 2021, meeting, the OCPA Board voted 6-0 to extend the "non-penalty" opt out date to 15 days prior to April 1, 2021 but did not support at this time the City's requested changes to the OCPA JPA Agreement as outlined in a letter sent by the City Council to the OCPA Board.

MRW also identified two CCA options for Lake Forest aside from OCPA: (1) form a Lake Forest-only enterprise-based CCA or (2) form a Lake Forest CCA that is supported by the California Choice Energy Authority ("CalChoice")[1]. Recent resident survey results appear to indicate an interest to receive electricity from the City if one or more of the stated benefits associated with the switch are achieved – lower rates, rate stability over time, and/or electricity produced through renewable sources.

[1]California Choice Energy Authority, or "CalChoice" is referenced as "CCEA" in MRW's report.

At this time, staff recommends the City Council receive a presentation from staff and Mark Fulmer, President of MRW & Associates ("MRW") and identify any further information staff may provide for the City Council's next scheduled discussion at its March 2, 2021 meeting. No further action is required to remain in the OCPA.

BACKGROUND:

In 2020, the City of Irvine initiated the process of forming a regional CCA JPA and invited Orange County cities that procure energy solely through SCE to join. On November 20, 2020, the Cities of Fullerton and Irvine established the OCPA JPA. Lake Forest joined on December 15, 2020. Currently, the OCPA consists of five founding member agencies: Buena Park, Fullerton, Huntington Beach, Irvine, and Lake Forest. The OCPA has stated there are up to 10 other Orange County cities that are considering joining the OCPA in the future.

As a condition of joining the OCPA, the City Council directed staff to hire an independent consultant to assist with CCA related items. Last month, staff entered into an agreement with MRW which was retained to complete the following tasks: (1) review the OCPA JPA; (2) review the JPA Implementation Plan; (3) conduct a CCA study session for the City Council; (4) outline the City's options regarding the formation of a CCA, or joining a JPA; (5) advise the board-appointed Director and Alternate on Board Meetings; (6) provide an opinion on whether this is the best JPA to accomplish rate savings; and (7) provide a financial feasibility study assessment of a CCA that only serves the City of Lake Forest.

<u>OCPA Member Agency Status Update</u>

The City of Huntington Beach reaffirmed its participation in the OCPA and did not request changes to the JPA. The City of Buena Park voted to host a town hall meeting to gain input from residents and businesses regarding CCA. Its meeting is scheduled for March 2, 2021. Cities only need to take official action if they intend to opt-out of the JPA.

DISCUSSION:

At the December 15, 2020 City Council Meeting, the City Council voted to join the OCPA JPA. The City Council also directed staff to hire an independent consultant to assist with CCA related items. Last month, staff entered into an agreement with MRW & Associates ("MRW").

MRW completed its review of the OCPA Foundational documents and CCA options for the City of Lake Forest (Attachment 1). MRW found that overall, the OCPA appears financially viable in the long run. MRW highlights that the OCPA may not be able to offer rate savings in the first few years of operation due to SCE rates (including the Power Charge Indifference Adjustment), the need to pay off its start-up debts, and building of financial reserves. Additional findings regarding the OCPA founding documents are summarized below:

- The OCPA differs from other CCA JPAs in two ways: (1) Irvine will have two voting Directors on the OCPA Board of Directors, while all other cities will have only one until the loan repayment is satisfied; and (2) there will be two types of members: cities that join the OCPA prior to December 30, 2020 will be "founding parties", while those that join thereafter will be "additional parties".

- Most of the assumptions made by the Implementation Plan were reasonable. However, two of the assumptions were understated or outdated: (1) the Implementation Plan may be underestimating the initial working capital requirements; and (2) the Implementation Plan is overstating the costs for Resource Adequacy in 2023 and thereafter.

- Financial margins are smallest during the first two years of operation due to initial investment in startup costs, loan repayments, and SCE rates. This could prevent OCPA from offering rate discounts or contributions to financial reserves.

MRW also identified two CCA options for Lake Forest aside from OCPA: (1) form a Lake Forest-only enterprise-based CCA or (2) form a Lake Forest CCA that is supported by CalChoice. CalChoice is a hybrid CCA structure that provides members the ability to leverage CalChoice's knowledge and staff to benefit from lower energy procurement costs, regulatory matters, accounting, and compliance functions which are crucial to CCA agencies. A member city that may otherwise be unable to operate as an enterprise due to size or budget constraints is able to take advantage of economies of scale without having to sacrifice key control often associated with JPAs or taking on the significant liability of a stand-alone enterprise. CalChoice is governed by the Lancaster City Council with each City joining as an associate member of the JPA. As an associate member, a City Council would set rates for their City, purchase energy, and contract CCA services through existing CalChoice contracts which could help keep costs low to pass on rate savings to customers. Table 1 below briefly summarizes the comparison of Lake Forest CCA options.

Table 1: Comparison of Lake Forest CCA Options

Criterion	Join OCPA	Use CalChoice JPA	Stand-Alone Enterprise	Stay with SCE
Rates	Comparable/ modestly lower	Comparable/ modestly lower	Comparable/ modestly lower	Base
GHG Reduction Potential Over Forecast Period	Some	Some	Some	Base
Local Control/Governance	Some	Greater	Greatest	None
Local Economic Benefits	Some	Greater	Greatest	Minimal
Start Up Costs/Cost to Join	None	Some	Greatest	None
Level of Effort	Minimal	Some	Greatest	None
Timing (earliest)	2022	2023	2023	N/a

In addition, MRW also provided a Technical Assessment of a potential stand-alone CCA for the City of Lake Forest (Attachment 2). MRW's analysis found that a stand-alone Lake Forest only CCA program could be financially feasible over the long run. The CCA would likely be able to offer businesses and residents power that is priced at or a few percentage points lower than that offered by SCE. Similar to the OCPA, financial margins are smallest during the first years of operation due to the initial investment in startup costs, loan repayments, and SCE rates. Additional findings regarding the Technical Assessment are summarized below:

- Due to economies of scale, the OCPA would likely have slightly lower average costs than a stand-alone Lake Forest CCA. Conversely, MRW found no correlation between the size of the existing CCAs and the rate discounts they currently offer, suggesting governance and policy decisions also impact rates.

- CCA formation is not risk-free. A Lake Forest-only CCA would be participating in a competitive power market and subject to evolving state requirements and regulations.

- Rate savings may be achievable in the long run, but market prices and SCE rate volatility could combine to occasionally prevent the Lake Forest CCA from offering lower rates than SCE.

True North Residential Survey Results

Every two years, the City hires an independent research firm to perform a statistically significant survey of residents and businesses to obtain feedback on city services and potential new initiatives. Survey results are then interpreted by the consultant in a report entitled the Community Satisfaction Survey. Attached are survey responses to two questions included in the 2021 survey prepared by True North Research (Attachment 3).

According to True North Research, the resident responses to Question 20 appear to indicate a basic interest in the City's involvement in purchasing electricity on behalf of the community. A higher level of interest is indicated if the rates charged would be lower (85% of respondents are much more or somewhat more likely to purchase electricity from the City) and more stable over time (76% of respondents are much more or somewhat more likely to purchase electricity from the City). Approximately 72% of respondents also indicated being much more or somewhat more likely to purchase electricity from the City if a greater amount of the electricity would be produced through renewable sources. The least motivating factor to purchase electricity from the City is local control over the type of electricity offered (61% of respondents indicated much more likely or somewhat more likely) while 24% of respondents indicated "not sure." True North Research also noted that the survey did not ask if residents would be supportive of purchasing more energy from renewable sources if it resulted in a temporary or periodic slight rate increase.

A related question (Question 21) asked residents who their preferred provider of electricity would be if the cost were the same: Southern California Edison or the City. The survey indicated that 38% of residents preferred the City while approximately 29% of residents preferred Southern California Edison and 31% answered "Not sure." It should be noted that Question 21, due to time constraints to obtain survey responses, did not define "provider" nor differentiate between the components of providing electricity to a customer, e.g., generation, transmission, and distribution.

Revisions to the OCPA Joint Powers Agreement

At its meeting of February 2, 2021, the City Council directed staff to send two communications to the OCPA. The first was letter to the OCPA Board of Directors requesting amendments to the JPA and, the second was a transmittal of 19 questions regarding the JPA and JPA Agreement directly to the OCPA staff. The City Council also directed staff to schedule a Special Meeting of the City Council on February 12, 2021, in the event the OCPA Board did not adopt the Amendment to the JPA extending the "no-penalty" opt out date to 15 days prior to April 1, 2021.

In its letter, the City Council requested the Board discuss amending the JPA at its next meeting (Attachment 4). At its meeting of February 9, 2021, the OCPA Board voted 6-0 to approve the JPA Amendment extending the opt out date. However, the meeting agenda did not include consideration of the City's letter. During Board Member comments, the OCPA Board Members discussed the City's letter and expressed no interest in amending the Joint Powers Agreement at this time.

Potential Community Engagement Strategies: Ballot Measure, Postage Paid Post Cards, Newsletter, (Virtual) Public Forums, Single Subject Community Survey

At the January 19, 2021 City Council Meeting, Council Member Tettemer sought consensus to agendize for discussion a possible future ballot initiative regarding launching Community Choice Aggregation ("CCA") in Lake Forest. Minority consensus was given by Mayor Pro Tem Pequeno, and the City Council directed staff to place this item on the February 2, 2021 agenda for discussion (Attachment 5).

The City Council discussed this item in conjunction with its discussion of questions to pose to the OCPA as part of its due diligence process. Council Member Tettemer clarified that a ballot measure could be part of a broader public engagement strategy to educate the community on the advantages and disadvantages of Community Choice Aggregation and identify the community's goals regarding electricity from renewable sources. This information could be used to determine a path to achieve the community's goals which could include participating in a CCA.

Such an engagement campaign could include multiple channels such as newsletter articles, (virtual) Public Forums/Town Hall meetings, educational mailers with postage paid comment cards for residents to express their views, a single subject community survey and, potentially, a ballot measure. Such comprehensive public engagement would likely require a six-to-nine-month time frame and dedicated time from the City Manager's Office, Economic Development, and Public Information staff. Additional costs related to this effort may include consultant assistance, direct mailer design and postage, and costs related to a ballot measure.

CCA Due Diligence

The following section outlines the City's ongoing efforts researching the OCPA, and includes staff's recommendations for future City Council Meeting dates:

- January 19 – MRW provided an overview of CCA and responded to the City Council's questions and comments related to the OCPA JPA.

- February 2 – The City Council approved correspondence to the OCPA Board of Directors and its staff. Staff forwarded communication to OCPA Staff and a separate letter to its Board.
- February 16 – The City Council reviewed MRW's reports for Lake Forest and posed final questions to the consultant.
- March 2 – City Council Discussion (If required, the City Council may continue this item to its second meeting in March).
- March 16 – City Council Discussion (If needed).

The City has until March 17 to provide the Authority with advance written notice of withdrawal to opt out of the JPA without penalty. No action is necessary to remain an OCPA founding member.

FISCAL IMPACT:

The fiscal impact associated with this item is dependent upon City Council direction. There is no immediate fiscal impact associated with remaining in the OCPA.

ATTACHMENTS:

1. Review of OCPA Foundational Documents and CCA Options for the City of Lake Forest
2. Technical Assessment of CCE for the City of Lake Forest
3. True North Resident Survey Topline Results – CCA Questions
4. Letter to the OCPA Board of Directors
5. Minute Excerpt – January 19, 2021 City Council Meeting

Initiated By: Adrian Grijalva, Senior Management Analyst
Submitted By: Keith Neves, Assistant City Manager
Approved By: Debra Rose, City Manager

ATTACHMENT 1

Review of Orange County Power Authority Foundational Documents and CCA Options to the City of Lake Forest

Prepared by:

MRW & Associates, LLC
1736 Franklin Street, Ste 700
Oakland, CA 94612

February 11, 2021

This report was prepared by MRW & Associates. MRW has been working on Community Choice Aggregation (CCA) issues since they were authorized by the California State Legislature in 2002. MRW has prepared and critiqued numerous CCA feasibility plans and is providing rate forecasting and other ongoing support to CCAs throughout the state.

This Study is based on the best information available at the time of its preparation, using publicly available sources for all assumptions to provide an objective assessment regarding the prospects of CCA operation in the City. It is important to keep in mind that the findings and recommendations reflected herein are substantially influenced by current market conditions within the electric utility industry and state regulations, both of which are subject to sudden and significant changes.

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Executive Summary

The City of Irvine has extended an invitation to Lake Forest to become a member of the new Community Choice Aggregation (CCA) it is spearheading, the Orange County Power Authority (OCPA).[1] Other cities which have committed to the OCPA include Fullerton, Huntington Beach, Buena Park. Like Lake Forest, they too have the opportunity to withdraw from the JPA on or before April 1 (originally March 1).

The City of Lake Forest retained MRW & Associates (MRW) to: (1) review the OCPA's Joint Powers Agreement; (2) Review Implementation Plan; (3) provide the benefits and risks to the City of joining OCPA or forming a Lake Forest only CCA. This report addresses the first two items and qualitatively discusses Lake Forest's CCA options. A separate report, Technical Assessment of Community Choice Energy for the City of Lake Forest," addresses the benefits and risks of CCA formation as well as the viability of a stand-alone CCA for Lake Forest.

Review of the OCPA's Joint Powers Agreement

Overall, the OCPA Joint Powers Agreement (JPA) is patterned after and consistent with other California CCA JPAs. First, it explicitly states that the JPA member cities are not required to provide any funding to the OCPA and the OCPA's debts, obligations and liabilities cannot fall back onto the member cities. Second, the JPA also provides for a second "Voting Shares Vote."[2] The JPA states that during the same Board Meeting after an affirmative or tie vote, two or more Directors may request a "voting share vote to reconsider the action approved by a first vote. (Both Directors cannot be from Irvine.) The voting shares are proportional to the annual energy use of the community. Given the current OPCA makeup, Lake Forest Director's vote would be worth 10 out of a total of 100 (i.e., 10 percent). This is a common feature for all the CCA JPA Agreements that MRW has reviewed.

The OCPA JPA differs from other CCA JPAs in two ways. First, the City of Irvine will have two voting Directors on the OCPA Board of directors, while all other cities will have only one. Irvine will revert back to having only one Director once the $2.5 million loan the city has made to the OCPA is repaid. Second, there will be two types of OCPA members: cities that joint the OCPA prior to April 1, 2021 will be Founding Parties, while those that joint after will be Additional Parties. Lake Forest would be a Founding Party. Founding Parties are automatically placed on the OCA's Executive Committee. (We note that the powers and responsivities of the Executive Committee are not delineated in the JPA). No other CCA has two different types members.

[1] CCA is also called "Community Choice Energy," or "CCE."
[2] OCPA JPA Agreement, Section 3.9.2

Review of the OCPA's Implementation Plan

Overall, the assumptions and analysis in the Implementation Plan are sound. That is, the underlying customer phase-in, assumed power prices, operating costs, and CCA revenues are all reasonable or conservative. However, we note that the Implementation Plan may be underestimating the initial working capital requirements. The Implementation plan assumes $15.5 million for starting and a working capital loan/line of credit. This represents about 30 days of average cash flow in the first year, in which due to the phase-in schedule is only a fraction of the load would be served. MRW's more conservative analysis assumes that the working capital loan / line of credit would be for 60 days of cash flow assuming the full load is served.

San Diego Community Power (SDCP) provides another data reference. OCPA's load is projected to be about 62% of that of SDCP. SDCP required $40 million initial line of credit. Simply scaling SDCP's requirement down to OCPA suggests an initial bank load/line of credit around $25 million.

Based on our review of the OCPA Implementation Plan, our financial feasibility analysis of a stand-alone Lake Forest CCA to date, and our analysis conducted for the City of Huntington Beach, MRW believes that the OCPA is, in the long run, financially viable. However, we believe that OCPA's may not be able to offer rate savings in the first few years of operation. This is because of SCE rates (including the PCIA), the need to pay off its start-up debts, and the need to build up financial reserves.

CCA Options Available to Lake Forest

Lake Forest's three primary options for CCA are: joining the OCPA; forming a stand-alone Lake-Forest only enterprise-based CCA; or forming a Lake Forest CCA and joining the CalChoice Energy Authority (CCEA). CCEA is a "hybrid" JPA, where the JPA provides services to its member CCAs but does not control any of its general policies or programs.[3] This is a good match for smaller cities who are interested in local control of the CCA but not interested in bringing in-house the day-to-day management needed to operate a CCA.

The primary benefits of either of the Lake Forest-only CCA options are more local control over procurement practices and budgets and services better tailored to Lake Forest. Joining with CCEA greatly reduces the administrative burden relative to keeping all the CCA activities in-house in Lake Forest. The primary benefits of joining with OCPA are foregoing the need to provide upfront financing for the CCA's startup process, less potential financial exposure to the City as the JPA will be a financially distinct entity, economies of scale which can translate into lower average operating costs and reduced administrative burdens.

[3] *See*, https://californiachoiceenergyauthority.com/

Introduction

The City of Irvine has extended an invitation to Lake Forest to become a member of the new Community Choice Aggregation (CCA) it is spearheading, the Orange County Power Authority (OCPA). Other cities which have committed to the OCPA include Fullerton, Huntington Beach, Buena Park. Like Lake Forest, they too have the opportunity to withdraw from the JPA on or before April 1 (originally March 1).

The City of Lake Forest retained MRW & Associates (MRW) to: (1) review the OCPA's Joint Powers Agreement; (2) Review Implementation Plan; (3) provide the benefits and risks to the City of joining OCPA or forming a Lake Forest only CCA. This report addresses the first two items and qualitatively discusses Lake Forest's CCA options. A separate report, Technical Assessment of Community Choice Energy for the City of Lake Forest," addresses the benefits and risks of CCA formation as well as the viability of a stand-alone CCA for Lake Forest.

Part 1: Review of the Orange County Power Authority (OCPA) Joint Powers Agreement

The Joint Powers Agreement (JPA) is the fundamental governance document for the OPCA. In this section, we review sections of the JPA that are particularly important to Lake Forest and note where the OCPA JPA differs from, or is consistent with, other CCA JPAs.

Board of Directors and Voting

The OCPA would be governed by a Board of Directors, with one director appointed by each JPA member, except for the City of Irvine, which would initially have two directors but would drop down to one director once Irvine's loan to the OCPA is paid off.[4] This structure is unique; all other California CCA JPA agreements that MRW has seen specify that each member community would have one member on its JPA Board.

The JPA also provides for a second "Voting Shares Vote."[5] The JPA states that during the same Board Meeting after an affirmative or tie vote, two or more Directors may request a "voting share vote to reconsider the action approved by a first vote. (Both Directors cannot be from Irvine.) The voting shares are proportional to the annual energy use of the community. Given the current OPCA makeup, Lake Forest Director's vote would be worth 10 out of a total of 100 (i.e., 10 percent).

This voting shares vote option is common. East Bay Community Energy (EBCE), Marin Clean Energy (MCE), Clean Power Alliance, Peninsular Clean Energy, Sonoma Clean Energy, and

[4] OCPA JPA Agreement, Section 3.1
[5] OCPA JPA Agreement, Section 3.9.2

Silicon Valley Clean Energy are all major CCAs that allow for a "voting shares vote" for a particular matter if requested by a certain number of board directors. MRW is not aware of any CCA Board of Directors exercising a Voting Share Vote.

The OCPA JPA Agreement also explicitly states that membership does not require any financial obligations: "Parties are not required under this Agreement to make any financial contributions or payments to the Authority, and the Authority shall have no right to require such a contribution or payment."[6] Instead, the City of Irvine is providing the initial capital loan and collateral to the OCPA, with terms laid out in the JPA agreement Section 5.5 and Exhibit D.

The voting shares for OCPA, given the current makeup and projected load for each community, is shown in the table below.

Table 1 OCPA Voting Shares

Community	Directors	Equal Vote	Voting Shares Vote
Irvine	2*	33%	42.4%
Fullerton	1	17%	14.8%
Huntington Beach	1	17%	22.9%
Buena Park	1	17%	9.8%
Lake Forest	1	17%	10.0%
Total	6	100%	100%

*Irvine will have 2 Directors on the Board until its loan to the CCA is paid off.

Financial Exposure

Generally, all CCAs have similar stipulations in their JPA agreement to those of OCPA regarding the financial obligations of their members. Individual member jurisdictions are not held responsible for the debts, liabilities, or obligations of a JPA unless the governing board of each member jurisdiction (i.e., its City Council) agrees to assume a debt, liability, or obligation. Additionally, CCAs typically indemnify and hold harmless member jurisdictions and their associated staff from any claims, losses, damages, costs, injuries, and liabilities arising directly or indirectly from the conduct, activities, operations, acts, and omissions of the JPA. For those JPAs that allow for members to be required to make contributions or pledge assets as a condition of continued participation in a CCA program, the JPA agreement requires a vote of at

[6] OCPA JPA Agreement, Section 5.6.

least 75% of all directors and the approval of the governing boards of each member jurisdictions who are being asked to contribute.

The establishment of many JPAs necessitated that the initial implementation costs of a CCA Program be funded by an initial member jurisdiction. In these situations, the member jurisdiction providing the initial funding was not entitled to any reimbursement of these cost if the CCA program did not become operational.

Founding Party Versus Additional Party

Since Lake Forest joined the OCPA JPA before the end of the year, it is a "Founding Party;" if it withdraws membership before April 1 and rejoins sometime later, it will become an "Additional Party."[7] Being a Founding Party would automatically place the Lake Forest Director on the JPA's Executive Committee. The benefits and obligations of being a member of the Executive Committee are note laid out in the JPA. The Executive committee would be formed if the Authority' s membership reaches nine or more members. If the City waits to commit after the end of the year, it will join as an Additional Party and potentially be subject to a membership fee upon joining.[8] This tiered membership, which provides privileges to the initial members, is again unique among CCAs.

No other CCA JPA differentiates Board Members benefits based on when the jurisdiction joins. We note that there has been at least one instance where a JPA revised its board membership rules once it reached a certain number of member jurisdictions. Central Coast Community Power (formerly known as Monterey Bay Community Power) originally allocated seats on its Policy and Operations board based on a one jurisdiction, one seat basis until the number of member jurisdictions exceeded eleven. Once the number of member jurisdiction reached more than eleven, the JPA's Policy and Operations boards' composition shifted to a regional allocation based on population size.

Withdrawing from the JPA

The JPA agreement also provides for the right to withdraw from JPA membership: "a Party may withdraw from the Authority for any reason and without liability or cost prior to March 1, 2021 upon providing the Authority fifteen (15) days advance written notice."[9] This option reduces the risk to the City of committing to the OCPA now by allowing a more thorough analysis of the implications during the next few months.

After March 1, 2021, the City could withdraw from the JPA effective at the beginning of an OPCA's fiscal year by providing no less than 180 days written notice. If the City exercises this latter withdrawal option, it could be responsible for the various damages and losses its withdrawal might cause to the JPA.[10] These damages would likely be associated with the value

[7] OCPA JPA Agreement, Preamble.
[8] OCPA JPA Agreement, Section 6.1.
[9] OCPA JPA Agreement, Section 6.1.
[10] OCPA JPA Agreement, Section 6.3.

of power purchase contracts entered into by the OCPA on the City's behalf which the OCPA could not liquidate.

Other CCA JPAs allow member jurisdictions to withdraw from the authority after giving a certain amount of notice in advance, usually 180 days. Like OCPA, some JPAs also require an affirmative vote from the governing board of the departing jurisdiction (i.e., City Council) before the jurisdiction can withdraw. However, JPAs will typically hold departing jurisdictions responsible for certain continuing liabilities or financial obligations, such as power purchase agreements. These liabilities and obligations are typically costs incurred by the JPA on behalf of the departing jurisdiction.

Part 2: Review of the OCPA's Implementation Plan

This section reviews the analytical approach, assumptions, and results of the OCPA Implementation Plan pro forma financial analysis and compares the key assumptions and results against the independent analysis conducted by MRW. The fundamental question addressed is, "Are the assumptions reasonable and is the OCPA likely to be financially viable?" As detailed below, the assumptions underlying the OCPA Implementation Plan are generally reasonable. Further, MRW believes that the OCPA is likely to be financially viable, although the margins in the first few years will be tight and the OCPA may not be able to offer more than token rate savings.

Table 2 summarizes MRW's findings on the financial analysis underlying the OCPA Implementation Plan. Each entry is discussed in the following sections.

Table 2. Implementation Plan Assumption Summary

		Conservative	Reasonable	Potential Issue
	Modeling Approach		✓	
Load Assumptions	Load Forecast		✓	
	Line Losses	✓		
	Opt-Out Rate	✓		
CCA Power Assumptions	CCA Power Portfolio		✓	
	Wholesale Power Prices		✓	
	Renewable Power Prices		✓	
	RA Costs		✓	X
CCA Admin. and Other Cost Assumptions	Startup Costs		✓	
	Financing Costs		✓	X
	Admin. Costs		✓	
SCE Rate Assumptions	PCIA	✓		
	SCE Generation Rate		✓	X

Implementation Plan Approach

The Implementation Plan's financial analysis approach is sound and complete. It includes all the necessary expense and revenue categories and modeled a CCA program's pro forma cash flow accurately.

Main Assumptions

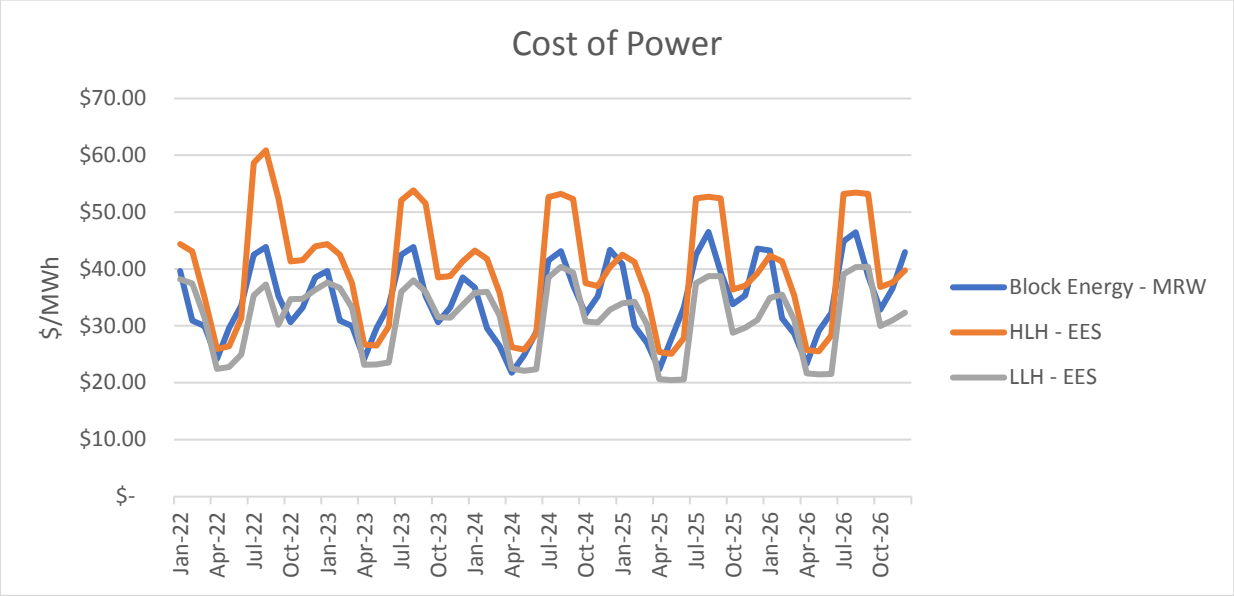
This section reviews each of the major assumptions that the Implementation Plan makes and opines on the reasonableness of the assumptions. While most of the assumptions made by the Implementation Plan were reasonable, two of the assumptions were understated or outdated. Additionally, many of the assumptions that the Implementation Plan characterizes as "conservative" MRW would consider reasonable, but not necessarily conservative.

Load Forecast. The Implementation Plan's load forecast is reasonable. It is based on recent historical data provided by SCE, assumes conservative opt-out rates, and modest growth. With respect to the opt-out rate, the Implementation Plan assumes that 5% of the residential customers and 10% of the commercial and industrial customers will choose to remain with SCE for their electric energy. With one notable exception, opt-out rates seen by recent CCA program launches have been less than this, making the assumption conservative. The exception is the Clean Power Alliance of Southern California (CPA), the CCA that serves Los Angeles and Ventura counties, which experienced a much higher opt-out rate, closer to 50%, for its largest industrial customers. This was because CPA chose not to offer rates that were lower than SCE's for this customer class, but instead chose to set rates at levels equal to CPA's cost to provide power to them. Because the CPA rates were higher, and this class is especially sensitive to power costs, a large fraction of the industrial customers declined to take service from CPA.

Cost of Power. As outlined in its Implementation Plan, OCPA intends to purchase significant amounts of power from power marketers, public agencies, generators, or utilities during the first several years of operation. It will utilize one or more power supply agreements to obtain all of its electricity from one or more third-party providers. These suppliers will be responsible for procuring the mix of resources, including renewable energy, needed to meet OCPA's portfolio requirements and provide cost-effective electricity.

The figure below shows the forecasted monthly power costs for block energy estimated by MRW and the heavy load hours (HLH) and light load hours (LLH) used in the Implementation Plan. The figure shows that the Implementation Plan estimates are similar in pattern and value to MRW's estimate for block power and therefore appear reasonable.

Figure 1. Implementation Plan Assumed Cost of Power



Cost of Renewable Power. OCPA anticipates purchasing a minimum of 50% of renewable energy by 2026, 60% of renewable energy by 2030, and 100% carbon-free energy by 2045, as mandated by California law. To achieve these Renewable Portfolio Standards (RPS) goals, OCPA will secure renewable power supply from third-party electric suppliers, potentially supplementing these renewable power contracts with direct purchases off renewable energy from renewable energy facilities or from renewable generation owned by OCPA.

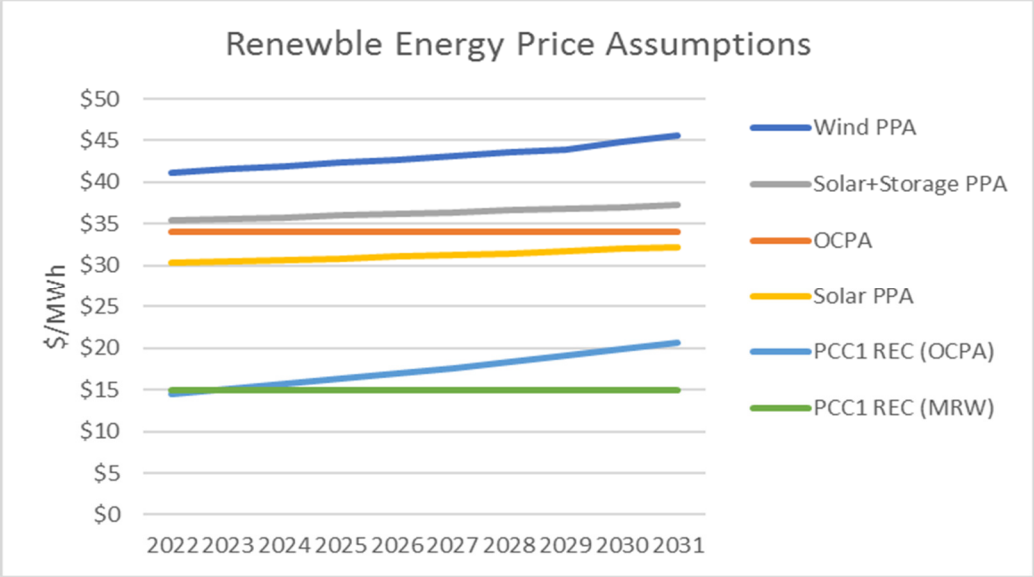
The renewable energy OCPA plans to procure would come bundled with its individual clean energy attributes in the form of Renewable Energy Credits (RECs). RECs are tradable instruments, with each individual REC representing one megawatt hour of renewable energy generated. In California, there are different types of RECs. The most stringent is the "PCC-1" REC. These RECs require that the associated renewable power be directly provided into the California power grid. This is in contrast to the more generic PCC-3 REC, where the renewable power need not be used in California but generated elsewhere. The State sharply limits the use of these PCC-3 RECs, and the OCPA Implementation Plan's use of RECs is strictly limited to the stringent PCC-1 type.

Beyond these RECs, the OCPA Implementation Plan says it will secure renewable power from third-party suppliers, with the potential of supplemental procurement from other renewable facilities or OCPA-owned renewables. OCPA acknowledges in its implementation plan that transmission access cost and transmission congestion cost risks must be considered in any bid evaluation if the delivery point for electricity is outside of OCPA's load zone.

The figure below shows the projected average annual renewable power costs based on current reported renewable contract prices from other load-serving entities, including California CCAs

and municipal utilities.[11] The Implementation Plan assumes a flat price of $34 per MWh for renewables across all years (orange line). The price used in the Implementation Plan falls between expected price for a solar plus storage PPA (gray line) and a solar PPA. (yellow line). The Implementation Plan's assumed PCC1 REC price starts at about the same level as MRW's projection but escalates modestly with time.

Figure 2 Implementation Pland and MRW Renewable Price Assumptions



Overall, the Implementation Plan's forecast of renewable energy purchasing and pricing is reasonable.

Cost of Resource Adequacy. Resource Adequacy, or "RA," is a state-mandated system whereby each load-serving entity (e.g., utility, CCA) must demonstrate that they have contracted with sufficient resources to keep the state's power grid reliable. To satisfy RA standards, OCPA will need to demonstrate one year in advance that it has secured physical capacity for 90 percent of its projected peak summer loads plus a minimum 15 percent reserve margin. It must also demonstrate 100 percent of the peak load plus a 15 percent reserve margin on a month-ahead basis. Up until 2023, each load-serving entity must also ensure that a fraction of the physical resource with which it has contract are located within certain local areas ("Local RA") where transmission constraints require power plants/generators to be located within that area so as to maintain reliable service. After 2023, SCE will be in charge of purchasing the entire amount of required local RA on behalf of all load-serving entities, including any CCAs in their jurisdictions. Therefore, local RA will be purchased on behalf of OCPA and other CCAs

[11] https://emp.lbl.gov/sites/default/files/2020_utility-scale_solar_data_update.pdf

by SCE within its service territory, and thus saving the CCAs the cost of procuring this resource themselves.

Although OCPA acknowledges that a portion of their capacity requirements must be procured locally (from the SCE jurisdictional area), its implementation plan does not take into account the transition to SCE as the procurer of local RA after 2023.change in Local RA policy. This means that the Implementation Plan is overstating the costs for RA in 2023 and thereafter.

The Implementation Plan's projected costs for RA are based on publicly available documents from the CPUC.[12] While this is the best publicly available source, the amount the CCA's have had to pay for RA in in 2019 and 2020 are about 20-30% higher than the Implementation Plan's assumption. Thus, MRW finds the Implementation Plan's RA cost assumptions to be at the low end of reasonableness, but not conservative.

Administrative Costs The administrative and operating costs estimated by ESS for its pro forma analysis (2021 – 2031) for the Implementation Plan include costs for data management, a scheduling coordinator, SCE fees, consulting services, staffing, general & administrative expenses, and debt service payment on financing. The OCPA Implementation Plan thoroughly presents what types of activities a new CCA program should expect along with providing reasonably detailed estimates for the costs of those activities.

Financing. OCPA anticipates "one or more rounds of financing, inclusive of prospective direct term loans between OCPA and its Member Agencies, will be necessary to support OCPA Program implementation," with any subsequent capital requirements met through OCPA's accrued financial reserves. MRW understands that "loans from its Member Agencies" refers to the $2.5 million loan from the City of Irvine. OCPA currently projects repaying this loan by 2027, subject to change based on final power prices. OCPA projects that its full start-up and working capital requirements will be $15.5 million, or $13 million beyond the Irvine loan. The OCPA Implementation Plan assumes that the remaining financing will be primarily via a short-term loan or letter of credit, which would allow OCPA to draw cash as required. Requisite financing would need to be arranged no later than the first quarter of 2021.

MRW finds the start-up cost estimate to be reasonable, but the working capital amount to be low. The OCPA Implementation Plan assumes 30 days of cash or line of credit. MRW expects that a financer would require at least 60 days of working cash. Second, MRW notes that in addition to the loan by Irvine, OCPA's financer will likely require a guarantor to any short-term loan or line of credit. This responsibility will likely have to be taken upon by an OCPA Member or Members.

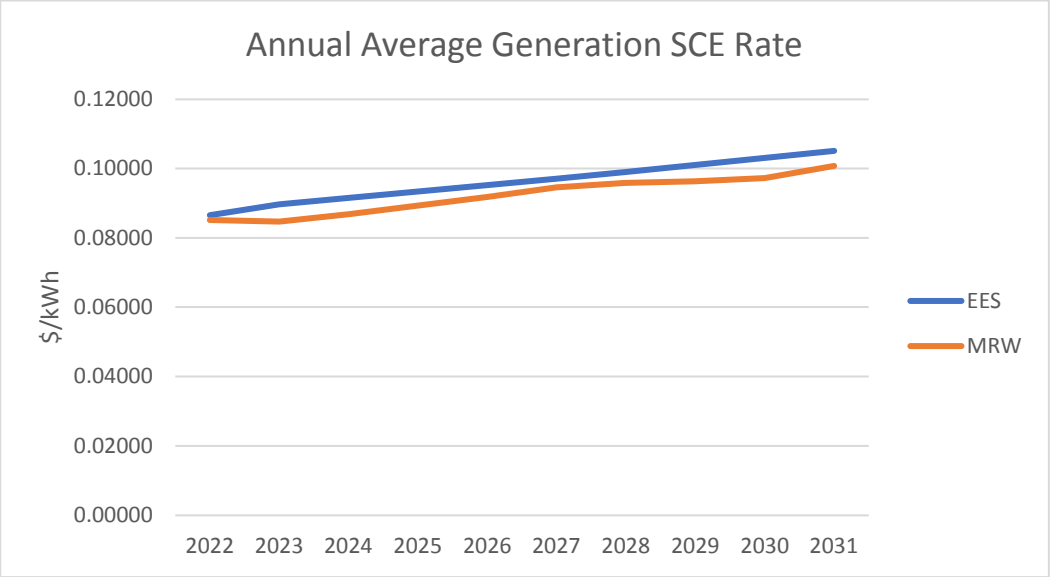
SCE Generation Rates. OCPA's goal is to offer customers competitive electric rates compared to SCE. OCPA plans to offer rate options for a higher proportion of renewable energy and reduced GHG emissions compared to SCE while also offering rates that are lower than SCE's

[12] CPUC Energy Division, "Calculation of the Market Price Benchmarks for the Power Charge Indifference Adjustment Forecast and True Up," November 2, 2020

bundled rates. The base rate tariff offered OCPA will meet the state's renewable energy mandate, while the other tariff options will offer customers electricity based on 50% or 100% renewable energy. The initial rates offered by OCPA will be set at a discount to SCE's rates, with the discount level depending on the default product chosen by the member agencies of OCPA.[13] Any rate differences between customer classes will be based on the rates charged by SCE and costs differences in serving each class. Additionally, rate benefits may differ among customers based on OCPA's rate designs.

The figure below shows the forecasted annual average generation rate for SCE estimated in the OCPA Implementation Plan and by MRW. It is important to note that the SCE generation rate estimate likely does not reflect the advent of SCE as the central procurement entity for local RA on OCPA's behalf after 2023. While the two are relatively consistent, MRW's is about 0.4¢/kWh lower than that shown in the implementation plan. A 0.4¢/kWh decrease in rates translates to a $13 million decrease in CCA revenue, which could, in some years, hamper the OCPA's ability to offer its target rate savings. However, as discussed below, these lower generation rates would be offset by the Implementation Plan's very conservative PCIA assumption.

Figure 3. Implementation Plan and MRW Projections of SCE Generation Rate



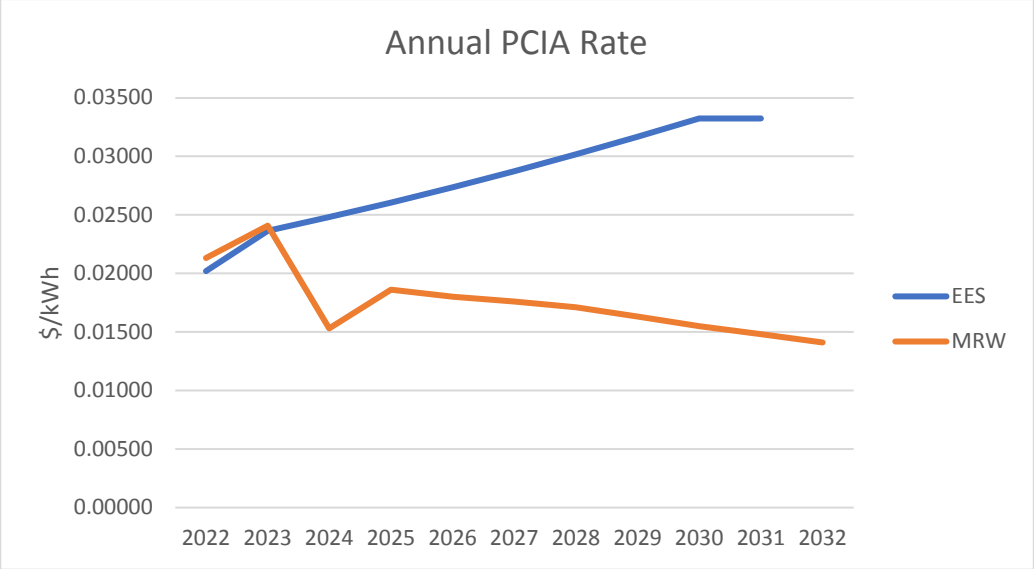
Power Charge Indifference Adjustment (PCIA). The PCIA is a fee charged to CCA customers by SCE (and other incumbent utilities) to ensure that remaining utility customers are not impacted by cost increases due to customers who have departed for CCA service. More

[13] OCPA plans to base its initial rates at launch on default SCE TOU rates.

specifically, it pays for the above-market costs of SCE generation resources that were acquired, or which SCE committed to acquire, prior to the customer's departure to CCA. Bundled customers also pay the PCIA, but it is embedded into the commodity portion of their total rate. The value of the PCIA charged to customers is dependent on the year that they departed or "vintage." CCAs are sensitive to the value of the PCIA since high values could potentially cause CCA customers to pay more for electric service than if they stayed with SCE.

The figure below shows the forecasted annual PCIA rate contained in the Implementation Plan compared to the rate estimated by MRW's forecast. The the Implementation Plan's PCIA rate is much more conservative than MRW's forecast, with the rate reflecting a straight escalation approach versus the bottoms-up modeling approach used by MRW. This conservative approach used for the Implementation Plan removes the risk that OCPA will underestimate the impacts of the PCIA on their rates.

Figure 4. Implementation Plan and MRW Projections of SCE PCIA Rate



Is the OCPA likely to be financially viable?

Based on our review of the OCPA Implementation Plan, our financial feasibility analysis of a stand-alone Lake Forest CCA to date, and our analysis conducted for the City of Huntington Beach, MRW believes that the OCPA is, in the long run, financially viable. However, we believe that OCPA's may not be able to offer rate savings in the first few years of operation. This is because of SCE rates (including the PCIA), the need to pay off its start-up debts, and the need to build up financial reserves.

Part 3: CCA Options Available to Lake Forest[14]

Lake Forest's three primary options for community choice aggregation (CCA) are: joining the Orange County Power Authority (OCPA); forming a stand-alone Lake-Forest only enterprise-based CCA; or forming a Lake Forest CCA and joining the CalChoice Energy Authority. The primary benefits of either of the Lake Forest-only CCA options are more local control over procurement practices and budgets and services better tailored to Lake Forest. The primary benefits of joining with OCPA are foregoing the need to provide upfront financing for the CCA's startup process, less potential financial exposure to the City as the JPA will be a financially distinct entity, economies of scale which can translate into lower average operating costs and reduced administrative burdens.

Both the city enterprise model and the JPA create entities that are independent of the City's finances and offer protections to the city's general fund. The JPA model's independence is demonstrated by a number of CCAs[15] getting investment grade credit ratings independent of their member cities and counties. Still, no CCA has experienced serious financial difficulties, so how much a CCA could financially lean on its constituent members has never been tested.

Forming a Single City Agency

In a sole jurisdiction approach, the City maintains full flexibility—and responsibility—for developing policies and procedures. This means that they can be specifically tailored to and responsive to the City's stakeholders and constituents and based upon their own objectives. The City would be responsible for setting policy priorities in general and making specific decisions about power generation, staffing policies, local economic development activities and strategies, formulation of financial and debt policies, and development of customer-focused programs, such as those promoting energy efficiency, electric vehicles (EV), and distributed generation (e.g., rooftop solar PV). Along with greater autonomy, the City would assume all risk, liability, and costs associated with operating the CCA. In this case, the likely path would be for the City to establish the CCA as an enterprise, and work with appropriate legal counsel to explore options for controls and structural safeguards to financially insulate the CCA and minimize risk to the City's general fund.

Enterprises are commonly used for public utilities such as electric, water and wastewater, or other city functions where a public service is operated and provided in a manner similar to a separate business enterprise. Fees and charges are collected for services provided and accounting and budgeting are separate from a city's general fund. Establishing an enterprise provides management and CCA customers with visibility and accountability, and the ability to more easily separate and measure performance, analyze the impact of management decisions,

[14] This chapter is generally duplicative of the analogous chapter in MRW's report, "Technical Assessment of Community Choice Energy for the City of Lake Forest."
[15] E.g., Marin Clean Energy (Fitch "BBB+"), Central Coast Community Energy (S&P "A"), Peninsula Clean Energy (Moody's "Baa2")

determine the cost of providing electric service, and use this information to develop electric rates and services. Enterprise accounting would allow the City to demonstrate to customers, the public, and other stakeholders that the cost of power is being recovered through its rates, and not being subsidized or comingled with other City funds or functions.

Within the city-only option, the Lake Forest CCA would have to determine if it is to be a fully in-house operation with existing or added City staff, or if the City would outsource some of or all of the activities, with the City only administering contracts and managing vendors. Examples of some of the categories of operating activities that would need to be performed in-house or outsourced:

- Power procurement and operations
- Finance, budgeting, and accounting
- Coordinating with SCE on billing
- Customer service
- Communications, outreach, and public relations
- Customer service programs (EE, EV, or rooftop solar PV)
- Regulatory monitoring and compliance (e.g., CPUC filings)

The likely best short-term option would be to outsource the highly technical functions and maintain some of the management, planning, and other public-facing functions, like communications, in-house. The range of options depends upon the degree of operating control the City wishes to maintain, the costs associated with maintaining those functions, and the degree of risk it is willing to accept on its own, or delegate to third-party providers to assume these responsibilities.

If the Lake Forest CCA were to pursue additional services, it would require at least one or two managers, supported by analyst professionals, some of whom could be shared with other Lake Forest departments.

Joining a Joint Powers Agency (generically)

The second option would be the formation of a JPA, where the JPA is an independent agency that operates on behalf of the public agencies which are party to its creation. In this approach, the City effectively shares responsibility with the other agencies participating in the JPA. The divisions of these responsibilities and the sharing of decision-making authority would be determined at the time the JPA is created. Other critical ‘ground rules’ are negotiated and memorialized, such as financial and possibly staffing commitments of each participating agency, and the composition of the board and voting procedures.

The JPA structure reduces the risks of implementing a CCA program for the City by completely separating its books from the financial assets and liabilities of the City and the other participating agencies, and distributing the risks and costs associated with the CCA among the participating entities. It could also provide the benefits of scale and economy for certain aspects of CCA operation, such as power procurement or back office billing and accounting functions.

Key tradeoffs to the benefits of a JPA are that decision making is allocated amongst the parties and management independence is diminished. Objectives of participating agencies will likely differ, and reduced autonomy can manifest when setting priorities for local generation, economic development activities, and importance of support programs.

Joining CalChoice Energy Authority

CalChoice Energy Authority (CCEA) is described as a "hybrid" JPA, where the JPA provides requested services to its member CCAs but does not control any of its general policies or programs.[16] More specifically, CCEA provides to its members, as desired:

- Power, including contract procurement, portfolio management, load forecasting and scheduling, and complying with and demonstrating procurement-related regulatory requirements (e.g., resource adequacy, renewables, etc.).
- Regulatory and compliance support, including preparing and filing compliance reports to the California Public Utilities Commission, the California Energy Commission, and the California Independent System Operator; and general regulatory advocacy.
- Billing and data management, including interface with SCE and call center operations.
- Treasury, including CAISO invoice validation, rate design development, and risk management.

Thus, CCEA is effectively a non-profit outsource for all of the detailed activities of a CCA. This is a good match for smaller cities who are interested in local control of the CCA but not interested in bringing in-house the day-to-day management needed to operate a CCA.

CCEA members that are providing power are: Lancaster Choice Energy, San Jacinto Power, Pico Rivera Innovative Municipal energy, Rancho Mirage Energy Authority, and Apple Valley Choice Energy, Baldwin Park Resident Owned Utility District and Pomona Choice Energy. The cities of Commerce, Palmdale and Santa Barbara are members but have yet to begin service.

All of the city-only CCAs in SCE's territory are CCEA members. This makes sense, in that they are all small. Only one, Lancaster Choice Energy, serves more load than would be served by a Lake Forest CCA.

Were it to join CCEA, Lake Forest would be responsible for setting policies, setting rates, marketing and customer outreach, and the implementation of any desired local programs. It would also still have to provide any start-up loans and any collateral or loan guarantees needed to acquire financing.

The CCEA Board of Directors is the Lancaster City Council. The actual services provided by CCEA are via contractors and consultants supervised by City of Lancaster personnel (e.g., Lancaster City Manager, Lancaster Choice Energy's Executive Director.) Thus, CCEA's administrative simplicity (the city not having to acquire expertise or expert contractors) is a traded off against the fact that Lake Forest would have to accept the contractors and service

[16] *See*, https://californiachoiceenergyauthority.com/

providers selected by CCEA. The bottom line is that CCEA is by design more of a client-Lake Forest would remain fully in control of the power that the JPA purchased on its behalf as well as which services the JPA provides to the City.

Comparison of Lake Forest Options

The table below qualitatively compares Lake Forest's three CCA options against remaining with SCE. First, MRW cannot project any quantifiable difference in rate or GHG savings between the three CCA options. The stand-alone and CCEA options offer greater flexibility and control, but at the price of higher start-up costs, greater staff effort, and higher financial risk. Lastly, remaining with OPCA is the quickest option, allowing CCA formation at least one year sooner than the other two options.

Table 3. Comparison of Lake Forest CCA Options

Criterion	Join OCPA	Use CCEA JPA	Stand-alone Enterprise	Stay with SCE
Rates	Comparable/ modestly lower	Comparable/ modestly lower	Comparable/ modestly lower	Base
GHG Reduction Potential Over Forecast Period	Some	Some	Some	Base
Local Control/Governance	Some	Greater	Greatest	None
Local Economic Benefits	Some	Greater	Greatest	Minimal
Start Up Costs/Cost to Join	None	Some	Greatest	None
Level of Effort	Minimal	Some	Greatest	None
Timing (earliest)	2022	2023	2023	N/A

ATTACHMENT 2

Technical Assessment of Community Choice Energy for the City of Lake Forest

Prepared by:

MRW & Associates, LLC
1736 Franklin Street, Ste 700
Oakland, CA 94612

February 11, 2021

This report was prepared by MRW & Associates. MRW has been working on Community Choice Aggregation (CCA) issues since they were authorized by the California State Legislature in 2002. MRW has prepared and critiqued numerous CCA feasibility plans and is providing rate forecasting and other ongoing support to CCAs throughout the state.

This Study is based on the best information available at the time of its preparation, using publicly available sources for all assumptions to provide an objective assessment regarding the prospects of CCA operation in the City. It is important to keep in mind that the findings and recommendations reflected herein are substantially influenced by current market conditions within the electric utility industry and state regulations, both of which are subject to sudden and significant changes.

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List of Acronyms

AB	Assembly Bill
BNI	Binding Notice of Intent
C&I	Commercial and Industrial
CAISO	California Independent System Operator
Cal-CCA	California Community Choice Association
CCA	Community Choice Aggregator/Aggregation
CCEA	California Choice Energy Authority
CEC	California Energy Commission
CO2e	Carbon Dioxide Equivalent
CPA	Clean Power Alliance
CPUC	California Public Utilities Commission
CRS	Cost Responsibility Surcharge
CTC	Competition Transition Charge
DA	Direct Access
DEG	Distributed Energy Generation
DOE	Department of Energy
EE	Energy Efficiency
ESP	Energy Service Provider
EV	Electric Vehicle
FERC	Federal Energy Regulatory Commission
FiT	Feed-in-Tariff
GGRP	Greenhouse Gas Reduction Program
GHG	Greenhouse Gas
GTSR	Green Tariff Shared Renewable
GTSR-GR	Green Tariff Shared Renewable - Green Rate
GWh	Gigawatt Hour
IOU	Investor-Owned Utility
IRP	Integrated Resource Planning
kW	Kilowatt
kWh	Kilowatt Hour
LSE	Load Serving Entity
MCE	Marin Clean Energy

MT	Metric Ton
MWh	Megawatt Hour
NREL	National Renewable Energy Laboratory
O&M	Operations and Maintenance
OCPA	Orange County Power Authority
PCIA	Power Charge Indifference Adjustment
PG&E	Pacific Gas & Electric
POLR	Provider of Last Resort
PPA	Power Purchase Agreement
PPP	Public Purpose Program
PSPS	Public Safety Power Shutoffs
PV	Photovoltaic
RA	Resource Adequacy
REC	Renewable Energy Credit
RFP	Request for Proposal
RPS	Renewable Portfolio Standard
SB	Senate Bill
SC	Scheduling Coordinator
SCE	Southern California Edison
SDG&E	San Diego Gas and Electric
SJCE	San Jose Clean Energy
SVCEA	Silicon Valley Clean Energy Authority

Executive Summary

The City of Irvine has extended an invitation to Lake Forest to become a member of the new Community Choice Aggregation (CCA) program it is spearheading, the Orange County Power Authority (OCPA).[1] Other cities which have committed to the OCPA include Fullerton, Huntington Beach, and Buena Park. Like Lake Forest, they too have the opportunity to withdraw from the JPA on or before April 1 (originally March 1).

Lake Forest retained MRW & Associates (MRW) to review the technical elements of the OCPA foundational documents provided to the City. This analysis is provided in the report, "Review of Orange County Power Authority Foundational Documents and CCA Options for the City for Lake Forest." The City also tasked MRW to analyze the feasibility of Lake Forest forming its own stand-alone CCA rather than joining OCPA. This report addresses that second task.

Main Findings

The general conclusions of this study are as follows:

1. MRW's analysis finds that a stand-alone Lake Forest only CCA program could be financially feasible. That is, over the long run the CCA would likely be able to offer its residents and businesses power that is priced at or a few percent lower than that offered by Southern California Edison (SCE).

2. The financial margins are the smallest during the first years of operation, due to the initial investment in startup costs, loan repayments, and SCE rates. In fact, under some assumption sets—higher than forecast wholesale power prices or lower than forecast SCE rates—the Lake Forest CCA might not be able to meet SCE's rates in the first one to three years.

3. Because of economies of scale, our analysis suggests that the Orange County Power Authority would likely have slightly lower average costs to serve than a stand-alone Lake Forest CCA. On the other hand, there is no correlation between the size of the existing CCAs and the rate discounts that they currently offer. This suggests that other operational decisions have a larger impact on the rate savings that the CCA's size.

4. CCA formation is not risk-free. A Lake Forest CCA will be participating in a competitive power market and subject to evolving state requirements and regulations. While a rate discount should be achievable in the long run, market prices and SCE rate volatility could combine to, in some isolated years, occasionally prevent the CCA from offering lower rates than SCE.

5. Lake Forest has a number of CCA options beyond remaining in OCPA. First, Lake Forest can withdraw from OPCA now and potentially join it a few years later after OCPA has demonstrated its viability. Doing so would forgo the opportunity to have a

[1] CCA is also called "Community Choice Energy," or "CCE."

seat on the OCPA Executive Committee as well as not share in any rate discounts that OCPA might achieve in its first years.

If Lake Forest choses the city-only CCA path, it will need to carefully weight the financial implications for the city, as it would have to provide start-up funding and loan collateral and guarantees, against the independence and control that a Lake Forest only CCA would afford.

CCA Background

California Assembly Bill 117, passed in 2002, established Community Choice Aggregation (or Community Choice Energy) in California, for the purpose of providing the opportunity for local governments or special jurisdictions to procure and provide electric power for their residents and businesses. Under existing rules administered by the California Public Utilities Commission (CPUC) an investor-owned utility (IOU), such as Southern California Edison (SCE), must use its transmission and distribution system to deliver the electricity supplied by a CCA in a non-discriminatory manner. That is, it must provide these electricity delivery services at the same price and at the same level of reliability to customers supplied by a CCA as it does for its own full-service customers.

CCAs are now quite common in California. There are currently 23 CCAs providing power in the State, with at least another half-dozen planning on doing so in the next two years. CCAs are expected to serve over 63 gigawatt-hours (GWhs) in the State by the end of 2021, with some projecting that by the mid-2020s between 50 to 80 percent of the load in the three main IOU service territories will be served by non-utility entities (CCAs and Direct Access providers).

Lake Forest and OCPA's Electric Loads

Table ES-1 shows that Lake Forest's and OCPA customer count and load. Lake Forest's customers are predominantly residential: 85% of the accounts and 40% of the load. Unlike OCPA, Lake Forest has very little large commercial/industrial load: only about 15% versus almost 25% for OCPA.

Table ES-1. Potential Lake Forest and OCPA Customers and Associated Load (2019)

	Lake Forest		OCPA (Total)	
	Customers	Annual Load (MWh)	Customers	Annual Load (MWh)
Residential	28,534	182,617	288,041	1,579,280
Small Commercial	3,477	39,995	32,138	368,188
Medium Commercial	636	149,515	6,216	1,452,384
Large Commercial & Industrial	20	78,249	191	1,028,396
Other*	331	8,548	4,032	82,769
Total	32,998	458,925	330,617	4,511,017

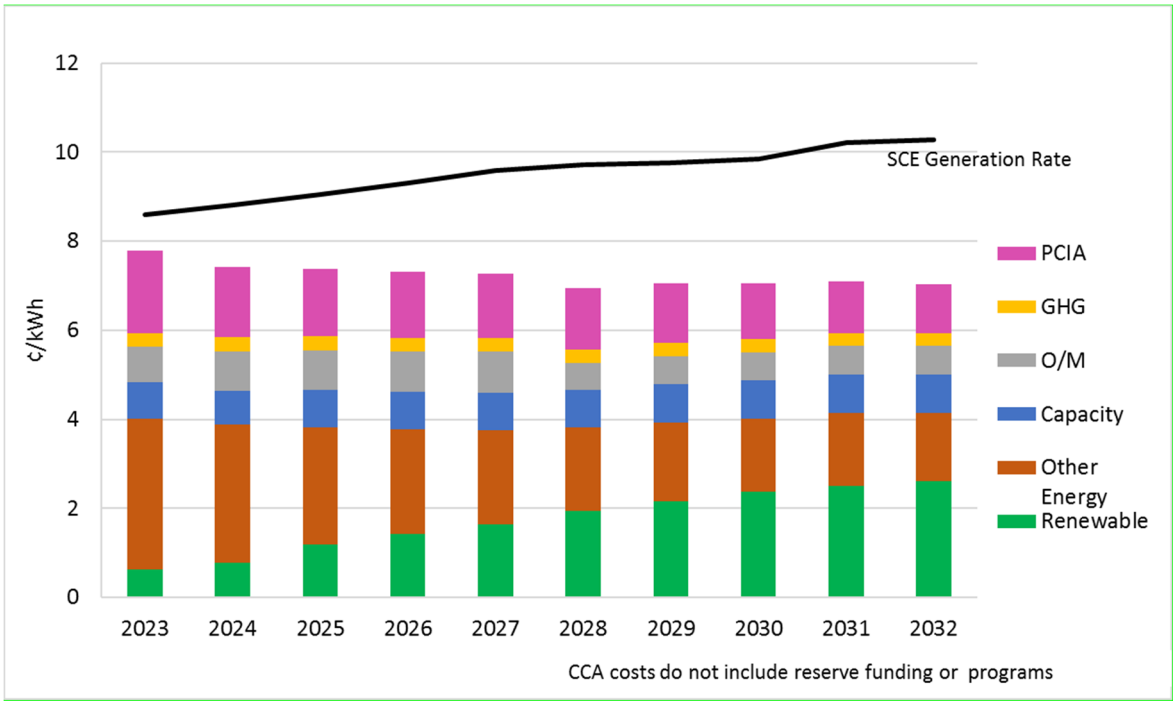
*e.g., streetlights, traffic control, agriculture/pumping.

Financial Results

Figure ES-3 shows the forecast of average MRW-modeled OCPA costs and SCE's generation rates. The bars in the chart show the forecasts of the major cost components of CCA operation, while the single line shows the forecast of SCE's generation rate. When the bars are below the black line, the CCA's average operating costs will be below the SCE generation rate; meaning that it can offer power to customers at a rate lower than or competitive with SCE. As is clearly seen in the figure, the average cost of power provided by the CCA is consistently below the SCE generation rate, although much closer in the first few years of OCPA operation.

The bottom-most green segment represents the cost of renewable power to the CCA. The brown segment is for the costs of non-renewable, wholesale market power. This segment slowly decreases, as renewable power increases. (Because renewables are currently more costly than market power, the analysis assumes OCPA will initially meet the State's minimum renewable power content requirement and ramp up as the requirements increase). The light blue segment is for capacity. That is, the CCA must demonstrate that it has the generating capacity (in megawatts) to ensure that it can serve all its load. The gray segment is for debt service, operations, franchise fees, and uncollectibles. The yellow segment is for carbon cap and trade allowances. Note that for practical purposes, the cost of carbon cap-and-trade allowances would be built into the purchase price of natural gas-fired market resources. However, because it is an important variable on its own, the costs are shown separately.

Figure ES-3. Average Lake Forest CCA Cost Projection versus SCE Generation Rate



The top-most pink segment is for the Power Charge Indifference Adjustment (PCIA), a fee paid to SCE to ensure that the operation of the CCA does not strand SCE's remaining bundled customers with costs associated with power purchased on behalf of customers who have shifted to the CCA.

Table ES-2 shows the "margin" between the CCA's costs (including the PCIA) and SCE's generation rate (i.e., the difference between the top of the CCA cost columns and the SCE generation rate line in the above figure). The margin between the CCA's cost and SCE's generation rates need not go fully to offering rate savings. In fact, during the first few years, the CCA's set their rates so that most of the margin between their ongoing costs and SCE's generation rates is set aside for financial reserves and paying down the initial startup loans. Once the financial reserve targets are met and the start-up loans paid off, CCAs typically use a portion of the margin for programs serving their residents and businesses, purchasing greater amounts of renewable power, and providing greater rate discounts that could be offered during the first years. It is up to the CCA Board of Directors to balancing these competing uses (i.e., rate discounts, programs, financial reserves, and greener power).

Table ES-2. Projected Lake Forest CCA Margins*

	2023	First 3 years (2023-2025)	First 5 years (2023-2027)	2nd 5 years (2028-2032)	10-Years (2023-2032)
¢/kWh (average)	0.8	1.3	1.6	2.9	2.3

*Without rate savings, reserve contributions or program funding

Lake Forest Only CCA Versus Joining OCPA

Lake Forest's three primary options for CCA are: joining the OCPA; forming a stand-alone Lake Forest-only enterprise-based CCA; or forming a Lake Forest CCA and joining the CalChoice Energy Authority (CCEA). CCEA is a "hybrid" JPA, where the JPA provides services to its member CCAs but does not control any of its general policies or programs.[2] This is a good match for smaller cities who are interested in local control of the CCA but not interested in bringing inhouse the day-to-day management needed to operate a CCA.

The primary benefits of either of the Lake Forest-only CCA options are more local control over procurement practices and budgets, and services better tailored to Lake Forest. Joining with CCEA greatly reduces the administrative burden relative to keeping all the CCA activities in-house in Lake Forest. The primary benefits of joining with OCPA are foregoing the need to provide upfront financing for the CCA's startup process, less potential financial exposure to the

[2] *See*, https://californiachoiceenergyauthority.com/

City as the JPA will be a financially distinct entity, economies of scale which can translate into lower average operating costs and reduced administrative burdens.

Because stand-alone Lake Forest CCA would be a relatively small CCA while OPCA would be one of the largest, the question arises if there significant scall economies to be captured via OCPA. In principle, OCPA would be better positioned than a Lake Forest CCA as a wholesale power buyer, as it could negotiate larger deals and be able to diversify its portfolio more easily than a small Lake Forest CCA. Additionally, OCPA would be able to spread common fixed costs across greater load and thus reduce the average impact on rates of fixed costs.

For the City of Huntington Beach, MRW conducted an analogous financial analysis for the full OCPA.[3] That analysis and the one presented here for Lake Forest differed in the assumed load and customer type, start date, and administrative cost, but used the same underlying power costs and SCE rates. Thus, by comparing the results of the two analyses, we can see any potential scale economy benefits of OCPA relative to Lake Forest.

A comparison of the key results is shown in Table ES-3. The table shows that because of economies of scale, the OCPA would have modestly lower average cost of service than the much smaller Lake Forest.

Table ES-3 Forecast Costs, OCPA and Lake Forest CCA (first five years, aveage)

	OCPA	Lake Forest
Annual Load GWhs	4,500	460
Average Cost, ¢/kWh		
Debt Service on startup loan	0.3	0.4
Admin Cost	0.2	0.5
Power Cost	4.9	5.0
Annual Cost of Service*	5.4	5.9
Avg. SCE Generation Rate, c/kWh	8.9	9.1
Avg. SCE PCIA, c/kWh	1.6	1.6
Avg. margin, CCA – SCE, c/kWh**	**1.9**	**1.6**

*Does not include contributions to financial reserves or programs.

**Includes PCIA and reflects different weighted average SCE generation rates

[3] This analysis was conducted for the City of Huntington Beach and can be found at: https://huntingtonbeach.legistar.com/View.ashx?M=F&ID=9094702&GUID=3503CBC4-6DB2-445F-81E0-7820DCEF5821

Introduction

The City of Irvine has extended an invitation to Lake Forest to become a member of the new Community Choice Aggregation (CCA) program it is spearheading, the Orange County Power Authority (OCPA).[4] Other cities which have committed to the OCPA include Fullerton, Huntington Beach, and Buena Park. Like Lake Forest, they too have the opportunity to withdraw from the JPA on or before April 1 (originally March 1).

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Background

What is a CCA?

California Assembly Bill 117, passed in 2002, established Community Choice Aggregation in California, for the purpose of providing the opportunity for local governments or special jurisdictions to procure and provide electric power for their residents and businesses.

Under existing rules administered by the California Public Utilities Commission, an investor-owned utility (IOU) must use its transmission and distribution system to deliver the electricity supplied by a CCA in a non-discriminatory manner. That is, it must provide these delivery services at the same price and at the same level of reliability to customers supplied by a CCA as it does for its own full-service customers. By state law, an IOU also must provide all metering and billing services, its customers receiving a single electric bill each month from the IOU, which would differentiate the charges for generation services provided by the CCA as well as charges for IOU delivery services. Money collected by the IOU on behalf of the CCA must be remitted in a timely fashion (e.g., within 3 business days).

As a power provider, the CCA must abide by the rules and regulations placed on it by the state and its regulating agencies, such as maintaining demonstrably reliable supplies and fully cooperating with the State's power grid operator. However, the State has no rate-setting authority over the CCA; the CCA may set rates as it sees fit so as to best serve its constituent customers. This is in contrast to SCE, which requires approval by the California Public Utility Commission to set its rates.

Per California law, when a CCA is formed all the electric customers within its boundaries will be placed, by default, onto CCA service. However, customers retain the right to return to SCE service at will, subject to whatever administrative fees the CCA may choose to impose—typically $5 for a residential customer and $25 for a non-residential customer.

[4] CCA is also called "Community Choice Energy," or "CCE."

Typical CCA Objectives

The feasibility of a CCA program is a function of that program's ability to meet the sponsoring city's or JPA's goals and objectives. This section lays out the typical CCA goals and objectives and how they might apply to Lake Forest.

Rate Competitiveness and Financial Stability

Like most CCAs, OCPA has set a goal to offer rates that are competitive with the projected generation rates offered by the incumbent electric utility, Southern California Edison (SCE). "Competitive" here means that the CCA, over the long run, could offer rates that are equal to or less than those offered by SCE. It does not mean that in every year a specific rate savings is offered. In fact, some CCAs have had to offer rates slightly higher than those offered by their host utilities during one or more of their first few years. We note that they did not experience significant opt-outs because of this.

CCAs also intend to offer long-term rate stability to its customers as well as maintain its own financial condition. This could be accomplished through conservative phasing in of customers and projects; establishing and maintaining appropriate lines of credit and financial reserves; and contracting with only experienced and financially solid providers of goods and services.

Greenhouse Gas Reduction

Particularly for the early CCAs, reducing carbon emissions has been a priority. Some, such as Silicon Valley Clean Power, plan to offer only 100% renewable power to their customers by the end of the decade. A CCA, if it is financially able and so chooses, can contribute to the City and regional greenhouse gas (GHG) reduction goals.

It must be noted that California is moving toward a carbon-free electricity policy. Senate Bill 100, which was signed into law by Governor Brown on September 17, 2018, increases the renewable power content requirement of all retail power providers, including utilities and CCAs, from 50% to 60% by 2030. The bill also says, "that it is the policy of the state that eligible renewable energy resources and zero-carbon resources supply 100% of retail sales of electricity to California end-use customers by December 31, 2045," and that all state agencies regulating electricity build this goal into their planning. This effectively means that the difference between the electricity carbon content of the CCA following the City's CAP and remaining with status quo utility service may not be significant.

Additional Objectives

In addition to reducing costs and GHG emissions, a CCA can also serve as a vehicle to pursue other objectives that benefit the City, its residents, and businesses. Examples of additional objectives could include the following:

Economic development. A CCA can potentially contribute to local economic development in two ways. First, if the CCA offers reduced electricity rates, additional dollars can flow into the local economy as households and businesses spend their incomes on items and services other

than electricity. Second, the CCA can offer programs that allow households and businesses to reduce their power consumption, such as energy efficiency and distributed energy resources.

Local jobs and employment. Beyond the potential jobs that could result from the economic stimulus of possibly lower rates, the CCA can more directly incentivize and support local job creation. This includes employing residents in CCA administration, using local contractors for energy efficiency programs, and distributed energy generation (e.g., rooftop solar installers and maintainers). The CCA can also partner with local community colleges and/or trades apprenticeship programs to support quality local job opportunities.

Prioritization of renewable power development. Beyond support of locally sited distributed energy generation ("DEG," e.g., rooftop solar), a CCA may prioritize siting larger, grid connected DEG and utility-scale renewable projects locally.

Local citizen input and participation. A primary purpose of a CCA is to better reflect its community's interests and values than a large-scale, investor-owned utility like SCE can. This is illustrated in the CCA's objective of supporting the City's CAP. However, it can go beyond this; the CCA can commit to creating opportunities for citizens to provide input into its programs and policies.

How are CCAs financially competitive with the utilities?

All but two active CCAs in California currently offer rates that are at or lower than their incumbent utility, be it SCE, Pacific Gas & Electric (PG&E), or San Diego Gas & Electric (SDG&E). CCAs' ability to do this, even with the exit fees (PCIA), is attributable to three factors. The two CCAs with rates currently higher than their incumbent utility, both emphasis environmental benefits and local services over rate savings. Even so, most of the tine even these two CCAs offer rates no higher than their utility.

First, the CCAs serving coastal areas do not have to serve as much air conditioning load as their incumbent utilities as a whole. (SCE serves inland regions that are much warmer than coastal areas, while coastal CCAs do not.) Because air conditioning loads often occur at the times of the day with the highest priced wholesale power, they are more costly to serve.

Second, the incumbent utilities have in their portfolios some relatively expensive, generally renewable, power purchase contracts. This raises the utilities' rates, but also begs the question of what happens when those contracts expire. Two things happen. Firstly, the Power Change Indifference Amount (PCIA) fee is reduced because it is the mechanism to capture the above-market costs of these expensive power contracts and pass them on to customers who were on utility service when the contracts were signed. Secondly, at worst, the utility will be participating equally in the same wholesale power and renewable markets as the CCA.

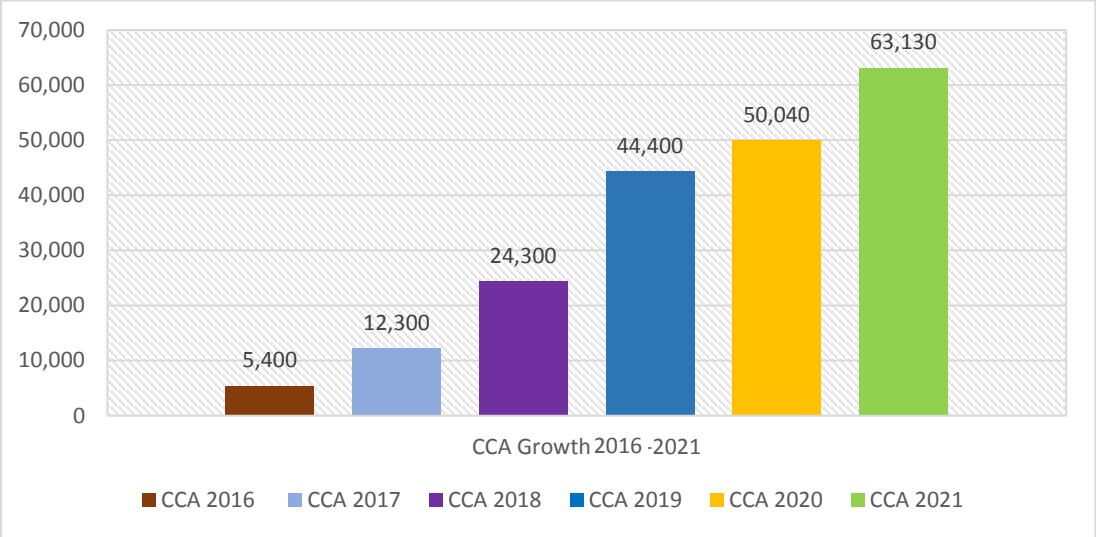
Third, the incumbent utilities are still under the jurisdiction of the California Public Utilities Commission (CPUC). This means that each and every power purchase contract the utility enters into goes through a cumbersome vetting process and must be approved by the full CPUC. Furthermore, the utilities must often comply with non-economic directives from the CPUC, which is why they have the expensive contracts in their portfolio in the first place. CCA

procurement is not so tightly bound by the state; they can be nimbler in responding to market movement and have much greater control over their purchasing, hedging, and risk management than the incumbent utilities. It is these latter points that give the existing CCAs confidence that they will be able to compete even after the higher-priced contracts in the incumbent utilities' portfolios expire.

Status of CCAs in California

Even though the enabling legislation was enacted in 2002, the first CCA to provide power, Marin Clean Energy (MCE), did not enroll customers until 2010. For the next five years, others investigated CCA formation, with a few early adopters stepping up in 2014 through 2016. As shown in Figure 1, once these early adopters showed that CCAs could work, the flood gates opened in 2017. By the end of 2021, CCAs are expected to serve over 63 gigawatt-hours (GWhs), with some projecting that by the mid-2020s between 50 to 80 percent of the load in the three main investor-owned utility service territories will be served by non-utility entities (CCAs and Direct Access providers).

Figure 1. California CCA Load Growth (2021 Forecast)



CCA Sizes and Organization

Table 2 lists the active CCAs in California, including those that have announced intended launches in 2021, along with their location and governance structure. As the table shows, most of the current CCAs are in PG&E's service area, but the growth in 2020 came from new CCAs in SCE's territory. Currently, there is only one small CCA in SDG&E's territory, Solana Energy Alliance, but two large JPAs in the San Diego region are intending to begin service in 2021.

The table also shows that the majority of CCAs are organized as joint powers authorities (JPAs). There are also many smaller cities in SCE's area that use the "JPA Light" model, in

which the CCA is technically a city enterprise that relies upon the California Choice Energy Authority (CCEA) to provide the technical operations. There are also three stand-alone city CCA enterprises, King City, San Francisco, and San Jose.

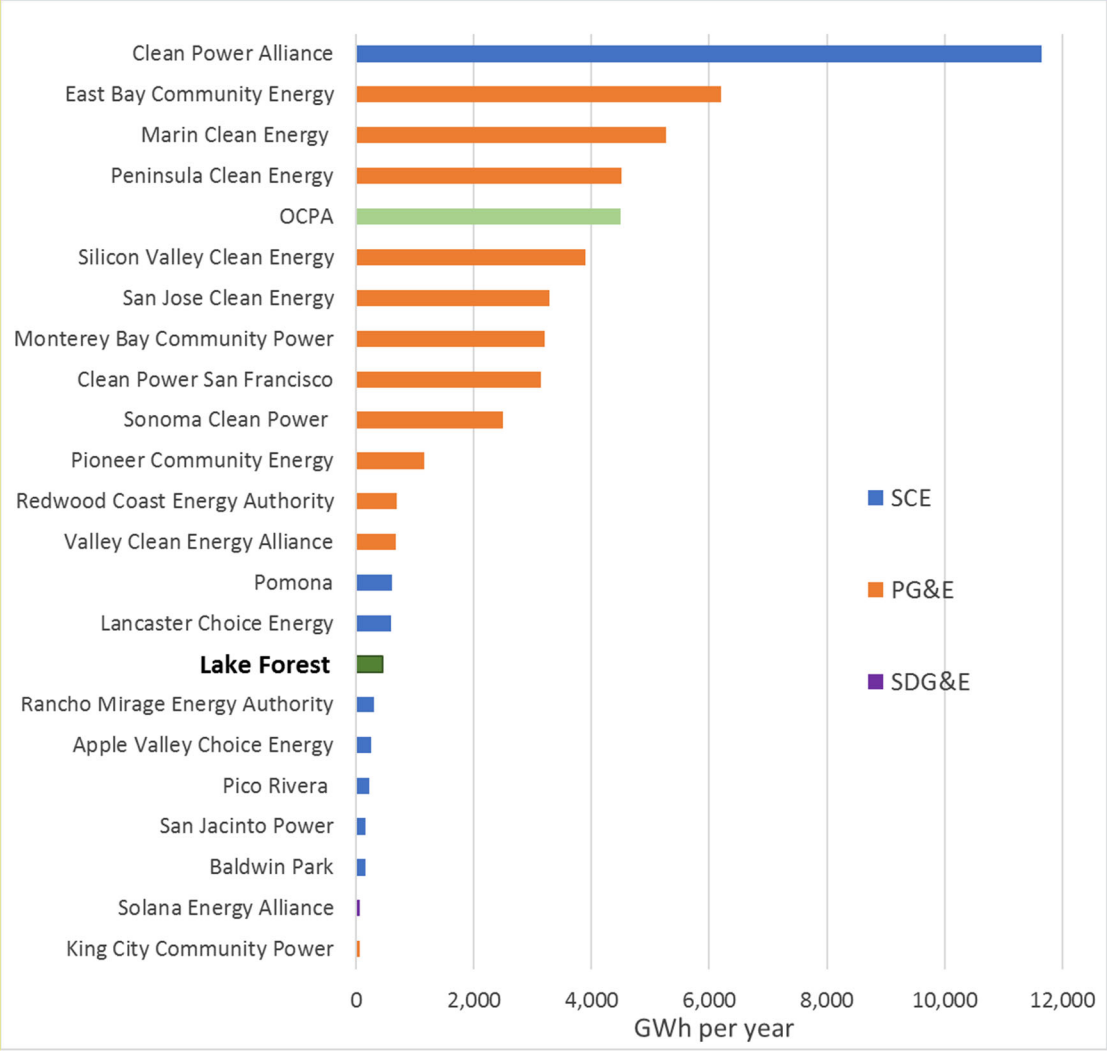
Table 2: CCAs in California

CCA	IOU	Type	Began Service	Load, GWh
CCAs Currently Delivering Power in California				
Clean Power San Francisco	PG&E	City	May 2016	3,135
East Bay Community Energy	PG&E	JPA	Jan.2018	6,200
Marin Clean Energy	PG&E	JPA	May 2010	5,275
Central Coast Community Energy	PG&E	JPA	March 2018	3,202
Peninsula Clean Energy	PG&E	JPA	Oct. 2016	3,600
Pioneer Community Energy	PG&E	JPA	2018	NA
Redwood Coast Energy Authority	PG&E	JPA	May 2017	699
San Jose Clean Energy	PG&E	City	Sept. 2018	3,286
Silicon Valley Clean Energy	PG&E	JPA	April 2017	3,898
Sonoma Clean Power	PG&E	JPA	May 2014	2,502
Valley Clean Energy Alliance	PG&E	JPA	Dec. 2016	682
King City Community Power	PG&E	City	July 2018	35
Clean Power Alliance	SCE	JPA	Feb. 2018	10,295
Apple Valley Choice Energy	SCE	City; CCEA	April 2017	260
Lancaster Choice Energy	SCE	City; CCEA	May 2015	600
Pico Rivera Innovative Muni'l Energy	SCE	City; CCEA	Sept. 2017	220
Rancho Mirage Energy Authority	SCE	City; CCEA	May 2018	300
San Jacinto Power	SCE	City; CCEA	April 2018	170
Desert Community Energy	SCE	JPA	April 2020	640
Western Community Energy	SCE	JPA	April 2020	1,285
Baldwin Park	SCE	City; CCEA	Oct. 2020	255
Pomona	SCE	City; CCEA	Oct. 2020	655
Solana Energy Alliance	SDG&E	City	June 2018	37
Planned Launch				
Orange Co. Power Authority	SCE	JPA	2022	4,000
San Diego Community Power	SDG&E	JPA	2021	6,800
Hanford	SCE	City; CCEA	TBD	285

CCA	IOU	Type	Began Service	Load, GWh
Drafted Ordinances for Implementation as Soon as 2022				
North SD County CCA	SDG&E	JPA	2022	2,750
City of Montebello	SCE	City; CCEA	2022	
Butte County	PG&E	JPA	2022	1,080

Figure 2 shows the 2019 annual loads of several active California CCAs. The light green bar shows OCPA's potential load, while the dark green bar showing the load of Lake Forest. While Lake Forest's load is small comparted to OCPAs, there are six operating CCAs with smaller loads. If all of the current communities remain with to OCPA, it would be the one of the larger CCAs.

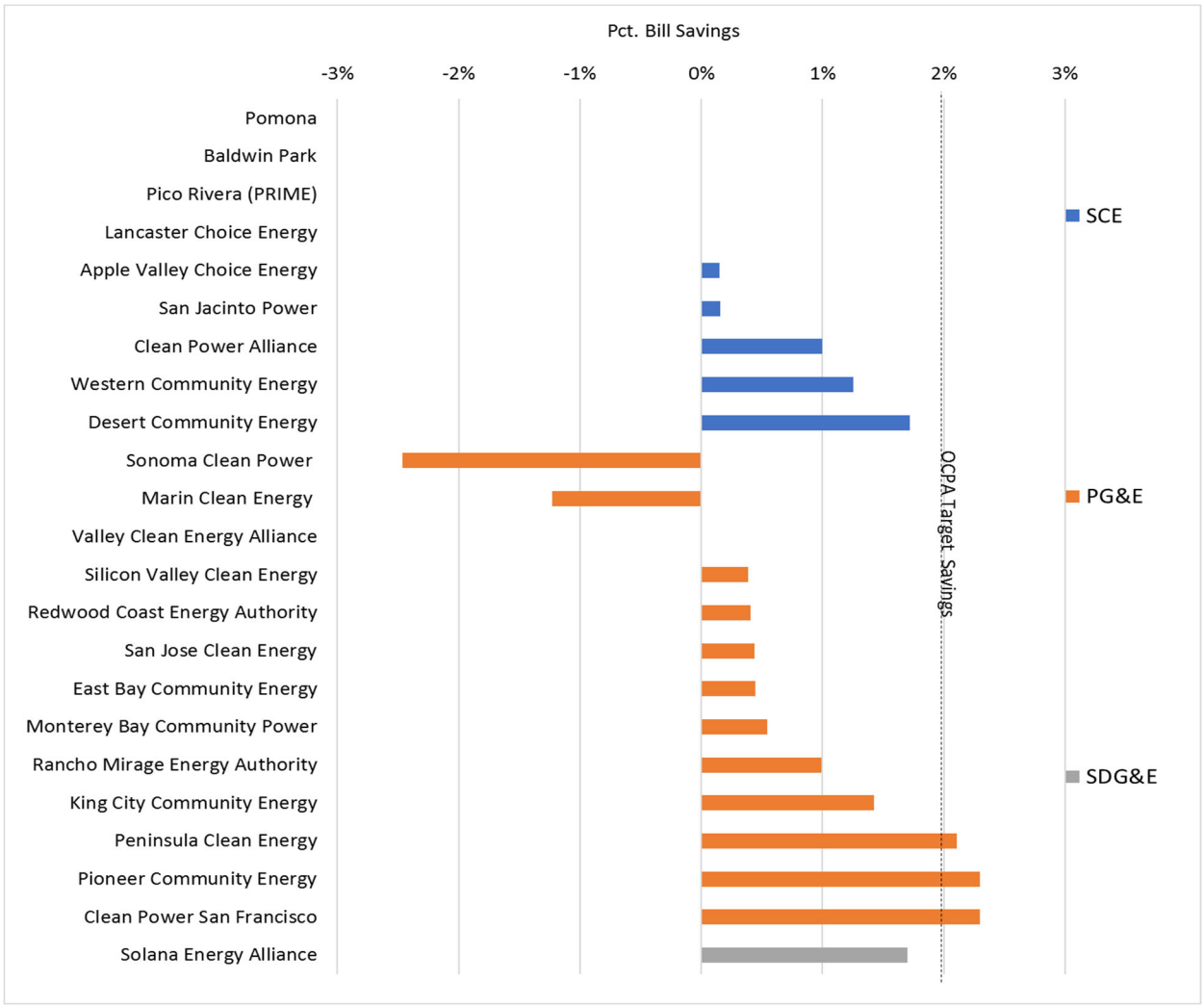
Figure 2. California Active CCA Loads (Annual GWhs, 2019)



CCA Rate Competitiveness

Figure 3 shows the residential rate savings offered by California CCAs as of January 15, 2021. The topmost CCAs in the figure, from Pomona to Desert Community Energy (blue bars), are CCAs in SCE's territory and thus compete against SCE rates, as would OCPA. These CCAs' currently offer rate savings of 0% to 1.7%, averaging 0.5%. When one includes the CCAs in the rest of the state, the greatest rate savings offered is 2.3% from CleanPowerSF and Pioneer Community Energy. There are two CCAs that offer rates greater than their incumbent utility: Sonoma Clean Power and Marion Clean Energy. Both of these CCAs have prioritized carbon reduction and programs over rate savings, so them having a higher rate than PG&E should not be completely surprising.

Figure 3. Residential Rate Savings Offered by CCAs (January 15, 2021)[5]



[5] These data are from each CCA's Joint Rate Comparison (JRC). JRCs are a common template that shows each CCAs rate offering to that of their incumbent utility. For this figure, we looked at the CCA's least cost residential rate and compared it against their incumbent utility's default rate.

As part of the review of the Irvine CCA Feasibility Study, MRW surveyed the rates offered by CCAs in May 2020. The rate savings offered by CCAs during that time are markedly higher than the more current rates shown in the figure above. In May 2020, CCAs in SCE's service area averaged rate savings of 1.8%, with one, PRIME, offering a 4.9% discount. Statewide, the average discount was 1.7%, with all CCAs either meeting or beating their incumbent utility's rates.

This decrease in rates between May 2020 and now should not be seen as a trend. Rather, it illustrates the fact that the savings offered by CCAs can change year-to-year, depending upon the wholesale market prices, the contracts that the CCAs have for power, the incumbent utilities' generation rates, and most importantly, the PCIA.

CCA Programs

Over the first years of operation, many California CCAs have been evolving from a simple commodity procurement entity—providing power at a competitive rate. After a year or two, many CCAs have expanded into providing targeted and specialized customer programs that while customized for their communities, are variations of services provided by their host IOU. Examples of this include CCAs like MCE, which has exercised its right to apply for energy efficiency (EE) program funding from the CPUC.[6] To do so, it must file various plans explicitly detailing what they intend to do in their EE program along with reporting requirements and protocols to verify that the energy savings that is projected will occur. If approved, the CCA receives money that is collected in IOU rates through the Public Purpose Program (PPP) rate element. Another example of this second phase of CCA evolution is offering rooftop solar programs and feed-in-tariffs (FiTs) for local renewable generation projects that connect "in front of" the customer meter. A third example is installing additional electric vehicle (EV) charging stations and encouraging EV purchasing and leasing.

The third phase in evolution observed in California CCAs is the movement into innovative and less common power-related programs and services. These are programs that are not common in California or elsewhere and may be more in the "demonstration" part of the program/technology lifecycle. Examples of these programs include Sonoma Clean Power's efforts to electrify the areas that were destroyed in wildfires (i.e., work with PG&E to perhaps not provide gas service to these areas) or the microgrid programs being pursued by Redwood Coast Energy Authority and Monterey Bay Community Power (now known as Central Coast Community Energy).

Table 3, below, shows a range of the programs being pursued by some California CCAs. These non-commodity program offerings are becoming the focus of CCAs in the state. At the Business of Local Energy Symposium, a large CCA-oriented conference held in June 2019 in Irvine, CA, the speakers, panels, and presentations overwhelmingly focused on innovation that CCAs can do and are doing.[7] None of these addressed power procurement or cost competitiveness.

[6] Customers taking commodity service from a CCA are still eligible to participate in EE programs administered by their host IOU.

[7] https://theclimatecenter.org/the-business-of-local-energy-symposium-2019-presentations/

Table 3. Sample California CCA Program Offerings[8]

CALCCA ADVANCING LOCAL ENERGY CHOICE	Apple Valley Choice Energy	Central Coast Community Energy	Clean Power Alliance	CleanPowerSF	East Bay Community Energy	King City Community Power	Lancaster Choice Energy	MCE	Peninsula Clean Energy	Pioneer	PRIME	Rancho Mirage Energy Authority	Redwood Coast Energy Authority	San Jacinto Power	San Jose Clean Energy	Silicon Valley Clean Energy	Solana Energy Alliance	Sonoma Clean Power	Valley Clean Energy
Budget Billing				In dev.			✓												
Battery Storage Rate				In dev.	✓ (pilot)			✓								✓ (Same as PG&E)		In dev.	
Battery Storage Incentives								✓								In dev.		✓	
Demand Response		✓	✓	✓				In dev.	In dev.							In dev.		✓	✓
EV Rate		✓	✓	✓	✓ (Same as PG&E)		✓	✓	✓	✓ (Same as PG&E)	✓		✓		✓ (Same as PG&E)	✓ (Same as PG&E)	✓	✓	✓ (Same as PG&E)
EV Bus Program		✓		✓			✓		✓									✓	
EV Incentives (vehicles and/or charging)		✓					✓	✓	✓				✓		In dev.	✓		✓	In dev.
EV Load Shifting								✓								✓ (pilot)		✓	
Energy Efficiency				In dev.			✓	✓		In dev.			✓			In dev.		✓	✓
Energy Efficiency Data Sharing					✓														
Feed-In Tariff		In dev.		In dev.				✓					✓					✓	
Building Electrification		✓			In dev.			✓	In dev.				✓			✓		✓	In dev.
Low-Income & Multifamily EE		✓						✓	In dev.		✓		✓						
Solar Incentives												✓	✓						
On-Bill Repayment				In dev.				✓										In dev.	
Education, Outreach, and/or Innovation Grants			✓		✓				✓	In dev.						✓		✓	
Low-Income Solar Incentives		✓	In dev.	✓	✓	✓		✓	In dev.		✓								
Customer Load Shifting			✓	✓				✓								In dev.		✓	
Microgrid Development		✓					✓			In dev.			✓						
Citizen Sourcing			✓				✓						✓						
Energy Education in Local Schools				In dev.					✓						✓			✓	
Dividend Program		✓																	✓
Solar Referral Service			✓													✓			
Solar+Storage Offerings			In dev.		✓			✓	✓		In dev.		✓			✓		✓	
Advancing Reach Codes		✓			✓				✓							✓		✓	
Advanced Energy Rebuild								✓										✓	
TOU Rates				✓	✓ (Same as PG&E)		✓	✓		✓ (Same as PG&E)			✓		✓ (Same as PG&E)	✓ (Same as PG&E)	✓	✓ (Same as PG&E)	✓ (Same as PG&E)
Customer C&I Clean Power Offerings																✓			
Workforce Education & Training								✓								✓		✓	
Emissions Inventory Support for Member Agencies		✓														✓			
Property Assessed Clean Energy (PACE)										✓									

[8] https://cal-cca.org/cca-programs/

Chapter 2. MRW Financial Study Methodology and Key Inputs

This chapter summarizes the key inputs and methodologies used to evaluate the cost-effectiveness and cost-competitiveness of a Lake Forest CCA relative to SCE under different scenarios. It considers the regulatory requirements that Lake Forest would need to meet (e.g., compliance with renewable portfolio standard (RPS) requirements), the resources that the City has available or could obtain to meet these requirements, and the SCE rates against which the CCA would compete. It also describes the pro forma analysis methodology that is used to evaluate the financial feasibility of the CCA.

The load and rate forecasts go out 10 years: from 2023, the earliest the CCA could be formed, through 2032. While all forecasting contains uncertainty, the years beyond 2030 are particularly uncertain and should be seen as broadly indicative and not predictive.

Loads and Load Forecasts

A fundamental operational role of a CCA is to forecast customer electricity needs in the short, medium, and long terms. Power procurement and day-to-day decision-making rely heavily on short-term forecasts of consumer demand for power, while procurement planning requires forecasts of longer-term loads. Procurement must also account for the risks associated with demand forecasting and develop appropriate risk mitigation strategies. Though it is not possible for any entity to predict with absolute certainty future energy demand; logical, data-driven, industry-standard methodologies for load forecasting will be used to provide the foundation of future procurement.

Because a Lake Forest CCA is still hypothetical and has yet to serve any customers, the CCA's estimated load to be served is based on historical consumption data from SCE. Of course, if the CCA moves forward the load forecast will be continually updated and refined to reflect ongoing economic development and changes in load from energy efficiency and distributed generation in Lake Forest.

As shown in Table 4, Lake Forest has a total annual electric load of 460 GWh in 2019 with about 33,000 customer accounts, compared to OCPA's 331,000 customers and 4,500 GWh of load demand. As shown in both the table and in Figure 4, Lake Forest has a higher percentage of residential and medium commercial and industrial load compared to the other OCPA cities and a lower percentage of small commercial and the "other" category (street and traffic lights, pumping, agriculture).

Table 4. Potential Lake Forest and OCPA Customers and Associated Load for 2019

	Lake Forest		OCPA	
	Customers	Annual Load (MWh)	Customers	Annual Load (MWh)
Residential	28,534	182,617	288,041	1,579,280
Small Commercial	3,477	39,995	32,138	368,188
Medium Commercial & Industrial	636	149,515	6,216	1,452,384
Large Commercial & Industrial	20	78,249	191	1,028,396
Other*	331	8,548	4,032	82,769
Total	32,998	458,925	330,617	4,511,017

*e.g., streetlights, traffic control, agriculture/pumping.

Figure 4. Lake Forest Load Distribution 2019

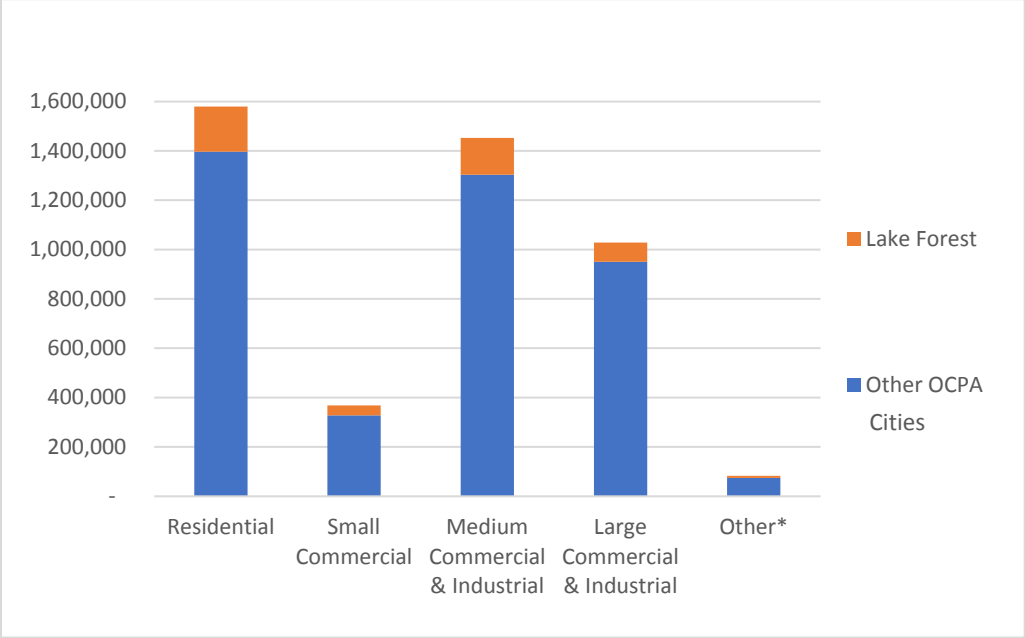
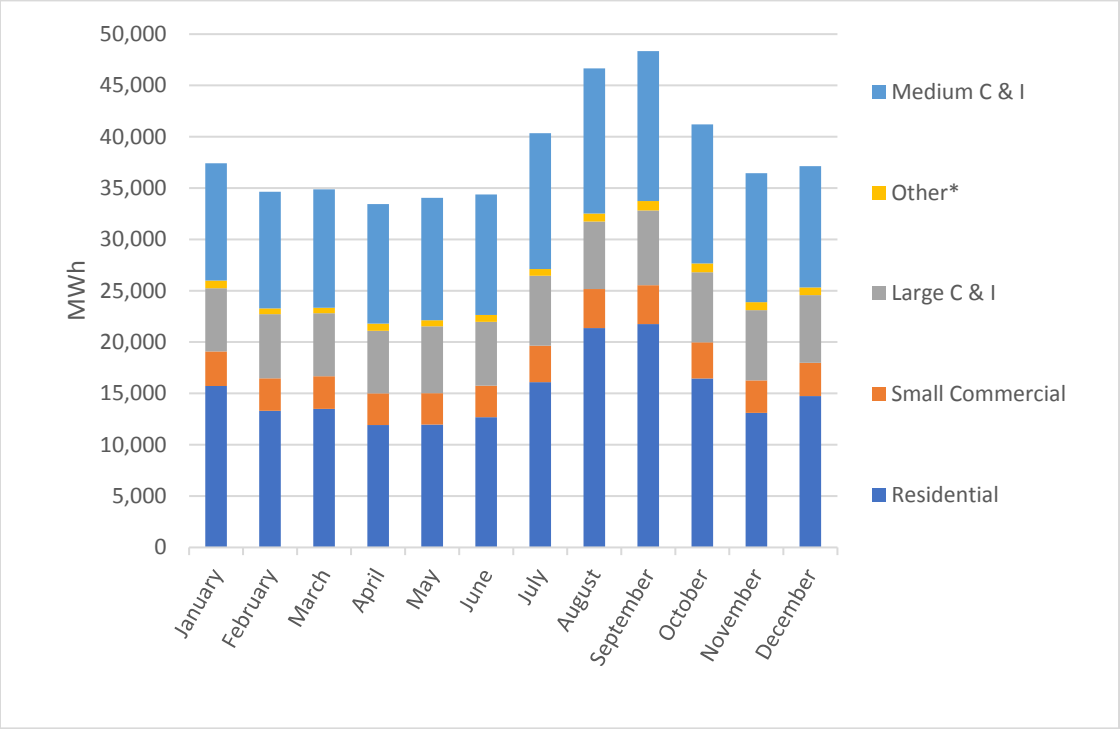


Figure 5 below shows the potential monthly load for a Lake Forest CCA. The highest load months are in the summer, while the lowest are in the spring. This is attributable to customers in Lake Forest using air conditioning in the summer. There is a 44% difference between the

highest load month and lowest load month. This means Lake Forest will need to acquire less "resource adequacy" capacity to cover their summer peaking loads compared to other CCAs.[9]

Figure 5. Lake Forest Load (Monthly, 2019)

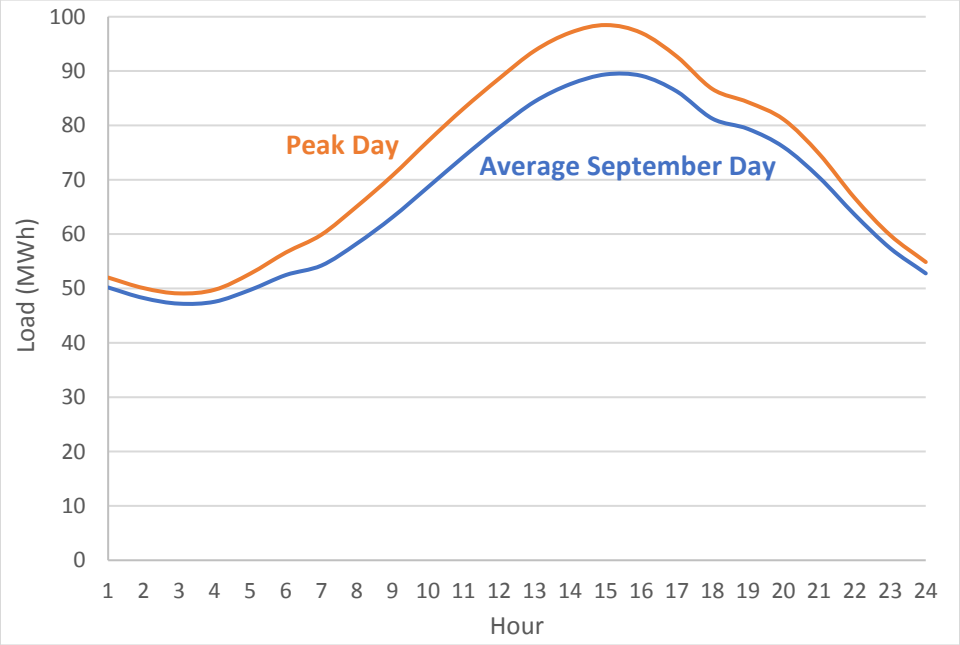


To be able to project the cost of buying power for the CCA, one must not only know how much must be purchased, but when. This is accomplished using load profiles: the breakdown of the total load into hourly consumption values. SCE provided an hourly load profile for different rate classes and monthly data for each city.

Figure 6 below illustrates the 24-hour load curve for Lake Forest. It compares the average day in the highest load month of September with the peak day of the year, September 4th. The peak hour was 3 pm on September 4th with a load of 98 MWh. This is the maximum capacity needed for the CCA and is the basis for the Lake Forest's resource adequacy requirement in September. Compare this to the peak on an average September day where the peak hour was also 3 pm and the peak load was 89 MWh. The difference between the two maximum loads highlights the load volatility in the CCA. It is also interesting that the load peaks so early in the day, an afternoon peak will pair well with solar resources.

[9] The ratio of the usage in the highest-load month to the lowest-load month for Lake Forest is 1.4; for the City of Riverside, a municipal utility, the ratio of the highest-load month to the lowest-load month is 1.7. (City of Riverside Public Utilities, 2018 Integrated Resource Plan, September 26, 2018. page 2-2.)

Figure 6. Lake Forest Load Shape Peak Day Vs Peak Month



The CCA's base load forecast through 2032 reflects the annual average growth rate from the California Energy Commission's most recent electricity demand forecast for SCE's planning area. The CCA's load is forecasted to have a slight decline. The net growth rate from 2023 to 2032 is 0.25% per year.

CCA Power Supplies

The cost to provide power is by far the largest expenditure a CCA makes. A CCA the size of Lake Forest should expect to spend $20 million per year for wholesale power. The Lake Forest power supply plan will be guided by legislative requirements, regulatory mandates, and CCA policies, as well as future market dynamics.

Power Supply Portfolio and Cost Assumptions

Operating within the regulatory framework described In Appendix 1, MRW developed sample electric supply portfolios evaluating the economics of a Lake Forest CCA. These sample portfolios are a proxy for a working portfolio that would be developed using a more rigorous assessment of costs and risk attributes developed as part of an implementation plan and ultimately through direct engagement with market participants via a request for proposals process. With RPS requirements increasing to 62% of load during the period of analysis, renewable resource assumptions are the primary driver of portfolio costs. After accounting for the hourly CCA load shape and the generation profile of resources in the renewable energy portfolio, the residual net short is assumed to be met with market purchases at hourly market prices forecast by S&P Global. Likewise, resource adequacy requirements are estimated based

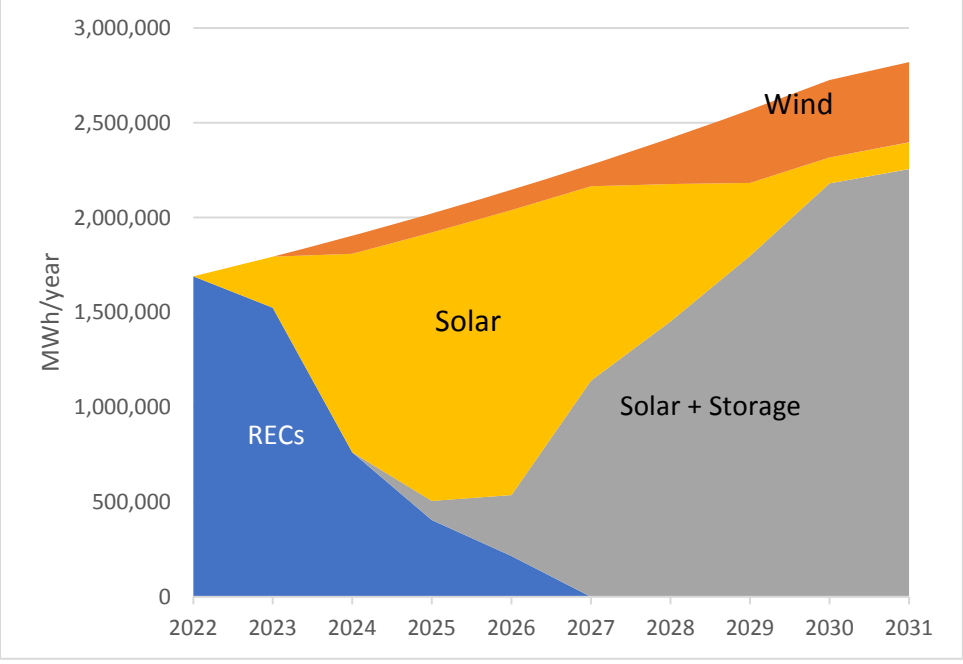
on peak loads and after accounting for net qualifying capacity from renewable resources. The remaining capacity need is assumed to be purchased at a forecasted market price as described below.

Renewable

The cost of renewable energy from solar photovoltaic (PV) facilities has steadily fallen since the establishment of the California RPS mandate in 2002. Looking forward, solar PV prices are expected to continue to decline, although perhaps at a slower rate as the technology matures and if import tariffs continue to be applied. At the same time, the incremental value of solar energy is decreasing as more and more solar resources are added to the electrical system, leading at times to conditions where solar energy must be curtailed to avoid overgeneration. Thus, there are advantages to a diversified supply portfolio including wind, geothermal and biomass, as well as energy storage.

Figure 7 below shows the assumed mix of renewable resources in Supply Scenario 1: meeting but not exceeding the State's renewable portfolio requirement, e.g., 50% by the end of 2026, with incremental hydroelectric power so that the CCA has the same net GHG output as SCE. In the first few years, the RPS requirement will be met using contracts for unspecified in-state renewable generation, with some generation from power purchase agreements (PPAs) with existing solar resources. Over time, the reliance on unspecified in-state renewables decreases and is replaced with PPAs with specific wind resources as well as PPAs with solar bundled with storage facilities. This reflects a reasonable balance of renewable resources: wind and solar are generally complementary in California—that is, when solar output is high, wind output is low.

Figure 7. Renewable Power Generation by Source



Assumed renewable power prices are shown in Figure 10. The 2023 prices are consistent with current reported renewable contract prices from other load-serving entities, including California CCAs and municipal utilities.[10]

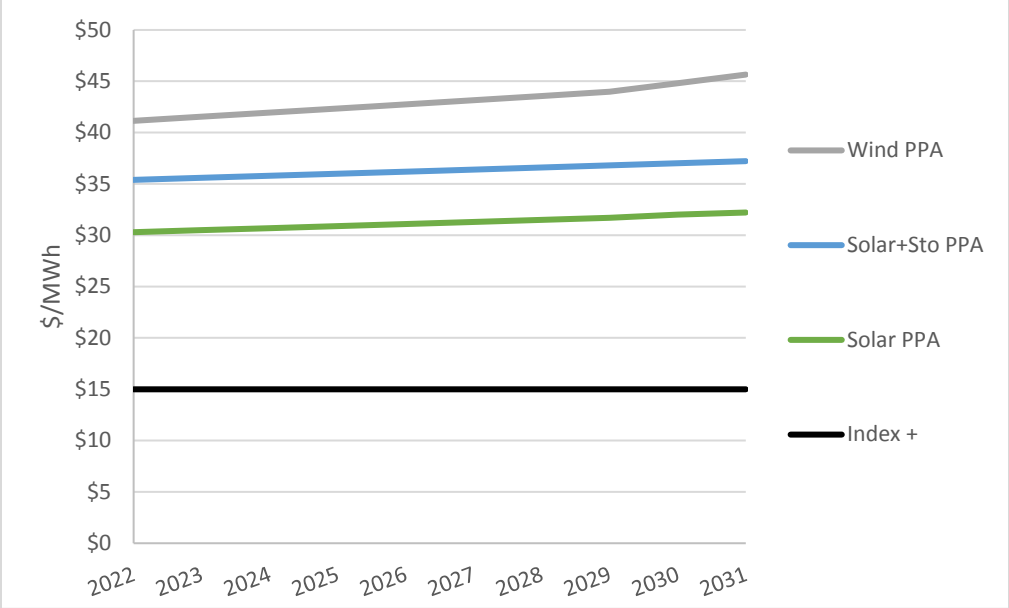
With the rate of utility-scale solar PV cost declines flattening in recent years, we assume a slight increase in solar PV costs over the forecast period. Based on data provided by Lawrence Berkeley Laboratory, solar combined with battery storage is assumed to be available at a $5/MWh premium relative to solar-only projects and to follow the same trends as utility-scale solar. For local solar and solar plus storage, we assume projects are likely to be commercial scale (i.e., large rooftop), so we relied on NREL's U.S. Solar Photovoltaic System Cost Benchmark and Cost-Reduction Roadmap for Residential Solar Photovoltaics Report for Commercial PV, which show declines from 2020 costs through 2030.[11]

For wind prices we relied on the DOE's Wind Vision report to establish a forecasted price for 2020 through 2040 and continued the price trend for subsequent years.[12]

"Index+" refers to the cost of a Bundled Renewable Energy Credit ("Bucket 1" REC) whose associated energy is priced at the CAISO hourly market price. The REC value is assumed to be $15/MWh, remaining level in nominal dollars.

Alternative renewable energy costs are explored in the sensitivity scenarios.

Figure 8. Projected Average Renewable Power Costs



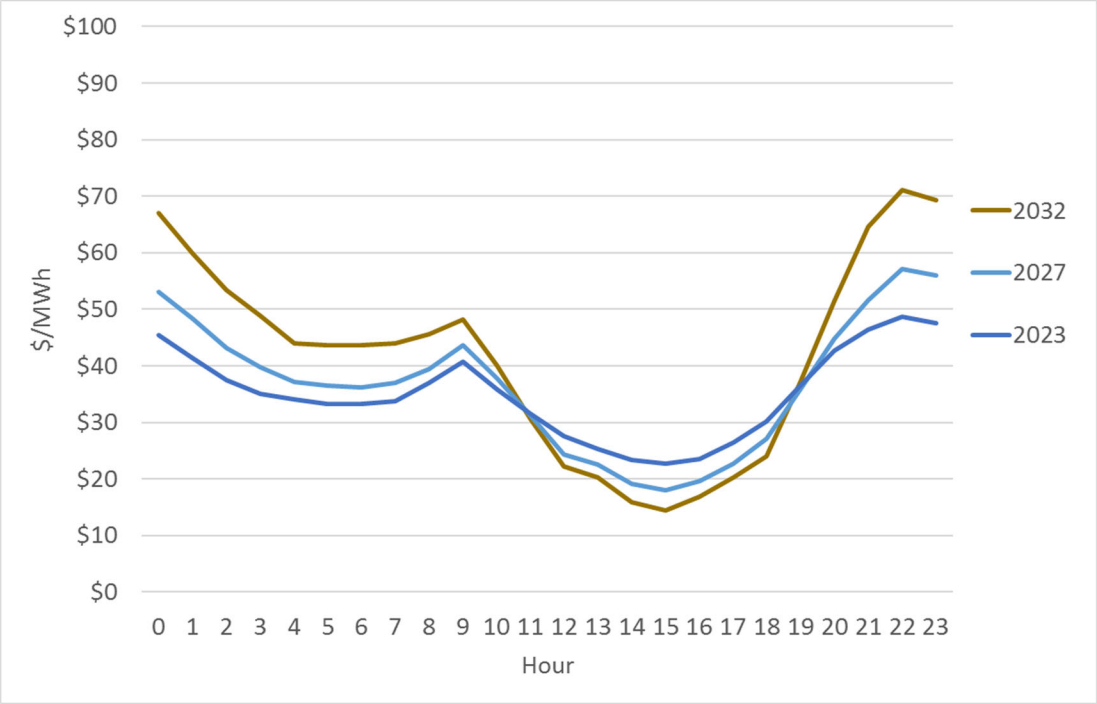
[10] https://emp.lbl.gov/sites/default/files/2020_utility-scale_solar_data_update.pdf
[11] https://www.energy.gov/eere/solar/sunshot-2030
[12] https://www.energy.gov/sites/prod/files/WindVision_Report_final.pdf, Figure 3-12.

Wholesale Power Costs

The residual net load after accounting for renewable energy supplies is assumed to be supplied from wholesale market purchases, either from the day-ahead market operated by the CAISO or through bilateral contracts with similar market pricing. To forecast market prices, we used S&P Global Market Intelligence's 2020 3rd Quarter Forecast for CAISO SP15 Hourly Energy Prices. S&P Global provides 20-year forward-looking wholesale electricity and capacity price projections based on forward market prices and fundamentals-based modeling relying on data from regulatory filings, planning guidelines, coal plant retirements, firm construction plans, and additions of renewable energy.

Figure 9 shows the annual average hourly price of power for three selected years. This figure shows that as increased renewables are built over the 10-year period, the mid-day prices (hours 12 -18) during high solar hours are anticipated to get more depressed and evening prices are forecast to rise.

Figure 9. Assumed Annual Average Market Prices by Hour



Capacity Costs

As noted above, CCAs are also responsible for complying with Resource Adequacy (RA) obligations. These products are typically contracted on a short-term basis (e.g., year-ahead). There has historically been an excess supply of both system and flexible capacity in the market,

leading to depressed prices for these products. This changed dramatically in 2019, when RA prices doubled. MRW predicts that the system RA price will continue to fluctuate between $6.00/kW-month to $9.00/ kW-month, but that the flexible RA price will remain stable.

Traditionally, CCAs have also bought local RA, but as of 2023, CCAs in SCE's territory will no longer be responsible for acquiring local RA. SCE will purchase and allocate local RA to CCAs. The specifics of this new process are still being worked out in regulatory filings and future analysis will be needed to see how this new model will affect costs.

Other Cost Elements

This section outlines the main elements of the pro forma analysis, the assumptions underlying the elements and the output results. The analysis also includes a comparison between the generation-related costs that would be paid by Lake Forest customers and the generation-related costs that would be paid by SCE bundled service customers. Costs paid by CCA customers include all CCA-related costs (i.e., supply portfolio costs and administrative and general costs) and exit fee payments that CCA customers will be required to make to SCE.

Startup Costs

Startup costs are the costs Lake Forest will incur before operations begin. Table 5 shows the estimated CCA startup costs. They are based on the experience of existing CCAs as well as from other CCA technical and feasibility assessments. If Lake Forest were to move forward with doing a CCA, these values would be refined based on more detailed projections.

Typically, the city forming a CCA would directly pay for the initial start-up costs, such as the technical study. Once the CCA is formed by a City Council action, the CCA would issue an RFP for banking services. These would set up a short-term loan or line of credit to pay back the city its CCA expenditures and fund ongoing start-up costs until the CCA is operational. At that point, the short-term loans could be rolled into a longer-term loan that would also include working capital.

Working capital reflects the fact that a business will have bills to pay prior to receiving payment from its customers. This amount would cover the timing lag between when invoices for power purchases (and other account payables) must be remitted and when income is received from the customers. Per industry standard, total working capital is set to equal three months of CCA revenue, or approximately $ 4 million when the Lake Forest CCA is fully operational (i.e., serving all potential customers).[13] Initially, the working capital is provided by a bank on credit to the CCA. Typical power purchase contracts require payment for the prior month's purchases by the 20th of the current month. Customers' payments are typically received 60 to 90 days from when the power is delivered.

[13] CCAs frequently "phase-in" their service, initially offering service to a smaller subset of customers and then expanding service to the remaining customers over the following months or years.

These startup costs are assumed to be financed over 5 years at 5% interest.[14]

Table 5. Estimated Start-Up (2022-3) Costs

Item	Cost
Professional Services/Consulting	$150,000
Staffing	$125,000
Administrative and General costs	$25,000
SCE Fees	$10,000
CAISO deposit	$500,000
Power contracting, portfolio and rate design, scheduling	$25,000
Integrated Resource Plan/Long-Term Procurement	$150,000
Marketing strategy and brand development	$75,000
Website	$20,000
PR/Advertising	$25,000
Customer Notifications	$27,000
Community Sponsorships, etc.	$5,000
General Counsel Services	$100,000
Legal review of power supply and other vendor contracts	$75,000
Cal-CCA Membership	$50,000
Regulatory Monitoring, Reporting and Compliance	$100,000
Total:	$1,400,000
Working Capital (3 months cash flow at full service)	~$4,300,000
Total:	$5.7 million

Reserves

CCAs to date have all committed to setting aside revenues into a reserve fund to account for times in the short-term when its costs may not allow it charge rates that are competitive to SCE. For this study, we assume that the CCA will endeavor to set aside revenues until a reserve fund reaches an amount equal to 50% of its annual revenue (e.g., 50% of $24 million = a reserve fund goal of $12 million). After the reserve target is met, it is held at the target level or drawn upon so that the desired CCA rate is achieved. If the reserve is drawn upon, the rate reserve is replenished in the next year in which headroom is available.

[14] 5% is currently equal to the prime rate plus 175 basis points.

Administrative and General Cost Inputs

Administrative and general costs cover the everyday operations of the CCA, including costs for billing, data management, customer service, employee salaries, contractor payments, and fees paid to SCE. Table 6, below summarizes the assumed ongoing administrative and general costs. These costs are assumed to trend with inflation.

Table 6. Ongoing Administrative and General Costs

	2022	2023	2024	2025
SCE Fees, $/cust./month	n/a	$0.13	$0.14	$0.14
Data Management Fees $/cust./mo.		$1.00	$1.00	$1.00
Administration – Labor	$325,000	$690,027	$1,159,262	$1,188,311
Administration- Non-Labor	$25,000	$138,054	$82,832	$84,908
Outreach-communications	$80,000	$85,593	$35,894	$36,793
Professional Services	$150,000	$325,000	$303,718	$311,329
Data Management Fees	$0	$250,387	$383,624	$383,747
SCE Metering and Billing Fees	$0	$50,077	$51,101	$52,347
Total	$580,000	$918,138	$2,016,431	$2,057,435

SCE Rate and PCIA Forecasts

SCE Generation Rates

Forecasts of SCE's generation rates and exit fees are necessary to compare the projected rates that customers would pay as Lake Forest customers to the projected rates and fees they would pay as bundled SCE customers.

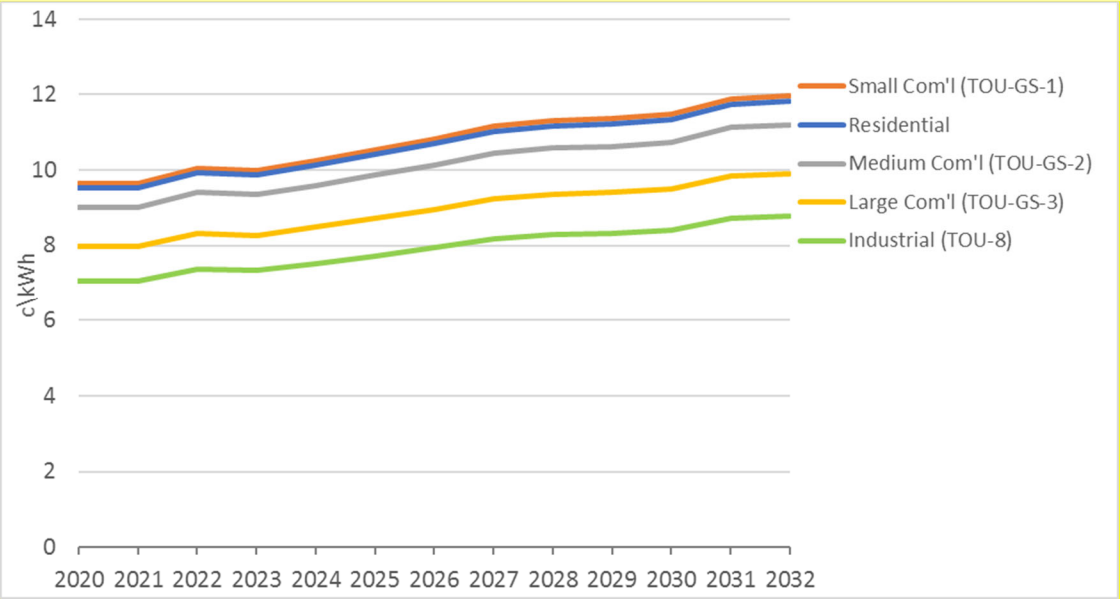
To ensure a consistent and reliable financial analysis, a 10-year bottoms-up forecast of SCE rates was developed using market prices that are consistent with those used in the forecast of the Lake Forest's supply costs. The forecasted costs include the cost of SCE's existing resource portfolio, adding in market purchases only when necessary to meet projected demand.

To develop this forecast, the key cost drivers of each of SCE's generation rate components were examined, separately evaluating costs for renewable and non-renewable energy purchases, for SCE-owned generation facilities, and for capacity purchases. The study assumed that near-term changes to SCE's generation portfolio would be driven primarily by modest increases in

underlying gas market prices. In 2028-2030, consistent with the Lake Forest forecast, the SCE must pay higher prices for incremental capacity and resource adequacy, reflecting the tightening of the capacity market at that time.

The forecast further assumes that SCE is compliant with the renewable and carbon-free requirements ordered in Senate Bill 100: a minimum of 60% renewable content in 2030 and a trajectory that would, when extrapolated, result in carbon-free power in 2045. In fact, given the current SCE renewable portfolio and the loss of load from the Lake Forest CCA, SCE would need minimal if any new renewables to meet the 2030 goal.

Figure 10. Forecast SCE Average Generation Rates



The forecast for SCE's generation resources is based on publicly available data and forecasts. We relied on the market price forecast produced by S&P Global to estimate the cost of market purchases, along with known and anticipated outcomes of ongoing CPUC rate proceedings.

Over the 10-year period, the study forecasts that SCE's generation rates will escalate by an average of 3% per year. This forecast is show in Figure 10, below.

PCIA

The Power Charge Indifference Adjustment (PCIA) is a fee charged by SCE intended to prevent customers that remain with SCE bundled service from paying for energy generation procured on behalf of customers that have since switched to CCA service. More specifically, it pays for the above-market costs of SCE generation resources that were acquired, or which SCE committed to acquire, prior to the customer's departure to CCA. The total cost of these resources is compared to a market-based price benchmark to calculate the "stranded costs" associated with

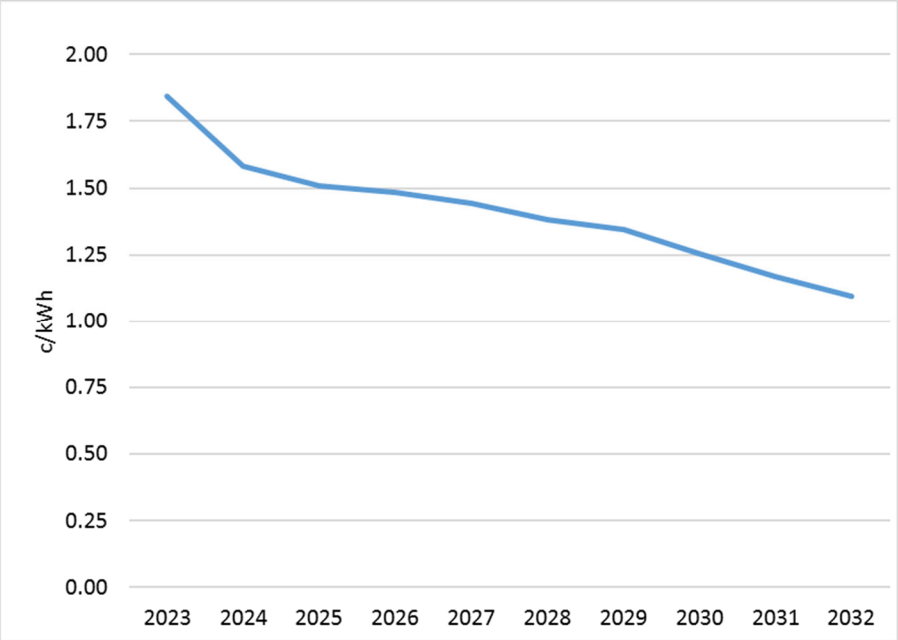
these resources, and CCA customers are charged what is determined to be their fair share of the stranded costs through the PCIA. Bundled customers also pay the PCIA, which is embedded into their commodity portion of their total rate.

The PCIA is not paid directly by the CCA, but by the individual customers taking CCA service. Thus, it does not appear explicitly on the CCA's books, however it must be accounted for in any CCA cost analysis. While both CCA customers and customers that choose to remain in SCE bundled service pay this fee, it appears as a separate line item for CCA customers and is embedded in the energy generation costs of SCE bundled customers.

To forecast the PCIA, this study used the formula and approach dictated by the Alternative Proposed Decision of Assigned Commissioner Carla Peterman in Commission Rulemaking 17-06-026, which was approved by the Commission on October 11, 2018. In addition, the market price and SCE portfolio assumptions used in the PCIA calculations are consistent with those used to forecast SCE's generation rates.

This study forecasts the PCIA charge by directly modeling expected changes to PCIA-eligible resources and to the market-based price benchmark. Based on our modelling, we expect the PCIA to remain close to 2¢ per kWh through 2023. After 2023, the PCIA is forecast to decrease markedly to about 1.5¢ per kWh and to continue a steady decline through 2032. The decline is mainly caused by the expiration of many of the costlier renewable power contracts entered into by SCE, which decreases the total stranded costs. MRW's forecast of the PCIA charge through 2032 is shown in Figure 11.

Figure 11. Forecast Average PCIA



Chapter 3. Financial Analysis Results

Costs and benefits are evaluated by comparing total average cost to serve the CCA customer (cents per kWh or dollar per MWh) (including PCIA) to SCE generation rates. The pro forma results for the first 10 years of the Lake Forest are summarized in this chapter.

Base Results

The CCA power supply assumes that the Lake Forest simply complies with the State's requirements concerning renewable power. It starts in 2023 with 39% of its power being met using renewable resources and escalates this faction to 64% by 2032. The non-renewable output is assumed to be met using system power from the CAISO.

Figure 12 shows the forecast of average CCA costs and SCE's generation rates, assuming that all customers are served. The bars in the chart show the forecasts of the major cost components of CCA operation, while the single line shows the forecast of SCE's generation rate. When the bars are below the line, the CCA's average operating costs will be below the SCE generation rate; meaning that it can offer power to customers at a rate lower than or competitive with SCE.

The bottom-most green segment represents the cost of renewable power to the CCA. The renewable power costs ramp up with increasing renewable content, as required by SB 100.

The brown segment is for the costs of non-renewable, wholesale market power. This segment slowly decreases, as renewable power increases.

The light blue segment is for capacity. That is, the CCA must demonstrate that it has the generating capacity (in megawatts) to ensure that it can serve all its load, even if the "intermittent" renewable resources are not generating at their optimal rate (e.g., solar on rainy days). The more intermittent renewables—solar and wind—that are added to the CCA's generating mix, the more back-up capacity is needed to ensure reliability.

The gray segment is for debt service, operations, franchise fees and uncollectibles. The loans associated with the start-up costs are paid down. Once that debt is retired, the operation costs decrease markedly. Franchise fees are those collected by SCE and paid to the City for the right to operate the electric monopoly franchise in the city. It is paid as a percent of each customer's total bill and is automatically built into SCE's rates. So that cities remain financially whole when customers' power is provided by a CCA, SCE charges CCA customers a "franchise fee surcharge" known as the Generation Municipal Surcharge.[15] Lastly, as with any business, a certain fraction of the CCA's bills will not be paid and are treated as "uncollectible."

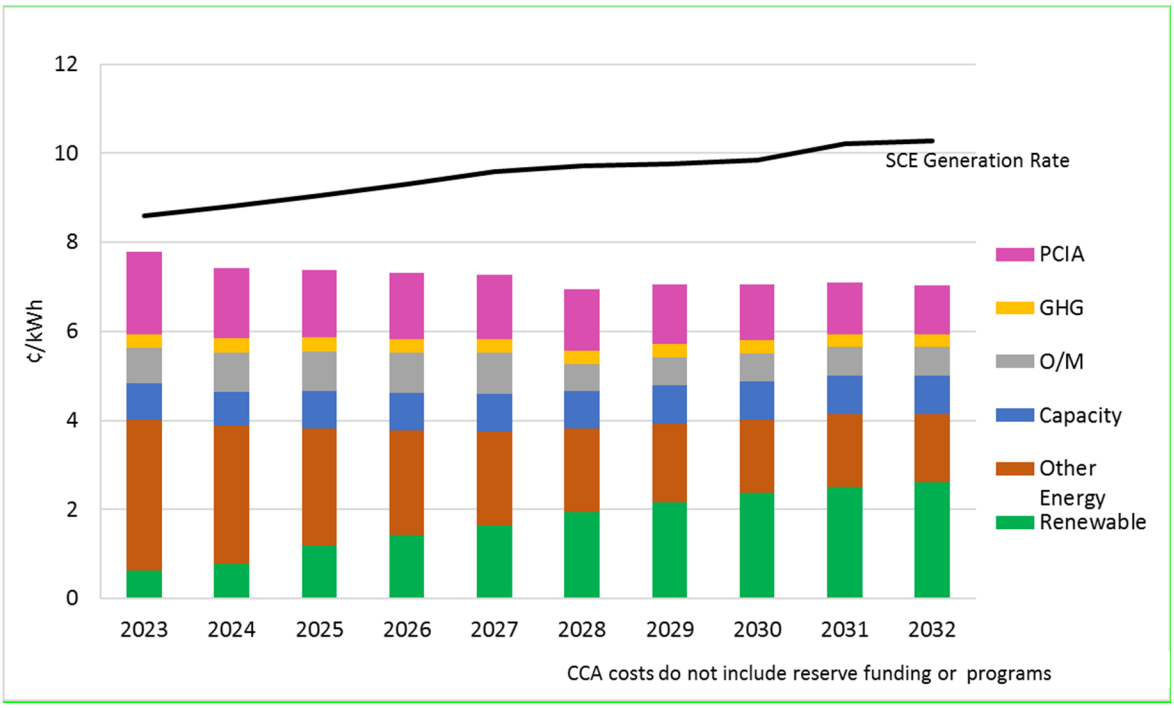
The yellow segment is for carbon cap and trade allowances. Note that for practical purposes, the carbon cap-and-trade allowances would be built into the purchase prices of natural gas-fired market resources. However, because it is an important variable on its own, the costs are shown separately.

[15] See SCE Tariff Schedule GMS.

The top-most pink segment is for the Power Charge Indifference Adjustment (PCIA), a fee paid to SCE to ensure that the operation of the CCA does not strand SCE's remaining bundled customers with costs associated with power purchased on behalf of customers who have shifted to the CCA.

The black line represents SCE's average generation rate. To forecast SCE's generation rates, the comparison model used information regarding SCE's utility-owned generation, power contracts, power market costs, and by closely tracking changes in SCE revenues and costs through its filings in several CPUC proceedings. In particular, it takes the most recent SCE filing of generation rates and applies the known and anticipated changes to the wholesale power market prices and SCE's power purchase contracts.

Figure 12. Average Lake Forest Cost Projection



As shown in Figure 12, the costs of CCA operation are consistently below that of the SCE rate. This difference between the top of the CCA cost columns and the SCE rate line represents the operating "margin." In 2023, this "margin" between the CCA average cost and the SCE rate is about 0.8¢/kwh, increasing to about 3.2¢/kwh in 2032. Table 7, below, shows the average margin for different time periods of the analysis.

Table 7. Projected OCPA Margins*

	2023	First 3 years (2023-2025)	First 5 years (2023-2027)	2nd 5 years (2028-2032)	10-Years (2023-2032)
¢/kWh (average)	0.8	1.3	1.6	2.9	2.3

*Without rate savings, reserve contributions or program funding

Note that this does not mean that the CCA can or will fully pass on this margin as rate savings to its customers. The CCA may do a combination of one or more of three things with this margin:

- **Rate Savings:** The CCA can keep its rates as the cost of operations and allow the margin to flow fully to customers through lower electric rates. (i.e., if the margin is 0.5¢/kWh, then the CCA could offer rates that are 0.5¢/kWh less than SCE while still covering all its costs).
- **Reserves:** The CCA can change customers to the same rate as SCE to retain the margin and build up cash reserves for a rainy day.
- **Programs:** The CCA can eventually use the margin to fund other energy-related services, such as providing incentives for customers to purchase an EV, install energy-efficient home upgrades, install solar PV, etc.

GHG Impacts. For the CCA, GHG savings is achieved when the average GHG emissions from the set of generation resources used by the CCA is less than the average GHG emissions from SCE. Unless the CCA procured GHG-free power above and beyond California's renewable requirement, SCE's average GHG emission will be less than the CCAs. This result is caused by SCE not only meeting the state-requirement minimum renewable content, but also using other non-renewable but still GHG-free power sources: large hydroelectric dams and nuclear power from the Palo Verde Nuclear Generating Station, of which SCE is a partial owner. The GHG-emitting portfolios for Power Supply Scenario 1 and SCE are shown in Table 8.

Table 8. 2023 CCA (Supply Scenario 1) and 2019 SCE Power Content

	Lake Forest	SCE[16]
Renewable	39%	35%
Hydro		8%
Nuclear		8%
GHG-Free	**39%**	**51%**
Gas		16%
System	61%	33%
TOTAL	100%	100%

Sensitivity to Key Inputs

The results shown in the scenarios above reflect expected market conditions and outcomes with variations only in the amount and type of renewable generation. However, it is unlikely that the conditions assumed in these scenarios will occur exactly as assumed. In order to evaluate the robustness of the analysis, the key variables were identified, and analyses conducted with other assumptions for those key variables to "stress test" the assumptions. The five sensitivity scenarios are shown in Table 9.

Table 9. Sensitivity Case Definitions

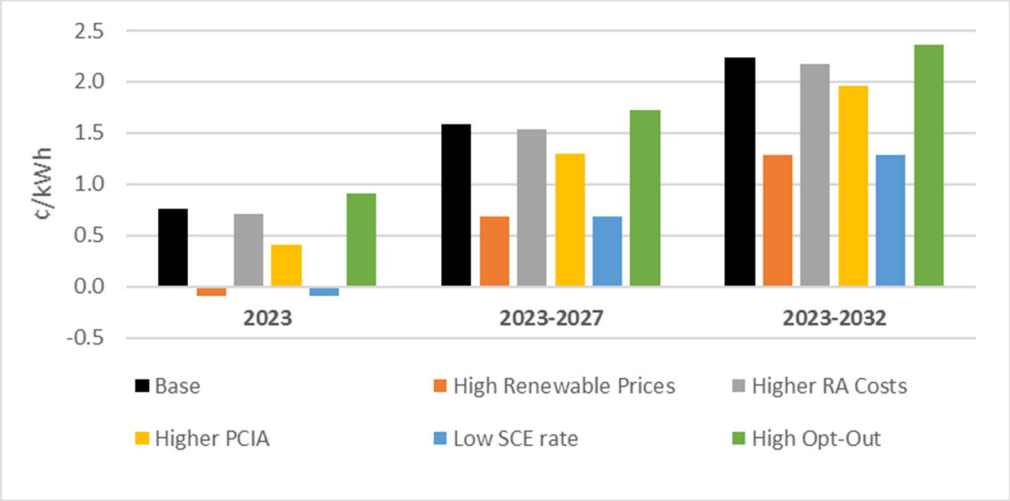
Sensitivity Case	Definition
Base	Supply Scenario 1
Higher Renewable Costs	Renewable costs 25% higher than Base
Higher PCIA	PCIA 33% higher than calculated in Base
Lower SCE Rate	SCE rates 10% lower than in Base
Higher Opt-Out	30% opt-out versus 5-10% opt-out in Base
Higher RA Costs	RA costs 33% Higher

Figure 13 summarizes the CCA margins resulting from the modeling of the sensitivity cases. The figure shows the margin in cents per kilowatt-hour between the SCE rate and the average

[16]SCE Power Mix from SCE's 2019 Power Content Label Template_v2

cost for the CCA to serve its load, including the PCIA, but without any rate discounts or contributions to reserves. When the bar is positive, then the CCA's cost of service is less than SCE's generation rates, which means the CCA can offer a rate discount, contribute to reserves, or fund programs. The figure suggests that during the first year a Lake Forecast CCA's cost of service might exceed the SCE generation rate (i.e., not be able to offer any discount) if the Higher Power Price or Low SCE Generation Rate assumptions came to pass.

Figure 13. Sensitivity Results



Comparison of Stand-Alone Lake Forest CCA to OCPA

Because a stand-alone Lake Forest CCA would be relatively small while OPCA would be one of the largest, the question arises, "is significant scall economies to be captured via remaining with OCPA?" In principle, OCPA would be better positioned than a Lake Forest alone as a wholesale power buyer, as it could negotiate larger deals and be able to diversify its portfolio more easily than Lake Forest. Additionally, OCPA would be able to spread common fixed costs across greater load and thus reduce the average impact on rates of fixed costs.

For the City of Huntington Beach, MRW conducted an analogous financial analysis for the full OCPA.[17] That analysis and the one presented here for Lake Forest differed in the assumed load and customer type, start date, and administrative cost, but used the same underlying power costs and SCE rates. Thus, by comparing the results of the two analyzes, we can see any potential scale economy benefits of OCPA relative to Lake Forest.

[17] This analysis was conducted for the City of Huntington Beach and can be found at: https://huntingtonbeach.legistar.com/View.ashx?M=F&ID=9094702&GUID=3503CBC4-6DB2-445F-81E0-7820DCEF5821

Table 10 shows some key results of the two analyses. The top portion of the table shows the average annual costs for OCPA and a Lake Forest CCA while the bottom portion shows the same costs expressed as an average cents per kilowatt-hour. The table shows that because of economies of scale, the OCPA would have modestly lower average cost of service than the much smaller Lake Forest CCA. However, the Lake Forest average SCE generation rate against which the CCA costs are compared are lower than that of OPCA. This is because of the customer make-up of the two. Lake Forest's load is predominantly residential and small commercial while OCPA's load has a significant portion of large commercial and industrial load. SCE's large commercial and industrial rates are markedly less than its residential and small commercial rates (see Figure 10. Forecast SCE Average Generation Rates). This means that the load-weighted average SCE rate associated with OCPA load will be lower than the load-weighted average load-weighted average SCE rate associated with Lake Forest load.

When all these factors are accounted for, our analysis suggests that OCPA's margin would be roughly 0.3¢/kWh higher that that of a Lake Forest CCA.

Table 10. MRW Estimates of Key Metrics (2023-2027)

	OCPA	Lake Forest
Annual Load GWhs	4,500	460
Average Annual Costs ($millions)		
Start-up (including working capital)	$64	$6
Debt Service on startup loan	$14.2	$1.7
Admin Cost	$10.0	$2.5
Power Cost	$220	$23
Annual Cost of Service*	$242	$27
Average Cost, ¢/kWh		
Debt Service on startup loan	0.3	0.4
Admin Cost	0.2	0.5
Power Cost	4.9	5.0
Annual Cost of Service*	5.4	5.9
Avg. SCE Generation Rate, c/kWh	8.9	9.1
Avg. SCE PCIA, c/kWh	1.6	1.6
Avg. margin, CCA – SCE, c/kWh**	**1.9**	**1.6**

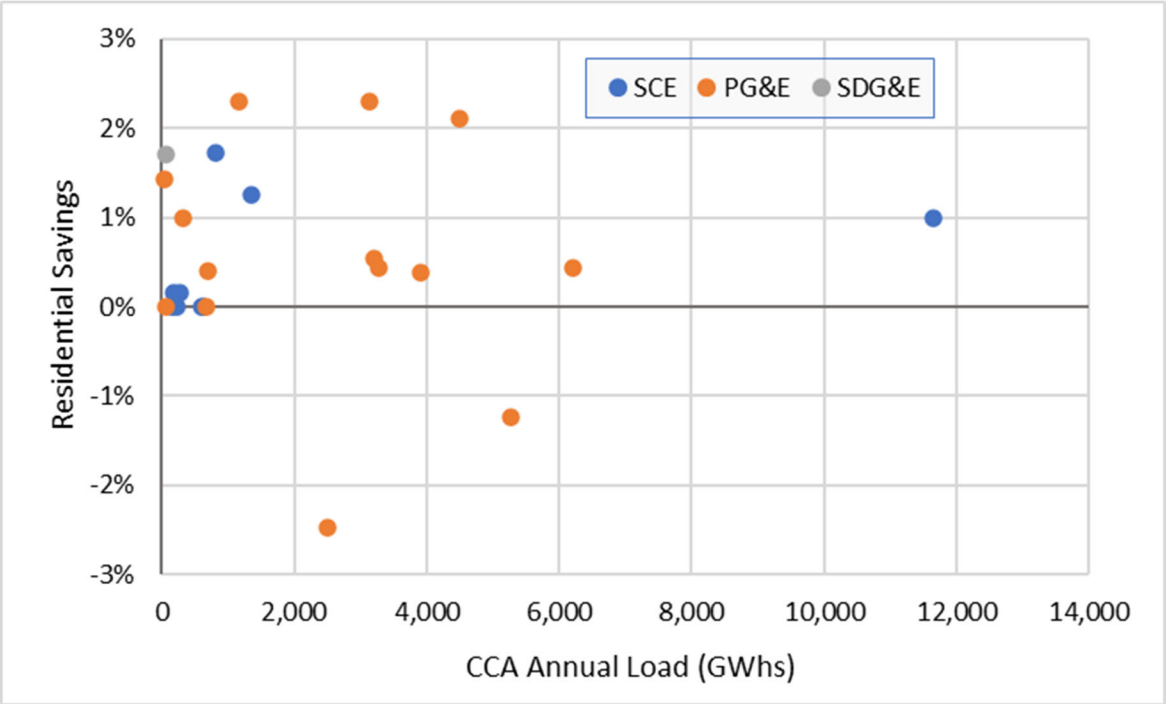
*Does not include contributions to financial reserves or programs.

**Includes PCIA and reflects different weighted average SCE generation rates

A second, empirical way of looking at scale economies of California CCAs is to compare the rate savings offered by CCAs against their size. If there are marked economies of scale, one would expect to see a correlation between size are rate savings: the bigger the CCA, the lower the costs due to economies of scale and thus the greater the rate savings.

To test this hypothesis, we compared the reported residential rate savings of active CCAs relative to their incumbent utility's the default rates. For the CCAs, we used their lowest cost offering, so as not to skew the results by comparing 100% green CCA products against standard utility ones. This analysis is shown in Figure 14, with the rate savings shown on the vertical axis against the CCA size on the horizontal axis. As the figure shows, there is no correlation between CCA size and rate savings.

Figure 14. Residential Bill Savins Versus CCA size



Because of the simplicity of this analysis, one should not necessarily assume that there are no economies of scale, as the CCAs faces different utility rates, amount of time in operation, and internal goals. For example, the two CCAs with negative savings. i.e., whose rates are higher than their incumbent utilities, both explicitly emphasis environmental and local benefits over rate savings. Still, if there were strong economies of scale one would have expected to see some kind of size-rate correlation, which this data set does not.

CCA Options Available to Lake Forest[18]

Lake Forest's three primary options for community choice aggregation (CCA) are: joining the Orange County Power Authority (OCPA); forming a stand-alone Lake-Forest only enterprise-based CCA; or forming a Lake Forest CCA and joining the CalChoice Energy Authority. The primary benefits of either of the Lake Forest-only CCA options are more local control over procurement practices and budgets and services better tailored to Lake Forest. The primary benefits of joining with OCPA are foregoing the need to provide upfront financing for the CCA's startup process, less potential financial exposure to the City as the JPA will be a financially distinct entity, economies of scale which can translate into lower average operating costs and reduced administrative burdens.

Both the city enterprise model and the JPA create entities that are independent of the City's finances and offer protections to the city's general fund. The JPA model's independence is demonstrated by a number of CCAs[19] getting investment grade credit ratings independent of their member cities and counties. Still, no CCA has experienced serious financial difficulties, so how much a CCA could financially lean on its constituent members has never been tested.

Forming a Single City Agency

In a sole jurisdiction approach, the City maintains full flexibility—and responsibility—for developing policies and procedures. This means that they can be specifically tailored to and responsive to the City's stakeholders and constituents and based upon their own objectives. The City would be responsible for setting policy priorities in general and making specific decisions about power generation, staffing policies, local economic development activities and strategies, formulation of financial and debt policies, and development of customer-focused programs, such as those promoting energy efficiency, electric vehicles (EV), and distributed generation (e.g., rooftop solar PV). Along with greater autonomy, the City would assume all risk, liability, and costs associated with operating the CCA. In this case, the likely path would be for the City to establish the CCA as an enterprise, and work with appropriate legal counsel to explore options for controls and structural safeguards to financially insulate the CCA and minimize risk to the City's general fund.

Enterprises are commonly used for public utilities such as electric, water and wastewater, or other city functions where a public service is operated and provided in a manner similar to a separate business enterprise. Fees and charges are collected for services provided and accounting and budgeting are separate from a city's general fund. Establishing an enterprise provides management and CCA customers with visibility and accountability, and the ability to more easily separate and measure performance, analyze the impact of management decisions,

[18] This chapter is generally duplicative of the analogous chapter in MRW's report," "Review of Orange County Power Authority Foundational Documents and CCA Options for the City for Lake Forest." However, additional materials are added at the end.

[19] E.g., Marin Clean Energy (Fitch "BBB+"), Central Coast Community Energy (S&P "A"), Peninsula Clean Energy (Moody's "Baa2")

determine the cost of providing electric service, and use this information to develop electric rates and services. Enterprise accounting would allow the City to demonstrate to customers, the public, and other stakeholders that the cost of power is being recovered through its rates, and not being subsidized or comingled with other City funds or functions.

Within the city-only option, the Lake Forest CCA would have to determine if it is to be a fully in-house operation with existing or added City staff, or if the City would outsource some of or all of the activities, with the City only administering contracts and managing vendors. Examples of some of the categories of operating activities that would need to be performed in-house or outsourced:

- Power procurement and operations
- Finance, budgeting, and accounting
- Coordinating with SCE on billing
- Customer service
- Communications, outreach, and public relations
- Customer service programs (EE, EV, or rooftop solar PV)
- Regulatory monitoring and compliance (e.g., CPUC filings)

The likely best short-term option would be to outsource the highly technical functions and maintain some of the management, planning, and other public-facing functions, like communications, in-house. The range of options depends upon the degree of operating control the City wishes to maintain, the costs associated with maintaining those functions, and the degree of risk it is willing to accept on its own, or delegate to third-party providers to assume these responsibilities.

If the Lake Forest CCA were to pursue additional services, it would require at least one or two managers, supported by analyst professionals, some of whom could be shared with other Lake Forest departments.

Joining a Joint Powers Agency (generically)

The second option would be the formation of a JPA, where the JPA is an independent agency that operates on behalf of the public agencies which are party to its creation. In this approach, the City effectively shares responsibility with the other agencies participating in the JPA. The divisions of these responsibilities and the sharing of decision-making authority would be determined at the time the JPA is created. Other critical 'ground rules' are negotiated and memorialized, such as financial and possibly staffing commitments of each participating agency, and the composition of the board and voting procedures.

The JPA structure reduces the risks of implementing a CCA program for the City by completely separating its books from the financial assets and liabilities of the City and the other participating agencies, and distributing the risks and costs associated with the CCA among the participating entities. It could also provide the benefits of scale and economy for certain aspects of CCA operation, such as power procurement or back office billing and accounting functions.

Key tradeoffs to the benefits of a JPA are that decision making is allocated amongst the parties and management independence is diminished. Objectives of participating agencies will likely differ, and reduced autonomy can manifest when setting priorities for local generation, economic development activities, and importance of support programs.

Joining CalChoice Energy Authority

CalChoice Energy Authority (CCEA) is described as a "hybrid" JPA, where the JPA provides requested services to its member CCAs but does not control any of its general policies or programs.[20] More specifically, CCEA provides to its members, as desired:

- Power, including contract procurement, portfolio management, load forecasting and scheduling, and complying with and demonstrating procurement-related regulatory requirements (e.g., resource adequacy, renewables, etc.).
- Regulatory and compliance support, including preparing and filing compliance reports to the California Public Utilities Commission, the California Energy Commission, and the California Independent System Operator; and general regulatory advocacy.
- Billing and data management, including interface with SCE and call center operations.
- Treasury, including CAISO invoice validation, rate design development, and risk management.

Thus, CCEA is effectively a non-profit outsource for all of the detailed activities of a CCA. This is a good match for smaller cities who are interested in local control of the CCA but not interested in bringing in-house the day-to-day management needed to operate a CCA.

CCEA members that are providing power are: Lancaster Choice Energy, San Jacinto Power, Pico Rivera Innovative Municipal energy, Rancho Mirage Energy Authority, and Apple Valley Choice Energy, Baldwin Park Resident Owned Utility District and Pomona Choice Energy. The cities of Commerce, Palmdale and Santa Barbara are members but have yet to begin service.

All of the city-only CCAs in SCE's territory are CCEA members. This makes sense, in that they are all small. Only one, Lancaster Choice Energy, serves more load than would be served by a Lake Forest CCA.

Were it to join CCEA, Lake Forest would be responsible for setting policies, setting rates, marketing and customer outreach, and the implementation of any desired local programs. It would also still have to provide any start-up loans and any collateral or loan guarantees needed to acquire financing.

The CCEA Board of Directors is the Lancaster City Council. The actual services provided by CCEA are via contractors and consultants supervised by City of Lancaster personnel (e.g., Lancaster City Manager, Lancaster Choice Energy's Executive Director.) Thus, CCEA's administrative simplicity (the city not having to acquire expertise or expert contractors) is a traded off against the fact that Lake Forest would have to accept the contractors and service

[20] *See*, https://californiachoiceenergyauthority.com/

providers selected by CCEA. The bottom line is that CCEA is by design more of a client-Lake Forest would remain fully in control of the power that the JPA purchased on its behalf as well as which services the JPA provides to the City.

Comparison of Lake Forest Options

The table below qualitatively compares Lake Forest's three CCA options against remaining with SCE. First, MRW cannot project any meaningful difference in rate or GHG savings between the three CCA options. The stand-alone and CCEA options offer greater flexibility and control, but at the price of higher start-up costs, greater staff effort, and higher financial risk. Lastly, remaining with OPCA is the quickest option, allowing CCA formation at least one year sooner than the other two options.

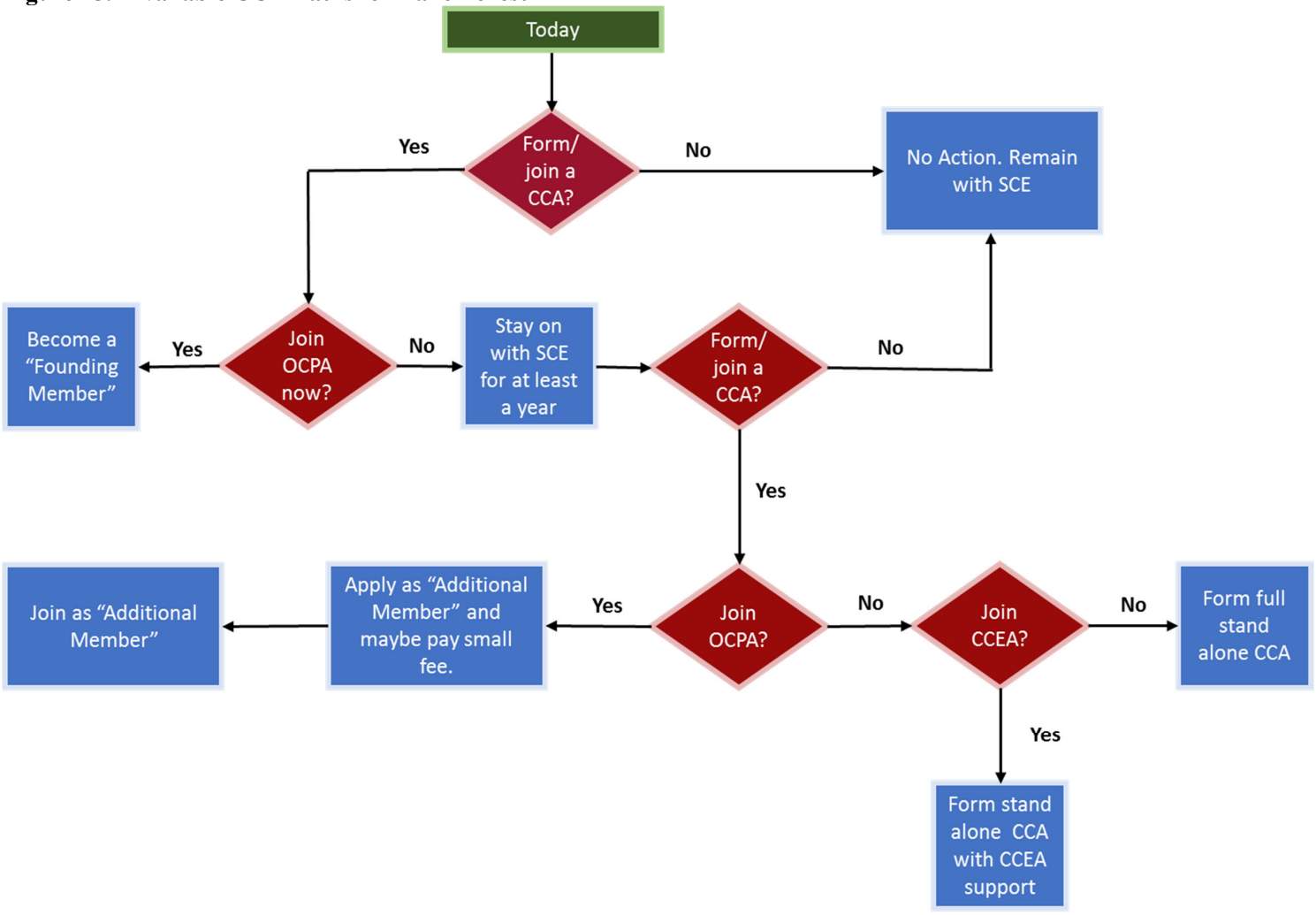
Table 11. Comparison of Lake Forest CCA Options

Criterion	Join OCPA	Use CCEA JPA	Stand-alone Enterprise	Stay with SCE
Rates	Comparable/ modestly lower	Comparable/ modestly lower*	Comparable/ modestly lower*	Base
GHG Reduction Potential Over Forecast Period	Some	Some	Some	Base
Local Control/Governance	Some	Greater	Greatest	None
Local Economic Benefits	Some	Greater	Greatest	Minimal
Start Up Costs/Cost to Join	None	Some	Greatest	None
Level of Effort	Minimal	Some	Greatest	None
Timing (earliest)	2022	2023	2023	N/A

*To be verified by MRW's Lake Forest only CCA financial analysis.

Figure 15 shows a flowchart of the possible CCA options for Lake Forest. If the City wants CCA service quickly—as soon as 2022, then joining OCPA is its only option. However, if the City is willing to wait a year or two, the stand-alone options open up, as well as potentially joining OCPA as an Additional Member.

Figure 15. Available CCA Paths for Lake Forest



Appendix: CCA Regulatory Procurement Requirements

California places a number of important power-procurement requirements on all "load serving entities" (LSEs) in California (e.g., utilities like SCE and CCAs). These requirements apply to all LSEs and thus can limit the options that a CCA can pursue to lower costs or implement lower-GHG emitting power portfolios.

Renewable Energy. One of these requirements is the renewable portfolio standard (RPS). This requirement has been in place since 2002 with passage of Senate Bill (SB) 1078, which set a requirement that 20% of retail electricity sales be served by renewable resources by 2017. Since then, the RPS requirement has been accelerated and expanded by subsequent legislation, most recently by SB 100 passed in 2018. SB 100 requires all LSEs to procure 50% of their power from renewable resources by 2026 and 60% by 2030.[21] SB 100 also sets a state-wide policy goal of having 100% of the electric power met by renewable or carbon-free resources (e.g., large hydroelectric dams) by 2045.

This means that SCE is subject to the same renewable resource mandates under SB 100 as Lake Forest will be. Unless Lake Forest makes an explicit decision to exceed the state requirements, it would be offering no incremental renewable "benefits" to the City. This is why many existing CCAs' goals are often to accelerate the implementation of green power above and beyond the state's mandates and goals.

Energy Storage. Assembly Bill (AB) 251 requires LSEs to procure energy storage capacity. The storage mandate was implemented by the California Public Utility Commission (CPUC) through a requirement that CCAs procure energy storage equal to one percent of their forecasted 2020 peak load. CCAs must demonstrate progress towards meeting this target in biennial advice letter filings and must have the energy storage capacity in place by 2024. Some energy storage technologies, especially lithium-ion batteries, have fallen steeply in cost in recent years, though they are still relatively expensive compared to supply resources and demand response. Battery costs are expected to continue to fall, suggesting there is a benefit to deferring procurement until required by the mandate.

Resource Adequacy. Since 2006, all LSEs, including CCAs, that are participants in the CAISO balancing area and under the jurisdiction of the CPUC are responsible for complying with Resource Adequacy (RA) obligations required under Assembly Bill 380 (codified as Section 380 of the Public Utilities Code and implemented by CPUC rulemaking). There are three components to the RA compliance program:

1) **System** capacity requirements to meet expected peak loads in the entire CAISO balancing area.

[21] In practice, the utility code establishes multi-year compliance periods ending in 2020, 2024, 2027 and 2030, with the average renewable energy supply as a percentage of retail sales for each compliance period required to be 33%, 44% 52% and 60%, respectively.

2) **Local** capacity requirements to meet contingency needs in locally constrained areas; and

3) **Flexible** capacity requirements to meet the largest continuous three-hour ramp in each month.

Specifically, to meet the System RA requirement, load serving entities must contract for 115% of their projected monthly peak demand as determined by the CPUC in consultation with the California Energy Commission (CEC) load forecasts. The peak demand forecasts are based on a 1-in-2 (average) weather year. Year-ahead filings must show that the LSE has contracted for 90% of the projected System RA requirement in summer months (May-September). The forecasts must be updated on a month-ahead basis and show that 100% of the requirement has been contracted.

The Local RA requirement must be met by LSEs with customers in 10 local reliability areas identified by the CAISO. The Local RA requirement is based on the CAISO's assessment of the generation needed in the local area. Beginning with the 2020 compliance year,[22] the Local RA requirements are set three years ahead and updated each year.[23]

On June 11, 2020, the CPUC adopted a framework (D. 20-06-002) that designated a central buyer for the procurement of multi-year Local RA in the SCE and SCE distribution areas, beginning in 2021. Currently, both SCE and SCE serve as central procurement entities for their distribution service areas and have begun procuring Local RA for the 2023 compliance year. Therefore, SCE would act as the Local RA procurer for any future CCA that served Lake Forest.

The CAISO also determines the required Flexible RA needs operating criteria. Currently there are three flexible capacity categories with varying must-offer obligations, energy limits and number of starts, with associated requirements for how much of each category may be used to meet the LSE's obligation. LSEs must demonstrate the purchase of 90% of their flexible RA requirement in their annual RA filing, and 100% of the requirement in their monthly RA filings.[24]

There is a bilateral market for RA capacity, with standardized products for each type of RA capacity.

Integrated Resource Planning (IRP). In addition to its role as the authority for implementing the state's RA program, the CPUC also has an active rulemaking to "Develop an Electricity Integrated Resource Planning Framework and to Coordinate and Refine Long-Term Procurement Planning Requirements" (R. 16-02-007). This program requires each California LSE to file a procurement plan that demonstrates that it is contributing its pro rata share to

[22] The "compliance year" is the year in which the RA resources are used to meet the LSE's RA requirements for that year. For example, an LSE must demonstrate in 2019 that it has adequate RA capacity under contract for the 2020 RA compliance year.
[23] Note that Local RA capacity is a substitute for System RA capacity. However, the converse is not always true, meaning that System RA capacity might not help an LSE meet its Local RA requirements.
[24] Flexible RA can substitute for System RA and possibly for Local RA but the converse is not always true: System and Local RA resources might not help an LSE meet its Flexible RA obligations.

meeting the State's GHG reduction goals while maintaining sufficient generating and storage capacity to maintain a reliable power grid.

On November 11, 2019, the CPUC issue a decision (D.19-11-016) that addressed the potential for system resource adequacy shortages in SCE's area due to the impending retirement of 3,750 MW of once-through cooled (OTC) generation by December 31, 2020 as well as the risk of additional non-OTC retirements. The decision recommended that the State Water Resources Control Board extend OTC compliance deadlines for the impacted power plants and required additional procurement of 3,300 MW of system-level RA capacity by all LSEs serving load within the CAISO balancing area. Because this analysis assumes that Lake Forest begins service in 2023, it will not need to take any special action to comply with these directives.

ATTACHMENT 3

Q20	The City of Lake Forest is considering offering electricity services directly to residents and businesses in the near future. Under this potential new program, residents will have the option to purchase electricity from the City or continue to purchase electricity from Southern California Edison. As I read several features of the City's electricity program, I'd like to know how they may impact your likelihood of purchasing your electricity from the City. Here is the (first/next) one: _____. Would this make you more or less likely to purchase electricity from the City? *Get answer, then ask:* Would that be much (more/less) likely or somewhat (more/less) likely?						
	Randomize	Much more likely	Somewhat more likely	Somewhat less likely	Much less likely	Not Sure	Prefer not to answer
A	The rates charged would be lower	63%	22%	2%	4%	8%	2%
B	The rates charged would be more stable over time	40%	36%	5%	5%	14%	1%
C	A greater amount of the electricity would be produced through renewable sources like solar, wind and biomass	45%	27%	5%	7%	13%	2%
D	There would be local control over the type of electricity offered	28%	33%	6%	8%	24%	2%

Q21	If the cost of electricity were the **same**, who would you prefer to be your electricity provider: _____ OR _____? *Randomize Order.*		
	1	The City of Lake Forest	38%
	2	Southern California Edison	29%
	98	Not sure	31%
	99	Prefer not to answer	2%

ATTACHMENT 4

CITY OF LAKE FOREST

Mayor
Scott Voigts

Mayor Pro Tem
Robert Pequeño

Council Members
Doug Cirbo
Neeki Moatazedi
Mark Tettemer

City Manager
Debra DeBruhl Rose

February 3, 2021

Mr. Mike Carroll, Chair of the Board
Orange County Power Authority
15642 Sand Canyon Avenue
P.O. Box 54283
Irvine, CA 92619

Dear Chair Carroll,

Over the past several months the Lake Forest City Council has carefully reviewed issues related to the Orange County Power Authority ("OCPA"). This process has included numerous public meetings, the formation of an ad hoc committee, and hours of conversations with OCPA staff and representatives. We recognize and appreciate the time and attention given by OCPA representatives as we have worked through issues related to joining the OCPA.

As part of the City's due diligence, the City Council and its appointed ad hoc committee have carefully reviewed the OCPA joint powers agreement to ensure that the interests of Lake Forest and the OCPA are aligned. The City's review of the joint powers agreement has focused in on six key issues, which are detailed below. The City requests that the OCPA Board consider amending the joint powers agreement as explained further below.

Requested Joint Powers Agreement Amendments and Explanations

1. Term of Office

   - *Requested Amendment*: Amend Section 3.3 of the agreement to provide for a two-year term of office instead of a four-year term.

   - *Explanation*: The current four-year term will result in appointees serving terms that exceed those of appointing council members. In the case of an appointed council member, the result could be that a council member serves on the OCPA Board long after his or her council term has ended. The City Council would like greater control over its OCPA appointees. Appointees are restricted to those that match the OCPA election cycle.

DRUG USE IS LIFE ABUSE

2. Director Compensation

- *Requested Amendment*: Amend Section 3.8 of the agreement to decouple Board Director compensation from the Orange County Sanitation District.

- *Explanation*: Tying Director compensation to a third-party agency puts the Board at a governance disadvantage, subjecting it to the whims of that agency. The City would prefer giving control over compensation issues to the Board itself, putting the onus for compensation decisions on the Board and not a third party.

3. Voting Shares Vote

- *Requested Amendment*: Eliminate the possibility of a voting shares vote by removing Sections 3.9.2 and 3.9.3.

- *Explanation*: The voting shares vote puts Lake Forest at a significant disadvantage relative to bigger cities. OCPA representatives have repeatedly stated that they are not aware of a voting shares vote ever occurring with other CCA JPAs. If that is the case, and this process would not be utilized, the City would appreciate its removal from the agreement.

4. Allocation of Revenue and Debts, Liabilities, and Obligations

- *Requested Amendment*: Amend the agreement to provide that revenues and debts, liabilities, and obligations be allocated to member cities based on each member city's load.

- *Explanation*: A key motivation for the City of Lake Forest to join the OCPA is potential energy cost savings to residents and businesses. Cost savings will arise in substantial part from OCPA revenues and how those revenues are utilized. The City would like to retain as much local control as possible as a member of the OCPA. Having the ability to determine how best to utilize OCPA revenues furthers the goal of local control. Similarly, the member cities' debts, liabilities, and obligations will differ according to size and should be likewise allocated according to size.

5. Board Meeting Schedule

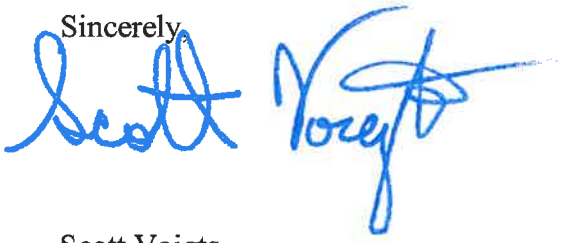
- *Requested Amendment*: Amend Section 3.11 to provide that Board meetings shall be held in the evening.

- *Explanation*: More than possibly any other Orange County public agency, the OCPA directly impacts residents and businesses finances and will be closely scrutinized. Holding Board meetings in the evening results in a larger pool of potential board members due to their availability. This will also provide the most residents and businesses access to the Board that is making decisions that directly impact their finances, resulting in greater transparency.

We recognize that amending the JPA agreement requires following a somewhat time-consuming process. With that in mind, we respectfully request that the Board discuss the requests outlined in this letter at its February 9, 2021 Board Meeting and vote to provide OCPA staff with direction to immediately begin the JPA amendment process.

The City has spent considerable time working through the JPA agreement and focusing in on those issues that are of most importance to it. Again, we recognize the time spent by OCPA on the City's concerns to date. We are hopeful that we will continue to be able to work together towards a resolution of these issues.

Sincerely,



Scott Voigts
Mayor
City of Lake Forest

ATTACHMENT 5

MINUTE EXCERPT
LAKE FOREST CITY COUNCIL REGULAR MEETING
JANUARY 19, 2021, ITEM 10, COMMUNITY CHOICE AGGREGATION

COMMUNITY CHOICE AGGREGATION

The following voicemail comments were received for the record:

Martin Deutschman – supports the City in joining a CCA
Walter Nobrego – does not support the City in joining the CCA.

ACTION: Senior Analyst Adrian Grijalva gave a presentation along with consultant Mark Fulmer the principal of MRW & Associates.
After the presentation by Senior Analyst Grijalva and consultant Fulmer, Mayor Voigts opened the floor to his Council colleagues for questions about the presentation. Discussion ensued. Many questions were asked and answered. Mayor Voigts thanked staff for the presentation. The information was received and filed. No vote was taken.

Council Member Tettemer requested consensus from his Council colleagues to discuss the possibility of bringing a ballot initiative to the voters to procure energy through OCPA. Minority consensus was received by Mayor Pro Tem Pequeño. The matter will be placed on the February 2, 2021, City Council agenda for discussion.

Placentia City Council
AGENDA REPORT

TO: CITY COUNCIL

VIA: CITY ADMINISTRATOR

FROM: DEPUTY CITY ADMINISTRATOR / PUBLIC SERVICES & INFRASTRUCTURE

DATE: APRIL 6, 2021

SUBJECT: **STUDY SESSION: COMMUNITY CHOICE ENERGY**

FISCAL IMPACT: There is no fiscal impact associated with the recommended action.

SUMMARY:

Per City Council direction, a Study Session discussion on this subject has been placed on the Council agenda for its consideration and to provide further direction to Staff. This report provides an overview of Community Choice Energy ("CCE"), otherwise known as Community Choice Aggregation ("CCA").

RECOMMENDATION:

It is recommended that the City Council take the following actions:

1. Receive and file the Staff report and presentation; and

2. Direct Staff to monitor the status of the Orange County Power Authority (OCPA) and other potential Community Choice Aggregators during the next two (2) years; provide the City Council with an update after two (2) years on the status of the new OCPA and the new Community Choice Energy project; and evaluate actual ratepayer data to determine the extent of the cost savings ratepayers are enjoying by participating in this program; and

3. Encourage residents and businesses who may be interested in clean energy solutions to consider SCE's alternative existing program.

DISCUSSION:

California Assembly Bill 117, passed in 2002, established Community Choice Aggregation ("CCA") in California, also referred to as Community Choice Energy or CCE. This provided an opportunity for local governments or special jurisdictions to procure and provide electric power for their residents and businesses. Under existing rules administered by the California Public Utilities Commission ("CPUC"), Southern California Edison ("SCE") must continue to provide electricity delivery services at the same price and at the same level of reliability to customers supplied by a CCE as it does for its own full-service customers.

There are currently 23 CCEs providing power in California, with at least another half-dozen planning on doing so in the next two (2) years. CCEs are expected to serve over 63-gigawatt hours of electricity in the State by the end of 2021, with some projecting that by the mid-2020s between 50 to 80 percent of the electricity load across the State will be served by non-utility entities (CCEs and Direct Access providers).

What is Community Choice Aggregation?
CCA is a model that allows communities to purchase power to meet their electricity needs, offering a new choice in the market. CCAs can provide the communities they serve with competitively priced clean energy choices, while reinvesting revenues into projects and programs, thus supporting the local economy. A CCA can also offer rate discounts and/or rate stability programs to residents and local businesses. CCAs enable communities to have local control when it comes to the procurement and pricing of energy, but as with any endeavor CCAs come with risk.

How CCAs Work?
CCAs are established by local communities, either through the creation of a Joint Powers Authority ("JPA") or Enterprise Fund within the organization. While CCAs are locally operated, they work in partnership with the region's existing investor-owned utility (IOU). In the City of Placentia's case, this would be SCE. The CCA would purchase electricity from the open market for its customers, and SCE would continue to deliver the electricity through its distribution system and provide meter reading, billing, and maintenance services for CCA customers. Transition from SCE to a CCA is seamless, most customers will not notice changes other than a CCA line item on their utility bill that replaces SCE electricity charges.

Local governments have the option to join existing CCE programs, partner with other government entities to form a CCE through a Joint Powers Authority or initiate an individual/single jurisdiction CCE program. This process involves performing a feasibility study and technical analysis which will explore the potential benefits and risks associated with participating in CCE, including determining whether this program could generate revenue for the City that can be invested in other energy-related initiatives.

How CCAs are Managed?
CCAs are governed by a board or council of local elected officials who oversee decisions regarding power purchasing, programs, and rate setting and are directly accountable to the people who elected them. Because CCAs are locally managed, not-for-profit entities, any excess revenue is to be reinvested into the community through on-bill savings and innovative energy programs. A CCA takes many operational forms including that of JPA, Single Jurisdiction, Hybrid JPA, or Commercial Vendor Package.

A JPA is an independent, public agency that operates a CCA on behalf of its member municipalities. JPAs are a common legal structure in California for the administration of cooperative multi-jurisdictional programs. Marine Clean Energy, Peninsula Clean Energy, Silicon Valley Clean Energy, and Sonoma Clean Power are examples of CCAs that operate with

the JPA model. A second operational model is that of a single jurisdiction where a city or county individually establishes and operates a CCA as an enterprise fund within the municipality. This model has the same benefits of the JPA model but differs in that the city (or County) retains full program autonomy and all revenue. San Francisco and San Jose are examples of cities that have implemented CCA under the single jurisdiction model. Another governance model of CCAs is Hybrid JPA. Under a Hybrid JPA, communities can contract for the services they need to operate a CCA by joining an existing joint-powers authority as an associate member. CalChoice is an example of a JPA, formed by the cities of Lancaster and San Jacinto, that offers a range of CCA services to cities that join as associate members. According to CalChoice, the hybrid JPA assists with CCA implementation, operation, and administration, while allowing jurisdictions to maintain local control over CCA programs. There is also the Commercial Vendor Package CCA model which is where a private company manages the CCA on behalf of the local government(s). King City Community Power is the only operational CCA program in California under this model. The majority of existing CCAs operate under the JPA model.

CCEs in California

CCEs have become more prevalent recently due to increased desire to meet renewable energy goals and/or support economic development. Most commonly in Northern California, the formation of a CCE is centered on policy decisions focused on ensuring that energy used by the community is purchased from renewable sources such as solar, wind, geothermal heat, and hydroelectricity. This is also a response to State-initiated climate change efforts to ensure that renewable portfolios comprise 33% of all electricity usage by 2020 and 50% by 2030. There are 23 CCE programs serving more than 10 million customers in California, and dozens of communities are either engaged in or currently considering CCE.

What is Happening in Orange County?

On September 25, 2018, the Irvine City Council approved conducting a feasibility study to determine the pros and cons of implementing a CCE program, including the potential economic benefits for the community. Their completed feasibility study indicated that should the City of Irvine follow its recommendation to implement a CCA plan that there would be an expected savings of $7.7 million per year in citywide electricity cost savings for Irvine residents and businesses and $112,000 per year savings for the City itself in municipal energy costs, as well as driving additional local economic development benefits such as new jobs and $10 million in annual economic output.

On December 10, 2019, the Irvine City Council voted unanimously to consider formation of a CCA program in partnership with other Orange County cities. At that time, Irvine sent letters to cities in Orange County seeking interested partners to learn more about a potential partnership with the City of Irvine as they move towards the formation of a CCA. On July 14, 2020, the Irvine City Council directed staff to move forward and work with other cities to form a Community Choice Energy Joint Power Authority, prepare necessary JPA documentation, and file the Implementation Plan with the CPUC by its deadline of December 31, 2020. On November 20, 2020, the cities of Irvine and Fullerton executed a Joint Powers Agreement to form the Orange County Power Authority (OCPA). In December 2020, the Cities of Buena Park and Huntington Beach, also executed the Joint Powers Agreement to become members of OCPA. On February 16, 2021, the City of Lake Forest decided to leave OCPA. As of April 1, 2021, the membership

of OCPA consists of four (4) cities: Buena Park, Fullerton, Irvine, and Huntington Beach. Several other cities have expressed interest in joining and are following OCPA's progress in 2021. The City of Irvine committed to funding the launch of the CCE effort through 2022.

Conclusion

CCE programs enable local governments to control their energy procurement portfolio through the purchase of electricity, rate setting, and collection of revenue. While there are many benefits of a CCE, joining one does not come without risk. In general, a CCE program is feasible if it maintains customer rates competitive with SCE, and that primarily depends on how power supply costs compare to SCE's power supply costs and customer rates. Other factors impacting the financial viability of the CCE include costs that SCE directly passes through to all customers, one-time initial exit fees, market supply of renewable power, availability, cost of financing CCE operations, and legislative and regulatory actions. Partnering with other Cities generally reduces overall start-up costs and program risks of implementing a CCE program.

FISCAL IMPACT:

There is no immediate fiscal impact associated with the recommended actions.

Prepared by:

Elsa Robinson
Management Analyst

Reviewed and approved:

Luis Estevez
Deputy City Administrator

Reviewed and approved:

Damien R. Arrula
City Administrator

Attachment:
Presentation on Community Choice Energy

City of Placentia

CITY COUNCIL STUDY SESSION: COMMUNITY CHOICE ENERGY

April 6, 2021

ATTACHMENT 1

Agenda

- Background on Community Choice Energy (CCE)
- Orange County Power Authority (OCPA)
  - Local Community Choice Aggregator

ATTACHMENT 1

What is Community Choice Energy?

- Allows cities and counties through a joint powers authority to aggregate and purchase the electric load of their residents and businesses and provide retail electricity (AB 117, Migden, 2002)

- Buy wholesale power through power purchase agreements (PPAs) and/or generate power through new or expanded investments in clean energy production sites (solar and wind farms).

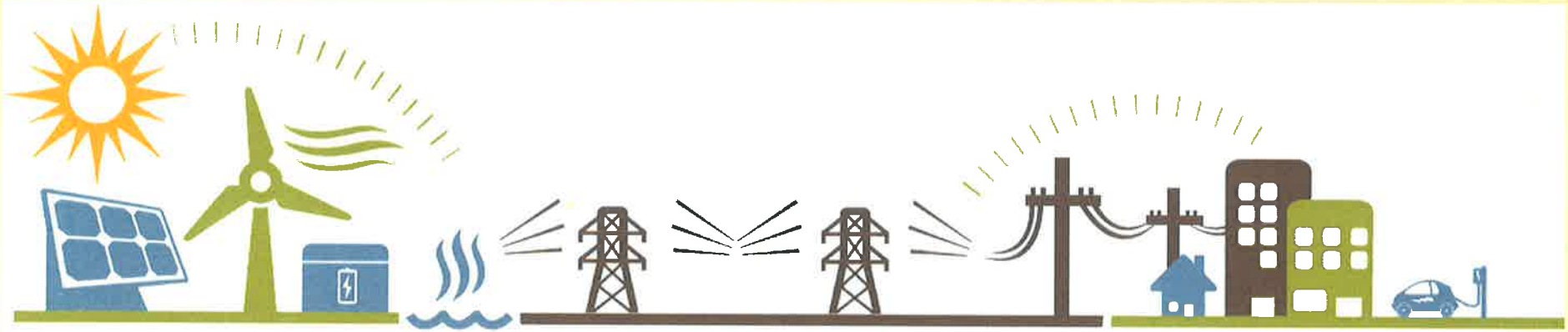
- Also known as Community Choice Aggregation (CCA).

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Why was CCA Created?

- AB 117 was passed after the 2000/2001 California energy crisis
- Alternative to forming a municipal electric utility which is financially infeasible
- Retail electricity is a natural monopoly
  - Large institutional consumers like PG&E, SCE, LADWP, SDG&E can participate in Direct Access market but residential and most business consumers don't have choice in electricity providers unless they invest in their own rooftop solar energy systems
- 23 CCAs operate in California today serving more than 10 million customers

How does a CCA Operate?



ELECTRICTY

CCA procures clean energy sources

DELIVERY

SCE delivers energy and maintains the grid

CUSTOMER

Cleaner energy and local control

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Benefits of CCA

- **Local Control**
  - Local control over source of electricity rates
  - Local control and allocation of Energy savings programs/rebates
- **Customer Choice**
  - Potential retail electric rate reduction
  - Expands consumer choices
- **Economic Development**
  - Can spur renewable energy job creation and renewable energy development
- **Environmental**
  - Promote greater renewable energy use
  - Meet greenhouse gas reduction targets; AB 32 compliance

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How are CCA's Regulated?

- CCA has full control over:
  - Its rates and tariffs
  - How and what power it procures (subject to below)
  - Offering energy related programs and services

- Regulatory Requirements
  - Must meet certain state requirements on renewables, storage, GHG, and reliability

- SCE Must:
  - Allow for the CCA equal access to its transmission system
  - Provide full metering and billing services
  - Maintain non-discriminatory services to CCA customers

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Additional Costs to Participate in CCA

- SCE Delivery Charges
  - SCE charges CCAs for transmitting electricity they purchase and generate across their distribution system for delivery to CCA customers
  - SCE has and will continue to increase their transmission costs which are passed down to their customers as well as CCA customers

- Additional Costs for CCA Customers
  - Power Charge Indifference Adjustment (PCIA) "Exit Fee"
    - A fee charged by SCE to customers that choose another provider of electricity generation service through direct access or a CCA

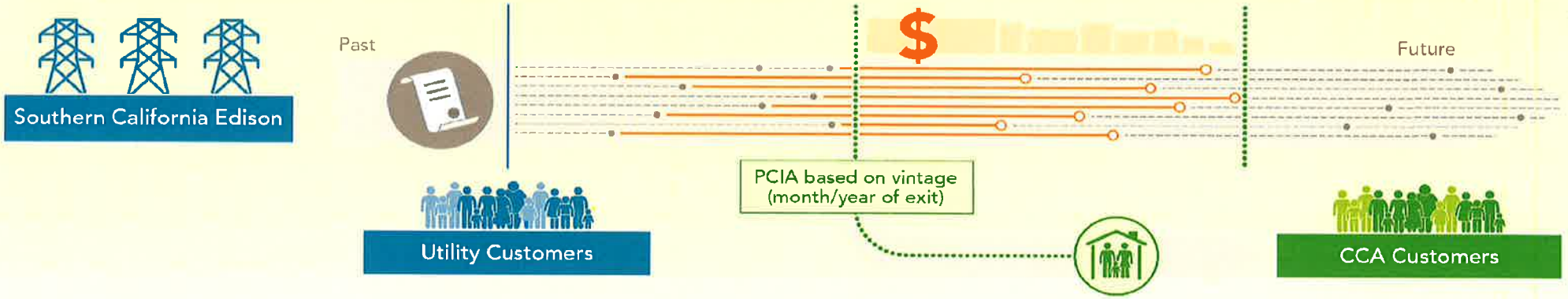
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Power Charge Indifference Adjustment (PCIA) Rate – "Exit Fee"

Utility continually contracts for future electricity based on current customers.

Customers choosing another electricity provider, like a CCA, are subject to the PCIA exit fee.

PCIA calculation is based on relevant contracts in effect since customer's exit date (vintage), and ending when last contract closes.



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Customer Enrollment and Opt-Out

- City must adopt an Ordinance to join or form a CCA
- State law requires automatic enrollment of all residents and businesses
- Customers can opt-out of CCA within 60 days after service commences with no charge; requires customers to initiate opt-out
  - Customers who opt-out will remain as SCE customers with no change in service
  - CCA provides two (2) opt-out notices prior to enrollment and two (3) notices after enrollment
- Customers who opt-out must wait 12 months before returning to CCA
- SCE continues to provide billing for customers

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Utility Rate Comparison: Marin Clean Energy CCE vs. PG&E

Average Monthly Bill	PG&E (Standard Rate)	MCE Light Green (61% Renewable)	Rate Change (%)	PG&E Solar Choice (100% Renewable)	MCE Deep Green (100% Renewable)	Rate Change (%)
Residential ($)[1]	135.08	136.74	1.2%	134.12	141.57	5.5%
Small/Medium Commercial ($)[2]	329.42	332.07	0.8%	327.79	344.56	5.1%
Large Commercial ($)[3]	45,840.92	46,382.73	1.2%	46,205.05	48,576.28	5.1%

1. *Monthly Usage: 483 kWh: Rates are current as of May 1, 2020*
2. *Monthly Usage: 1,250 kWh: Rates are current as of May 1, 2020*
3. *Monthly Usage: 29, 356 kWh, monthly demand: 561 KWh: Rates are current as of May 1, 2020*

ATTACHMENT 1

Utility Rate Comparison: Clean Power Alliance (L.A. County) CCE vs. SCE

Average Monthly Bill	SCE (Standard Rate)	CPA Lean Power Green (36% Renewable)	Rate Change (%)	SCE Green Rate (50% Renewable)	CPA Clean Power (50% Renewable)	Rate Change (%)	SCE Green Rate (100% Renewable)	CPA Clean Power (100% Renewable)	Rate Change (%)
Residential ($)[1]	122.93	121.88	-0.9%	126.28	122.90	-2.68%	129.64	131.60	1.5%
Small/Medium Commercial ($)[2]	197.49	195.65	-0.9%	198.08	197.51	-0.3%	198.67	213.42	7.4%
Large Commercial ($)[3]	45,364.18	44,945.32	-0.9%	47,966.61	45,364.70	-5.4%	50,569.03	48,933.19	-3.2%

1. *Monthly Usage: 533 kWh: Rates are current as of October 1, 2020*
2. *Monthly Usage: 979 kWh: Rates are current as of October 1, 2020*
3. *Monthly Usage: 282,872 kWh: Rates are current as of October 1, 2020*

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SCE's Green Rate and Community Renewables Programs

Green Rate Program

- For an additional cost, customers can choose to purchase clean power for a portion (50%) or all (100%) of their electricity use.
- SCE will purchase solar energy on your behalf from local developers.

Community Renewables Program

- Customers enter into agreement with a solar provider to take part in a community solar project.
- SCE will purchase the solar energy from the developer. In lieu of paying the developer, SCE will direct payments to you in the form of bill credits.

Customer Enrollment in Placentia

- Nine (9) Residential Customers
- Zero (0) Commercial Customers

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Background on Orange County Power Authority

- Orange County Power Authority (OCPA)
  - www.ocpower.org

- **Service Area:** Orange County
- **Established:** December 2020
- **Governance:** Joint Power Authority (JPA) Model
- **Membership Status:** Irvine, Fullerton, Huntington Beach, and Buena Park
- **Cost of Join:** $0, Implementation Costs to be recoup by JPA's revenues
- **Operational: Spring 2022**

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OCPA's Current JPA Structure

Governance: Board of Directors

- One Board of Directors per member City
  - Exception: City of Irvine has two Board of Directors until start-up loans are repaid by the JPA

Member Voting:

- Equal Vote: One vote per board member
- Weighted Vote: Weighted by vote by City's electric load share
  - Only if called by 2 or more members

Withdrawal

- After April 1st, member cities can withdraw via a City Council vote and a 180-day written notice

Termination

- Membership can be terminated through a 2/3 vote of the JPA Board for
- "material non-compliance"

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OCPA: Costs and Financing

- Initial start-up costs are being financed by City of Irvine

OCPA COST	AMOUNT	FINANCING	REPAYMENT
JPA Formation	$250,000	City of Irvine Loan	Starting in 2026 and be repaid over 3 years
Pre-Launch Cost	$2.5 M ($2.76 M w/interest)	City of Irvine Loan • 1.75% Interest	Starting in 2026 and be repaid over 3 years
Cash Working Capital	$15.5 M	Third-Party Financing or Bank Loan • City of Irvine to provide collateral if required	Initiate payment once CCE is operational (Spring 2022 and be repaid over 5 years from launch
Total Initial Costs	**$18.5 M**	**Initial costs to be recouped through CCE's revenues**	

ATTACHMENT 1

OCPA 10-Year Pro Forma

- OCPA is expected to have approximately 38.5% renewables at launch (same as SCE's current energy mix) and is projected to increase to 60% by 2030 to meet the State mandates.
- Forecasts a maximum 2% savings for customers
- Assumes participation rates of 90% to commercial and industrial customers and 95% for residential customers
- SCE Load Data based on 2019 (not validated yet by SCE)

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Remaining Key Provisions of JPA to Address

- What are the customer opt-out rates?
- What is "Material Non-Compliance" for Involuntary Termination?
- Definition of continuing liability for withdrawal from JPA
- How will generated revenue be distributed to Member Cities?
- Retirement benefits for JPA staff and exposure to long-term unfunded pension debt

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Joining OCPA

- OCPA is developing policy for addition of new members

DATE	POLICY ACTION
March 2021	Presentation to OCPA Board with timeline, associated costs, data needs, and other items for the Board to consider
April 2021	Present Draft Policy for Board member's comments
May 2021	Present Final Policy for Board's approval
June 2021	Notify interested jurisdictions of OCPA's Membership Policy

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Recent News Regarding OCPA Member Cities

- On February 4, 2021, the City of Huntington Beach voted 5-2 to continue their membership in OCPA
- On February 16, 2021, the City of Lake Forest's City Council voted 4-1 to withdraw from OCPA and conduct further due diligence on other available CCE options
- On February 16, 2021, the City of Fullerton voted to 5-0 to continue their membership in OCPA
- On March 9, 2021, the City of Buena Park voted 3-2 to continue their membership in OCPA

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Key Take-Aways of CCE and CCAs

- CCE provides an alternative to private electricity providers like SCE and allow communities greater access to renewable energy resources

- CCAs are a type of government agency that allows local governments to directly purchase energy from producers, set local energy utility rates, create local energy rebate programs, and potentially issue debt on behalf of member agencies

- CCAs can potentially provide a marginal cost savings for rate payers

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Recommended Actions

- Receive and File this Report and Presentation
- Direct staff to monitor the Orange County Power Authority and other potential CCA's for the next two years and provide the City Council with an update on the current status of the new Authority and Community Choice Energy at the conclusion of the two-year period
- Encourage residents and businesses who may be interested in clean energy solutions to consider participating in SCE's alternative existing program

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Questions & Comments

ATTACHMENT 1

Community Choice Aggregation

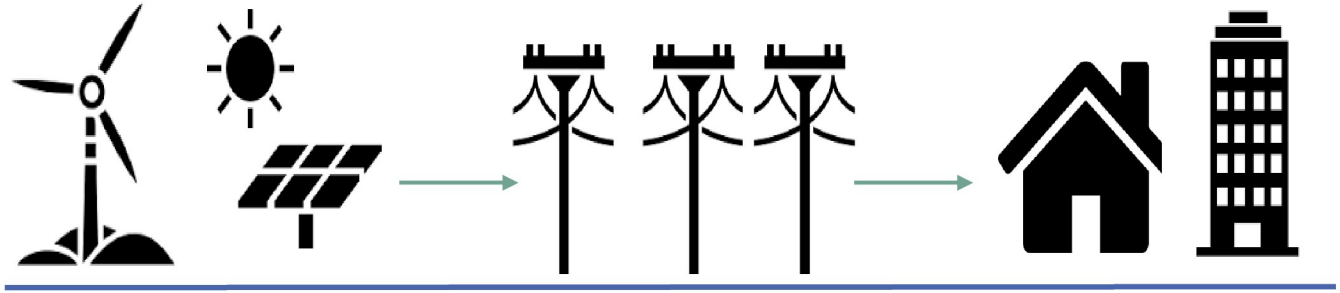
CITY COUNCIL MEETING
FEBRUARY 2, 2021
PRESENTATION #5



COMMUNITY CHOICE AGGREGATION (CCA)

- Customer choice program that permits cities, counties, and Joint Power Authorities to buy and sell electricity on behalf of utility customers within their jurisdiction and transmit electricity over SCE's lines.
- AB 117 – September 2002
- Allows cities/counties/public agencies to buy or generate bulk power.
- Investor Owned Utilities (IOU's) will continue to serve and be reimbursed for all non-power supply services such as transmission, distribution, metering and billing.
- Rules and approvals are set by California Public Utilities Commission.
- All electric customers will be assumed to desire service from the CCA unless they elect to stay with the IOU. Opt-out option for customers available.

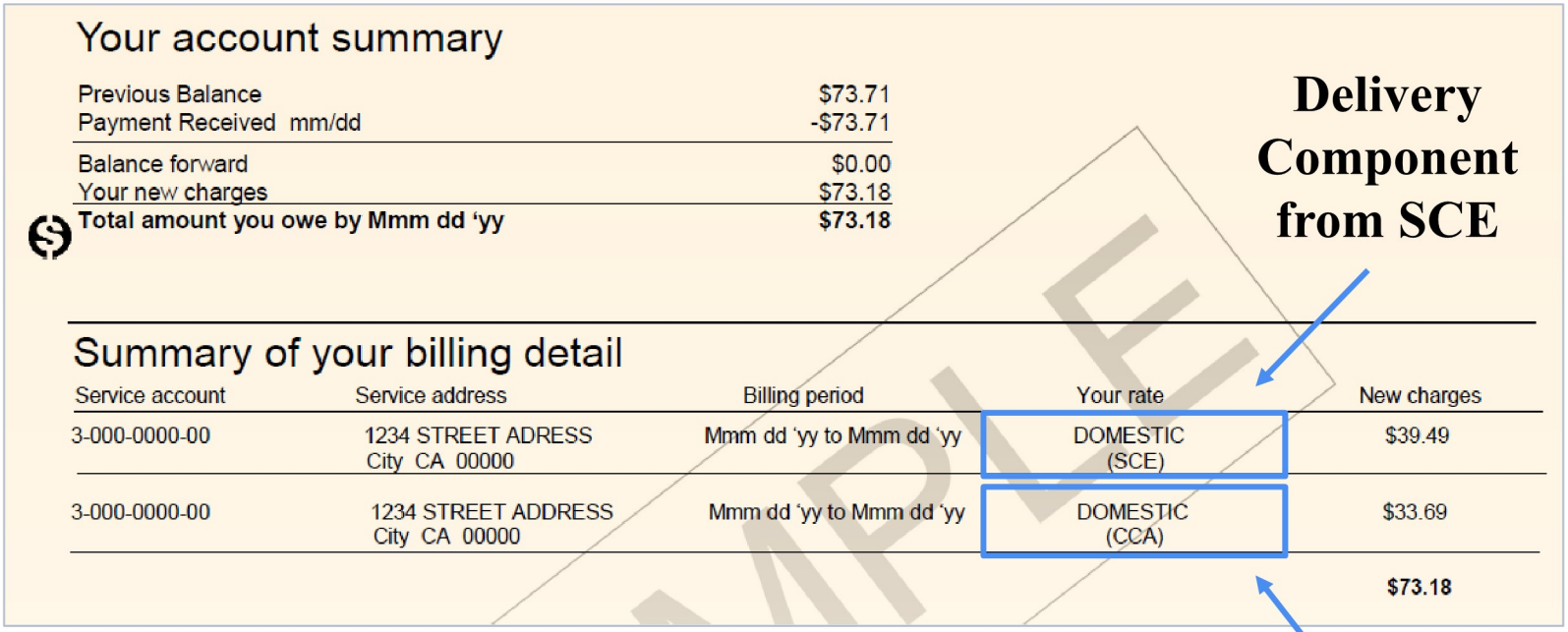
HOW CCA WORKS



Source	Delivery	Customer
CCA	**UTILITY (SCE)**	**END-USERS**
Buys electricity supply.	Delivers electricity, maintains lines and billing.	Enables customer energy choices.

BILLING DETAIL

CCA generation charges appear as new section on bill:



Your account summary

Previous Balance	$73.71
Payment Received mm/dd	-$73.71
Balance forward	$0.00
Your new charges	$73.18
Total amount you owe by Mmm dd 'yy	**$73.18**

Summary of your billing detail

Service account	Service address	Billing period	Your rate	New charges
3-000-0000-00	1234 STREET ADRESS City CA 00000	Mmm dd 'yy to Mmm dd 'yy	DOMESTIC (SCE)	$39.49
3-000-0000-00	1234 STREET ADDRESS City CA 00000	Mmm dd 'yy to Mmm dd 'yy	DOMESTIC (CCA)	$33.69
				$73.18

CITY ACTIONS

- 2007 – Worked with Direct Energy, at no cost to the City, to study forming a Joint Power Authority for eight cities including Santa Ana.
  - Consultant report questioned financial viability; Direct Energy did not pursue next steps.
  - One conclusion: CCA's are more attractive for cities that have high-usage residential customers.

- 2018 – Reexamined viability of CCA
  - Impending increases in Power Cost Indifference Adjustment and Resource Adequacy called for caution.

- Work since 2018 – Continuing to monitor the CCA activity and financial viability as profit margins drop for most CCA's.

POTENTIAL BENEFITS

- Lower rates possible
- Clean energy supply options*
- Reduced greenhouse gas

To a lesser degree:

- Funds for local energy programs
- Job creation
- Economic development



*Current SCE power mix 51% Clean, 35% Green (Renewable)

AREAS OF CONCERN/UNCERTAINTY

- Shrinking profit margins due to:
  - Resource Adequacy (RA) costs
  - Power Cost Indifference Adjustment (PCIA)
- Projected long-term cost of wholesale power for CCA and SCE
- Regulatory/legislative proceedings/trends
- JPA partners business model and policy compatibility

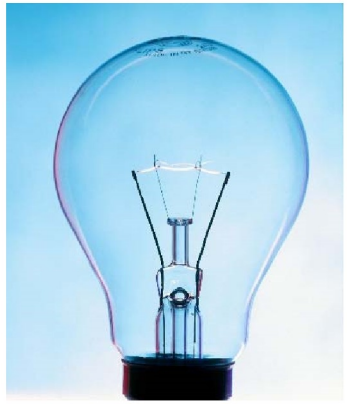
REVENUE USAGE LIMITATIONS

- Revenues must stay within the CCA
- Match or beat SCE's rates
- Repay startup debt
- Increase rate stabilization fund
- Funding for local energy programs

SOUTHERN CALIFORNIA CCA's*

More than 20 CCA's serving over 10 million customers in California. Some examples include:

- Clean Power Alliance
- Desert Community Energy
- Western Community Energy
- San Diego Energy Authority**
- County of Santa Barbara**
- North San Diego Authority**
- Orange County Power Authority (OPCA)**



*In excess of 1,000 GWH annually

** Planned for 2021 or 2022

ORANGE COUNTY POWER AUTHORITY (OCPA)

- Irvine studies
- JPA agreement
- CPUC filing for five cities in OCPA:
  - Irvine, Huntington Beach, Lake Forest, Fullerton, and Buena Park
- Timeline for OCPA

IRVINE STUDIES

- EES Consulting – original study January 2020
- MRW Group – Peer review study June 2020
- Generation rate margin benefit for CCA
  - EES – 4.0%
  - MRW – 2.0%
- Customer rate advantage below SCE
  - EES – 2.0%
  - MRW – 0.5%
- OCPA's ten year pro-forma in OCPA application to CPUC uses EES spread of 4.0% for generation rate and 2.0% for rate benefit below SCE
- Ten year OCPA pro-forma predicts zero money available for local energy programs until 2027.

JPA AGREEMENT FOR OCPA

- As filed with CPUC – Dec. 28, 2020
- Each of five member Cities has one member on the Board, except for Irvine which has two, until 2027 (estimated).
- When size of membership reaches nine, an executive committee is formed (original five members only).

JPA AGREEMENT FOR OCPA cont.

- Withdrawal from JPA requires approval of Board and payment of financial obligations.
- Upon vote of two members of the Board, important votes would be made on weighted average of electrical load rather than numerical majority (one member from Irvine plus one other city member).
- Irvine to up-front preliminary costs and provide credit guarantee for working capital. CCA will repay Irvine through 2027.

ISSUES REQUIRING DUE DILIGENCE

- 10-year pro forma financials
- Power Cost Indifference Adjustment (PCIA)
- Resource Adequacy (RA)
- Future power supply costs for CCA and SCE
- JPA membership policy issues

CITY'S OPTIONS

- Remain with SCE and continue evaluating options as Power Cost Indifference Adjustment exit fees phase out and Resource Adequacy stabilizes.
- Join an existing CCA.
- Develop a single-city CCA.
- Develop a multi-city JPA with cities with similar energy goals.

NEXT STEPS

- Continue to monitor/evaluate active CCA programs.
- Track and study CCA financials and risk variables.
- Identify key goals of Santa Ana energy programs.
- Consult with other cities for JPA opportunities.
- Identify and evaluate energy programs of interest to the community.

Questions

CITY OF STANTON

REPORT TO CITY COUNCIL

TO: **HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL**

DATE: **FEBRUARY 23, 2021**

SUBJECT: **STUDY SESSION TO REVIEW COMMUNITY CHOICE ENERGY**

REPORT IN BRIEF:

At the November 24, 2020 City Council meeting, Councilmember Van asked that Community Choice Energy be reviewed at a future City Council Study Session. Staff has researched the topic and has found a variety of information which is in this staff report. Additionally, experts on the subject will present to the City Council as well.

RECOMMENDED ACTION:

1. City Council declare that the review is not a project per the California Environmental Quality Act ("CEQA"); and

2. Review the staff report and testimony regarding the subject: and

3. Direct staff how to proceed.

BACKGROUND:

What is Community Choice Energy (Aggregation)?

Community Choice Aggregation (CCA) is a model that allows communities to purchase power to meet their electricity needs, offering a new choice in the market. CCAs can provide the communities they serve with competitively priced clean energy choices, while reinvesting revenues into projects and programs, thus supporting the local economy. A CCA can also offer rate discounts and/or rate stability programs to residents and local businesses. CCAs enable communities to have local control when it comes to the procurement and pricing of energy, but as with any endeavor CCAs come with risk.

How it Works

CCAs are established by local communities, either through the creation of a joint powers authority or enterprise fund within the organization. While CCAs are locally operated, they work in partnership with the region's existing investor owned utility (IOU) – in the City of Stanton's case, this would be Southern California Edison (SCE). The CCA would

purchase electricity from the open market for its customers and SCE would continue to deliver the electricity through its distribution system and provide meter reading, billing and maintenance services for CCA customers. Transition from SCE to a CCA is seamless, most customers will not notice changes other than a CCA line item on their utility bill that replaces SCE electricity charges.

How are CCAs Managed?

CCAs are governed by a board or council of local elected officials who oversee decisions regarding power purchasing, programs, and rate setting and are directly accountable to the people who elected them. Because CCAs are locally managed, not-for-profit entities, any excess revenue is to be reinvested into the community through on-bill savings and innovative energy programs. A CCA takes many operational forms – it could be a single jurisdiction (e.g. Long Beach), a Hybrid JPA (the City of San Jacinto joined the City of Lancaster) where communities contract for the services they need to operate a CCA by joining an existing joint-powers authority as an associate member or a more formal Joint Powers Authority like the Los Angeles / Ventura County Clean Power Alliance. A JPA is an independent, public agency that operates a CCA on behalf of its member municipalities. JPAs are a common legal structure in California for the administration of cooperative multi-jurisdictional programs. There is also the commercial vendor package CCA model which is where a private company manages the CCA on behalf of the local government(s). King City Community Power is the only operational CCA program in California under this model. The majority of existing CCAs operate under the JPA model.

What is Happening in Surrounding Cities?

On September 25, 2018 the Irvine City Council approved conducting a feasibility study to determine the pros and cons of implementing a CCA program, including the potential economic benefits for the community. Their completed feasibility study indicated that should the City follow its recommendation to implement a CCA plan that there would be an expected savings of $7.7 million per year in citywide electricity cost savings for Irvine residents and businesses and $112,000 per year savings for the City itself in municipal energy costs, as well as driving additional local economic development benefits such as new jobs and $10 million in annual economic output.

On December 10, 2019, the Irvine City Council voted unanimously to consider formation of a CCA program in partnership with other Orange County cities. At that time, Irvine sent letters to cities in Orange County seeking interested partners to learn more about a potential partnership with the City of Irvine as they move towards the formation of a CCA. Since then, Irvine and a few OC cities have been working to form a Community Choice Energy Joint Power Authority (JPA), prepare necessary JPA documentation and file the Implementation Plan with the California Public Utility Commission (CPUC) by the December 31, 2020 deadline.

The most recent city to consider joining the JPA is the City of Lake Forest. They are scheduled to review the item at their Council meeting on February 16, 2021. Their staff report is attached to this report. At the Study Session we will provide the outcome.

FISCAL IMPACT:

Some savings may be realized by the City if we participate in a CCA due to potential reduced costs for electricity. It is unknown how much staff time would be involved in the administration of a program and how much this would cost the City.

ENVIRONMENTAL IMPACT:

In accordance with the requirements of the CEQA, this review has been determined to not be a project.

LEGAL REVIEW:

None.

PUBLIC NOTIFICATION:

Notifications were performed through normal agenda process.

STRATEGIC PLAN OBJECTIVE ADDRESSED:

5 – Provide a high quality of life

Prepared by:	Approved by:
/s/ Allan Rigg	/s/ Jarad L. Hildenbrand
Allan Rigg Public Works Director	Jarad L. Hildenbrand City Manager

Attachments:

A. SCE Presentation
B. City of Lake Forest Staff Report

Attachment: A

Community Choice Aggregation (CCA) – SCE's Perspective

City of Stanton

February 23, 2021

SCE Follows the CCA Code of Conduct (D.12-12-036)

SCE does not lobby or market against CCA formation, but only provides factual information about SCE's programs & rates

Community Choice Aggregation is a customer choice program that permits cities, counties, and Joint Power Authorities to buy and sell electricity on behalf of the utility customers within their jurisdiction and transmit over SCE's lines.

SCE's Perspective

SCE SUPPORTS CUSTOMER CHOICE

We believe in supporting customer choice as long as:

1) ***all*** customers are treated fairly and customer indifference is maintained, and

2) grid reliability and safety are preserved

COMMITMENT TO SERVING OUR CUSTOMERS

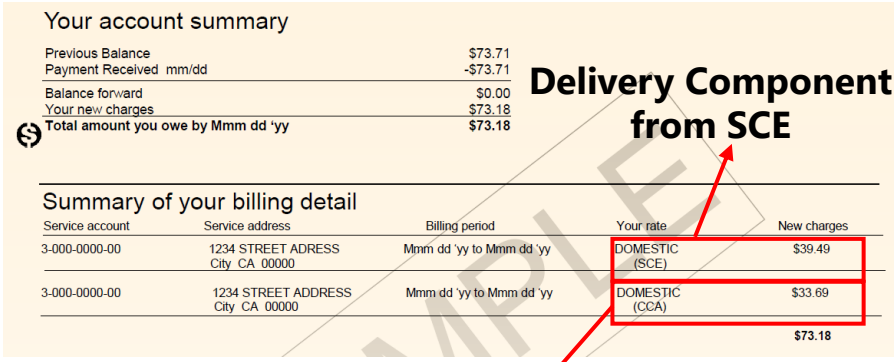
SCE is <u>not allowed</u> to profit from the sale of energy; the California Public Utilities Commission regulates SCE's energy procurement activities.

How Community Aggregation Works



source	delivery	customer
CCA	UTILITY (SCE)	END-USERS
buy electricity supply	deliver electricity, maintain lines & billing	enable customer energy choices

CCA generation charges appear as new section on bill:



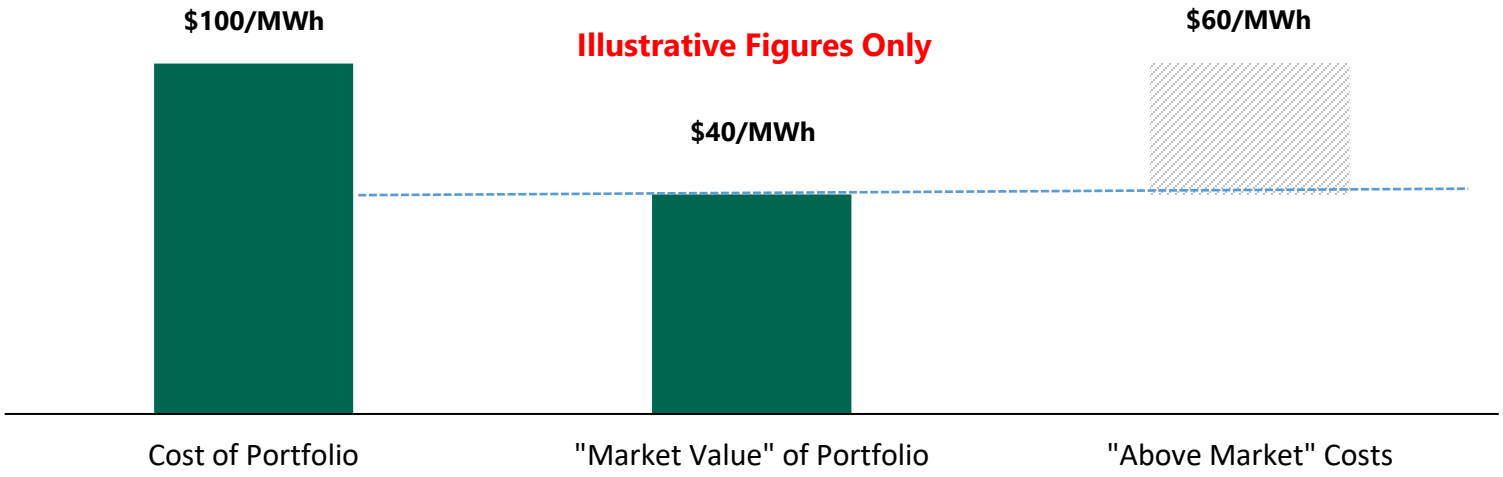
Statutory/Regulatory Background and Formation Process

- Post-California Energy Crisis, communities clamored for and passed legislation on the right to choose an alternative electricity provider for bulk power and related services
- AB 117 authorized the creation of CCAs in 2002, and codified the prohibition on cost shifting in the context of customer choice programs
  - Protects existing utility customers from liabilities they might otherwise incur when a portion of the utility's customers transfer their energy services to a CCA – The Indifference Principle
  - D.04-12-046 implemented AB 117 and established Cost Responsibility Surcharges (CRS)
- CPUC has jurisdiction over CCAs for consumer protections, and compliance with procurement mandates



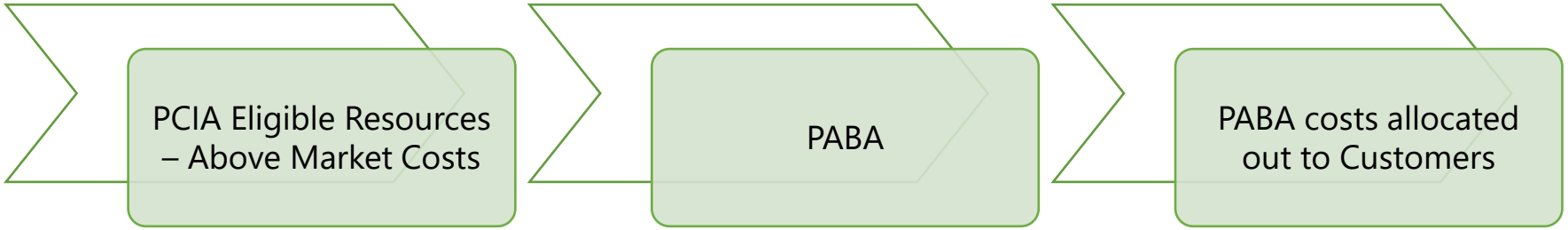
What Is Power Charge Indifference Adjustment (PCIA)?

- PCIA is a ratemaking mechanism instituted to ensure that bundled service customers are *indifferent* when departing load customers leave and choose generation services from a different provider, e.g. CCA formation
  - Ensures the above-market costs associated with prior resource commitments are not avoided by departing load customers, and therefore shifted to the remaining utility customers
  - Not quite accurately labeled by the media and CCAs as an "exit fee" charge
  - Calculated annually, and costs collected directly from customer bills through a PCIA charge



- Is intended to recover the "above-market costs" in an equitable manner
- The "fair" market value of certain eligible resources can be hard to quantify creating differences in what departing load entities consider appropriate above market costs

How PCIA Flows into Customer Rates



- Mandated Procurement
  - RPS
  - BioMAT
  - QFs
  - RAM
  - Re-MAT
  - Energy Storage (Non-CAM)
- Non PCIA Eligible
  - Procurement contracts <1 yr in term
  - CAM
  - Non-bypassable charges, e.g. EE, PPP

- Contracts segregated into sub-accounts by vintage
  - CTC-eligible
  - Legacy UOG
  - 2004-2009 vintages
  - 2010 vintage
  - …
  - 2018 vintage

- Above market net costs allocated out on a vintaged load share basis to customers
  - SCE bundled
  - Lancaster (2017)
  - Apple Valley (2017)
  - PRIME (2018)
  - San Jacinto Power (2018)
  - Rancho Mirage (2018)
  - Clean Power Alliance (Phased 2018-2020)
  - Etc.

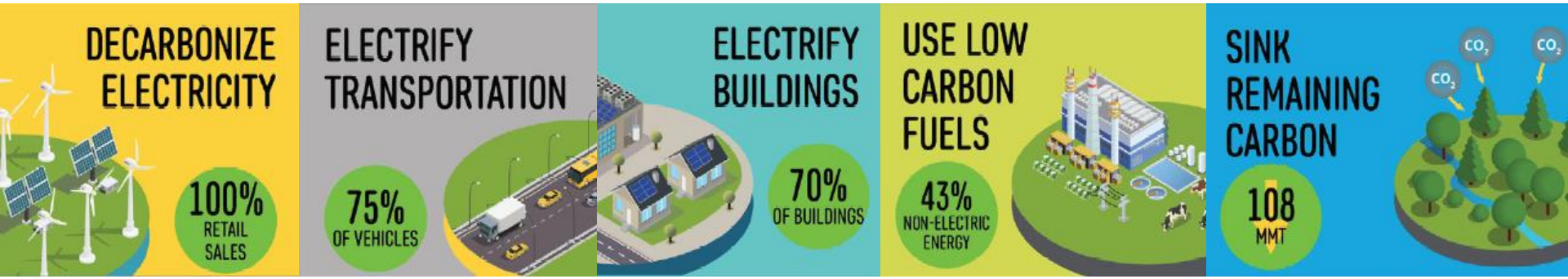
Building a Clean Energy Future

California's Environmental Policy Goals

- 100% Renewable/zero-carbon by 2045 (SB100)
- 80% reduction below 1990 levels by 2050 (SB32)
- 1325 MW Energy Storage contracted by 2020, installed by 2024 (AB2514)

SCE's Pathway 2045 paper is a blueprint for achieving these goals in a way that is both practical and affordable

- As the grid gets cleaner, so too does everything connected to it
- Customers who embrace an electric-led future will see greater reductions in energy costs

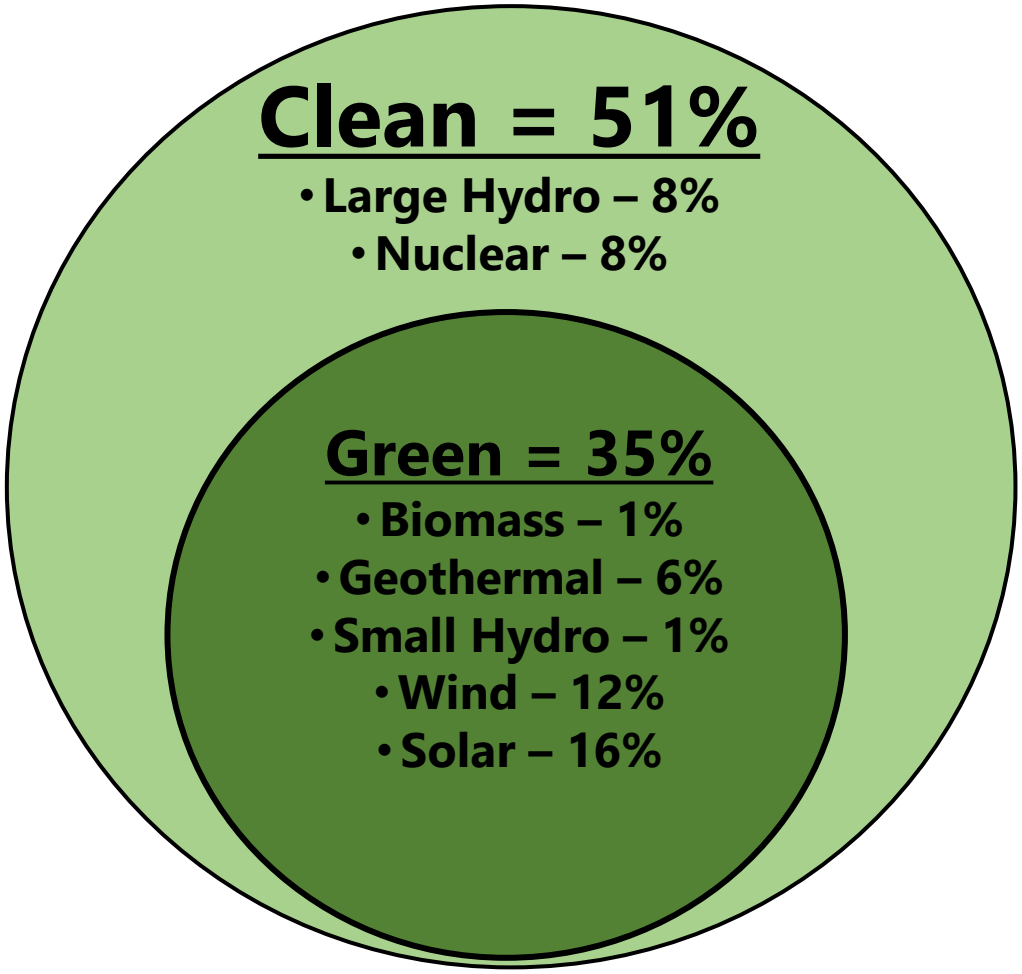


Clean the power grid. And electrify.

* Learn more at www.Edison.com/pathway2045

How Clean is SCE's Power Today?

2019 SCE Power Mix*



*Each category is rounded to nearest whole number

Helping Customers Go Green

- Green Rate Options
- Incentives for rooftop solar and energy storage
- Clean Fuel Rewards Program
- Special EV Rates
- Charge Ready Pilot
- Charge Ready Transport



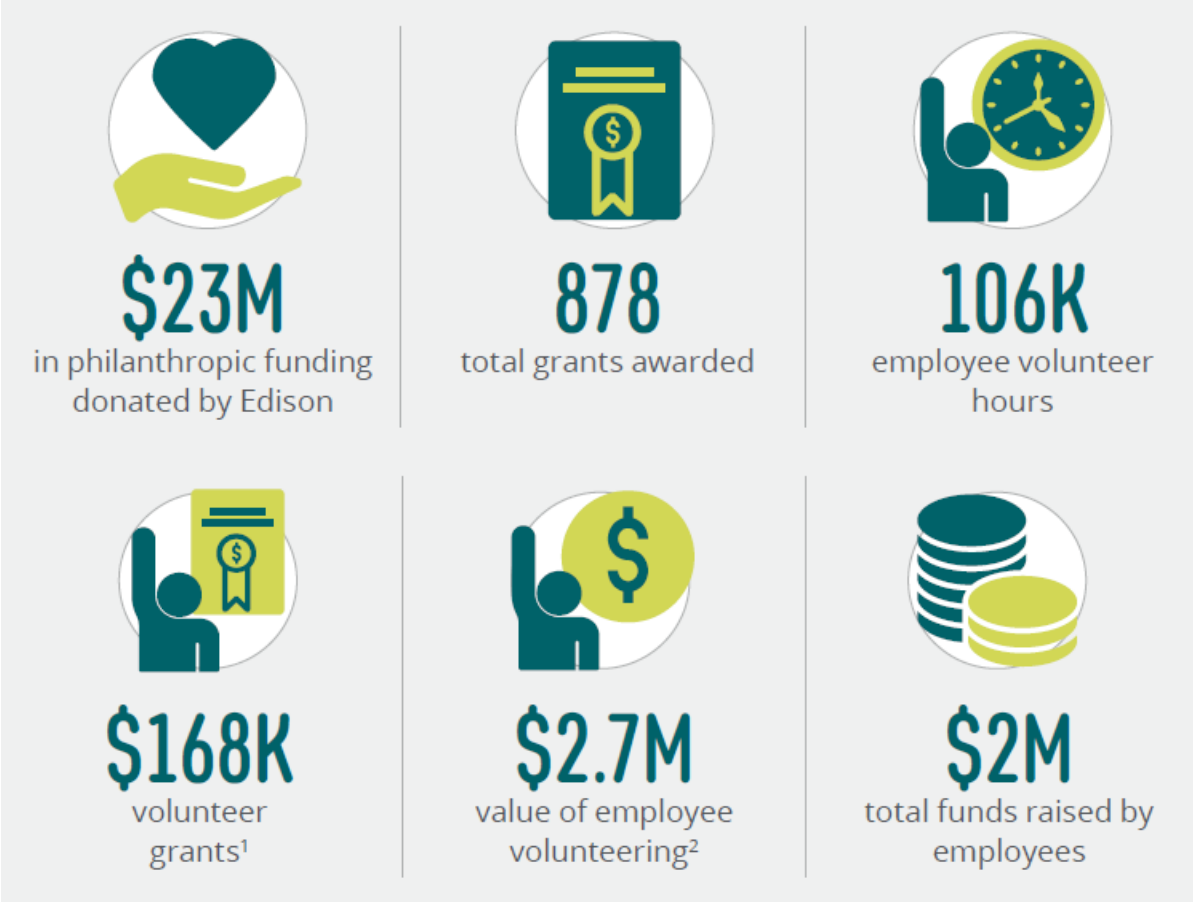


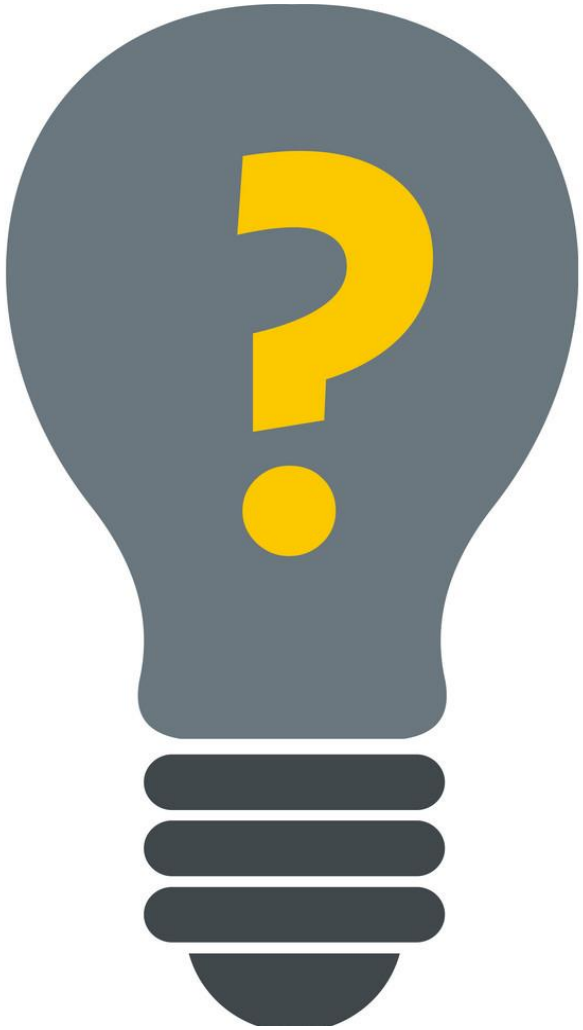
More to Come

- Charge Ready 2 (recently approved)
- Community Solar
- New Green Rates
- Low-Income Building Electrification Pilots

Investing in Our Communities

- SCE believes that when we give back to our local communities, we will inspire others to do the same





Questions?

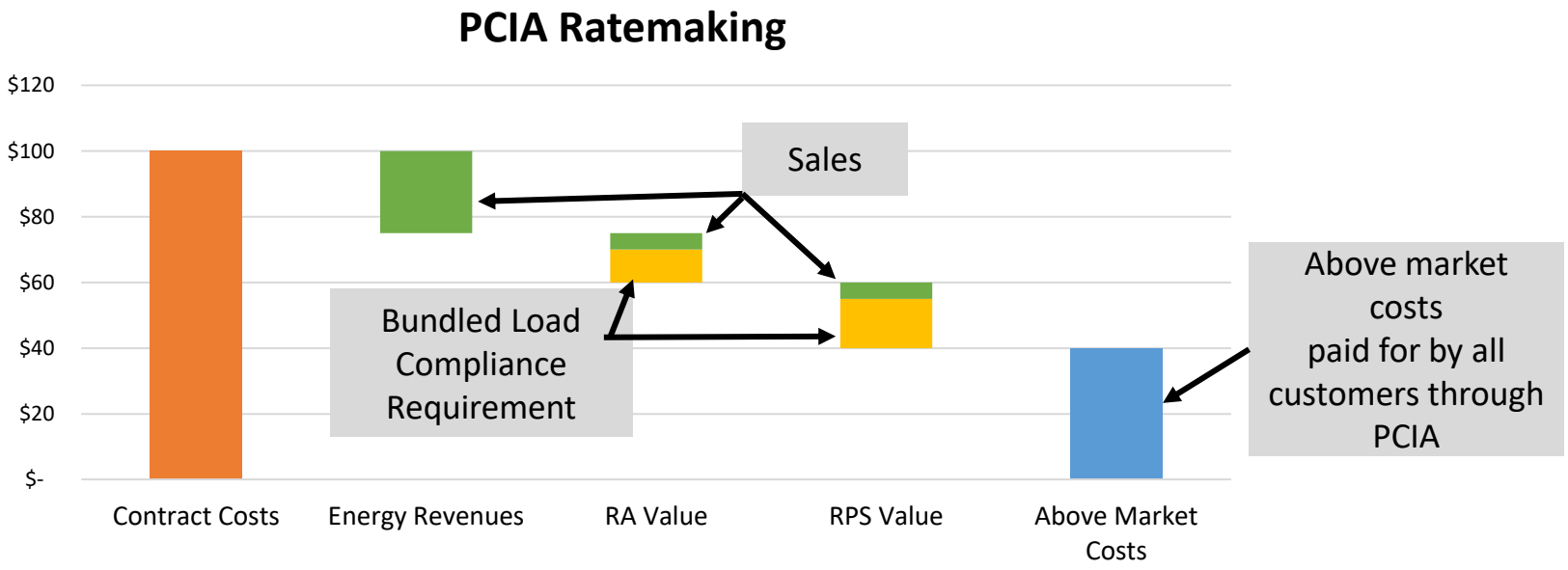
Supplemental Information

Regulatory Framework

- PCIA OIR Proceeding (R.17-06-026)
  - Track 1 (CARE and Medical Baseline Exemptions)
    - D.18-07-000
  - Track 2 (Consideration of Modifications and Alternatives to the Current PCIA)
    - Phase 1: D.18-10-019 (PCIA Decision) Modifying PCIA
      - Modified "forecast" benchmarks
      - Required that PCIA be "trued-up" annually
      - Established a second phase of the proceeding
    - Phase 2: Established to further work through issues
      - Each working group is being jointly co-lead by an IOU and DA/CCA lead
      - Working Group 1: Benchmark and True-Up Methodology
        - PD issued 9/6/19, adopting PG&E and Joint IOU proposals
        - Revised PD issued 10/10/19, more favorable for IOUs
      - Working Group 2: Prepayments
        - Decision anticipated by Q1 2020
      - Working Group 3: Portfolio Optimization
        - Decision anticipated by Q2 2020

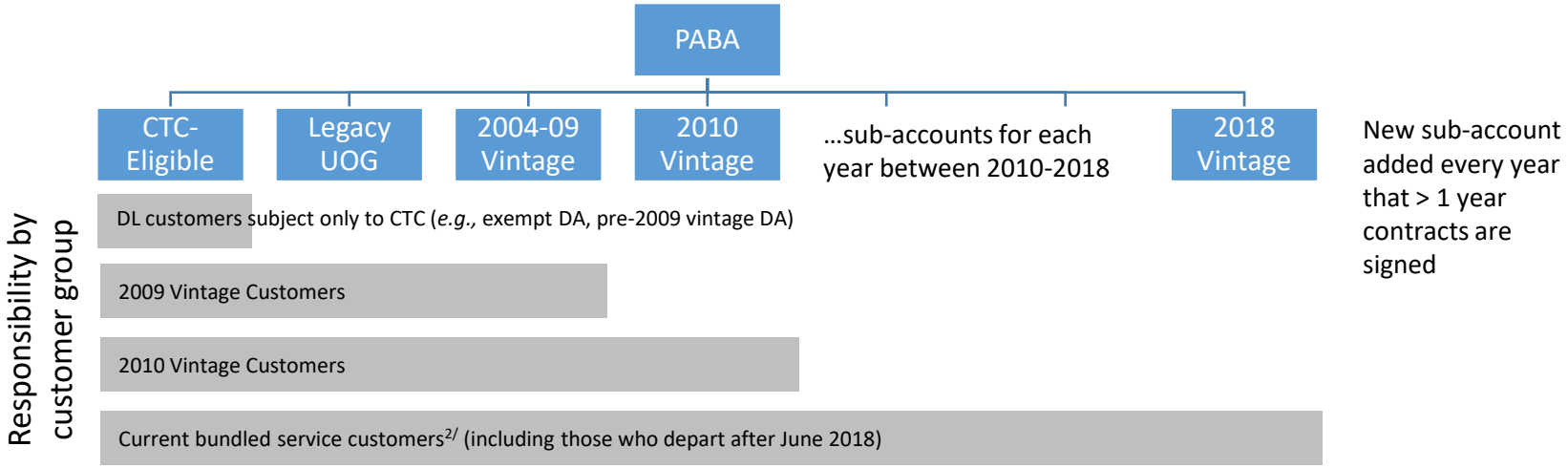
Overview of PCIA Formula

- **PCIA Rate = Contract/UOG Costs – Energy Revenues – RA Value – RPS Value**
  - Energy Revenues are forecasted based upon forward SP/NP-15 prices and trued-up based upon actual energy and A/S revenues in CAISO
  - RA and RPS Value is forecasted based upon product of (a) MPB (set by existing transactions) and (b) the sum of forecasted IOU need and forecasted sales
  - RA and RPS Value are trued-up based upon product of (a) updated MPB set by all transactions for Year N and (b) actual IOU need, plus (c) actual sales revenues



PABA Vintage Structure

- PABA has several sub-accounts that track Above-Market Costs by "Resource Vintage"
  - Each "PABA-eligible"[1/] generation resource is assigned a Resource Vintage based on the calendar year the resource was originally executed (contracts) or approved by the Commission for cost recovery (UOG)
  - Customers are responsible for all resources executed/approved while they were bundled service customers
    - Departing load customers responsible for multiple sub-accounts in PABA
    - Bundled service customers responsible for all sub-accounts in PABA, as well as ERRA



1/ PABA-eligible generation resources do not include resources eligible for CAM (which are tracked in the New System Generation Balancing Account) and resources < 1 year in length (which are tracked in ERRA).
2/ A portion of bundled service customers' generation revenues will also be directed to ERRA and BRRBA-G.

Impacts on Customer Rates - Reentry Fees and Financial Security Requirements (FSR) for CCAs

- If a customer of a CCA is involuntarily returned to service, any reentry fee imposed that the commission deems is necessary to avoid imposing costs on other customers shall be the obligation of the CCA
  - Exceptions
    - Customer returned due to default of payment or other contractual obligations
  - In the event the CCA is unable to discharge its obligation, **the fees shall be allocated to the returning customers**
  - Calculation of FSR and reentry fees
    1. Incremental administrative costs
    2. Incremental costs incurred for procuring electricity based on six month period
    3. FSR updated every six months with a minimum FSR of $147,000

California's Environmental Policy Goals

- SB100 clean energy targets:
  - 44% Renewable by 2024
  - 50% Renewable by 2026
  - 52% Renewable by 2027
  - 60% Renewable by 2030
  - 100% Renewable/zero-carbon by 2045
- AB32/SB32 Green House Gas (GHG) reduction goals:
  - 40% reduction below 1990 levels by 2030
  - 80% reduction below 1990 levels by 2050
- AB2514 Energy Storage Target[1]
  - 1325 MW contracted by 2020, installed by 2024
- SB350 Clean Energy and Pollution Reduction Act
  - Requires each Load Serving Entity to file an Integrated Resource Plan every two years with the Commission

[1] Additionally, AB 2868 was passed as an opportunity to contract for 500 MW of distributed energy storage systems, above and beyond the existing AB 2514 target to achieve ratepayer benefits, reduce dependence on petroleum, meet air quality standards, and reduce emissions of GHGs.

CITY COUNCIL AGENDA REPORT
MEETING DATE: 2/16/2021
DEPARTMENT: City Manager

SUBJECT:

COMMUNITY CHOICE AGGREGATION

RECOMMENDED ACTION(S):

1. Receive a Presentation from MRW regarding Feasibility Study Results; and
2. Exercise City Council Discretion.

EXECUTIVE SUMMARY:

On December 15, 2020, the City Council approved the required documents necessary to join the Orange County Power Authority ("OCPA"), a Community Choice Aggregation ("CCA") Joint Powers Authority ("JPA"). The City Council also directed staff to hire a consultant to: (1) review the OCPA JPA Agreement and Implementation Plan; and (2) conduct a financial feasibility study of a CCA solely serving the City of Lake Forest.

MRW's study found that overall, the OCPA appears feasible. Given current and expected market and regulatory conditions, OCPA should be able to, over the long run, offer its residents and businesses customers electric rates that are less than Southern California Edison ("SCE") rates. Nonetheless, margins are tight in the first few years which could potentially prevent the OCPA from offering a rate discount or contributing to financial reserves. At its February 9, 2021, meeting, the OCPA Board voted 6-0 to extend the "non-penalty" opt out date to 15 days prior to April 1, 2021 but did not support at this time the City's requested changes to the OCPA JPA Agreement as outlined in a letter sent by the City Council to the OCPA Board.

MRW also identified two CCA options for Lake Forest aside from OCPA: (1) form a Lake Forest-only enterprise-based CCA or (2) form a Lake Forest CCA that is supported by the California Choice Energy Authority ("CalChoice")[1]. Recent resident survey results appear to indicate an interest to receive electricity from the City if one or more of the stated benefits associated with the switch are achieved – lower rates, rate stability over time, and/or electricity produced through renewable sources.

[1]California Choice Energy Authority, or "CalChoice" is referenced as "CCEA" in MRW's report.

At this time, staff recommends the City Council receive a presentation from staff and Mark Fulmer, President of MRW & Associates ("MRW") and identify any further information staff may provide for the City Council's next scheduled discussion at its March 2, 2021 meeting. No further action is required to remain in the OCPA.

BACKGROUND:

In 2020, the City of Irvine initiated the process of forming a regional CCA JPA and invited Orange County cities that procure energy solely through SCE to join. On November 20, 2020, the Cities of Fullerton and Irvine established the OCPA JPA. Lake Forest joined on December 15, 2020. Currently, the OCPA consists of five founding member agencies: Buena Park, Fullerton, Huntington Beach, Irvine, and Lake Forest. The OCPA has stated there are up to 10 other Orange County cities that are considering joining the OCPA in the future.

As a condition of joining the OCPA, the City Council directed staff to hire an independent consultant to assist with CCA related items. Last month, staff entered into an agreement with MRW which was retained to complete the following tasks: (1) review the OCPA JPA; (2) review the JPA Implementation Plan; (3) conduct a CCA study session for the City Council; (4) outline the City's options regarding the formation of a CCA, or joining a JPA; (5) advise the board-appointed Director and Alternate on Board Meetings; (6) provide an opinion on whether this is the best JPA to accomplish rate savings; and (7) provide a financial feasibility study assessment of a CCA that only serves the City of Lake Forest.

<u>OCPA Member Agency Status Update</u>

The City of Huntington Beach reaffirmed its participation in the OCPA and did not request changes to the JPA. The City of Buena Park voted to host a town hall meeting to gain input from residents and businesses regarding CCA. Its meeting is scheduled for March 2, 2021. Cities only need to take official action if they intend to opt-out of the JPA.

DISCUSSION:

At the December 15, 2020 City Council Meeting, the City Council voted to join the OCPA JPA. The City Council also directed staff to hire an independent consultant to assist with CCA related items. Last month, staff entered into an agreement with MRW & Associates ("MRW").

MRW completed its review of the OCPA Foundational documents and CCA options for the City of Lake Forest (Attachment 1). MRW found that overall, the OCPA appears financially viable in the long run. MRW highlights that the OCPA may not be able to offer rate savings in the first few years of operation due to SCE rates (including the Power Charge Indifference Adjustment), the need to pay off its start-up debts, and building of financial reserves. Additional findings regarding the OCPA founding documents are summarized below:

- The OCPA differs from other CCA JPAs in two ways: (1) Irvine will have two voting Directors on the OCPA Board of Directors, while all other cities will have only one until the loan repayment is satisfied; and (2) there will be two types of members: cities that join the OCPA prior to December 30, 2020 will be “founding parties”, while those that join thereafter will be “additional parties”.

- Most of the assumptions made by the Implementation Plan were reasonable. However, two of the assumptions were understated or outdated: (1) the Implementation Plan may be underestimating the initial working capital requirements; and (2) the Implementation Plan is overstating the costs for Resource Adequacy in 2023 and thereafter.

- Financial margins are smallest during the first two years of operation due to initial investment in startup costs, loan repayments, and SCE rates. This could prevent OCPA from offering rate discounts or contributions to financial reserves.

MRW also identified two CCA options for Lake Forest aside from OCPA: (1) form a Lake Forest-only enterprise-based CCA or (2) form a Lake Forest CCA that is supported by CalChoice. CalChoice is a hybrid CCA structure that provides members the ability to leverage CalChoice’s knowledge and staff to benefit from lower energy procurement costs, regulatory matters, accounting, and compliance functions which are crucial to CCA agencies. A member city that may otherwise be unable to operate as an enterprise due to size or budget constraints is able to take advantage of economies of scale without having to sacrifice key control often associated with JPAs or taking on the significant liability of a stand-alone enterprise. CalChoice is governed by the Lancaster City Council with each City joining as an associate member of the JPA. As an associate member, a City Council would set rates for their City, purchase energy, and contract CCA services through existing CalChoice contracts which could help keep costs low to pass on rate savings to customers. Table 1 below briefly summarizes the comparison of Lake Forest CCA options.

Table 1: Comparison of Lake Forest CCA Options

Criterion	Join OCPA	Use CalChoice JPA	Stand-Alone Enterprise	Stay with SCE
Rates	Comparable/ modestly lower	Comparable/ modestly lower	Comparable/ modestly lower	Base
GHG Reduction Potential Over Forecast Period	Some	Some	Some	Base
Local Control/Governance	Some	Greater	Greatest	None
Local Economic Benefits	Some	Greater	Greatest	Minimal
Start Up Costs/Cost to Join	None	Some	Greatest	None
Level of Effort	Minimal	Some	Greatest	None
Timing (earliest)	2022	2023	2023	N/a

In addition, MRW also provided a Technical Assessment of a potential stand-alone CCA for the City of Lake Forest (Attachment 2). MRW's analysis found that a stand-alone Lake Forest only CCA program could be financially feasible over the long run. The CCA would likely be able to offer businesses and residents power that is priced at or a few percentage points lower than that offered by SCE. Similar to the OCPA, financial margins are smallest during the first years of operation due to the initial investment in startup costs, loan repayments, and SCE rates. Additional findings regarding the Technical Assessment are summarized below:

- Due to economies of scale, the OCPA would likely have slightly lower average costs than a stand-alone Lake Forest CCA. Conversely, MRW found no correlation between the size of the existing CCAs and the rate discounts they currently offer, suggesting governance and policy decisions also impact rates.

- CCA formation is not risk-free. A Lake Forest-only CCA would be participating in a competitive power market and subject to evolving state requirements and regulations.

- Rate savings may be achievable in the long run, but market prices and SCE rate volatility could combine to occasionally prevent the Lake Forest CCA from offering lower rates than SCE.

True North Residential Survey Results

Every two years, the City hires an independent research firm to perform a statistically significant survey of residents and businesses to obtain feedback on city services and potential new initiatives. Survey results are then interpreted by the consultant in a report entitled the Community Satisfaction Survey. Attached are survey responses to two questions included in the 2021 survey prepared by True North Research (Attachment 3).

According to True North Research, the resident responses to Question 20 appear to indicate a basic interest in the City's involvement in purchasing electricity on behalf of the community. A higher level of interest is indicated if the rates charged would be lower (85% of respondents are much more or somewhat more likely to purchase electricity from the City) and more stable over time (76% of respondents are much more or somewhat more likely to purchase electricity from the City). Approximately 72% of respondents also indicated being much more or somewhat more likely to purchase electricity from the City if a greater amount of the electricity would be produced through renewable sources. The least motivating factor to purchase electricity from the City is local control over the type of electricity offered (61% of respondents indicated much more likely or somewhat more likely) while 24% of respondents indicated "not sure." True North Research also noted that the survey did not ask if residents would be supportive of purchasing more energy from renewable sources if it resulted in a temporary or periodic slight rate increase.

A related question (Question 21) asked residents who their preferred provider of electricity would be if the cost were the same: Southern California Edison or the City. The survey indicated that 38% of residents preferred the City while approximately 29% of residents preferred Southern California Edison and 31% answered "Not sure." It should be noted that Question 21, due to time constraints to obtain survey responses, did not define "provider" nor differentiate between the components of providing electricity to a customer, e.g., generation, transmission, and distribution.

Revisions to the OCPA Joint Powers Agreement

At its meeting of February 2, 2021, the City Council directed staff to send two communications to the OCPA. The first was letter to the OCPA Board of Directors requesting amendments to the JPA and, the second was a transmittal of 19 questions regarding the JPA and JPA Agreement directly to the OCPA staff. The City Council also directed staff to schedule a Special Meeting of the City Council on February 12, 2021, in the event the OCPA Board did not adopt the Amendment to the JPA extending the "no-penalty" opt out date to 15 days prior to April 1, 2021.

In its letter, the City Council requested the Board discuss amending the JPA at its next meeting (Attachment 4). At its meeting of February 9, 2021, the OCPA Board voted 6-0 to approve the JPA Amendment extending the opt out date. However, the meeting agenda did not include consideration of the City's letter. During Board Member comments, the OCPA Board Members discussed the City's letter and expressed no interest in amending the Joint Powers Agreement at this time.

Potential Community Engagement Strategies: Ballot Measure, Postage Paid Post Cards, Newsletter, (Virtual) Public Forums, Single Subject Community Survey

At the January 19, 2021 City Council Meeting, Council Member Tettemer sought consensus to agendize for discussion a possible future ballot initiative regarding launching Community Choice Aggregation ("CCA") in Lake Forest. Minority consensus was given by Mayor Pro Tem Pequeno, and the City Council directed staff to place this item on the February 2, 2021 agenda for discussion (Attachment 5).

The City Council discussed this item in conjunction with its discussion of questions to pose to the OCPA as part of its due diligence process. Council Member Tettemer clarified that a ballot measure could be part of a broader public engagement strategy to educate the community on the advantages and disadvantages of Community Choice Aggregation and identify the community's goals regarding electricity from renewable sources. This information could be used to determine a path to achieve the community's goals which could include participating in a CCA.

Such an engagement campaign could include multiple channels such as newsletter articles, (virtual) Public Forums/Town Hall meetings, educational mailers with postage paid comment cards for residents to express their views, a single subject community survey and, potentially, a ballot measure. Such comprehensive public engagement would likely require a six-to-nine-month time frame and dedicated time from the City Manager's Office, Economic Development, and Public Information staff. Additional costs related to this effort may include consultant assistance, direct mailer design and postage, and costs related to a ballot measure.

CCA Due Diligence

The following section outlines the City's ongoing efforts researching the OCPA, and includes staff's recommendations for future City Council Meeting dates:

- January 19 – MRW provided an overview of CCA and responded to the City Council's questions and comments related to the OCPA JPA.

- February 2 – The City Council approved correspondence to the OCPA Board of Directors and its staff. Staff forwarded communication to OCPA Staff and a separate letter to its Board.
- February 16 – The City Council reviewed MRW's reports for Lake Forest and posed final questions to the consultant.
- March 2 – City Council Discussion (If required, the City Council may continue this item to its second meeting in March).
- March 16 – City Council Discussion (If needed).

The City has until March 17 to provide the Authority with advance written notice of withdrawal to opt out of the JPA without penalty. No action is necessary to remain an OCPA founding member.

FISCAL IMPACT:

The fiscal impact associated with this item is dependent upon City Council direction. There is no immediate fiscal impact associated with remaining in the OCPA.

ATTACHMENTS:

1. Review of OCPA Foundational Documents and CCA Options for the City of Lake Forest
2. Technical Assessment of CCE for the City of Lake Forest
3. True North Resident Survey Topline Results – CCA Questions
4. Letter to the OCPA Board of Directors
5. Minute Excerpt – January 19, 2021 City Council Meeting

Initiated By: Adrian Grijalva, Senior Management Analyst
Submitted By: Keith Neves, Assistant City Manager
Approved By: Debra Rose, City Manager

February 15, 2021

The Honorable Scott Voigts
Mayor City of Lake Forest
100 Civic Center Drive
Lake Forest, CA 92630

RE: City of Lake Forest Letter

Dear Mayor Voigts:

We are in receipt of your February 3, 2021 letter requesting amendments to the Orange County Power Authority Joint Powers Agreement. At our February 9, 2021 Board Meeting. the Authority's Board expedited the previous request from the City of Lake Forest to extend the City of Lake Forest's ability to exit the Orange County Power Authority until April 1, 2021. Further amendments to the JPA Agreement are not being considered at this time.

The Orange County Power Authority is a community choice aggregation agency that will provide competitive energy choice to residents and business owners to its member cities, including the City of Lake Forest and its 84,000 residents and small businesses. Our Board of Directors has asked me to convey our sincere hope that the City of Lake Forest will remain in the Orange County Power Authority. We stand ready to provide whatever information and resources the City may require to get itself comfortable with its prior decision to join the Authority.

Sincerely,

/s/Mike Carroll

Mike Carroll
Chairman
Orange County Power Authority

cc: Board of Directors, Orange County Power Authority
Brian S. Probolsky, CEO, Orange County Power Authority
Debra DeBruhl Rose, City Manager, City of Lake Forest
Ryan M. R. Baron, Partner BBK

BOARD OF DIRECTORS | **MIKE CARROLL** CHAIRMAN | **FRED JUNG** VICE CHAIRMAN | **SUSAN SONNE** DIRECTOR | **FARRAH KHAN** DIRECTOR | **SCOTT VOIGTS** DIRECTOR | **MIKE POSEY** DRECTOR

ATTACHMENT 1

Review of Orange County Power Authority Foundational Documents and CCA Options to the City of Lake Forest

Prepared by:

MRW & Associates, LLC
1736 Franklin Street, Ste 700
Oakland, CA 94612

February 11, 2021

This report was prepared by MRW & Associates. MRW has been working on Community Choice Aggregation (CCA) issues since they were authorized by the California State Legislature in 2002. MRW has prepared and critiqued numerous CCA feasibility plans and is providing rate forecasting and other ongoing support to CCAs throughout the state.

This Study is based on the best information available at the time of its preparation, using publicly available sources for all assumptions to provide an objective assessment regarding the prospects of CCA operation in the City. It is important to keep in mind that the findings and recommendations reflected herein are substantially influenced by current market conditions within the electric utility industry and state regulations, both of which are subject to sudden and significant changes.

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Executive Summary

The City of Irvine has extended an invitation to Lake Forest to become a member of the new Community Choice Aggregation (CCA) it is spearheading, the Orange County Power Authority (OCPA).[1] Other cities which have committed to the OCPA include Fullerton, Huntington Beach, Buena Park. Like Lake Forest, they too have the opportunity to withdraw from the JPA on or before April 1 (originally March 1).

The City of Lake Forest retained MRW & Associates (MRW) to: (1) review the OCPA's Joint Powers Agreement; (2) Review Implementation Plan; (3) provide the benefits and risks to the City of joining OCPA or forming a Lake Forest only CCA. This report addresses the first two items and qualitatively discusses Lake Forest's CCA options. A separate report, Technical Assessment of Community Choice Energy for the City of Lake Forest," addresses the benefits and risks of CCA formation as well as the viability of a stand-alone CCA for Lake Forest.

Review of the OCPA's Joint Powers Agreement

Overall, the OCPA Joint Powers Agreement (JPA) is patterned after and consistent with other California CCA JPAs. First, it explicitly states that the JPA member cities are not required to provide any funding to the OCPA and the OCPA's debts, obligations and liabilities cannot fall back onto the member cities. Second, the JPA also provides for a second "Voting Shares Vote."[2] The JPA states that during the same Board Meeting after an affirmative or tie vote, two or more Directors may request a "voting share vote to reconsider the action approved by a first vote. (Both Directors cannot be from Irvine.) The voting shares are proportional to the annual energy use of the community. Given the current OPCA makeup, Lake Forest Director's vote would be worth 10 out of a total of 100 (i.e., 10 percent). This is a common feature for all the CCA JPA Agreements that MRW has reviewed.

The OCPA JPA differs from other CCA JPAs in two ways. First, the City of Irvine will have two voting Directors on the OCPA Board of directors, while all other cities will have only one. Irvine will revert back to having only one Director once the $2.5 million loan the city has made to the OCPA is repaid. Second, there will be two types of OCPA members: cities that joint the OCPA prior to April 1, 2021 will be Founding Parties, while those that joint after will be Additional Parties. Lake Forest would be a Founding Party. Founding Parties are automatically placed on the OCA's Executive Committee. (We note that the powers and responsivities of the Executive Committee are not delineated in the JPA). No other CCA has two different types members.

[1] CCA is also called "Community Choice Energy," or "CCE."
[2] OCPA JPA Agreement, Section 3.9.2

Review of the OCPA's Implementation Plan

Overall, the assumptions and analysis in the Implementation Plan are sound. That is, the underlying customer phase-in, assumed power prices, operating costs, and CCA revenues are all reasonable or conservative. However, we note that the Implementation Plan may be underestimating the initial working capital requirements. The Implementation plan assumes $15.5 million for starting and a working capital loan/line of credit. This represents about 30 days of average cash flow in the first year, in which due to the phase-in schedule is only a fraction of the load would be served. MRW's more conservative analysis assumes that the working capital loan / line of credit would be for 60 days of cash flow assuming the full load is served.

San Diego Community Power (SDCP) provides another data reference. OCPA's load is projected to be about 62% of that of SDCP. SDCP required $40 million initial line of credit. Simply scaling SDCP's requirement down to OCPA suggests an initial bank load/line of credit around $25 million.

Based on our review of the OCPA Implementation Plan, our financial feasibility analysis of a stand-alone Lake Forest CCA to date, and our analysis conducted for the City of Huntington Beach, MRW believes that the OCPA is, in the long run, financially viable. However, we believe that OCPA's may not be able to offer rate savings in the first few years of operation. This is because of SCE rates (including the PCIA), the need to pay off its start-up debts, and the need to build up financial reserves.

CCA Options Available to Lake Forest

Lake Forest's three primary options for CCA are: joining the OCPA; forming a stand-alone Lake-Forest only enterprise-based CCA; or forming a Lake Forest CCA and joining the CalChoice Energy Authority (CCEA). CCEA is a "hybrid" JPA, where the JPA provides services to its member CCAs but does not control any of its general policies or programs.[3] This is a good match for smaller cities who are interested in local control of the CCA but not interested in bringing in-house the day-to-day management needed to operate a CCA.

The primary benefits of either of the Lake Forest-only CCA options are more local control over procurement practices and budgets and services better tailored to Lake Forest. Joining with CCEA greatly reduces the administrative burden relative to keeping all the CCA activities in-house in Lake Forest. The primary benefits of joining with OCPA are foregoing the need to provide upfront financing for the CCA's startup process, less potential financial exposure to the City as the JPA will be a financially distinct entity, economies of scale which can translate into lower average operating costs and reduced administrative burdens.

[3] *See*, https://californiachoiceenergyauthority.com/

Introduction

The City of Irvine has extended an invitation to Lake Forest to become a member of the new Community Choice Aggregation (CCA) it is spearheading, the Orange County Power Authority (OCPA). Other cities which have committed to the OCPA include Fullerton, Huntington Beach, Buena Park. Like Lake Forest, they too have the opportunity to withdraw from the JPA on or before April 1 (originally March 1).

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Part 1: Review of the Orange County Power Authority (OCPA) Joint Powers Agreement

The Joint Powers Agreement (JPA) is the fundamental governance document for the OPCA. In this section, we review sections of the JPA that are particularly important to Lake Forest and note where the OCPA JPA differs from, or is consistent with, other CCA JPAs.

Board of Directors and Voting

The OCPA would be governed by a Board of Directors, with one director appointed by each JPA member, except for the City of Irvine, which would initially have two directors but would drop down to one director once Irvine's loan to the OCPA is paid off.[4] This structure is unique; all other California CCA JPA agreements that MRW has seen specify that each member community would have one member on its JPA Board.

The JPA also provides for a second "Voting Shares Vote."[5] The JPA states that during the same Board Meeting after an affirmative or tie vote, two or more Directors may request a "voting share vote to reconsider the action approved by a first vote. (Both Directors cannot be from Irvine.) The voting shares are proportional to the annual energy use of the community. Given the current OPCA makeup, Lake Forest Director's vote would be worth 10 out of a total of 100 (i.e., 10 percent).

This voting shares vote option is common. East Bay Community Energy (EBCE), Marin Clean Energy (MCE), Clean Power Alliance, Peninsular Clean Energy, Sonoma Clean Energy, and

[4] OCPA JPA Agreement, Section 3.1
[5] OCPA JPA Agreement, Section 3.9.2

Silicon Valley Clean Energy are all major CCAs that allow for a "voting shares vote" for a particular matter if requested by a certain number of board directors. MRW is not aware of any CCA Board of Directors exercising a Voting Share Vote.

The OCPA JPA Agreement also explicitly states that membership does not require any financial obligations: "Parties are not required under this Agreement to make any financial contributions or payments to the Authority, and the Authority shall have no right to require such a contribution or payment."[6] Instead, the City of Irvine is providing the initial capital loan and collateral to the OCPA, with terms laid out in the JPA agreement Section 5.5 and Exhibit D.

The voting shares for OCPA, given the current makeup and projected load for each community, is shown in the table below.

Table 1 OCPA Voting Shares

Community	Directors	Equal Vote	Voting Shares Vote
Irvine	2*	33%	42.4%
Fullerton	1	17%	14.8%
Huntington Beach	1	17%	22.9%
Buena Park	1	17%	9.8%
Lake Forest	1	17%	10.0%
Total	6	100%	100%

*Irvine will have 2 Directors on the Board until its loan to the CCA is paid off.

Financial Exposure

Generally, all CCAs have similar stipulations in their JPA agreement to those of OCPA regarding the financial obligations of their members. Individual member jurisdictions are not held responsible for the debts, liabilities, or obligations of a JPA unless the governing board of each member jurisdiction (i.e., its City Council) agrees to assume a debt, liability, or obligation. Additionally, CCAs typically indemnify and hold harmless member jurisdictions and their associated staff from any claims, losses, damages, costs, injuries, and liabilities arising directly or indirectly from the conduct, activities, operations, acts, and omissions of the JPA. For those JPAs that allow for members to be required to make contributions or pledge assets as a condition of continued participation in a CCA program, the JPA agreement requires a vote of at

[6] OCPA JPA Agreement, Section 5.6.

least 75% of all directors and the approval of the governing boards of each member jurisdictions who are being asked to contribute.

The establishment of many JPAs necessitated that the initial implementation costs of a CCA Program be funded by an initial member jurisdiction. In these situations, the member jurisdiction providing the initial funding was not entitled to any reimbursement of these cost if the CCA program did not become operational.

Founding Party Versus Additional Party

Since Lake Forest joined the OCPA JPA before the end of the year, it is a "Founding Party;" if it withdraws membership before April 1 and rejoins sometime later, it will become an "Additional Party."[7] Being a Founding Party would automatically place the Lake Forest Director on the JPA's Executive Committee. The benefits and obligations of being a member of the Executive Committee are note laid out in the JPA. The Executive committee would be formed if the Authority' s membership reaches nine or more members. If the City waits to commit after the end of the year, it will join as an Additional Party and potentially be subject to a membership fee upon joining.[8] This tiered membership, which provides privileges to the initial members, is again unique among CCAs.

No other CCA JPA differentiates Board Members benefits based on when the jurisdiction joins. We note that there has been at least one instance where a JPA revised its board membership rules once it reached a certain number of member jurisdictions. Central Coast Community Power (formerly known as Monterey Bay Community Power) originally allocated seats on its Policy and Operations board based on a one jurisdiction, one seat basis until the number of member jurisdictions exceeded eleven. Once the number of member jurisdiction reached more than eleven, the JPA's Policy and Operations boards' composition shifted to a regional allocation based on population size.

Withdrawing from the JPA

The JPA agreement also provides for the right to withdraw from JPA membership: "a Party may withdraw from the Authority for any reason and without liability or cost prior to March 1, 2021 upon providing the Authority fifteen (15) days advance written notice."[9] This option reduces the risk to the City of committing to the OCPA now by allowing a more thorough analysis of the implications during the next few months.

After March 1, 2021, the City could withdraw from the JPA effective at the beginning of an OPCA's fiscal year by providing no less than 180 days written notice. If the City exercises this latter withdrawal option, it could be responsible for the various damages and losses its withdrawal might cause to the JPA.[10] These damages would likely be associated with the value

[7] OCPA JPA Agreement, Preamble.
[8] OCPA JPA Agreement, Section 6.1.
[9] OCPA JPA Agreement, Section 6.1.
[10] OCPA JPA Agreement, Section 6.3.

of power purchase contracts entered into by the OCPA on the City's behalf which the OCPA could not liquidate.

Other CCA JPAs allow member jurisdictions to withdraw from the authority after giving a certain amount of notice in advance, usually 180 days. Like OCPA, some JPAs also require an affirmative vote from the governing board of the departing jurisdiction (i.e., City Council) before the jurisdiction can withdraw. However, JPAs will typically hold departing jurisdictions responsible for certain continuing liabilities or financial obligations, such as power purchase agreements. These liabilities and obligations are typically costs incurred by the JPA on behalf of the departing jurisdiction.

Part 2: Review of the OCPA's Implementation Plan

This section reviews the analytical approach, assumptions, and results of the OCPA Implementation Plan pro forma financial analysis and compares the key assumptions and results against the independent analysis conducted by MRW. The fundamental question addressed is, "Are the assumptions reasonable and is the OCPA likely to be financially viable?" As detailed below, the assumptions underlying the OCPA Implementation Plan are generally reasonable. Further, MRW believes that the OCPA is likely to be financially viable, although the margins in the first few years will be tight and the OCPA may not be able to offer more than token rate savings.

Table 2 summarizes MRW's findings on the financial analysis underlying the OCPA Implementation Plan. Each entry is discussed in the following sections.

Table 2. Implementation Plan Assumption Summary

		Conservative	Reasonable	Potential Issue
	Modeling Approach		✓	
Load Assumptions	Load Forecast		✓	
	Line Losses	✓		
	Opt-Out Rate	✓		
CCA Power Assumptions	CCA Power Portfolio		✓	
	Wholesale Power Prices		✓	
	Renewable Power Prices		✓	
	RA Costs		✓	X
CCA Admin. and Other Cost Assumptions	Startup Costs		✓	
	Financing Costs		✓	X
	Admin. Costs		✓	
SCE Rate Assumptions	PCIA	✓		
	SCE Generation Rate		✓	X

Implementation Plan Approach

The Implementation Plan's financial analysis approach is sound and complete. It includes all the necessary expense and revenue categories and modeled a CCA program's pro forma cash flow accurately.

Main Assumptions

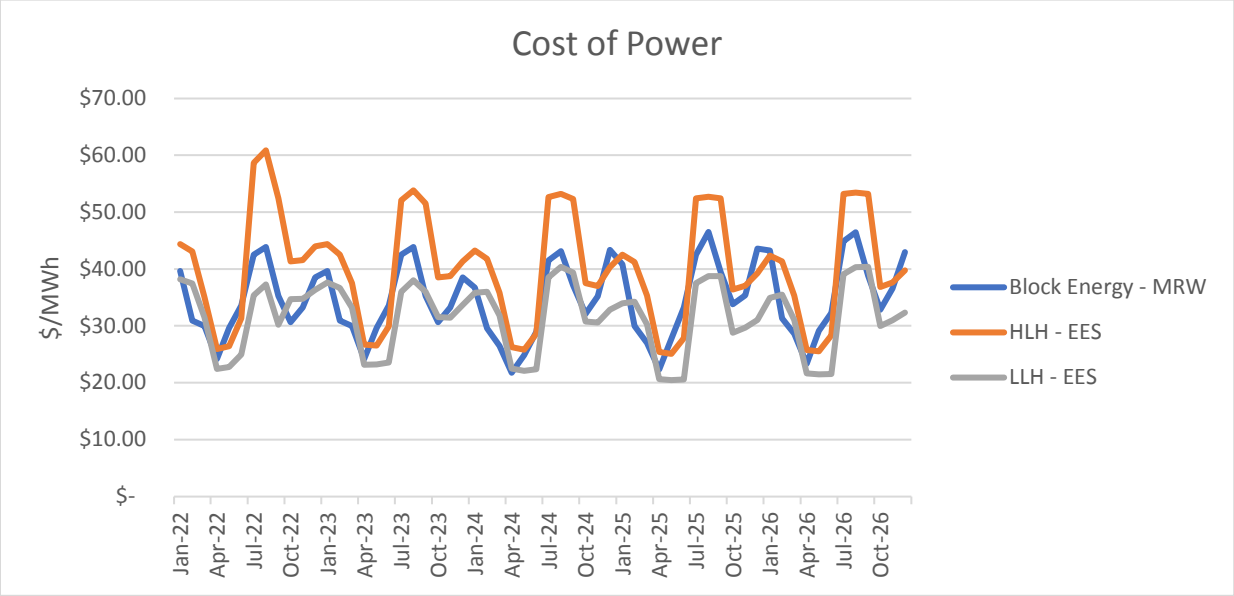
This section reviews each of the major assumptions that the Implementation Plan makes and opines on the reasonableness of the assumptions. While most of the assumptions made by the Implementation Plan were reasonable, two of the assumptions were understated or outdated. Additionally, many of the assumptions that the Implementation Plan characterizes as "conservative" MRW would consider reasonable, but not necessarily conservative.

Load Forecast. The Implementation Plan's load forecast is reasonable. It is based on recent historical data provided by SCE, assumes conservative opt-out rates, and modest growth. With respect to the opt-out rate, the Implementation Plan assumes that 5% of the residential customers and 10% of the commercial and industrial customers will choose to remain with SCE for their electric energy. With one notable exception, opt-out rates seen by recent CCA program launches have been less than this, making the assumption conservative. The exception is the Clean Power Alliance of Southern California (CPA), the CCA that serves Los Angeles and Ventura counties, which experienced a much higher opt-out rate, closer to 50%, for its largest industrial customers. This was because CPA chose not to offer rates that were lower than SCE's for this customer class, but instead chose to set rates at levels equal to CPA's cost to provide power to them. Because the CPA rates were higher, and this class is especially sensitive to power costs, a large fraction of the industrial customers declined to take service from CPA.

Cost of Power. As outlined in its Implementation Plan, OCPA intends to purchase significant amounts of power from power marketers, public agencies, generators, or utilities during the first several years of operation. It will utilize one or more power supply agreements to obtain all of its electricity from one or more third-party providers. These suppliers will be responsible for procuring the mix of resources, including renewable energy, needed to meet OCPA's portfolio requirements and provide cost-effective electricity.

The figure below shows the forecasted monthly power costs for block energy estimated by MRW and the heavy load hours (HLH) and light load hours (LLH) used in the Implementation Plan. The figure shows that the Implementation Plan estimates are similar in pattern and value to MRW's estimate for block power and therefore appear reasonable.

Figure 1. Implementation Plan Assumed Cost of Power



Cost of Renewable Power. OCPA anticipates purchasing a minimum of 50% of renewable energy by 2026, 60% of renewable energy by 2030, and 100% carbon-free energy by 2045, as mandated by California law. To achieve these Renewable Portfolio Standards (RPS) goals, OCPA will secure renewable power supply from third-party electric suppliers, potentially supplementing these renewable power contracts with direct purchases off renewable energy from renewable energy facilities or from renewable generation owned by OCPA.

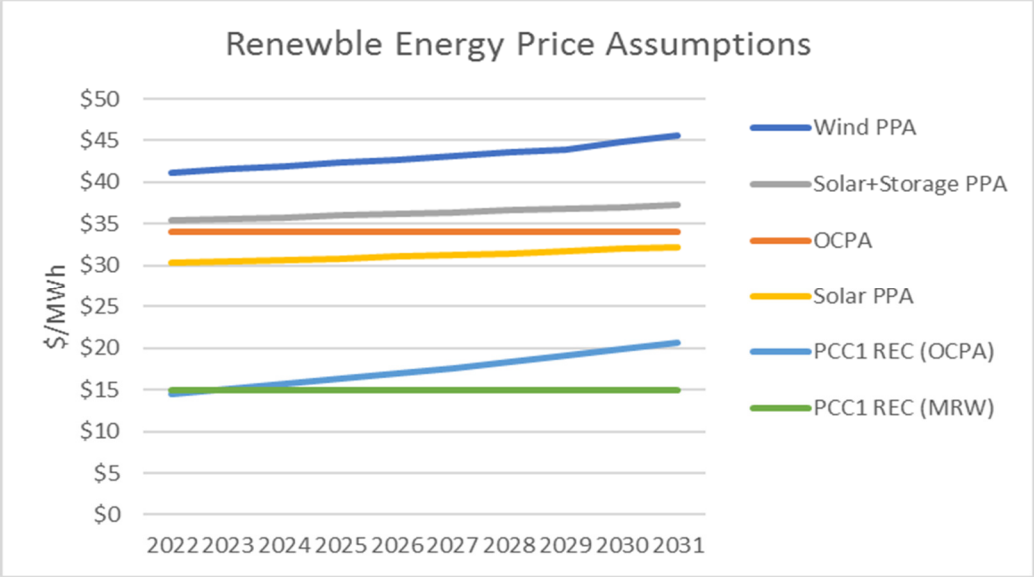
The renewable energy OCPA plans to procure would come bundled with its individual clean energy attributes in the form of Renewable Energy Credits (RECs). RECs are tradable instruments, with each individual REC representing one megawatt hour of renewable energy generated. In California, there are different types of RECs. The most stringent is the "PCC-1" REC. These RECs require that the associated renewable power be directly provided into the California power grid. This is in contrast to the more generic PCC-3 REC, where the renewable power need not be used in California but generated elsewhere. The State sharply limits the use of these PCC-3 RECs, and the OCPA Implementation Plan's use of RECs is strictly limited to the stringent PCC-1 type.

Beyond these RECs, the OCPA Implementation Plan says it will secure renewable power from third-party suppliers, with the potential of supplemental procurement from other renewable facilities or OCPA-owned renewables. OCPA acknowledges in its implementation plan that transmission access cost and transmission congestion cost risks must be considered in any bid evaluation if the delivery point for electricity is outside of OCPA's load zone.

The figure below shows the projected average annual renewable power costs based on current reported renewable contract prices from other load-serving entities, including California CCAs

and municipal utilities.[11] The Implementation Plan assumes a flat price of $34 per MWh for renewables across all years (orange line). The price used in the Implementation Plan falls between expected price for a solar plus storage PPA (gray line) and a solar PPA. (yellow line). The Implementation Plan's assumed PCC1 REC price starts at about the same level as MRW's projection but escalates modestly with time.

Figure 2 Implementation Pland and MRW Renewable Price Assumptions



Overall, the Implementation Plan's forecast of renewable energy purchasing and pricing is reasonable.

Cost of Resource Adequacy. Resource Adequacy, or "RA," is a state-mandated system whereby each load-serving entity (e.g., utility, CCA) must demonstrate that they have contracted with sufficient resources to keep the state's power grid reliable. To satisfy RA standards, OCPA will need to demonstrate one year in advance that it has secured physical capacity for 90 percent of its projected peak summer loads plus a minimum 15 percent reserve margin. It must also demonstrate 100 percent of the peak load plus a 15 percent reserve margin on a month-ahead basis. Up until 2023, each load-serving entity must also ensure that a fraction of the physical resource with which it has contract are located within certain local areas ("Local RA") where transmission constraints require power plants/generators to be located within that area so as to maintain reliable service. After 2023, SCE will be in charge of purchasing the entire amount of required local RA on behalf of all load-serving entities, including any CCAs in their jurisdictions. Therefore, local RA will be purchased on behalf of OCPA and other CCAs

[11] https://emp.lbl.gov/sites/default/files/2020_utility-scale_solar_data_update.pdf

by SCE within its service territory, and thus saving the CCAs the cost of procuring this resource themselves.

Although OCPA acknowledges that a portion of their capacity requirements must be procured locally (from the SCE jurisdictional area), its implementation plan does not take into account the transition to SCE as the procurer of local RA after 2023.change in Local RA policy. This means that the Implementation Plan is overstating the costs for RA in 2023 and thereafter.

The Implementation Plan's projected costs for RA are based on publicly available documents from the CPUC.[12] While this is the best publicly available source, the amount the CCA's have had to pay for RA in in 2019 and 2020 are about 20-30% higher than the Implementation Plan's assumption. Thus, MRW finds the Implementation Plan's RA cost assumptions to be at the low end of reasonableness, but not conservative.

Administrative Costs The administrative and operating costs estimated by ESS for its pro forma analysis (2021 – 2031) for the Implementation Plan include costs for data management, a scheduling coordinator, SCE fees, consulting services, staffing, general & administrative expenses, and debt service payment on financing. The OCPA Implementation Plan thoroughly presents what types of activities a new CCA program should expect along with providing reasonably detailed estimates for the costs of those activities.

Financing. OCPA anticipates "one or more rounds of financing, inclusive of prospective direct term loans between OCPA and its Member Agencies, will be necessary to support OCPA Program implementation," with any subsequent capital requirements met through OCPA's accrued financial reserves. MRW understands that "loans from its Member Agencies" refers to the $2.5 million loan from the City of Irvine. OCPA currently projects repaying this loan by 2027, subject to change based on final power prices. OCPA projects that its full start-up and working capital requirements will be $15.5 million, or $13 million beyond the Irvine loan. The OCPA Implementation Plan assumes that the remaining financing will be primarily via a short-term loan or letter of credit, which would allow OCPA to draw cash as required. Requisite financing would need to be arranged no later than the first quarter of 2021.

MRW finds the start-up cost estimate to be reasonable, but the working capital amount to be low. The OCPA Implementation Plan assumes 30 days of cash or line of credit. MRW expects that a financer would require at least 60 days of working cash. Second, MRW notes that in addition to the loan by Irvine, OCPA's financer will likely require a guarantor to any short-term loan or line of credit. This responsibility will likely have to be taken upon by an OCPA Member or Members.

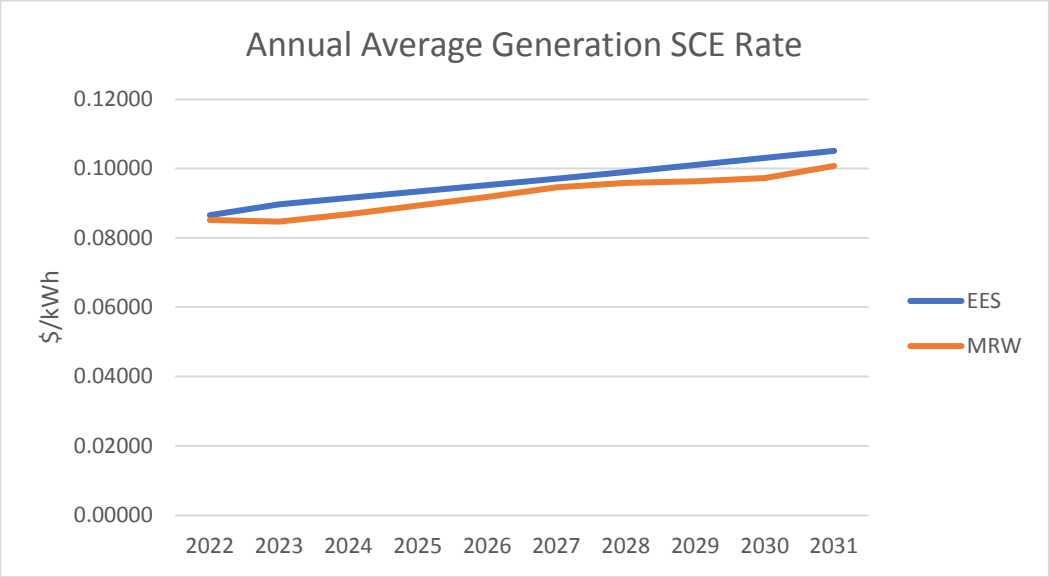
SCE Generation Rates. OCPA's goal is to offer customers competitive electric rates compared to SCE. OCPA plans to offer rate options for a higher proportion of renewable energy and reduced GHG emissions compared to SCE while also offering rates that are lower than SCE's

[12] CPUC Energy Division, "Calculation of the Market Price Benchmarks for the Power Charge Indifference Adjustment Forecast and True Up," November 2, 2020

bundled rates. The base rate tariff offered OCPA will meet the state's renewable energy mandate, while the other tariff options will offer customers electricity based on 50% or 100% renewable energy. The initial rates offered by OCPA will be set at a discount to SCE's rates, with the discount level depending on the default product chosen by the member agencies of OCPA.[13] Any rate differences between customer classes will be based on the rates charged by SCE and costs differences in serving each class. Additionally, rate benefits may differ among customers based on OCPA's rate designs.

The figure below shows the forecasted annual average generation rate for SCE estimated in the OCPA Implementation Plan and by MRW. It is important to note that the SCE generation rate estimate likely does not reflect the advent of SCE as the central procurement entity for local RA on OCPA's behalf after 2023. While the two are relatively consistent, MRW's is about 0.4¢/kWh lower than that shown in the implementation plan. A 0.4¢/kWh decrease in rates translates to a $13 million decrease in CCA revenue, which could, in some years, hamper the OCPA's ability to offer its target rate savings. However, as discussed below, these lower generation rates would be offset by the Implementation Plan's very conservative PCIA assumption.

Figure 3. Implementation Plan and MRW Projections of SCE Generation Rate



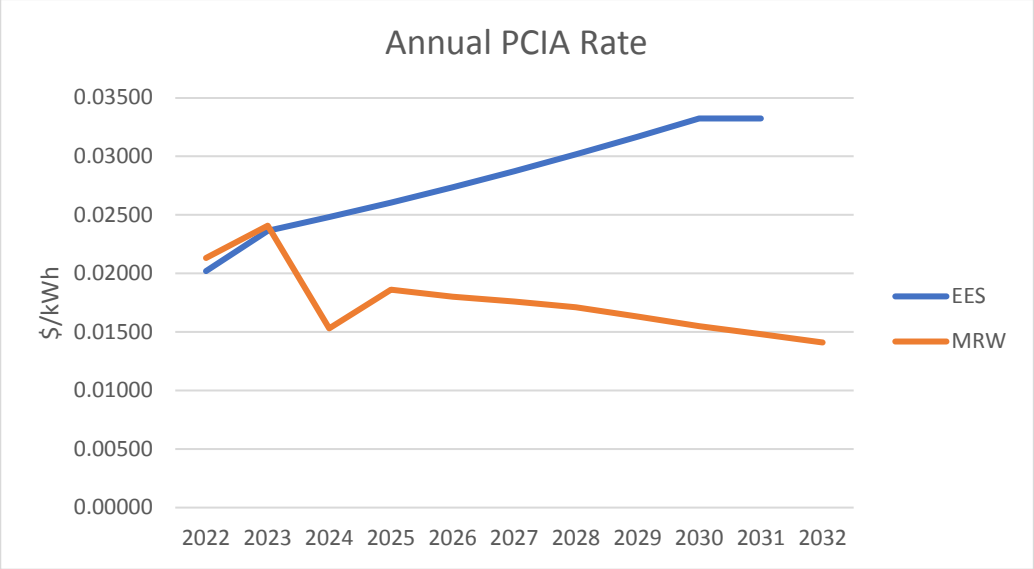
Power Charge Indifference Adjustment (PCIA). The PCIA is a fee charged to CCA customers by SCE (and other incumbent utilities) to ensure that remaining utility customers are not impacted by cost increases due to customers who have departed for CCA service. More

[13] OCPA plans to base its initial rates at launch on default SCE TOU rates.

specifically, it pays for the above-market costs of SCE generation resources that were acquired, or which SCE committed to acquire, prior to the customer's departure to CCA. Bundled customers also pay the PCIA, but it is embedded into the commodity portion of their total rate. The value of the PCIA charged to customers is dependent on the year that they departed or "vintage." CCAs are sensitive to the value of the PCIA since high values could potentially cause CCA customers to pay more for electric service than if they stayed with SCE.

The figure below shows the forecasted annual PCIA rate contained in the Implementation Plan compared to the rate estimated by MRW's forecast. The the Implementation Plan's PCIA rate is much more conservative than MRW's forecast, with the rate reflecting a straight escalation approach versus the bottoms-up modeling approach used by MRW. This conservative approach used for the Implementation Plan removes the risk that OCPA will underestimate the impacts of the PCIA on their rates.

Figure 4. Implementation Plan and MRW Projections of SCE PCIA Rate



Is the OCPA likely to be financially viable?

Based on our review of the OCPA Implementation Plan, our financial feasibility analysis of a stand-alone Lake Forest CCA to date, and our analysis conducted for the City of Huntington Beach, MRW believes that the OCPA is, in the long run, financially viable. However, we believe that OCPA's may not be able to offer rate savings in the first few years of operation. This is because of SCE rates (including the PCIA), the need to pay off its start-up debts, and the need to build up financial reserves.

Part 3: CCA Options Available to Lake Forest[14]

Lake Forest's three primary options for community choice aggregation (CCA) are: joining the Orange County Power Authority (OCPA); forming a stand-alone Lake-Forest only enterprise-based CCA; or forming a Lake Forest CCA and joining the CalChoice Energy Authority. The primary benefits of either of the Lake Forest-only CCA options are more local control over procurement practices and budgets and services better tailored to Lake Forest. The primary benefits of joining with OCPA are foregoing the need to provide upfront financing for the CCA's startup process, less potential financial exposure to the City as the JPA will be a financially distinct entity, economies of scale which can translate into lower average operating costs and reduced administrative burdens.

Both the city enterprise model and the JPA create entities that are independent of the City's finances and offer protections to the city's general fund. The JPA model's independence is demonstrated by a number of CCAs[15] getting investment grade credit ratings independent of their member cities and counties. Still, no CCA has experienced serious financial difficulties, so how much a CCA could financially lean on its constituent members has never been tested.

Forming a Single City Agency

In a sole jurisdiction approach, the City maintains full flexibility—and responsibility—for developing policies and procedures. This means that they can be specifically tailored to and responsive to the City's stakeholders and constituents and based upon their own objectives. The City would be responsible for setting policy priorities in general and making specific decisions about power generation, staffing policies, local economic development activities and strategies, formulation of financial and debt policies, and development of customer-focused programs, such as those promoting energy efficiency, electric vehicles (EV), and distributed generation (e.g., rooftop solar PV). Along with greater autonomy, the City would assume all risk, liability, and costs associated with operating the CCA. In this case, the likely path would be for the City to establish the CCA as an enterprise, and work with appropriate legal counsel to explore options for controls and structural safeguards to financially insulate the CCA and minimize risk to the City's general fund.

Enterprises are commonly used for public utilities such as electric, water and wastewater, or other city functions where a public service is operated and provided in a manner similar to a separate business enterprise. Fees and charges are collected for services provided and accounting and budgeting are separate from a city's general fund. Establishing an enterprise provides management and CCA customers with visibility and accountability, and the ability to more easily separate and measure performance, analyze the impact of management decisions,

[14] This chapter is generally duplicative of the analogous chapter in MRW's report, "Technical Assessment of Community Choice Energy for the City of Lake Forest."
[15] E.g., Marin Clean Energy (Fitch "BBB+"), Central Coast Community Energy (S&P "A"), Peninsula Clean Energy (Moody's "Baa2")

determine the cost of providing electric service, and use this information to develop electric rates and services. Enterprise accounting would allow the City to demonstrate to customers, the public, and other stakeholders that the cost of power is being recovered through its rates, and not being subsidized or comingled with other City funds or functions.

Within the city-only option, the Lake Forest CCA would have to determine if it is to be a fully in-house operation with existing or added City staff, or if the City would outsource some of or all of the activities, with the City only administering contracts and managing vendors. Examples of some of the categories of operating activities that would need to be performed in-house or outsourced:

- Power procurement and operations
- Finance, budgeting, and accounting
- Coordinating with SCE on billing
- Customer service
- Communications, outreach, and public relations
- Customer service programs (EE, EV, or rooftop solar PV)
- Regulatory monitoring and compliance (e.g., CPUC filings)

The likely best short-term option would be to outsource the highly technical functions and maintain some of the management, planning, and other public-facing functions, like communications, in-house. The range of options depends upon the degree of operating control the City wishes to maintain, the costs associated with maintaining those functions, and the degree of risk it is willing to accept on its own, or delegate to third-party providers to assume these responsibilities.

If the Lake Forest CCA were to pursue additional services, it would require at least one or two managers, supported by analyst professionals, some of whom could be shared with other Lake Forest departments.

Joining a Joint Powers Agency (generically)

The second option would be the formation of a JPA, where the JPA is an independent agency that operates on behalf of the public agencies which are party to its creation. In this approach, the City effectively shares responsibility with the other agencies participating in the JPA. The divisions of these responsibilities and the sharing of decision-making authority would be determined at the time the JPA is created. Other critical ‘ground rules’ are negotiated and memorialized, such as financial and possibly staffing commitments of each participating agency, and the composition of the board and voting procedures.

The JPA structure reduces the risks of implementing a CCA program for the City by completely separating its books from the financial assets and liabilities of the City and the other participating agencies, and distributing the risks and costs associated with the CCA among the participating entities. It could also provide the benefits of scale and economy for certain aspects of CCA operation, such as power procurement or back office billing and accounting functions.

Key tradeoffs to the benefits of a JPA are that decision making is allocated amongst the parties and management independence is diminished. Objectives of participating agencies will likely differ, and reduced autonomy can manifest when setting priorities for local generation, economic development activities, and importance of support programs.

Joining CalChoice Energy Authority

CalChoice Energy Authority (CCEA) is described as a "hybrid" JPA, where the JPA provides requested services to its member CCAs but does not control any of its general policies or programs.[16] More specifically, CCEA provides to its members, as desired:

- Power, including contract procurement, portfolio management, load forecasting and scheduling, and complying with and demonstrating procurement-related regulatory requirements (e.g., resource adequacy, renewables, etc.).
- Regulatory and compliance support, including preparing and filing compliance reports to the California Public Utilities Commission, the California Energy Commission, and the California Independent System Operator; and general regulatory advocacy.
- Billing and data management, including interface with SCE and call center operations.
- Treasury, including CAISO invoice validation, rate design development, and risk management.

Thus, CCEA is effectively a non-profit outsource for all of the detailed activities of a CCA. This is a good match for smaller cities who are interested in local control of the CCA but not interested in bringing in-house the day-to-day management needed to operate a CCA.

CCEA members that are providing power are: Lancaster Choice Energy, San Jacinto Power, Pico Rivera Innovative Municipal energy, Rancho Mirage Energy Authority, and Apple Valley Choice Energy, Baldwin Park Resident Owned Utility District and Pomona Choice Energy. The cities of Commerce, Palmdale and Santa Barbara are members but have yet to begin service.

All of the city-only CCAs in SCE's territory are CCEA members. This makes sense, in that they are all small. Only one, Lancaster Choice Energy, serves more load than would be served by a Lake Forest CCA.

Were it to join CCEA, Lake Forest would be responsible for setting policies, setting rates, marketing and customer outreach, and the implementation of any desired local programs. It would also still have to provide any start-up loans and any collateral or loan guarantees needed to acquire financing.

The CCEA Board of Directors is the Lancaster City Council. The actual services provided by CCEA are via contractors and consultants supervised by City of Lancaster personnel (e.g., Lancaster City Manager, Lancaster Choice Energy's Executive Director.) Thus, CCEA's administrative simplicity (the city not having to acquire expertise or expert contractors) is a traded off against the fact that Lake Forest would have to accept the contractors and service

[16] *See*, https://californiachoiceenergyauthority.com/

providers selected by CCEA. The bottom line is that CCEA is by design more of a client-Lake Forest would remain fully in control of the power that the JPA purchased on its behalf as well as which services the JPA provides to the City.

Comparison of Lake Forest Options

The table below qualitatively compares Lake Forest's three CCA options against remaining with SCE. First, MRW cannot project any quantifiable difference in rate or GHG savings between the three CCA options. The stand-alone and CCEA options offer greater flexibility and control, but at the price of higher start-up costs, greater staff effort, and higher financial risk. Lastly, remaining with OPCA is the quickest option, allowing CCA formation at least one year sooner than the other two options.

Table 3. Comparison of Lake Forest CCA Options

Criterion	Join OCPA	Use CCEA JPA	Stand-alone Enterprise	Stay with SCE
Rates	Comparable/ modestly lower	Comparable/ modestly lower	Comparable/ modestly lower	Base
GHG Reduction Potential Over Forecast Period	Some	Some	Some	Base
Local Control/Governance	Some	Greater	Greatest	None
Local Economic Benefits	Some	Greater	Greatest	Minimal
Start Up Costs/Cost to Join	None	Some	Greatest	None
Level of Effort	Minimal	Some	Greatest	None
Timing (earliest)	2022	2023	2023	N/A

ATTACHMENT 2

Technical Assessment of Community Choice Energy for the City of Lake Forest

Prepared by:

MRW & Associates, LLC
1736 Franklin Street, Ste 700
Oakland, CA 94612

February 11, 2021

This report was prepared by MRW & Associates. MRW has been working on Community Choice Aggregation (CCA) issues since they were authorized by the California State Legislature in 2002. MRW has prepared and critiqued numerous CCA feasibility plans and is providing rate forecasting and other ongoing support to CCAs throughout the state.

This Study is based on the best information available at the time of its preparation, using publicly available sources for all assumptions to provide an objective assessment regarding the prospects of CCA operation in the City. It is important to keep in mind that the findings and recommendations reflected herein are substantially influenced by current market conditions within the electric utility industry and state regulations, both of which are subject to sudden and significant changes.

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List of Acronyms

AB	Assembly Bill
BNI	Binding Notice of Intent
C&I	Commercial and Industrial
CAISO	California Independent System Operator
Cal-CCA	California Community Choice Association
CCA	Community Choice Aggregator/Aggregation
CCEA	California Choice Energy Authority
CEC	California Energy Commission
CO2e	Carbon Dioxide Equivalent
CPA	Clean Power Alliance
CPUC	California Public Utilities Commission
CRS	Cost Responsibility Surcharge
CTC	Competition Transition Charge
DA	Direct Access
DEG	Distributed Energy Generation
DOE	Department of Energy
EE	Energy Efficiency
ESP	Energy Service Provider
EV	Electric Vehicle
FERC	Federal Energy Regulatory Commission
FiT	Feed-in-Tariff
GGRP	Greenhouse Gas Reduction Program
GHG	Greenhouse Gas
GTSR	Green Tariff Shared Renewable
GTSR-GR	Green Tariff Shared Renewable - Green Rate
GWh	Gigawatt Hour
IOU	Investor-Owned Utility
IRP	Integrated Resource Planning
kW	Kilowatt
kWh	Kilowatt Hour
LSE	Load Serving Entity
MCE	Marin Clean Energy

MT	Metric Ton
MWh	Megawatt Hour
NREL	National Renewable Energy Laboratory
O&M	Operations and Maintenance
OCPA	Orange County Power Authority
PCIA	Power Charge Indifference Adjustment
PG&E	Pacific Gas & Electric
POLR	Provider of Last Resort
PPA	Power Purchase Agreement
PPP	Public Purpose Program
PSPS	Public Safety Power Shutoffs
PV	Photovoltaic
RA	Resource Adequacy
REC	Renewable Energy Credit
RFP	Request for Proposal
RPS	Renewable Portfolio Standard
SB	Senate Bill
SC	Scheduling Coordinator
SCE	Southern California Edison
SDG&E	San Diego Gas and Electric
SJCE	San Jose Clean Energy
SVCEA	Silicon Valley Clean Energy Authority

Executive Summary

The City of Irvine has extended an invitation to Lake Forest to become a member of the new Community Choice Aggregation (CCA) program it is spearheading, the Orange County Power Authority (OCPA).[1] Other cities which have committed to the OCPA include Fullerton, Huntington Beach, and Buena Park. Like Lake Forest, they too have the opportunity to withdraw from the JPA on or before April 1 (originally March 1).

Lake Forest retained MRW & Associates (MRW) to review the technical elements of the OCPA foundational documents provided to the City. This analysis is provided in the report, "Review of Orange County Power Authority Foundational Documents and CCA Options for the City for Lake Forest." The City also tasked MRW to analyze the feasibility of Lake Forest forming its own stand-alone CCA rather than joining OCPA. This report addresses that second task.

Main Findings

The general conclusions of this study are as follows:

1. MRW's analysis finds that a stand-alone Lake Forest only CCA program could be financially feasible. That is, over the long run the CCA would likely be able to offer its residents and businesses power that is priced at or a few percent lower than that offered by Southern California Edison (SCE).

2. The financial margins are the smallest during the first years of operation, due to the initial investment in startup costs, loan repayments, and SCE rates. In fact, under some assumption sets—higher than forecast wholesale power prices or lower than forecast SCE rates—the Lake Forest CCA might not be able to meet SCE's rates in the first one to three years.

3. Because of economies of scale, our analysis suggests that the Orange County Power Authority would likely have slightly lower average costs to serve than a stand-alone Lake Forest CCA. On the other hand, there is no correlation between the size of the existing CCAs and the rate discounts that they currently offer. This suggests that other operational decisions have a larger impact on the rate savings that the CCA's size.

4. CCA formation is not risk-free. A Lake Forest CCA will be participating in a competitive power market and subject to evolving state requirements and regulations. While a rate discount should be achievable in the long run, market prices and SCE rate volatility could combine to, in some isolated years, occasionally prevent the CCA from offering lower rates than SCE.

5. Lake Forest has a number of CCA options beyond remaining in OCPA. First, Lake Forest can withdraw from OPCA now and potentially join it a few years later after OCPA has demonstrated its viability. Doing so would forgo the opportunity to have a

[1] CCA is also called "Community Choice Energy," or "CCE."

seat on the OCPA Executive Committee as well as not share in any rate discounts that OCPA might achieve in its first years.

If Lake Forest choses the city-only CCA path, it will need to carefully weight the financial implications for the city, as it would have to provide start-up funding and loan collateral and guarantees, against the independence and control that a Lake Forest only CCA would afford.

CCA Background

California Assembly Bill 117, passed in 2002, established Community Choice Aggregation (or Community Choice Energy) in California, for the purpose of providing the opportunity for local governments or special jurisdictions to procure and provide electric power for their residents and businesses. Under existing rules administered by the California Public Utilities Commission (CPUC) an investor-owned utility (IOU), such as Southern California Edison (SCE), must use its transmission and distribution system to deliver the electricity supplied by a CCA in a non-discriminatory manner. That is, it must provide these electricity delivery services at the same price and at the same level of reliability to customers supplied by a CCA as it does for its own full-service customers.

CCAs are now quite common in California. There are currently 23 CCAs providing power in the State, with at least another half-dozen planning on doing so in the next two years. CCAs are expected to serve over 63 gigawatt-hours (GWhs) in the State by the end of 2021, with some projecting that by the mid-2020s between 50 to 80 percent of the load in the three main IOU service territories will be served by non-utility entities (CCAs and Direct Access providers).

Lake Forest and OCPA's Electric Loads

Table ES-1 shows that Lake Forest's and OCPA customer count and load. Lake Forest's customers are predominantly residential: 85% of the accounts and 40% of the load. Unlike OCPA, Lake Forest has very little large commercial/industrial load: only about 15% versus almost 25% for OCPA.

Table ES-1. Potential Lake Forest and OCPA Customers and Associated Load (2019)

	Lake Forest		OCPA (Total)	
	Customers	Annual Load (MWh)	Customers	Annual Load (MWh)
Residential	28,534	182,617	288,041	1,579,280
Small Commercial	3,477	39,995	32,138	368,188
Medium Commercial	636	149,515	6,216	1,452,384
Large Commercial & Industrial	20	78,249	191	1,028,396
Other*	331	8,548	4,032	82,769
Total	32,998	458,925	330,617	4,511,017

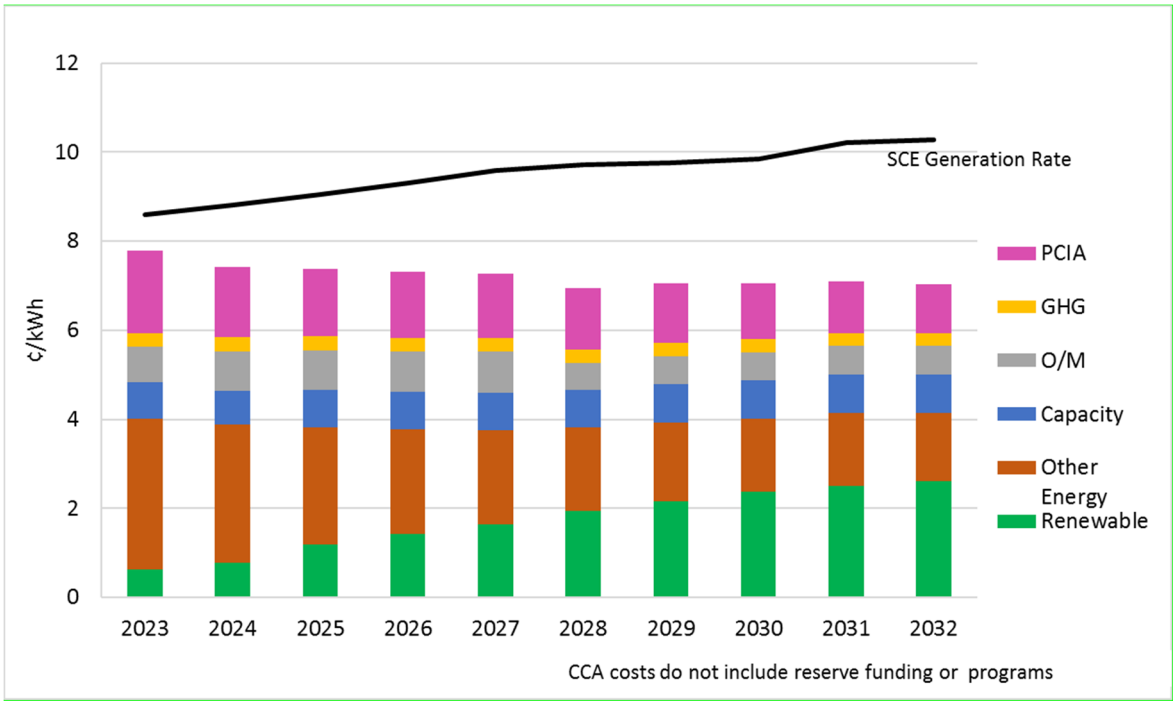
*e.g., streetlights, traffic control, agriculture/pumping.

Financial Results

Figure ES-3 shows the forecast of average MRW-modeled OCPA costs and SCE's generation rates. The bars in the chart show the forecasts of the major cost components of CCA operation, while the single line shows the forecast of SCE's generation rate. When the bars are below the black line, the CCA's average operating costs will be below the SCE generation rate; meaning that it can offer power to customers at a rate lower than or competitive with SCE. As is clearly seen in the figure, the average cost of power provided by the CCA is consistently below the SCE generation rate, although much closer in the first few years of OCPA operation.

The bottom-most green segment represents the cost of renewable power to the CCA. The brown segment is for the costs of non-renewable, wholesale market power. This segment slowly decreases, as renewable power increases. (Because renewables are currently more costly than market power, the analysis assumes OCPA will initially meet the State's minimum renewable power content requirement and ramp up as the requirements increase). The light blue segment is for capacity. That is, the CCA must demonstrate that it has the generating capacity (in megawatts) to ensure that it can serve all its load. The gray segment is for debt service, operations, franchise fees, and uncollectibles. The yellow segment is for carbon cap and trade allowances. Note that for practical purposes, the cost of carbon cap-and-trade allowances would be built into the purchase price of natural gas-fired market resources. However, because it is an important variable on its own, the costs are shown separately.

Figure ES-3. Average Lake Forest CCA Cost Projection versus SCE Generation Rate



The top-most pink segment is for the Power Charge Indifference Adjustment (PCIA), a fee paid to SCE to ensure that the operation of the CCA does not strand SCE's remaining bundled customers with costs associated with power purchased on behalf of customers who have shifted to the CCA.

Table ES-2 shows the "margin" between the CCA's costs (including the PCIA) and SCE's generation rate (i.e., the difference between the top of the CCA cost columns and the SCE generation rate line in the above figure). The margin between the CCA's cost and SCE's generation rates need not go fully to offering rate savings. In fact, during the first few years, the CCA's set their rates so that most of the margin between their ongoing costs and SCE's generation rates is set aside for financial reserves and paying down the initial startup loans. Once the financial reserve targets are met and the start-up loans paid off, CCAs typically use a portion of the margin for programs serving their residents and businesses, purchasing greater amounts of renewable power, and providing greater rate discounts that could be offered during the first years. It is up to the CCA Board of Directors to balancing these competing uses (i.e., rate discounts, programs, financial reserves, and greener power).

Table ES-2. Projected Lake Forest CCA Margins*

	2023	First 3 years (2023-2025)	First 5 years (2023-2027)	2nd 5 years (2028-2032)	10-Years (2023-2032)
¢/kWh (average)	0.8	1.3	1.6	2.9	2.3

*Without rate savings, reserve contributions or program funding

Lake Forest Only CCA Versus Joining OCPA

Lake Forest's three primary options for CCA are: joining the OCPA; forming a stand-alone Lake Forest-only enterprise-based CCA; or forming a Lake Forest CCA and joining the CalChoice Energy Authority (CCEA). CCEA is a "hybrid" JPA, where the JPA provides services to its member CCAs but does not control any of its general policies or programs.[2] This is a good match for smaller cities who are interested in local control of the CCA but not interested in bringing inhouse the day-to-day management needed to operate a CCA.

The primary benefits of either of the Lake Forest-only CCA options are more local control over procurement practices and budgets, and services better tailored to Lake Forest. Joining with CCEA greatly reduces the administrative burden relative to keeping all the CCA activities in-house in Lake Forest. The primary benefits of joining with OCPA are foregoing the need to provide upfront financing for the CCA's startup process, less potential financial exposure to the

[2] *See*, https://californiachoiceenergyauthority.com/

City as the JPA will be a financially distinct entity, economies of scale which can translate into lower average operating costs and reduced administrative burdens.

Because stand-alone Lake Forest CCA would be a relatively small CCA while OPCA would be one of the largest, the question arises if there significant scall economies to be captured via OCPA. In principle, OCPA would be better positioned than a Lake Forest CCA as a wholesale power buyer, as it could negotiate larger deals and be able to diversify its portfolio more easily than a small Lake Forest CCA. Additionally, OCPA would be able to spread common fixed costs across greater load and thus reduce the average impact on rates of fixed costs.

For the City of Huntington Beach, MRW conducted an analogous financial analysis for the full OCPA.[3] That analysis and the one presented here for Lake Forest differed in the assumed load and customer type, start date, and administrative cost, but used the same underlying power costs and SCE rates. Thus, by comparing the results of the two analyses, we can see any potential scale economy benefits of OCPA relative to Lake Forest.

A comparison of the key results is shown in Table ES-3. The table shows that because of economies of scale, the OCPA would have modestly lower average cost of service than the much smaller Lake Forest.

Table ES-3 Forecast Costs, OCPA and Lake Forest CCA (first five years, aveage)

	OCPA	Lake Forest
Annual Load GWhs	4,500	460
Average Cost, ¢/kWh		
Debt Service on startup loan	0.3	0.4
Admin Cost	0.2	0.5
Power Cost	4.9	5.0
Annual Cost of Service*	5.4	5.9
Avg. SCE Generation Rate, c/kWh	8.9	9.1
Avg. SCE PCIA, c/kWh	1.6	1.6
Avg. margin, CCA – SCE, c/kWh**	**1.9**	**1.6**

*Does not include contributions to financial reserves or programs.
**Includes PCIA and reflects different weighted average SCE generation rates

[3] This analysis was conducted for the City of Huntington Beach and can be found at: https://huntingtonbeach.legistar.com/View.ashx?M=F&ID=9094702&GUID=3503CBC4-6DB2-445F-81E0-7820DCEF5821

Introduction

The City of Irvine has extended an invitation to Lake Forest to become a member of the new Community Choice Aggregation (CCA) program it is spearheading, the Orange County Power Authority (OCPA).[4] Other cities which have committed to the OCPA include Fullerton, Huntington Beach, and Buena Park. Like Lake Forest, they too have the opportunity to withdraw from the JPA on or before April 1 (originally March 1).

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Background

What is a CCA?

California Assembly Bill 117, passed in 2002, established Community Choice Aggregation in California, for the purpose of providing the opportunity for local governments or special jurisdictions to procure and provide electric power for their residents and businesses.

Under existing rules administered by the California Public Utilities Commission, an investor-owned utility (IOU) must use its transmission and distribution system to deliver the electricity supplied by a CCA in a non-discriminatory manner. That is, it must provide these delivery services at the same price and at the same level of reliability to customers supplied by a CCA as it does for its own full-service customers. By state law, an IOU also must provide all metering and billing services, its customers receiving a single electric bill each month from the IOU, which would differentiate the charges for generation services provided by the CCA as well as charges for IOU delivery services. Money collected by the IOU on behalf of the CCA must be remitted in a timely fashion (e.g., within 3 business days).

As a power provider, the CCA must abide by the rules and regulations placed on it by the state and its regulating agencies, such as maintaining demonstrably reliable supplies and fully cooperating with the State's power grid operator. However, the State has no rate-setting authority over the CCA; the CCA may set rates as it sees fit so as to best serve its constituent customers. This is in contrast to SCE, which requires approval by the California Public Utility Commission to set its rates.

Per California law, when a CCA is formed all the electric customers within its boundaries will be placed, by default, onto CCA service. However, customers retain the right to return to SCE service at will, subject to whatever administrative fees the CCA may choose to impose—typically $5 for a residential customer and $25 for a non-residential customer.

[4] CCA is also called "Community Choice Energy," or "CCE."

Typical CCA Objectives

The feasibility of a CCA program is a function of that program's ability to meet the sponsoring city's or JPA's goals and objectives. This section lays out the typical CCA goals and objectives and how they might apply to Lake Forest.

Rate Competitiveness and Financial Stability

Like most CCAs, OCPA has set a goal to offer rates that are competitive with the projected generation rates offered by the incumbent electric utility, Southern California Edison (SCE). "Competitive" here means that the CCA, over the long run, could offer rates that are equal to or less than those offered by SCE. It does not mean that in every year a specific rate savings is offered. In fact, some CCAs have had to offer rates slightly higher than those offered by their host utilities during one or more of their first few years. We note that they did not experience significant opt-outs because of this.

CCAs also intend to offer long-term rate stability to its customers as well as maintain its own financial condition. This could be accomplished through conservative phasing in of customers and projects; establishing and maintaining appropriate lines of credit and financial reserves; and contracting with only experienced and financially solid providers of goods and services.

Greenhouse Gas Reduction

Particularly for the early CCAs, reducing carbon emissions has been a priority. Some, such as Silicon Valley Clean Power, plan to offer only 100% renewable power to their customers by the end of the decade. A CCA, if it is financially able and so chooses, can contribute to the City and regional greenhouse gas (GHG) reduction goals.

It must be noted that California is moving toward a carbon-free electricity policy. Senate Bill 100, which was signed into law by Governor Brown on September 17, 2018, increases the renewable power content requirement of all retail power providers, including utilities and CCAs, from 50% to 60% by 2030. The bill also says, "that it is the policy of the state that eligible renewable energy resources and zero-carbon resources supply 100% of retail sales of electricity to California end-use customers by December 31, 2045," and that all state agencies regulating electricity build this goal into their planning. This effectively means that the difference between the electricity carbon content of the CCA following the City's CAP and remaining with status quo utility service may not be significant.

Additional Objectives

In addition to reducing costs and GHG emissions, a CCA can also serve as a vehicle to pursue other objectives that benefit the City, its residents, and businesses. Examples of additional objectives could include the following:

Economic development. A CCA can potentially contribute to local economic development in two ways. First, if the CCA offers reduced electricity rates, additional dollars can flow into the local economy as households and businesses spend their incomes on items and services other

than electricity. Second, the CCA can offer programs that allow households and businesses to reduce their power consumption, such as energy efficiency and distributed energy resources.

Local jobs and employment. Beyond the potential jobs that could result from the economic stimulus of possibly lower rates, the CCA can more directly incentivize and support local job creation. This includes employing residents in CCA administration, using local contractors for energy efficiency programs, and distributed energy generation (e.g., rooftop solar installers and maintainers). The CCA can also partner with local community colleges and/or trades apprenticeship programs to support quality local job opportunities.

Prioritization of renewable power development. Beyond support of locally sited distributed energy generation ("DEG," e.g., rooftop solar), a CCA may prioritize siting larger, grid connected DEG and utility-scale renewable projects locally.

Local citizen input and participation. A primary purpose of a CCA is to better reflect its community's interests and values than a large-scale, investor-owned utility like SCE can. This is illustrated in the CCA's objective of supporting the City's CAP. However, it can go beyond this; the CCA can commit to creating opportunities for citizens to provide input into its programs and policies.

How are CCAs financially competitive with the utilities?

All but two active CCAs in California currently offer rates that are at or lower than their incumbent utility, be it SCE, Pacific Gas & Electric (PG&E), or San Diego Gas & Electric (SDG&E). CCAs' ability to do this, even with the exit fees (PCIA), is attributable to three factors. The two CCAs with rates currently higher than their incumbent utility, both emphasis environmental benefits and local services over rate savings. Even so, most of the tine even these two CCAs offer rates no higher than their utility.

First, the CCAs serving coastal areas do not have to serve as much air conditioning load as their incumbent utilities as a whole. (SCE serves inland regions that are much warmer than coastal areas, while coastal CCAs do not.) Because air conditioning loads often occur at the times of the day with the highest priced wholesale power, they are more costly to serve.

Second, the incumbent utilities have in their portfolios some relatively expensive, generally renewable, power purchase contracts. This raises the utilities' rates, but also begs the question of what happens when those contracts expire. Two things happen. Firstly, the Power Change Indifference Amount (PCIA) fee is reduced because it is the mechanism to capture the above-market costs of these expensive power contracts and pass them on to customers who were on utility service when the contracts were signed. Secondly, at worst, the utility will be participating equally in the same wholesale power and renewable markets as the CCA.

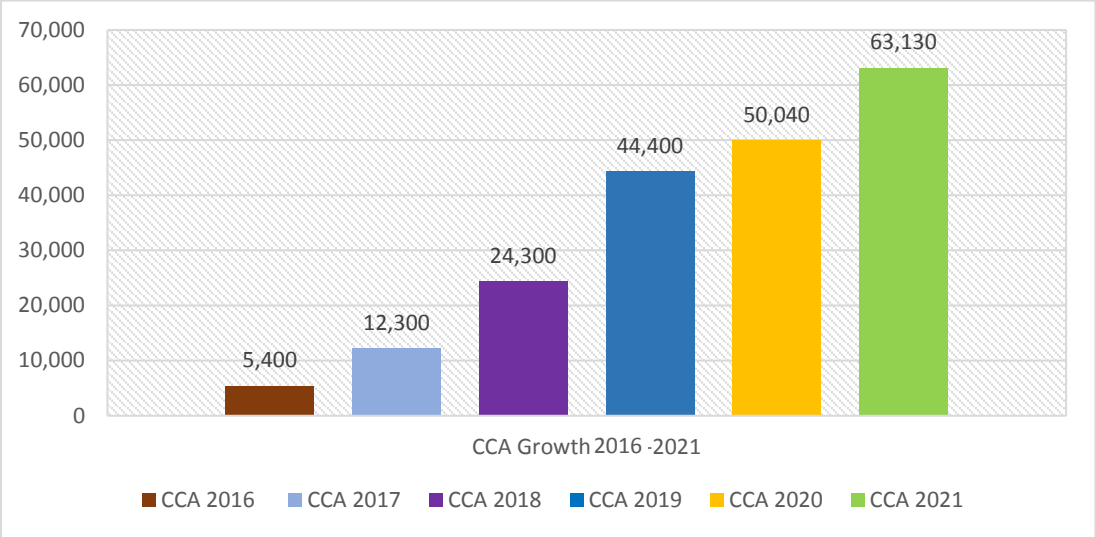
Third, the incumbent utilities are still under the jurisdiction of the California Public Utilities Commission (CPUC). This means that each and every power purchase contract the utility enters into goes through a cumbersome vetting process and must be approved by the full CPUC. Furthermore, the utilities must often comply with non-economic directives from the CPUC, which is why they have the expensive contracts in their portfolio in the first place. CCA

procurement is not so tightly bound by the state; they can be nimbler in responding to market movement and have much greater control over their purchasing, hedging, and risk management than the incumbent utilities. It is these latter points that give the existing CCAs confidence that they will be able to compete even after the higher-priced contracts in the incumbent utilities' portfolios expire.

Status of CCAs in California

Even though the enabling legislation was enacted in 2002, the first CCA to provide power, Marin Clean Energy (MCE), did not enroll customers until 2010. For the next five years, others investigated CCA formation, with a few early adopters stepping up in 2014 through 2016. As shown in Figure 1, once these early adopters showed that CCAs could work, the flood gates opened in 2017. By the end of 2021, CCAs are expected to serve over 63 gigawatt-hours (GWhs), with some projecting that by the mid-2020s between 50 to 80 percent of the load in the three main investor-owned utility service territories will be served by non-utility entities (CCAs and Direct Access providers).

Figure 1. California CCA Load Growth (2021 Forecast)



CCA Sizes and Organization

Table 2 lists the active CCAs in California, including those that have announced intended launches in 2021, along with their location and governance structure. As the table shows, most of the current CCAs are in PG&E's service area, but the growth in 2020 came from new CCAs in SCE's territory. Currently, there is only one small CCA in SDG&E's territory, Solana Energy Alliance, but two large JPAs in the San Diego region are intending to begin service in 2021.

The table also shows that the majority of CCAs are organized as joint powers authorities (JPAs). There are also many smaller cities in SCE's area that use the "JPA Light" model, in

which the CCA is technically a city enterprise that relies upon the California Choice Energy Authority (CCEA) to provide the technical operations. There are also three stand-alone city CCA enterprises, King City, San Francisco, and San Jose.

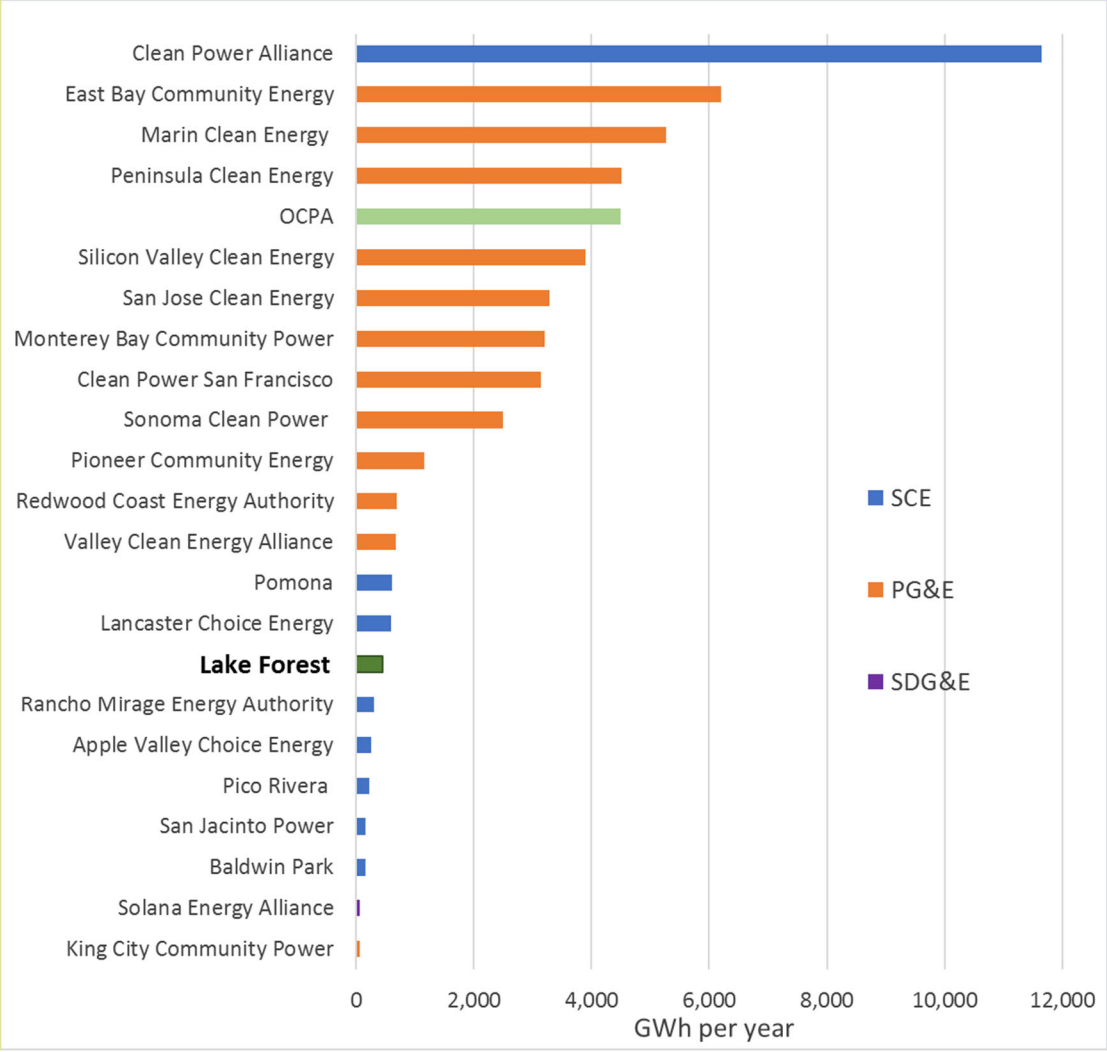
Table 2: CCAs in California

CCA	IOU	Type	Began Service	Load, GWh
CCAs Currently Delivering Power in California				
Clean Power San Francisco	PG&E	City	May 2016	3,135
East Bay Community Energy	PG&E	JPA	Jan.2018	6,200
Marin Clean Energy	PG&E	JPA	May 2010	5,275
Central Coast Community Energy	PG&E	JPA	March 2018	3,202
Peninsula Clean Energy	PG&E	JPA	Oct. 2016	3,600
Pioneer Community Energy	PG&E	JPA	2018	NA
Redwood Coast Energy Authority	PG&E	JPA	May 2017	699
San Jose Clean Energy	PG&E	City	Sept. 2018	3,286
Silicon Valley Clean Energy	PG&E	JPA	April 2017	3,898
Sonoma Clean Power	PG&E	JPA	May 2014	2,502
Valley Clean Energy Alliance	PG&E	JPA	Dec. 2016	682
King City Community Power	PG&E	City	July 2018	35
Clean Power Alliance	SCE	JPA	Feb. 2018	10,295
Apple Valley Choice Energy	SCE	City; CCEA	April 2017	260
Lancaster Choice Energy	SCE	City; CCEA	May 2015	600
Pico Rivera Innovative Muni'l Energy	SCE	City; CCEA	Sept. 2017	220
Rancho Mirage Energy Authority	SCE	City; CCEA	May 2018	300
San Jacinto Power	SCE	City; CCEA	April 2018	170
Desert Community Energy	SCE	JPA	April 2020	640
Western Community Energy	SCE	JPA	April 2020	1,285
Baldwin Park	SCE	City; CCEA	Oct. 2020	255
Pomona	SCE	City; CCEA	Oct. 2020	655
Solana Energy Alliance	SDG&E	City	June 2018	37
Planned Launch				
Orange Co. Power Authority	SCE	JPA	2022	4,000
San Diego Community Power	SDG&E	JPA	2021	6,800
Hanford	SCE	City; CCEA	TBD	285

CCA	IOU	Type	Began Service	Load, GWh
Drafted Ordinances for Implementation as Soon as 2022				
North SD County CCA	SDG&E	JPA	2022	2,750
City of Montebello	SCE	City; CCEA	2022	
Butte County	PG&E	JPA	2022	1,080

Figure 2 shows the 2019 annual loads of several active California CCAs. The light green bar shows OCPA's potential load, while the dark green bar showing the load of Lake Forest. While Lake Forest's load is small comparted to OCPAs, there are six operating CCAs with smaller loads. If all of the current communities remain with to OCPA, it would be the one of the larger CCAs.

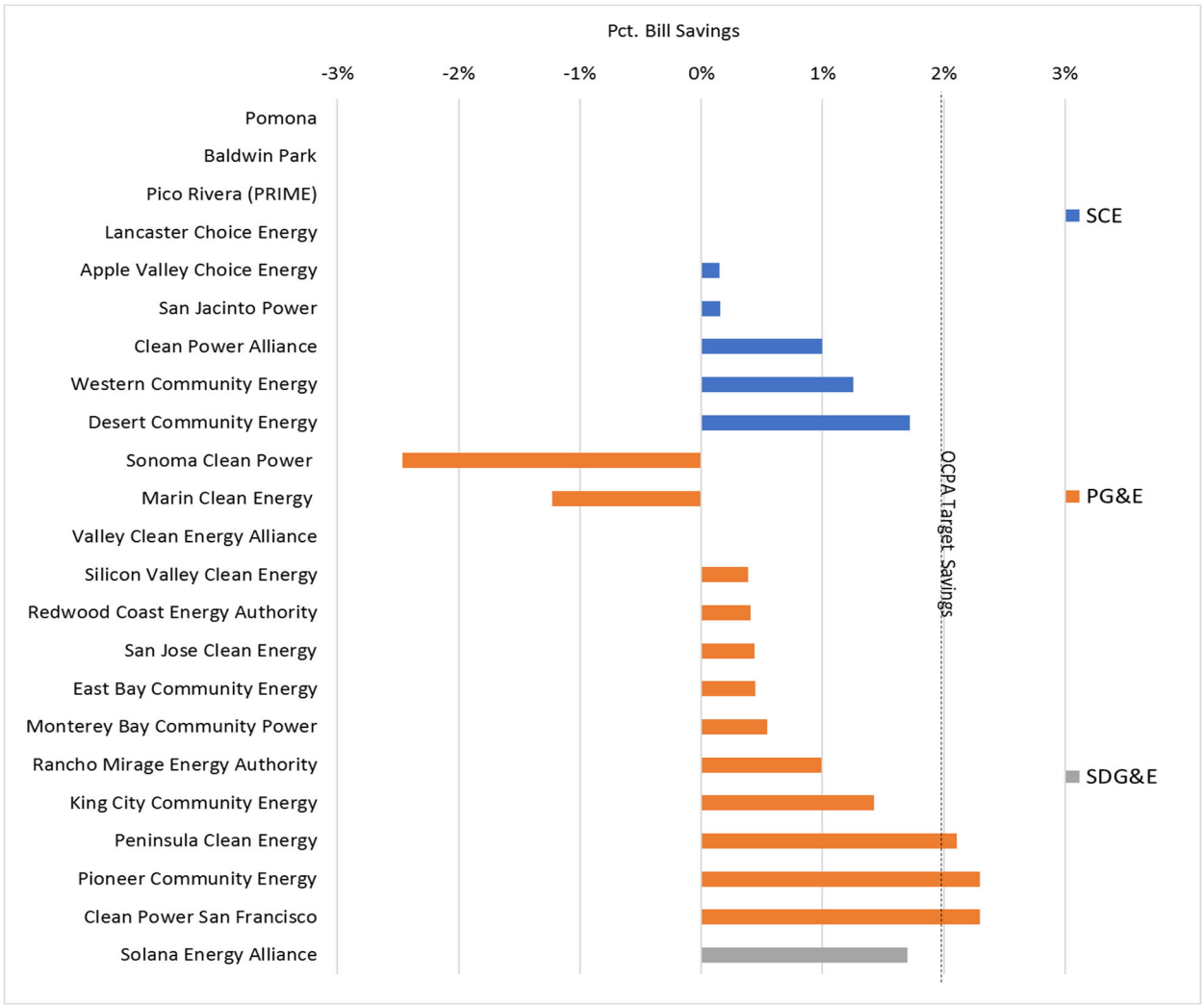
Figure 2. California Active CCA Loads (Annual GWhs, 2019)



CCA Rate Competitiveness

Figure 3 shows the residential rate savings offered by California CCAs as of January 15, 2021. The topmost CCAs in the figure, from Pomona to Desert Community Energy (blue bars), are CCAs in SCE's territory and thus compete against SCE rates, as would OCPA. These CCAs' currently offer rate savings of 0% to 1.7%, averaging 0.5%. When one includes the CCAs in the rest of the state, the greatest rate savings offered is 2.3% from CleanPowerSF and Pioneer Community Energy. There are two CCAs that offer rates greater than their incumbent utility: Sonoma Clean Power and Marion Clean Energy. Both of these CCAs have prioritized carbon reduction and programs over rate savings, so them having a higher rate than PG&E should not be completely surprising.

Figure 3. Residential Rate Savings Offered by CCAs (January 15, 2021)[5]



[5] These data are from each CCA's Joint Rate Comparison (JRC). JRCs are a common template that shows each CCAs rate offering to that of their incumbent utility. For this figure, we looked at the CCA's least cost residential rate and compared it against their incumbent utility's default rate.

As part of the review of the Irvine CCA Feasibility Study, MRW surveyed the rates offered by CCAs in May 2020. The rate savings offered by CCAs during that time are markedly higher than the more current rates shown in the figure above. In May 2020, CCAs in SCE's service area averaged rate savings of 1.8%, with one, PRIME, offering a 4.9% discount. Statewide, the average discount was 1.7%, with all CCAs either meeting or beating their incumbent utility's rates.

This decrease in rates between May 2020 and now should not be seen as a trend. Rather, it illustrates the fact that the savings offered by CCAs can change year-to-year, depending upon the wholesale market prices, the contracts that the CCAs have for power, the incumbent utilities' generation rates, and most importantly, the PCIA.

CCA Programs

Over the first years of operation, many California CCAs have been evolving from a simple commodity procurement entity—providing power at a competitive rate. After a year or two, many CCAs have expanded into providing targeted and specialized customer programs that while customized for their communities, are variations of services provided by their host IOU. Examples of this include CCAs like MCE, which has exercised its right to apply for energy efficiency (EE) program funding from the CPUC.[6] To do so, it must file various plans explicitly detailing what they intend to do in their EE program along with reporting requirements and protocols to verify that the energy savings that is projected will occur. If approved, the CCA receives money that is collected in IOU rates through the Public Purpose Program (PPP) rate element. Another example of this second phase of CCA evolution is offering rooftop solar programs and feed-in-tariffs (FiTs) for local renewable generation projects that connect "in front of" the customer meter. A third example is installing additional electric vehicle (EV) charging stations and encouraging EV purchasing and leasing.

The third phase in evolution observed in California CCAs is the movement into innovative and less common power-related programs and services. These are programs that are not common in California or elsewhere and may be more in the "demonstration" part of the program/technology lifecycle. Examples of these programs include Sonoma Clean Power's efforts to electrify the areas that were destroyed in wildfires (i.e., work with PG&E to perhaps not provide gas service to these areas) or the microgrid programs being pursued by Redwood Coast Energy Authority and Monterey Bay Community Power (now known as Central Coast Community Energy).

Table 3, below, shows a range of the programs being pursued by some California CCAs. These non-commodity program offerings are becoming the focus of CCAs in the state. At the Business of Local Energy Symposium, a large CCA-oriented conference held in June 2019 in Irvine, CA, the speakers, panels, and presentations overwhelmingly focused on innovation that CCAs can do and are doing.[7] None of these addressed power procurement or cost competitiveness.

[6] Customers taking commodity service from a CCA are still eligible to participate in EE programs administered by their host IOU.
[7] https://theclimatecenter.org/the-business-of-local-energy-symposium-2019-presentations/

Table 3. Sample California CCA Program Offerings[8]

CALCCA ADVANCING LOCAL ENERGY CHOICE	Apple Valley Choice Energy	Central Coast Community Energy	Clean Power Alliance	CleanPowerSF	East Bay Community Energy	King City Community Power	Lancaster Choice Energy	MCE	Peninsula Clean Energy	Pioneer	PRIME	Rancho Mirage Energy Authority	Redwood Coast Energy Authority	San Jacinto Power	San Jose Clean Energy	Silicon Valley Clean Energy	Solana Energy Alliance	Sonoma Clean Power	Valley Clean Energy
Budget Billing				In dev.			✓												
Battery Storage Rate				In dev.	✓ (pilot)			✓								✓ (Same as PG&E)		In dev.	
Battery Storage Incentives								✓								In dev.		✓	
Demand Response		✓	✓	✓				In dev.	In dev.							In dev.		✓	✓
EV Rate		✓	✓	✓	✓ (Same as PG&E)		✓	✓	✓	✓ (Same as PG&E)	✓		✓		✓ (Same as PG&E)	✓ (Same as PG&E)	✓	✓	✓ (Same as PG&E)
EV Bus Program		✓		✓			✓		✓									✓	
EV Incentives (vehicles and/or charging)		✓					✓	✓	✓				✓		In dev.	✓		✓	In dev.
EV Load Shifting								✓								✓ (pilot)		✓	
Energy Efficiency				In dev.			✓	✓		In dev.			✓			In dev.		✓	✓
Energy Efficiency Data Sharing					✓														
Feed-In Tariff		In dev.		In dev.				✓					✓					✓	
Building Electrification		✓			In dev.			✓	In dev.				✓			✓		✓	In dev.
Low-Income & Multifamily EE		✓						✓	In dev.		✓		✓						
Solar Incentives												✓	✓						
On-Bill Repayment				In dev.				✓										In dev.	
Education, Outreach, and/or Innovation Grants			✓		✓				✓	In dev.						✓		✓	
Low-Income Solar Incentives		✓	In dev.	✓	✓	✓		✓	In dev.		✓								
Customer Load Shifting			✓	✓				✓								In dev.		✓	
Microgrid Development		✓					✓			In dev.			✓						
Citizen Sourcing			✓				✓						✓						
Energy Education in Local Schools				In dev.					✓						✓			✓	
Dividend Program		✓																	✓
Solar Referral Service			✓													✓			
Solar+Storage Offerings			In dev.		✓			✓	✓		In dev.		✓			✓		✓	
Advancing Reach Codes		✓			✓				✓							✓		✓	
Advanced Energy Rebuild								✓										✓	
TOU Rates				✓	✓ (Same as PG&E)		✓	✓		✓ (Same as PG&E)			✓		✓ (Same as PG&E)	✓ (Same as PG&E)	✓	✓ (Same as PG&E)	✓ (Same as PG&E)
Customer C&I Clean Power Offerings																✓			
Workforce Education & Training								✓								✓		✓	
Emissions Inventory Support for Member Agencies		✓														✓			
Property Assessed Clean Energy (PACE)										✓									

[8] https://cal-cca.org/cca-programs/

Chapter 2. MRW Financial Study Methodology and Key Inputs

This chapter summarizes the key inputs and methodologies used to evaluate the cost-effectiveness and cost-competitiveness of a Lake Forest CCA relative to SCE under different scenarios. It considers the regulatory requirements that Lake Forest would need to meet (e.g., compliance with renewable portfolio standard (RPS) requirements), the resources that the City has available or could obtain to meet these requirements, and the SCE rates against which the CCA would compete. It also describes the pro forma analysis methodology that is used to evaluate the financial feasibility of the CCA.

The load and rate forecasts go out 10 years: from 2023, the earliest the CCA could be formed, through 2032. While all forecasting contains uncertainty, the years beyond 2030 are particularly uncertain and should be seen as broadly indicative and not predictive.

Loads and Load Forecasts

A fundamental operational role of a CCA is to forecast customer electricity needs in the short, medium, and long terms. Power procurement and day-to-day decision-making rely heavily on short-term forecasts of consumer demand for power, while procurement planning requires forecasts of longer-term loads. Procurement must also account for the risks associated with demand forecasting and develop appropriate risk mitigation strategies. Though it is not possible for any entity to predict with absolute certainty future energy demand; logical, data-driven, industry-standard methodologies for load forecasting will be used to provide the foundation of future procurement.

Because a Lake Forest CCA is still hypothetical and has yet to serve any customers, the CCA's estimated load to be served is based on historical consumption data from SCE. Of course, if the CCA moves forward the load forecast will be continually updated and refined to reflect ongoing economic development and changes in load from energy efficiency and distributed generation in Lake Forest.

As shown in Table 4, Lake Forest has a total annual electric load of 460 GWh in 2019 with about 33,000 customer accounts, compared to OCPA's 331,000 customers and 4,500 GWh of load demand. As shown in both the table and in Figure 4, Lake Forest has a higher percentage of residential and medium commercial and industrial load compared to the other OCPA cities and a lower percentage of small commercial and the "other" category (street and traffic lights, pumping, agriculture).

Table 4. Potential Lake Forest and OCPA Customers and Associated Load for 2019

	Lake Forest		OCPA	
	Customers	Annual Load (MWh)	Customers	Annual Load (MWh)
Residential	28,534	182,617	288,041	1,579,280
Small Commercial	3,477	39,995	32,138	368,188
Medium Commercial & Industrial	636	149,515	6,216	1,452,384
Large Commercial & Industrial	20	78,249	191	1,028,396
Other*	331	8,548	4,032	82,769
Total	32,998	458,925	330,617	4,511,017

*e.g., streetlights, traffic control, agriculture/pumping.

Figure 4. Lake Forest Load Distribution 2019

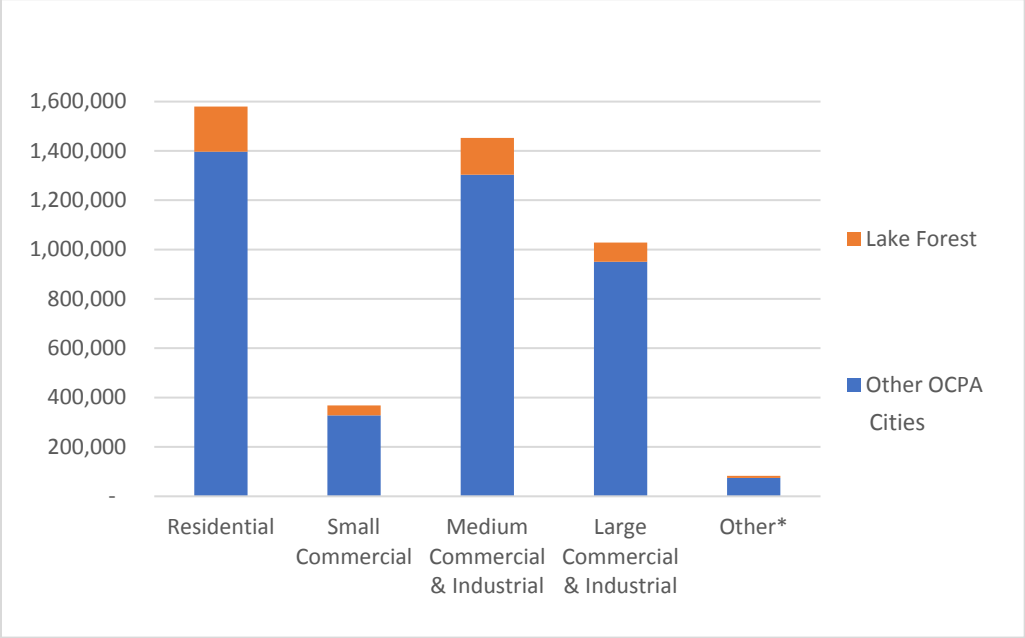
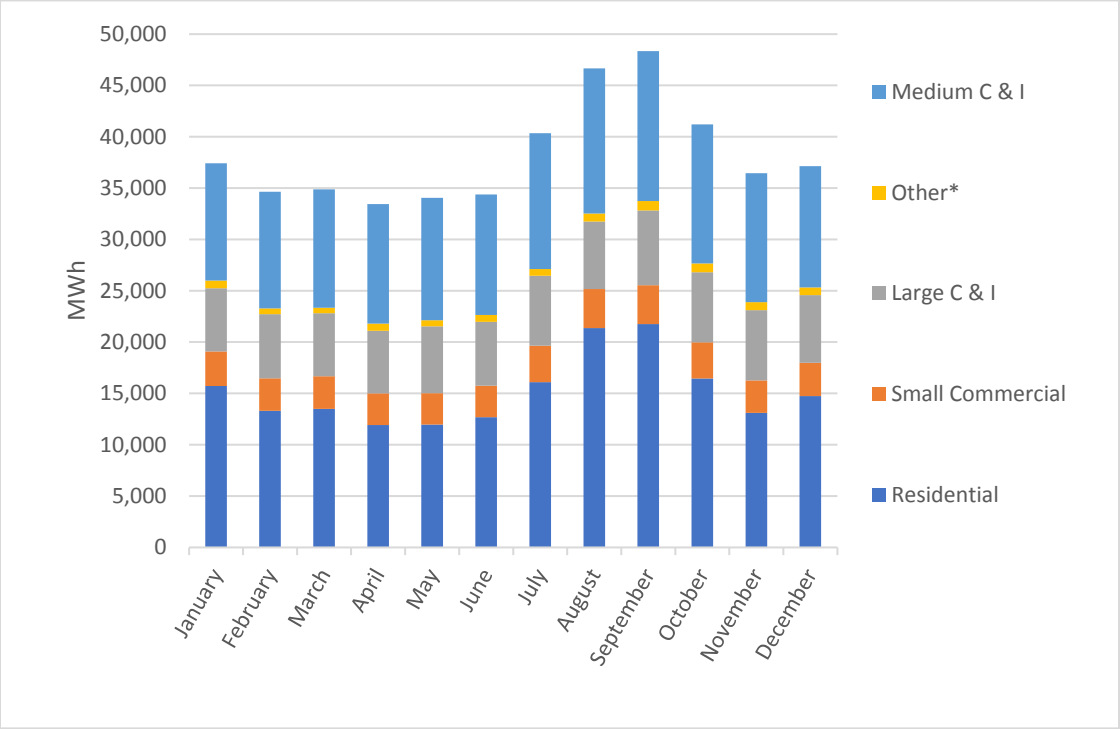


Figure 5 below shows the potential monthly load for a Lake Forest CCA. The highest load months are in the summer, while the lowest are in the spring. This is attributable to customers in Lake Forest using air conditioning in the summer. There is a 44% difference between the

highest load month and lowest load month. This means Lake Forest will need to acquire less "resource adequacy" capacity to cover their summer peaking loads compared to other CCAs.[9]

Figure 5. Lake Forest Load (Monthly, 2019)

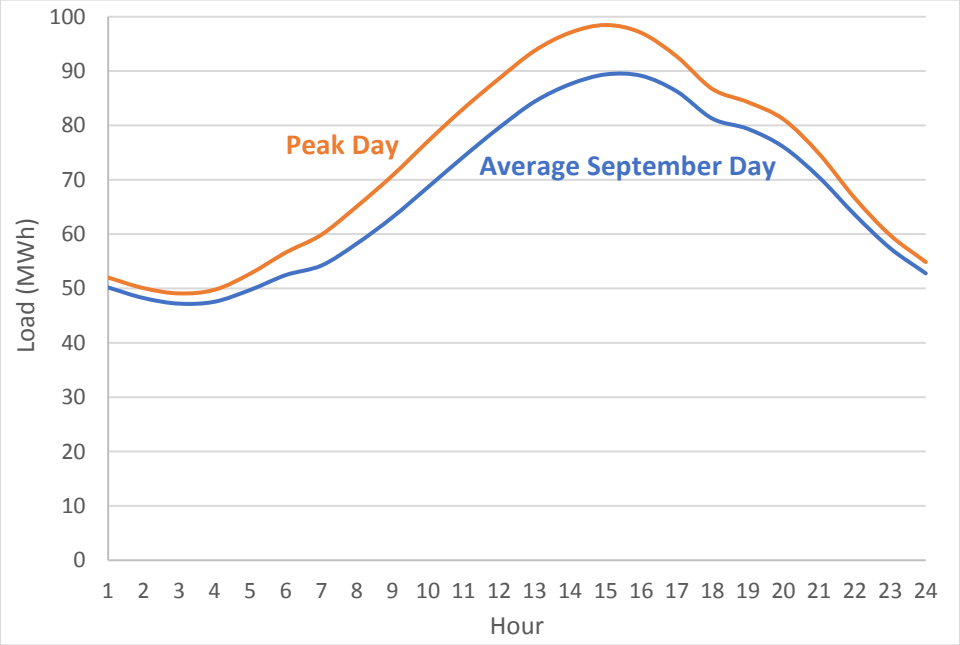


To be able to project the cost of buying power for the CCA, one must not only know how much must be purchased, but when. This is accomplished using load profiles: the breakdown of the total load into hourly consumption values. SCE provided an hourly load profile for different rate classes and monthly data for each city.

Figure 6 below illustrates the 24-hour load curve for Lake Forest. It compares the average day in the highest load month of September with the peak day of the year, September 4th. The peak hour was 3 pm on September 4th with a load of 98 MWh. This is the maximum capacity needed for the CCA and is the basis for the Lake Forest's resource adequacy requirement in September. Compare this to the peak on an average September day where the peak hour was also 3 pm and the peak load was 89 MWh. The difference between the two maximum loads highlights the load volatility in the CCA. It is also interesting that the load peaks so early in the day, an afternoon peak will pair well with solar resources.

[9] The ratio of the usage in the highest-load month to the lowest-load month for Lake Forest is 1.4; for the City of Riverside, a municipal utility, the ratio of the highest-load month to the lowest-load month is 1.7. (City of Riverside Public Utilities, 2018 Integrated Resource Plan, September 26, 2018. page 2-2.)

Figure 6. Lake Forest Load Shape Peak Day Vs Peak Month



The CCA's base load forecast through 2032 reflects the annual average growth rate from the California Energy Commission's most recent electricity demand forecast for SCE's planning area. The CCA's load is forecasted to have a slight decline. The net growth rate from 2023 to 2032 is 0.25% per year.

CCA Power Supplies

The cost to provide power is by far the largest expenditure a CCA makes. A CCA the size of Lake Forest should expect to spend $20 million per year for wholesale power. The Lake Forest power supply plan will be guided by legislative requirements, regulatory mandates, and CCA policies, as well as future market dynamics.

Power Supply Portfolio and Cost Assumptions

Operating within the regulatory framework described In Appendix 1, MRW developed sample electric supply portfolios evaluating the economics of a Lake Forest CCA. These sample portfolios are a proxy for a working portfolio that would be developed using a more rigorous assessment of costs and risk attributes developed as part of an implementation plan and ultimately through direct engagement with market participants via a request for proposals process. With RPS requirements increasing to 62% of load during the period of analysis, renewable resource assumptions are the primary driver of portfolio costs. After accounting for the hourly CCA load shape and the generation profile of resources in the renewable energy portfolio, the residual net short is assumed to be met with market purchases at hourly market prices forecast by S&P Global. Likewise, resource adequacy requirements are estimated based

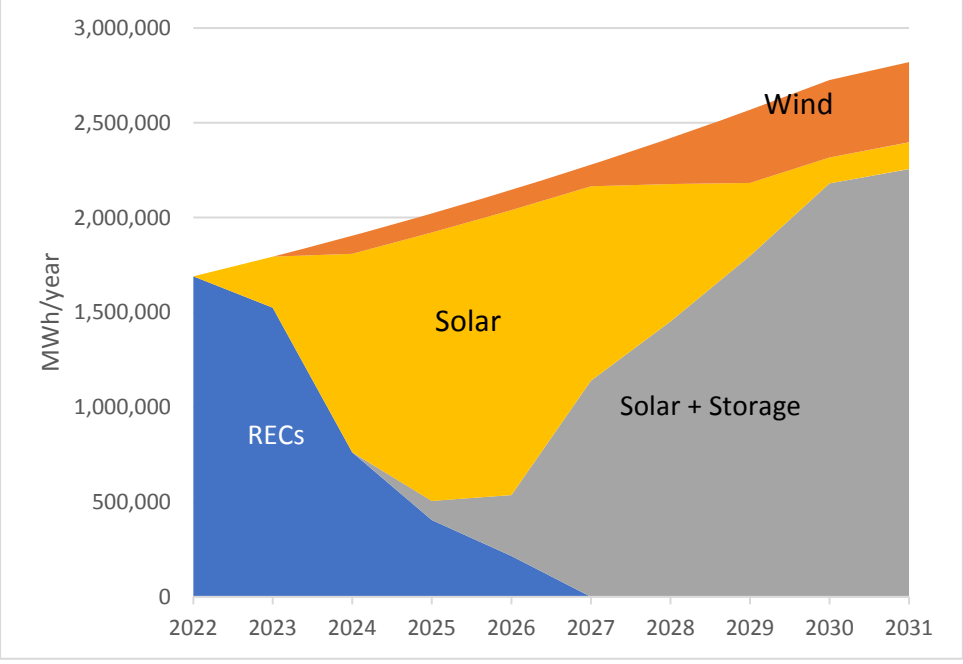
on peak loads and after accounting for net qualifying capacity from renewable resources. The remaining capacity need is assumed to be purchased at a forecasted market price as described below.

Renewable

The cost of renewable energy from solar photovoltaic (PV) facilities has steadily fallen since the establishment of the California RPS mandate in 2002. Looking forward, solar PV prices are expected to continue to decline, although perhaps at a slower rate as the technology matures and if import tariffs continue to be applied. At the same time, the incremental value of solar energy is decreasing as more and more solar resources are added to the electrical system, leading at times to conditions where solar energy must be curtailed to avoid overgeneration. Thus, there are advantages to a diversified supply portfolio including wind, geothermal and biomass, as well as energy storage.

Figure 7 below shows the assumed mix of renewable resources in Supply Scenario 1: meeting but not exceeding the State's renewable portfolio requirement, e.g., 50% by the end of 2026, with incremental hydroelectric power so that the CCA has the same net GHG output as SCE. In the first few years, the RPS requirement will be met using contracts for unspecified in-state renewable generation, with some generation from power purchase agreements (PPAs) with existing solar resources. Over time, the reliance on unspecified in-state renewables decreases and is replaced with PPAs with specific wind resources as well as PPAs with solar bundled with storage facilities. This reflects a reasonable balance of renewable resources: wind and solar are generally complementary in California—that is, when solar output is high, wind output is low.

Figure 7. Renewable Power Generation by Source



Assumed renewable power prices are shown in Figure 10. The 2023 prices are consistent with current reported renewable contract prices from other load-serving entities, including California CCAs and municipal utilities.[10]

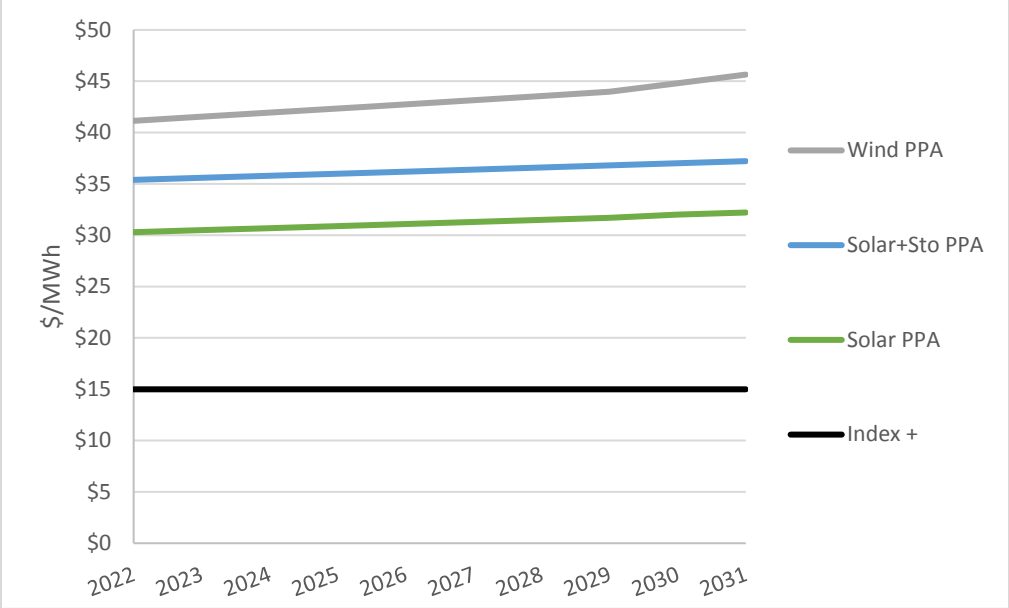
With the rate of utility-scale solar PV cost declines flattening in recent years, we assume a slight increase in solar PV costs over the forecast period. Based on data provided by Lawrence Berkeley Laboratory, solar combined with battery storage is assumed to be available at a $5/MWh premium relative to solar-only projects and to follow the same trends as utility-scale solar. For local solar and solar plus storage, we assume projects are likely to be commercial scale (i.e., large rooftop), so we relied on NREL's U.S. Solar Photovoltaic System Cost Benchmark and Cost-Reduction Roadmap for Residential Solar Photovoltaics Report for Commercial PV, which show declines from 2020 costs through 2030.[11]

For wind prices we relied on the DOE's Wind Vision report to establish a forecasted price for 2020 through 2040 and continued the price trend for subsequent years.[12]

"Index+" refers to the cost of a Bundled Renewable Energy Credit ("Bucket 1" REC) whose associated energy is priced at the CAISO hourly market price. The REC value is assumed to be $15/MWh, remaining level in nominal dollars.

Alternative renewable energy costs are explored in the sensitivity scenarios.

Figure 8. Projected Average Renewable Power Costs



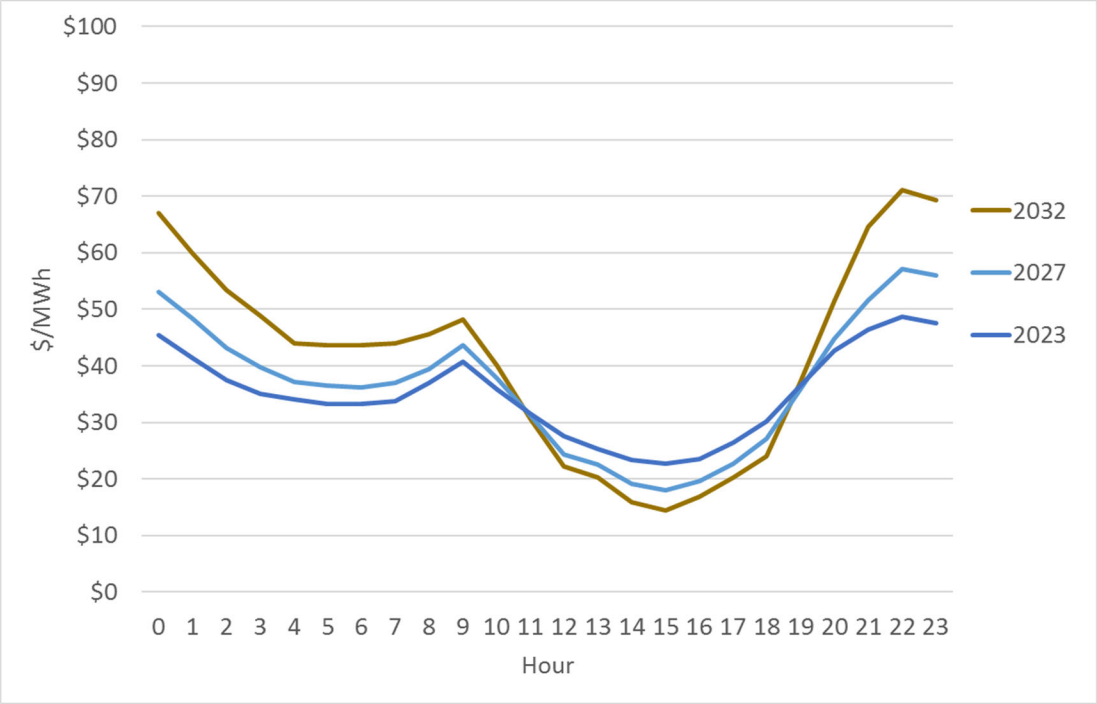
[10] https://emp.lbl.gov/sites/default/files/2020_utility-scale_solar_data_update.pdf
[11] https://www.energy.gov/eere/solar/sunshot-2030
[12] https://www.energy.gov/sites/prod/files/WindVision_Report_final.pdf, Figure 3-12.

Wholesale Power Costs

The residual net load after accounting for renewable energy supplies is assumed to be supplied from wholesale market purchases, either from the day-ahead market operated by the CAISO or through bilateral contracts with similar market pricing. To forecast market prices, we used S&P Global Market Intelligence's 2020 3rd Quarter Forecast for CAISO SP15 Hourly Energy Prices. S&P Global provides 20-year forward-looking wholesale electricity and capacity price projections based on forward market prices and fundamentals-based modeling relying on data from regulatory filings, planning guidelines, coal plant retirements, firm construction plans, and additions of renewable energy.

Figure 9 shows the annual average hourly price of power for three selected years. This figure shows that as increased renewables are built over the 10-year period, the mid-day prices (hours 12 -18) during high solar hours are anticipated to get more depressed and evening prices are forecast to rise.

Figure 9. Assumed Annual Average Market Prices by Hour



Capacity Costs

As noted above, CCAs are also responsible for complying with Resource Adequacy (RA) obligations. These products are typically contracted on a short-term basis (e.g., year-ahead). There has historically been an excess supply of both system and flexible capacity in the market,

leading to depressed prices for these products. This changed dramatically in 2019, when RA prices doubled. MRW predicts that the system RA price will continue to fluctuate between $6.00/kW-month to $9.00/ kW-month, but that the flexible RA price will remain stable.

Traditionally, CCAs have also bought local RA, but as of 2023, CCAs in SCE's territory will no longer be responsible for acquiring local RA. SCE will purchase and allocate local RA to CCAs. The specifics of this new process are still being worked out in regulatory filings and future analysis will be needed to see how this new model will affect costs.

Other Cost Elements

This section outlines the main elements of the pro forma analysis, the assumptions underlying the elements and the output results. The analysis also includes a comparison between the generation-related costs that would be paid by Lake Forest customers and the generation-related costs that would be paid by SCE bundled service customers. Costs paid by CCA customers include all CCA-related costs (i.e., supply portfolio costs and administrative and general costs) and exit fee payments that CCA customers will be required to make to SCE.

Startup Costs

Startup costs are the costs Lake Forest will incur before operations begin. Table 5 shows the estimated CCA startup costs. They are based on the experience of existing CCAs as well as from other CCA technical and feasibility assessments. If Lake Forest were to move forward with doing a CCA, these values would be refined based on more detailed projections.

Typically, the city forming a CCA would directly pay for the initial start-up costs, such as the technical study. Once the CCA is formed by a City Council action, the CCA would issue an RFP for banking services. These would set up a short-term loan or line of credit to pay back the city its CCA expenditures and fund ongoing start-up costs until the CCA is operational. At that point, the short-term loans could be rolled into a longer-term loan that would also include working capital.

Working capital reflects the fact that a business will have bills to pay prior to receiving payment from its customers. This amount would cover the timing lag between when invoices for power purchases (and other account payables) must be remitted and when income is received from the customers. Per industry standard, total working capital is set to equal three months of CCA revenue, or approximately $ 4 million when the Lake Forest CCA is fully operational (i.e., serving all potential customers).[13] Initially, the working capital is provided by a bank on credit to the CCA. Typical power purchase contracts require payment for the prior month's purchases by the 20th of the current month. Customers' payments are typically received 60 to 90 days from when the power is delivered.

[13] CCAs frequently "phase-in" their service, initially offering service to a smaller subset of customers and then expanding service to the remaining customers over the following months or years.

These startup costs are assumed to be financed over 5 years at 5% interest.[14]

Table 5. Estimated Start-Up (2022-3) Costs

Item	Cost
Professional Services/Consulting	$150,000
Staffing	$125,000
Administrative and General costs	$25,000
SCE Fees	$10,000
CAISO deposit	$500,000
Power contracting, portfolio and rate design, scheduling	$25,000
Integrated Resource Plan/Long-Term Procurement	$150,000
Marketing strategy and brand development	$75,000
Website	$20,000
PR/Advertising	$25,000
Customer Notifications	$27,000
Community Sponsorships, etc.	$5,000
General Counsel Services	$100,000
Legal review of power supply and other vendor contracts	$75,000
Cal-CCA Membership	$50,000
Regulatory Monitoring, Reporting and Compliance	$100,000
Total:	$1,400,000
Working Capital (3 months cash flow at full service)	~$4,300,000
Total:	$5.7 million

Reserves

CCAs to date have all committed to setting aside revenues into a reserve fund to account for times in the short-term when its costs may not allow it charge rates that are competitive to SCE. For this study, we assume that the CCA will endeavor to set aside revenues until a reserve fund reaches an amount equal to 50% of its annual revenue (e.g., 50% of $24 million = a reserve fund goal of $12 million). After the reserve target is met, it is held at the target level or drawn upon so that the desired CCA rate is achieved. If the reserve is drawn upon, the rate reserve is replenished in the next year in which headroom is available.

[14] 5% is currently equal to the prime rate plus 175 basis points.

Administrative and General Cost Inputs

Administrative and general costs cover the everyday operations of the CCA, including costs for billing, data management, customer service, employee salaries, contractor payments, and fees paid to SCE. Table 6, below summarizes the assumed ongoing administrative and general costs. These costs are assumed to trend with inflation.

Table 6. Ongoing Administrative and General Costs

	2022	2023	2024	2025
SCE Fees, $/cust./month	n/a	$0.13	$0.14	$0.14
Data Management Fees $/cust./mo.		$1.00	$1.00	$1.00
Administration – Labor	$325,000	$690,027	$1,159,262	$1,188,311
Administration- Non-Labor	$25,000	$138,054	$82,832	$84,908
Outreach-communications	$80,000	$85,593	$35,894	$36,793
Professional Services	$150,000	$325,000	$303,718	$311,329
Data Management Fees	$0	$250,387	$383,624	$383,747
SCE Metering and Billing Fees	$0	$50,077	$51,101	$52,347
Total	$580,000	$918,138	$2,016,431	$2,057,435

SCE Rate and PCIA Forecasts

SCE Generation Rates

Forecasts of SCE's generation rates and exit fees are necessary to compare the projected rates that customers would pay as Lake Forest customers to the projected rates and fees they would pay as bundled SCE customers.

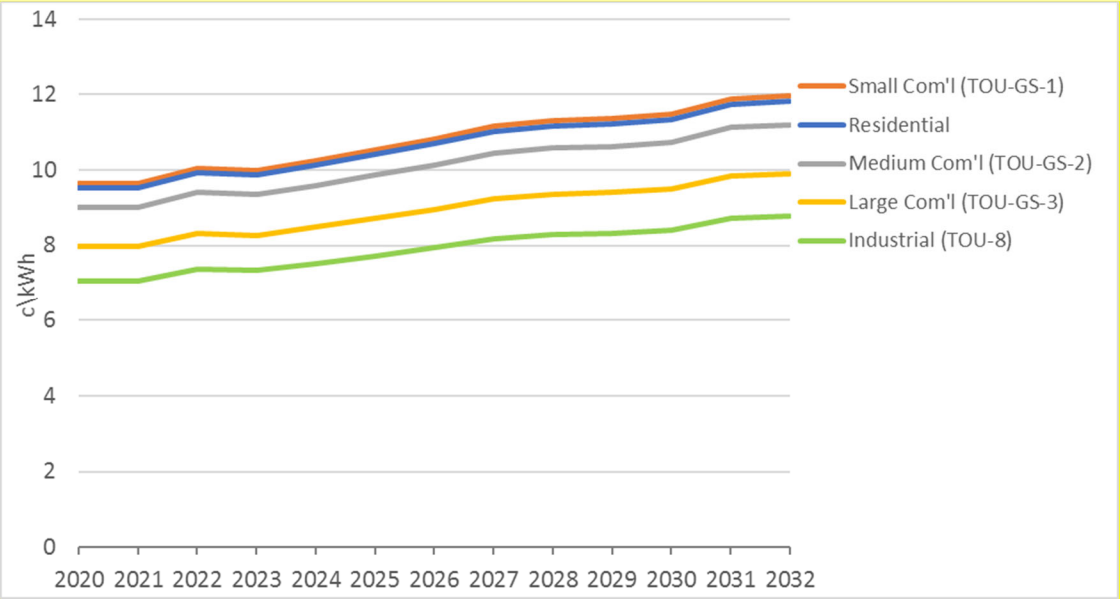
To ensure a consistent and reliable financial analysis, a 10-year bottoms-up forecast of SCE rates was developed using market prices that are consistent with those used in the forecast of the Lake Forest's supply costs. The forecasted costs include the cost of SCE's existing resource portfolio, adding in market purchases only when necessary to meet projected demand.

To develop this forecast, the key cost drivers of each of SCE's generation rate components were examined, separately evaluating costs for renewable and non-renewable energy purchases, for SCE-owned generation facilities, and for capacity purchases. The study assumed that near-term changes to SCE's generation portfolio would be driven primarily by modest increases in

underlying gas market prices. In 2028-2030, consistent with the Lake Forest forecast, the SCE must pay higher prices for incremental capacity and resource adequacy, reflecting the tightening of the capacity market at that time.

The forecast further assumes that SCE is compliant with the renewable and carbon-free requirements ordered in Senate Bill 100: a minimum of 60% renewable content in 2030 and a trajectory that would, when extrapolated, result in carbon-free power in 2045. In fact, given the current SCE renewable portfolio and the loss of load from the Lake Forest CCA, SCE would need minimal if any new renewables to meet the 2030 goal.

Figure 10. Forecast SCE Average Generation Rates



The forecast for SCE's generation resources is based on publicly available data and forecasts. We relied on the market price forecast produced by S&P Global to estimate the cost of market purchases, along with known and anticipated outcomes of ongoing CPUC rate proceedings.

Over the 10-year period, the study forecasts that SCE's generation rates will escalate by an average of 3% per year. This forecast is show in Figure 10, below.

PCIA

The Power Charge Indifference Adjustment (PCIA) is a fee charged by SCE intended to prevent customers that remain with SCE bundled service from paying for energy generation procured on behalf of customers that have since switched to CCA service. More specifically, it pays for the above-market costs of SCE generation resources that were acquired, or which SCE committed to acquire, prior to the customer's departure to CCA. The total cost of these resources is compared to a market-based price benchmark to calculate the "stranded costs" associated with

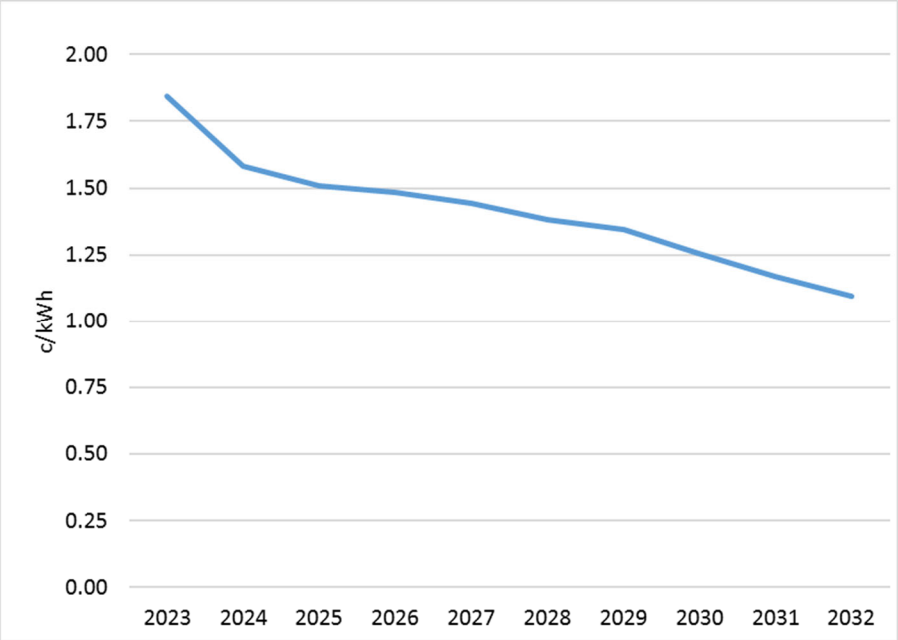
these resources, and CCA customers are charged what is determined to be their fair share of the stranded costs through the PCIA. Bundled customers also pay the PCIA, which is embedded into their commodity portion of their total rate.

The PCIA is not paid directly by the CCA, but by the individual customers taking CCA service. Thus, it does not appear explicitly on the CCA's books, however it must be accounted for in any CCA cost analysis. While both CCA customers and customers that choose to remain in SCE bundled service pay this fee, it appears as a separate line item for CCA customers and is embedded in the energy generation costs of SCE bundled customers.

To forecast the PCIA, this study used the formula and approach dictated by the Alternative Proposed Decision of Assigned Commissioner Carla Peterman in Commission Rulemaking 17-06-026, which was approved by the Commission on October 11, 2018. In addition, the market price and SCE portfolio assumptions used in the PCIA calculations are consistent with those used to forecast SCE's generation rates.

This study forecasts the PCIA charge by directly modeling expected changes to PCIA-eligible resources and to the market-based price benchmark. Based on our modelling, we expect the PCIA to remain close to 2¢ per kWh through 2023. After 2023, the PCIA is forecast to decrease markedly to about 1.5¢ per kWh and to continue a steady decline through 2032. The decline is mainly caused by the expiration of many of the costlier renewable power contracts entered into by SCE, which decreases the total stranded costs. MRW's forecast of the PCIA charge through 2032 is shown in Figure 11.

Figure 11. Forecast Average PCIA



Chapter 3. Financial Analysis Results

Costs and benefits are evaluated by comparing total average cost to serve the CCA customer (cents per kWh or dollar per MWh) (including PCIA) to SCE generation rates. The pro forma results for the first 10 years of the Lake Forest are summarized in this chapter.

Base Results

The CCA power supply assumes that the Lake Forest simply complies with the State's requirements concerning renewable power. It starts in 2023 with 39% of its power being met using renewable resources and escalates this faction to 64% by 2032. The non-renewable output is assumed to be met using system power from the CAISO.

Figure 12 shows the forecast of average CCA costs and SCE's generation rates, assuming that all customers are served. The bars in the chart show the forecasts of the major cost components of CCA operation, while the single line shows the forecast of SCE's generation rate. When the bars are below the line, the CCA's average operating costs will be below the SCE generation rate; meaning that it can offer power to customers at a rate lower than or competitive with SCE.

The bottom-most green segment represents the cost of renewable power to the CCA. The renewable power costs ramp up with increasing renewable content, as required by SB 100.

The brown segment is for the costs of non-renewable, wholesale market power. This segment slowly decreases, as renewable power increases.

The light blue segment is for capacity. That is, the CCA must demonstrate that it has the generating capacity (in megawatts) to ensure that it can serve all its load, even if the "intermittent" renewable resources are not generating at their optimal rate (e.g., solar on rainy days). The more intermittent renewables—solar and wind—that are added to the CCA's generating mix, the more back-up capacity is needed to ensure reliability.

The gray segment is for debt service, operations, franchise fees and uncollectibles. The loans associated with the start-up costs are paid down. Once that debt is retired, the operation costs decrease markedly. Franchise fees are those collected by SCE and paid to the City for the right to operate the electric monopoly franchise in the city. It is paid as a percent of each customer's total bill and is automatically built into SCE's rates. So that cities remain financially whole when customers' power is provided by a CCA, SCE charges CCA customers a "franchise fee surcharge" known as the Generation Municipal Surcharge.[15] Lastly, as with any business, a certain fraction of the CCA's bills will not be paid and are treated as "uncollectible."

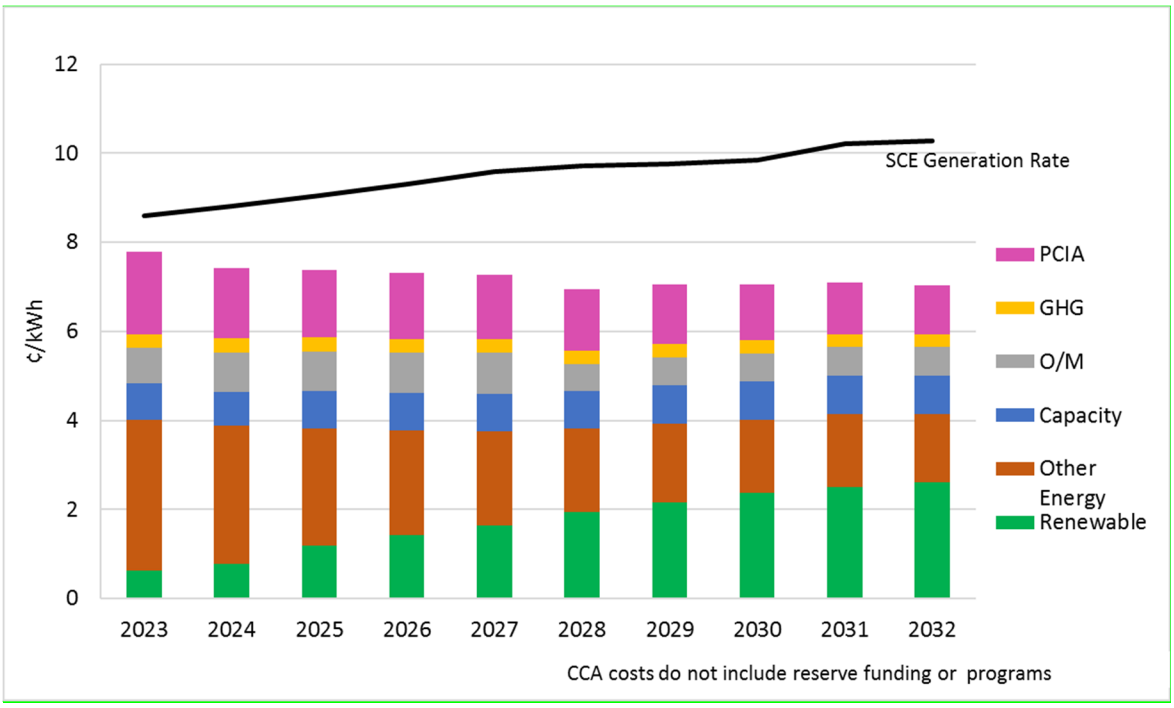
The yellow segment is for carbon cap and trade allowances. Note that for practical purposes, the carbon cap-and-trade allowances would be built into the purchase prices of natural gas-fired market resources. However, because it is an important variable on its own, the costs are shown separately.

[15] See SCE Tariff Schedule GMS.

The top-most pink segment is for the Power Charge Indifference Adjustment (PCIA), a fee paid to SCE to ensure that the operation of the CCA does not strand SCE's remaining bundled customers with costs associated with power purchased on behalf of customers who have shifted to the CCA.

The black line represents SCE's average generation rate. To forecast SCE's generation rates, the comparison model used information regarding SCE's utility-owned generation, power contracts, power market costs, and by closely tracking changes in SCE revenues and costs through its filings in several CPUC proceedings. In particular, it takes the most recent SCE filing of generation rates and applies the known and anticipated changes to the wholesale power market prices and SCE's power purchase contracts.

Figure 12. Average Lake Forest Cost Projection



As shown in Figure 12, the costs of CCA operation are consistently below that of the SCE rate. This difference between the top of the CCA cost columns and the SCE rate line represents the operating "margin." In 2023, this "margin" between the CCA average cost and the SCE rate is about 0.8¢/kwh, increasing to about 3.2¢/kwh in 2032. Table 7, below, shows the average margin for different time periods of the analysis.

Table 7. Projected OCPA Margins*

	2023	First 3 years (2023-2025)	First 5 years (2023-2027)	2nd 5 years (2028-2032)	10-Years (2023-2032)
¢/kWh (average)	0.8	1.3	1.6	2.9	2.3

*Without rate savings, reserve contributions or program funding

Note that this does not mean that the CCA can or will fully pass on this margin as rate savings to its customers. The CCA may do a combination of one or more of three things with this margin:

- **Rate Savings:** The CCA can keep its rates as the cost of operations and allow the margin to flow fully to customers through lower electric rates. (i.e., if the margin is 0.5¢/kWh, then the CCA could offer rates that are 0.5¢/kWh less than SCE while still covering all its costs).
- **Reserves:** The CCA can change customers to the same rate as SCE to retain the margin and build up cash reserves for a rainy day.
- **Programs:** The CCA can eventually use the margin to fund other energy-related services, such as providing incentives for customers to purchase an EV, install energy-efficient home upgrades, install solar PV, etc.

GHG Impacts. For the CCA, GHG savings is achieved when the average GHG emissions from the set of generation resources used by the CCA is less than the average GHG emissions from SCE. Unless the CCA procured GHG-free power above and beyond California's renewable requirement, SCE's average GHG emission will be less than the CCAs. This result is caused by SCE not only meeting the state-requirement minimum renewable content, but also using other non-renewable but still GHG-free power sources: large hydroelectric dams and nuclear power from the Palo Verde Nuclear Generating Station, of which SCE is a partial owner. The GHG-emitting portfolios for Power Supply Scenario 1 and SCE are shown in Table 8.

Table 8. 2023 CCA (Supply Scenario 1) and 2019 SCE Power Content

	Lake Forest	SCE[16]
Renewable	39%	35%
Hydro		8%
Nuclear		8%
GHG-Free	**39%**	**51%**
Gas		16%
System	61%	33%
TOTAL	100%	100%

Sensitivity to Key Inputs

The results shown in the scenarios above reflect expected market conditions and outcomes with variations only in the amount and type of renewable generation. However, it is unlikely that the conditions assumed in these scenarios will occur exactly as assumed. In order to evaluate the robustness of the analysis, the key variables were identified, and analyses conducted with other assumptions for those key variables to "stress test" the assumptions. The five sensitivity scenarios are shown in Table 9.

Table 9. Sensitivity Case Definitions

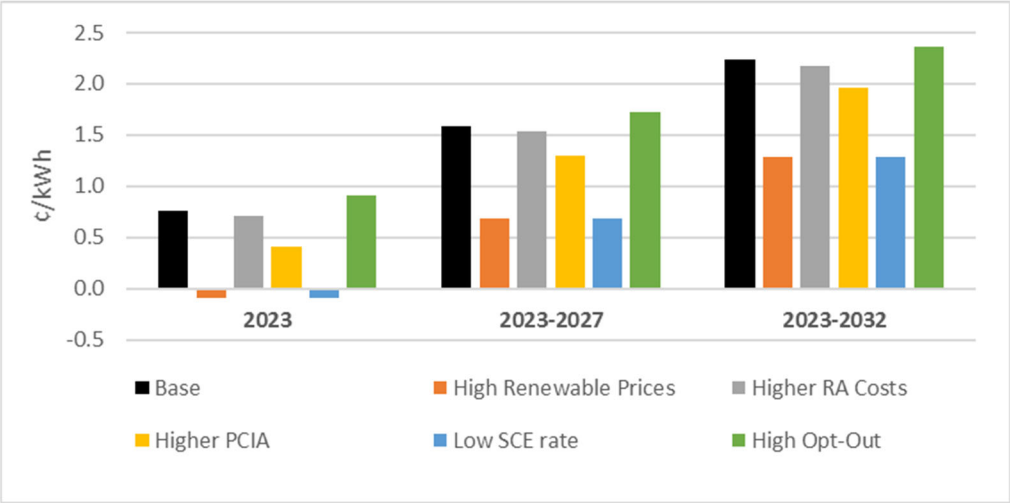
Sensitivity Case	Definition
Base	Supply Scenario 1
Higher Renewable Costs	Renewable costs 25% higher than Base
Higher PCIA	PCIA 33% higher than calculated in Base
Lower SCE Rate	SCE rates 10% lower than in Base
Higher Opt-Out	30% opt-out versus 5-10% opt-out in Base
Higher RA Costs	RA costs 33% Higher

Figure 13 summarizes the CCA margins resulting from the modeling of the sensitivity cases. The figure shows the margin in cents per kilowatt-hour between the SCE rate and the average

[16]SCE Power Mix from SCE's 2019 Power Content Label Template_v2

cost for the CCA to serve its load, including the PCIA, but without any rate discounts or contributions to reserves. When the bar is positive, then the CCA's cost of service is less than SCE's generation rates, which means the CCA can offer a rate discount, contribute to reserves, or fund programs. The figure suggests that during the first year a Lake Forecast CCA's cost of service might exceed the SCE generation rate (i.e., not be able to offer any discount) if the Higher Power Price or Low SCE Generation Rate assumptions came to pass.

Figure 13. Sensitivity Results



Comparison of Stand-Alone Lake Forest CCA to OCPA

Because a stand-alone Lake Forest CCA would be relatively small while OPCA would be one of the largest, the question arises, "is significant scall economies to be captured via remaining with OCPA?" In principle, OCPA would be better positioned than a Lake Forest alone as a wholesale power buyer, as it could negotiate larger deals and be able to diversify its portfolio more easily than Lake Forest. Additionally, OCPA would be able to spread common fixed costs across greater load and thus reduce the average impact on rates of fixed costs.

For the City of Huntington Beach, MRW conducted an analogous financial analysis for the full OCPA.[17] That analysis and the one presented here for Lake Forest differed in the assumed load and customer type, start date, and administrative cost, but used the same underlying power costs and SCE rates. Thus, by comparing the results of the two analyzes, we can see any potential scale economy benefits of OCPA relative to Lake Forest.

[17] This analysis was conducted for the City of Huntington Beach and can be found at: https://huntingtonbeach.legistar.com/View.ashx?M=F&ID=9094702&GUID=3503CBC4-6DB2-445F-81E0-7820DCEF5821

Table 10 shows some key results of the two analyses. The top portion of the table shows the average annual costs for OCPA and a Lake Forest CCA while the bottom portion shows the same costs expressed as an average cents per kilowatt-hour. The table shows that because of economies of scale, the OCPA would have modestly lower average cost of service than the much smaller Lake Forest CCA. However, the Lake Forest average SCE generation rate against which the CCA costs are compared are lower than that of OPCA. This is because of the customer make-up of the two. Lake Forest's load is predominantly residential and small commercial while OCPA's load has a significant portion of large commercial and industrial load. SCE's large commercial and industrial rates are markedly less than its residential and small commercial rates (see Figure 10. Forecast SCE Average Generation Rates). This means that the load-weighted average SCE rate associated with OCPA load will be lower than the load-weighted average load-weighted average SCE rate associated with Lake Forest load.

When all these factors are accounted for, our analysis suggests that OCPA's margin would be roughly 0.3¢/kWh higher that that of a Lake Forest CCA.

Table 10. MRW Estimates of Key Metrics (2023-2027)

	OCPA	Lake Forest
Annual Load GWhs	4,500	460
Average Annual Costs ($millions)		
Start-up (including working capital)	$64	$6
Debt Service on startup loan	$14.2	$1.7
Admin Cost	$10.0	$2.5
Power Cost	$220	$23
Annual Cost of Service*	$242	$27
Average Cost, ¢/kWh		
Debt Service on startup loan	0.3	0.4
Admin Cost	0.2	0.5
Power Cost	4.9	5.0
Annual Cost of Service*	5.4	5.9
Avg. SCE Generation Rate, c/kWh	8.9	9.1
Avg. SCE PCIA, c/kWh	1.6	1.6
Avg. margin, CCA – SCE, c/kWh**	**1.9**	**1.6**

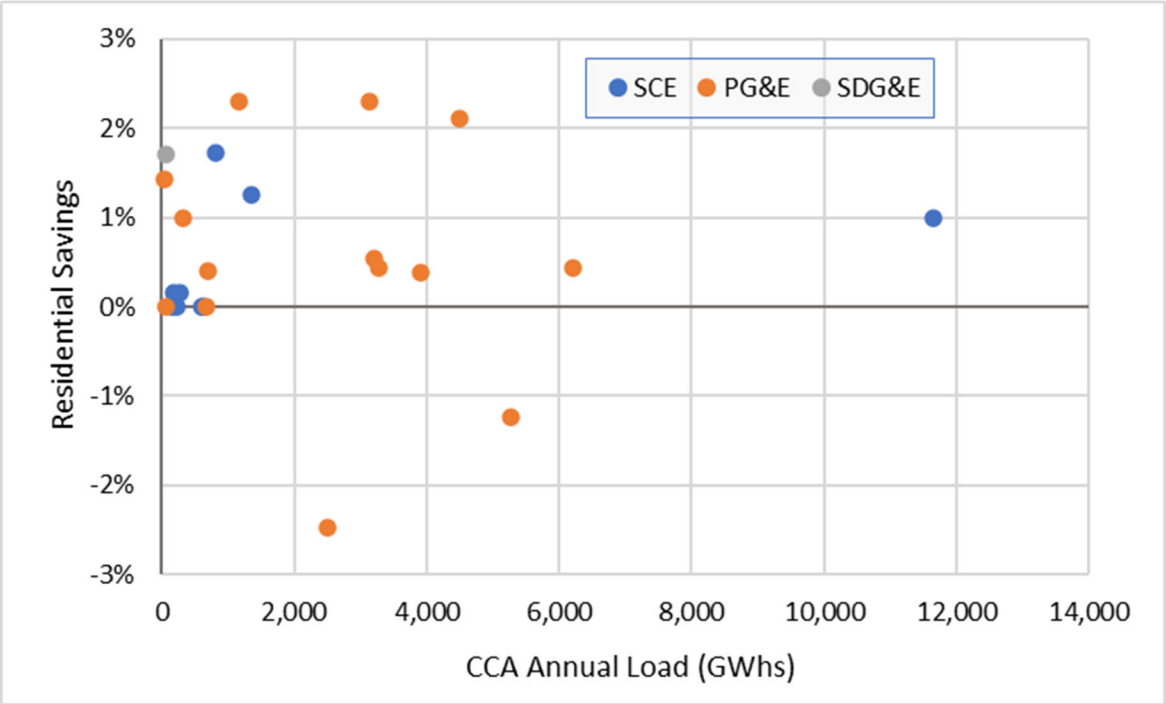
*Does not include contributions to financial reserves or programs.

**Includes PCIA and reflects different weighted average SCE generation rates

A second, empirical way of looking at scale economies of California CCAs is to compare the rate savings offered by CCAs against their size. If there are marked economies of scale, one would expect to see a correlation between size are rate savings: the bigger the CCA, the lower the costs due to economies of scale and thus the greater the rate savings.

To test this hypothesis, we compared the reported residential rate savings of active CCAs relative to their incumbent utility's the default rates. For the CCAs, we used their lowest cost offering, so as not to skew the results by comparing 100% green CCA products against standard utility ones. This analysis is shown in Figure 14, with the rate savings shown on the vertical axis against the CCA size on the horizontal axis. As the figure shows, there is no correlation between CCA size and rate savings.

Figure 14. Residential Bill Savins Versus CCA size



Because of the simplicity of this analysis, one should not necessarily assume that there are no economies of scale, as the CCAs faces different utility rates, amount of time in operation, and internal goals. For example, the two CCAs with negative savings. i.e., whose rates are higher than their incumbent utilities, both explicitly emphasis environmental and local benefits over rate savings. Still, if there were strong economies of scale one would have expected to see some kind of size-rate correlation, which this data set does not.

CCA Options Available to Lake Forest[18]

Lake Forest's three primary options for community choice aggregation (CCA) are: joining the Orange County Power Authority (OCPA); forming a stand-alone Lake-Forest only enterprise-based CCA; or forming a Lake Forest CCA and joining the CalChoice Energy Authority. The primary benefits of either of the Lake Forest-only CCA options are more local control over procurement practices and budgets and services better tailored to Lake Forest. The primary benefits of joining with OCPA are foregoing the need to provide upfront financing for the CCA's startup process, less potential financial exposure to the City as the JPA will be a financially distinct entity, economies of scale which can translate into lower average operating costs and reduced administrative burdens.

Both the city enterprise model and the JPA create entities that are independent of the City's finances and offer protections to the city's general fund. The JPA model's independence is demonstrated by a number of CCAs[19] getting investment grade credit ratings independent of their member cities and counties. Still, no CCA has experienced serious financial difficulties, so how much a CCA could financially lean on its constituent members has never been tested.

Forming a Single City Agency

In a sole jurisdiction approach, the City maintains full flexibility—and responsibility—for developing policies and procedures. This means that they can be specifically tailored to and responsive to the City's stakeholders and constituents and based upon their own objectives. The City would be responsible for setting policy priorities in general and making specific decisions about power generation, staffing policies, local economic development activities and strategies, formulation of financial and debt policies, and development of customer-focused programs, such as those promoting energy efficiency, electric vehicles (EV), and distributed generation (e.g., rooftop solar PV). Along with greater autonomy, the City would assume all risk, liability, and costs associated with operating the CCA. In this case, the likely path would be for the City to establish the CCA as an enterprise, and work with appropriate legal counsel to explore options for controls and structural safeguards to financially insulate the CCA and minimize risk to the City's general fund.

Enterprises are commonly used for public utilities such as electric, water and wastewater, or other city functions where a public service is operated and provided in a manner similar to a separate business enterprise. Fees and charges are collected for services provided and accounting and budgeting are separate from a city's general fund. Establishing an enterprise provides management and CCA customers with visibility and accountability, and the ability to more easily separate and measure performance, analyze the impact of management decisions,

[18] This chapter is generally duplicative of the analogous chapter in MRW's report," "Review of Orange County Power Authority Foundational Documents and CCA Options for the City for Lake Forest." However, additional materials are added at the end.

[19] E.g., Marin Clean Energy (Fitch "BBB+"), Central Coast Community Energy (S&P "A"), Peninsula Clean Energy (Moody's "Baa2")

determine the cost of providing electric service, and use this information to develop electric rates and services. Enterprise accounting would allow the City to demonstrate to customers, the public, and other stakeholders that the cost of power is being recovered through its rates, and not being subsidized or comingled with other City funds or functions.

Within the city-only option, the Lake Forest CCA would have to determine if it is to be a fully in-house operation with existing or added City staff, or if the City would outsource some of or all of the activities, with the City only administering contracts and managing vendors. Examples of some of the categories of operating activities that would need to be performed in-house or outsourced:

- Power procurement and operations
- Finance, budgeting, and accounting
- Coordinating with SCE on billing
- Customer service
- Communications, outreach, and public relations
- Customer service programs (EE, EV, or rooftop solar PV)
- Regulatory monitoring and compliance (e.g., CPUC filings)

The likely best short-term option would be to outsource the highly technical functions and maintain some of the management, planning, and other public-facing functions, like communications, in-house. The range of options depends upon the degree of operating control the City wishes to maintain, the costs associated with maintaining those functions, and the degree of risk it is willing to accept on its own, or delegate to third-party providers to assume these responsibilities.

If the Lake Forest CCA were to pursue additional services, it would require at least one or two managers, supported by analyst professionals, some of whom could be shared with other Lake Forest departments.

Joining a Joint Powers Agency (generically)

The second option would be the formation of a JPA, where the JPA is an independent agency that operates on behalf of the public agencies which are party to its creation. In this approach, the City effectively shares responsibility with the other agencies participating in the JPA. The divisions of these responsibilities and the sharing of decision-making authority would be determined at the time the JPA is created. Other critical 'ground rules' are negotiated and memorialized, such as financial and possibly staffing commitments of each participating agency, and the composition of the board and voting procedures.

The JPA structure reduces the risks of implementing a CCA program for the City by completely separating its books from the financial assets and liabilities of the City and the other participating agencies, and distributing the risks and costs associated with the CCA among the participating entities. It could also provide the benefits of scale and economy for certain aspects of CCA operation, such as power procurement or back office billing and accounting functions.

Key tradeoffs to the benefits of a JPA are that decision making is allocated amongst the parties and management independence is diminished. Objectives of participating agencies will likely differ, and reduced autonomy can manifest when setting priorities for local generation, economic development activities, and importance of support programs.

Joining CalChoice Energy Authority

CalChoice Energy Authority (CCEA) is described as a "hybrid" JPA, where the JPA provides requested services to its member CCAs but does not control any of its general policies or programs.[20] More specifically, CCEA provides to its members, as desired:

- Power, including contract procurement, portfolio management, load forecasting and scheduling, and complying with and demonstrating procurement-related regulatory requirements (e.g., resource adequacy, renewables, etc.).
- Regulatory and compliance support, including preparing and filing compliance reports to the California Public Utilities Commission, the California Energy Commission, and the California Independent System Operator; and general regulatory advocacy.
- Billing and data management, including interface with SCE and call center operations.
- Treasury, including CAISO invoice validation, rate design development, and risk management.

Thus, CCEA is effectively a non-profit outsource for all of the detailed activities of a CCA. This is a good match for smaller cities who are interested in local control of the CCA but not interested in bringing in-house the day-to-day management needed to operate a CCA.

CCEA members that are providing power are: Lancaster Choice Energy, San Jacinto Power, Pico Rivera Innovative Municipal energy, Rancho Mirage Energy Authority, and Apple Valley Choice Energy, Baldwin Park Resident Owned Utility District and Pomona Choice Energy. The cities of Commerce, Palmdale and Santa Barbara are members but have yet to begin service.

All of the city-only CCAs in SCE's territory are CCEA members. This makes sense, in that they are all small. Only one, Lancaster Choice Energy, serves more load than would be served by a Lake Forest CCA.

Were it to join CCEA, Lake Forest would be responsible for setting policies, setting rates, marketing and customer outreach, and the implementation of any desired local programs. It would also still have to provide any start-up loans and any collateral or loan guarantees needed to acquire financing.

The CCEA Board of Directors is the Lancaster City Council. The actual services provided by CCEA are via contractors and consultants supervised by City of Lancaster personnel (e.g., Lancaster City Manager, Lancaster Choice Energy's Executive Director.) Thus, CCEA's administrative simplicity (the city not having to acquire expertise or expert contractors) is a traded off against the fact that Lake Forest would have to accept the contractors and service

[20] *See*, https://californiachoiceenergyauthority.com/

providers selected by CCEA. The bottom line is that CCEA is by design more of a client-Lake Forest would remain fully in control of the power that the JPA purchased on its behalf as well as which services the JPA provides to the City.

Comparison of Lake Forest Options

The table below qualitatively compares Lake Forest's three CCA options against remaining with SCE. First, MRW cannot project any meaningful difference in rate or GHG savings between the three CCA options. The stand-alone and CCEA options offer greater flexibility and control, but at the price of higher start-up costs, greater staff effort, and higher financial risk. Lastly, remaining with OPCA is the quickest option, allowing CCA formation at least one year sooner than the other two options.

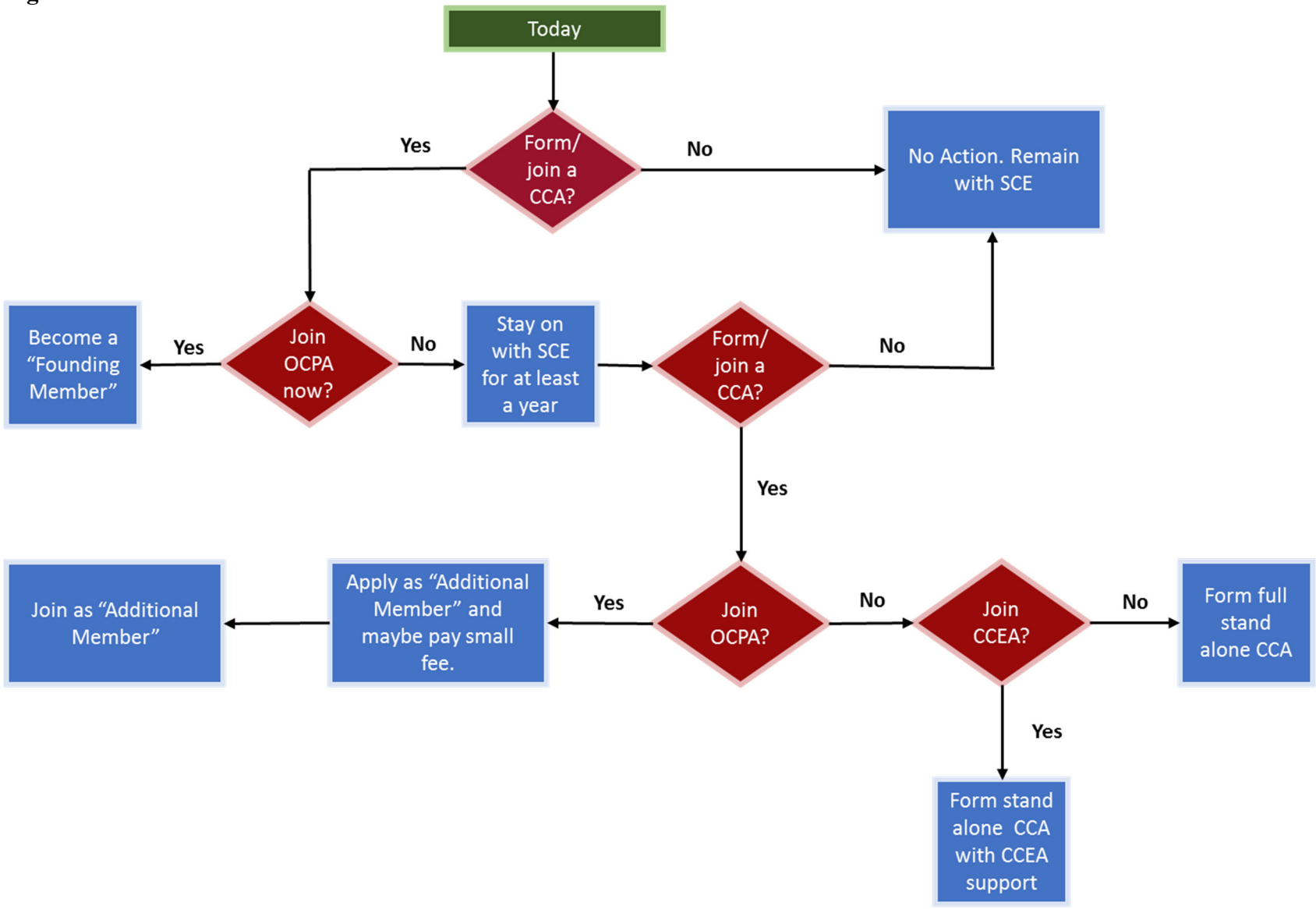
Table 11. Comparison of Lake Forest CCA Options

Criterion	Join OCPA	Use CCEA JPA	Stand-alone Enterprise	Stay with SCE
Rates	Comparable/ modestly lower	Comparable/ modestly lower*	Comparable/ modestly lower*	Base
GHG Reduction Potential Over Forecast Period	Some	Some	Some	Base
Local Control/Governance	Some	Greater	Greatest	None
Local Economic Benefits	Some	Greater	Greatest	Minimal
Start Up Costs/Cost to Join	None	Some	Greatest	None
Level of Effort	Minimal	Some	Greatest	None
Timing (earliest)	2022	2023	2023	N/A

*To be verified by MRW's Lake Forest only CCA financial analysis.

Figure 15 shows a flowchart of the possible CCA options for Lake Forest. If the City wants CCA service quickly—as soon as 2022, then joining OCPA is its only option. However, if the City is willing to wait a year or two, the stand-alone options open up, as well as potentially joining OCPA as an Additional Member.

Figure 15. Available CCA Paths for Lake Forest



Appendix: CCA Regulatory Procurement Requirements

California places a number of important power-procurement requirements on all "load serving entities" (LSEs) in California (e.g., utilities like SCE and CCAs). These requirements apply to all LSEs and thus can limit the options that a CCA can pursue to lower costs or implement lower-GHG emitting power portfolios.

Renewable Energy. One of these requirements is the renewable portfolio standard (RPS). This requirement has been in place since 2002 with passage of Senate Bill (SB) 1078, which set a requirement that 20% of retail electricity sales be served by renewable resources by 2017. Since then, the RPS requirement has been accelerated and expanded by subsequent legislation, most recently by SB 100 passed in 2018. SB 100 requires all LSEs to procure 50% of their power from renewable resources by 2026 and 60% by 2030.[21] SB 100 also sets a state-wide policy goal of having 100% of the electric power met by renewable or carbon-free resources (e.g., large hydroelectric dams) by 2045.

This means that SCE is subject to the same renewable resource mandates under SB 100 as Lake Forest will be. Unless Lake Forest makes an explicit decision to exceed the state requirements, it would be offering no incremental renewable "benefits" to the City. This is why many existing CCAs' goals are often to accelerate the implementation of green power above and beyond the state's mandates and goals.

Energy Storage. Assembly Bill (AB) 251 requires LSEs to procure energy storage capacity. The storage mandate was implemented by the California Public Utility Commission (CPUC) through a requirement that CCAs procure energy storage equal to one percent of their forecasted 2020 peak load. CCAs must demonstrate progress towards meeting this target in biennial advice letter filings and must have the energy storage capacity in place by 2024. Some energy storage technologies, especially lithium-ion batteries, have fallen steeply in cost in recent years, though they are still relatively expensive compared to supply resources and demand response. Battery costs are expected to continue to fall, suggesting there is a benefit to deferring procurement until required by the mandate.

Resource Adequacy. Since 2006, all LSEs, including CCAs, that are participants in the CAISO balancing area and under the jurisdiction of the CPUC are responsible for complying with Resource Adequacy (RA) obligations required under Assembly Bill 380 (codified as Section 380 of the Public Utilities Code and implemented by CPUC rulemaking). There are three components to the RA compliance program:

1) **System** capacity requirements to meet expected peak loads in the entire CAISO balancing area.

[21] In practice, the utility code establishes multi-year compliance periods ending in 2020, 2024, 2027 and 2030, with the average renewable energy supply as a percentage of retail sales for each compliance period required to be 33%, 44% 52% and 60%, respectively.

2) **Local** capacity requirements to meet contingency needs in locally constrained areas; and

3) **Flexible** capacity requirements to meet the largest continuous three-hour ramp in each month.

Specifically, to meet the System RA requirement, load serving entities must contract for 115% of their projected monthly peak demand as determined by the CPUC in consultation with the California Energy Commission (CEC) load forecasts. The peak demand forecasts are based on a 1-in-2 (average) weather year. Year-ahead filings must show that the LSE has contracted for 90% of the projected System RA requirement in summer months (May-September). The forecasts must be updated on a month-ahead basis and show that 100% of the requirement has been contracted.

The Local RA requirement must be met by LSEs with customers in 10 local reliability areas identified by the CAISO. The Local RA requirement is based on the CAISO's assessment of the generation needed in the local area. Beginning with the 2020 compliance year,[22] the Local RA requirements are set three years ahead and updated each year.[23]

On June 11, 2020, the CPUC adopted a framework (D. 20-06-002) that designated a central buyer for the procurement of multi-year Local RA in the SCE and SCE distribution areas, beginning in 2021. Currently, both SCE and SCE serve as central procurement entities for their distribution service areas and have begun procuring Local RA for the 2023 compliance year. Therefore, SCE would act as the Local RA procurer for any future CCA that served Lake Forest.

The CAISO also determines the required Flexible RA needs operating criteria. Currently there are three flexible capacity categories with varying must-offer obligations, energy limits and number of starts, with associated requirements for how much of each category may be used to meet the LSE's obligation. LSEs must demonstrate the purchase of 90% of their flexible RA requirement in their annual RA filing, and 100% of the requirement in their monthly RA filings.[24]

There is a bilateral market for RA capacity, with standardized products for each type of RA capacity.

Integrated Resource Planning (IRP). In addition to its role as the authority for implementing the state's RA program, the CPUC also has an active rulemaking to "Develop an Electricity Integrated Resource Planning Framework and to Coordinate and Refine Long-Term Procurement Planning Requirements" (R. 16-02-007). This program requires each California LSE to file a procurement plan that demonstrates that it is contributing its pro rata share to

[22] The "compliance year" is the year in which the RA resources are used to meet the LSE's RA requirements for that year. For example, an LSE must demonstrate in 2019 that it has adequate RA capacity under contract for the 2020 RA compliance year.
[23] Note that Local RA capacity is a substitute for System RA capacity. However, the converse is not always true, meaning that System RA capacity might not help an LSE meet its Local RA requirements.
[24] Flexible RA can substitute for System RA and possibly for Local RA but the converse is not always true: System and Local RA resources might not help an LSE meet its Flexible RA obligations.

meeting the State's GHG reduction goals while maintaining sufficient generating and storage capacity to maintain a reliable power grid.

On November 11, 2019, the CPUC issue a decision (D.19-11-016) that addressed the potential for system resource adequacy shortages in SCE's area due to the impending retirement of 3,750 MW of once-through cooled (OTC) generation by December 31, 2020 as well as the risk of additional non-OTC retirements. The decision recommended that the State Water Resources Control Board extend OTC compliance deadlines for the impacted power plants and required additional procurement of 3,300 MW of system-level RA capacity by all LSEs serving load within the CAISO balancing area. Because this analysis assumes that Lake Forest begins service in 2023, it will not need to take any special action to comply with these directives.

ATTACHMENT 3

Q20	The City of Lake Forest is considering offering electricity services directly to residents and businesses in the near future. Under this potential new program, residents will have the option to purchase electricity from the City or continue to purchase electricity from Southern California Edison. As I read several features of the City's electricity program, I'd like to know how they may impact your likelihood of purchasing your electricity from the City. Here is the (first/next) one: _____. Would this make you more or less likely to purchase electricity from the City? *Get answer, then ask:* Would that be much (more/less) likely or somewhat (more/less) likely?						
	Randomize	Much more likely	Somewhat more likely	Somewhat less likely	Much less likely	Not Sure	Prefer not to answer
A	The rates charged would be lower	63%	22%	2%	4%	8%	2%
B	The rates charged would be more stable over time	40%	36%	5%	5%	14%	1%
C	A greater amount of the electricity would be produced through renewable sources like solar, wind and biomass	45%	27%	5%	7%	13%	2%
D	There would be local control over the type of electricity offered	28%	33%	6%	8%	24%	2%

Q21	If the cost of electricity were the **same**, who would you prefer to be your electricity provider: _____ OR _____? *Randomize Order.*		
	1	The City of Lake Forest	38%
	2	Southern California Edison	29%
	98	Not sure	31%
	99	Prefer not to answer	2%

ATTACHMENT 4

Mayor
Scott Voigts

Mayor Pro Tem
Robert Pequeño

Council Members
Doug Cirbo
Neeki Moatazedi
Mark Tettemer

City Manager
Debra DeBruhl Rose

February 3, 2021

Mr. Mike Carroll, Chair of the Board
Orange County Power Authority
15642 Sand Canyon Avenue
P.O. Box 54283
Irvine, CA 92619

Dear Chair Carroll,

Over the past several months the Lake Forest City Council has carefully reviewed issues related to the Orange County Power Authority ("OCPA"). This process has included numerous public meetings, the formation of an ad hoc committee, and hours of conversations with OCPA staff and representatives. We recognize and appreciate the time and attention given by OCPA representatives as we have worked through issues related to joining the OCPA.

As part of the City's due diligence, the City Council and its appointed ad hoc committee have carefully reviewed the OCPA joint powers agreement to ensure that the interests of Lake Forest and the OCPA are aligned. The City's review of the joint powers agreement has focused in on six key issues, which are detailed below. The City requests that the OCPA Board consider amending the joint powers agreement as explained further below.

Requested Joint Powers Agreement Amendments and Explanations

1. Term of Office

   - *Requested Amendment*: Amend Section 3.3 of the agreement to provide for a two-year term of office instead of a four-year term.

   - *Explanation*: The current four-year term will result in appointees serving terms that exceed those of appointing council members. In the case of an appointed council member, the result could be that a council member serves on the OCPA Board long after his or her council term has ended. The City Council would like greater control over its OCPA appointees. Appointees are restricted to those that match the OCPA election cycle.

2. Director Compensation

- *Requested Amendment*: Amend Section 3.8 of the agreement to decouple Board Director compensation from the Orange County Sanitation District.

- *Explanation*: Tying Director compensation to a third-party agency puts the Board at a governance disadvantage, subjecting it to the whims of that agency. The City would prefer giving control over compensation issues to the Board itself, putting the onus for compensation decisions on the Board and not a third party.

3. Voting Shares Vote

- *Requested Amendment*: Eliminate the possibility of a voting shares vote by removing Sections 3.9.2 and 3.9.3.

- *Explanation*: The voting shares vote puts Lake Forest at a significant disadvantage relative to bigger cities. OCPA representatives have repeatedly stated that they are not aware of a voting shares vote ever occurring with other CCA JPAs. If that is the case, and this process would not be utilized, the City would appreciate its removal from the agreement.

4. Allocation of Revenue and Debts, Liabilities, and Obligations

- *Requested Amendment*: Amend the agreement to provide that revenues and debts, liabilities, and obligations be allocated to member cities based on each member city's load.

- *Explanation*: A key motivation for the City of Lake Forest to join the OCPA is potential energy cost savings to residents and businesses. Cost savings will arise in substantial part from OCPA revenues and how those revenues are utilized. The City would like to retain as much local control as possible as a member of the OCPA. Having the ability to determine how best to utilize OCPA revenues furthers the goal of local control. Similarly, the member cities' debts, liabilities, and obligations will differ according to size and should be likewise allocated according to size.

5. Board Meeting Schedule

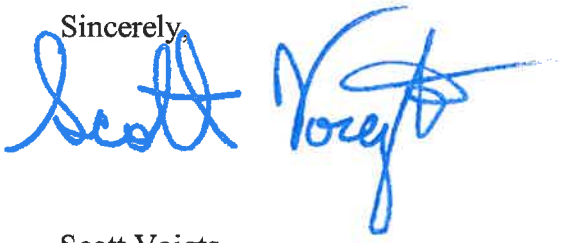
- *Requested Amendment*: Amend Section 3.11 to provide that Board meetings shall be held in the evening.

- *Explanation*: More than possibly any other Orange County public agency, the OCPA directly impacts residents and businesses finances and will be closely scrutinized. Holding Board meetings in the evening results in a larger pool of potential board members due to their availability. This will also provide the most residents and businesses access to the Board that is making decisions that directly impact their finances, resulting in greater transparency.

We recognize that amending the JPA agreement requires following a somewhat time-consuming process. With that in mind, we respectfully request that the Board discuss the requests outlined in this letter at its February 9, 2021 Board Meeting and vote to provide OCPA staff with direction to immediately begin the JPA amendment process.

The City has spent considerable time working through the JPA agreement and focusing in on those issues that are of most importance to it. Again, we recognize the time spent by OCPA on the City's concerns to date. We are hopeful that we will continue to be able to work together towards a resolution of these issues.

Sincerely,



Scott Voigts
Mayor
City of Lake Forest

ATTACHMENT 5

MINUTE EXCERPT
LAKE FOREST CITY COUNCIL REGULAR MEETING
JANUARY 19, 2021, ITEM 10, COMMUNITY CHOICE AGGREGATION

COMMUNITY CHOICE AGGREGATION

The following voicemail comments were received for the record:

Martin Deutschman – supports the City in joining a CCA
Walter Nobrego – does not support the City in joining the CCA.

ACTION: Senior Analyst Adrian Grijalva gave a presentation along with consultant Mark Fulmer the principal of MRW & Associates.
After the presentation by Senior Analyst Grijalva and consultant Fulmer, Mayor Voigts opened the floor to his Council colleagues for questions about the presentation. Discussion ensued. Many questions were asked and answered. Mayor Voigts thanked staff for the presentation. The information was received and filed. No vote was taken.

Council Member Tettemer requested consensus from his Council colleagues to discuss the possibility of bringing a ballot initiative to the voters to procure energy through OCPA. Minority consensus was received by Mayor Pro Tem Pequeño. The matter will be placed on the February 2, 2021, City Council agenda for discussion.

Certificate of Recognition

Presented to

SGT. PEPPERONI'S PIZZA STORE

Aliso Viejo
Business of the Month
August 2021

Presented this 18th day of August, 2021

Tiffany Ackley, Mayor

CITY OF ALISO VIEJO
CITY COUNCIL MINUTES
REGULAR MEETING
July 21, 2021, 7:00 P.M.
Council Chambers, City Hall, 12 Journey
Aliso Viejo, California

City Council conducted this meeting in accordance with California Governor Newsom's Executive Orders N-25-20 and N-29-20 and COVID-19 pandemic protocols.

CALL TO ORDER: Mayor Ackley called the Regular Meeting of the City Council of the City of Aliso Viejo to order at 7:00 p.m.

ROLL CALL:

PRESENT: MAYOR TIFFANY ACKLEY *(via teleconference)*
MAYOR PRO TEM ROSS CHUN *(via teleconference)*
COUNCILMEMBER DAVID C. HARRINGTON (ARRIVED AT 7:03 P.M.) *(via teleconference)*
COUNCILMEMBER RICHARD W. HURT *(via teleconference)*
COUNCILMEMBER MIKE MUNZING *(via teleconference)*

ABSENT: NONE

STAFF PRESENT: DAVID A. DOYLE, CITY MANAGER
HONGDAO NGUYEN, ASSISTANT CITY ATTORNEY
MITZI ORTIZ, CITY CLERK
SEA SHELTON, INTERIM FINANCIAL SERVICES DIRECTOR / HUMAN RESOURCES MANAGER
SHAUN PELLETIER, PUBLIC WORKS DIRECTOR
OMAR DADABHOY, COMMUNITY DEVELOPMENT DIRECTOR
JENNIFER LOWE, SENIOR PLANNER
STEPHANIE PHILLIPS, RECREATION & COMMUNITY SERVICES DIRECTOR
ISAAC AZIZ, INFORMATION TECHNOLOGY MANAGER
CAPT. CHAD KAJFASZ, CHIEF OF POLICE SERVICES

PLEDGE OF ALLEGIANCE: City Clerk Mitzi Ortiz led the pledge of allegiance.

1. SPECIAL PRESENTATIONS:

None.

2. ADDITIONS, DELETIONS, REORDERING TO THE AGENDA:

None.

3. COMMUNITY INPUT:

City Clerk Mitzi Ortiz entered the following communication into the record:

1. Marlene Lewis expressed concern regarding nuisance reporting procedures for barking dogs.

4. CONSENT CALENDAR:

Unless otherwise indicated below, the following pertains to all items on the Consent Calendar.

Motion: Mayor Pro Tem Chun moved and Councilmember Hurt seconded to approve the recommended actions. Motion carried 5-0.

4.1. WAIVE THE READING OF ALL ORDINANCES AND RESOLUTIONS

Recommended Action: Approve the reading by title only of all ordinances and resolutions wherein the titles appear on the public agenda; said titles shall be determined to have been read by title, and further reading is waived.

4.2. APPROVAL OF MINUTES

Recommended Action: Approve the Minutes as submitted for the June 2, 2021 Special Meeting and June 2, 2021 Regular Meeting.

4.3. ACCOUNTS PAYABLE

Recommended Action:

1. Ratify accounts payable checks and electronic funds transfers issued May 20, 2021 in the amount of $205,894.33;
2. Ratify accounts payable checks and electronic funds transfers issued May 27, 2021 in the amount of $241,488.40;
3. Ratify accounts payable checks and electronic funds transfers issued June 10, 2021 in the amount of $621,652.91; and
4. Ratify accounts payable checks and electronic funds transfers issued June 24, 2021 in the amount of $611,244.55.

4.4. TREASURER'S STATEMENTS – APRIL AND MAY 2021

Recommended Action: Approve April and May 2021 Treasurer's Statements.

4.5. RESOLUTION OF COMMUNITY FACILITIES DISTRICT NO. 2005-01 (GLENWOOD AT ALISO VIEJO) AUTHORIZING THE ANNUAL LEVY OF SPECIAL TAXES FOR FISCAL YEAR 2021-22

Recommended Action: Adopt Resolution No. 2021-20, a resolution of the City Council, acting as the legislative body of Community Facilities District No. 2005-01 (Glenwood at Aliso Viejo), authorizing the annual levy of special taxes for fiscal year 2021-22.

4.6. OCTA COOPERATIVE AGREEMENT AND AGREEMENT AMENDMENT WITH CABCO YELLOW, INC. FOR SENIOR TRANSPORTATION SERVICES

Recommended Action:
1. Approve and authorize the City Manager to execute a five-year cooperative agreement with an optional five-year extension with OCTA to receive Measure M2 Senior Mobility Funds for senior transportation services; and
2. Approve and authorize the City Manager to execute a one-year agreement amendment to continue senior transportation services with Cabco Yellow, Inc.

Motion: Councilmember Hurt moved and Mayor Pro Tem Chun seconded to approve the recommended actions. Motion carried 5-0.

4.7. APPROVE AUTHORIZED AGENTS TO SIGN FOR EMERGENCY MANAGEMENT PERFORMANCE GRANT (EMPG) FOR THREE YEARS

Recommended Action: Approve and adopt the California Office of Emergency Services' Governing Body Resolution No. 2021-21 designating the City Manager, Director of Financial Services, and Chief of Police Services as authorized agents to execute for and on behalf of the City of Aliso Viejo for the purposes of obtaining federal financial assistance provided by the Department of Homeland Security and subgranted through the State of California for the Emergency Management Performance Grant (EMPG) for three years.

4.8. SELECTION OF VOTING DELEGATE FOR LEAGUE OF CALIFORNIA CITIES ANNUAL BUSINESS MEETING

Recommended Action: Designate Mayor Pro Tem Ross Chun as voting delegate for the League of California Cities Annual Business Meeting to be held on September 24, 2021.

4.9. ADOPTION OF THE REVISED FISCAL YEAR 2021-2022 ANNUAL ACTION PLAN FOR EXPENDITURES OF COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) FUNDS

Recommended Action:
1. Approve and adopt the Revised FY 2021-2022 Annual Action Plan for the use of Community Development Block Grant funds; and
2. Authorize the City Manager to submit the Revised Action Plan to the U.S. Department of Housing and Urban Development ("HUD"), which executes the HUD contract and authorize the City Manager to submit all related documents with the implementation of the Action Plan.

5. PUBLIC HEARINGS:

5.1. APPROVE THE SECOND AMENDMENT TO THE FY 2020-2021 ANNUAL ACTION PLAN SUBSTANTIAL AMENDMENT FOR THE PROPOSED USE OF COMMUNITY DEVELOPMENT BLOCK GRANT - CORONAVIRUS (CDBG-CV) FUNDS

City Manager David Doyle introduced Senior Planner Jennifer Lowe, who provided an overview. Mayor Ackley opened the public hearing and there were no speakers. Mayor Ackley closed the public hearing. Councilmembers commented on the matter.

Recommended Action:

1. Conduct a public hearing;
2. Declare the City Council finds the Second Amendment to the FY 2020-2021 Annual Action Plan Substantial Amendment is not subject to the California Environmental Quality Act ("CEQA") as the activity is not a project defined in Section 15378(b)(5) of the state CEQA Guidelines;
3. Approve and adopt the Second Amendment to the FY 2020-2021 Annual Action Plan Substantial Amendment for the use of Community Development Block Grant-Coronavirus ("CDBG-CV") funds; and
4. Authorize the City Manager to submit the Second Amendment to the FY 2020-2021 Annual Action Plan Substantial Amendment to the U.S. Department of Housing and Urban Development ("HUD") and to execute the HUD contract and authorize the City Manager to submit all related documents with the implementation of the Action Plan Substantial Amendment.

Motion: Councilmember Harrington moved and Councilmember Munzing seconded to approve the recommended actions. Motion carried 5-0.

6. DISCUSSION:

6.1. BALLOT MEASURE FOR NOVEMBER 8, 2022 GENERAL MUNICIPAL ELECTION FOR THE ADOPTION OF AN ORDINANCE ESTABLISHING TERM LIMITS FOR MEMBERS OF THE CITY COUNCIL

Assistant City Attorney HongDao Nguyen provided an overview.

Recommended Action: Consider a resolution for a ballot measure for the November 8, 2022 General Municipal Election adopting an ordinance establishing term limits for members of the City Council.

Motion: Council consensus directed staff to combine Discussion Items 6.1 and 6.2 for consideration. *See Discussion Item 6.2 for action taken.*

6.2. BALLOT MEASURE FOR NOVEMBER 8, 2022 GENERAL MUNICIPAL ELECTION FOR THE ADOPTION OF A CHARTER ESTABLISHING TERM LIMITS FOR MEMBERS OF THE CITY COUNCIL

Assistant City Attorney HongDao Nguyen provided an overview. City Clerk Mitzi Ortiz provided additional information. Staff responded to questions regarding term limits for incumbents, filling of City Council vacancies, applying term limits retroactively, rescinding of term limits, single-item charter, and upcoming election deadlines. City Council discussion ensued.

Recommended Action:

1. Consider placing a single-subject term limit charter on the ballot for the 2022 general election, and if Council wishes to proceed;
2. Instruct staff to set and notice a first and second hearing on a resolution placing on the November 8, 2022 ballot an Aliso Viejo charter establishing term limits for members of the City Council.

Motion: Mayor Ackley moved and Councilmember Harrington seconded to combine and continue Discussion Items 6.1 and 6.2, and directing staff to revise the charter to apply retroactively to terms beginning in 2018 and requiring filling of City Council vacancies by special election. Motion carried 5-0.

6.3. SCOPE OF CITY COUNCIL MEMBER AUTHORITY (CHUN)

Councilmember Chun provided an overview. City Council discussion ensued.

Recommended Action: City Council Members discuss and define the scope of authority of City Council Members and update the Municipal Code if necessary.

No further action was taken.

6.4. FACILITY USE POLICY (CHUN)

Councilmember Chun provided an overview. City Manager David Doyle responded to questions regarding tours and facility use of Aliso Viejo Ranch. City Council discussion ensued.

Recommended Action: The City Council reviews the current Facility Use Policy for the Aliso Viejo Ranch and clarifies any restrictions by providing additional language or removing any ambiguous statements about the use of the site, rental costs and scheduling requirements.

No further action was taken.

6.5. RESULTS OF PUBLIC RECORDS REQUESTS (CHUN)

Councilmember Chun provided an overview. City Manager David Doyle and City Clerk Mitzi Ortiz responded to questions regarding records requests received and fulfilled, receipt of public comments, and processing of records requests. City Council discussion ensued.

Recommended Action:

1. Confirm that all public records requests have been fulfilled.
2. Provide the City Council with an update on any pending requests.
3. Provide the City Council with an explanation of the manner in which requestors were notified and a description of the process that was followed in providing the data requested by the public.

No further action was taken.

7. CITY MANAGER' S REPORT:

City Manager David Doyle expressed appreciation to staff.

8. ANNOUNCEMENTS / COUNCIL COMMENTS / COMMITTEE UPDATES:

Councilmember Munzing:

- Expressed appreciation to staff for the 4th of July Community Parade and Celebration

Councilmember Hurt:

- Attended Orange County Mosquito Vector Control District Workshop
- Attended Southern California Edison workshops

Councilmember Harrington:

- Obtained Council consensus for study of bike lane and sidewalk barriers on certain streets
- Expressed appreciation to staff

Mayor Pro Tem Chun:

- Commented on importance of Orange County Mosquito and Vector Control District
- Commented on naming of Aliso Niguel High School STEM building
- Attended League of California Cities Board of Directors Meeting
- Presented at Belmont Village on ethnic heritage and cultural music
- Attended Southern California Edison Government Advisory Panel Meeting
- Submitted in writing:
  - Attended Aliso Viejo Chamber of Commerce Networking Breakfast
  - Met with Belmont Village and Aliso Ridge Behavioral Health on mental health support services for schools
  - Met with OCFA on wildfire mitigation, community engagement and equity
  - Attended SCAG Transportation Committee Meeting
  - Participated in Aliso Niguel High School Dance Team Car Wash
  - Attended League of California Cities Audit Committee Meeting
  - Attended ACC-OC Soirée Social Mixer
  - Attended Aliso Viejo Chamber of Commerce Networking Mixer
  - Attended League of California Cities Governance Advisory Committee Meeting
  - Requested e-bike safety report from City Manager

DRAFT

Mayor Ackley: None.

9. **ADJOURNMENT:** Mayor Ackley adjourned the meeting at 8:54 p.m. to the regularly scheduled meeting of August 4, 2021.

Respectfully submitted:

_____
MITZI ORTIZ, MMC
CITY CLERK

Approved by:

_____
TIFFANY ACKLEY
MAYOR

DRAFT

City of Aliso Viejo
AGENDA ITEM

DATE: August 18, 2021

TO: Mayor and City Council

FROM: Sea Shelton, Interim Director of Financial Services

SUBJECT: ACCOUNTS PAYABLE

Recommended Action(s):

1. Ratify accounts payable checks and electronic funds transfers issued July 8,2021 in the amount of $403,404.98 and
2. Ratify accounts payable checks and electronic funds transfers issued July 22,2021 in the amount of $1,421,470.09

Fiscal Impact:

Expenditures in the amount of $1,824,875.07

Background:

The City issues accounts payable checks on Bi-weekly basis and presents it to City Council for ratification at its next regularly scheduled City Council meeting.

Discussion:

The attached register containing checks and electronic funds transfers dated July 8,2021 through July 22,2021 for $1,824,875.07 is being presented for ratification. All payments have been made in compliance with the City's purchasing policy and procedures. Payments have been reviewed and approved by the appropriate departmental staff. The issued accounts payable checks and electronic funds transfers have been audited and deemed accurate by the Interim Director of Financial Services.

Attachment(s):

1. Accounts Payable Report

Accounts Payable
07/08/2021

Vendor Name	Description (Item)	Amount
101 - GENERAL FUND		
SOKA UNIVERSITY OF AMERICA	PA 17-032/SOKA-REFUND-PLANNING DEPOSIT-REM BAL	56.25
SOKA UNIVERSITY OF AMERICA	ENV 16-005/SOKA-REFUND-PLANNING DEPOSIT-REM BAL	503.20
SOKA UNIVERSITY OF AMERICA	PA 18-015/SOKA-REFUND-PLANNING DEPOSIT-REM BAL	743.02
COMPASS BIBLE CHURCH	P#19-0674-C&D REFUND-COMPASS BIBLE CHURCH	3,000.00
THE FOLDING DOOR STORE, INC	P#19-1014-C&D REFUND-THE FOLDING DOOR STORE	500.00
J S SHAFER & ASSOCIATES INC	P#19-1030-C&D REFUND-J S SHAFER-5 COLUMBIA	1,000.00
ORANGE COUNTY POOLS, INC	P#19-1792-C&D REFUND-ORANGE COUNTY POOLS	500.00
DREAMSCAPES BY MGR INC	P#20-0019-C&D REFUND-DREAMSCAPES-22 CRIMSON CY	500.00
WELLER CONSTRUCTION, INC	P#19-1863-C&D REFUND-WELLER CONST-25 JOURNEY	1,500.00
COMMERCIAL BUILDERS, INC	P#20-0281-C&D REFUND-COMMERCIAL BUILDERS-20 ENT	1,500.00
HYLKEMA ROOFING	P#20-0487-C&D REFUND-SUPERIOR ROOFING/HYLKEMA R	500.00
HYLKEMA ROOFING	P#20-0536-C&D REFUND-SUPERROOFING/HYLKEMA	500.00
TURELK INC	P#20-0662-C&D REFUND-TURELK-25 ENTERPRISE	1,000.00
TIMOTHY MASHBURN	P#20-0790-C&D REFUND-MASHBURN PROPERTY	500.00
ALL OC CONSTRUCTION	P#20-1330-CANCELED PERMIT REFUND-ALL OC CONST	240.26
ALL OC CONSTRUCTION	P#20-1330-CANCELED PERMIT REFUND-ALL OC CONST	37.74
ALL OC CONSTRUCTION	P#20-1330-CANCELED PERMIT REFUND-ALL OC CONST	115.84
ALL OC CONSTRUCTION	P#20-1330-CANCELED PERMIT REFUND-ALL OC CONST	37.74
BROADWAY BUILDING GROUP, LLC	P#20-1354-C&D REFUND-BROADWAY BLDG-20 ENTERPRISE	1,500.00
ALISON PELTIER	P#20-1445-C&D REFUND-ALISON PELTIER	500.00
RESIDENT GROUP SERVICES, INC	P#21-0979-WATER QUALITY-OVERPAYMENT-RESIDENT GRP	28.57
RESIDENT GROUP SERVICES, INC	P#21-0979-WATER QUALITY-OVERPAYMENT-RESIDENT GRP	1.43
		14,764.05
CITY COUNCIL		
AT&T	MAR'21-CC PHONES	267.06
AT&T	MAY'21-CC PHONES	286.83
US BANK PURCHASING CARD PROGRAM	NL-ADS & PROMOS-PARENTING OC	1,950.00
US BANK PURCHASING CARD PROGRAM	PC-RC 6/23 ACCOC EVENT REGIS	25.00
US BANK PURCHASING CARD PROGRAM	PC-DH-6/16 ACCOC EVENT REGIS	25.00
	CITY COUNCIL TOTAL:	**2,553.89**
CITY MANAGER		
AT&T	MAR'21-CITY MANAGER PHONE	59.51
AT&T	MAY'21-CITY MANAGER PHONE	59.51
US BANK PURCHASING CARD PROGRAM	DD-CM FASTRACK/TOLL ROADS MONTHLY CAHRGES	335.00
STAPLES ADVANTAGE	CM-PENS & SCOTCH TAPE	79.09
STAPLES ADVANTAGE	CM-CLASSIFICATION FOLDERS	52.25
	CITY MANAGER TOTAL:	**585.36**
ECONOMIC DEVELOPMENT		
MALCO MAINTENANCE	6/1-6/30/21-AVTC-GO OUTDOOR-PORTER SERVICE	650.00
TEAM ONE MANAGEMENT SERVICES	JUN'21-35 PLAYA-POWER WASH/WINDOWS CLEANING	720.00
EFUEL LLC	JAN-MAR'21 SALES TAX EFUEL	70,549.00
SOLINK INC	SOKA POD-A FRAME SIGNS INSERTS	1,513.89
ERIC WINTER	AUG'21 BUSINESS OF THE MONTH-SGT. PEPPERONI	679.80
FOSTERS' GARDENS INC	6/15-AVTC-THE ROW-BOX TREES REMOVAL SERVICE	315.00
US BANK PURCHASING CARD PROGRAM	DG- 35 PLAYA CIRCLE-FLOORING SUPPLIES	906.60
US BANK PURCHASING CARD PROGRAM	DG-AVTC-THE ROW-SUPPLIES	653.84
BEST BEST & KRIEGER	MAY'21 BBK-35 PLAYA CIR	280.00
	ECONOMIC DEVELOPMENT TOTAL:	**76,268.13**
HUMAN RESOURCES		
CHARLES C STILL	JUN'21-SM/MM/EB-LIVE SCAN FEES	171.00
US BANK PURCHASING CARD PROGRAM	SS-MM-MANDATED REPORTER TRAINING REGIS	20.00
US BANK PURCHASING CARD PROGRAM	SS-MM-FIRST AID/CPR/AED TRAINING	138.00
US BANK PURCHASING CARD PROGRAM	SS-EB-MANDATED REPORTER TRAINING	20.00
	HUMAN RESOURCES TOTAL:	**349.00**

Vendor Name	Description (Item)	Amount
CITY CLERK		
CODE PUBLISHING COMPANY	MUNICIPAL CODE-WEB UPDATE ORD2021-220	226.50
STAPLES ADVANTAGE	CC-FACIAL TISSUE	12.70
	CITY CLERK TOTAL:	**239.20**
CITY ATTORNEY		
BEST BEST & KRIEGER	MAY'21 BBK - CODE ENFORCEMENT	3,153.85
BEST BEST & KRIEGER	MAY'21 BBK - LEGAL SERVICES	18,548.15
BEST BEST & KRIEGER	MAY'21 BBK- CELLULAR/SMALL CELL WIRELESS FACILITY	2,044.00
BEST BEST & KRIEGER	MAY'21 BBK - LABOR & EMPLOYMENT	1,168.00
BEST BEST & KRIEGER	MAY'21 BBK - LABOR/BENEFITS	700.80
BEST BEST & KRIEGER	MAY'21 BBK-GENERAL LITIGATION	1,187.40
	CITY ATTORNEY TOTAL:	**26,802.20**
FINANCE		
PARS	APR-JUN '21 PARS REP FEES	900.00
US BANK PURCHASING CARD PROGRAM	SS -NS&NJ -6/2 1099 WEBINAR REGIS	20.00
US BANK PURCHASING CARD PROGRAM	SS -2021 CSMFO MEMBERSHIP DUES	110.00
US BANK PURCHASING CARD PROGRAM	GT-JUN'21 THE SACRAMENTO BEE-DIGITAL SUBS	7.99
US BANK PURCHASING CARD PROGRAM	GT-WSJ SUBSCRIPTION	142.29
US BANK PURCHASING CARD PROGRAM	GT-MAY'21 THE SACRAMENTO BEE-DIGITAL SUBS	7.99
STAPLES ADVANTAGE	FIN-PENS/FOLDERS/HEADPHONES/PETTY CASH BOX	389.99
	FINANCE TOTAL:	**1,578.26**
INFORMATION TECHNOLOGY		
COX COMMUNICATIONS, INC	6/6/21-7/5/21 ACCT#8802 - CH INTERNET	1,500.00
COX COMMUNICATIONS, INC	6/19-7/18/21 ACCT#9302-CH-SERVER ROOM INTERNET	85.39
COX COMMUNICATIONS, INC	6/10-7/9/21 ACCT#0202-CH-CABLE/TELEVISION	150.73
AT&T	MAR'21-CH-4 MIFI	163.96
AT&T	MAR'21-EOC 4 PHONES	122.80
AT&T	MAR'21-CH-FLEET COMPLETE	130.10
AT&T	MAR'21-EOC-4 MIFI	160.96
AT&T	MAY'21-EOC-4 MIFI	160.96
AT&T	MAY'21-CH-4 MIFI	163.96
AT&T	MAY'21-EOC 4 PHONES	122.80
AT&T	MAY'21-CH-FLEET COMPLETE	129.10
US BANK PURCHASING CARD PROGRAM	IA-FY21-22 5/25/21-5/24/22-SURVEYMONKEY	420.00
US BANK PURCHASING CARD PROGRAM	IA-EOC NEWS SUBS-YOUTUBETV	64.99
US BANK PURCHASING CARD PROGRAM	IA-DATA RECOVERY SOFTWARE	548.98
US BANK PURCHASING CARD PROGRAM	IA-MAY'21 WAITWHILE SUB-FRONT COUNTER MAY	159.00
US BANK PURCHASING CARD PROGRAM	IA-JUN'21 WAITWHILE SUB-FRONT COUNTER	159.00
US BANK PURCHASING CARD PROGRAM	IA-GODADDY SSL RENEWAL	94.99
US BANK PURCHASING CARD PROGRAM	IA-COMPTIA CLASS & CERTIFICATION	1,199.00
US BANK PURCHASING CARD PROGRAM	IA-PC MAGAZINE SUBSCRIPTION	19.99
SHI INTERNATIONAL CORP	2/26/21-2/25/26- BARRACUDA WEBFILTER & VPN	15,000.00
SHI INTERNATIONAL CORP	FY21-22 VMWARE VSPHERE ESSENTIAL	1,486.00
SHI INTERNATIONAL CORP	CHARGING STAND (MOTOROLA RADIOS)	312.48
SHI INTERNATIONAL CORP	CAMERA SENSORS & LICENSES	3,077.13
SHI INTERNATIONAL CORP	15" LAPTOP-SURFACE BOOK 3	3,229.05
SHI INTERNATIONAL CORP	CH -4 MONITORS	1,657.80
SHI INTERNATIONAL CORP	13" LAPTOP-SURFACE BOOK 3	2,392.32
SHI INTERNATIONAL CORP	5/27/21-5/26/25- 2 LAPTOP WARRANTY PO#5449	827.72
SHI INTERNATIONAL CORP	FY20-21 DELL POWEREDGE R530 SUPPORT	1,478.00
	INFORMATION TECHNOLOGY TOTAL:	**35,017.21**
NON-DEPARTMENTAL		
NESTLE WATERS NORTH AMERICA	JUN'21-CH-COFFEE/WATER FILTRATION	45.23
IPROMOTEU.COM INC	EM/NL/JB/AA/LM/SP/JL-BUISNESS CARDS	359.89
IPROMOTEU.COM INC	S.MARIANO & G.RAMOS-BUSINESS CARDS	85.12
IPROMOTEU.COM INC	AV RANCH-BUSINESS CARDS	42.56
US BANK PURCHASING CARD PROGRAM	MO-5/30 CONSTANTCONTACT.COM	95.00
US BANK PURCHASING CARD PROGRAM	DG-CITY VEHICLE-BRAKE PADS REPAIRS	121.00
US BANK PURCHASING CARD PROGRAM	PC-ACCOUNTING SUPERVISOR-NAMEPLATE-J&M TROPHIES	30.39
US BANK PURCHASING CARD PROGRAM	PC-CODE ENF-NAMEPLATE-J&M TROPHIES	30.39
US BANK PURCHASING CARD PROGRAM	PC-GREETING CARD -CRIME PREV SPEC EXIT	6.45
US BANK PURCHASING CARD PROGRAM	DD-5/27 LUNCH MEETING-PIZZA	97.58
US BANK PURCHASING CARD PROGRAM	PC-COUNCIL DINNER-BEV SUPPLIES-RALPHS	92.41
US BANK PURCHASING CARD PROGRAM	PC-6/17 EMP APPRECIATION-CRIME PREV-RETIREMENT	63.46

	Vendor Name	Description (Item)	Amount
	US BANK PURCHASING CARD PROGRAM	PC-6/2-COUNCIL DINNER FOOD-URBAN PLATES	18.52
	US BANK PURCHASING CARD PROGRAM	PC-6/2-COUNCIL DINNER FOOD-URBAN PLATES	232.82
	US BANK PURCHASING CARD PROGRAM	PC-4 DESK CHAIRS-KIRKSEY & CO FURNITURE	1,871.90
	RICOH USA	5/12-6/11/21 RICOH 2504 (BACK OFFICE)-COPIES	150.45
	CINTAS CORPORATION NO. 2	JUN'21-CH-FIRST AID MAINTENANCE	179.59
	NIEVES LANDSCAPE INC	JUN'21 VISTA PARK LANDSCAPE MAINTENANCE	276.78
	STAPLES ADVANTAGE	CEN-PAPER/COPY PAPER/CATALOG ENVELOPES	93.81
	STAPLES ADVANTAGE	CEN-PAPER/COPY & BREAK ROOM SUPPLIES	292.18
	STAPLES ADVANTAGE	FY21-22 STAPLES PREMIUM MEMBERSHIP RENEWAL	322.17
	VOYAGER FLEET SYSTEMS INC	5/25-6/24/21 CITY CAR FUEL	384.56
	MOULTON NIGUEL WATER DIST	5/17-6/14/21 MTR#2206 VISTA PARK WATER SERVICE	936.36
	ALLIANT INSURANCE SERVICES INC	FY21-22 ANNUAL CRIME INSURANCE POLICY	868.00
	RK BRANDS, LLC	MAY'21-12.19HRS-PIO/MAYOR OUTREACH/SPECIAL PROJ	1,097.10
	RK BRANDS, LLC	JUN'21-17.53 HRS-PIO/SPECIAL PROJECTS	1,577.70
	CALIFORNIA JPIA	FY21-22 PROPERTY INSURANCE	43,627.00
		NON-DEPARTMENTAL TOTAL:	**52,998.42**
C. S. ADMINISTRATION			
	MICHAEL R JUE	GRAPHIC DESIGN-SUMMER BROCHURE/AVR RENTAL/POSTCARD	3,731.25
	WESTAMERICA COMMUNICATIONS INC	2000 AV RENTAL BROCHURE PRINTING	8,393.73
	SMART LEVELS MAILING & PRINTING INC	AV LOGO MAGNET FOR PODIUM	35.56
	PREMIER PRINT SOURCE	SPECIAL EVENT CANOPY - AV BRANDED	1,042.47
	PREMIER PRINT SOURCE	SPECIAL EVENT-TABLE THROW & CANOPY-AV BRANDED	1,473.75
	US BANK PURCHASING CARD PROGRAM	JB-4TH OF JULY DECOR	77.36
	US BANK PURCHASING CARD PROGRAM	LM-5/20 STAFF MEETING	152.20
	US BANK PURCHASING CARD PROGRAM	JB-5/28 STAFF SUMMER TRAINING-URBANE	307.81
	US BANK PURCHASING CARD PROGRAM	JB-6/2 STAFF SUMMER TRAINING-CHAUPAIN BAKERY	137.82
	US BANK PURCHASING CARD PROGRAM	JB-5/26 STAFF SUMMER TRAINING	35.04
	US BANK PURCHASING CARD PROGRAM	JB-6/2 STAFF SUMMER TRAINING-COFFEE BEAN	35.90
	US BANK PURCHASING CARD PROGRAM	JB-5/26 STAFF SUMMER TRAINING-FRUIT TRAY	15.99
	US BANK PURCHASING CARD PROGRAM	JB-5/27 STAFF SUMMER TRAINING-COFFEE	17.95
	US BANK PURCHASING CARD PROGRAM	LM-CITY EVT-SUPPLIES	26.93
	US BANK PURCHASING CARD PROGRAM	JB-5/25 ICE BREAKER SUPPLIES-MICHAELS	19.37
	US BANK PURCHASING CARD PROGRAM	JB-BARRIER NETS	323.09
		C. S. ADMINISTRATION TOTAL:	**15,826.22**
IGLESIA PARK			
	US BANK PURCHASING CARD PROGRAM	DG-IGLESIA PARK-MAINT & REPAIR SUPPLIES	57.74
	NIEVES LANDSCAPE INC	JUN'21 IGLESIA PARK LANDSCAPE MAINTENANCE	7,480.00
		IGLESIA PARK TOTAL:	**7,537.74**
IGLESIA BUILDING			
	TMR SECURITY & PATROL SERVICES INC	JUN'21-16 VISITS-IPCC PATROL SERVICE	160.00
		IGLESIA BUILDING TOTAL:	**160.00**
PLANNING			
	R MATTHEW SHANNON	APR'21-AVTC-PROFESSIONAL CONSULTANT SERVICES	1,006.25
	US BANK PURCHASING CARD PROGRAM	OD-AVTC-CONSTANT CONTACT	45.00
	US BANK PURCHASING CARD PROGRAM	OD-CALRIGHT-SOUND LEVEL CALIBRATION	150.00
	JENNIFER LOWE	JL-6/29 OFFICE SUPPLIES-STAPLES REIMB	102.47
	BEST BEST & KRIEGER	MAY'21 BBK - #801 TOWN CTR SPECIFIC PLAN -(#801SPE	416.00
		PLANNING TOTAL:	**1,719.72**
BUILDING			
	ECS IMAGING INC	FY20-21 BUILDING SCANNING PLANS & PERMITS	7,294.99
		BUILDING TOTAL:	**7,294.99**
CODE ENFORCEMENT			
	FEDERAL EXPRESS	CODE ENF-6/17-CALRIGHT INSTRUMENTS-FEDEX	58.52
	FEDERAL EXPRESS	CODE ENF-6/24-CALRIGHT INSTRUMENTS-FEDEX	71.95
		CODE ENFORCEMENT TOTAL:	**130.47**
ENGINEERING (GENERAL)			
	AT&T	MAY'21-PUBLIC WORKS TABLETS-INTERNET SRV	227.22
	US BANK PURCHASING CARD PROGRAM	NL-6/2 STAFF TRAINING-FRUIT TRAY-RALPHS	15.99
	STAPLES ADVANTAGE	ENG-GLOVES & LABEL TAPE	38.75
	STAPLES ADVANTAGE	ENG-LONG REACH STAPLER	33.18
	HF&H CONSULTANTS LLC	MAY'21 SOLID WASTE HAULING CONSULTING	6,557.50
		ENGINEERING (GENERAL) TOTAL:	**6,872.64**

Vendor Name	Description (Item)	Amount
LAW ENFORCEMENT-OTHER		
AT&T	MAR'21-PALS PHONE	44.51
AT&T	MAY'21-PALS PHONE	44.51
IPROMOTEU.COM INC	LE-DEPUTIES & CHIEF-BUSINESS CARDS	170.25
SEAVCO INC	LE-BMW VIN#3962 BRAKE PAD REPLACEMENT	358.04
US BANK PURCHASING CARD PROGRAM	BG-APR-JUN'21 LE TOLL ROADS CHARGES #PO5295	1,000.00
US BANK PURCHASING CARD PROGRAM	BG-CREDIT-SUPERVISING CRITICAL NATIONAL TRAINING	(294.00)
US BANK PURCHASING CARD PROGRAM	CK-6/16 SHERIFF HQ MTG-PARKING	3.00
US BANK PURCHASING CARD PROGRAM	BG-6/4 LE SPECIAL EVT- WATER/SODA-RALPHS	214.79
US BANK PURCHASING CARD PROGRAM	BG-6/4 LE SPECIAL EVT- DESSERTS-SMART & FINAL	229.34
US BANK PURCHASING CARD PROGRAM	BG-6/4 LE SPECIAL EVT- FOOD-SGT PEPPERONI'S	375.82
US BANK PURCHASING CARD PROGRAM	BG-6/4 LE SPECIAL EVT- FOOD-CANE'S	522.02
US BANK PURCHASING CARD PROGRAM	BG-GRAD EVT-SUPPLIES//BEVERAGES FOR DEPUTIES	88.79
US BANK PURCHASING CARD PROGRAM	BG-LE-JL/KR/BG/CB/PM/JL/DM-NAME PLATES-J&M TROP	73.54
US BANK PURCHASING CARD PROGRAM	CK-TONER-STAPLES	107.74
US BANK PURCHASING CARD PROGRAM	BG-GRAD EVT-SUPPLIES/FOOD FOR DEPUTIES/CSOs	212.88
US BANK PURCHASING CARD PROGRAM	BG-TACTICAL EQUIP-LIGHTING & COVERS FOR DEPUTIES	422.38
BRETT GARDNER	BG-5/24-6/26/21 CPTED TRAINING-LODGING-REIMB	268.06
BRETT GARDNER	BG-6/4 LE SPECIAL EVT-DESSERTS-REIMB	162.80
VOYAGER FLEET SYSTEMS INC	5/25-6/24/21 MOTORCYCLE FUEL & CAS WASHES	681.99
	LAW ENFORCEMENT-OTHER TOTAL:	**4,686.46**
CRIME PREVENTION		
IPROMOTEU.COM INC	CPS PROG-WALK TO SCHOOL-GIVEAWAYS	3,153.40
US BANK PURCHASING CARD PROGRAM	BG-JUN'21 RENTAL STORAGE UNIT #75 #PO5258	390.00
US BANK PURCHASING CARD PROGRAM	BG-CPS-GIVEAWAYS-SGT PEPPERONI'S GIFT CARDS	60.00
BRETT GARDNER	BG-5/24-6/26/21 CPTED TRAINING-LODGING-REIMB	390.00
	CRIME PREVENTION TOTAL:	**3,993.40**
EOC		
US BANK PURCHASING CARD PROGRAM	PC-6/18 EOC SUPPLIES FOR CITY STAFF-AMAZON	10.76
US BANK PURCHASING CARD PROGRAM	PC-6/16 EOC SUPPLIES FOR CITY STAFF-AMAZON	10.75
US BANK PURCHASING CARD PROGRAM	PC-6/16 EOC SUPPLIES FOR CITY STAFF-AMAZON	26.92
US BANK PURCHASING CARD PROGRAM	PC-6/15 EOC SUPPLIES FOR CITY STAFF-AMAZON	116.61
US BANK PURCHASING CARD PROGRAM	PC-6/19 EOC SUPPLIES FOR CITY STAFF-AMAZON	265.83
LIFE STORAGE #961	7/14-8/14/21-RENTAL OFFSITE STORAGE #A1554	230.00
STAPLES ADVANTAGE	CP-WHITE BOARD/MARKERS/ERASERS	193.25
	EOC TOTAL:	**854.12**
	GENERAL FUND TOTAL:	**260,231.48**

102 - GEN. FD-CITY HALL

NON-DEPARTMENTAL		
FOSTERS' GARDENS INC	JUN'21- CITY HALL-PLANT MAINTENANCE	105.00
US BANK PURCHASING CARD PROGRAM	DG-TRUCK STOCK SUPPLIES	314.73
US BANK PURCHASING CARD PROGRAM	DG-CITY HALL-MAINT & REPAIR SUPPLIES	53.83
NIEVES LANDSCAPE INC	JUN'21 CITY HALL LANDSCAPE MAINTENANCE	454.17
WAXIE'S ENTERPRISES, INC	JUN'21-CH-JANITORIAL SUPPLIES	30.87
MOULTON NIGUEL WATER DIST	5/17-6/14/21 MTR#8051 CITY HALL WATER SRV	161.01
MOULTON NIGUEL WATER DIST	5/17-6/14/21 MTR#6010 CITY HALL WATER SRV	147.95
MOULTON NIGUEL WATER DIST	5/17-6/14/21 MTR#7051 CITY HALL WATER SRV	281.54
GLENWOOD MAINTENANCE CORPORATION	JUL'21-HOA FEES-35 PLAYA	145.20
ALISO VIEJO COMMUNITY ASSOCIATION	JUL'21- HOA FEES-35 PLAYA	103.39
	NON-DEPARTMENTAL TOTAL:	**1,797.69**
	GEN. FD-CITY HALL TOTAL:	**1,797.69**

103 - GF-AV RECREATION SERVICES

RECREATION SERVICES		
AT&T	MAR'21-4 REC PHONES	179.24
AT&T	MAY'21-4 REC PHONES	179.24
CAPISTRANO UNIFIED SCHOOL DISTRICT	6/12-7/3-CAPO-FACILITY PERMIT FOR CITY CLASSES	9.00
CAPISTRANO UNIFIED SCHOOL DISTRICT	6/21-6/24-CAPO-FACILITY PERMIT FOR CITY CLASSES	163.12
CAPISTRANO UNIFIED SCHOOL DISTRICT	6/15-6/17-CAPO-FACILITY PERMIT FOR CITY CLASSES	32.96
CAPISTRANO UNIFIED SCHOOL DISTRICT	6/11-CAPO-FACILITY PERMIT FOR CITY CLASSES	8.24
CAPISTRANO UNIFIED SCHOOL DISTRICT	6/11-CAPO-FACILITY PERMIT FOR CITY CLASSES	8.24
CAPISTRANO UNIFIED SCHOOL DISTRICT	6/14-7/2-CAPO-FACILITY PERMIT FOR CITY CLASSES	278.10

Vendor Name	Description (Item)	Amount
WESTAMERICA COMMUNICATIONS INC	AV RANCH- A-FRAME INSERTS	214.42
CVENT	EVENT DIAGRAMMING - AV RANCH RENTALS	2,800.00
FOSTERS' GARDENS INC	JUN'21-AVR-PLANT MAINTENANCE	90.00
TEAM ONE MANAGEMENT SERVICES	6/21-AVR-POWER WASH & STAIN REMOVAL SRV	350.00
US BANK PURCHASING CARD PROGRAM	SP-8/12 CITY CAMP-DISNEYLAND TICKETS	1,098.00
US BANK PURCHASING CARD PROGRAM	SP-8/12 CITY CAMP-DISNEYLAND TICKETS	1,063.00
US BANK PURCHASING CARD PROGRAM	LM-8/12 CITY CAMP-DISNEYLAND TICKETS	1,251.00
US BANK PURCHASING CARD PROGRAM	SP-8/12 CITY CAMP-DISNEYLAND TICKETS	1,195.00
US BANK PURCHASING CARD PROGRAM	SP-8/12 CITY CAMP-DISNEYLAND TICKETS	1,195.00
US BANK PURCHASING CARD PROGRAM	SP-8/12 CITY CAMP-DISNEYLAND TICKETS	1,112.00
US BANK PURCHASING CARD PROGRAM	LM-SCHEDULING PROG"WHENTOWORK"	48.00
US BANK PURCHASING CARD PROGRAM	SP-AV RANCH MAILBOX	1,832.83
US BANK PURCHASING CARD PROGRAM	SP-AV RANCH BIKE RACKS	2,392.54
US BANK PURCHASING CARD PROGRAM	DG-AV RANCH- MAINT & REPAIR	1,355.49
US BANK PURCHASING CARD PROGRAM	JB-CREDIT-AQUARIUM TICKETS	(383.30)
US BANK PURCHASING CARD PROGRAM	LM-6/14 CITY CAMP SUPPLIES-AMAZON	15.06
US BANK PURCHASING CARD PROGRAM	NL-CREDIT-CAMP SUPPLIES-WATERMEN	(45.05)
US BANK PURCHASING CARD PROGRAM	LM-CREDIT-AQUARIUM EXCURSION	(171.70)
US BANK PURCHASING CARD PROGRAM	LM-CREDIT-AQUARIUM EXCURSION	(171.70)
US BANK PURCHASING CARD PROGRAM	NL-5/27 CAMP SUPPLIES-AMAZON	10.76
US BANK PURCHASING CARD PROGRAM	NL-5/26 CAMP SUPPLIES-AMAZON	21.22
US BANK PURCHASING CARD PROGRAM	JB-6/10 STAFF LUNCH	26.96
US BANK PURCHASING CARD PROGRAM	NL-5/27 CAMP SUPPLIES-WALMART	142.50
US BANK PURCHASING CARD PROGRAM	NL-5/27 CAMP SUPPLIES-AMAZON	148.95
US BANK PURCHASING CARD PROGRAM	JB-EDIBLE CRAFTS-SUPPLIES-RALPHS	30.09
US BANK PURCHASING CARD PROGRAM	LM-CITY CAMP-GAME STORAGE	36.64
US BANK PURCHASING CARD PROGRAM	LM-6/12 CITY CAMP EXCURSION-BOOMER	839.44
US BANK PURCHASING CARD PROGRAM	LM-6/17 STAFF LUNCH-EXCURSION DAY	22.86
US BANK PURCHASING CARD PROGRAM	NL-6/4 CAMP SUPPLIES-AMAZON	98.03
US BANK PURCHASING CARD PROGRAM	NL-5/27 CAMP SUPPLIES-AMAZON	287.41
US BANK PURCHASING CARD PROGRAM	NL-6/2 CAMP SUPPLIES-AMAZON	269.30
US BANK PURCHASING CARD PROGRAM	LM-SWIMSUITS FOR NEW STAFF	131.17
US BANK PURCHASING CARD PROGRAM	NL-CAMP SUPPLIES-BOARDSHORTS/RACER TANKS	561.10
US BANK PURCHASING CARD PROGRAM	JB-6/17 CITY CAMP EXCURSION-AQUARIUM TICKETS	492.80
US BANK PURCHASING CARD PROGRAM	JB-6/17 CITY CAMP EXCURSION-AQUARIUM TICKETS	39.90
US BANK PURCHASING CARD PROGRAM	NL-5/27 CAMP SUPPLIES-AMAZON	38.40
US BANK PURCHASING CARD PROGRAM	JB-AQUARIUM TICKETS	343.40
US BANK PURCHASING CARD PROGRAM	LM-6/9 CITY DAY CAMP SUPPLIE	32.28
US BANK PURCHASING CARD PROGRAM	LM-SUPPLIES FOR BUNKHOUSE	9.69
US BANK PURCHASING CARD PROGRAM	LM-AVR-MICROWAVE CART	64.65
US BANK PURCHASING CARD PROGRAM	LM-STOREHOUSE SIGNS	100.72
RICOH USA	6/1/21 - 6/30/21-AVR-COPIER SUBSCRIPTION	20.00
CINTAS CORPORATION NO. 2	JUN'21-AVR-FIRST AID MAINTENANCE	112.71
BREAKTHROUGH SPORTS LLC	SUMMER2021-RSC046-HOCKEY TRAINING-5 PARTICIPANTS	208.00
JOHN DAVID ALLEN JR	SUMMERCAMP21-RSC14/56/JAT001-TENNIS-20PARTICIPANTS	1,409.20
LAURELINDA HAUKSSON	SUMMERCAMP21-PAE001/11-SILLY SCIENCE-37PARTICIPANT	3,408.00
EDUTAINMENT ARTS	SUMMERCAMP21-EDA001/009-WOODSHOP-43PARTICIPANTS	4,244.40
BIONERDS	SUMMERCAMP21-BIN001/02/03-BIONERDS-24PARTICIPANTS	3,384.00
PREMIER AQUATIC SERVICES	SUMMERCAMP21-PAB1/PAK2/PAM2-SWIM CAMP-30 PAR	4,440.00
CULINARY COOKINGS KIDS LLC	SUMMERCAMP21-CKC002-CULINARY KIDS-25 PARTICIPANTS	2,460.00
SKYHAWKS SPORTS ACADEMY, INC	SUMMERCAMP21-SKY00104-SKYHAWKS-31 PARTICIPANTS	3,318.25
EVER AFTER EVENT PRODUCTIONS LLC	SUMMERCAMP21-OCD001-DANCE-18PART & LATE PICKUP FEE	1,643.40
CHAD BEELER	SUMMERCAMP21-LMS001-LITTLE MERMAIDS-4 PARTICIPANTS	473.60
EDUTAINMENT ARTS	SUMMERCAMP21-EDA003-YOUTUBE VIDEO-23 PARTICIPANTS	2,365.20
CULINARY COOKINGS KIDS LLC	SUMMERCAMP21-CKC003&LATE FEE-CULINARY KIDS-26 PART	2,754.00
PREMIER AQUATIC SERVICES	SUMMERCAMP21-PAK03/PAM03-SWIM CAMP-30 PARTICIPANTS	4,290.00
EVER AFTER EVENT PRODUCTIONS LLC	SUMMERCAMP21-OCD002/PICKUPFEE-DANCE-12 PART	1,080.60
CHAD BEELER	SUMMERCAMP21-LMS002-LITTLE MERMAIDS-2 PARTICIPANTS	249.60
JENNIFER ANDRUS-NELSON	SUMMERCAMP21-ETF001-SOCIAL SKILLS-12 PARTICIPANTS	936.00
BRAINSTORM STUDIOS, LLC	SUMMERCAMP21-BST003/01-LEGO & STEM-15 PARTICIPANTS	2,742.00
SKYHAWKS SPORTS ACADEMY, INC	SUMMERCAMP21-SKY003-LACROSSE CAMP-15 PARTICIPANTS	1,690.00
CAPISTRANO UNIFIED SCHOOL DISTRICT	6/6/21-CAPO-FACILITY USE PERMIT	395.95
STAPLES ADVANTAGE	REC-STORAGE BINS/AIR FRESHENER	179.03
AMERICOMP GROUP IMAGING LLC	AVR-LASER PRINTER MAINTENANCE	564.00
MOULTON NIGUEL WATER DIST	5/17-6/14/21 MTR #0819 AV RANCH WATER SERVICE	1,742.78

Vendor Name	Description (Item)	Amount
MOULTON NIGUEL WATER DIST	5/24-6/21/21 MTR#1100 AV RANCH WATER SERVICE	181.66
MOULTON NIGUEL WATER DIST	5/17-6/14/21 MTR #5356 AV RANCH WATER SERVICE	281.54
MOULTON NIGUEL WATER DIST	5/17-6/14/21 MTR #7892/6534 AV RANCH WATER SERVICE	539.32
MOULTON NIGUEL WATER DIST	5/24-6/21/21 MTR #0958 AV RANCH WATER SERVICE	222.41
MOULTON NIGUEL WATER DIST	5/17-6/14/21 MTR #0973 AV RANCH WATER SERVICE	83.86
SHI INTERNATIONAL CORP	AVR-15 ADOBE PRO LICENSES	600.00
RAJIV C. KADAM	6/18-AVR-57 TABLE COVERS/LINEN CLEANING	695.70
DISCOVERY SCIENCE CENTER OF ORANGE COUNTY	7/1-CITY CAMP-DISCOVERY SCIENCE CENTER	342.00
	RECREATION SERVICES TOTAL:	**66,904.21**
	GF-AV RECREATION SERVICES TOTAL:	**66,904.21**

203 - GAS TAX

TRAFFIC ENGINEERING

HARTZOG & CRABILL INC	MAY'21 TRAFFIC SIGNAL OPERATIONS	1,505.29
	TRAFFIC ENGINEERING TOTAL:	**1,505.29**

STREET MAINTENANCE

NIEVES LANDSCAPE INC	JUN'21 MEDIANS LANDSCAPE MAINTENANCE	591.00
MOULTON NIGUEL WATER DIST	5/24-6/21/21 MTR #4551 MEDIANS WATER SRV	114.83
MOULTON NIGUEL WATER DIST	5/24-6/21/21 MTR#6544 MEDIANS WATER SRV	111.36
MOULTON NIGUEL WATER DIST	5/24-6/21/21 MTR #2066 MEDIANS WATER SRV	142.06
SAN DIEGO GAS & ELECTRIC	MAY'21 ACCT#6953 ST LIGHTS & TRAFFIC CONTROLLERS	2,220.48
	STREET MAINTENANCE TOTAL:	**3,179.73**
	GAS TAX TOTAL:	**4,685.02**

215 - PUBLIC SAFETY GRANTS

LAW ENFORCEMENT-OTHER

US BANK PURCHASING CARD PROGRAM	BG-EQUIP FOR PATROL-1ST RESPONDER	1,697.06
	LAW ENFORCEMENT-OTHER TOTAL:	**1,697.06**
	PUBLIC SAFETY GRANTS TOTAL:	**1,697.06**

241 - TECHNOLOGY FUND

GEN-TECHNOLOGY GRANTS

ERIC WINTER	6/2 CC MTGS-AV SITE VISITS & ADMIN	678.60
	GEN-TECHNOLOGY GRANTS TOTAL:	**678.60**
	TECHNOLOGY FUND TOTAL:	**678.60**

251 - FEDERAL GRANTS

GEN-FEDERAL GRANT

MIKE LINARES INC	NOV-DEC'20 CDBG PROFESSIONAL SERVICES	3,398.25
MIKE LINARES INC	JAN & FEB'21 CDBG PROFESSIONAL SERVICES	3,940.00
FAMILY ASSISTANCE MINISTRIES	JAN-MAR'21 CDBG-CV HOMELESS PREVENTION	4,326.65
	GEN-FEDERAL GRANT TOTAL:	**11,664.90**
	FEDERAL GRANTS TOTAL:	**11,664.90**

261 - CITY FAC.-AQUATIC CENTER

GEN-AQUATIC CENTER

COX COMMUNICATIONS, INC	5/19-6/18/21 ACCT#6701-AQ CTR-INTERNET	497.21
COX COMMUNICATIONS, INC	6/19-7/18/21 ACCT#6701-AQ CTR INTERNET	497.21
SAREEN INC	JUN'21-AQ CTR-MELODEE ICE CREAM-FOOD & BEV	235.32
CTJAMJT CORP.	JUN'21-AQ CTR PEST CONTROL SERVICE	185.00
PREMIER AQUATIC SERVICES	AQ CTR-UNIFORM SHORTS FOR STAFF-WATERMEN-REIMB	2,165.78
PREMIER AQUATIC SERVICES	AQ CTR-UNIFORM SHIRTS FOR STAFF-PROVEN-REIMB	2,026.13
PREMIER AQUATIC SERVICES	AQ CTR-5/11 POOLCHEMICAL TESTING SOLUTION-REIMB	2.76
PREMIER AQUATIC SERVICES	AQ CTR-5/11 POOL TESTER SOL/ENZYMES/SKIMMER NET	103.88
PREMIER AQUATIC SERVICES	AQ CTR-6/11-2 ADD'L WALKIES TALKIES-AMAZON-REIMB	140.06
PREMIER AQUATIC SERVICES	AQ CTR-5/11 BACKSTROKE FLAG & CHEMICAL TEST-REIMB	78.61
PREMIER AQUATIC SERVICES	AQ CTR-5/30-LANYARDS FOR ANNUAL PASS HOLDERS-REIMB	282.00
PROVEN PROMOTIONS LLC	AQ CTR-ENTRY WAY-COVID PVC SIGNAGE	167.75
PREMIER AQUATIC SERVICES	AQ CTR-6/23 CONCESSIONS-SMART & FINAL-REIMB	35.05
TROY ALARM INC	7/1-9/30/21-AQ CTR-FIRE ALARM MONITORING	147.00
NIEVES LANDSCAPE INC	JUN'21 AQ CTR LANDSCAPE MAINTENANCE	245.45
STAPLES ADVANTAGE	AQ CTR-FOLDERS/COPY PAPER/TONERS/ERASE BOARD	379.48

Vendor Name	Description (Item)	Amount
STAPLES ADVANTAGE	AQ CTR-FACE MASKS/CLIPBOARD/TONER/PENS	247.99
MOULTON NIGUEL WATER DIST	5/17-6/14/21 MTR #6054 AQ CTR WATER SERVICE	393.94
MOULTON NIGUEL WATER DIST	5/17-6/14/21 MTR #2996 AQ CTR WATER SERVICE	195.51
STGSD, INC	MAY'21-AQ CTR-SWIM MERCHANDISE	1,870.26
	GEN-AQUATIC CENTER TOTAL:	**9,896.39**
	CITY FAC.-AQUATIC CENTER TOTAL:	**9,896.39**

332 - STORM WATER

DRAINAGE IMPROVEMENTS

SIERRA ANALYTICAL LABS INC	JUN'21 - #091 DAIRY FORK WETLAND WQ MONITORING	370.00
	DRAINAGE IMPROVEMENTS TOTAL:	**370.00**
	STORM WATER TOTAL:	**370.00**

340 - COP-CERTIFICATE OF PARTICIPATION

CAPITAL IMPROVEMENTS

THIRTIETH STREET ARCHITECTS INC	5/15-6/14/21 #49 AVRANCH ARCHITECTURAL-EXHIBITS	32,500.00
US BANK PURCHASING CARD PROGRAM	SP-AVR LOT LINE ADJ RECORDING-OC CLERK	40.00
US BANK PURCHASING CARD PROGRAM	SP-AVR-LOGO MATS-AMERICAN FLOOR MATS	3,798.11
THE PRESTWICK GROUP INC	AVR-10 DECORATIVE TRASH BINS	9,141.52
	CAPITAL IMPROVEMENTS TOTAL:	**45,479.63**
	COP-CERTIFICATE OF PARTICIPATION TOTAL:	**45,479.63**

GRAND TOTAL: 403,404.98

Accounts Payable
07/22/21

Vendor Name	Description (Item)	Amount
101 - GENERAL FUND		
UNITED OF OMAHA LIFE INSURANCE CO.	AUG'21 LIFE INSURANCE	1,359.50
CALPERS HEALTH	AUG'21 CALPERS HEALTH PREMIUM	24,954.76
CALPERS HEALTH	AUG'21-COUNCIL-CALPERS HEALTH PREMIUM	3,080.94
CHARLES ABBOTT ASSOC INC	JUN'21 CAA ENG 2243 GLAUKOS	235.40
CHARLES ABBOTT ASSOC INC	JUN'21 CAA ENG 5003 COX	47.40
CHARLES ABBOTT ASSOC INC	JUN'21 CAA ENG 5053 FISHEL	47.40
CHARLES ABBOTT ASSOC INC	JUN'21 CAA ENG 5005 SCE - SADDLEBACK	1,279.80
CHARLES ABBOTT ASSOC INC	JUN'21 CAA ENG 5002 AT&T	189.60
CHARLES ABBOTT ASSOC INC	JUN'21 CAA ENG 5004 MNWD	948.00
CHARLES ABBOTT ASSOC INC	JUN'21 CAA ENG 5049 COX UTILITY	853.20
CHARLES ABBOTT ASSOC INC	JUN'21 CAA ENG 2241 GLAUKOS	765.05
CHARLES ABBOTT ASSOC INC	JUN'21 CAA-7 STATIONS COMPUTER LEASE CREDITS	(350.00)
CHOICE BUILDER	AUG'21 DENTAL INSURANCE	2,418.96
CHOICE BUILDER	AUG'21 VISION INSURANCE	380.69
ELITE LIVING REMODELING, INC	P#20-0678-C&D REFUND-ELITE LIVING/118 VIA ATHENA	500.00
CUTLER CONSTRUCTION SERVICES, INC	P#20-0808-C&D REFUND-CUTLER CONST/22 LAURE LANE	500.00
TRI-CITY BUILDERS	P#21-0174-C&D REFUND-TRI CITY BUILDERS/130 VANTIS	500.00
CASCO CONTRACTORS LLC	P#21-0013-C&D REFUND-CASCO CONTRACTORS	500.00
SEAN COOPERRIDER	P#21-0721-C&D REFUND-MELODY/SEAN COOPERRIDER	500.00
		38,710.70
CITY MANAGER		
CALPERS HEALTH	AUG'21-PG-HEALTH PREMIUM	143.00
OC CITY MANAGERS' ASSN	DD-FY21-22 OCCMA MEMBERSHIP DUES	396.00
	CITY MANAGER TOTAL:	**539.00**
ECONOMIC DEVELOPMENT		
OC BUSINESS COUNCIL	FY21-22 OCBC ANNUAL MEMBERSHIP	5,000.00
PV MAINTENANCE INC	JUN'21-THE ROW-PVM MAINTENANCE	965.00
PV MAINTENANCE INC	JUN'21-SOKA VACCINATION POD MAINTENANCE	482.50
PV MAINTENANCE INC	JUN'21-THE PATIO-PVM MAINTENANCE	4,603.48
HAULAWAY STORAGE CONTAINERS INC	JUL'21-AVTC-STORAGE BIN RENTAL C-19-R2	92.40
SO CAL EDISON	JUN'21 ACCT#3277-35 PLAYA ELECTRICITY	17.32
	ECONOMIC DEVELOPMENT TOTAL:	**11,160.70**
HUMAN RESOURCES		
SOUTH COAST MEDICAL GROUP	APR-JUN'21-SM/MM/EB-PRE-PLACEMENT EXAM	225.00
	HUMAN RESOURCES TOTAL:	**225.00**
CITY CLERK		
INTERNATIONAL INSTITUTE OF MUNICIPAL CLERKS	MO-FY 21-22 IIMC ANNUAL MEMBERSHIP DUES	215.00
	CITY CLERK TOTAL:	**215.00**
FINANCE		
CALPERS HEALTH	AUG'21 CALPERS ADMIN FEE	66.57
CALPERS HEALTH	AUG'21 CALPERS ADMIN FEE	7.70
LANCE SOLL LUNGHARD LLP	MAY'21-FIN-INTERIM STAFF-LSL PROFESSIONAL SERVICES	125.00
LANCE SOLL LUNGHARD LLP	JUN'21-FIN-INTERIM STAFF-LSL PROFESSIONAL SERVICES	100.00
ULTRA-RESEARCH INC	2020 SALES TAX LEAKAGE ANALYSIS REPORT	19.50
CHOICE BUILDER	AUG'21 INSURANCE ADMINISTRATION	35.00
US BANK N.A. - CUSTODY	JUN'21 CUSTODIAN CHARGES	141.50
	FINANCE TOTAL:	**495.27**
INFORMATION TECHNOLOGY		
COX COMMUNICATIONS, INC	7/10-8/9/21 ACCT#0202-CH-TV/CABLE	150.73
COX COMMUNICATIONS, INC	7/6/21-8/5/21 ACCT #8802-CH-INTERNET	1,500.00
NATHAN M KEETER	MAY'21-NETWORK SUPPORT & SECURITY	416.67
NATHAN M KEETER	JUN'21-NETWORK SUPPORT & SECURITY	416.67
GO LIVE TECHNOLOGY INC	JUN'21 LAND & ASSET MANAGEMENT SERVICES	6,480.00
AT&T	6/6-7/5/21 CH-ALARM/POTS LINE	2,435.03

Vendor Name	Description (Item)	Amount
AT&T	6/19/21-7/18/21-CH-AT&T-FIBER-INTERNET	1,115.89
AT&T	6/22-7/21/21-CH-ELEVATOR LINE	610.33
SHI INTERNATIONAL CORP	SURFACE BOOK 3 13" LAPTOP & WARRANTY	2,806.18
SHI INTERNATIONAL CORP	FY20-21 DEGAUSSER-DRIVE ERASER	4,094.50
SHI INTERNATIONAL CORP	FY21-22 CYLANCE ENDPOINT PROTECTION	6,750.00
JIVE COMMUNICATIONS INC	JUL'21-CH-JIVE VOIP SERVICE & SUPPORT	1,847.86
TANGENT COMPUTERS INC	8/23-9/22/20-CH-MICROSOFT 365 E3 SUBSCRIPTION	2,064.00
TANGENT COMPUTERS INC	6/23-7/22/21-CH-MICROSOFT 365 E3 LICENSES & SECU	2,084.00
KNOWBE4 INC	FY21-22 KNOWBE4 - SECUIRTY LICENSES\TRAINING	2,920.34
GOVERNMENTJOBS.COM INC	FY21-22 NEOGOV SUBSCRIPTION	5,683.87
LUNAVI, INC	JUL'21 OFFSITE BACKUP STORAGE SERVICE-ZERTO	1,638.78
	INFORMATION TECHNOLOGY TOTAL:	**43,014.85**
NON-DEPARTMENTAL		
CERTIFIED RECORDS MANAGEMENT	JUL'21 RECORDS OFF SITE STORAGE	386.65
RICOH USA	7/12-8/11/21 RICOH C5200S - LEASE	729.92
OC COUNCIL OF GOVERNMENTS	FY21-22 OCCOG ANNUAL DUES& DEMOGRAPH RESEARCH FEES	6,709.54
RICOH USA	6/1-6/30/21-RICOH 2504EX (FRONT COUNTER)-COPIES	131.51
ALISO VIEJO SELF STORAGE	AUG'21 RENTAL STORAGE UNIT#519	315.00
SCAG	FY 21-22 SCAG DUES	5,510.00
CALIFORNIA JPIA	FY 21-22 GEN LIABILITY	160,650.00
CALIFORNIA JPIA	FY 21-22 WORKERS COMPENSATION	74,733.00
CALIFORNIA JPIA	FY 21-22 WC RETRO	(2,176.00)
CALIFORNIA JPIA	FY 21-22 LIABILITY RETRO	3,073.00
	NON-DEPARTMENTAL TOTAL:	**250,062.62**
C. S. ADMINISTRATION		
CALPERS HEALTH	AUG'21-DP-HEALTH PREMIUM	143.00
CALPERS HEALTH	AUG'21-HW-HEALTH PREMIUM	143.00
OC HUMAN RELATIONS	FY21-22 OC HUMAN RELATIONS DUES	3,514.00
T & G GLOBAL LLC	DEPOSIT-THE ROW-HOLIDAY DECOR	7,000.00
T & G GLOBAL LLC	DEPOSIT-AV RANCH-HOLIDAY DECOR	3,675.00
MAGICSNOW SYSTEMS	12/2 TREE LIGHTING EVENT-SNOW MACHINE RENTAL	2,702.63
SPECIAL EVENT CONTRACTORS LLC	DEPOSIT-2021 HOLIDAY TREE PLATFORM	2,463.00
JONES FOREST PRODUCTS LLC	DEPOSIT-2021 HOLIDAY TREE DECOR & INSTALL	12,641.00
	C. S. ADMINISTRATION TOTAL:	**32,281.63**
IGLESIA PARK		
PV MAINTENANCE INC	JUN'21 IGLESIA PARK MAINTENANCE	487.02
EL TORO WATER DISTRICT	6/9-7/12/21 MTR #3499 IGLESIA PARK WATER SRV	1,447.58
EL TORO WATER DISTRICT	6/9-7/12/21 MTR #4114 IGLESIA PARK WATER SRV	1,225.66
SO CAL EDISON	JUN'21 ACCT#7997 IGLESIA PARK ELECTRICITY	143.97
	IGLESIA PARK TOTAL:	**3,304.23**
IGLESIA BUILDING		
TEAM ONE MANAGEMENT SERVICES	JUL'21 IPCC-JANITORIAL SERVICE	1,681.00
CTJAMJT CORP.	JUL'21-IPCC-PEST CONTROL SERVICE	95.00
TMR SECURITY & PATROL SERVICES INC	JAN'21-22 VISITS-IPCC PATROL SERVICE	230.00
TMR SECURITY & PATROL SERVICES INC	FEB'21-18 VISITS-IPCC PATROL SERVICE	190.00
TMR SECURITY & PATROL SERVICES INC	MAR'21-16 VISITS-IPCC PATROL SERVICE	160.00
EL TORO WATER DISTRICT	6/9-7/12/21 MTR#1850 IGLESIA BLDG WATER SRV	231.67
PROTECTION ONE ALARM MONITORING INC	7/17-8/16/21-IPCC-ALARM MONITORING SERVICE	50.00
SO CAL EDISON	JUN'21 ACCT#7997 IGLESIA BUILDING ELECTRICITY	1,504.24
	IGLESIA BUILDING TOTAL:	**4,141.91**
IGLESIA PARK COMMUNITY CENTER		
BOYS & GIRLS CLUB OF CAPISTRANO VALLEY	JUN'21 B&G CAPO-ELEMENTARY & TEEN KEYSTONE PROG	8,208.57
	IGLESIA PARK COMMUNITY CENTER TOTAL:	**8,208.57**
PLANNING		
CALPERS HEALTH	AUG'21-MF-HEALTH PREMIUM	143.00
STAPLES ADVANTAGE	PLNG-BINDER/PENS/PASTEL COLORED COPY PAPER	258.69
	PLANNING TOTAL:	**401.69**
BUILDING		
CHARLES ABBOTT ASSOC INC	JUN'21 CAA BUILDING SRV-PERMIT & TECHNICIAN	1,789.80
CHARLES ABBOTT ASSOC INC	JUN'21 CAA BUILDING SERVICES	64,789.56
	BUILDING TOTAL:	**66,579.36**

Vendor Name	Description (Item)	Amount
CODE ENFORCEMENT		
CHARLES ABBOTT ASSOC INC	JUN'21 CAA CODE ENFORCEMENT	14,649.45
	CODE ENFORCEMENT TOTAL:	**14,649.45**
ENGINEERING (GENERAL)		
PV MAINTENANCE INC	JUL'21 PUBLIC WORKS WAREHOUSE LEASE	1,035.00
RICHARD FISHER ASSOCIATES	JUN'21 ON CALL LANDSCAPING & INSPECTION SERVICES	4,898.37
CHARLES ABBOTT ASSOC INC	JUN'21 CAA NPDES COSTS	22,324.75
CHARLES ABBOTT ASSOC INC	JUN'21 CAA SOLID WASTE	5,537.20
CHARLES ABBOTT ASSOC INC	JUN'21 CAA PW ENGINEERING-ADMIN	3,129.05
	ENGINEERING (GENERAL) TOTAL:	**36,924.37**
STREET MAINTENANCE		
PV MAINTENANCE INC	JUN'21 STREET MAINTENANCE	54,773.86
CHARLES ABBOTT ASSOC INC	JUN'21 CAA STREET MAINTENANCE	11,112.20
	STREET MAINTENANCE TOTAL:	**65,886.06**
LAW ENFORCEMENT-OTHER		
OC HARLEY DAVIDSON	7/1 LE-M/C VIN#8767 TIRE & BRAKE REPAIR	603.01
OC HARLEY DAVIDSON	LE MOTORCYCLE PURCHASE VIN#1HD1FMP27MB651944	32,000.00
ALL CITY MANAGEMENT SERVICES	5/30-6/12/21-136 HRS SCHOOL CROSSING GUARD SRV	3,210.96
COUNTY OF ORANGE	APR-JUN'21 COMM CHARGES	1,745.90
	LAW ENFORCEMENT-OTHER TOTAL:	**37,559.87**
	GENERAL FUND TOTAL:	**614,360.28**
102 - GEN. FD-CITY HALL		
NON-DEPARTMENTAL		
PV MAINTENANCE INC	JUN'21-CH STE 200-MAINTENANCE	386.00
TEAM ONE MANAGEMENT SERVICES	JUL'21 CH-JANITORIAL SERVICE	2,856.00
CTJAMJT CORP.	JUL'21-CH- PEST CONTROL SERVICE	100.00
WESTAMERICA COMMUNICATIONS INC	CITY HALL-UPDATED A FRAME GRAPHIC	153.01
FOSTERS' GARDENS INC	JUL'21 CH- PLANT MAINTENANCE	105.00
THE GAS COMPANY	6/2-7/1/21-MTR#6544 CITY HALL GAS SERVICE	158.47
THURSTON ELEVATOR CONCEPTS INC	JUL'21 CH-ELEVATOR MAINTENANCE	131.00
WAXIE'S ENTERPRISES, INC	JUL'21-CH-JANITORIAL SUPPLIES	540.30
VERNE'S PLUMBING, INC	7/6-CH-RESTROOM PLUMBING SERVICE	282.36
HARBOR STATION MAINTENANCE	JUL'21 35 PLAYA HOA FEES	192.50
SO CAL EDISON	JUN'21 ACCT#7189 CITY HALL ELECTRICITY	7,175.33
	NON-DEPARTMENTAL TOTAL:	**12,079.97**
	GEN. FD-CITY HALL TOTAL:	**12,079.97**
103 - GF-AV RECREATION SERVICES		
JENNIFER MCKNIGHT	REFUND-ANIMATION CLASS CANCELLATION-J.MCKNIGHT	5.00
JENNIFER MCKNIGHT	REFUND-ANIMATION CLASS CANCELLATION-J.MCKNIGHT	103.00
		108.00
RECREATION SERVICES		
PV MAINTENANCE INC	JUN'21 AV RANCH MAINTENANCE	6,343.92
AT&T	6/6-7/5/21 AVR-ALARM/POTS LINE	875.95
CTJAMJT CORP.	JUL'21 AV RANCH PEST CONTROL SERVICE	395.00
LYONS SECURITY SERVICE IN	JUN'21-AVR-27 HRS-LYONS SECURITY SERVICES	697.95
HOT DOGGER TOURS INC	7/8/21-SAN DIEGO SAFARI PARK-CHARTER BUS SERVICE	1,128.15
FOSTERS' GARDENS INC	JUL'21 AVR- PLANT MAINTENANCE	90.00
RICOH USA	7/1/21-7/31/21-AVR COPIER SUBSCRIPTION	20.00
RICOH USA	4/01/21-6/30/21-AVR-IMC2500-COPIES	319.66
WADORYU USA INC	SUMMERCLASSES21-RSC052-KARATE-3PARTICIPANTS	126.00
BREAKTHROUGH SPORTS LLC	SUMMERCLASSES21-RSC042/43/21-BASKETBALL-17 PART	765.70
TIMOTHY DANA BOWEN	SUMMERCAMP21-PWT001-STEM CLASS-16 PARTICIPANTS	1,740.00
JOHN DAVID ALLEN JR	SUMMERCAMP21-JAT002-TENNIS CAMP-12PARTICIPANTS	816.40
CHAD BEELER	SUMMERCAMP21-LMS004-LITTLE MERMAIDS-3PARTICIPANTS	348.80
JENNIFER ANDRUS-NELSON	SUMMERCAMP21-ETF002-SOCIAL SKILLS-12 PARTICIPANTS	978.00
EDUTAINMENT ARTS	SUMMERCAMP21-EDA010-EXTREME TEAM-24PARTICIPANTS	2,451.60
CULINARY COOKINGS KIDS LLC	SUMMERCAMP21-CKC004-CULINARY-25PARTICIPANTS	2,724.00
BRAINSTORM STUDIOS, LLC	SUMMERCAMP21-BST005/06-MINECRAFT-20PARTICIPANTS	3,684.00
SKYHAWKS SPORTS ACADEMY, INC	SUMMERCAMP21-SKY007-FOOTBALL-19PARTICIPANTS	2,106.00
LAURELINDA HAUKSSON	SUMMERCAMP21-PAE005/06/07-MEDIA ART-31PARTICIPANTS	3,706.80

Vendor Name	Description (Item)	Amount
PREMIER AQUATIC SERVICES	SUMMERCAMP21-PAK05/PAM05-SWIM CAMP-30PARTICIPANTS	4,342.50
CORAL BAY HOME LOANS	SUMMERCAMPS21-SKT002-SKATEBOARDING-14PARTICIPANT	1,622.40
SKYHAWKS SPORTS ACADEMY, INC	SUMMERCAMP21-SKY003-BASKETBALL-REFUND ADJ	(165.10)
EDUTAINMENT ARTS	SUMMERCAMP21-EDA004-YOUTUBER VIDEO-18 PARTICIPANTS	1,857.60
SKYHAWKS SPORTS ACADEMY, INC	SUMMERCAMP21-SKY002-BASKETBALL-14 PARTICIPANTS	1,543.75
PREMIER AQUATIC SERVICES	SUMMERCAMP21-PAB2/PAK4/PAM4-SWIM CAMP-31PART	4,905.00
BIONERDS	SUMMERCAMP21-BIN004/05/06-BIONERDS-20 PARTICIPANTS	3,216.00
LAURELINDA HAUKSSON	SUMMERCAMP21-PAE002/03/04-ANIME-34 PARTICIPANTS	3,683.52
CHAD BEELER	SUMMERCAMP21-BCL02/LMS03-BEACH CAMP-4 PARTICIPANTS	688.00
WAXIE'S ENTERPRISES, INC	JUL'21 AV RANCH JANITORIAL SUPPLIES	598.84
JIVE COMMUNICATIONS INC	JUL'21-AVR-JIVE VOIP SERVICE & SUPPORT	617.28
TANGENT COMPUTERS INC	6/23-7/22/21-AVR-MICROSOFT 365 E3 LICENSES & SEC	387.00
SO CAL EDISON	JUN'21 ACCT#4551 THE FARM ELECTRICITY	1,133.44
SO CAL EDISON	JUN'21 ACCT#6247 AV RANCH ELECTRICITY	3,139.31
SO CAL EDISON	JUN'21 ACCT#6247 AV RANCH TRACKED CHARGES	826.99
	RECREATION SERVICES TOTAL:	**57,714.46**
	GF-AV RECREATION SERVICES TOTAL:	**57,822.46**
203 - GAS TAX		
TRAFFIC ENGINEERING		
CENTRALSQUARE TECHNOLOGIES	FY21-22 ASSET MANAGEMENT SUBSCRIPTION	17,500.00
GMU GEOTECHNICAL INC	JAN-MAR'21-PAVEMENT EVALUATION SRV-100% COMPLETE	9,992.40
	TRAFFIC ENGINEERING TOTAL:	**27,492.40**
STREET MAINTENANCE		
PV MAINTENANCE INC	JUN'21 STREET MAINTENANCE (GAS)	106,325.72
BEAR ELECTRICAL SOLUTIONS INC	JUN'21 ADD'LTRAFFIC SIGNAL MONITORING RESPONSE	19,799.75
BEAR ELECTRICAL SOLUTIONS INC	JUN'21 TRAFFIC SIGNAL MONITORING-ROUTINE	3,162.60
BEAR ELECTRICAL SOLUTIONS INC	JUN'21- MP2000 TRAFFIC SIGNAL BATTERY INSTALLATION	8,046.68
R F DICKSON CO INC	JUN'21 STREET SWEEPING SERVICE	8,668.66
EL TORO WATER DISTRICT	6/9-7/12/21 MTR #5675 CALLE CORTEZ WATER SERVICE	108.96
UNDERGROUND SERVICE ALERT OF SOUTHERN CA	JUL'21 DATABASE MAINT & 30 TICKETS	59.50
SO CAL EDISON	JUN'21 GS1 MEDIANS ELECTRICITY	60.17
SO CAL EDISON	JUN'21 MAY'21 STREET LIGHTS LS2 ELECTRICITY	1,069.77
SO CAL EDISON	JUN'21 STREET LIGHTS LS1 ELECTRICITY	15,191.98
SO CAL EDISON	JUN'21 STREET LIGHTS TC1 ELECTRICITY	2,869.62
	STREET MAINTENANCE TOTAL:	**165,363.41**
	GAS TAX TOTAL:	**192,855.81**
241 - TECHNOLOGY FUND		
GEN-TECHNOLOGY GRANTS		
REACH SPORTS MARKETING GROUP	FY20-21-6 DIGITAL SIGNAGE LICENSE RENEWAL	2,550.00
	GEN-TECHNOLOGY GRANTS TOTAL:	**2,550.00**
	TECHNOLOGY FUND TOTAL:	**2,550.00**
251 - FEDERAL GRANTS		
GEN-FEDERAL GRANT		
MIKE LINARES INC	MAR-APR'21 CDBG PROFESSIONAL SERVICES	4,186.25
	GEN-FEDERAL GRANT TOTAL:	**4,186.25**
	FEDERAL GRANTS TOTAL:	**4,186.25**
261 - CITY FAC.-AQUATIC CENTER		
PREMIER AQUATIC SERVICES	JUL'21-AQ CTR-RETENTION FEE	(1,625.00)
		-1,625.00
GEN-AQUATIC CENTER		
CTJAMJT CORP.	JUL'21 AQ CTR PEST CONTROL SERVICE	185.00
PREMIER AQUATIC SERVICES	JUL'21-AQ CTR-MANAGEMENT FEES	10,833.33
TEAM ONE MANAGEMENT SERVICES	JUL'21 AQ CTR-JANITORIAL SERVICE	1,850.89
PROVEN PROMOTIONS LLC	AQ CTR-MANAGEMENT APPAREL	213.75
ALISO VIEJO BANQUET CENTER LLC	APR-JUN'21-AQ CTR-MTR#4987 ELECTRICITY	3,173.20
THE ILLINI COMPANIES, INC	JUN'21-AQ CTR-POOL CHEMICALS	2,267.84
KNORR SYSTEMS INC	6/4-AQ CTR-REC POOL STRAINER BASKET REPAIR	550.00
KNORR SYSTEMS INC	JUN'21- AQ CTR POOL-MONTHLY MAINTENANCE	1,792.64

Vendor Name	Description (Item)	Amount
KNORR SYSTEMS INC	6/17-AQ CTR-REPLACE CHEMICAL FEED TUBES	1,792.64
	GEN-AQUATIC CENTER TOTAL:	**22,659.29**
	CITY FAC.-AQUATIC CENTER TOTAL:	**21,034.29**
311 - STREET IMPROVEMENTS		
ONYX PAVING COMPANY INC	JUL'21 #127 DEERHURST REHAB RETENTION	(5,090.00)
ONYX PAVING COMPANY INC	JUN'21 #127 DEERHURST PAVING RETENTION	(3,464.38)
		-8,554.38
STREETS & HIGHWAYS		
ONYX PAVING COMPANY INC	JUL'21 #127 DEERHURST REHAB	101,800.00
ONYX PAVING COMPANY INC	JUN'21 #127 DEERHURST PAVING REHAB PROJECT	69,287.50
	STREETS & HIGHWAYS TOTAL:	**171,087.50**
	STREET IMPROVEMENTS TOTAL:	**162,533.12**
332 - STORM WATER		
DRAINAGE IMPROVEMENTS		
PV MAINTENANCE INC	JUN'21 #091 DAIRY FORK MAINTENANCE	6,755.00
PV MAINTENANCE INC	JUN'21 #030 WOOD CANYON WETLANDS MAINTENANCE	3,667.00
	DRAINAGE IMPROVEMENTS TOTAL:	**10,422.00**
	STORM WATER TOTAL:	**10,422.00**
340 - COP-CERTIFICATE OF PARTICIPATION		
TOVEY/SCHULTZ CONSTRUCTION, INC	APR-JUN'21 #049 AV RANCH RETENTION PAYMENT	(16,774.42)
CALIFORNIA BANK & TRUST	APR-JUN'21 #049 AVR RETENTION A/C#5795660819	16,774.42
		0.00
CAPITAL IMPROVEMENTS		
JANET OSTASHAY	MAY-JUN'21 #049 HISTORICAL ARTIFACT EXHIBITS	5,720.00
TOVEY/SCHULTZ CONSTRUCTION, INC	APR-JUN'21 #049 AV RANCH CONSTRUCTION	335,488.39
THE PRESTWICK GROUP INC	REM BAL-AVR-10 TRASH BINS	468.71
	CAPITAL IMPROVEMENTS TOTAL:	**341,677.10**
	COP-CERTIFICATE OF PARTICIPATION TOTAL:	**341,677.10**
731 - CFD 2005-01		
TRUST FUND		
KOPPEL & GRUBER PUBLIC FIN.	APR-JUN'21 CFD ADMIN SERVICES	1,948.81
	TRUST FUND TOTAL:	**1,948.81**
	CFD 2005-01 TOTAL:	**1,948.81**
	GRAND TOTAL:	**1,421,470.09**

City of Aliso Viejo
AGENDA ITEM

DATE: August 18, 2021

TO: Mayor and City Council

FROM: Sea Shelton, Acting Director of Finance

SUBJECT: TREASURER'S STATEMENT – JUNE 2021

Recommended Action:

Approve June 2021 Treasurer's Statement

Fiscal Impact:

No Fiscal Impact

Background:

Per City policy, the Finance Department presents the monthly Treasurer's Statement for the City Council's review and approval. This statement shows the cash balances for the various funds, with a breakdown of bank account balances, investment account balances and the effective yield earned from investments.

Discussion:

The City's portfolio consists of investments in Certificates of Deposits (CD), Medium Term Notes, US Treasury bonds, Federal Agency (Government Sponsored Enterprises (GSE)) bonds, Corporate Notes (CN), and Local Agency Investment Fund (LAIF). All funds invested with LAIF are available for withdrawal within 24 hours.

With Proposition 1A, the State does not have the ability to borrow from funds invested in LAIF. CD's are insured by Federal Deposit Insurance Corporation (FDIC). FDIC is an independent agency created by Congress in 1933 to supervise banks, insure deposits, and help maintain a stable and sound banking system. Investments in agencies are backed by the implied guarantee of the U.S. government. All CN's purchased are rated "AA" or better by a nationally recognized rating agency.

Interest is credited to the City's bank account on a monthly basis. All deposits in excess of FDIC insurance limits are collateralized by the financial institution in accordance with government codes.

Fund transfers for capital projects and reimbursement of fiscal charges for the CFD 2005-01 are completed on a quarterly basis. Street improvements include payments for the Pacific Park Rehabilitation & Slurry Seal projects and are funded with Measure M and SB 1 funds. COP Capital provides funding for the AV Ranch project and is funded by Bond proceeds, General fund and Development Impact funds.

Attachment:

1. Jun'21 Treasurer's Statement

CITY OF ALISO VIEJO
TREASURER'S MONTHLY CASH STATEMENT

June 30, 2021

	BEGINNING BALANCE	RECEIPTS	DISBURSEMENTS	TRANSFERS IN (OUT)	ENDING BALANCE	
GENERAL FUND	$ 14,461,106.60	$ 938,229.03	$ 1,185,794.68	$ (1,349,255.65)	$ 12,864,285.30	
TCRF	$ 88,827.85	-	-	-	88,827.85	
GAS TAX FUND	$ 909,335.39	181,572.14	189,128.08	-	901,779.45	
MEASURE M	$ 714,165.24	-	-	-	714,165.24	
SB1-RMRA	$ 591,465.95	71,860.49	-	(46,363.68)	616,962.76	
PUBLIC SAFETY GRANTS	$ 120,293.17	43.98	2,259.00	-	118,078.15	(1)
AIR QUALITY IMPRVMNT FD	$ 911,611.90	16,756.71	-	-	928,368.61	
INTEGRATED WASTE MGMT FD	$ 4,791.26	12,595.00	-	-	17,386.26	
OTHER GRANTS	$ 44,085.33	-	-	(93,198.95)	(49,113.62)	
TECHNOLOGY GRANT	$ 264,153.26	-	4,828.06	-	259,325.20	
DEVELOPMENT IMPACT	$ 1,410,622.33	-	-	-	1,410,622.33	
FEDERAL GRANTS	$ (40,820.20)	2,873,220.69	5,816.47	(1,206.77)	2,825,377.25	
CITY FACILITY - AV CTR	$ -	-	-	-	-	
CITY FACILITY - AQUATIC CTR	$ 40,711.07	158,968.90	107,738.56	-	91,941.41	
STREET IMPROVEMENTS	$ (273,927.09)	12,161.26	15,990.00	63,067.50	(214,688.33)	(2)
CAPITAL IMPROVEMENTS	$ (66,597.38)	-	12,796.88	79,394.26	-	(2)
STORM WATER	$ 5,928.12	526.00	1,080.00	5,417.88	10,792.00	(2)
COP CAPITAL	$ (854,495.86)		127,941.17	1,342,145.41	359,708.38	(2)
COP	$ (3,269.70)	-	-	-	(3,269.70)	
CFD 2005-01	$ (15,722.60)	19,397.58	1,660.00	-	2,014.98	
RENEWABLE FARMS	$ 0.00	50,468.00	-	-	50,468.00	
COMMUNITY TRUST	$ 10,609.68	-	-	-	10,609.68	
TOTALS	**$ 18,322,874.32**	**$ 4,335,799.78**	**$ 1,655,032.90**	**$ -**	**$ 21,003,641.20**	

SUMMARY OF CASH:

DEMAND DEPOSITS:	GENERAL ACCOUNT	$	14,452,867.79
SAVINGS ACCOUNT:	MONEY MARKET	$	25,689.78
INVESTMENTS:	LOCAL AGENCY INVESTMENT FD	$	6,525,083.63
	TOTAL CASH		**$ 21,003,641.20**
Years to Maturity for June 2021			1.53
Weighted Average Yield for June 2021			1.130%

All investments are placed in accordance with the City of Aliso Viejo's Investment Policy.

The above summary provides sufficient cash flow liquidity to meet the next six month's estimated expenditures.

Other monies held include Cash with Fiscal Agent, Investments, Payroll and AV Center.			**$ 19,757,272.43**
Cash With Fiscal Agent	COPS/CFD 2005-01	4,503,377.87	
Cash With Investment Advisor	City Investments	14,101,458.48	
AV Center		963,463.66	
PR Account		186,317.42	
Petty Cash		2,655.00	
	GRAND TOTAL OF CITY FUNDS		**$ 40,760,913.63**

(1) Public Safety Grant includes the MDC and PVS Program Costs budgeted with SLESF funds.

(2) Transfers in and out are done on a quarterly basis.
Street Improvements include the Slurry Seal, Traffic Management and Street Improvement Projects.
Capital Improvements include park and AV Ranch improvement projects.
Storm Water includes the Dairy Fork and Wood Canyon Emergent Wetland Project.

(3) % of portfolio is based of investments & includes LAIF

Sea Shelton, Acting Director of Finance

City of Aliso Viejo

Portfolio Summay
As of 06/30/2021

Investment Type	Original Cost	Par Value	Market Value *	% of Portfolio
Federal Agency Coupon Securities	$ 4,242,641	$ 4,235,000	$ 4,286,097	20.57%
LAIF	$ 6,525,084	$ 6,525,084	$ 6,525,084	31.63%
Medium Term Notes	$ 2,000,620	$ 2,000,000	$ 2,072,428	9.70%
Negotiable CDs	$ 6,364,897	$ 6,370,000	$ 6,548,735	30.86%
Treasury Coupon Securities	$ 1,493,301	$ 1,500,000	$ 1,524,294	7.24%
Portfolio:	**$ 20,626,542**	**$ 20,630,084**	**$ 20,956,636**	**100.00%**

Years To Maturity	1.53
Weighted Average Yield	1.13%

*Market Values obtained from US Bank Treasury Division

City of Aliso Viejo
Portfolio Management
Portfolio Details - Investments
June 30, 2021

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	YTM 365	Days to Maturity	Maturity Date
LAIF												
98-30-007	10000	LAIF		07/01/2019	6,525,083.63	6,525,083.63	6,525,083.63	0.262		0.262	1	
		Subtotal and Average	**6,525,083.63**		**6,525,083.63**	**6,525,083.63**	**6,525,083.63**			**0.262**	**1**	
Medium Term Notes												
037833DM9	10068	Apple		12/06/2019	500,000.00	518,664.00	497,165.00	1.800	Aa1	1.925	1,168	09/11/2024
594918BQ6	10069	Microsoft		12/06/2019	500,000.00	515,811.50	503,635.00	2.000	Aaa	1.794	768	08/08/2023
64952WDL4	10078	New York Life		01/22/2020	500,000.00	518,194.00	498,205.00	2.000	Aaa	2.076	1,301	01/22/2025
30231GBC5	10076	Exxon		12/12/2019	500,000.00	519,758.00	501,615.00	2.019	Aa2	1.946	1,142	08/16/2024
		Subtotal and Average	**2,000,620.00**		**2,000,000.00**	**2,072,427.50**	**2,000,620.00**			**1.935**	**1,094**	
Federal Agency Coupon Securities												
3133ELCP7	10070	Federal Farm Credit Bank		12/09/2019	235,000.00	243,362.01	233,926.05	1.625	Aaa	1.721	1,251	12/03/2024
3133ELDU5	10079	Federal Farm Credit Bank		02/18/2020	500,000.00	503,393.00	500,745.00	1.580	Aaa	1.496	165	12/13/2021
3133ELNE0	10080	Federal Farm Credit Bank		02/14/2020	500,000.00	513,498.50	499,245.00	1.430	Aaa	1.469	958	02/14/2024
3133ELZF4	10096	Federal Farm Credit Bank		05/14/2020	500,000.00	500,896.00	499,745.00	0.270	Aaa	0.290	501	11/14/2022
3133ELG99	10099	Federal Farm Credit Bank		06/10/2020	500,000.00	498,699.00	498,220.00	0.375	Aaa	0.465	1,075	06/10/2024
3130A3VC5	10081	Federal Home Loan Bank		02/20/2020	500,000.00	522,882.50	514,900.00	2.250	Aaa	1.441	890	12/08/2023
3130AJ7E3	10085	Federal Home Loan Bank		02/21/2020	500,000.00	509,539.00	499,080.00	1.375	Aaa	1.438	596	02/17/2023
3137EAEX3	10103	Federal Home Loan Mtg Corp		10/20/2020	500,000.00	492,037.00	497,505.00	0.375	Aaa	0.478	1,545	09/23/2025
3135G0Q89	10083	Federal National Mtg Assn		02/21/2020	500,000.00	501,790.00	499,275.00	1.375	Aaa	1.465	98	10/07/2021
		Subtotal and Average	**4,242,641.05**		**4,235,000.00**	**4,286,097.01**	**4,242,641.05**			**1.106**	**757**	
Treasury Coupon Securities												
912828T91	10067	U.S. Treasury		12/09/2019	500,000.00	515,176.00	500,175.78	1.625	Aaa	1.615	852	10/31/2023
9128282F6	10075	U.S. Treasury		12/12/2019	500,000.00	500,895.00	495,175.78	1.125	Aaa	1.697	61	08/31/2021
912828YF1	10077	U.S. Treasury		12/12/2019	500,000.00	508,222.50	497,949.22	1.500	Aaa	1.652	441	09/15/2022
		Subtotal and Average	**1,493,300.78**		**1,500,000.00**	**1,524,293.50**	**1,493,300.78**			**1.655**	**453**	
FDIC CDs												
02007GJX2	10063	Ally Bank		05/23/2019	245,000.00	250,744.52	245,000.00	2.450		2.450	326	05/23/2022
05580ASU9	10066	BMW Bank		10/11/2019	245,000.00	250,921.41	245,000.00	1.850		1.850	467	10/11/2022
05465DAK4	10088	Axos Bank		03/26/2020	245,000.00	254,969.79	245,000.00	1.650		1.651	999	03/26/2024
14042TAN7	10062	Capital One USA Bank		05/22/2019	245,000.00	250,744.52	245,000.00	2.450		2.450	326	05/23/2022
14042RPG0	10089	Capital One USA Bank		04/09/2020	245,000.00	256,602.22	244,412.00	1.600		1.651	1,377	04/08/2025

City of Aliso Viejo
Portfolio Management
Portfolio Details - Investments
June 30, 2021

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	YTM 365	Days to Maturity	Maturity Date
FDIC CDs												
15118RUV7	10091	Celtic Bank		04/17/2020	245,000.00	253,366.26	245,000.00	1.400		1.401	1,021	04/17/2024
15201QDF1	10095	Centerstate Bank		04/30/2020	245,000.00	252,027.58	244,522.25	1.200		1.251	1,034	04/30/2024
254673XL5	10059	Discover Bank		11/29/2018	245,000.00	248,915.84	245,000.00	3.250		3.250	151	11/29/2021
27002YEX0	10087	Eagle Bank		03/20/2020	245,000.00	254,242.14	244,510.00	1.550		1.603	993	03/20/2024
29278TKG4	10065	Enerbank USA		08/07/2019	245,000.00	250,745.25	245,000.00	2.050		2.050	403	08/08/2022
33847E3J4	10097	Flagstar Bank		05/15/2020	245,000.00	250,023.97	245,000.00	0.900		0.900	1,414	05/15/2025
32110YPS8	10094	First National Bank of America		04/23/2020	245,000.00	252,336.77	244,522.25	1.250		1.301	1,026	04/22/2024
538036JN5	10084	Live Oak Banking		02/28/2020	245,000.00	255,956.40	244,529.60	1.650		1.697	1,154	08/28/2024
58404DGU9	10092	Medallion Bank		04/30/2020	245,000.00	252,027.58	244,522.25	1.200		1.251	1,034	04/30/2024
59013KLQ7	10104	Merrick Bank		12/30/2020	245,000.00	243,990.11	245,000.00	0.550		0.550	1,643	12/30/2025
61690UUJ7	10086	Morgan Stanley Bank, NA		02/28/2020	245,000.00	258,239.07	244,416.90	1.800		1.852	1,337	02/27/2025
61760A4F3	10073	Morgan Stanley Pvt Bank		12/13/2019	245,000.00	259,084.32	244,416.90	1.950		2.002	1,260	12/12/2024
856285RU7	10072	Bank of India		12/06/2019	245,000.00	259,435.40	245,000.00	2.000		2.002	1,245	11/27/2024
7954505W1	10074	Sallie Mae Bank		12/13/2019	245,000.00	251,612.06	244,642.30	1.850		1.638	529	12/12/2022
87164DRQ5	10090	Synovus Bank		04/17/2020	245,000.00	247,485.53	245,000.00	1.200		0.964	291	04/18/2022
866264DP6	10098	Summit State Bank		05/18/2020	245,000.00	249,543.28	244,402.20	0.850		0.901	1,414	05/15/2025
87164WYW2	10064	Synchrony Bank		05/24/2019	245,000.00	250,760.20	245,000.00	2.450		2.450	327	05/24/2022
87270LBZ5	10061	TIAA FSB		04/17/2019	245,000.00	247,300.55	245,000.00	2.500		2.500	109	10/18/2021
89214PCQ0	10093	Townebank		04/29/2020	245,000.00	247,452.94	245,000.00	1.150		1.150	302	04/29/2022
89235MJS1	10100	Toyota Financial		06/30/2020	245,000.00	248,769.08	245,000.00	0.800		0.729	1,460	06/30/2025
949495AA3	10071	Wells Fargo Bank West		12/13/2019	245,000.00	251,437.87	245,000.00	1.800		1.802	530	12/13/2022
		Subtotal and Average	**6,364,896.65**		**6,370,000.00**	**6,548,734.66**	**6,364,896.65**			**1.665**	**853**	
		Total and Average	**20,626,542.11**		**20,630,083.63**	**20,956,636.30**	**20,626,542.11**			**1.132**	**558**	

City of Aliso Viejo
Transaction Activity Report
June 1, 2021 - June 30, 2021
Sorted by Fund - Transaction Date
All Funds

Investment #	Fund	CUSIP	Inv Descrip	TransactionType	TransactionDate	Issuer	New Principal	Principal Paydowns	Interest	Total Cash
10059	999	254673XL5	DISC 3.25% MAT	Interest	06/01/2021	Discover Bank			3,948.53	**3,948.53**
10084	999	538036JN5	LIVOAK 1.65% MAT	Interest	06/01/2021	Live Oak Banking			343.34	**343.34**
10104	999	59013KLQ7	MERRIC 0.55% MAT	Interest	06/01/2021	Merrick Bank			110.75	**110.75**
10070	999	3133ELCP7	FFCB 1.625% MAT	Interest	06/03/2021	Federal Farm Credit			1,909.38	**1,909.38**
10081	999	3130A3VC5	FEDERAL HOME	Interest	06/08/2021	Federal Home Loan			5,625.00	**5,625.00**
10099	999	3133ELG99	FFCB 0.375% MAT	Interest	06/10/2021	Federal Farm Credit			937.50	**937.50**
10074	999	7954505W1	SLMA 1.85% MAT	Interest	06/11/2021	Sallie Mae Bank			2,260.04	**2,260.04**
10071	999	949495AA3	WFC 1.8% MAT	Interest	06/14/2021	Wells Fargo Bank			374.55	**374.55**
10073	999	61760A4F3	MSTANL 1.95% MAT	Interest	06/14/2021	Morgan Stanley Pvt B			2,382.21	**2,382.21**
10079	999	3133ELDU5	FFCB 1.58% MAT	Interest	06/14/2021	Federal Farm Credit			3,950.00	**3,950.00**
10091	999	15118RUV7	CELTIC 1.4% MAT	Interest	06/17/2021	Celtic Bank			291.32	**291.32**
10087	999	27002YEX0	EGBN 1.55% MAT	Interest	06/21/2021	Eagle Bank			322.53	**322.53**
10094	999	32110YPS8	FNAMER 1.25% MAT	Interest	06/22/2021	First National Bank			260.10	**260.10**
10088	999	05465DAK4	BOFI 1.65% MAT	Interest	06/28/2021	Axos Bank			343.34	**343.34**
10100	999	89235MJS1	TOYFBN 0.8% MAT	Interest	06/29/2021	Toyota Financial			977.32	**977.32**
10104	999	59013KLQ7	MERRIC 0.55% MAT	Interest	06/30/2021	Merrick Bank			114.45	**114.45**
		Totals for Pooled Cash							**24,150.36**	**24,150.36**
		Grand Total							**24,150.36**	**24,150.36**

California State Treasurer
Fiona Ma, CPA



Local Agency Investment Fund
P.O. Box 942809
Sacramento, CA 94209-0001
(916) 653-3001

CITY OF ALISO VIEJO

FINANCE DIRECTOR
12 JOURNEY, #100
ALISO VIEJO, CA 92656

Account Number: 98-30-007

June 2021 Statement

Account Summary

Total Deposit:	0.00	Beginning Balance:	6,525,083.63
Total Withdrawal:	0.00	Ending Balance:	6,525,083.63

PMIA/LAIF Performance Report as of 07/15/21

PMIA Average Monthly Effective Yields[1]

Jun	**0.262**
May	0.315
Apr	0.339

Quarterly Performance Quarter Ended 06/30/21

LAIF Apportionment Rate[2]:	0.33
LAIF Earnings Ratio[2]:	0.00000897371743018
LAIF Fair Value Factor[1]:	1.00008297
PMIA Daily[1]:	0.22%
PMIA Quarter to Date[1]:	0.30%
PMIA Average Life[1]:	291

Pooled Money Investment Account Monthly Portfolio Composition [1] 06/30/21 $193.3 billion

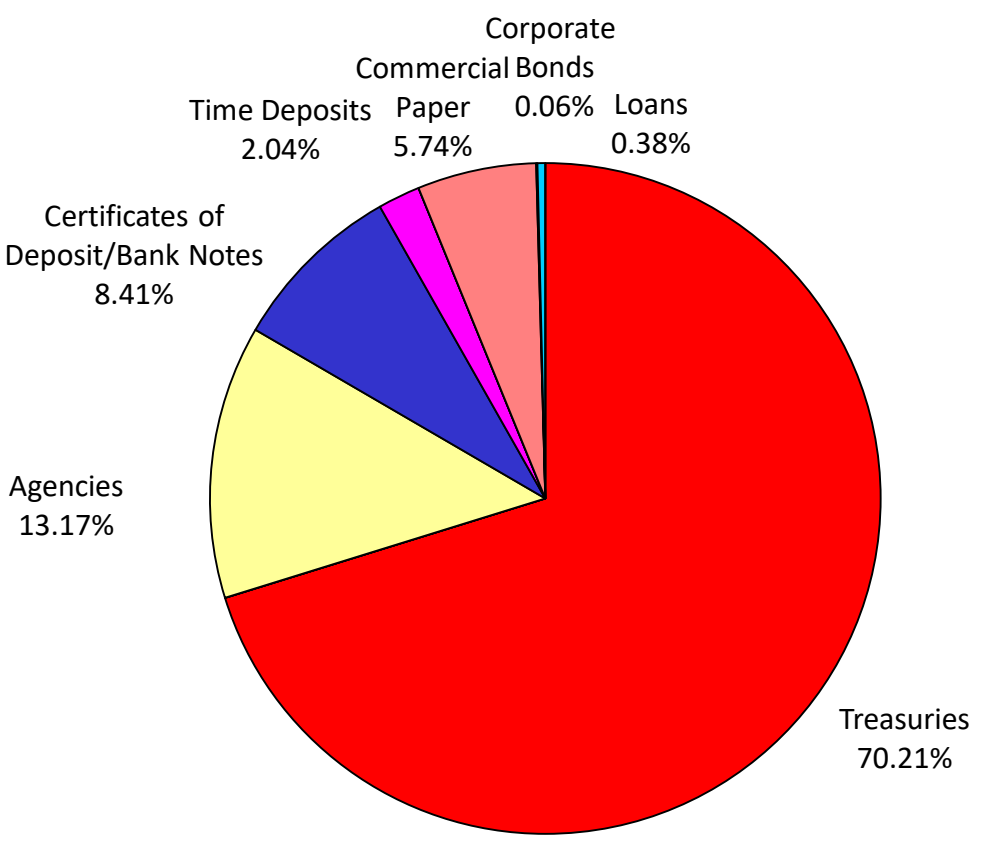


Chart does not include 0.01% of mortgages. Percentages may not total 100% due to rounding.

Daily rates are now available here. **View PMIA Daily Rates**

Notes: The apportionment rate includes interest earned on the CalPERS Supplemental Pension Payment pursuant to Government Code 20825 (c)(1) and interest earned on the Wildfire Fund loan pursuant to Public Utility Code 3288 (a).

Source:
[1] State of California, Office of the Treasurer
[2] State of Calfiornia, Office of the Controller

City of Aliso Viejo
AGENDA ITEM

DATE: August 18, 2021

TO: Mayor and City Council

FROM: Omar Dadabhoy, Community Development Director
Izzak Mireles, Assistant Planner

SUBJECT: REQUEST TO APPROVE PLANNING APPLICATION PA21-011 (CUP/EP) FOR A CONDITIONAL USE PERMIT AND EXCEPTION PERMIT TO ALLOW FOR A LARGE OUTPATIENT MEDICAL USE AND ALLOW A PARKING DEFICIENCY OF LESS THAN 15 PERCENT AT 27372 ALISO CREEK ROAD

Recommended Actions:

1. Conduct a public hearing;
2. Find that the request is exempt from the California Environmental Quality Act pursuant to State CEQA Guidelines Sections 15301 and 15303 (Existing Facilities and New Construction or Conversion of Small Structures); and
3. Adopt a Resolution to approve Planning Application PA21-011 (CUP/EP) for a conditional use permit and an exception permit to allow a large outpatient medical use and allow a parking deficiency of less than 15 percent at 27372 Aliso Creek Road.

Fiscal Impact:

There is no fiscal impact to the City associated with this discretionary action. Applicants submitting for a discretionary permit approval from the City must deposit monies in an account which funds Staff's time associated with processing the application.

Project Summary:

Property Information	
Existing Site Address	27372 Aliso Creek Road
Assessor's Parcel Number(s)	634-301-03
Applicant/Agent	Robert Bunyan with Robert Bunyan and Associates representing SMaRT Health and Wellness Network
Property Owner	Garry Mark – Mark Commercial Properties
General Plan Designation	PO – Professional Office
Zoning District	PO – Professional Office
Existing Site Size	2.71 acres
Existing Conditions	Office Building

	Land Uses	Zoning
North	Calabria Condominiums	RM – Residential Medium Density
South	Alicante Apartment Homes	RH – Residential High Density
East	Villa South Condominiums	RM – Residential Medium Density
West	Business Park	BP2 – Business Park II

Discussion:

On May 11, 2021, the Applicant, Robert Bunyan, with Robert Bunyan and Associates on behalf of SMaRT Health and Wellness Network submitted an application for a conditional use permit and an exception permit to allow for a large outpatient medical use and allow for a parking deficiency of 3.3 percent in an existing 13,438 square foot office building located at 27372 Aliso Creek Road.

SMaRT Health and Wellness (SMaRT) is a network made up of an overall management company (SMaRT Health and Wellness Management) and three affiliated health care companies (Smart Health and Wellness Orthopedics, SMaRT Health and Wellness Ambulatory Surgery Center, and Core Performance Physical Therapy). According to the Applicant, the three affiliated health care companies will offer a nontraditional method of healthcare by providing a one-stop-shop for musculoskeletal rehabilitation. SMaRT's vision with this method is to minimize wait times and improve the patient's overall experience by allowing the practitioners to communicate and coincide within the same building. SMaRT will be integrating the same IT platform across the three health care companies that would allow for collaboration in treatment plans. Below are the details for the operations of each entity, including the amount of space each will occupy in the building and what floor they will be located on.

SMaRT Health and Wellness Ambulatory Surgery Center

The outpatient ambulatory surgery center will be led by two part-time orthopedic surgeons, where they will perform procedures not requiring overnight stay. The procedures performed include arthroscopies and open repair of orthopedic injuries to the shoulder, elbow, wrist, hand, hip, knee, and ankle/foot. According to the Applicant, the average procedure time will be one hour and the average length of stay will be between two and three hours. All patients are evaluated and screened for potential risk-factors that may complicate their treatment. Protocols, post-operative nursing observation and care evaluations are provided in the Applicant's project description letter in Attachment 2. The surgery center will be staffed with one full-time surgery center director/nurse, two part-time surgical technicians, one part-time anesthesiologist, two full-time surgery nurses, and one full-time surgery center scheduler. The ambulatory surgery center will use 3,258 square feet on the first floor of the building and will be open Monday through Friday between 7:00 am and 7:00 pm.

Core Performance Physical Therapy

The outpatient physical therapy clinic will be led by Dr. John Kwon, a board-certified orthopedic specialist who will oversee three full-time physical therapist aides, one full-

time receptionist, and one part-time receptionist. The physical therapy services provided include technologically advanced modalities, custom sports performance treatment, manual therapy, and massage therapy. Consistent with municipal code section 4.14.030 titled *Massage Regulations Exemptions*, the hands-on therapy will not exceed more than 15 percent of the floor area of the facility, no more than 15 percent of gross revenue, a written treatment plan will be retained for two years, and all administrators of hands-on therapy will be performed by licensed medical professionals. The physical therapy clinic will use 2,855 square feet on the first floor of the building and will be open Monday through Friday between 7:00 am and 7:00 pm and Saturday between 8:00 am and 2:00 pm.

SMaRT Health and Wellness Orthopedics

The orthopedic sports medicine clinic will provide services for advanced diagnostic imaging, casting/bracing, stretch rehabilitation, and medicine treatments that seek to replace injured or damaged tissues in the body. The clinic will be operated by two licensed professionals with staggered schedules and six full-time support staff. The orthopedic clinic will use 3,058 square feet on the second floor of the building and will be open Monday through Friday between 8:00 am and 5:00 pm.

SMaRT Health and Wellness Management

The management service company will oversee the marketing and human resource duties for all three health care companies. It will include a media room for telehealth services, which include telemedicine consultations for each of the orthopedic surgeons and physical therapists. There will be a video production room for filming of marketing content for each of the medical business entities. There will be no client or appointment-based interactions in this space. The management company will be staffed with one full-time director of operations, two full-time executive assistants, one part-time videographer, and one patient liaison. The management company will use 2,705 square feet on the second floor of the building and will be open Monday through Friday between 8:00 am and 7:00 pm and Saturday between 8:00 am and 2:00 pm.

Large Outpatient Medical Uses in the PO Zoning District

Adopted October 3, 2018, Ordinance 2018-202 established a new type of use, “outpatient medical uses, large (six or more clients on premise at a time).” The ordinance defines the use as an office facility where health services, and managerial, administrative, and clerical functions relating to medicine, physical or mental, where persons are not admitted for a 24-hour stay or longer, and where six or more patients are receiving services at any given time. The services may be preventative, diagnostic, treatment, therapeutic, rehabilitative, or counseling in nature. Additionally, the Ordinance outlined a set of regulations for these uses located with the newly specified Medical Use Overlay. The subject building, however, is not located in the Overlay, and not subject to the regulations but rather, is located in the Professional Office (PO) Zoning District and subject to first obtaining a conditional use permit.

Parking – Exception Permit

Within the Aliso Creek Office Park, the parking for the building at 27372 Aliso Creek Road is shared amongst four buildings. The existing parking contains 207 parking stalls. The three affiliated health care companies under SMaRT Health and Wellness Network will contain 9,171 sq. ft. of outpatient medical and 1,292 sq. ft. of common space that will be included under the medical use. The remaining 2,975 square feet of the building would be dedicated to the management company and common space that will be included under the office use. The total amount of parking stalls required in the Aliso Creek Office Park with the proposed outpatient medical use would be 214 parking stalls and would be deficient seven parking spaces or 3.3 percent. The Applicant is requesting an exception permit that would allow for the proposed outpatient medical use to be parked at the office rate. In accordance with AVMC Section 15.38.120(B)(1), a request for a reduction in the required number of parking spaces of 15 percent or less shall require approval of an exception permit pursuant to Section 15.74.070.

Environmental:

Staff has determined the project is Categorically Exempt from environmental review pursuant to CEQA Guidelines 15301 (Class 1: Existing Facilities). Class 1 applies to the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of use beyond that existing at the time of the lead agency's determination. The project qualifies under Class 1, because the project involves minor alternations to the interior of the building. Further, the project involves negligible or no expansion of use, because the new large outpatient medical use is no more intense than the former retail use and because the use is not expanded outside the footprint of the tenant space.

Staff has also determined the project is Categorically Exempt from environmental review pursuant to CEQA Guidelines Section 15303 (Class 3: New Construction or Conversion of Small Structures). As outlined, Class 3 Categorical Exemption applies to projects that include “the conversion of existing small structures from one use to another where only minor modifications are made in the exterior of the structure.” The project qualifies under Class 3, because it consists of minor modifications for the conversion of an existing tenant space from a retail use to a large outpatient medical use.

Public Notice:

In accordance with Aliso Viejo Municipal Code (AVMC) Section 15.70.070, a public hearing notice was mailed to all property owners within 300 feet of the subject property, tenants of Aliso Creek Office Park, and was published in the Orange County Register on August 5, 2021.

Attachments:

1. Resolution
2. Applicant's Project Description Letter
3. PowerPoint Presentation

RESOLUTION NO. 2021-___

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ALISO VIEJO, CALIFORNIA, APPROVING PLANNING APPLICATION PA21-011 (CUP/EP) FOR A CONDITIONAL USE PERMIT AND AN EXCEPTION PERMIT TO ALLOW FOR A LARGE OUTPATIENT MEDICAL USE AND ALLOW A PARKING DEFICIENCY OF LESS THAN 15 PERCENT AT 27372 ALISO CREEK ROAD

WHEREAS, on May 11, 2021, Robert Bunyan, with Robert Bunyan and Associates on behalf of SMaRT Health and Wellness Network, submitted Planning Application PA21-011 (CUP/EP) for a conditional use permit and exception permit to allow for a large outpatient medical use and allow a parking deficiency of less than 15 percent at 27372 Aliso Creek Road (Project); and

WHEREAS, pursuant to Aliso Viejo Municipal Code (AVMC) Table 15.18.020, outpatient medical uses, large (six or more clients on premise at a time) require conditional use permit approval within the Professional Office (PO) Zoning District; and

WHEREAS, a conditional use permit is required for all land uses identified in the AVMC as requiring such permits, pursuant to AVMC Section 15.74.040.B; and

WHEREAS, pursuant to AVMC Section 15.74.070, the purpose of an exception permit is to provide for minor deviations from certain development standards of the Zoning Code, including but not limited to permitted uses, development standards, and supplemental regulations, that have little or no potential for adverse impacts on surrounding properties, residents, businesses, or the general public; and

WHEREAS, pursuant to Aliso Viejo Municipal Code (AVMC) Section 15.38.120(B), the project requires an exception permit (EP) for a reduction in the required number of parking spaces of 15 percent or less; and

WHEREAS, pursuant to AVMC Section 15.70.050, when an application requiring a public hearing is combined with one not requiring a public hearing, the combined application shall require a public hearing and the final decision on the combined application shall be made by the highest applicable decision-making authority pursuant to Table 15.70.030; and

WHEREAS, pursuant to Title 14, California Code of Regulations, Section 15367, the City of Aliso Viejo ("City") is Lead Agency for purposes of the Project; and

WHEREAS, the City has reviewed the proposed Project and has determined that it is Categorically Exempt from environmental review under the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines Sections 15301 (Existing Facilities) and 15303 (Class 3: New Construction or Conversion of Small Structures); and

WHEREAS, the City has determined that none of the Exceptions to the Categorical Exemptions outlined in Title 14, California Code of Regulations Section 15300.2 applies to the Project; and

WHEREAS, the foregoing exemptions are sufficient to independently exempt the whole of the action from CEQA; and

WHEREAS, on August 18, 2021, the City Council held a duly-noticed public hearing as prescribed by law and considered public testimony and evidence and recommendations presented by Staff in the Agenda Report and oral presentation related to Planning Application PA21-011 (CUP/EP).

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF ALISO VIEJO, DOES HEREBY RESOLVE, DECLARE, DETERMINE AND ORDER AS FOLLOWS:

SECTION 1. Determination of Recitals. The City Council hereby finds and determines that all of the recitals set forth above are true and correct. The above recitals are hereby incorporated as substantive findings of this Resolution.

SECTION 2. Compliance with CEQA. The City Council hereby finds and determines the project is Categorically Exempt from environmental review pursuant to (Class 1: Existing Facilities). The Class 1 applies to the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of use beyond that existing at the time of the lead agency's determination. The proposed project qualifies for the Class 1 exemption because the project involves the permitting and minor alteration of existing private structures, facilities, and mechanical equipment involving negligible or no expansion of the existing use. The proposed project would convert the majority of the existing 13,438 square-foot office building to a majority of outpatient large medical use. Because the use will occur in an existing building and no building expansion is proposed, only minor alterations to the interior of the building are needed to accommodate the change in use. Additionally, a request for a 15 percent or less reduction in the required number of parking spaces is proposed. Because the parking reduction applies to existing parking stalls, no exterior alterations are proposed. For this reason, the use would be exempt from CEQA pursuant to State CEQA Guidelines, Section 15301.

The City Council hereby finds and determines the project is also Categorically Exempt from environmental review pursuant to CEQA Guidelines Section 15303 (Class 3: New Construction or Conversion of Small Structures). The Class 3 Categorical Exemption applies to projects that include "the conversion of existing small structures from one use to another where only minor modifications are made in the exterior of the structure." The project qualifies for the Class 3 exemption because the project involves the conversion of an existing office building to a large outpatient medical use. Therefore, the Class 3 Categorical Exemption is the appropriate environmental determination for the proposed project.

Furthermore, none of the exceptions to the use of the Class 3 categorical exemption identified in State CEQA Guidelines Section 15300.2 apply. The project is not located in a particularly sensitive environment and will not impact an environmental resource of hazardous or critical concern, as it involves interior tenant improvements and minor exterior improvements in an existing building. The project will not result in a cumulative impact from successive projects of the same type in the same place, over time, as it is the first conversion of a professional office use to a medical use in the building. The project will not damage scenic resources, including trees, historic buildings, rock outcroppings, or similar resources, as only interior tenant improvements and minor exterior improvements are proposed. The project does not include any hazardous waste sites, and the project will not cause a substantial adverse change in the significance of a historical resource. Thus, the Class 3 exemption applies, and no further environmental review is required

SECTION 3. Approval of Project and Findings for Conditional Use Permit. In accordance with Section 15.74.040.C of the AVMC, the City Council hereby approves the CUP for Planning Application PA21-011 (CUP/EP) subject to the conditions set forth in Exhibit "A," attached hereto and incorporated herein by reference.

The City Council, sitting as the legislative body and based upon the entire record, including the staff report and all written and oral evidence presented, finds that:

1. *Consistency with General Plan. The land use is consistent with the General Plan and any applicable specific plan in that:*

   The project is consistent with the "Professional Office" (PO) land use category as referenced in Aliso Viejo General Plan. The PO land use designation provides for retail stores and personal/business services of a citywide or regional nature. General Plan Land Use Policy LU-1.2 states that the City should attract a broad range of additional retail, medical, and office uses providing employment at all income levels and making a positive contribution to the City's tax base. The Aliso Creek Office Park is composed of just offices and one other medical use, the proposed medical use will expand and complement the office uses. Furthermore, General Plan Land Use Policy LU-3.2 states that the City should promote Aliso Viejo as an employment center and ideal location for businesses by providing and maintaining high-quality services and facilities responsive to the needs of the business community. By allowing SMaRT Health and Wellness Network to create an innovative business model within the framework of a large outpatient medical use, the City of Aliso Viejo will have a one-stop-shop for musculoskeletal rehabilitation that serves the needs of the community. This nontraditional method of healthcare will minimize wait times and maintain high-quality service, leading to an improvement in overall customer satisfaction. Therefore, the establishment of a large outpatient medical use would be consistent with the City's General Plan.

2. *Consistency with Zoning Code. The land use and associated development conform to the permitted use provisions and development standards of the Zoning Code and is consistent with the Code and any applicable specific plan in that:*

   The tenant building is located at 27372 Aliso Creek Road in the PO Zoning District. The establishment of the large outpatient medical use on a PO zoned property requires the approval of a CUP. Minor exterior tenant improvements are proposed, which are not subject to any zoning development standards.

   Within the Aliso Creek Office Park, the parking for the building at 27372 Aliso Creek Road is shared amongst four (4) buildings. The existing parking contains 207 parking spaces. In 2003, a parking variance was approved for the building at 27342 Aliso Creek Road (V0-02) to allow for a medical use, Aliso Viejo Physical Therapy and Sports Medicine, to be parked at the office ratio. The total amount of parking stalls required in the Aliso Creek Office Park with the proposed outpatient medical use would be 214 parking stalls and would be deficient seven (7) parking spaces or 3.3 percent. A 15 percent or less reduction in the required number of parking spaces can be approved with an exception permit (EP) provided that specific findings identified in AVMC Section 15.38.120(B)(1) are met. See Section 4 below for findings required for approval of an exception permit.

3. *Compliance with CEQA. Processing and approval of the permit application are in compliance with the requirements of the California Environmental Quality Act in that:*

   See Section 2 above.

4. *Surrounding Uses: Approval of the application will not create conditions materially detrimental to the public health, safety and general welfare or injurious to or incompatible with other properties or land uses in the vicinity in that:*

   Medical uses that do not intend to have the potential of seeing six (6) or more clients at one time are permitted outright in the Professional Office (PO) Zoning District. The reason a conditional use permit is required for this medical use is that the six (6) or more clients will be allowed to occupy the designated area at one time. This numeric division is a requirement with the adoption of Ordinance No. 2018-202 on October 3, 2018, which sought to limit any potential impacts to public health, safety, and welfare in the city. Prior to this Ordinance, any type of medical use was permitted outright in the PO Zoning District. The primary reason for this conditional use permit is to give the City the ability to enact conditions of approval so as not to create conditions materially detrimental to the public health, safety, and general welfare or injurious to or incompatible with other properties or land uses in the vicinity.

   The location of the proposed conditional use is in an existing building located at 27372 Aliso Creek Road, in the PO Zoning District.

SECTION 4. Findings for Exception Permit. In accordance with AVMC Section 15.74.070 and 15.38.120(B) of the Aliso Viejo Zoning Code, the City Council hereby approves the exception permit for a parking deficiency of less than 15 percent under Planning Application PA21-011 (CUP/EP) subject to the conditions set forth in Exhibit "A". The City Council, sitting as the legislative body and based upon the entire record, including all written and oral evidence presented, finds that:

1. *Consistency with General Plan. The project is consistent with the General Plan and any applicable specific plan in that:*

   The project is consistent with the "Professional Office" (PO) land use category as referenced in Aliso Viejo General Plan. The PO land use designation provides for retail stores and personal/business services of a citywide or regional nature. General Plan Land Use Policy LU-1.2 states that the City should attract a broad range of additional retail, medical, and office uses providing employment at all income levels and making a positive contribution to the City's tax base. The Aliso Creek Office Park is composed of just offices and one other medical use, the proposed medical use will expand and complement the office uses. Furthermore, General Plan Land Use Policy LU-3.2 states that the City should promote Aliso Viejo as an employment center and ideal location for businesses by providing and maintaining high-quality services and facilities responsive to the needs of the business community. By allowing SMaRT Health and Wellness Network to create an innovative business model within the framework of a large outpatient medical use, the City of Aliso Viejo will have a one-stop-shop for musculoskeletal rehabilitation that serves the needs of the community. This nontraditional method of healthcare will minimize wait times and maintain high-quality service, leading to an improvement in overall customer satisfaction. The Project is also consistent with the General Plan as it would allow the property owner to make the property in compliance with the City's parking requirement, which would assist with meeting the future needs of all residents and the business community (Land Use Goal LU-1). Therefore, the establishment of a large outpatient medical use would be consistent with the City's General Plan.

2. *Consistency with Zoning Code. Except for the deviation allowed under this permit, the land use and associated development conform to the permitted use provisions and development standards of this Zoning Code and is consistent with this Code and any applicable specific plan in that:*

   The tenant building is located at 27372 Aliso Creek Road in the PO Zoning District. The establishment of the large outpatient medical use on a PO zoned property is allowed with approval of a CUP. Minor exterior tenant improvements are proposed, which are not subject to any zoning development standards. A 15 percent or less reduction in the required number of parking spaces can be approved with an exception permit (EP). Except for a parking exception permit, the land use and associated development conform to the permitted use provisions and development standards of this Zoning Code and is consistent with this Code and any applicable specific plan.

3. *Compliance with CEQA. Processing and approval of the permit application are in compliance with the requirements of the California Environmental Quality Act in that:*

   See Section 2 above.

4. *Surrounding Uses. Approval of the permit will not create conditions materially detrimental to the public health, safety and general welfare or injurious to or incompatible with other properties or land uses in the vicinity.*

   Medical uses that do not intend to have the potential of seeing six (6) or more clients at one time are permitted outright in the Professional Office (PO) Zoning District. The reason a conditional use permit is required for this medical use is that the six (6) or more clients will be allowed to occupy the designated area at one time. This numeric division is a requirement with the adoption of Ordinance No.2018-202 on October 3, 2018, which sought to limit any potential impacts to public health, safety, and welfare in the city. Prior to this Ordinance, any type of medical use was permitted outright in the PO Zoning District. The primary reason for this conditional use permit is to give the City the ability to enact conditions of approval so as not to create conditions materially detrimental to the public health, safety, and general welfare or injurious to or incompatible with other properties or land uses in the vicinity.

5. *Given the specific conditions of the site and adjacent area, the alternate parking standards will provide sufficient parking for the use served in that:*

   Within the Aliso Creek Office Park, the parking for the building at 27372 Aliso Creek Road is shared amongst four (4) buildings. The existing parking contains 207 parking spaces. In 2003, a parking variance was approved for the building at 27342 Aliso Creek Road (V0-02) to allow for a medical use, to be parked at the office ratio. The total amount of parking stalls required in the Aliso Creek Office Park with the proposed outpatient medical use would be 214 parking stalls and would be deficient seven (7) parking spaces or 3.3 percent. The maximum number of employees SMaRT Health and Wellness Network will have in the building at one time will be between 28 to 30 employees and will serve between 17 to 24 patients at any one time. Conditions of Approval No. 31, No. 38, and No. 41 will limit the total amount of patients in the facility to 24 patients at a given time.

   The proposed use is unique in that the four different business entities will work in sync to coordinate schedules and appointment times. Additionally, with the introduction of telehealth services, patients will be able to be prescreened and receive consultation without having to be present at the facility. This will alleviate some of the parking demand that would normally be associated with a traditional medical use. Furthermore, Per Condition of Approval No. 18, visits to any of the three medical entities will be by appointment only. Therefore, given the specific conditions of approval and the nontraditional medical use, the alternative parking standard will provide sufficient parking for the uses served.

6. *The alternate parking standards comply with the purpose and intent of this chapter in that:*

   The purpose of the AVMC parking regulations are intended to: 1) provide for the demand for off-street parking generated by the various land uses in the City; 2) ensure the health, safety, and welfare of the public by insuring safe access to homes and businesses; and 3) provide for properly designed parking facilities with adequate numbers of parking spaces in order to reduce traffic congestion, promote business, and enhance public safety. The Project's seven (7) parking stall deficiency can be justified by the innovative nature of the proposed uses, telehealth services, and the by-appointment only requirement.

SECTION 5. Filing of Notice of Exemption. The City Council hereby authorizes and directs staff to prepare, execute and file with the Orange County Clerk a Notice of Exemption for the proposed Project.

SECTION 6. Location of Documents. The administrative record for the Project is maintained at City Hall located at 12 Journey, Suite 100, Aliso Viejo, CA 92656. The custodian of records is the City Clerk.

PASSED, APPROVED AND ADOPTED this 18th day of August 2021.

_____
Tiffany Ackley
Mayor

APPROVED AS TO FORM:

_____
Scott C. Smith
City Attorney

ATTEST:

_____
Mitzi Ortiz, MMC
City Clerk

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss.
CITY OF ALISO VIEJO)

I, MITZI ORTIZ, City Clerk of the City of Aliso Viejo, California, DO HEREBY CERTIFY that foregoing Resolution No. 2021-___ was duly passed and adopted by the City Council of the City of Aliso Viejo at their regular meeting held on the 18th day of August 2021, by the following roll call vote, to wit:

AYES:

NOES:

ABSENT:

_____
MITZI ORTIZ
CITY CLERK

(SEAL)

I hereby certify that the foregoing is the original of Resolution No. 2021-__ duly passed and adopted by the Aliso Viejo City Council at its regular meeting held August 18, 2021.

_____
MITZI ORTIZ
CITY CLERK

(SEAL)

EXHIBIT "A"
PLANNING APPLICATION PA21-011 (CUP/EP)
CONDITIONS OF APPROVAL

1. Project Description. Approval of the Planning Application PA21-011 (CUP/EP) is for a conditional use permit and exception permit for a large outpatient medical use and allow a parking deficiency of less than 15 percent for an existing building located at 27372 Aliso Creek Road in accordance with all plans and exhibits as presented and approved by the City Council on August 18, 2021.

2. Applicant. For the purpose of Planning Application PA21-011 (CUP/EP) and as referenced in the conditions, "Applicant" shall apply to SMaRT Health and Wellness, business owner, business operator, and future successors of the approved establishment.

3. Period of Validity. Approval of Planning Application PA21-011 (CUP/EP) is valid for a period of two years from the effective date set out above. If building or other ministerial permits for the project are not issued within such period of time, the approval shall expire and shall thereafter be null and void unless an extension is requested by the applicant prior to the expiration date and subsequently approved by the Community Development Director pursuant to AVMC Section 15.74.100.

4. Development Per Approved Plans. This approval constitutes a precise plan for location and design of uses, structures, features and materials submitted with this application. Development shall occur substantially as shown on the plans and description letter approved for this project and on file in the Planning Division, subject to any modifications imposed by the conditions of approval herein as confirmed by the Community Development Director. Any land use, construction or improvement not specifically approved by this use permit is not permitted and must be addressed in a separate and subsequent application and review. Relocation, alteration or addition to any use, structure, feature or material not specifically approved shall require an amendment to the approved plans unless the Community Development Director determines such modifications are minor and consistent with the spirit and intent of the original approving action and that the action would have been the same for the modifications as for the approved plans. The Community Development Director may approve such minor modifications in accordance with AVMC Section 15.74.110.

5. Payment of Fees. The applicant shall be responsible for payment of all applicable fees along with reimbursement for all City expense in ensuring compliance with conditions. All fees and expenses shall be paid in full prior to issuance of a certificate of occupancy. Prior to issuance of applicable City approvals or permits, the applicant shall be fully responsible for reimbursing the City of Aliso Viejo for all expenses incurred to process the application and assure compliance with all conditions of approval.

6. Compliance with Conditions. The Applicant shall be fully responsible for knowing and complying with all conditions of approval, including making conditions known to City

Staff for future governmental permits or actions on the project site. Failure to abide by and faithfully comply with any and all conditions attached to the granting of these permits may constitute grounds for revocation of the permit(s) in accordance with AVMC Section 15.74.120.

7. Indemnification. The Applicant shall indemnify, protect, defend, and hold the City, and/or any of its officials (appointed or elected), officers, employees, agents, departments, agencies, and instrumentalities thereof, harmless from any and all claims, demands, lawsuits, writs of mandamus, and other actions and proceedings (whether legal, equitable, declaratory, conditional or adjudicatory in nature), and alternative dispute resolution procedures (including, but not limited to arbitrations, mediations, and other such procedures), judgments, orders, and decisions (collectively 'Actions'), brought against the City, and/or any of its officials, officers, employees, agents, departments, agencies, and instrumentalities thereof, that challenge, attack, or seek to modify, set aside, void, or annul, any action of, or any permit or approval issued by the City and/or any of its officials, officers, employees, agents, departments, agencies, and instrumentalities thereof (including actions approved by the voters of the City) for or concerning the project, whether such Actions are brought under the Ralph M. Brown Act, California Environmental Quality Act, the Planning and Zoning Law, the Subdivision Map Act, Community Redevelopment Law, Code of Civil Procedure Sections 1085 or 1094.5, or any other federal, state, or local constitution, statute, law, ordinance, charter, rule, regulation, or any decision of a court of competent jurisdiction. It is expressly agreed that the City shall have the right to approve, which approval will not be unreasonably withheld, the legal counsel providing the City's defense, and that Applicant shall reimburse City for any costs and expenses directly and necessarily incurred by the City in the course of the defense. City shall promptly notify the Applicant of any Action brought and City shall cooperate with applicant in the defense of the Action.

8. Compliance with Building Codes. Tenant improvements shall be submitted for review, approved and permits issued, and shall comply with standards, regulations and requirements of current editions of the California Building Code, California Plumbing Code and California Mechanical Code, California Electrical Code, including any local amendments adopted by the City of Aliso Viejo.

9. Fire Safety and Prevention. The project site shall comply with all fire prevention standards and all permits, if necessary, shall be obtained from Orange County Fire Authority (OCFA).

10. Conditions of Approval. Prior to the issuance of necessary building permits, the Applicant shall list all conditions of approval on the title sheet.

11. Certificate of Occupancy. A certificate of occupancy shall be submitted for each of the four business entities.

12. Overnight Stay. Overnight stays are prohibited.

13. State Licensed. Only state-licensed medical professionals shall practice within the use. Furthermore, at least one State-licensed medical professional shall be present at all times during the hours of operation for each individual use.

14. Emergency Services. No emergency medical treatment shall be provided onsite. For any medical health evaluations, an onsite physician will need to arrange the care and custody of such individual and not rely on law enforcement to conduct said evaluations.

    - A written plan shall be in place on how these situations are addressed and shall be provided to the Community Development Director prior to Certificate of Occupancy.

15. Operational Plan. Prior to issuance of a Certificate of Occupancy, an operational plan shall be provided to the Community Development Director for review and approval. At a minimum, the plan shall include facility rules and procedures referencing the following operational standards:

    - Description of staff training required for all three medical entities.

    - A “good neighbor policy”, which includes a written protocol for the on-site management to follow when a complaint is received from surrounding businesses and residents.

16. Security Plan. Prior to the issuance of a Certificate of Occupancy, a security plan shall be provided to the Community Development Director for review and approval. At a minimum, the plan shall include:

    - Measures for maintaining a safe environment within and outside the facility;

    - the use of cameras and storage of related footage; and

    - the posting of the “no loitering” signs.

17. Medical Services. Clients shall only be seen in the areas dedicated to outpatient medical services. The space dedicated to SMaRT Health and Wellness Management shall not be used for any medical services. Medical services shall not be expanded into the areas identified as “common space” including lobby area, janitorial closets, utility closets, stairwells, and restrooms.

18. Appointment Only. Visits to any of the three medical entities shall be by appointment only.

19. Loitering. To ensure that the large outpatient medical use is compatible with surrounding office uses, the Applicant shall be responsible to ensure that no

patients/clients are allowed to loiter on the property for more than ten (10) minutes prior to, or after, or anytime during, receiving any services.

20. Drugs. All drugs shall be located in a secure location and in accordance with applicable state and federal law. Prior to the issuance of building permits for tenant improvements related to the medical use, the Applicant shall provide the Community Development Director with a plan for the secure location.

21. Smoking. The Applicant shall ensure that the customers/clients do not smoke on the property, unless a designated smoking area is provided, and in a location approved by the Applicant, Property Owner, and the Community Development Director.

22. Signage. Prior to the issuance of a certificate of occupancy, the Applicant and/or Property Owner shall provide a signage plan to the Director. The Director shall then determine if the sign conforms to the AVMC or requires a master sign permit for a planned sign program.

23. Client Transportation. Clients shall drive themselves (or via a caretaker) to and from the facility.

24. DBA. The City shall be notified if the Applicant creates a separate DBA or (Doing Business As".

25. Security Personnel. Based on substantiated complaints and/or calls for service to police services, the Chief of Police Services or Community Development Director may require a security guard(s) to be on the premises during certain or all operating hours.

26. Group Sessions. Group sessions are prohibited.

27. Indoors. All activities related to the large outpatient medical use shall only be permitted indoors within the designated areas.

28. Adverse Impacts. In the event of adverse impacts on the health, safety or welfare of the neighborhood or public, or receipt of complaints directly related to the Applicant's business, the Director shall investigate and, if significant adverse impacts directly related to the Applicant's business are found to exist, the Director or Chief of Police shall have the discretion to bring this Permit back to consider additional conditions, amended conditions or permit revocation. A copy of the conditions of approval shall be kept on the premises of the establishment and be presented to any peace officer or any authorized city official upon request.

Conditions Required for Core Performance Physical Therapy

29. Massage Therapy. Core Performance Physical Therapy is required to conform to the rules and regulations assigned in Chapter 4.14.030 Massage Therapy Exemptions:

- A licensed health care professional shall be present at the facility at all times;

- a written treatment program for patients relating to physical therapy shall be prepared and maintained on site for at least two (2) years;

- at the termination of treatment, all massage therapy treatments shall be documented and recorded in an electronic file and maintained on-site for at least two (2) years;

- no more than 15 percent of the floor area of the licensed physical therapy facility shall be used to perform massage;

- no more than 15 percent of the gross receipts for Core Performance can be derived from massages; and

- all physical therapy will be performed by a medically licensed therapist.

30. Hours of Operation. The hours of operation shall be limited to Monday through Friday from 7:00 am to 7:00 pm and Saturday from 8:00 am to 2:00 pm. The hours of operation for the use may be modified with notification to other tenants in the building upon approval by the Community Development Director; however, in no event shall it exceed a 24-hour window.

31. Maximum Clients. No more than nine (9) clients are allowed in the suite at any one time.

32. Square Footage. Core Physical Therapy shall be limited to 2,855 square feet.

Conditions Required for SMaRT Health and Wellness Ambulatory Surgery Center

33. Patient Screening. All patients must be screened for risk factors prior to treatment and/or surgery. Prior to issuance of the certificate of occupancy, a screening questionnaire shall be provided to the City.

34. Hours of Operation. The hours of operation shall be limited to Monday through Friday from 7:00 am to 7:00 pm. The hours of operation for the use may be modified with notification to other tenants in the building upon approval by the Community Development Director; however, in no event shall it exceed a 24-hour window.

35. Records. The patient's record shall be with the patient in the recovery room. The patient record should document treatments and medications ordered by the physician and the patient's condition during admission and discharge.

36. Medical Emergencies. If a complication occurs in the recovery room, the physician responsible for the patient's care shall be immediately notified and the patient must be transported to the nearest hospital.

37. Surgical Discharge Criteria. Prior to issuance of the certificate of occupancy, a surgical recovery room and discharge guideline shall be provided to the City. All patients shall follow the discharge criteria described in the guidelines.

38. Maximum Clients. No more than five (5) clients are allowed in the surgical center at any one time.

39. Square Footage. SMaRT Health and Wellness Ambulatory Center shall be limited to 3,258 square feet.

Conditions Required for SMaRT Health and Wellness Orthopedic Sport Medicine Clinic

40. Hours of Operation. The hours of operation shall be limited to Monday through Friday from 8:00 am to 5:00 pm. The hours of operation for the use may be modified with notification to other tenants in the building upon approval by the Community Development Director; however, in no event shall it exceed a 24-hour window.

41. Maximum Clients. No more than ten (10) clients are allowed in the orthopedic clinic at any one time.

42. Square Footage. SMaRT Health and Wellness Orthopedic Clinic shall be limited to 3,058 square feet.

Conditions Required for SMaRT Health and Wellness Management

43. Media Room. Media room will be limited to telehealth consultations only. No patients shall be allowed in this space.

44. Production Room. Filming in the production room will limited to post clinical hours throughout the week. No patients shall be allowed in this space.

45. Hours of Operation. The hours of operation shall be limited to Monday through Friday from 7:00 am to 7:00 pm and Saturday from 8:00 am to 2:00 pm. The hours of operation for the use may be modified with notification to other tenants in the building upon approval by the Community Development Director; however, in no event shall it exceed a 24-hour window.

46. Square Footage. SMaRT Health and Wellness Management shall be limited to 2,705 square feet.

ROBERT BUNYAN & ASSOCIATES
REAL ESTATE CONSULTANTS
ENTITLEMENTS PERMITTING DEVELOPMENT

June 22, 2021

Omar Dadabhoy
Planning Director
City of Aliso Viejo
12 Journey, Suite 100
Aliso Viejo, CA 92656

Re: 27372 Aliso Creek Road – PA21-011 CUP

Dear Mr. Dadabhoy:

Planning Application PA21-011 for a Conditional Use Permit to operate an outpatient large medical practice at 27372 Aliso Creek Rd was submitted on May 11, 2021. Comments were received from City Planning on June 4, 2021. This Project Description/Justification letter revises the original justification letter, dated May 11, 2021, to respond to comments.

OVERVIEW:

Dr. John Kwon, Dr. Ryan Labovitch, and Dr. Ray Raven (Buyers) are the principals purchasing the 27372 Aliso Creek Road building in Aliso Viejo. The Buyers own and operate three affiliated health care companies and a management company, known collectively as the "SMaRT Health Network." The companies are SMaRT Health and Wellness Management, LLC, Smart Health and Wellness, LLC (orthopedics), SMaRT Health Ambulatory Surgery Center (ASC), and Core Performance Physical Therapy, INC.. The Buyers plan to utilize the building for each entity's respective use. These services are related to physical health only. No mental health services are provided.

SMaRT Health and Wellness Management, a Management Services Organization (MSO), is a health care specific administrative engine that provides non-clinical administrative support services to the three health care companies. Services include human resource management, revenue cycle management, bookkeeping, managerial accounting, data management, regulatory compliance, patient engagement, and business development. SMaRT Health and Wellness Management is owned by the Buyers.

Founded by Ryan Labovitch, MD and Ray Raven, MD, MBA, SMaRT Health and Wellness, LLC is a rare concierge medical group model that provides comprehensive musculoskeletal health and wellness services. Patients pay an annual membership fee for all-inclusive access to the physicians, including cell phone and email, telemedicine services for virtual visits, and access to same-day appointments. Each physician treats acute conditions, such as fractures and sports related injuries, as well as chronic conditions such as arthritis. Most patients are treated using non-surgical modalities, but those who fail to respond to conservative treatment may be offered surgery.

All outpatient surgical procedures will be performed in the SMaRT Health and Wellness Ambulatory Surgery Center (also owned and operated by the physicians), using minimally invasive techniques and utilizing state-of-the-art equipment. Dr. Ryan Labovitch is Board Certified in Orthopedic Surgery and holds a subspecialty certification in Orthopaedic Sports Medicine. Dr. Raven is a Board Certified Orthopaedic Surgeon with subspecialty certifications in Orthopaedic Sports Medicine and Surgery of the Hand, one of only a handful of surgeons in the U.S. with this distinction.

Core Performance Physical Therapy, INC. is owned and operated by John Kwon, DPT, OCS, a Board Certified Orthopedic Clinical Specialist. Dr. Kwon has advanced clinical knowledge, experience, and skills needed to assess and treat complex musculoskeletal injuries. His treatment philosophy incorporates the use of total body movement (kinetic linking) exercises and integrative manual therapy to assist his clients back to their athletic or functional prowess.

New Concierge Orthopedic Medical Model:

The evolution of advanced musculoskeletal rehabilitation after activity related injuries has brought together highly specialized practitioners including the sports physician, the sports physical therapist, and the orthopedic surgeon. SMaRT Health and Wellness is an integrative musculoskeletal health network of highly trained health care providers designed to deliver first-class health care services. We use a person-centered care model, which looks at you as an individual. We assess all aspects of your lifestyle and employ a team approach to managing acute injuries and chronic pain so you can remain active and in good health. Our care philosophy emphasizes the therapeutic relationship between you and our practitioners. We utilize evidence based medicine and integrate restorative therapies to enhance your vitality. Every evaluation is tailored to your health as a state of physical, mental, sociocultural, and spiritual well-being

Our boutique-type program starts with a comprehensive physical assessment and leverages advanced imaging technologies to pin-point bone, joint, muscle and nerve issues that can cause pain and disability. After the proper diagnosis has been made, our specialists will use injury specific rehabilitation protocols and restorative therapeutics to help you recover and transition back to your pre-injury lifestyle. (Restorative therapies refer to treatments, such as physical therapy, hydration therapy, stretch/recovery treatments, all performed by a licensed medical professional that focuses on restoring musculoskeletal balance and optimal metabolic levels). If we are not able to achieve your goals with non-surgical treatment, our fellowship trained orthopedic sports medicine specialists will work together with you to select the least invasive procedure to manage your pain and assist you back to attaining quality of life.

Our unique concierge orthopedic medical model is not your traditional volume based medical practice. We have developed a system which will allow the patient to experience a medical care pathway designed to provide more one on one time with each medical provider, an integrated system where each practitioner can easily communicate and share medical records through a robust IT platform, and experience expert care from board certified orthopedic specialists. Patients will be allowed to communicate and access information at the touch of a smartphone with each medical provider and gain access to information and instruction on treatment protocols with their physical therapist. Our goal is to minimize wait times, provide better accessibility for our patients, and an exceptional patient experience. We plan to hire a full time patient liaison whose role is to oversee the patient experience. They will be the patient's advocate to ensure that their expectations are met by coordinating the transition from the front office, exam room, imaging center, to rescheduling and to physical therapy if necessary. We want to break the mold of the current negative trends in healthcare and provide a more optimal care pathway for our patients to experience.

The following is our Brand Manifesto. A declaration of who we are, why we're here, and how we're making the world a better place.

Who are we? We are the healers. The handpicked highly trained musculoskeletal experts. Here for the bikers, hikers, runners and jumpers. Here for the gardeners, drivers and nine to fivers. We are a trusted family with open arms. Ready to take in anyone who is ailing. Regardless of where it hurts or how it happened. We believe in healing with a human touch. And we are determined to help you get back in the game. Regain your routine. And return to normal. We've created an atmosphere of care and compassion. An interconnected world where everything revolves around healing your injury and easing your pain. Where everything needed for your care and recovery lives in one place. One place where you'll be safely and securely in the hands of experience. One place dedicated to helping you become your strongest healthiest self. We've designed a collaborative network for now and the future. With all the elements needed to ease your mind and energize your spirit, while healing your body. So no matter who you are, if you're here with us now, relax...exhale. And breathe a sigh of relief, knowing you have come to the right place....The place where everything we do revolves around you. We are the SMaRT Health Network.

DESCRIPTION OF OPERATIONS:

Our network is made up of three affiliated health care companies and a management (four distinct entities). Below are the details for the operations of each entity, including amount of space each will occupy:

SMaRT Health and Wellness (Orthopedics): 3,058 SQ FT

Drs. Ryan Labovitch and Ray Raven will work in the orthopedic sports medicine clinic. Dr. Labovitch will work three office days and Dr. Raven will work two to three office days. The doctor's schedules are staggered in order to minimize seeing patients in the office on the same day. More than a third of all patient consultations will be conducted remotely using telemedicine services. For those patients who are evaluated in-person, we expect to see no more than three to five patients per hour. Each consultation will last about 45 minutes each. SMaRT Health and Wellness clinic operations will have an efficient throughput to maintain patient safety, privacy and to provide an exceptional patient experience. The services provided include orthopedic consultations, advanced diagnostic imaging, therapeutic injections, casting/bracing, stretch rehabilitation, acupuncture, and other regenerative therapeutics. (Regenerative medicine treatments seek to replace injured or damaged tissues or organs in the body). One full time physician assistant will assist with the care and delivery of these services for both doctors.

Table 1: Business Hours of Operation-Orthopedic Medical Clinic
8 AM to 5 PM Monday through Friday

	Monday	Tuesday	Wednesday	Thursday	Friday
Dr. Labovitch	OFF (Surgery)	8am-5pm	OFF (Surgery)	8am-5pm	8am-5pm
Dr. Raven	8am-1pm	OFF (Surgery	8am-5pm	OFF (Surgery)	OFF
Physician Assistant	8am-1pm	8am-5pm	8am-5pm	8am-5pm	8am-5pm

-y Tech	8am-1pm	8am-5pm	8am-5pm	8am-5pm	8am-5pm
Medical Assistant	8am-1pm	8am-5pm	8am-5pm	8am-5pm	8am-5pm
Receptionist 1	8am-5pm	8am-5pm	8am-5pm	8am-5pm	8am-5pm
Receptionist 2	OFF	8am-5pm	OFF	8am-5pm	8am-5pm
Office Manager	8am-5pm	8am-5pm	8am-5pm	8am-5pm	8am-5pm
Acupuncturist	12pm-5pm	12pm-5pm	12pm-5pm	12pm-5pm	12pm-5pm

SMaRT Orthopedic Medical Staff (on-site):
Two part-time orthopedic surgeons: staggered schedules with different office days/surgery days
One full-time physician assistant
One full-time x-ray technician/cast technician
One full-time medical assistant
One full-time front office receptionist
One part-time front office receptionist
One part-time acupuncturist

Maximum number of patients seen for each Medical Provider per hour: 5
Maximum number of staff here at one time: 9

Maximum parking spaces needed per hour: 14
Maximum parking spaces needed per hour if both doctors work on same day: 19

SMaRT Health and Wellness Ambulatory Surgery Center (3,258 SQ FT):
The SMaRT Health and Wellness Ambulatory Surgery Center is an outpatient surgery center, where our doctors will perform procedures not requiring an overnight stay. All patients are thoroughly evaluated and screened for risk factors that may complicate their treatment. All procedures are performed by board-certified surgeons. The procedures performed include but are not limited to arthroscopies and open repair of orthopedic injuries to the shoulder, elbow, wrist, hand, hip, knee and ankle/foot. The average procedure time will be about one hour and the average length of stay will be about 2.5 to 3 hours. Protocols for the recovery room and patient discharge are outlined in Attachment "A". All patients shall receive appropriate post-operative nursing observation and care, and are evaluated by the attending physician prior to discharge to assure the safe discharge of all patients.

SMaRT Health and Wellness Ambulatory Surgery Center Staff:
Two part-time Orthopedic Surgeons (Staggered surgery schedules)
One full-time surgery center director/Nurse
Two part-time surgical technicians (not working on the same day)
One part-time anesthesiologist
Two full-time surgery nurses
One full-time surgery center scheduler

Table 2: Business Hours of Operation-Ambulatory Surgery Center
7am to 7pm Monday through Friday

	Monday	Tuesday	Wednesday	Thursday	Friday
Surgery Director	7am-5pm	7am-5pm	7am-5pm	7am-5pm	7am-5pm
Surgery Tech 1	7am-1pm	1pm-7pm	7am-1pm	1pm-7pm	OFF
Surgery Tech 2	1pm7pm	7am-1pm	1pm7pm	7am-1pm	OFF
Anesthesiologist 1	7am-5pm	7am -5pm	7am-5pm	7am-5pm	OFF
Nurse 1	7am-6pm	7am-6pm	7am-6pm	7am-6pm	OFF
Nurse 2	8am-7pm	8am-7pm	8am-7pm	8am-7pm	OFF
Surgery Scheduler	7am-5pm	7am-5pm	7am-5pm	7am-5pm	7am-5pm
Dr. Labovitch	7am-5pm	OFF	7am-5pm	OFF	OFF
Dr. Raven	OFF	7am-5pm	OFF	7am-5pm	OFF

Maximum number of patients seen for each Surgeon per hour is 1 patient
Maximum number of staff here at one time: 8
Maximum number of parking spaces needed per hour (one surgeon): 10 (includes patients recovering)
Maximum number of parking spaces needed per hour if both surgeons are performing surgery: 14 (includes patients recovering)

Core Performance Physical Therapy (2,855 SQ. FT.) :
Outpatient physical therapy clinic offering state of the art physical therapy treatments for orthopedic injuries. We are not a volume-based clinic or a run of the mill business. The Core Performance PT approach to patient care is one that is very individualized, patient centered and focused on providing patient satisfaction. Although Core Performance PT is a separate entity, we will work in collaboration with SMaRT Health and Wellness to provide the best possible outcomes for our patients by being integrated into their IT platform for effective communication and accessibility to medical records. Communication is vital to provide optimal care for our patients to ensure that we are on the same page in terms of treatment plan and following protocols. Core Performance PT will provide the treatment options with the most technologically advanced modalities, eclectic therapeutic exercises, and expert hands on manual therapy to provide our patients the means of optimizing their physical abilities. Dr. John Kwon, board certified orthopedic specialist (OCS), will own and operate the PT clinic. No more than 15% of the floor area of the facility will be used to perform massage therapy. (See Attachment C – Core Performance Physical Therapy Concept Plan). Also no more than 15% of gross revenue will be derived from massage therapy. All Core Performance physical therapists are licensed medical professionals.

Before any hands-on physical therapy, a licensed physical therapist will examine each patient and prepare a written treatment program, which will be retained in the facility's files for at least two years. Each

physical therapy treatment program, including massage therapy, is to be medically evaluated and each physical therapists performance will be monitored and evaluated. At the termination of any massage therapy, the patient's condition and response to treatment will be documented and recorded in electronic physical therapy documentation software and maintained on-site for at least two years.

Core Performance PT plans to have a maximum of three licensed therapists, with at least one health care professional at the facility one hundred percent of the time during each work week. The clinic is designed to have minimal waiting times and efficient patient workflow to ensure patient satisfaction. Considering that one patient is seen at thirty minute intervals, and treatment time is 45-50 minutes, there could be one patient waiting for each therapist. As such, three therapists seeing two patients an hour with one waiting per therapist will equate to a maximum of nine patients at any one time. (See Table 3 – Business Hours of Operation – Physical Therapy).

Three full-time physical therapist aides: staggered schedules
One full-time receptionist: staggered schedules
One Part time receptionists: staggered schedules

Table 3: Business Hours of Operation – Core Performance Physical Therapy
7am to 7 pm Monday through Friday and Saturdays 8-2pm

	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Physical Therapist 1	7am-6pm	7am-12 pm	7am-6pm	7am-12pm	7am-6pm	OFF
Physical Therapist 2	8am-7pm	2pm-7pm	8am-7pm	2pm-7pm	7am-6pm	OFF
Physical Therapist 3	8am-7pm	OFF	8am-7pm	OFF	8am-7pm	8am-2pm
PT aide 1	7am-6pm	7am-12pm	7am-6pm	7am-12pm	7am-6pm	OFF
PT aide 2	8am-7pm	2pm-7pm	8am-7pm	2pm-7pm	8am7pm	OFF
PT aide 3	8am-7pm	OFF	8am-7pm	OFF	8am-7pm	8am-2pm
Receptionist 1	7am-1pm	1pm-7pm	7am-1pm	1pm-7pm	7am-12pm	8am-2pm
Receptionist 2	1pm-7pm	7am-1pm	1pm-7pm	7am-1pm	12pm-6pm	OFF

Maximum number of patients seen for each physical therapist per hour is two (6 Total for PT Clinic)
Maximum number of waiting patients for each physical therapist per hour is 1 (3 Total for PT Clinic)
Maximum number of employees here at the same hour: 8
Maximum number of parking spaces needed per hour: 17

SMART Health and Wellness Management (2,705 SQ FT):
The SMaRT Health & Wellness Management will utilize 2,705 SF of the total 13,438 SF for non-clinical administrative purposes. The management service company, also a separate business entity, will oversee the marketing and human resource duties for all three health care companies. It will include a media room for telehealth services, which include telemedicine consultations for each of the orthopedic surgeons during their office days and remote physical therapy sessions for each of the Core Performance PT physical therapists during their scheduled work days. There will also be a video production room for filming of marketing content for each of the respective medical business entities. Filming and production will be scheduled during off clinic hours for each medical business entity during the weekday evenings after work shifts or weekends. There will be no client or appointment based interactions for this company.

SMART Health and Wellness Management Staff:
One Full time Director of operations
Two full time Executive assistants
One part time Videographer
One Patient Liaison

Table 4: Business Hours of Operation- SMaRT Health and Wellness Management Staff
8am to 7pm Monday through Friday, 8am to 2pm Saturday

	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Director	8am-5pm	8am-5pm	8am-5pm	8am-5pm	8am-5pm	OFF
Assistant 1	8am-5pm	8am-5pm	8am-5pm	8am-5pm	8am-5pm	OFF
Assistant 2	8am-5pm	8am-5pm	8am-5pm	8am-5pm	8am-5pm	OFF
Videographer	OFF	4pm-10pm	OFF	4pm-10pm	OFF	8am-2pm
Patient Liaison	8am-5pm	8am-5pm	8am-5pm	8am-5pm	8am-5pm	OFF

Maximum number of parking spaces needed per hour: 4

MEDICAL USE CLASSIFICATION:
City of Aliso Viejo classifications for medical uses includes Outpatient Small and Outpatient Large. Per City zoning code, Outpatient Large means an office facility where health services, and managerial, administrative and clerical functions relating to medicine, physical or mental, are conducted, where persons are not admitted for a 24-hour stay or longer, and where six or more patients are receiving services at any given time. The services may be preventative, diagnostic, treatment, therapeutic, rehabilitative, or counseling in nature. Since SMaRT Health and Wellness will provide these aforementioned services with six or more patients receiving such services at any given time, and with no patients staying for 24-hours or longer, this application is made for an Outpatient Large classification.

PARKING:

Aliso Creek Office Park contains 207 parking spaces and 52,301 square feet of gross floor area in four two-story general and administrative office buildings. (See Attachment B – Aliso Creek Office Park). All tenants in these buildings are general and administrative office uses except for Aliso Viejo Physical Therapy. This tenant received a variance to allow occupancy using general and administrative office parking rates. Table 5: Aliso Creek Office Park Tenancies shows the tenant roster and the parking required and provided if Smart Health and Wellness was to occupy the 27372 building.

Table 5: Aliso Creek Office Park Tenancies

Address	Tenant	Size(s.f.)	Parking	
(Medical rate at 1/200 s.f. and general office rate at 1/250 s.f. applied to 27372 Aliso Creek Rd. building)				
		S.F.	Required	Provided
27412 Aliso Creek Rd.	C2G International	12,152	49	49
27422 Aliso Creek Rd.	Capo Unified Education Assn.	6,362	25	26
	Ringler MZ Group	5,790	23	24
27432 Aliso Creek Rd.	Aliso Viejo Physical Therapy	7,080	28	28
	Danu	6,339	25	26
Total			150	153
27372 Aliso Creek Rd.	**SMaRT Health and Wellness**	**13,438**	**64.19**	**54**
	1st Floor Medical Space	6,113	30.56	
	1st Floor Common Space Medical-100%	964	4.82	
	Total 1st Floor	**7,077**	**35.38**	
	2nd Floor Medical Space	3,058	15.29	
	2nd Floor Administrative Office	2,705	10.82	
	2nd Floor Common Space	598	2.71*	
	Total 2nd Floor	**6,361**	**28.82**	
	Total	**52,301**	**214.2**	**207**
	Parking Deficiency		7 spaces (3.3%)	

* Note that 2nd floor Common Space is apportioned between the Management office suite and Smart Health and Wellness suite. The Common Space serves both suites. The parking required breakdown is as follows:

2nd Floor Common Area Medical-55%	328	1.64
2nd Floor Common Area Office-45%	268	1.07

Table 5A: Revised Parking Rate (Exception Permit) Applied To 27372 Aliso Creek Rd.

Address	Tenant	Size (s.f.)	Parking	
			Required	Provided
Exception Permit Rate at 1/250 s.f.				
27372 Aliso Creek Rd.	SMaRT Health and Wellness	13,438	54	54
27412, 27422 & 27432 Aliso Creek Rd.		38,863	153	153
	Total.....	52,301	207	207
	Parking Deficiency.....	0 spaces (0%)		

Sources: Building sizes from City permit data; 27372 Aliso Creek Rd. floor plate areas derived from Precision Property Measurements, May 19, 2021 . See Attachment D.

The subject building being purchased by SMaRT Health and Wellness has 13,438 square feet and is allocated 54 parking spaces. Table 5 shows the breakdown of medical, administrative and common space in the building. Using the associated parking rates for these uses, the table shows that overall, the office park with SMaRT Health and Wellness as an occupant of the 27372 building at medical parking rates, would be deficient by 7 spaces, or 3.3%. Attachment "C" – 27372 Aliso Creek Road Floor Plates, shows the square footage areas of the first and second floors of the building. On the first floor all of the office space is dedicated to medical use (Core Physical Therapy and the Surgery Center), with the exception of common space that includes the lobby, restrooms, janitorial and utility closets, elevator and stairwells. (Common Space is parked at medical parking rates in Table 5). The second floor includes medical space (Smart Health and Wellness), administrative offices for management, and common space. (Note that the second floor area is less due to the outside open deck and air space to the lobby). Table 5A – Revised Parking Rate shows that if an exception permit is allowed with parking at 1/250 square feet, the building would require 54 parking spaces for the building and 207 spaces for the office park as a whole.

Table 6: Parking Usage for SMaRT Health and Wellness, is intended to show that the proposed use of 27372 Aliso Creek Rd Building will have enough parking spaces to provide the needs of the four distinct business entities: 1) SMaRT Health and Wellness (orthopedics), 2) Core Performance PT, 3) SMaRT Health and Wellness Ambulatory Surgery Center, and 4) SMaRT Health and Wellness Management by equating the maximum number of vehicles on site for each employee and patient at the building at any one time. Based on the nature of our concierge practice, and the use of telehealth services, our business operations will be at a much lower volume than traditional medical practices and, therefore, will not disrupt current traffic patterns. It is also important to note that the ambulatory surgery center will not be in operational use until 2023. Table 6 shows the maximum number of people per hour, both patients and staff, within each business entity. The tabulation is conservative, since it assumes each individual will drive their own vehicle. In practice, a measurable number of patients are driven to medical offices. As such, the total number of vehicles shown in the table, 54, has the possibility of being somewhat lower.

Table 6: Parking Usage for SMaRT Health and Wellness

Business Entity	Maximum Number of People (Staff/Patients) per hour
SMART Orthopedic Medical Office	19
SMART Ambulatory Surgery Center	14
Core Performance Physical Therapy	17
Smart Health and Wellness Management	4
TOTAL PARKING SPACES NEEDED PER HOUR	54

PROJECT JUSTIFICATION:

The City of Aliso Viejo zoning code permits medical uses within Professional Office zones. Justification for requesting that an Outpatient Large Medical use be permitted, along with a parking exception under a Conditional Use Permit includes the following:

General Plan Land Use Element Goal LU-1.2 states that the City should: "Attract a broad range of additional retail, medical, and office uses providing employment at all income levels and making a positive contribution to the City's tax base." The medical office building and medical practices contribute to this goal. In addition, the proposed medical use is an allowed use under the City's Zoning Code.

Approval of a CUP requires findings be made by the City of Aliso Viejo prior to any use permit. Based on the description of the proposed operations, patient scheduling and zoning, the proposed use will comply with the following required findings:

1. Consistency with General Plan: The land use is consistent with the General Plan.
2. Consistency with Zoning Code: The use is consistent with the provisions of the Zoning Code.
3. Compliance with District Regulations: The land use complies with all conditions required of the use in the district in which it is located.
4. Compliance with CEQA: Processing and approval of the permit application are in compliance with the requirements of the California Environmental Quality Act.
5. Surrounding Uses: Approval of the application will not create conditions materially detrimental to the public health, safety and general welfare or injurious to or incompatible with other properties or land uses in the vicinity.

Previously included with the Project Description/Justification letter are the following items:

1. Form PS 200A- Planning Application
2. Form PS-205- Environmental Impact Assessment
3. Form FS-100—Deposit Account/Financial Disclosure
4. Form PS-240 Zoning Compliance Application
5. RBA authorization letter from SMaRT Health & Wellness
6. Authorization letter from Mark Commercial Properties (owner)
7. Authorization letter from Aliso Creek Office Park Association

7. Authorization letter from Aliso Creek Office Park Association
8. 2020-2021 Property tax statement for 27372 Aliso Creek Rd.
9. Check payable to the City of Aliso Viejo for CUP deposit in the amount of $8,000

Additional items included with this revised Project Description and Justification Letter are:

1. Attachment A – Surgical Services Recovery Room Guidelines & Discharge Criteria
2. Attachment B – Aliso Creek Office Park
3. Attachment C – 27372 Aliso Creek Road Floor Plates
4. Attachment D – Floor Plan Dimensions for 27372 Aliso Creek Rd.
5. Attachment E – Core Performance Physical Therapy Floor Plan

Thanks for your assistance and we look forward to working with you on our application.

Sincerely,

Bob Bunyan

attachments

xc: John Kwon

Attachment A

Surgical Services Recovery Room Guidelines

and Discharge Criteria

SURGICAL SERVICES	*Recovery Room Guidelines*
Issued:	**Revised:**

Policy:

All patients shall receive appropriate post-operative nursing observation and care.

Purpose:

To provide continuous observation and special care to patients immediately following surgery or anesthesia. This care will contribute to the patient's comfort and prevention of complications. It will provide efficient emergency actions to control complications that may arise, such as airway obstruction, vomiting and aspiration, hypovolemia, shock, cardiac arrhythmias, and respiratory or cardiac arrest.

Procedure:

The Recovery Room will make available the services of specially trained Registered Nurses who have supervision and assistance by physician when needed. There must be one ACLS trained RN at the facility at any given time.

The Recovery Room will have available special technical equipment, as needed, to provide the optimum patient care, i.e., EKG machine, monitors, AED, etc.

The anesthesiologist will be primarily responsible for overall medical management and coordination of the patient care provided in the Recovery Room.

Patients shall be admitted to the Recovery Room for the immediate post-operative period following anesthesia; and whenever their condition requires this care, regardless of the type of anesthesia.

If the patient has received a local without anesthesia standby, the patient will be admitted to the Recovery Room for at least one set of vitals, or as ordered by the surgeon.

Patients requiring isolation are not permitted to have surgery at the center.

Recovery Room Admission Procedure

1. Responsible nurse and anesthesiologist (if on the case) will accompany the patient to the recovery room.

2. Oxygen is administered by nasal prongs or mask when ordered by the anesthesiologist. Patients are suctions as necessary.

3. Electrocardiogram monitoring is routine on every patient given general anesthesia until ready for discharge or at order of anesthesiologist.

4. Vital signs are taken at least every five minutes time three, then every fifteen minutes times three, and if the patient is stable and no IV blood pressure or narcotics administered, then every thirty minutes until discharge. Temperature will be assessed on admission and on discharge if abnormal. Pain will be assessed with each vital sign round.

5. Mental status is assessed and documented on arrival, q15 minutes x 2 and on discharge.

6. Intravenous fluids, if ordered, are maintained and monitored for patency until patient is able to take and tolerate fluids by mouth; able to ambulate without becoming faint or hypertensive and the anesthesiologist and/or surgeon has written an order to discontinue the I.V.

7. Medications are administered according to a physician's order and patients needs.

8. Patient may be offered fluids by mouth as soon as patient is awake without nausea.

9. Instructions will be given to the responsible party, and RN will obtain signature from the party indicating this was done. The exception being for medical transport, and patients leaving AMA.

Physician's Orders and Visits

1. Every patient admitted to the Recovery Room shall have postoperative orders written by the responsible surgeon. Additional orders shall cover the administration of intravenous analgesics, sedatives, anesthetics and IV fluids.

2. Medication and treatment orders must be specific with respect to drugs, dosage, route of administration, frequency and duration of administration.

3. Recovery Room analgesics shall be ordered and by physician or anesthesia, orders should be written specifically for single or multiple doses in regard to dosage and time.

4. The Recovery Room nurses will withhold the administration of analgesic and sedatives in all cases of doubt and will so inform the responsible physician promptly.

5. The Recovery Room nurse will be permitted to irrigate I.V's, mix I.V. solutions and administer I.V. medications in accord with existing policy.

6. Routine oral medications will not be initiated early in the Recovery Room unless specifically ordered, and then only to a fully conscious patient.

Criteria for Discharge from Recovery Room are the Following:

1. Will remain in the Recovery Room a minimum of 30 minutes for MAC sedation or 45 minutes for General Anesthesia, unless otherwise ordered by the surgeon or anesthesiologist.

2. Aldrete Scale of 8/10 or to preop level must be reached before discharge.

3. Within the last thirty minutes before discharge all patients should be able to demonstrate the following:

   a. Be awake or easily aroused and have returned to preoperative orientation state.

   b. Be free of dizziness and vomiting. Patient may request to be discharged with vomiting present, and may be granted if no immediate harm assessed.

   c. Have stable vital signs that are within normal limits for that patient, including pink or normal skin color, and ability to move all four extremities appropriate to type of surgery and/or baseline.

      Blood pressure: - + 20% mmHg of recorded preoperative BP's;
      Heart rate: WNL for patient
      Heart rhythm: WNL for patient
      Respirations - + 2 breaths or recorded preoperative rate.
      The anesthesiologist may order discharge under certain circumstances, despite these parameters not being met. This must be documented in the patient chart.

4. Patients whose body temperature is below normal on admission to Recovery Room will not be discharged until their oral temperature is between 96 and 100.2 degrees F. If under 96 degrees or over 100.2 degrees, a physician will be notified.

5. Patients who have received analgesics, antiemetics, sedatives, tranquilizers, or anesthesia reversal drugs shall remain in the Recovery Room at least 15-30 minutes after these drugs have been given.

6. Patients with spinal blocks should be able to wiggle their toes in both feet and bend their knees before being discharged. They should not have a distended bladder. The Spinal Discharge Form must be complete and patient must be able to accomplish all tasks listed on that form.

7. Patient will be ambulatory, or to expectant standards in relations to type of surgery and pre-op condition.

8. When "straight" locals have been admitted on request of the surgeon, the patient may be discharged home without being accompanied.

9. A responsible adult must present to drive patient home. Prescriptions and instructions given to responsible adult.

10. M.D. evaluation of patient, and discharge instructions and orders noted.

Visitors in the Recovery Room

For privacy of other patients and to minimize cross-contamination, only in exceptional circumstances will visitors be allowed in the Recovery Room. This will occur only after consultation with the Manager on Duty.

Emergencies

In the event that a complication occurs in the Recovery Room, the physician responsible for the patient's care will be immediately notified.

These situations must be coordinated between physician and the Manager on Duty.

In case of pulmonary or cardiac arrest the post anesthesia care nursing personnel shall follow Recovery Room procedures.

Records

1. The Patient's record shall be with the patient in the Recovery Room at all times.

2. The patient record should document treatments and medications ordered by the physician. This will include patient's condition at times including admission and discharge.

SURGICAL SERVICES	*Discharge Criteria*
Issued:	**Revised:**

Policy:

A. All patients shall be evaluated by a physician prior to discharge.

B. It is the physician responsibility to write discharge order of patient from recovery area.

Purpose:

To assure safe discharge of patients.

Procedure:

1. Before discharge, patient should be able to tolerate sitting up, dangle legs from gurney without dizziness, and be able to walk around or be at pre-operative ambulation level.

2. Sips of water or juice may be given. Nausea or vomiting will be tolerable to the patient's standards when patient is discharged.

3. All patients having received IV sedation must be discharged from the recovery area in the company of a responsible adult. Any exception to this policy must be ordered in writing by a physician.

4. The post-op instructions given to the responsible party picking up the patient verbally, and a copy given for the patient at home.

5. The findings and techniques of a procedure are accurately and completely documented immediately after the procedure by the attending physician/surgeon who performed the procedure. This is available for patient care and becomes a part of the patient's clinical record.

6. If the patient is in need of assistance in setting up their follow up appointment, the PACU RNs will make arrangements to do so.

glendale SURGICAL CENTER

Patient Name: _____

Case No: _____

DISCHARGE INSTRUCTIONS

1. You were administered anesthesia during the procedure so you will be sleepy for the rest of the day and, maybe, tomorrow. DO NOT drive, operate any machinery or do anything requiring coordination for the rest of the day. Do not sign any legal documents or make any important decisions in the next 24 hours. If you are a smoker, you may experience a rise in body temperature tomorrow. After general anesthesia, you should breathe deeply and cough vigorously each waking hour in order to keep the lungs clear. Consult your doctor about when you can resume normal activities.

2. **DIET** - For the next: ☐4 ☐8 ☐12 hours we recommend a: ☐clear liquid, ☐soft/bland or ☐light diet. Avoid milk, spicy or greasy foods. If there are no symptoms of nausea or vomiting, you may progress to a regular diet. You may **NOT** drink any alcoholic beverages for 24 hours after your procedure, or as long as you are taking your prescription pain medications.

3. **CALL YOUR DOCTOR:** ☐ (818) 841-3936 Press 0 ☐Other ( ) -
   a. If you have an increase in pain after the first 48 hours.
   b. If you have excessive bleeding. A small amount of bleeding may appear on the dressing or pad.
   c. If you have persistent, severe pain or pain that is not eliminated by Tylenol or your prescription.
   d. If signs of infection are observed (chills or fever, redness, swelling or drainage from surgical area).
   e. If you experience persistent nausea or vomiting. A certain percent of patient may experience nausea or vomiting following general anesthesia. You may call the anesthesiologist as well.

If unable to reach your doctor or anesthesiologist, go to the nearest emergency room.

4. Your doctor would like you to see him/her in his/her office for a follow-up visit. Please make the appointment to see your doctor in: ☐1 week ☐2 weeks ☐Other _____ ☐Call your doctor (818) 841-3936 Press 0 ☐Other ( ) -

5. **PAIN** - If medication has been prescribed for your discomfort, it may not provide total relief. DO NOT take aspirin and aspirin products until directed by your surgeon.
   - Ice for 20 minutes every 1-2 hours as needed for comfort
   - If you had surgery on an extremity, please keep extremity elevated to relieve swelling and pain.

6. **DO NOT** change your dressing or get it wet unless instructed to do so by your doctor. You may shower 24 hours following your procedure.

7. You should have a responsible adult be with you for the rest of the day and during the night for your protection and safety.

8. You may expect a call from a staff member of the Center in the next few days. This is a routine call to check on your progress.

9. If you had any specimens or biopsies taken today, be sure to follow up with your Surgeon for the pathology reports.

10. Special instructions: _____

11. You may start taking your prescription pain medication: ☐As Directed by Prescription ☐In _____ hours
    - Pain medication may cause constipation. We encourage you to drink lots of fluids and increase your intake of fruits and fiber. Use over-the-counter stool softener as long as you take the pain medication or as needed

Prescription given: ☐Yes ☐No ☐Reviewed with responsible party

Discharge to: _____ Relationship: _____

Patient states that he/she understands the discharge instructions: ☐Yes ☐No Translated in: _____

Translated by: _____ Relationship to patient: _____

X _____
PATIENT'S SIGNATURE DATE / TIME

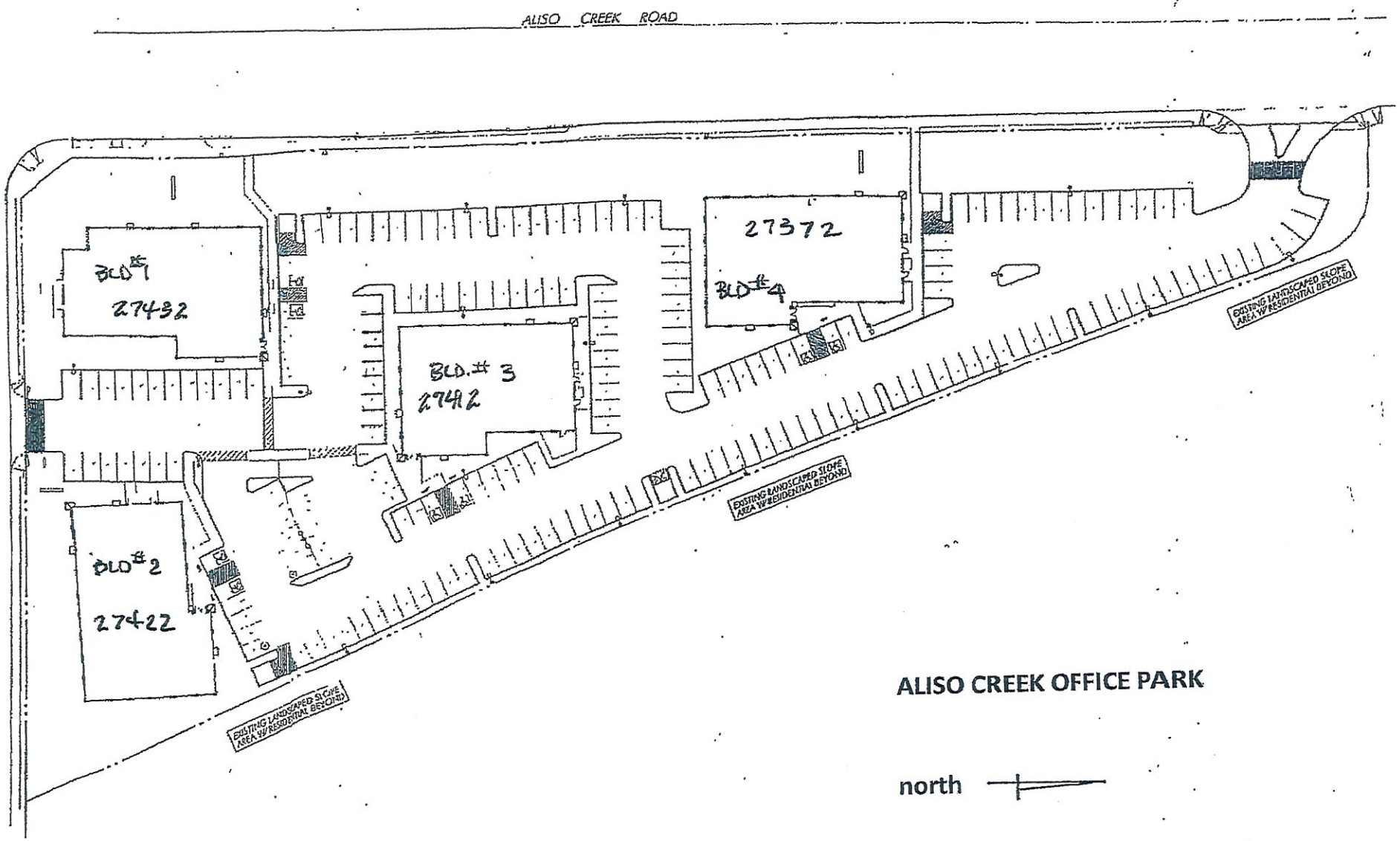
X _____
WITNESS SIGNATURE DATE / TIME

X _____
RESPONSIBLE PARTY SIGNATURE DATE / TIME

PROPERTY OF MEDBRIDGE. USED BY PERMISSION ONLY.

DISTRIBUTION: WHITE = Chart Copy YELLOW = Anesthesia

Attachment B – Aliso Creek Office Park


ALISO CREEK ROAD
BLD# 1
27432
BLD.# 3
27412
27372
BLD# 4
BLD# 2
27422
EXISTING LANDSCAPED SLOPE AREA W/ RESIDENTIAL BEYOND
EXISTING LANDSCAPED SLOPE AREA W/ RESIDENTIAL BEYOND
EXISTING LANDSCAPED SLOPE AREA W/ RESIDENTIAL BEYOND
ALISO CREEK OFFICE PARK
north

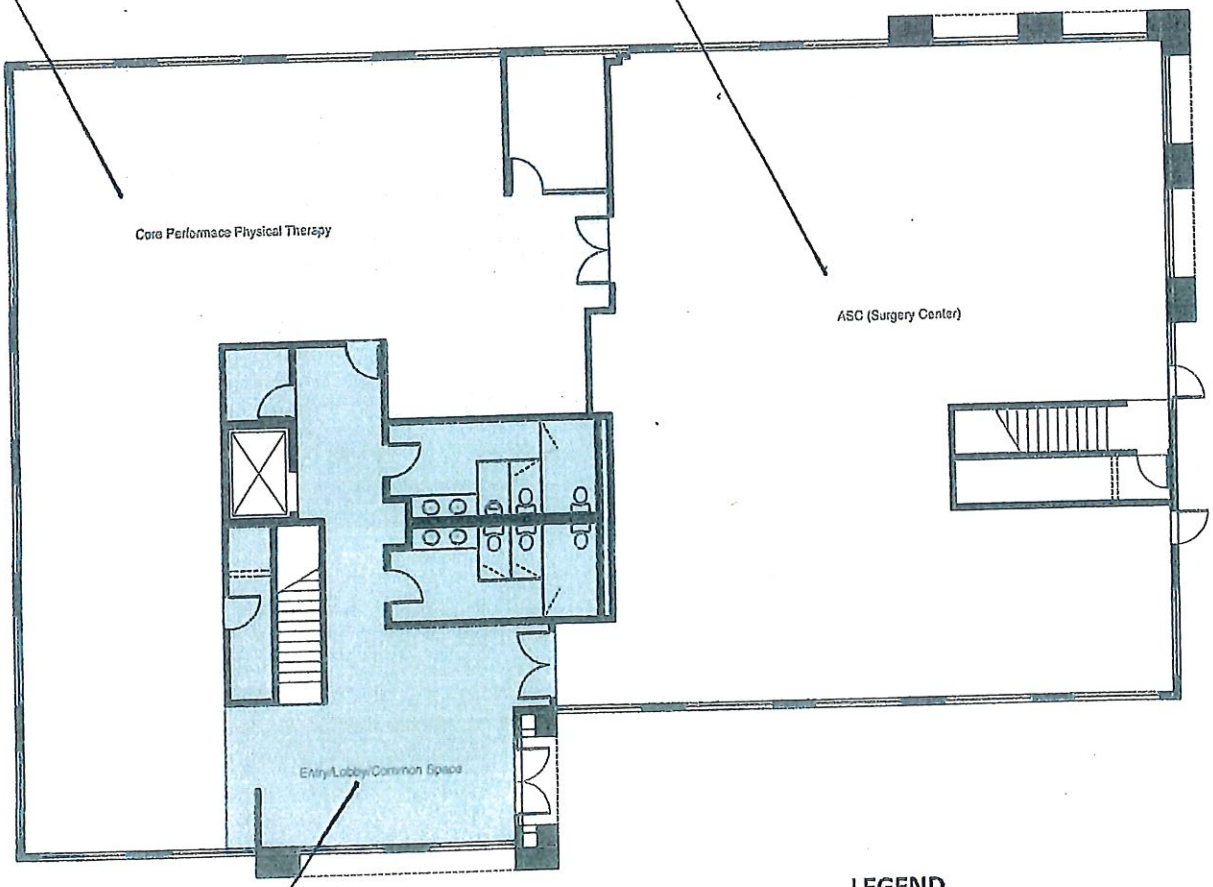
SITE PLAN A

Attachment C – 27372 Aliso Creek Rd. Floor Plates

SMaRT HEALTH AND WELLNESS
27372 ALISO CREEK RD. FIRST FLOOR

CORE PERFORMANCE PHYSICAL THERAPY
2,855 S.F.

SMaRT HEALTH WELLNESS AMBULATORY SURGERY CENTER
3,258 S.F.



COMMON SPACE
964 S.F.

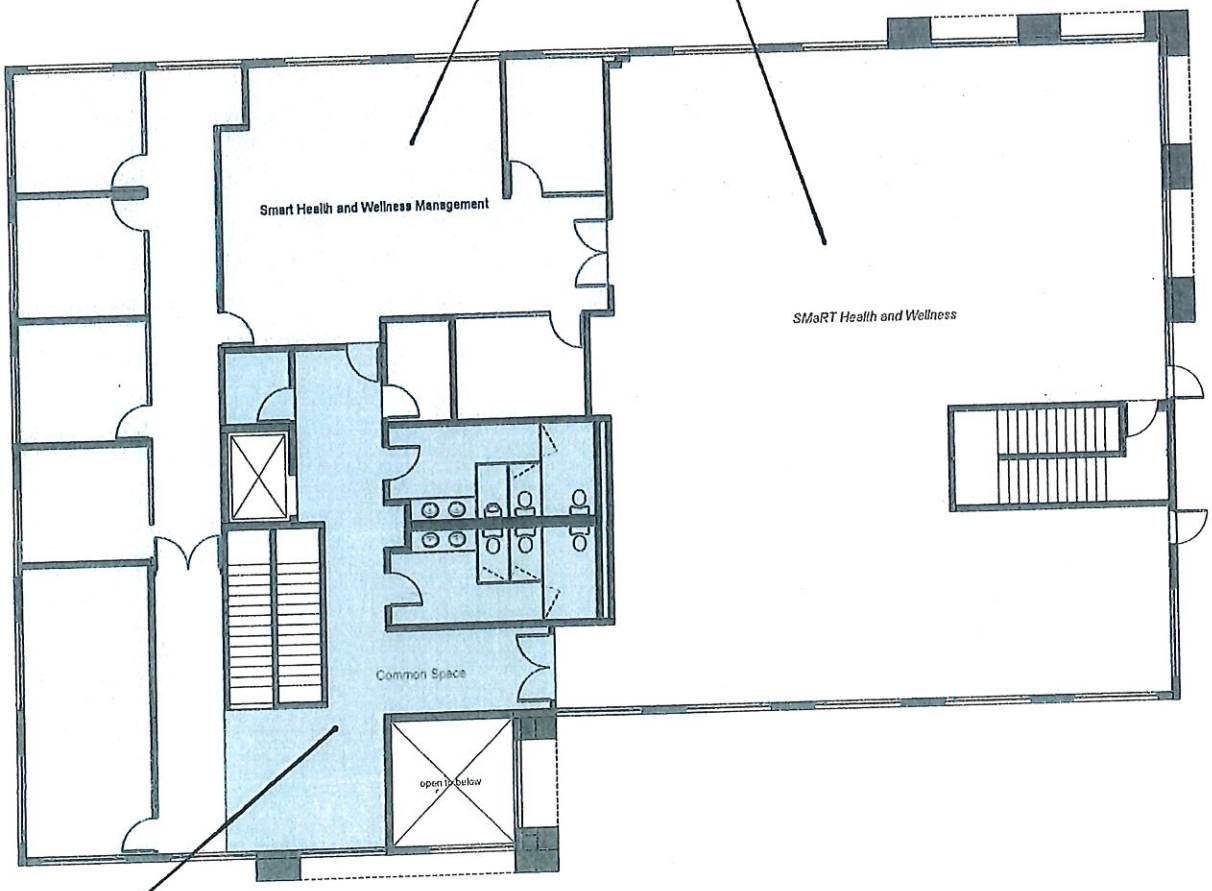
LEGEND

COLOR	USE	NAME
Blue	Medical	Core Physical Therapy
Green	Medical	Ambulatory Surgery
Red	Medical	Common Space

SMaRT HEALTH AND WELLNESS
27372 ALISO CREEK RD. SECOND FLOOR

SMaRT HEALTH AND WELLNESS MANAGEMENT
2,705 S.F.

SMaRT HEALTH AND WELLNESS
3,058 S.F.



COMMON SPACE
598 S.F.

LEGEND

COLOR	USE	NAME
Blue	Office	SMaRT Health and Wellness Management
Green	Medical	SMaRT Health and Wellness
Red	Medical(55%) Office (45%)	Common Space Common Space

Attachment D- Floor Plan Dimensions for
27372 Aliso Creek Rd.

LEGEND

COUNTER
UPPER CABINET
FULL HEIGHT CABINET

W/D = WASHER/DRYER COMBO
W = WASHER
D = DRYER
SINK = SINK
REF = REFRIGERATOR
DW = DW
SW = DOOR WINDOW
TRASH COMPACTOR
HWH = HARDWIRE
T = WALL HEATER
GAS HEATER
ELECTRIC METER
ELECTRICAL PANEL
CLG = CEILING HEIGHT
HH = HANGER HEIGHT

PPM
PRECISION PROPERTY MEASUREMENTS

3626 E. PACIFIC COAST HIGHWAY | 2ND FLOOR
LONG BEACH, CA 90804
T. 562.221.8100
F. 888.689.2566
WWW.PPMCO.NET

PREPARED FOR:
WORRY FREE RENOVATIONS

PROJECT TITLE:
HU MN LAB +INC

PROJECT ADDRESS:
27372 ALISO CREEK RD
ALISO VIEJO, CA 92656

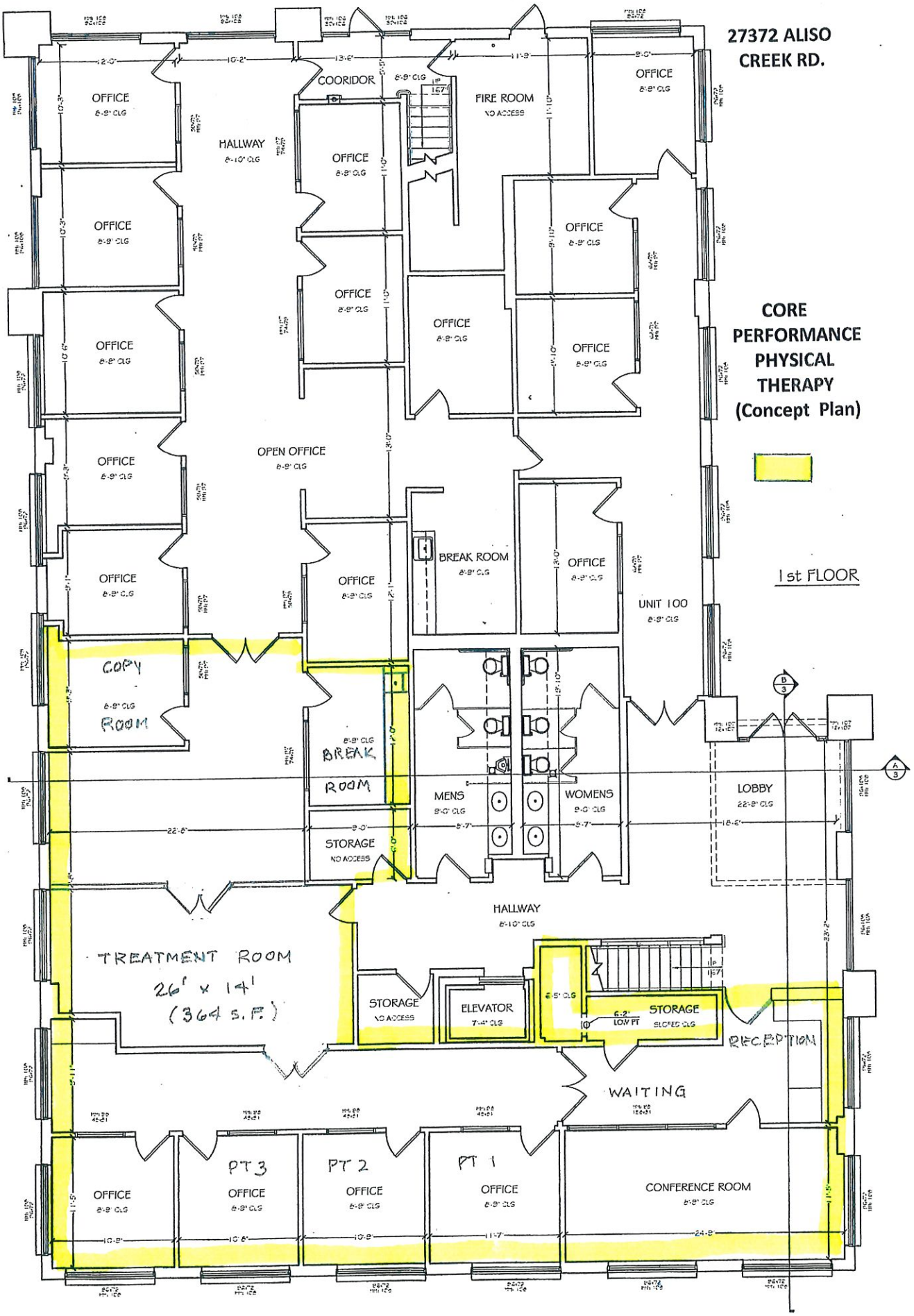
ALISO CREEK ROAD PROJECT

PROJECT NAME:
FLOOR PLAN

SCALE: 3/16" = 1'-0"
PROJECT #: 2936.SC
ARCHITECT: JS
DATE: 05.19.21

SHEET #: 1 of 5

Attachment E – Core Performance
Physical Therapy Floor Plan


27372 ALISO CREEK RD.
CORE PERFORMANCE PHYSICAL THERAPY (Concept Plan)
1st FLOOR
OFFICE
COORIDOR
FIRE ROOM
NO ACCESS
HALLWAY
OPEN OFFICE
BREAK ROOM
UNIT 100
COPY ROOM
BREAK ROOM
MENS
WOMENS
LOBBY
STORAGE
NO ACCESS
TREATMENT ROOM
26' x 14'
(364 S.F.)
ELEVATOR
RECEPTION
WAITING
PT 3
PT 2
PT 1
CONFERENCE ROOM

SMaRT Health & Wellness

27372 Aliso Creek Road

PA21-011 (CUP/EP) – Conditional Use Permit & Exception Permit

City Council
August 18, 2021

Project Details

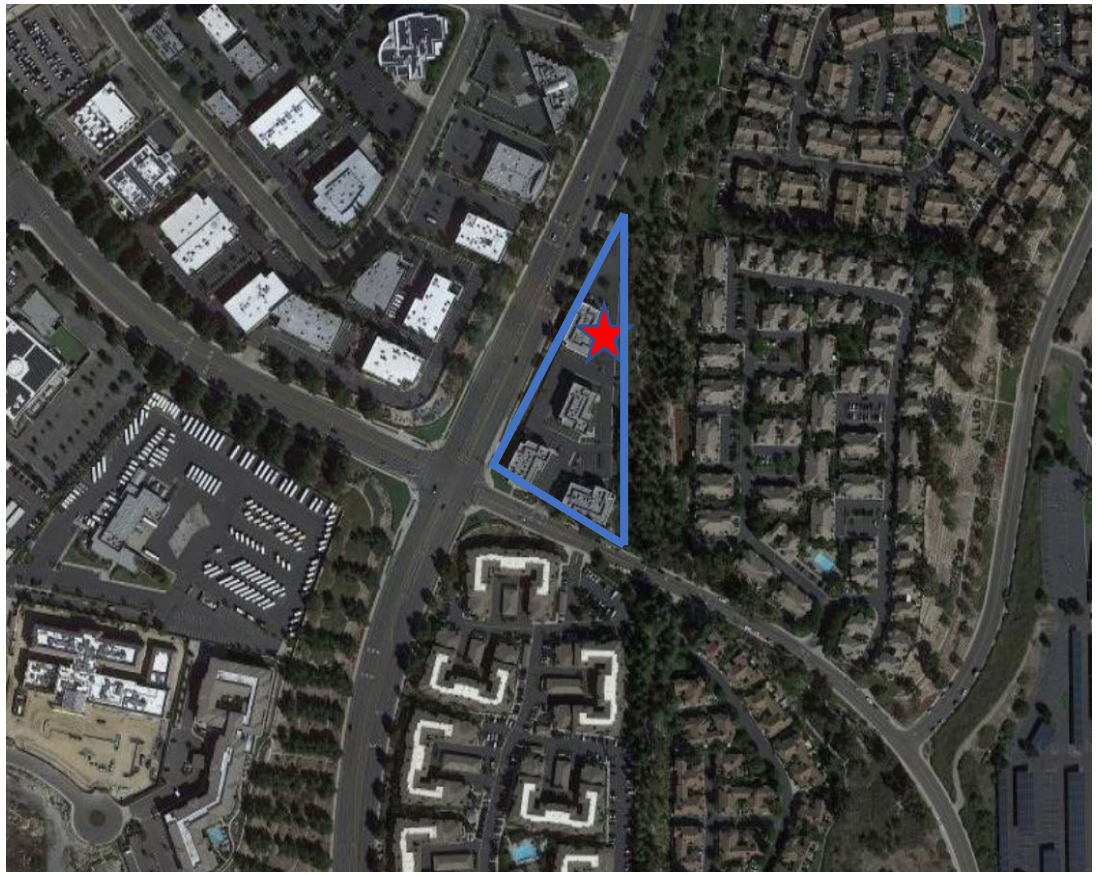
Request for a conditional use permit and an Exception permit to establish:

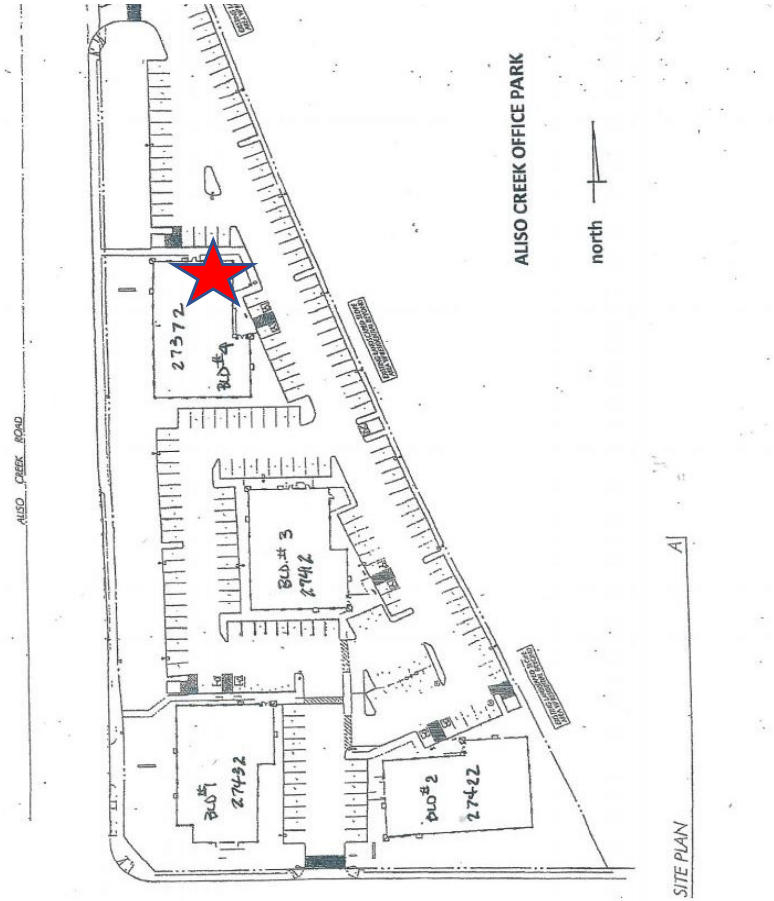
- A large outpatient medical use
- Allow a parking deficiency of 3.3 percent

27372 Aliso Creek Road *(subject property)*

- Located in Aliso Creek Office Park
- 13,438 square foot building
- Existing use is office space
- Shared parking among four buildings (207 spaces)

Vicinity Map and Site Plan





SMaRT Health& Wellness (SMaRT) –
Proposed use & Operations

- SMaRT is a network made up of an overall management company and three affiliated health care companies:
  - SMaRT Health & Wellness Management
  - *SMaRT Health & Wellness Ambulatory Surgery Center*
  - *SMaRT Health & Wellness Orthopedic Sport Medicine Clinic*
  - *Core Performance Physical Therapy*

SMaRT Health& Wellness

Ambulatory Surgery Center – *Operations*

- Located on 1st floor *(3,258 sq. ft.)*
- Procedures not requiring overnight stay including:
  - Arthroscopies and open repair of Orthopedic injuries
- Average procedure time will be one to two hours
- Hours of Operation:
  - Monday - Friday 7:00 am - 7:00 pm

Core Performance
Physical Therapy – *Operations*

- Located on 1st floor *(2,855 sq. ft.)*
- Physical therapy services provided include:
  - Custom sports performance treatments, physical therapy and massage therapy
- Hours of Operation:
  - Monday - Friday 7:00 am - 7:00 pm
  - Saturday 8:00 am – 2:00 pm

SMaRT Health& Wellness

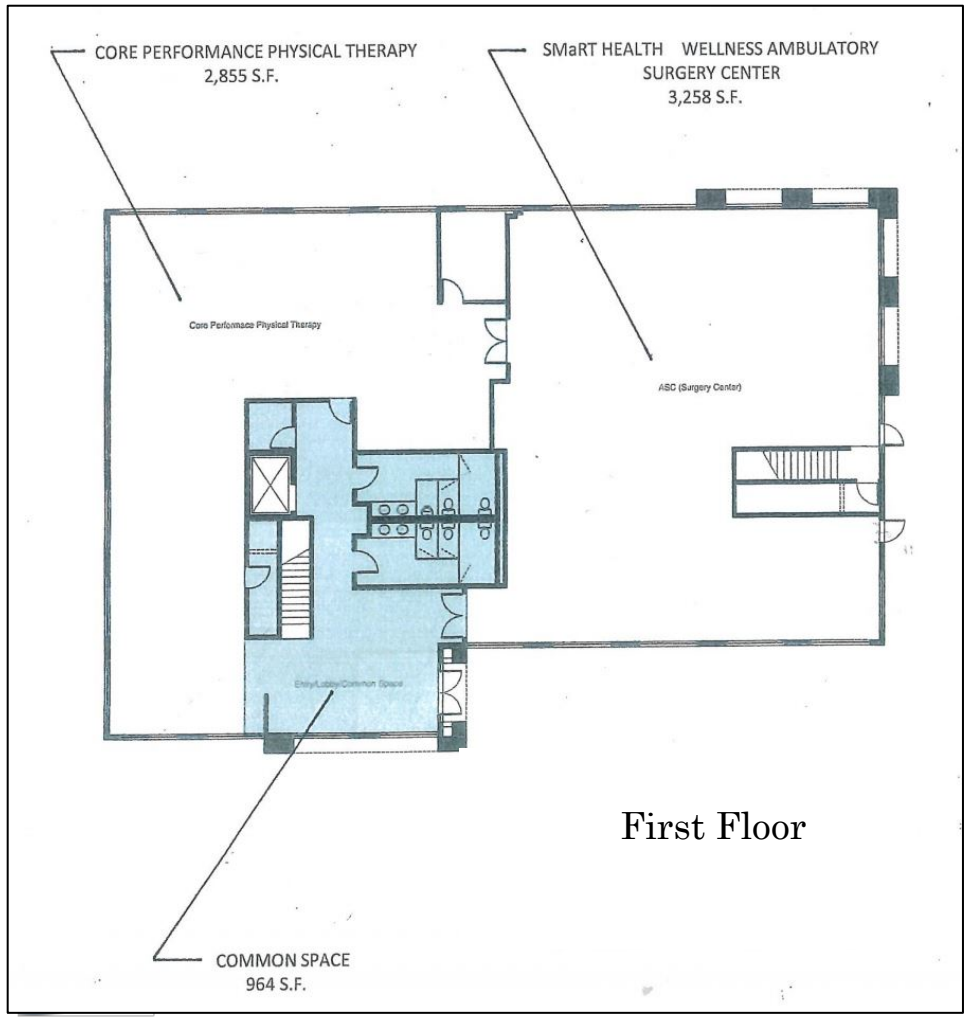
Orthopedic Sport Medicine Clinic – *Operations*

- Located on 2nd floor *(3,058 sq. ft.)*
- Orthopedic services provided include:
  - Casting/bracing, stretch rehabilitation and medical treatments
- Hours of Operation:
  - Monday - Friday 8:00 am - 5:00 pm

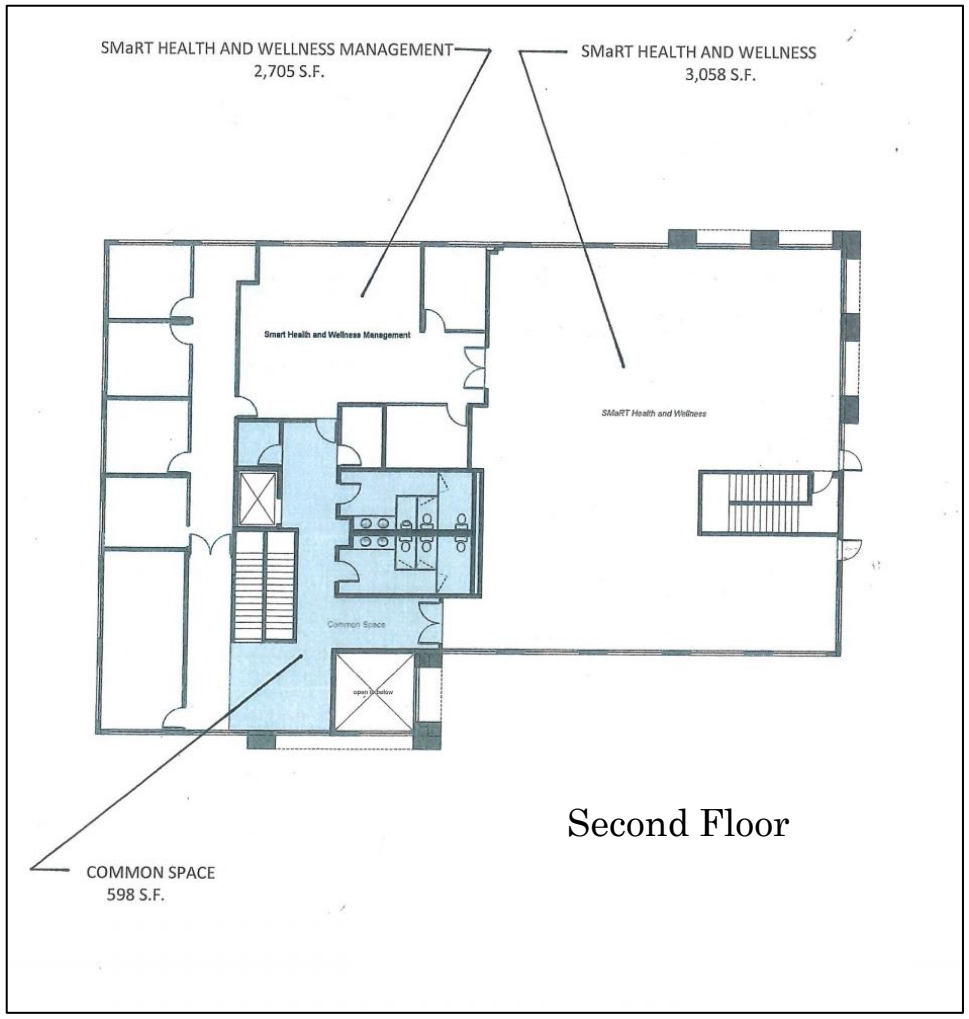
SMaRT Health& Wellness
Management – *Operations*

- Located on 2nd floor *(2,705 sq. ft.)*
- Will oversee the marketing and human resource duties for all three health care entities
- There will be no client or appointment-based interactions in this space
- Hours of Operation:
  - Monday - Friday 8:00 am - 7:00 pm
  - Saturday 8:00 a.m. – 2:00 pm

SMaRT Health& Wellness Network (SMaRT)



First Floor



Second Floor

Parking Exception Permit

Justification

- Telehealth services and prescreening of patients will alleviate parking demand
- By appointment only *(Condition of Approval #18)*
- Limit of 30 employees in the building at any one time
- Limit of 24 patients in the building at any one-time

(Condition of Approval #31, #38, #41)

Aliso Creek Office Park	
Parking spaces required:	214
Parking spaces currently onsite:	207
Total Parking deficiency:	7 spaces (3.3%)

Staff Recommendation to City Council:

1. Open and conduct a public hearing;
2. Find that the request is exempt from the California Environmental Quality Act pursuant to State CEQA Guidelines Sections 15301 and 15303 (Existing Facilities and New Construction or Conversion of Small Structures); and
3. Adopt Resolution (Attachment 1) approving Planning Application PA21-011 (CUP/EP) for a conditional use permit and exception to allow a large outpatient medical use and allow a parking deficiency of less than 15 percent at 27372 Aliso Creek Road.

SMaRT Health & Wellness

27372 Aliso Creek Road

PA21-010 (CUP/EP) – Conditional Use Permit & Exception Permit

City Council
August 18, 2021

City of Aliso Viejo
AGENDA ITEM

DATE: August 18, 2021

TO: Mayor and City Council

FROM: Omar Dadabhoy, Community Development Director
Rose Rivera, Senior Planner

SUBJECT: DRAFT 2021-2029 HOUSING ELEMENT UPDATE

Recommended Action:

Review and accept the draft 2021-2029 Housing Element Update document and direct staff to submit the document to the Department of Housing and Community Development (HCD) to start the State's 60-day review and comment period. The City Council is not adopting or approving the draft housing element document at this time.

Fiscal Impact:

None. The Local Early Action Planning (LEAP) Grants Program funding of $150,000 was appropriated for the Housing Element Update preparation.

Background:

State law requires every city and county in California to prepare, adopt and implement a General Plan, which establishes overall goals and policies for future growth of the jurisdiction. As set out in California Government Code section 65302(c), a city's General Plan must include a Housing Element as one of seven mandatory elements. The Housing Element must include policies and programs to meet the City's existing and future housing needs, as established by the California Department of Housing and Community Development ("HCD") and the Southern California Association of Governments ("SCAG"). State law requires that the Housing Element be updated every eight years. The draft Housing Element will cover the next eight-year planning period (2021-2029).

On May 19, 2021, a study session was conducted to provide the City Council, interested parties and community stakeholders with an overview of the Housing Element update and to evaluate sites which could potentially accommodate additional housing. Comments from the City Council and the public were heard and considered, and where appropriate incorporated into the City's draft Housing Element. Subsequent to the study session, staff along with John Douglas, the City's housing element consultant, prepared a draft update to the Housing Element (Attachment 1). Following City Council review, the draft Housing

Element update must be submitted to the California Department of Housing and Community Development (HCD) for a 60-day review and comment period. Following HCD review, a public hearing will be held by the City Council to consider adoption of the Housing Element.

Discussion:

Content of the Housing Element

The Housing Element is a mandated component of the General Plan and satisfies requirements of state planning law. The Aliso Viejo Housing Element is comprised of two parts – the Housing Plan and the Community Profile. The Housing Plan contains the following sections:

- An introductory overview of the Housing Element and public participation;
- An analysis of potential housing issues and goals and policies to address these issues; and
- An analysis of housing programs to further the City's housing goals and policies during this planning period.

The Community Profile, contained in the General Plan as Appendix C, and part of the Housing Element, is comprised of the following sections:

- Analysis of the City's demographic and housing characteristics and trends;
- Evaluation of resources and opportunities available to address housing needs;
- Analysis of potential governmental and non-governmental constraints to meeting the City's housing needs;
- Review of the City's accomplishments during the previous planning period; and
- An inventory of sites that could accommodate the City's new housing needs.

State law requires cities to identify adequate sites with appropriate zoning to accommodate the growth need for the planning period. To that end, the Housing Element includes Program #1 to designate sites with appropriate zoning to accommodate allocation of housing units that has been assigned for this planning period.

RHNA Overview

To comply with State law, the City's Housing Element must be updated to ensure that the City's policies and programs can accommodate the estimated existing and projected housing needs for Aliso Viejo identified by SCAG's Regional Housing Needs Assessment (RHNA) allocation for the 2021-2029 planning cycle. Prior to each cycle, the total new housing need for each region of California is determined by HCD based upon economic and demographic trends, existing housing problems such as overcrowding and overpayment, and additional housing needed to ensure reasonable vacancy rates and replace units lost due to demolition or natural disasters.

The total housing need for the SCAG region, which includes Los Angeles, Orange, Riverside, San Bernardino, Imperial and Ventura counties, is distributed to cities and counties by SCAG based upon objectives and criteria established in State law. In 2019, HCD determined that the total new housing need for the entire SCAG region in the 6th Housing Element cycle is 1,341,827 units. In March 2021, SCAG adopted the RHNA plan for the 6th cycle, which fully allocates the RHNA to jurisdictions in the SCAG region. Table 1 shows the RHNA allocations for Aliso Viejo, Orange County, and the entire SCAG region.

Table 1. 6th Cycle RHNA – Aliso Viejo, Orange County and SCAG Region

	Aliso Viejo	Orange County	SCAG Region
Housing need allocation 2021-2029	1,195	183,861	1,341,827

Source: SCAG, 3/4/2021

The RHNA also distributes each jurisdiction's total housing need into four income categories (the extremely-low and very-low categories are combined for RHNA purposes). Aliso Viejo's 6th cycle RHNA allocation by income category is shown in Table 2.

Table 2. 6th RHNA by Income Category – Aliso Viejo

Extremely Low + Very Low	Low	Moderate	Above Moderate	Total
390	214	205	386	1,195

Source: SCAG, 3/4/2021

In prior RHNA cycles, total housing need was based only on *projected population growth*. However, for the 6th RHNA cycle the State added *existing need* to the total RHNA calculation. Existing need includes households that are currently overcrowded (defined as more than one person per+ room) or are overpaying for housing (defined as more than 30% of gross income). The total 6th cycle RHNA allocation for Aliso Viejo is comprised of the sum of existing need which is 1,144 and projected need, which is 48.

Available Sites Analysis

The Housing Element must provide an evaluation of the city's capacity for additional housing based on land use patterns, development regulations, other development constraints (such as infrastructure availability and environmental conditions) and real estate market trends. The analysis must be prepared at a parcel-specific level of detail and identify properties (or "sites") where additional housing could be built consistent with City regulations. This evaluation is referred to as the "sites analysis" and State law requires the analysis to demonstrate that the city has adequate capacity to fully

accommodate its RHNA allocation in each income category. If the sites analysis does not demonstrate that adequate capacity exists to fully accommodate the RHNA, the Housing Element must describe what steps will be taken to increase capacity consistent with the RHNA – typically through amendments to land use and zoning regulations that could facilitate additional housing development. Such amendments typically include increasing the allowable residential density or allowing housing to be built in areas that are currently restricted to only non-residential land uses.

Aliso Viejo is fully developed and with little vacant land suitable for new housing. Therefore, the City's RHNA allocation must be satisfied through redevelopment of properties that have potential for housing or mixed use (i.e., a combination of housing and commercial uses on the same property). As part of the available sites analysis process, staff studied development options such as mixed-use, construction of accessory dwelling units (ADUs), and rezoning of office properties. As part of the community outreach process, a survey was conducted on the City website which included questions regarding development type preferences that would meet the State-mandated RHNA. Of the responses received from the public, the most favorable of the five development types presented in the survey, development on undeveloped/underdeveloped sites (28%) and repurposing of office sites to accommodate a mix of uses (21%) were the most favorable. Staff prepared a list of potential sites that could be rezoned to accommodate residential land use and brought forth a preliminary list to City Council for discussion at the May 19th study session.

Subsequent to the study session, staff attempted to contact owners and brokers of the properties to discuss consideration as potential sites to accommodate residential units. One of the sites identified in the housing sites inventory, 22 Brookline, is a 10-acre vacant site owned by UPS. The site was evaluated for potential rezoning but after discussions with UPS representatives, the site was eliminated from the list due to incompatibility issues of residential uses adjacent to the UPS facility. With removal of this site, the total number of dwelling units identified in the housing sites inventory decreased from 1,620-2,500 potential units to 1,320-2,000 units, which is still a surplus of units compared to the City's new total RHNA obligation of 1,195 dwelling units. State law allows up to three years for cities to adopt zoning amendments on sufficient sites to accommodate the RHNA allocation.

Noticing

Preliminary review of the draft Housing Element update is not a public hearing item and does not require public notice. However, staff sent notices of the public meeting to all interested parties identified during the Housing Element update process as well as property owners of sites currently listed in the draft housing sites inventory. The draft Housing Element update was made available for review at City Hall and on the City's website: https://avcity.org/371/Housing-Element.

Next Steps:

Cities are required to submit draft Housing Elements to HCD for review and must address any comments from HCD prior to final adoption of the Housing Element. Staff will incorporate comments and recommendations received from the City Council into the draft Housing Element and the revised draft Housing Element will be submitted to HCD for a 60-day review period. Following receipt of HCD's comments, staff will prepare a proposed final Housing Element for public hearing review and approval by the City Council later this year.

Environmental:

The draft Housing Element is statutorily exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15262, Feasibility and Planning Studies. Any direction provided to staff is not a final action or approval in regard to the Housing Element Update and does not have a legally binding effect on any possible future discretionary action.

Public Notice:

Through the normal agenda posting process.

Attachments:

1. Draft 2021-2029 Housing Element Update
2. Study Session Agenda Item from May 19, 2021

HOUSING PLAN

INTRODUCTION

Located in southwestern Orange County, Aliso Viejo is approximately bisected by Highway 73 with Laguna Beach bordering to the southwest, Laguna Woods to the north, Laguna Hills to the east, and Laguna Niguel and unincorporated County lands to the south. A primarily residential community, Aliso Viejo offers a wide variety of housing opportunities and has adequate schools, employment, shopping, parks, and open space for the recreation and leisure needs of its residents.



The Aliso Viejo Planned Community, which comprises the majority of the City, began development in the early 1980s. Following rapid growth in the 1980s and 1990s, residential portions of the planning area reached build-out soon after the City's incorporation on July 1, 2001, becoming the 34th city in Orange County.

At the time of incorporation in 2001, the City's vacant or underutilized sites were entitled with non-residential uses as specified in the Aliso Viejo Master Development Agreement approved by the County in 1988. However, with the City's adoption of its first General Plan in 2004, the opportunity for additional housing within the community became part of the General Plan process. The Community Benefit Overlay (CBO) concept, outlined in the Land Use Element, allowed modification to existing entitlements: 1) if the proposed development could be shown to provide added benefit to the community, and 2) if property owners were willing to forego or amend the 1988 entitlements under the Master Development Agreement. One such community benefit was the provision of housing affordable to very-low- and low-income households. Through the CBO mechanism, the potential for new construction of housing affordable to lower-income households was greatly increased, and the concept furthered local, regional, and state housing goals.

PURPOSE OF THE HOUSING ELEMENT

The Housing Element serves as a guide for future residential growth in Aliso Viejo and establishes a strategy for meeting the community's housing needs. The Housing Element is designed to achieve the following objectives set forth in state law:

1) Identify adequate sites for a range of housing opportunities;
2) Assist in the development of adequate and affordable housing;
3) Address constraints to meeting the City's housing needs;
4) Conserve and improve the condition of housing; and
5) Promote equal housing opportunities for all persons.

SCOPE AND CONTENT OF THE HOUSING ELEMENT

The Housing Element is a mandated component of the General Plan and satisfies the requirements of State planning law. The Housing Element contains two parts – the Housing Plan and the Community Profile. The Housing Plan has three sections: 1) Introduction; 2) Issues, Goals and Policies; and 3) Housing Programs. In the Issues, Goals and Policies section, potential housing issues are identified and discussed, and goals and policies are established to address these issues. The Housing Plan describes how the goals and policies will be achieved and implemented.

The Community Profile, contained in the General Plan as Appendix C, and part of the Housing Element, analyzes community demographics and housing stock characteristics, potential constraints to housing development, and identifies resources to meet the community's housing needs.

RELATIONSHIP TO OTHER GENERAL PLAN ELEMENTS

California planning law requires the Housing Element to be consistent with other General Plan elements. Development policies contained in the Land Use Element, which establish the location, type, density, and distribution of land uses, including housing, support the goals of the Housing Element by identifying suitable locations for a variety of housing types.

All policies and programs within this Housing Element have been analyzed and found to be consistent with the other elements of the General Plan.

PUBLIC PARTICIPATION

Public participation is an important component of the Housing Element update process. Government Code §65583(c)(8) states that "The local government shall make diligent effort to achieve public participation of all the economic segments of the community in

the development of the housing element, and the program shall describe this effort." Public participation played an important role in the formulation and refinement of the City's housing goals and policies.

City residents and many other interested parties were encouraged to participate in the Housing Element update process and to identify housing issues of concern, recommend strategies, review the draft element, and provide recommendations to decision-makers.

A Housing Element web page was established to provide interested persons with information including Frequently Asked Questions, meeting announcements, reference materials, and also included an online survey regarding housing needs in the community.

Persons and organizations representing the interests of lower-income households and persons with special needs, as well as affordable housing developers, were specifically targeted in the City's notification list (Table H-1).

The following public meetings were conducted regarding the 2021 Housing Element update:

May 19, 2021 City Council study session

August 18, 2021 City Council public meeting

_____ City Council public hearing

Notices of all public meetings were posted on the City's website, and also mailed to all persons and organizations on the Housing Element interest list in advance of each meeting. The draft Housing Element was also was posted on the Housing Element website and made available for review at City Hall, and notices were also mailed to the interest list when the draft Housing Element was published.

Table H-1
Housing Element Notification List

Kennedy Commission
17701 Cowan Ave., Suite 200
Irvine, CA 92614

League of Women Voters
PO Box 1065
Huntington Beach, CA 92647

OC Association of Realtors
25552 La Paz Road
Laguna Hills, CA 92653

Public Law Center
601 Civic Center Drive West
Santa Ana, 92701

Habitat for Humanity of Orange County
2200 S. Ritchey St.
Santa Ana, CA 92705

Jamboree Housing Corp.
17701 Cowan Avenue
Suite 200
Irvine, CA 92614

The Related Companies of California
18201 Von Karman Ave Ste 900
Irvine, CA 92612

Community Housing Resources, Inc.
17701 Cowan Avenue, Suite 200
Irvine, CA 92614

South County Outreach
26776 Vista Terrace
Lake Forest, CA 92630

Dayle McIntosh Center
South County Branch
24012 Calle De La Plata # 110
Laguna Hills, CA 92653

OC Housing Providers
25241 Paseo de Alicia, Suite 120
Laguna Hills, CA 92653

Brittany Irvin
Province Group
26 Corporate Plaza #260
Newport Beach, CA 92660

OC Business Council
2 Park Plaza, Suite 100
Irvine, CA 92614

OC Housing Trust
198 W. Lincoln Ave., 2nd Floor
Anaheim, CA 92805

Neighborhood Housing Services of Orange County
198 W. Lincoln Ave., 2nd Floor
Anaheim, CA 92805

BIA/OC
17744 Sky Park Circle #170
Irvine, CA 92614

City of Laguna Woods
Attn: Community Development Director
24264 El Toro Road
Laguna Woods, CA 92637

City of Laguna Hills
Attn: Community Development Director
24035 El Toro Rd
Laguna Hills, CA 92653

City of Mission Viejo
Attn: Community Development Director
200, Civic Center
Mission Viejo, CA 92691

Community Outreach Coordinator
Regional Center of Orange County
P.O. Box 22010
Santa Ana, CA 92702-2010

City of Laguna Niguel
Attn: Community Development Director
30111 Crown Valley Pkwy
Laguna Niguel, CA 92677

City of Laguna Beach
Attn: Community Development Director
505 Forest Ave.
Laguna Beach, CA 92651-2394

Dan Schmid
Welcoming Neighbors Home
23676 Birtcher Dr.
Lake Forest, CA 92630

Moulton Niguel Water District
P.O. Box 30203
Laguna Niguel, CA 92607

South Orange County Wastewater Authority
34156 Del Obispo Street
Dana Point, CA 92629

El Toro Water District
24521 Los Alisos Boulvard
Lake Forest, CA 92630

Brandon Young
Mitchell M. Tsai, Attorney At Law
155 South El Molino Ave, Ste. 104
Pasadena, CA 91101



ISSUES, GOALS, AND POLICIES

The goals, policies, and implementation programs of the Housing Element address three Citywide issues:

1) Providing opportunities for a variety of housing;
2) Maintaining quality neighborhoods and housing units that meet the needs of all income groups; and
3) Assisting special needs households and ensuring fair housing practices.

VARIETY OF HOUSING OPPORTUNITIES

Housing needs vary depending on many factors, such as age, income, family type, household size, and mobility. A well-balanced community includes a variety of housing options. Providing a range of housing opportunities helps ensure that households of all types and sizes can find a home in Aliso Viejo that suits their needs.

Goal H-1	**Encourage a diversity of housing types and provide affordability levels within Aliso Viejo to meet the needs of community residents.**
Policy H-1.1	Identify sites appropriate for the development of a variety of housing types and price ranges to meet the needs of all socioeconomic segments of the community through the disbursement of affordable units in projects.
Policy H-1.2	Encourage through the use of density bonuses and rezoning to allow for residential development, development of affordable housing opportunities throughout the community, as well as development of housing for elderly and low- and moderate-income households near public transportation services.
Policy H-1.3	Identify physical, legal, economic, and other constraints to the development of housing and collaborate with other public and private agencies to overcome such factors.
Policy H-1.4	Ensure that a portion of future residential development is affordable to low- and very-low-income households by designating certain sites as having the potential to be used for residential uses.

Policy H-1.5 Encourage development of mixed-use neighborhoods that incorporate all levels of housing with commercial and business park development in existing and future developments.

Policy H-1.6 Encourage the use of grant funds to purchase available residential units in order to increase the supply of rental and ownership units that are affordable to low- and moderate-income households.

HOUSING AND NEIGHBORHOOD PRESERVATION

Housing and neighborhood preservation addresses two important issues: 1) improving the condition of Aliso Viejo's residential stock and neighborhoods; and 2) maintaining the supply of affordable housing. The first aspect of housing and neighborhood preservation is to provide a safe and aesthetically pleasing living environment. Improving the character of Aliso Viejo's neighborhoods also influences property values and overall quality of life. The other aspect of housing and neighborhood preservation is ensuring that access to affordable housing opportunities for lower-income households is provided throughout the community.

Goal H-2 Create safe and aesthetically pleasing neighborhoods, and provide adequate housing to meet the needs of all household types and income groups.

Policy H-2.1 As the City matures, maintain the quality of the housing stock through code enforcement as well as appropriate coordination with homeowner associations with regards to on-street parking, landscape maintenance, and water quality.

Policy H-2.2 Promote increased awareness of the importance of property maintenance to long-term housing quality and property values, and encourage community and neighborhood involvement in neighborhood preservation through public information and awareness, the Aliso Viejo Community Association (AVCA), City newsletters, e-news, cable television, and informational brochures at the public counter at City Hall.

Policy H-2.3 Work to preserve the affordability of publicly assisted and privately-financed housing units and to discourage their conversion to market-rate housing by requiring condominium conversions to provide very-low- and low-income units, with a focus on units that currently are or were previously affordable units that may have expired or are at risk of expiring.

EQUAL ACCESS TO HOUSING

Special circumstances may impede some persons and households from finding decent, affordable housing. The City has a responsibility to ensure that all persons have access to housing, regardless of race, religion, gender, familial status, marital status, national origin, color, age, disability, or source of income. To ensure that all groups have equal access to housing, the City should ensure the continuation of unimpeded access to a full range of housing opportunities.

Goal H-3	**Ensure that all persons and household types have equal access to housing.**
Policy H-3.1	Identify and participate in programs and provide incentives through density bonuses and rezoning to encourage residential projects that include housing for seniors, low- and moderate-income groups, or special needs groups.
Policy H-3.2	Encourage the provision of housing and services for special needs groups, such as the homeless, the disabled, and victims of domestic violence by providing City grants to agencies providing services to persons in these groups.
Policy H-3.3	Collaborate with developers, landlords, home-seekers, tenants, real estate and lender groups, and other private for-profit and non-profit agencies to ensure that individuals and families seeking housing in Aliso Viejo are not discriminated against.
Policy H-3.4	Maintain a variety of housing types that complement the employment opportunities within the community and encourage a jobs/housing balance, provided that the City's long-range fiscal land use objectives are met.

HOUSING PROGRAMS

This Housing Plan identifies specific action programs the City will implement to further its housing goals and policies during the 2021-2029 planning period. The programs, arranged under four headings and presented in numerical order, are designed to accomplish the following:

- Identify adequate sites to maintain a variety of housing opportunities;
- Conserve and improve the existing housing stock;
- Facilitate the development and maintenance of affordable housing;
- Address and remove unnecessary governmental constraints; and
- Ensure equal housing opportunity.

HOUSING POLICY MAP

The Housing Policy Map (Figure H-1) depicts the locations having potential for future housing development during this planning period (see also Appendix C and Housing Program 1, *Adequate Sites for Affordable Housing*.

VARIETY OF HOUSING OPPORTUNITIES

1. Adequate Sites for New Housing

Aliso Viejo's share of the region's new housing need for the 2021-2029 planning period as established by the Southern California Association of Governments (SCAG) in the Regional Housing Needs Assessment (RHNA) is 1,195 units. Of these, 390 units are designated for very-low-income households, 214 are for low-income households, 205 are for moderate-income households, and 386 are for above-moderate-income households.

State law requires cities to identify adequate sites with appropriate zoning to accommodate the additional housing need for the planning period. In compliance with the requirements of state law, the City will carry out the actions described below in order to identify and rezone adequate sites commensurate with its housing need during the planning period.

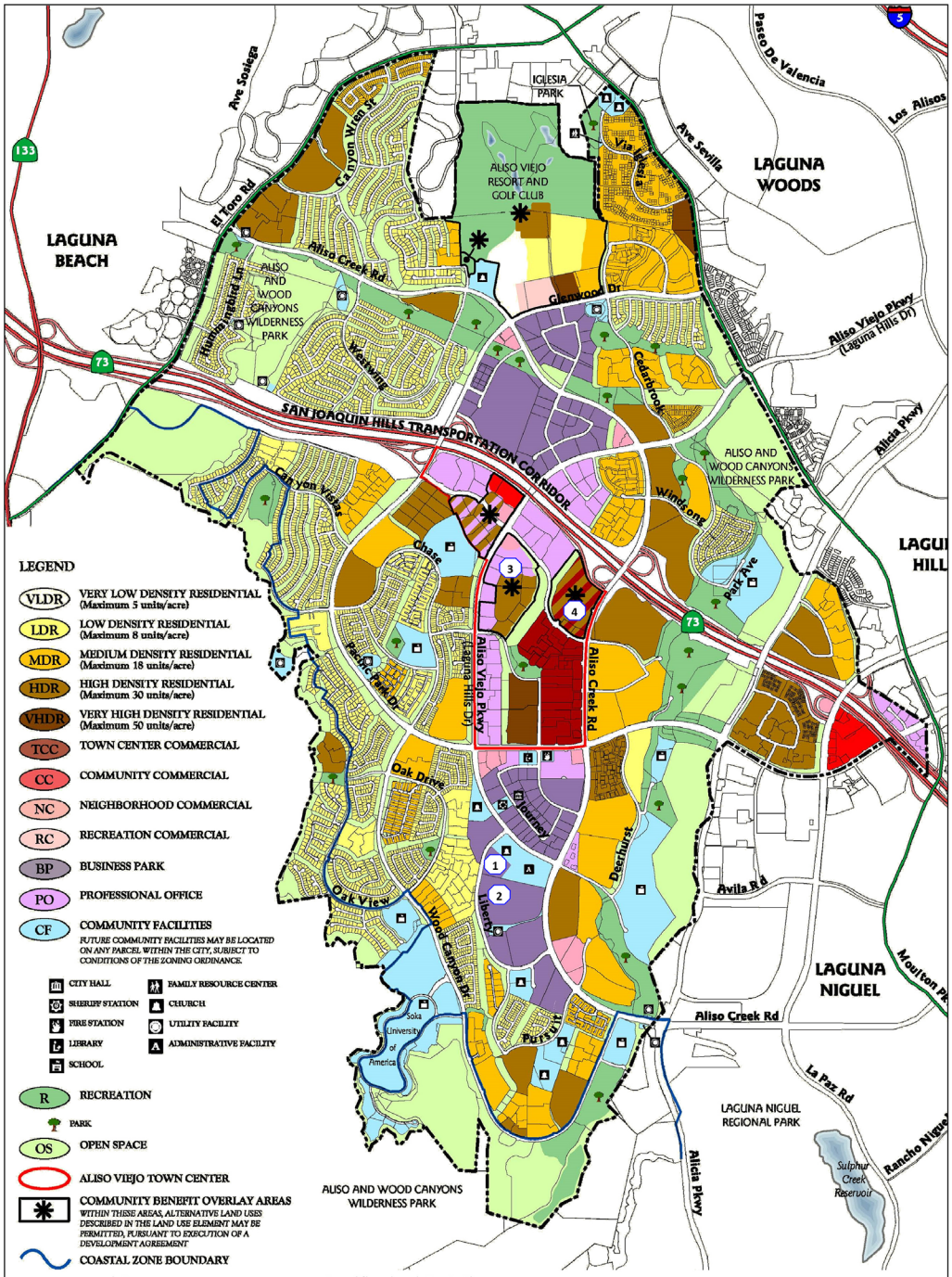


Figure H-1
Housing Policy Map

- Within the first three years of the planning period, the City will process amendments to the General Plan and zoning regulations to accommodate 100% of the shortfall of potential lower-income housing units to accommodate the RHNA allocation as identified in Table CP-25. Sites to be rezoned shall be selected from the candidate sites listed in Table CP-26 and shall comply with the provisions of *Government Code* §65583.2.h and §65583.2.i.
- City staff will provide assistance to applicants for housing developments on sites to be rezoned during the review process.
- The City will facilitate affordable multi-family development on these sites by supporting funding applications, allocating funds from the Affordable Housing Trust Fund, and/or approving modifications to development standards.
- The City will report annually to the California Department of Housing and Community Development on its progress in implementing this program.
- The City will monitor project approvals and comply with the *no net loss* requirements of Government Code Sec. 65863.

Responsible Agency: Planning Department
Funding Source: General Fund

2. Facilitate the Provision of Affordable Housing

State Density Bonus law (Government Code Sec. 65915 et seq.) establishes incentives to encourage the provision of affordable housing, and Chapter 15.58 of the Zoning Code provides local regulations and procedures to implement State requirements. AB 2345 (2019) amended State law to revise density bonus incentives that are available for affordable housing developments. The City will process a Code amendment concurrent with adoption of the Housing Element to update the City's density bonus regulations in conformance with current State law.

The City has also established an affordable housing fund to assist in the provision of affordable housing. To date, the City has collected approximately $2.5 million in affordable housing in-lieu funds. The majority of the existing funds are from the Canyon Point condo conversion. The remaining balance is from a 12-unit CBO project, Ventana Ridge, as well as a small percentage from the Glenwood and Vantis CBO projects. In 2016, the City provided a loan of $2.25 million for the construction of 198 affordable units at 100 Freedom Lane, 50 of which are at or below 50% AMI and 148 units are at or below 60% AMI.

The priority for the use of in-lieu funds will be to assist the provision of extremely-low- and very-low-income rental housing, which may include purchasing affordability covenants on existing rental units and/or providing incentives to non-profit developers of rental housing. These funds may also be utilized to retain affordable status on units that may require City intervention and the associated administrative costs.

In 2021, the City allocated $154,650 of affordable housing in-lieu funds to purchase a condominium unit, which is leased to a non-profit organization for use as transitional housing.

Responsible Agency: Planning Department
Funding Source: In-Lieu Housing Fund

3. Homeownership Assistance Programs

The City recognizes the importance of providing homeownership opportunities for lower- and moderate-income households. The City will continue to monitor the availability of homeownership programs that are supported by other agencies and make this information available to prospective homeowners in Aliso Viejo. Such programs may include the Mortgage Credit Certificates, California Housing Finance Agency, mortgage revenue bonds, CDBG, and HOME.

The City will investigate the feasibility of developing its own homeownership assistance program with the use of CDBG funds (see Program 2).

Timeframe: Annual updates to information posted on the City website
Responsible Agency: Planning Department
Funding Source: General Fund; homebuyer assistance programs
Program Objective: Provide home buyer assistance information to potential homeowners in Aliso Viejo.

4. Section 8 Housing Choice Vouchers

The Section 8 Housing Choice Vouchers program extends rental subsidies to very-low-income households and seniors who spend more than 30 percent of their income on rent. The amount of subsidy is equal to the difference between the excess of 30 percent of monthly income and actual rent. The program is administered by the Orange County Housing Authority (OCHA). The City will provide information regarding the Section 8 program on the City website and other locations in the City.

Timeframe:	Throughout the planning period
Responsible Agency:	Orange County Housing Authority
Funding Source:	HUD Section 8 funds
Program Objective:	The City will continue to promote the use of Section 8 Housing Choice Vouchers in Aliso Viejo with the objective of expanding assistance to very-low-income households. Specifically, the City will make referrals to OCHA, advertise the program on the City website and in newsletters, and distribute information at the public counter at City Hall.

5. OCHA Special Needs Groups Rental Assistance Program

In addition to the Section 8 Housing Choice Vouchers program, the Orange County Housing Authority (OCHA) administers rental assistance programs targeting special needs groups, including families whose children are at risk of being placed in out-of-home care, persons with disabilities, the homeless, and seniors. These programs include:

- *Family Unification*: This program provides Section 8 assistance to families whose children are at risk of being placed in out-of-home care or delayed in returning from care because of the families' inadequate housing.
- *Aftercare for Disabled*: This program provides Section 8 assistance specifically for disabled applicants.
- *Shelter Plus Care*: This program provides Section 8 assistance to homeless persons with disabilities.
- *HOPE IV - Elderly Independence*: This program provides Section 8 assistance to frail seniors.

The City will continue to promote these assistance programs on the City website and other locations.

Responsible Agency:	Planning Department
Timeframe:	Throughout the planning period
Funding Source:	General Fund
Program Objective:	Continue to assist OCHA in promoting its Special Needs Groups Rental Assistance Programs in Aliso Viejo with the objective of expanding assistance to additional households with special needs. Specifically, the City will make referrals to OCHA, advertise the program on City website and newsletters, and distribute information at the public counter at City Hall.

6. City Grants for Special Needs Groups

The City currently provides local community assistance grants for human and social service groups, including domestic violence shelters and homelessness prevention. Since 2005, the City has provided approximately $34,000 in grants to Laura's House, a State-approved comprehensive domestic violence agency serving residents in southern Orange County. Their target population is battered women and children who are coping with the effects of domestic violence, needing emergency shelter, support, education and counseling. The City has also provided over $83,000 in community assistance grants to South County Outreach (SCO). SCO provides services that include food and rental and utility bill financial assistance to Aliso Viejo individuals and families consisting of seniors, youth, children, the disabled, unemployed and those in crisis.

In addition, the City provides non-competitive grants to after-school and senior programs. Since 2003, the City has provided Age Well Senior Services (formerly South County Senior Services), which provides adult day care for older adults with multiple chronic illnesses, with approximately $188,000 in grant funding.

On an annual basis, the City solicits community assistance grant applications from a variety of local non-profit service based organizations and the allocation of funding fluctuates depending on City budgetary constraints.

Timeframe:	Throughout the planning period
Responsible Agency:	Community Services Department
Funding Source:	General Fund
Program Objective:	The City will allocate 50% of its Human and Social Services community assistance grant budget to incorporate homelessness prevention programs, programs for the disabled, and domestic violence support programs into the annual cycle of grant funding.

HOUSING AND NEIGHBORHOOD PRESERVATION

7. Code Enforcement

The Code Enforcement Program is operated through the City's Building Department. Code Enforcement staff responds to complaints related to substandard housing, property maintenance, overgrown vegetation, trash and debris, improper occupancy, and other nuisance and zoning complaints. In addition, the City will continue to implement and enforce the most recent provisions of the California Building Code.

Timeframe:	Throughout the planning period
Responsible Agency:	Building Department, Code Enforcement Division
Funding Source:	General Fund
Program Objective:	The City's Code Enforcement Staff will continue to enforce property maintenance standards and adopted City Building and Zoning codes. The City will promote the importance of property maintenance to long-term housing quality and property values, and encourage community and neighborhood involvement in neighborhood preservation through the Aliso Viejo Community Association (AVCA), City newsletters, e-news, cable television, and informational brochures at the public counter at City Hall. As opportunities become available, the City will consider directing resources to assist home rehabilitation.

8. Conservation of Existing and Future Affordable Units

Aliso Viejo has several multi-family housing projects with units affordable to households earning lower incomes. None of these is at risk of converting to market-rate housing during this Housing Element period. Should there be a change in the status of these housing projects, the City will monitor the deed restrictions or affordability covenants of affordable housing and pursue options to preserve the affordable housing units.

Timeframe:	Throughout the planning period
Responsible Agency:	Planning Department
Funding Source:	General Fund
Program Objective:	Annually, the City will monitor the status, notify residents of potential conversion to market rate housing, and pursue options to preserve the units.

REDUCE GOVERNMENTAL CONSTRAINTS TO HOUSING

9. Streamlined Residential Permit Processing

In order to facilitate affordable housing development, the City will offer streamlined priority processing for applications that include affordable units. Assistance will include pre-filing meetings to clarify application requirements,

expedited review of application materials, and administrative assistance with grant funding applications.

Timeframe:	Throughout the planning period
Responsible Agency:	Planning Department
Funding Source:	General Fund
Program Objective:	Minimize permit processing time to reduce development costs for affordable housing.

10. Transitional/Supportive Housing, Emergency Shelters and Low Barrier Navigation Centers

Transitional housing, supportive housing, emergency shelters and low barrier navigation centers help to address the needs of persons who are homeless or at risk of becoming homeless.

Emergency shelters provide short-term aid to persons who are homeless and involve limited supplemental services. Transitional and supportive housing, in contrast, is directed at removing the basis for homelessness. Transitional and supportive housing is provided for an extended period of time and may be combined with other supportive services to assist in the transition from homelessness to self-sufficiency.

AB 2162 (2018) amended State law to require that supportive housing be a use by-right in zones where multi-family and mixed uses are permitted, including non-residential zones permitting multi-family uses if the proposed housing development meets specified criteria. AB 101 (2019) added the requirement that low barrier navigation centers meeting specified standards be allowed by-right in areas zoned for mixed use and in non-residential zones permitting multi-family uses pursuant to Government Code Sec. 65660 et seq. The City is currently processing a Code amendment to allow supportive housing and low barrier navigation centers consistent with State law.

Timeframe:	Code amendments in 2021
Responsible Agency:	Planning Department
Funding Source:	General Fund
Program Objective:	Encourage the provision of transitional/supportive housing, emergency shelters and low barrier navigation centers consistent with state law.

EQUAL ACCESS TO HOUSING

11. Affirmatively Furthering Fair Housing

The City contracts with the Fair Housing Foundation (FHF) to provide fair housing services. FHF services are directed to promote housing opportunities for all persons regardless of race, religion, sex, family size, marital status, ancestry, national origin, color, or disability.

Municipal Code Chapter 15.66 establishes procedures to ensure reasonable accommodation in housing for persons with disabilities. The City will continue to offer reasonable accommodation in conformance with fair housing law.

Aliso Viejo was also a participating jurisdiction in the preparation of the Orange County Analysis of Impediments to Fair Housing Choice (AI). Regional goals and strategies to address fair housing are described in the AI Executive Summary (pages 6-7). In addition to the region-wide goals and strategies, the following specific goals have been established for Aliso Viejo:

1. In collaboration with the Orange County Housing Authority (OCHA):

    a. Attend quarterly OCHA Housing Advisory Committee to enhance the exchange of information regarding the availability, procedures, and policies related to the Housing Assistance Voucher program and regional housing issues.

    b. Support OCHA's affirmative fair marketing plan and de-concentration policies by providing five-year and annual PHA plan certifications.

    c. In coordination with OCHA and fair housing services provider, conduct landlord education campaign to educate property owners about State law prohibiting discrimination based on household income.

2. Through the City's fair housing contractor:

    a. Provide fair housing education and information to apartment managers and homeowner associations on why denial of reasonable modifications/accommodations is unlawful.

    b. Conduct multi-faceted fair housing outreach to tenants, landlords, property owners, realtors, and property management companies. Methods of outreach may include workshops, informational booths, presentations to community groups, and distribution of multi-lingual fair housing literature.

Timeframe:	Throughout the planning period
Responsible Agency:	Planning Department
Funding Source:	County Housing Funds
Program Objectives:	Continue to support fair housing services in Aliso Viejo by advertising fair housing services on the City website and at the public counter at City Hall, library, post office, and other community locations.
	Continue to implement administrative procedures set forth in Municipal Code Chapter 15.66 to ensure reasonable accommodation in housing for persons with disabilities.
	Continue to implement actions to affirmatively further fair housing as described in the 2020-2024 Orange County Analysis of Impediments to Fair Housing Choice.

ENERGY CONSERVATION

12. Encourage Energy Conservation

The Zoning Code includes a Green Building Program that offers incentives such as expedited processing and/or fee waivers when project proponents agree to incorporate environmentally sensitive sustainable and energy efficient construction techniques into their projects. Expedited permit processing is provided for all building permits for solar voltaic, solar thermal systems, tankless water heaters, windows and/or doors containing glass, high-efficiency heating, ventilation, and air conditioning (HVAC) systems. Furthermore, the Solar Energy Education Program complements the Green Building Program by encouraging use of passive solar systems in new and rehabilitated residential construction to improve energy efficiency of housing units. Daytime interior lighting costs can be significantly reduced or eliminated with the use of properly designed and located skylights, which can be easily installed at reasonable expense in existing houses, thereby substantially reducing electricity costs and energy consumption. Solar energy is a practical, cost effective, and environmentally sound way to heat and cool a home. Other opportunities for energy conservation in Aliso Viejo include continued implementation of State Title 24 building construction standards, complying with Energy Star conservation standards, and considering appropriate building orientation and landscaping during the development/design review process through implementation of the Zoning Ordinance.

Timeframe: Throughout the planning period
Responsible Agency: Planning Department
Funding Source: General Fund
Program Objective: Encourage energy conservation.

QUANTIFIED HOUSING OBJECTIVES

The City's objectives for new housing construction, rehabilitation, and conservation for the 2021-2029 planning period are summarized in Table H-1.

Table H-1
Quantified Objectives – 2021-2029

Program Category	Income Category					
	Extremely Low	Very Low	Low	Mod	Upper	Totals
New Construction	195	195	214	205	386	1,195
Rehabilitation						
Conservation	528					528

APPENDIX C: COMMUNITY PROFILE

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INTRODUCTION

The City strives to achieve a balanced housing stock that meets the varied needs of all income segments of the community. To accomplish this goal, a comprehensive assessment of community housing needs, obstacles to future housing opportunity, and an assessment of available resources must be undertaken.

DEMOGRAPHIC AND HOUSING ANALYSIS

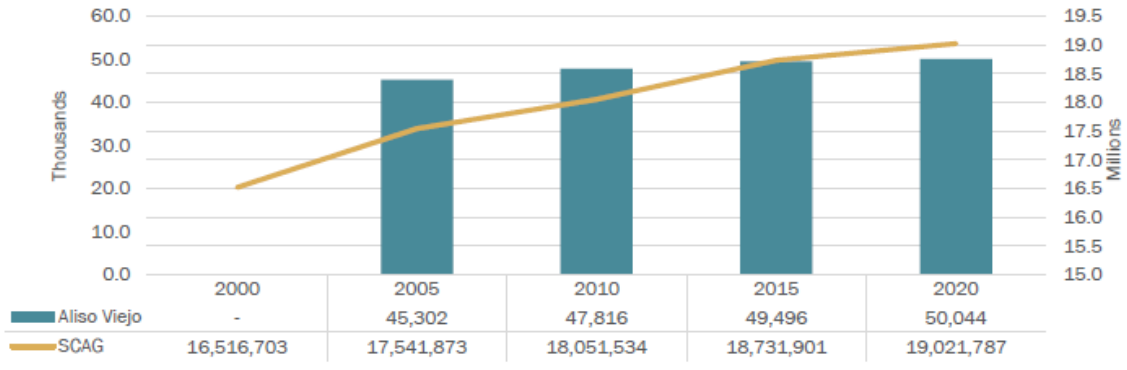
Factors such as age, cultural preferences, household size, occupation, and income combine to influence the types of housing needed and the ability to afford housing. These demographic characteristics, balanced with an analysis of existing housing stock conditions, help determine a community's housing needs.

The statistics included here are from recent data from the U.S. Census, the California Department of Finance (DOF), the California Employment Development Department (EDD), the Southern California Association of Governments (SCAG), and other relevant sources.

POPULATION CHARACTERISTICS

Aliso Viejo's population in 2020 was approximately 50,044. As the City has approached full development population growth has slowed, with an increase of only about 550 persons during the 5-year period from 2015 to 2020 (Table CP-1).

Table CP-1
Population Trends: Aliso Viejo and SCAG Region



	2000	2005	2010	2015	2020
Aliso Viejo	-	45,302	47,816	49,496	50,044
SCAG	16,516,703	17,541,873	18,051,534	18,731,901	19,021,787

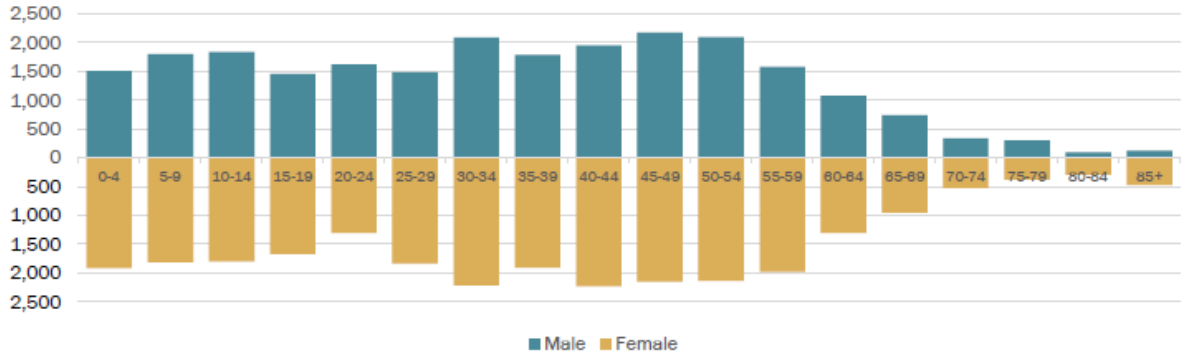
CA DOF E-5 Population and Housing Unit Estimates

AGE CHARACTERISTICS

A community's housing needs are affected by the age characteristics of residents. Typically, each age group has distinct lifestyles, family type and size, incomes, and housing preferences. As people move through each stage of life, housing needs and preferences change.

The share of Aliso Viejo's population under 18 years of age is 24.6%, which is slightly higher than the regional share of 23.4%. Aliso Viejo's seniors (65 and above) make up about 8.3% of the population, which is substantially lower than the regional share of 13% (Table CP-2).

Table CP-2
Age Characteristics



American Community Survey 2014-2018 5-year estimates

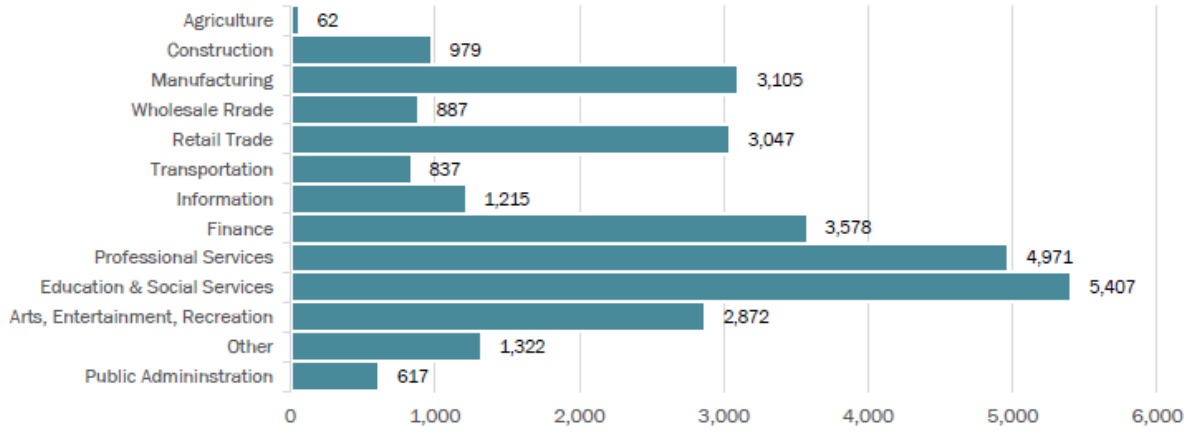
OCCUPATION AND LABOR PARTICIPATION

Employment has an important impact on housing needs. Different jobs and income levels affect the type and size of housing a household can afford. In addition, employment growth within a region typically results in an increase in housing demand.

According to recent Census data, Aliso Viejo has 28,899 workers living within its borders who work across 13 major industrial sectors (Table CP-3). The most prevalent industry is Education & Social Services with 5,407 employees (18.7% of total) and the second most prevalent industry is Professional Services with 4,971 employees (17.2% of total).

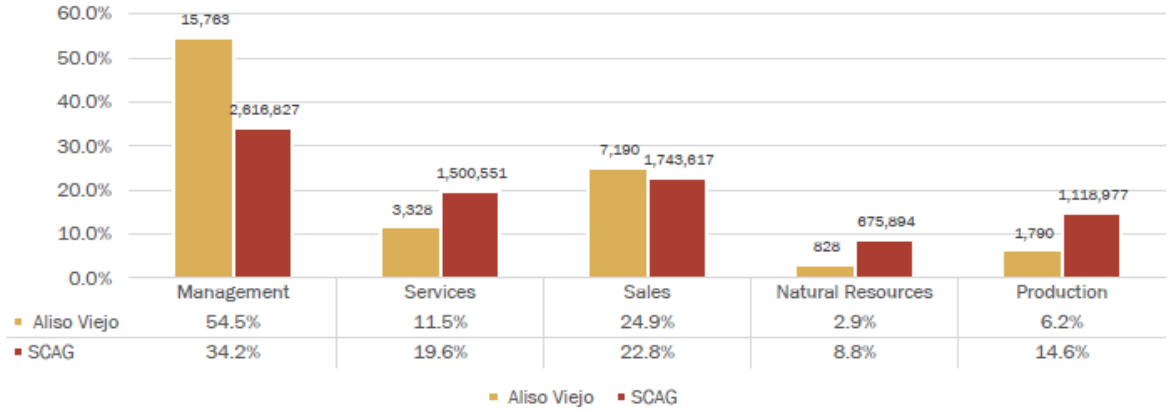
The most prevalent occupational category in Aliso Viejo is Management, in which 15,763 (54.5% of total) employees work. The second-most prevalent type of work is in Sales, which employs 7,190 (24.9% of total) in Aliso Viejo (Table CP-4).

Table CP-3
Employment by Industry



American Community Survey 2014-2018 5-year estimates using groupings of 2-digit NAICS codes.

Table CP-4
Employment by Occupation – Aliso Viejo and SCAG Region



American Community Survey 2014-2018 5-year estimates using groupings of SOC codes.

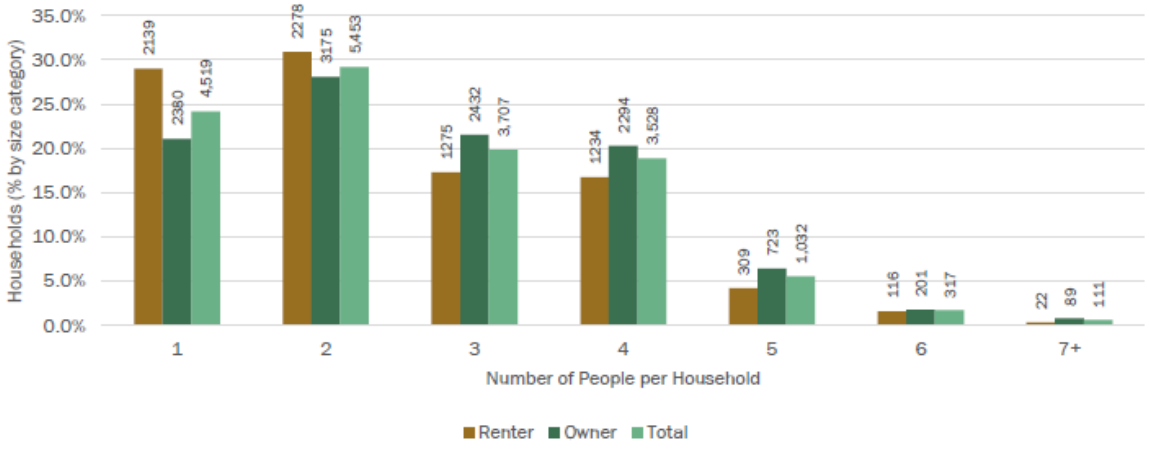
HOUSEHOLD CHARACTERISTICS

A household is defined by the Census as all persons who occupy a housing unit, which may consist of a family, a single person, or unrelated persons sharing a housing unit. Persons residing in group quarters such as dormitories or retirement homes are not considered households. A community's household characteristics serve as an important indicator of the type and size of housing needed.

Household size is an important indicator of housing need. The presence of families with children, students, and elderly persons, among other groups, can have different effects on the household size in a community.

Recent Census data reported that the most commonly occurring household size is two persons (29.2%) while the second-most commonly occurring household size is one person (24.2%). Aliso Viejo has a slightly higher share of single-person households than the SCAG region overall (24.2% vs. 23.4%) and a much lower share of large households with 7+ persons than the SCAG region overall (0.6% vs. 3.1%). This suggests that the need for smaller units is significantly greater than for large units, especially among renters (Table CP-5).

Table CP-5
Household Size by Tenure

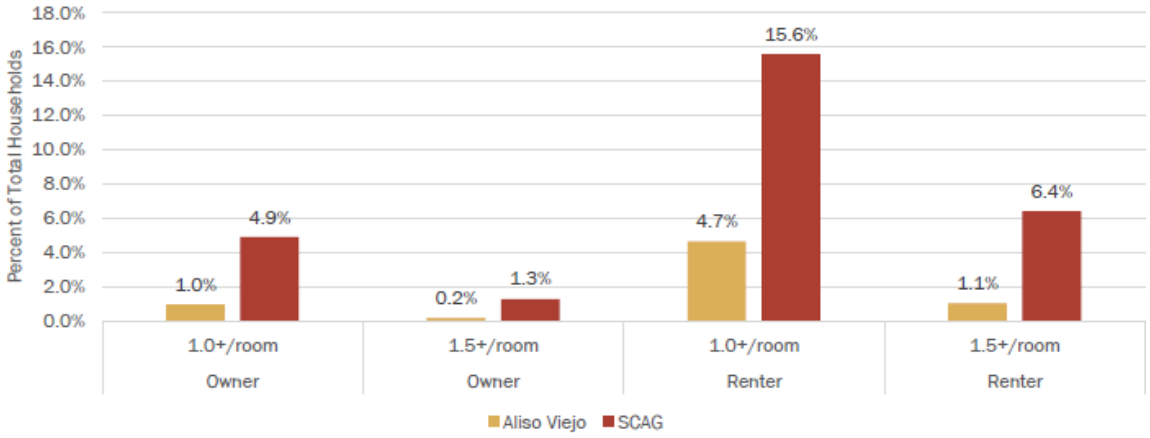


American Community Survey 2014-2018 5-year estimates.

OVERCROWDING

The Census defines overcrowding as households with more than one person per room, excluding kitchens, bathrooms, and porches. Overcrowding can result when a shortage of larger units exists within a community or in cases where high housing costs force families to take on additional roommates or choose smaller units. Overcrowding also tends to accelerate deterioration of housing. Therefore, maintaining a reasonable level of occupancy and alleviating overcrowding are important objectives.

Table CP-6
Overcrowding by Tenure: Aliso Viejo and SCAG Region



American Community Survey 2014-2018 5-year estimates.

According to recent Census data, overcrowding in Aliso Viejo is much less prevalent than for the County as a whole. Only about 1 percent of owner households and 6 percent of renter households in Aliso Viejo were reported to be overcrowded compared to 6 percent of owners and 22 percent of renters throughout the SCAG region (Table CP-6). Housing Program 1, *Adequate Sites for New Housing*, will help to alleviate problems associated with overcrowding by expanding housing opportunities in the City. Housing Program 2, *Facilitate the Provision of Affordable Housing*, and Housing Program 3, *Homeownership Assistance Programs*, can reduce the problem of overcrowding for large-renter households by making it more feasible for these households to rent or purchase suitable homes. In addition, Housing Program 4, *Section 8 Housing Choice Vouchers*, and Program 5, *OCHA Special Needs Groups Rental Assistance Program (Family Unification)*, can assist renter-households experiencing overcrowding by making rental assistance available to facilitate moving into larger units.

HOUSEHOLD INCOME AND OVERPAYMENT

Income is one of the most important factors affecting housing opportunities available to a household, determining the ability to balance housing costs with other basic necessities. While housing choices, such as tenure (owning versus renting) and location are mostly income-dependent, household size and type also affect the proportion of income that can be spent on housing.

"Overpayment" is defined as paying more than 30 percent of gross income for housing expenses, including utilities. Overpayment is much more prevalent among lower-income households, as shown in Table CP-7.

Table CP-7
Overpayment by Income Category

	Households by Share of Income Spent on Housing Cost:		
Income	< 30%	30-50%	> 50%
< 30% HAMFI	105	124	1,025
30-50% HAMFI	240	185	695
50-80% HAMFI	640	1,535	670
80-100% HAMFI	730	935	135
> 100% HAMFI	9,830	1,460	134
Total Households	*11,545*	*4,239*	*2,659*

HUD CHAS, 2012-2016. HAMFI refers to Housing Urban Development Area Median Family Income.

Extremely-Low-Income Households

Housing the extremely-low-income population (below 30% of area median income) can be especially challenging. Table CP-8 provides a breakdown of extremely-low-income households by race, ethnicity and tenure. The race/ethnicity with the highest share of extremely-low-income households in Aliso Viejo is Black, non-Hispanic (22.4% compared to 7.7% of total population). About 12 percent of renter households had extremely-low incomes as compared to approximately 5 percent of owners.

Table CP-8
Extremely-Low-Income Households

	Total Households	Households below 30% HAMFI	Share below 30% HAMFI
White, non-Hispanic	12,570	960	7.6%
Black, non-Hispanic	380	85	22.4%
Asian and other, non-Hispanic	3,545	295	8.3%
Hispanic	2,120	100	4.7%
TOTAL	**18,615**	**1,440**	**7.7%**
Renter-occupied	7,450	875	11.7%
Owner-occupied	11,150	550	4.9%
TOTAL	**18,600**	**1,425**	**7.7%**

HUD CHAS, 2012-2016. HAMFI refers to Housing Urban Development Area Median Family Income.

SPECIAL NEEDS POPULATIONS

Certain groups have greater difficulty finding decent, affordable housing due to special needs and/or circumstances. Special circumstances may be related to one's employment and income, family characteristics, disability, and household size, among others. Consequently, certain segments of residents in Aliso Viejo may experience a higher prevalence of housing cost burden, overcrowding, or other housing problems.

Under state law, "special needs" groups include senior households, persons with disabilities, large households, single-parent households, homeless persons, and agricultural workers. This section provides a discussion of the housing needs facing each of these groups, as well as programs and services available to address housing or related needs.

Senior Households

Many senior households have special needs due to relatively low, fixed incomes, physical disabilities or limitations, or dependency needs. Specifically, people aged 65 years and older often have four main concerns:

- *Housing*: Many seniors live alone and/or are renters.
- *Income*: People aged 65 and over are usually retired and living on a fixed income.
- *Health care*: Seniors are more likely to have health issues or disabilities.

- *Transportation*: Some of the elderly rely on public transportation. A significant number of seniors with disabilities may require alternative transportation.

According to recent HUD data, about 20.5% of elderly households have incomes less than 30% of the surrounding area income (compared to 24.2% in the SCAG region) and 30.4% have incomes below 50% of median income (compared to 30.9% in the SCAG region) (Table CP-9).

Table CP-9
Elderly Households by Income and Tenure

		Owner	Renter	Total	Percent of Total Elderly Households:
Income category, relative to surrounding area:	< 30% HAMFI	205	445	650	20.5%
	30-50% HAMFI	80	235	315	9.9%
	50-80% HAMFI	385	155	540	17.0%
	80-100% HAMFI	185	170	355	11.2%
	> 100% HAMFI	985	330	1,315	41.4%
	TOTAL	1,840	1,335	3,175	

HUD CHAS, 2012-2016. HAMFI refers to Housing Urban Development Area Median Family Income.

There are four senior-living complexes in Aliso Viejo; The Covington located at 3 Pursuit, Renaissance at the Wellington located at 24903 Moulton Parkway, Vintage Aliso (2C Liberty), and Liberty at Aliso (100 Freedom). The Covington includes 180 units; 155 of which are for independent living. The Wellington provides 233 units for senior residents; approximately half of the units are designated for independent living and the other half are for assisted living. The rental costs for both the independent and assisted living units at the two facilities are above-moderate. Vintage Aliso provides 202 senior apartments while Liberty at Aliso includes 200 senior apartments (two units at each complex are for managers).

Various programs can address the special needs of seniors, including but not limited to congregate care, supportive services, rental subsidies, shared housing, and housing rehabilitation assistance. For the frail elderly, or those with disabilities, housing with architectural design features that accommodate disabilities can help ensure continued independent living. Seniors with mobility or self-care limitations also benefit from transportation alternatives. Senior housing with supportive services can be provided for those who require assistance with daily living.

Numerous programs and services assist Aliso Viejo seniors. Age Well Services is located in neighboring Laguna Woods, and Advocates for Senior Choices is located in nearby Mission Viejo. Age Well Services offers assistance to seniors with referrals for in-home help, personal

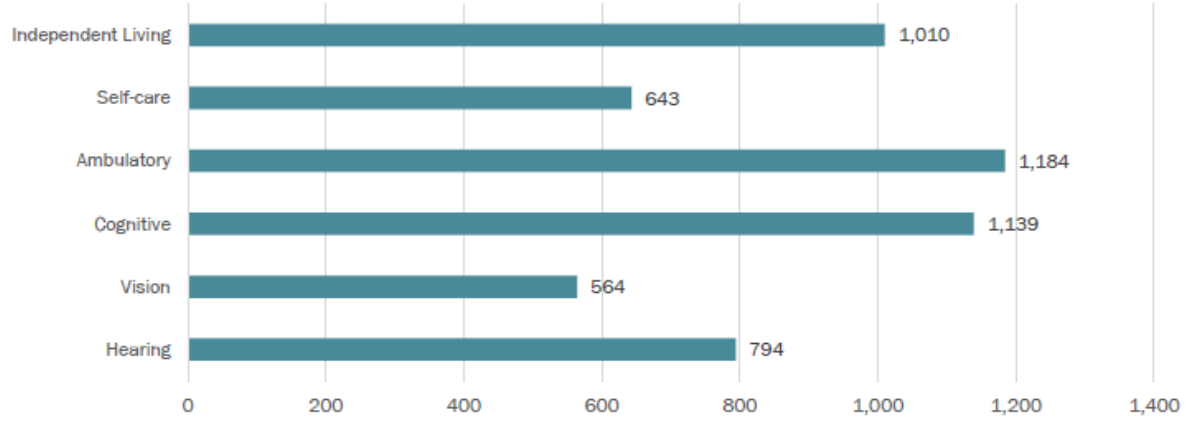
care or housekeeping, Medicare, medical information, assisted living care, physicians, attorneys, and also a range of adult day services that include social and educational activities, exercise, and special outing and events. For seniors that have mobility restrictions, the Age Well Services Transportation program provides door-to-door driver-assisted services Monday through Friday. Case managers also facilitate the Meals-on-Wheels program that operates in south Orange County. The Meals-on-Wheels program provides meals to individuals 60 years of age and older, who are living at home and unable to prepare their own meals or go out to eat, and have little or no assistance to obtain adequate meals. Age Well Services is licensed by the State of California Department of Health Services.

The programs available in Aliso Viejo to assist seniors with special housing needs include Housing Program 6, *City Grants for Special Needs Groups*, Housing Program 4, *Section 8 Housing Vouchers*, and Program 5, *OCHA Special Needs Groups Rental Assistance Program (Hope IV – Elderly Independence)*, which provide rental assistance to seniors. Housing Program 11, *Affirmatively Furthering Fair Housing*, assures the City's commitment to support fair housing services for all residents.

Persons with Disabilities

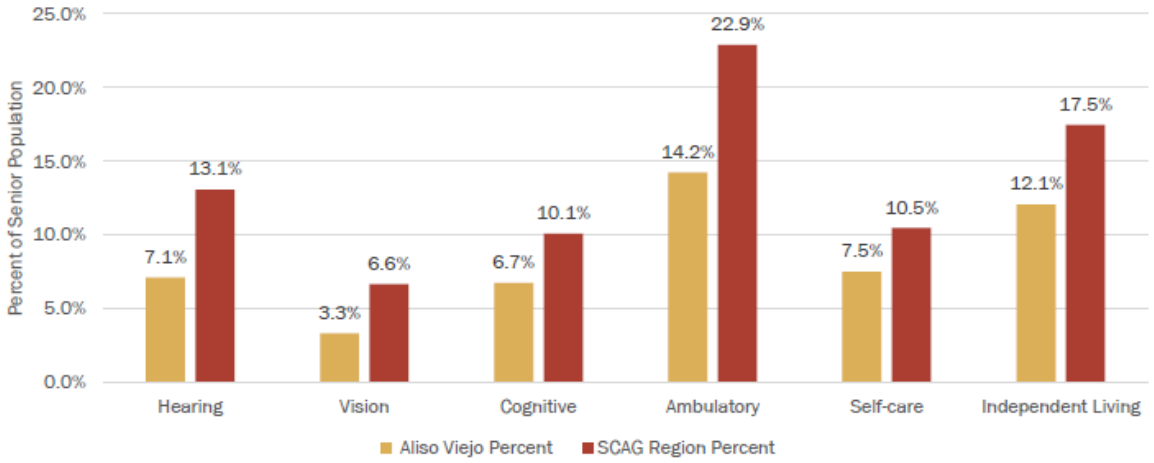
Physical, mental, and/or development disabilities may prevent a person from working, restrict mobility, or make it difficult to care for oneself. Disabilities often result in special housing needs related to limited earning capacity, the lack of accessible and affordable housing, and higher health costs. Some residents suffer from disabilities that require living in a supportive or institutional setting. Recent disability statistics for Aliso Viejo residents as reported by the Census Bureau are presented in Table CP-10 while disability data for seniors are shown in Table CP-11.

Table CP-10
Disabilities by Type – Aliso Viejo



American Community Survey 2014-2018 5-year estimates.

Table CP-11
Disabilities by Type for Seniors - Aliso Viejo and SCAG Region



American Community Survey 2014-2018 5-year estimates.

Ambulatory and cognitive disabilities are the most prevalent types of disabilities for the general population in Aliso Viejo. Among seniors, the most prevalent disability types are ambulatory (14 percent) and independent living (12 percent).

Living arrangements for persons with disabilities depend on the severity of the disability. Many live at home independently or with other family members. Strategies that can assist those with disabilities include special housing design features, income support for those who are unable to work, and in-home supportive services for persons with medical conditions. Such services may be provided by either public or private agencies.

The City enforces the accessibility requirements contained in the California Building Code,

Other regulations that affect housing for persons with special needs are discussed in the Governmental Constraints section of this report.

Developmental Disabilities

As defined by federal law, "developmental disability" means a severe, chronic disability of an individual that:

- Is attributable to a mental or physical impairment or combination of mental and physical impairments;
- Is manifested before the individual attains age 22;
- Is likely to continue indefinitely;
- Results in substantial functional limitations in three or more of the following areas of major life activity: a) self-care; b) receptive and expressive language; c)

learning; d) mobility; e) self-direction; f) capacity for independent living; or g) economic self-sufficiency;

- ❖ Reflects the individual's need for a combination and sequence of special, interdisciplinary, or generic services, individualized supports, or other forms of assistance that are of lifelong or extended duration and are individually planned and coordinated.

The Census Bureau does not report developmental disabilities. According to the U.S. Administration on Developmental Disabilities, an accepted estimate of the percentage of the population that can be defined as developmentally disabled is 1.5 percent. Many persons with developmental disabilities can live and work independently within a conventional housing environment. Those with more severely disabilities may require a group living environment where support is provided. The most severely affected individuals may require an institutional environment where medical attention and physical therapy are provided. Because developmental disabilities exist before adulthood, an important issue in supportive housing for those with developmental disabilities is the transition from the person's living situation as a child to an appropriate level of independence as an adult.

The California Department of Developmental Services (DDS) reported that approximately 726 persons in Aliso Viejo experienced some type of developmental disability (Table CP-12).

Table CP-12
Developmental Disabilities – Aliso Viejo

		Aliso Viejo
By Residence:	Home of Parent/Family/Guardian	260
	Independent/Supported Living	14
	Community Care Facility	0
	Intermediate Care Facility	0
	Foster/Family Home	5
	Other	0
By Age:	0 - 17 Years	279
	18+ Years	168
TOTAL		726

CA DDS consumer count by CA ZIP, age group and residence type for the end of June 2019. Data available in 161/197 SCAG jurisdictions.

The State Department of Developmental Services (DDS) provides community-based services to persons with developmental disabilities and their families through a statewide

system of 21 regional centers, four developmental centers, and two community-based facilities. The Regional Center of Orange County[1] (RCOC) is one of 21 regional centers in California that provides point of entry to services for people with developmental disabilities. The RCOC is a private, non-profit community agency that contracts with local businesses to offer a wide range of services to individuals with developmental disabilities and their families.

Any resident of Orange County who has a developmental disability that originated before age 18 is eligible for services. Services are offered to people with developmental disabilities based on Individual Program Plans and may include: Adult day programs; advocacy; assessment/consultation; behavior management programs; diagnosis and evaluation; independent living services; infant development programs; information and referrals; mobility training; prenatal diagnosis; residential care; respite care; physical and occupational therapy; transportation; consumer, family vendor training; and vocational training. RCOC also coordinates the State-mandated Early Start program, which provides services for children under age three who have or are at substantial risk of having a developmental disability.

The mission of the Dayle McIntosh Center is to advance the empowerment, equality, integration, and full participation of people with disabilities in the community. The Center is not a residential program, but instead promotes the full integration of disabled persons into the community. Dayle McIntosh Center is a consumer-driven organization serving all disabilities. Its staff and board are composed of over 50 percent of people with disabilities. Its two offices service over 500,000 people in Orange County and surrounding areas with disabilities. The Center's South County branch is located in Laguna Hills, immediately adjacent to Aliso Viejo.

Housing Program 4, *Section 8 Housing Choice Vouchers*, and Program 5, *OCHA Special Needs Groups Rental Assistance Program (Aftercare for Disabled and Shelter Care Plus),* can provide rental assistance to the disabled. In addition, Housing Program 11, *Affirmatively Furthering Fair Housing*, ensures that services are available to promote equal housing opportunities for all persons, including those with disabilities.

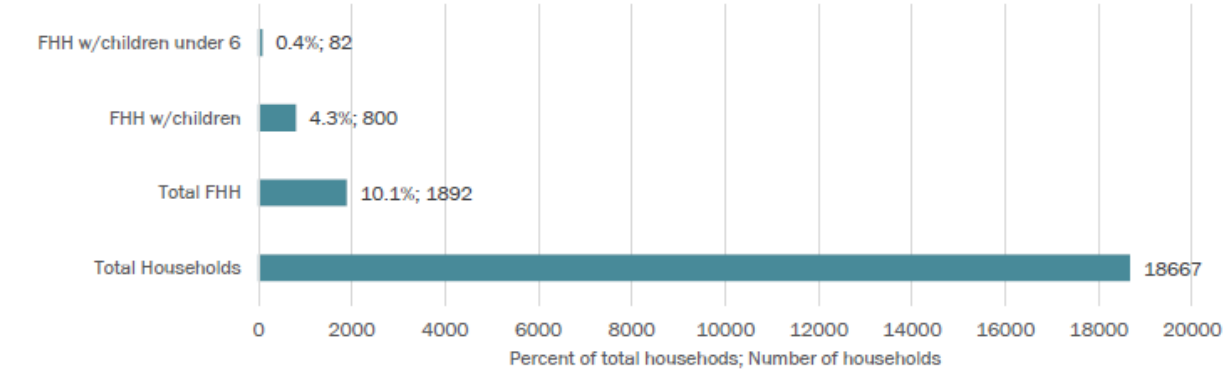
Female-Headed Households

Because of their relatively lower incomes and higher living expenses, female-headed households are more likely to have difficulty finding affordable, decent, and safe housing. These households often require special consideration and assistance as a result of their greater need for affordable housing, accessible day care/childcare, health care, and other supportive services. Female-headed families with children are a particularly vulnerable group because they must balance the needs of their children with work responsibilities, and often while earning limited incomes. According to recent Census data, about 10.1% are

[1] https://www.rcocdd.com/

female-headed (compared to 14.3% in the SCAG region), 4.3% are female-headed and with children (compared to 6.6% in the SCAG region), and 0.4% are female-headed and with children under 6 (compared to 1.0% in the SCAG region) (Table CP-13).

Table CP-13
Female-Headed Households



American Community Survey 2014-2018 5-year estimates.

The City collaborates with the Boys & Girls Club of Capistrano Valley to provide traditional afterschool programs in the areas of education, career development, the arts, technology, health and life skills, sports, fitness and recreation, and character and leadership development. Programs include homework club, teen club, and an online learning pods. For adults there are a number of outreach programs, which includes the following collaborative partners: Champions for Change, Consumer Credit Counseling Services of Orange County, Saddleback's College Foster & Kinship Care Education, Miracles for Families, OCSD, Second Harvest Food Bank, South Orange County Childhood Obesity Task Force, Southern California Veterinary Medical Association, Soka University, Legal Aid Society of Orange County, and Orange County United Way Internal Revenue Service. These programs and services offered through the City and the Boys & Girls Club can benefit female-headed households with children.

This Housing Element outlines a variety of City programs that can assist female-headed households with children who might have special housing needs. Housing Program 2, *Facilitate the Provision of Affordable Housing,* and Housing Program 3, *Homeownership Assistance Programs*, can benefit female-headed households by making it more feasible for these households to rent or purchase suitable homes. Housing Program 11, *Affirmatively Furthering Fair Housing*, helps ensure equal housing opportunities for all persons regardless of sex, family size, or marital status.

Large Households

Large households are defined as those consisting of five or more members. As shown above (Table CP-5) recent Census data estimated that about 1,460 large households resided in Aliso Viejo, of which 447 (31 percent) were renters and 1,013 (69 percent) were owners.

A variety of City programs can assist large households. Housing Program 1, *Adequate Sites for Affordable Housing*, can alleviate housing problems experienced by many large households by ensuring a wide variety of housing opportunity is available in the City. Housing Program 2, *Facilitate the Provision of Affordable Housing*, Housing Program 3, *Homeownership Assistance Programs*, can reduce the problem of overcrowding and overpayment for large-renter households by adopting programs that make it more feasible for these households to rent and purchase larger homes. Housing Program 4, *Section 8 Housing Choice Vouchers*, and Program 5, *OCHA Special Needs Groups Rental Assistance Program (Family Unification)*, offer rental assistance to large renter-households. Housing Program 11, *Affirmatively Furthering Fair Housing*, helps promote equal housing opportunities for all persons regardless of family size.

Agricultural Workers

Recent Census estimates reported no residents of Aliso Viejo were employed in farming, fishing and forestry occupations[2].

Homeless Persons

The Orange County homeless population consists of working families and individuals. Many live in cars, parks, under bridges, motels and in homeless shelters trying to maintain their dignity while they struggle to survive. As a result, most homeless remain hidden. The most recent County of Orange "Point-in-Time" survey of the homeless population for which data is available was conducted in January 2019. That survey estimated that there were approximately 6,860 homeless persons in Orange County, of which 2,899 were sheltered and 3,961 were unsheltered[3]. Of those, one unsheltered person and no sheltered persons were reported in Aliso Viejo.

Regional strategies to combat homelessness are developed through Orange County's Continuum of Care System. The goal of the Continuum of Care Strategic Plan is to work toward a seamless system of care through advocacy, homeless prevention, outreach and assessment, emergency shelter, transitional shelter and permanent affordable housing. The City of Aliso Viejo continues to participate in the Orange County Continuum of Care system and contributes to the regional effort by providing letters of support and

[2] American Community Survey 2014-2018

[3] County of Orange, 2019 Point in Time Final Report, July 30, 2019 (http://ochmis.org/wp-content/uploads/2019/08/2019-PIT-FINAL-REPORT-7.30.2019.pdf)

participating in a survey of funding allocated for homeless services in the County. Table CP-14 identifies emergency shelters that located near Aliso Viejo.

Table CP-14
Nearby Homeless Shelters

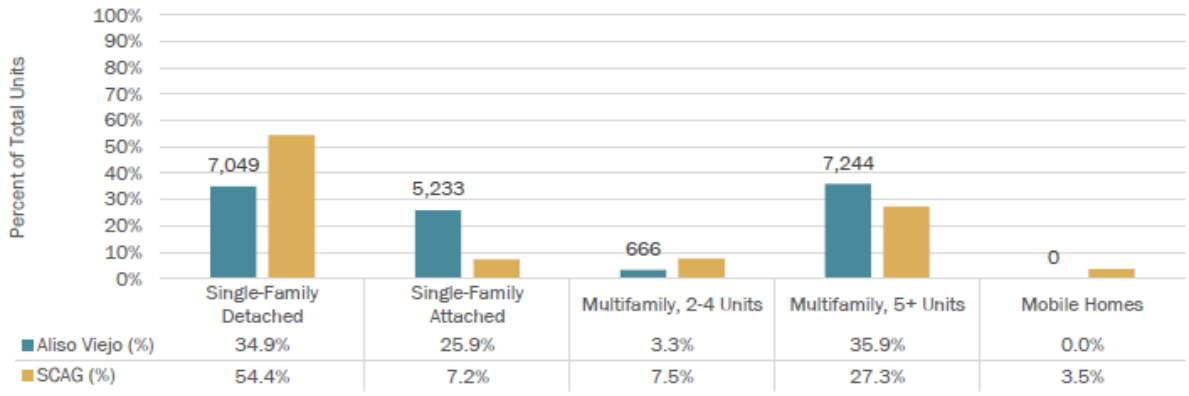
Homeless Shelter	Location
Cold Weather/Laguna Beach	Laguna Beach
CSP Youth Shelter	Laguna Beach
Friendship Shelter	Laguna Beach
Interfaith Interim Housing	Laguna Hills
Saddleback Community Outreach	Laguna Hills

In addition, Aliso Viejo has developed housing programs outlined in this Housing Element to assist those who may experience homelessness. Provisions for accommodating emergency shelters are included in the Zoning Ordinance. Permanent emergency shelters are permitted by-right in the Business Park zoning districts, and transitional/supportive housing is a permitted use in all residential zoning districts. Housing Program 5, *OCHA Special Needs Groups Rental Assistance Program (Shelter Care Plus)*, provides rental assistance to those with disabilities and experiencing homelessness.

HOUSING STOCK

Aliso Viejo offers a wide variety of housing types to meet the needs of its current and future residents. According to the California Department of Finance, about 35 percent of Aliso Viejo's housing stock consisted of single-family detached homes, 26 percent were single-family attached homes (townhouses), and 39 percent were multi-family apartments (Table CP-15).

Table CP-15
Housing Stock – Aliso Viejo and SCAG Region



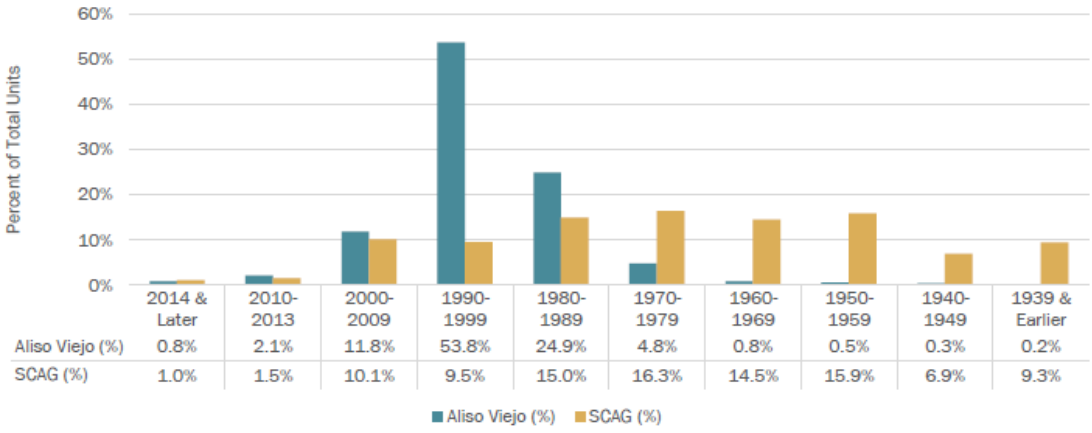
CA DOF E-5 Population and Housing Unit Estimates

HOUSING AGE AND CONDITION

Housing age may be an important indicator of housing condition within a community. Housing is subject to gradual physical or technological deterioration over time. If not properly and regularly maintained, housing can deteriorate and discourage reinvestment, depress neighboring property values, and eventually impact the quality of life in a neighborhood.

Housing units in Aliso Viejo are relatively new when compared to the age of the region's housing stock (Table CP-16). Over two-thirds of Aliso Viejo's housing stock was constructed after 1990. A general rule in the housing industry is that structures older than 30 years begin to show signs of deterioration and require ongoing maintenance and repairs. Therefore, based on age alone, less than 28 percent of the housing stock may require maintenance and rehabilitation to prevent significant deterioration. Although the vast majority of housing units in Aliso Viejo are less than 30 years of age, and problems associated with age and deterioration are likely to be minimal, Housing Program 7, *Code Enforcement*, is designed to identify potential maintenance problems that could arise as the housing stock ages.

Table CP-16
Housing Units by Year Built – Aliso Viejo and SCAG Region



	2014 & Later	2010-2013	2000-2009	1990-1999	1980-1989	1970-1979	1960-1969	1950-1959	1940-1949	1939 & Earlier
Aliso Viejo (%)	0.8%	2.1%	11.8%	53.8%	24.9%	4.8%	0.8%	0.5%	0.3%	0.2%
SCAG (%)	1.0%	1.5%	10.1%	9.5%	15.0%	16.3%	14.5%	15.9%	6.9%	9.3%

Aliso Viejo (%) SCAG (%)

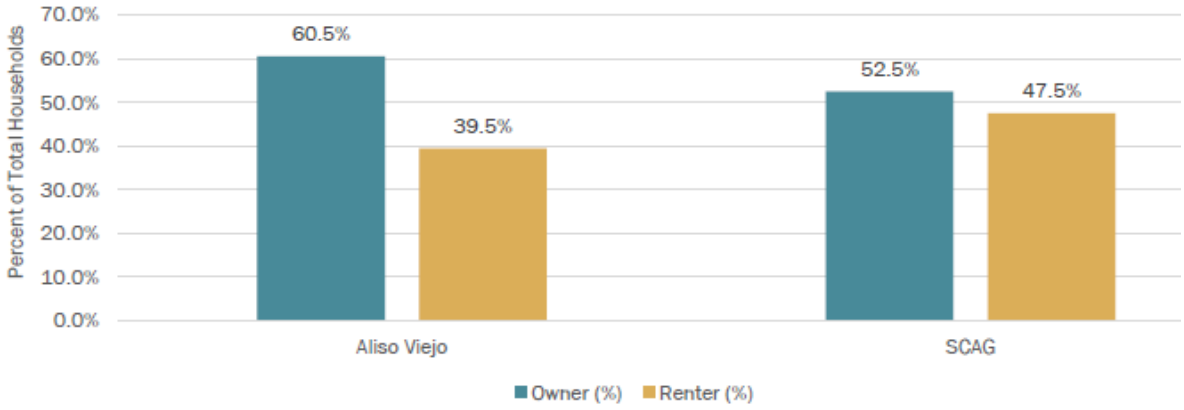
American Community Survey 2014-2018 5-year estimates.

HOUSING TENURE AND VACANCY

Housing tenure and vacancy rates are important indicators of the supply and cost of housing. Housing tenure refers to whether a unit is owned or rented. Vacancies are an important housing market indicator in that the vacancy rate often influences the cost of housing and reflects the match between housing demand and availability.

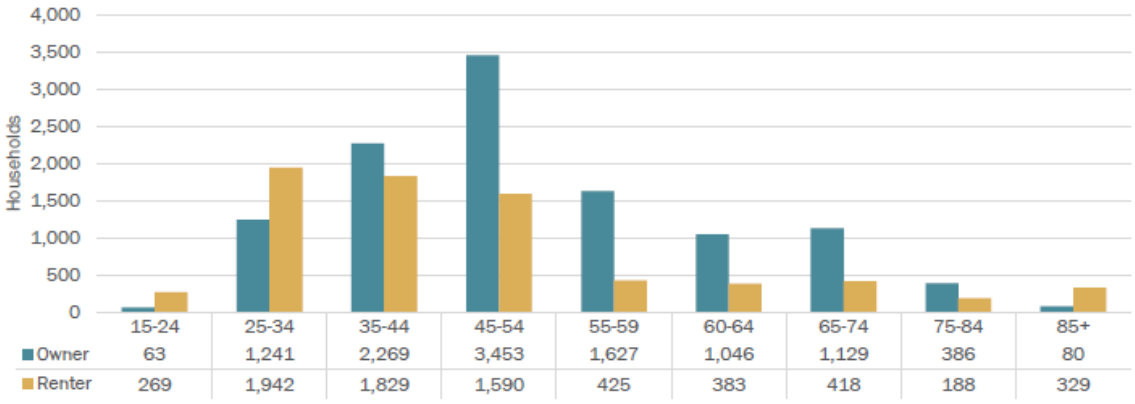
Recent Census estimates reported that about 61 percent of Aliso Viejo residents owned the units they occupied as compared to about 53 percent for the SCAG region as a whole (Table CP-17). Tenure varied by age, with the majority of Aliso Viejo residents between the ages of 35 and 84 owning their home (Table CP-18).

Table CP-17
Housing Tenure: Aliso Viejo and SCAG Region



American Community Survey 2014-2018 5-year estimates.

Table CP-18
Housing Tenure by Age Group

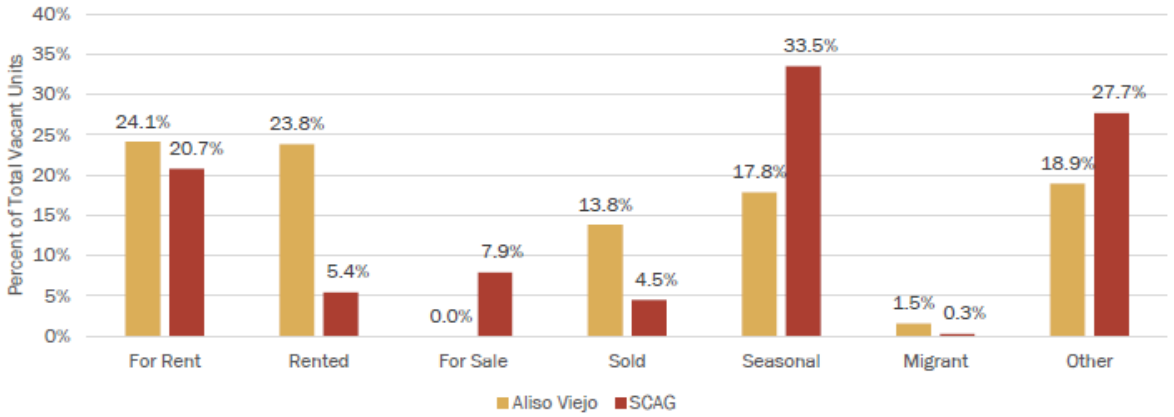


	15-24	25-34	35-44	45-54	55-59	60-64	65-74	75-84	85+
Owner	63	1,241	2,269	3,453	1,627	1,046	1,129	386	80
Renter	269	1,942	1,829	1,590	425	383	418	188	329

American Community Survey 2014-2018 5-year estimates.

A certain number of vacant units are needed to allow sufficient choice and mobilty for residents. Generally, a vacancy rate of 1.5 to 2 percent for ownership housing and 5 percent for rental housing is considered necessary to balance demand and supply for housing. Recent Census vacancy estimates are shown in Table CP-19.

Table CP-19
Vacant Units by Type



American Community Survey 2014-2018 5-year estimates.

HOUSING COSTS AND AFFORDABILITY

Housing Affordability Criteria

State law establishes five income categories for purposes of housing programs based on the area (i.e., county) median income ("AMI"): extremely-low (30% or less of AMI), very-low (31%-50% of AMI), low (51%-80% of AMI), moderate (81%-120% of AMI) and above moderate (over 120% of AMI). Housing affordability is based on the relationship between household income and housing expenses. According to HUD and the California Department of Housing and Community Development, housing is considered "affordable" if the monthly payment is no more than 30 percent of a household's gross income. In some areas, such as Orange County, these income limits may be increased to adjust for high housing costs.

Table CP-20 shows affordable rent levels and estimated affordable purchase prices for housing in Orange County (including Aliso Viejo)[4] by income category. Based on state-adopted standards, the maximum affordable monthly rent (including utilities) for 4-person extremely-low-income households is $1,009, while the maximum affordable rent for very-low-income households is $1,681. The maximum affordable rent for low-income households is $2,689, while the maximum for moderate-income households is $3,201.

Maximum purchase prices are more difficult to determine due to variations in mortgage interest rates, qualifying procedures, down payments, special tax assessments, homeowner association fees, property insurance rates, etc. With this caveat, the maximum home

[4] Affordable rent and purchase prices are based on county median income.

purchase prices by income category shown in Table CP-20 have been estimated based on typical conditions.

Table CP-20
Affordable Housing Costs – Orange County

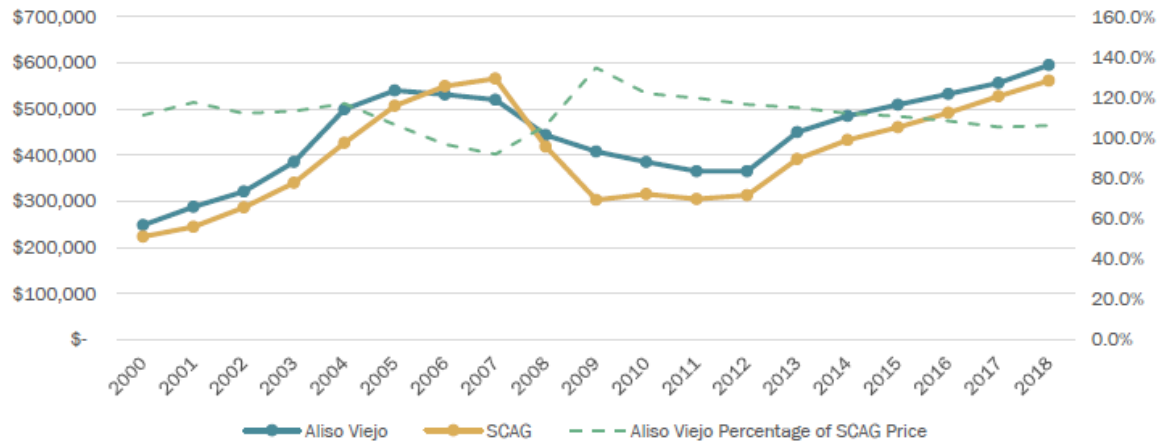
Income Category	Maximum Income	Affordable Rent	Affordable Price (est.)
Extremely Low	$40,350	$1,009	*
Very Low	$67,250	$1,681	*
Low	$107,550	$2,689	*
Moderate	$128,050	$3,201	$500,000
Above moderate	Over $128,050	Over $3,201	Over $500,000

Assumptions: Based on a family of 4 and 2021 State income limits; 30% of gross income for rent or principal, interest, taxes & insurance; 5% down payment, 4% interest, 1.25% taxes & insurance, $350 HOA dues
Notes:
*For-sale affordable housing is typically at the moderate income level
Source: Cal. HCD; JHD Planning LLC

For-Sale Housing

Sales price statistics for existing homes during 2000-2018 are shown in Table CP-21. Based on the estimated affordable purchase prices shown in Table CP-20 above, the majority of homes in Aliso Viejo are only affordable for above-moderate income households. These data illustrate that public subsidies are generally required to reduce sales prices to a level that is affordable to lower-income buyers.

Table CP-21
Median Sales Price for Existing Homes: Aliso Viejo and SCAG Region



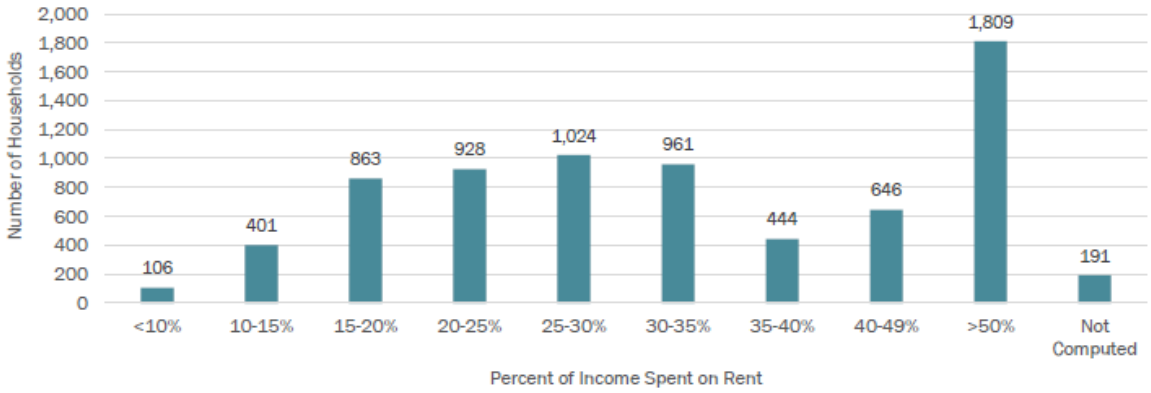
SCAG Local Profiles, Core Logic/Data Quick. SCAG median home sales price calculated as household-weighted average of county medians.

Rental Housing

As described previously in the discussion of income and overpayment, a substantial proportion of renters in Aliso Viejo fall within the lower-income categories. As a result,

trends in rental rates have a major impact on these residents. Among Aliso Viejo's renter households, about 52 percent spend 30 percent or more of gross income on housing cost, compared to 55 percent in the entire SCAG region. Additionally, about 25 percent spend 50 percent or more of gross income on housing cost, compared to 29 percent in the SCAG region (Table CP-22).

Table CP-22
Spending on Rent



AT RISK RENTAL HOUSING

Existing housing that receives governmental assistance is often an important source of affordable housing in many communities. This section identifies the publicly assisted rental housing in Aliso Viejo, and evaluates the potential to convert to market rates during the ten-year period 2021 to 2031.

Assisted Housing Inventory

Aliso Viejo has four assisted multi-family housing developments that provide 548 affordable housing units (Table CP-23). No lower-income rent-restricted units are at risk of converting to market-rate rents during the period of 2021 to 2031. As affordable housing opportunities are expanded in the future, the City will monitor the status, notify residents of potential conversion, and pursue options to preserve the units (Housing Program 8, *Conservation of Existing and Future Affordable Units*).

Table CP-23
Inventory of Assisted Rental Housing

Project Name	Assisted Units	Funding Source(s)	Earliest Date of Conversion	At Risk?
Vantis	20		2044	No
Woodpark Apartments	128	LIHTC	2050	No
Vintage Aliso	202	LIHTC	2072	No
Liberty at Aliso	198	LIHTC	2074	No
Total	**528**			

AFFIRMATIVELY FURTHERING FAIR HOUSING

The Fair Housing Act of 1968 requires HUD and its program participants to administer housing and urban development programs in a manner that does not discriminate directly or indirectly based on race, color, religion, sex, national origin, age, familial status, or disability. The Fair Housing Act not only prohibited discrimination in housing-related activities and transactions but also requires entities to affirmatively further fair housing.

The Analysis of Impediments (AI) to Fair Housing Choice is the primary policy document utilized by HUD grantees for this purpose. HUD encourages jurisdictions to consult with one another and initiate metropolitan-wide planning to address impediments to fair housing choice.

The Orange County AI was prepared as a collaborative effort between Aliso Viejo, Anaheim, Buena Park, Costa Mesa, Fountain Valley, Fullerton, Garden Grove, Huntington Beach, Irvine, Laguna Niguel, La Habra, Lake Forest, La Palma, Mission Viejo, Orange, Rancho San Margarita, San Clemente, San Juan Capistrano, Santa Ana, Tustin, Westminster, and the County of Orange. Although the AI addressed county-wide issues, there are also goals specific to each jurisdiction.

Orange County's AI is a thorough examination of structural barriers to fair housing choice and access to opportunity for members of historically marginalized groups protected from discrimination by the federal Fair Housing Act (FHA). The AI also outlines fair housing priorities and goals to overcome fair housing issues. In addition, the AI lays out meaningful strategies that can be implemented to achieve progress towards the County's obligation to affirmatively furthering fair housing. The Lawyers' Committee for Civil Rights Under Law (Lawyers' Committee), in consultation with Orange County jurisdictions and with input from a wide range of stakeholders through a community participation process, prepared the AI.

In addition to participation in the AI, the City has completed the following fair housing outreach and analysis.

Outreach

As discussed in the Housing Plan, the City held a total of two public meetings during the Housing Element update in an effort to include all segments of the community. Each meeting was publicized on the City's website and meeting notices were also sent to persons and organizations with expertise in affordable housing and supportive services. Interested parties had the opportunity to interact with City staff throughout the Housing Element update process and provide direct feedback regarding fair housing issues. In addition, as part of the public outreach efforts, an online survey was conducted regarding housing needs in the community, and the City promoted interest in the Housing Element update with a booth at the local farmers market.

The City also created a dedicated web page for the Housing Element update (https://avcity.org/371/Housing-Element) and provided opportunities for interested persons to participate remotely, which made it possible for those with disabilities limiting their travel to participate and comment on the Housing Element regardless of their ability to attend the meetings.

Assessment of Fair Housing

The following analysis examines geographic data regarding racial segregation, poverty, persons with disabilities, and areas of opportunity as identified by the TCAC/HCD Opportunity Areas map.

Racial segregation. As seen in Error! Reference source not found., the percentage of non-white population in the city is similar to the adjacent areas and does not indicate any patterns of racial/ethnic concentration in the city.

Poverty. Recent Census estimates regarding poverty status of households in Aliso Viejo are shown in **Figure CP-2**. As seen in this map, there are no concentrations of poverty and the poverty rate is less than 10% for all census tracts in the city.

Persons with disabilities. The incidence of disabilities is relatively low in Aliso Viejo compared to some areas of Southern California. As shown in Error! Reference source not found., the percentage of residents reporting a disability is less than 10% in the majority of the city, while the disability rate is 10% to 20% in some portions of the city.

Access to opportunity. According to the 2020 California Department of Housing and Community Development (HCD) and the California Tax Credit Allocation Committee (TCAC) Opportunity Area Map (**Figure CP-4**), most areas of Aliso Viejo are within designated "High Resource" or "Highest Resource" areas. High Resource areas are areas with high index scores for a variety of educational, environmental, and economic indicators. Some of the indicators identified by TCAC include high levels of employment and close proximity to jobs, access to effective educational opportunities for children and

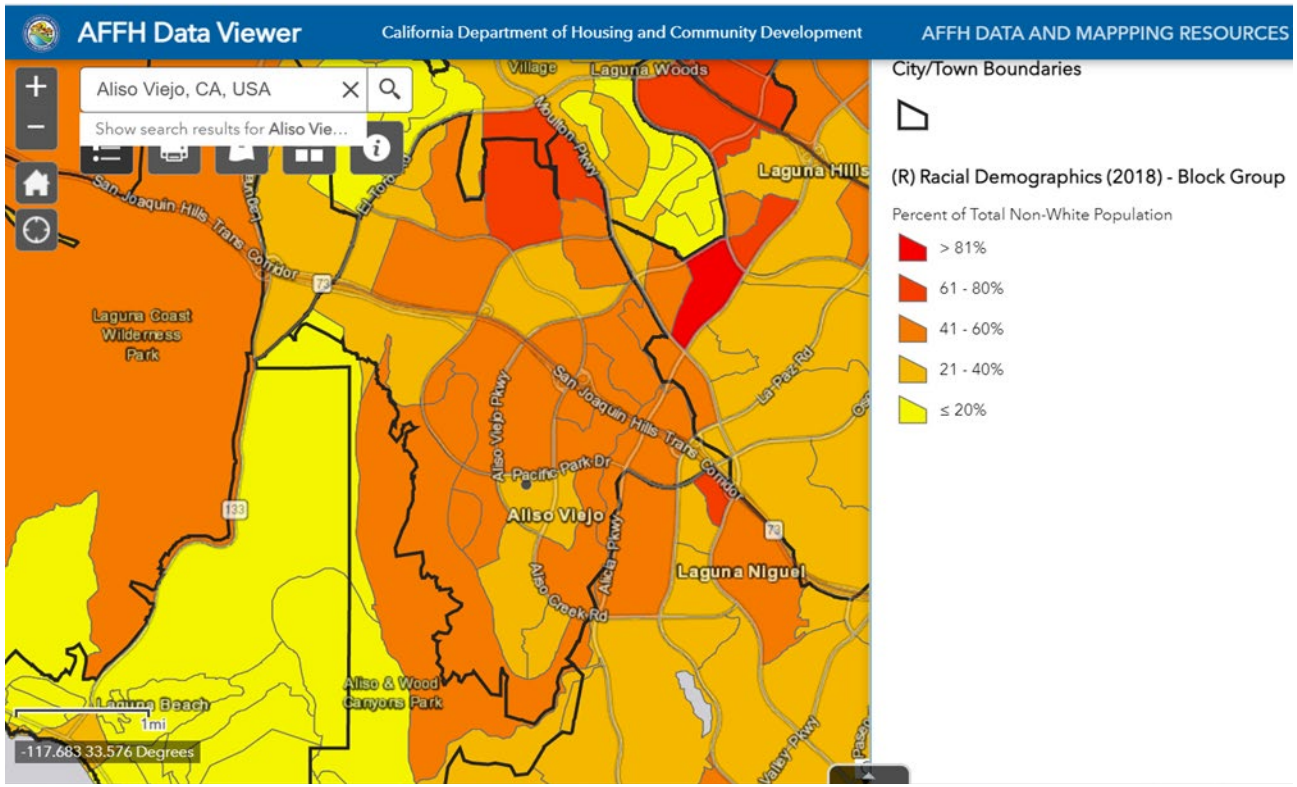
adults, low concentration of poverty, and low levels of environmental pollutants, among others.

Conclusion

This analysis shows that the primary barrier to fair housing in the city is high housing cost, which has the effect of limiting access by lower-income households to the high opportunities and resources available in Aliso Viejo. There is no evidence to suggest that discrimination against racial groups or persons with disabilities is a major issue.

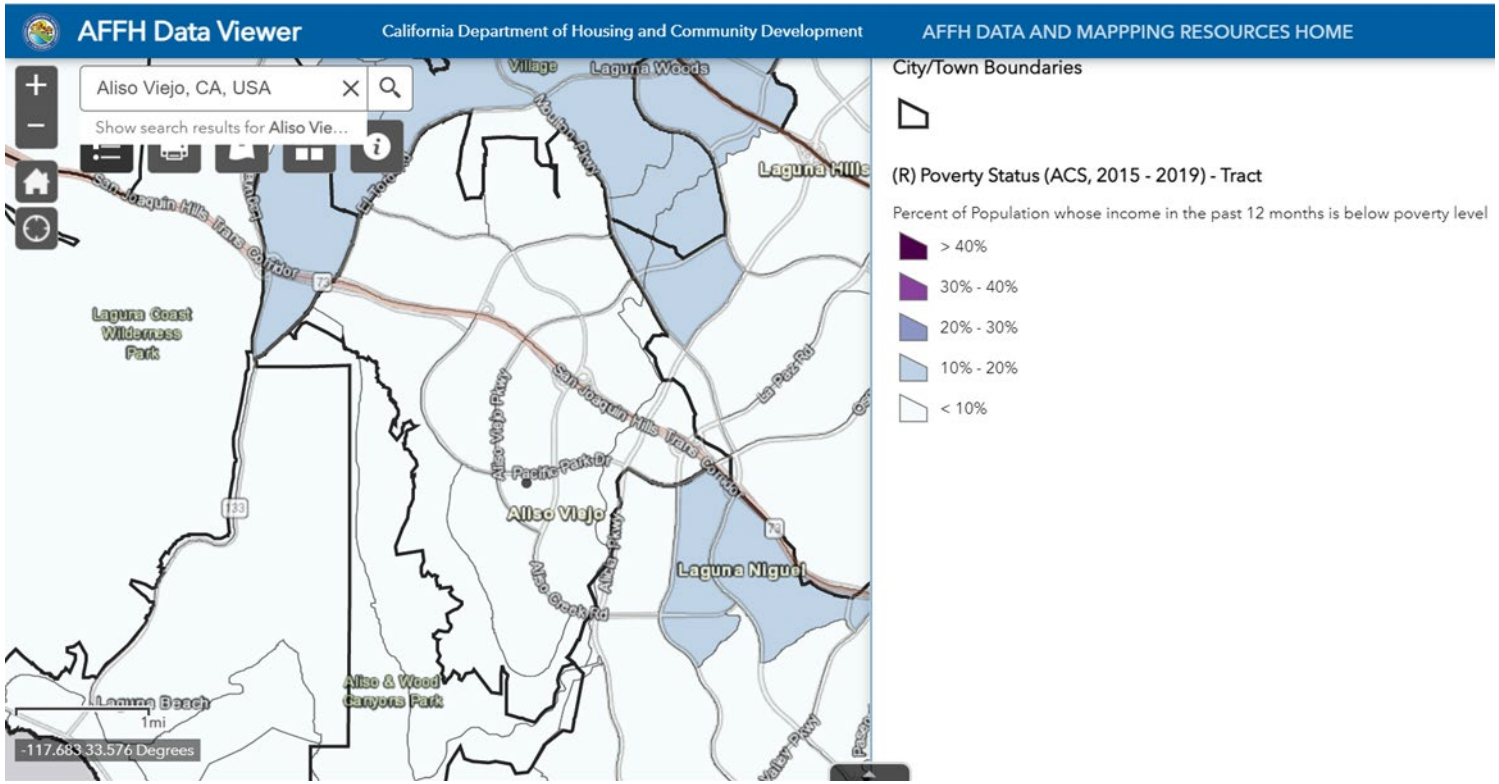
The Housing Plan includes several programs to encourage and facilitate affordable housing development, as well as the provision of accessory dwelling units, which can expand affordable housing opportunities for lower-income persons such as caregivers, household employees, and others working in service occupations. Program 11 describes actions the City will take to affirmatively further fair housing and address any issues of housing discrimination that may arise.

Figure CP-1
Racial Characteristics



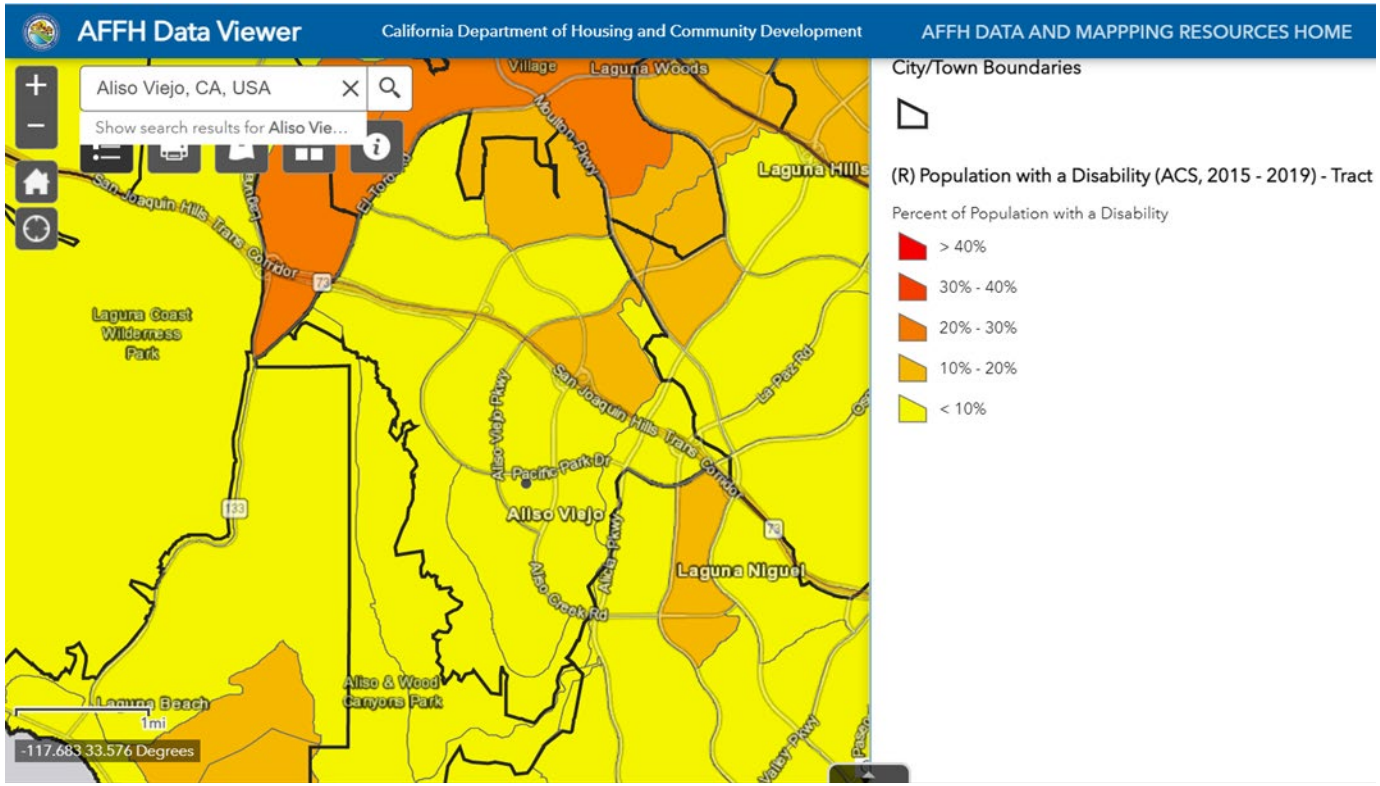
Source: California Department of Housing and Community Development, AFFH Data Viewer, 2021

Figure CP-2
Poverty Status



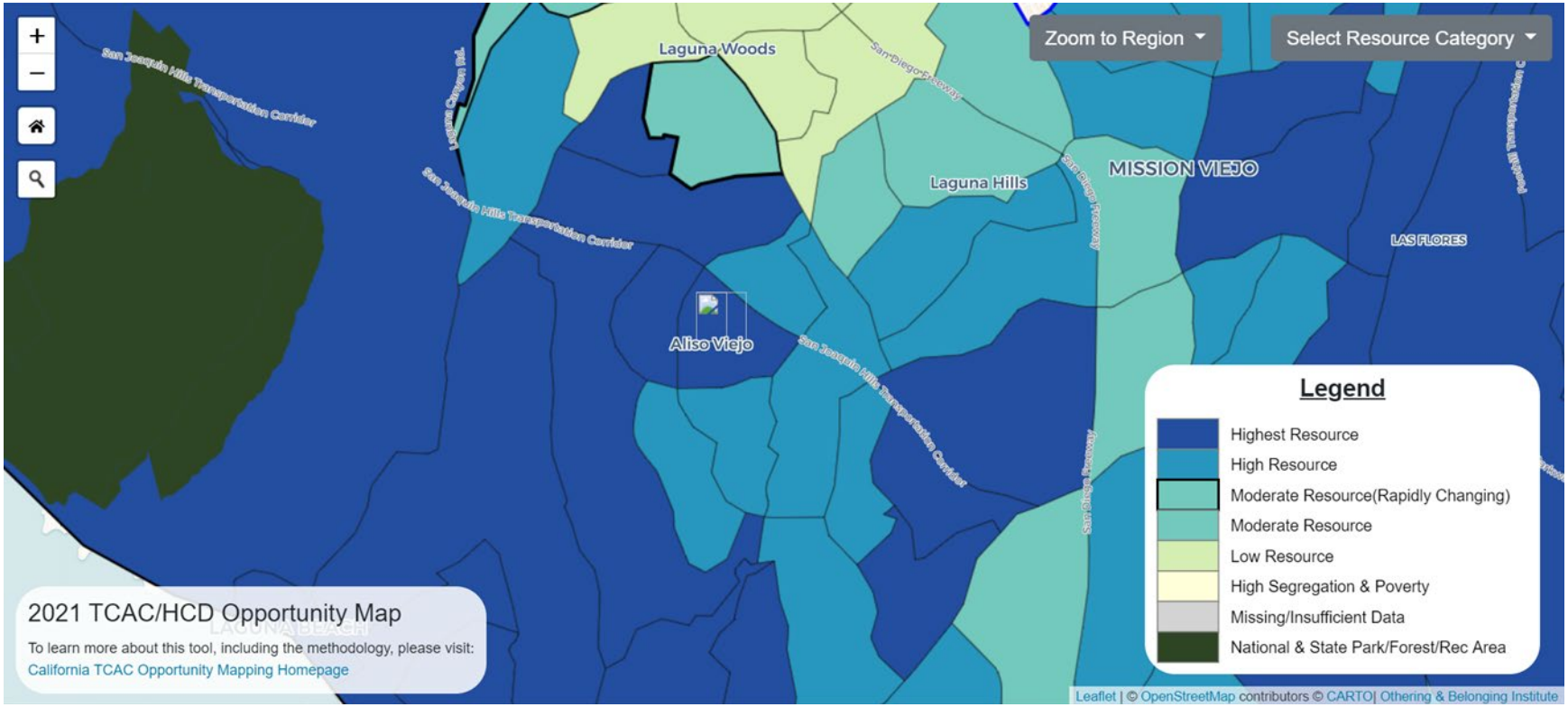
Source: California Department of Housing and Community Development, AFFH Data Viewer, 2021

Figure CP-3
Disabilities



Source: California Department of Housing and Community Development, AFFH Data Viewer, 2021

Figure CP-4
TCAC/HCD Opportunity Map



RESOURCES AND OPPORTUNITIES

This section analyzes the resources and opportunities available for the development, rehabilitation, and preservation of housing in Aliso Viejo. This analysis includes an evaluation of the availability of land resources for future housing development, financial resources available to support housing activities, administrative resources available to assist in implementing the housing programs, and opportunities for energy conservation.

NEW HOUSING NEEDS

In March 2021 the Southern California Association of Governments (SCAG) adopted the 2021 -2029 Regional Housing Needs Assessment (RHNA) Plan, which assigns a share of the region's future housing need to each jurisdiction in the region. State law requires each community to demonstrate that it has sufficient land with appropriate zoning and development standards to accommodate its assigned housing need. Prior to the City's incorporation in 2001, residential development was subject to the Orange County Inclusionary Zoning requirements. These requirements stipulated that 25 percent of all units developed in the Aliso Viejo Planned Community would be affordable to low- and moderate-income residents for a period of five years. With 5,823 affordable units developed (2,528 low-income and 3,295 moderate-income units - well above the 25 percent requirement), the County certified the community's compliance with its inclusionary requirements on July 6, 2001.

For the 2021 through 2029 RHNA projection period, the City has been allocated a new housing need of 1,195 dwelling units, distributed by income category as shown in Table CP-24. It should be noted that SCAG did not include the extremely-low-income category when the RHNA was prepared. The need in the extremely-low-income need has been estimated to be half of the very-low category as allowed by state law.

Table CP-24
Regional Housing Needs 2021-2029 – Aliso Viejo

Very Low*	Low	Moderate	Above Moderate	Total
390	214	205	386	1,195

Source: SCAG 2021.
*Includes assumption of 195 extremely-low-income units

RESIDENTIAL SITES INVENTORY

State law requires cities to identify adequate sites with appropriate zoning to accommodate the growth need for the planning period. Table CP-25 lists sites in the city with land use

designations that allow additional residential development based on current zoning designations.

Table CP-25 shows that there are currently insufficient residential sites to accommodate the City's RHNA allocation for all income categories. To accommodate this shortfall, the Housing Element includes Program 1, *Adequate Sites for New Housing* to amend General Plan and zoning designations for sufficient sites to be selected from the sites listed in Table CP-26 to accommodate the RHNA allocation. Maps showing these candidate sites are provided in Attachment C-1.

FINANCIAL RESOURCES

Affordable Housing In-Lieu Fees

The City allows developers to pay fees in lieu of providing affordable units with the fees deposited to a housing fund.

Low Income Housing Tax Credits (LIHTC)

Created by the 1986 Tax Reform Act, the LIHTC program has been used in combination with other resources to encourage the construction and rehabilitation of rental housing for lower-income households. The program allows investors an annual tax credit over a ten-year period, provided that the housing meets minimum low-income occupancy requirements. The tax credit is typically sold to large investors at a syndication value.

Housing Choice Voucher (Section 8) Program

The Housing Choice Voucher (Section 8) program is a federal program that provides rental assistance to very-low-income persons in need of affordable housing. This program offers a voucher that pays the difference between the fair market rent and 30 percent of their income. The voucher allows a tenant to choose housing that may cost above the payment standard, but the tenant must pay the extra cost. The Orange County Housing Authority (OCHA) administers the Section 8 Voucher Program for Aliso Viejo. As of 2021, approximately 131 households in Aliso Viejo were receiving vouchers.

Table CP-25
Residential Land Inventory

Site	General Plan	Zoning	Acreage	Density	Units by Income Category				Total Units
					VL	Low	Mod	Above Mod	
The Commons at Aliso Viejo Town Center – Towers Planning Area	CBO – The Commons at AV Town Center	SP No. 2 - Commons	4.1	34.1 units/ acre	7*	14	119	0	140
Potential ADUs					10	17	12	1	40
Totals			**4.1**		**17**	**31**	**131**	**1**	**180**
Housing Need 2021-2029					**360**	**214**	**205**	**386**	**1,195**
Adequate Sites? (Shortfall)					**(343)**	**(183)**	**(74)**	**(385)**	**(1,015)**

Notes:
* Deed-restricted units

Table CP-26
Candidate Parcels for Rezoning

Site	Existing General Plan	Existing Zoning	Existing Uses	Acreage	Potential Units
1 Columbia	Business Park	BP-2	Office	2	60-100
41 Columbia	Business Park	BP-2	Office	2	60-100
35 Journey	Business Park	BP-1	Office	2	60-100
26800-26880 AV Pkwy	Business Park	BP-1	Office	7	210-350
The Commons	High Density Residential/ Community Commercial	SP-2	Parking lot	21	630-1,050
AVTC Gateway	Community Commercial	CT	Parking lot	6	300
TOTALS				**40**	**1,320-2,000**

OPPORTUNITIES FOR ENERGY CONSERVATION

Utility-related costs can directly impact affordability of housing in Aliso Viejo. By promoting and expanding opportunities for energy conservation, the City can indirectly alleviate housing cost burden and improve housing affordability in the community. Opportunities for energy conservation in Aliso Viejo include continued implementation of State Title 24 building construction standards, complying with Energy Star conservation standards, and considering appropriate building orientation and landscaping during the development/design review process through implementation of the Zoning Ordinance. The City requires a minimum of 50 percent of the landscaping to be drought tolerant in new development within Aliso Viejo.

In addition to the numerous environmental benefits discussed in the Conservation/Open Space Element, energy conservation measures implemented by the City can significantly reduce the cost of utilities to community households, thereby reducing housing cost burden and improving overall housing affordability in Aliso Viejo. In 2014 the City adopted a Green Building Program that offers incentives such as expedited processing and/or fee waivers when project proponents agree to incorporate environmentally sensitive sustainable and energy efficient construction techniques into their projects. The City currently offers a 25% permit fee waiver for residential solar thermal system installation. Daytime interior lighting costs can be significantly reduced or eliminated with the use of properly designed and located skylights, which can be easily installed at reasonable expense in existing houses, thereby substantially reducing electricity costs and energy consumption. Solar energy is a practical, cost effective, and environmentally sound way to heat and cool a home.

CONSTRAINTS ANALYSIS

Aliso Viejo strives to provide a variety of housing opportunities for current and future residents. However, a variety of factors can constrain the development, maintenance, and improvement of housing. These include market mechanisms, government codes, and physical and environmental constraints. This section addresses these potential constraints that affect the supply and affordability of housing in Aliso Viejo.

MARKET CONSTRAINTS

Land costs, construction costs, and market financing contribute to the cost of housing reinvestment, and can potentially hinder the production of new housing. Although many constraints are driven by market conditions, jurisdictions may have some leverage in instituting policies and programs to address such constraints. The section below analyzes these market constraints as well as the activities that the City undertakes to mitigate their effects.

Development Costs

Construction costs vary widely according to the type of development, with multi-family housing generally less expensive to construct than single-family homes. However, wide variation within each construction type exists depending on the size of the unit and the number and quality of amenities provided, such as fireplaces, swimming pools, and interior features among others. The City has no influence over materials and labor costs, and the building codes and development standards in Aliso Viejo are not substantially different than most other cities in Orange County. Construction costs for materials and labor have increased at a higher pace than the general rate of inflation. In addition, as the supply of buildable vacant land is exhausted, housing development must occur on underutilized land, adding the expense of demolition to the total cost of development.

Cities have little control over materials and labor costs; however, Housing Programs 1, *Adequate Sites for Affordable Housing* can reduce the cost of development for projects by assuming the cost of amending the General Plan and Zoning designations to allow for additional residential development. Furthermore, as described in Housing Program 2, *Facilitate the Provision of Affordable Housing*, assistance to non-profit developers of affordable developments can also offset the cost of development.

Land Costs

The cost of raw land typically accounts for a large share of total housing production costs. Land costs may vary depending on whether the site is vacant or has an existing use that

must be removed. Similarly, site constraints such as environmental issues (e.g., steep slopes, soil stability, seismic hazards, or flooding) can be a factor driving up the cost of developable land.

Prices also vary depending on density, proximity to the coast and neighborhood characteristics. Recent asking prices for developable land in Aliso Viejo have been in excess of $1 million per acre. Higher density reduces per-unit land costs. Aliso Viejo is a relatively high-density community in comparison to other cities in southern Orange County, and as noted previously, approximately 65 percent of the housing stock is attached housing, either condo or apartments. Therefore, although the price of land is expected to comprise a significant portion of the cost of housing, the City's zoning regulations allowing densities up to 50 units per acre serves to ameliorate this factor.

Cost and Availability of Financing

Aliso Viejo is typical of Southern California communities with regard to the availability of home financing and interest rates. In recent years, mortgage interest rates have been very low by historic standards, resulting in increased affordability for home purchasers with good credit.

GOVERNMENTAL CONSTRAINTS

Local policies and regulations can impact the price and availability of housing and, in particular, the provision of affordable housing. Land use controls, site improvement requirements, fees and exactions, permit processing procedures, and other factors may constrain the maintenance, development, and improvement of housing.

Land Use Controls

Nearly all of the land in Aliso Viejo has either been developed or is permanently preserved for open space or recreation. The City was designed as a balanced planned community and the Land Use Element designates approximately 1,500 acres, or 40 percent of the City's land area, for a wide variety of residential uses to ensure adequate housing opportunity for its residents. The distribution of residential uses specified in the Land Use Element is depicted on the Land Use Policy Map and includes:

- Very Low Density Residential (VLDR) – maximum 5 units per acre
- Low Density Residential (LDR) – maximum 8 units per acre
- Medium Density (MDR) – maximum 18 units per acre
- High Density (HDR) – maximum 30 units per acre
- Very High Density Residential (VHDR) – up to 50 units per acre

VLDR and LDR uses account for 45 percent of all residential uses in Aliso Viejo, while MDR constituted 33 percent. HDR uses are 20 percent of the overall residential mix and the remaining 2 percent is comprised of VHDR uses.

Residential Development Standards

Most of Aliso Viejo is built out and the community has very few opportunities for new development. The City is comprised of portions of two master-planned communities: Aliso Viejo Planned Community and the Rossmoor Leisure World Planned Community. The area in northern Aliso Viejo that was part of the Rossmoor Leisure World Planned Community represents a small percentage of the City's land. There are no opportunities for new development in this area and the potential for redevelopment is low as existing uses are in good condition. There are limited opportunities for new development and redevelopment in the remaining portions of the City that were part of the Aliso Viejo Planned Community.

The portion of the city within the Aliso Viejo Planned Community (PC) was originally regulated by the Aliso Viejo Planned Community Development Plan and Supplemental Text, approved by the County of Orange prior to the City's incorporation in 2001. Upon incorporation, the City adopted the existing County PC regulations. In 2008 the City adopted a new Zoning Code that superseded the original PC regulations and established development standards for residential land uses. Effective February 19, 2010 the residential development standards were amended, as summarized in Table CP-27. The purpose and density of each residential district is as follows:

- RL Residential - Low Density District. To provide for the development and preservation of low-density neighborhoods with single-family detached or attached residences and condominiums. Maximum density is 8 units per gross acre.
- RM Residential - Medium Density District. To provide for the development and preservation of medium-density neighborhoods containing detached and attached single-family homes on smaller lots, duplexes, townhomes, apartments, and condominiums. Each project will have ample common open space and recreation facilities. Maximum density is 18 units per gross acre.
- RH Residential - High Density District. To provide for the development and preservation of high-density neighborhoods consisting primarily of attached and multiple dwelling units such as townhomes, apartments, condominiums, and senior housing. Each project will have ample common open space and recreation facilities. Maximum density is 30 units per gross acre.
- RVH Residential - Very High Density District. To provide for the development and preservation of very-high-density neighborhoods consisting primarily of multiple dwelling units such as apartments, condominiums, and senior housing. Each project will have ample common open space and recreation facilities. Maximum density is 50 units per gross acre.

- PRD Planned Residential Development Overlay District. This is an overlay district which is to be combined with one of the residential base districts described above. The PRD overlay district provides for the development and preservation of planned unit developments with attached homes, detached homes, or a mixture of both. Each project will have ample common open space and recreation facilities. Setbacks and other development standards are to be tailored specifically to each project.

Table CP-27
Residential Development Standards

	RL		RM	RH	RVH	PRD [c]
	Single-Family Detached	Single-Family Attached				
Height and Area Standards						
Maximum structure height [a]	35 feet, maximum 2 stories (lofts do not count as a separate story)		35 feet	45 feet	65 feet	Same as base district
Building site area, min. (sq/ft)	3,000		5,000	5,000	5,000	
Building site coverage for entire project at initial development	No maximum		60%	60%	60%	
Min. Common Open Area (in addition to boundary landscaping), subject to sec. 15.14.120	n/a		25%	25%	25%	
Minimum Building Setbacks [b]						
Front	10 feet	10 feet	For single-family detached and attached: same setbacks as RL; otherwise, n/a	n/a	n/a	As approved for each project
Side	10 ft. for one side only; or 10 ft. aggregate for both sides	0 ft. on attached side; 10 ft. on open side				
Rear	10 feet	10 feet				
Minimum Perimeter Setback	n/a	n/a	20 feet	20 feet	20 feet [d]	20 feet [d]
Landscaping						
Minimum Boundary Landscaping, subject to sec. 15.14.120	n/a	n/a	For multifamily, 15 feet min., 20 feet min. avg.			
Minimum Parking Lot Landscaping	n/a		Min. 4% of parking lots serving 10 or more cars shall be landscaped in addition to boundary landscaping.			
Drought Tolerance	n/a		Min. 50% of landscaping must be drought tolerant.			

Source: Aliso Viejo Zoning Code, 2013

a See Chapter 15.30 for additional provisions regarding height limits.

b Setbacks are measured from ultimate street right-of-way line. Also, setbacks are subject to the provisions of sec. 15.14.040 (Encroachments into Setbacks).

c The PRD standards shown are for projects approved after the effective date of this Code. For projects approved prior to the effective date of this Code, setbacks and other development standards shall be as established by the buildings as they exist on the effective date of this Code.

d All min. perimeter setbacks shall be increased 1 foot for every foot in height above 35 feet

Parking Standards

Overly stringent parking standards may pose a constraint to housing development and reduce the viability of potential affordable housing projects by reducing the number of

units that can be built. The City's parking standards are contained in Chapter 15.50 of the Zoning Code and are shown in Table CP-28 below.

Table CP-28
Parking Requirements by Use

Land Use	Minimum Off-Street Parking Requirement	Additional Requirements
Single family detached and single family attached	2 spaces per unit in a garage plus 1 space for any second dwelling unit (which may be a tandem driveway space, subject to §15.14.080)	Plus 0.5 off-street guest spaces per unit if there is no on-street parking in front of the units. Each garage space shall have minimum unobstructed interior dimensions of 10 ft. x 20 ft.
Multifamily dwellings, townhomes	2 spaces per unit in a garage	
Multifamily dwellings, apartments (either rental or condominium): Studio: 1 bedroom: 2 bedrooms or more bedrooms:	 1 covered space per unit 1.2 covered spaces per unit 2 covered spaces per unit	Plus 0.5 guest spaces per unit, with parking distributed so that all units are within 150 feet of the resident's assigned or reasonably available parking space and within 150 feet of the nearest designated guest space.
Affordable housing (Ch. 15.58): Studio to 1 bedroom: 2-3 bedrooms: 4 or more bedrooms:	 1 space per unit 2 spaces per unit 2.5 spaces per unit	Spaces may be tandem or uncovered.
Live/work and other mixed use developments	2 spaces per unit in a garage plus the spaces required for the nonresidential uses per this chapter; or as required in applicable specific plan	Each garage space shall have minimum unobstructed interior dimensions of 10 ft. x 20 ft.
Mobilehome parks	2 covered spaces per unit, which may be in tandem, plus 0.5 guest spaces per unit	
Single-room occupancy housing	1 space per dwelling unit	
Boarding or rooming houses	1 space per sleeping room	
Managed care: assisted living, congregate care facilities, and other senior group housing (age restricted)	1 space per dwelling unit; or 0.5 spaces per bed in dormitory housing	If the number of beds is uncertain at the time of City review, the requirement shall be 0.5 spaces per each 100 sq/ft of sleeping area
Managed care: convalescent homes	0.5 spaces per bed	
Homeless and emergency shelters	0.3 spaces per bed	If the number of beds is uncertain at the time of City review, the requirement shall be 0.3 spaces per each 100 sq/ft of sleeping area
Transitional and supportive housing	1 space per dwelling unit; or 0.3 spaces per bed in dormitory housing	
Alcoholism or drug abuse recovery facilities and residential care facilities; all for 6 or fewer persons	As required for the single family or multifamily dwelling unit in which the facility is located	

Condominium Conversions

Chapter 15.54 of the Zoning Code addresses the conversion of affordable units to ownership (condominium) units. The chapter includes a variety of provisions that are intended to preserve affordable housing opportunities, create additional affordable housing, and ensure that any housing stock that may be approved for an ownership opportunity be evaluated for compliance with construction and housing codes to ensure that the units are safe, sanitary, and livable. Primary features of the chapter include a requirement of an apartment vacancy rate of more than 5 percent unless mitigating

circumstances are found by the City Council. The chapter also requires that 15 percent of converted units be affordable to very-low- and low-income households, as well as a requirement to provide tenant relocation assistance. All affordable units are required to be sold with an affordability covenant that restricts the sale of the unit to a low-income or very-low-income buyer in accordance with the terms set forth in Subchapter 2 of Chapter 6.5 of Division 1 of Title 25 of the *California Code of Regulations*.

Affordable Housing Incentives

Chapter 15.58 of the Zoning Code contains regulations and procedures for approval of a density bonus as well as additional incentives for affordable or senior housing. AB 2345 of 2019 amended State law to revise density bonus incentives that are available for affordable housing developments. Program 2 is included in the Housing Plan to update the City's density bonus regulations in conformance with State law.

Accessory Dwelling Units

Section 15.14.080 of the Zoning Code contains regulations and procedures for approval of accessory residential units (ADUs) and junior accessory dwelling units (JADUs). This section of the Code is consistent with current State law.

Provision for a Variety of Housing

A balanced community must offer a range of housing options for all economic segments of the population. This includes single-family housing, multi-family housing, factory-built or manufactured housing, mobile homes, reasonable accommodation in housing for persons with disabilities or special needs, emergency shelters, and transitional housing among others. Permitted residential land uses are summarized in Table CP-29.

Table CP-29
Permitted Residential Land Uses by District

Residential Uses	RL Low Density Residential	RM Med. Density Residential	RH High Density Residential	RVH Very High Density Res.
Single-family dwellings, detached	P	P	NP	NP
Single-family dwellings, attached	P	P	P	P
Multifamily dwellings	NP	P	P	P
Single-room occupancy housing	NP	P	P	P
Boarding and rooming houses	NP	C	C	C
Individual manufactured homes including mobilehomes on single family lots, subject to sec. 15.14.100	P	P	NP	NP
Mobilehome parks and developments, subject to sec. 15.14.100	C	C	C	C
Alcohol or drug abuse recovery or treatment facilities that are licensed by the State for up to six persons	P	P	NP	NP
Homeless and emergency shelters[1]	NP	C	C	C
Transitional and supportive housing	P	P	P	P
Accessory dwelling units subject to AVMC Sec. 15.14.080	A	A	NP	NP
Guest houses, subject to AVMC Sec. 15.14.090	A	A	NP	NP

P=permitted C=conditionally permitted A=accessory use NP=not permitted
1. Emergency shelters are permitted in the BP-1 and BP-2 zones by-right

Multi-Family Units: Multi-family residential is a permitted use with a Site Development Permit for the site and architectural design in the RM, RH, and RVH zoning districts (Table CP-27), although most of the land within these areas has already been built out. Future multi-family development can be achieved on the few remaining vacant properties with a change of zoning and general plan designation.

Manufactured Housing: Manufactured housing offers an affordable homeownership option to many low- and moderate-income households. In accordance with State law, the City of Aliso Viejo allows individual manufactured housing by right in the RL and RM residential zones providing these units are built to meet the California Building Code in accordance with applicable factory-built regulations.

Residential Care Facilities: Residential care facilities can be described as any family home, group care facility, or similar facility for 24-hour non-medical care of persons in need of personal services, supervision, or assistance essential for sustaining the activities of daily living. The Zoning Ordinance includes definitions for residential care facilities but does not identify any zones where such facilities are permitted. The Zoning Ordinance defines "Health facilities" as "a facility, place or building that is organized, maintained, and operated for the diagnosis, care, prevention, and treatment of human illness, physical or mental, including convalescence and rehabilitation and including care during and after pregnancy, or for any one or more of these purposes, for one or more persons, to which the persons are admitted for a 24-hour stay or longer" consistent with California Health and Safety Code Section 1250. Health facilities are allowed subject to a CUP in the Professional Office and Business Park-1 districts.

Housing for Persons with Disabilities: Both the Fair Housing Act and the California Fair Employment and Housing Act require local governments to make reasonable accommodation (i.e., modifications or exceptions) in their zoning laws and other land use regulations when such accommodations may be necessary to afford persons with disabilities an equal opportunity to use and enjoy a dwelling. For example, it may be a reasonable accommodation to waive a setback requirement so that a paved path of travel can be provided to residents who have mobility impairments. A similar waiver might not be required for a different type of group home where residents are not physically disabled. Whether a particular modification is reasonable depends on the facts, and must be decided on a case-by-case basis. The Zoning Code includes procedures for ensuring reasonable accommodation, including timeframes for decision making, and provision for relief from various land use, zoning, or building regulations that may constrain the housing for persons with disabilities.

Emergency Shelters and Transitional/Supportive Housing: Emergency shelters can be defined as charitable or public service facilities that provide temporary 24-hour shelter services to the homeless. The Zoning Ordinance allows emergency shelters by-right in the Business Park 1 and 2 districts. The BP districts encompass approximately 240 acres conveniently located with access to transit and services. The BP-1 district is designed to permit a variety of uses including community facilities and limited service and retail offices. Approximately twelve developed parcels with vacant or underutilized space that could accommodate emergency shelters are located within the BP districts.

In 2019 the State Legislature adopted AB 101 establishing requirements related to local regulation of low barrier navigation centers, which are defined as "Housing first, low-barrier, service-enriched shelters focused on moving people into permanent housing that provides temporary living facilities while case managers connect individuals experiencing homelessness to income, public benefits, health services, shelter, and housing." Low Barrier means best practices to reduce barriers to entry, and may include, but is not limited to:

(1) The presence of partners if it is not a population-specific site, such as for survivors of domestic violence or sexual assault, women, or youth

(2) Accommodation of residents' pets

(3) The storage of possessions

(4) Privacy, such as partitions around beds in a dormitory setting or in larger rooms containing more than two beds, or private rooms

Low barrier navigation centers meeting specified standards must be allowed by-right in areas zoned for mixed use and in nonresidential zones permitting multi-family uses. Program 10 is included in the Housing Plan to update City regulations consistent with State law.

Transitional housing is a type of rental housing used to facilitate the movement of homeless individuals and families to permanent housing. Transitional housing may include case management and support services to return people to independent living as soon as possible, typically between 6-24 months. Supportive housing offers support services to residents who may have longer-term disabilities.

Transitional/supportive housing can take several forms, including group quarters with beds, single-family homes, and multifamily apartments. The Zoning Code specifies that Transitional / Supportive Housing is a residential use that is subject only to the same regulations that apply to other residential uses of the same type in the same zone in compliance with SB 2. In 2018 AB 2162 amended State law to require that supportive housing be a use by-right in zones where multi-family and mixed uses are permitted, including non-residential zones permitting multi-family uses, if the proposed housing development meets specified criteria. Program 10 is included in the Housing Plan to update City regulations consistent with State law.

Planning and Development Fees

Planning and development fees can increase the cost of housing and pose a constraint to the development of affordable housing projects (see Table CP-30). While fees affect the cost of housing, they are necessary for the City to continue providing essential planning and building services, and do not exceed the actual cost of providing these services. Actual processing costs reflect a 100 percent cost recovery system. The only development impact fees that have been collected in the City are for projects with a development agreement. A multi-family project with a site development permit does not require a development agreement unless the developer requests such agreement. As of 2021, the fees to develop a typical single-family unit within a development (example: 2,150-square-foot house with 504-square-foot garage) and multi-family unit (10,142-square-foot 7-plex with 3,190-square-foot garage) without a subdivision or development agreement are as follows:

Table CP-30
Planning and Development Fees

Permit Process	Single Family Development[1] (per unit)	Multifamily Development[2]
Planning: Site Development Permit	Site Development Permit: Cost Recoverable	Site Development Permit: Cost Recoverable
Building: Plan Check Fee	$2,091.84	$6,474.94/structure
Building: Permit Fee	$3,218.20	$9.961.46/structure
Building: Issuance	$82.40	$82.40/structure
Building: Mechanical	$399.11	$2,793.00/structure
Building: Plumbing	$267.00	$1,869.00/structure
Building: Electrical	$389.96	$2,201.36/structure
City General Plan:	$576.80	$2,415.43/structure
State Building Fees: Strong Motion Implementation Program	$53.56	$224.29/structure

Permit Process	Single Family Development[1] (per unit)	Multifamily Development[2]
Construction/Demolition Fee: Recoverable Deposit: Water Quality:	$211.83 (4% of valuation not to exceed $50,000) $16,480.00 $229.00	$180.00/structure (4% of valuation not to exceed $50,000) $50,000.00 $229.00
Scanning $1.00/page	($1.00/page) $200.00 est.	($1.00/page) $300.00 est.
State Building Fees: SB 1473	$17.00	$70.00/structure
State CASp Fee: AB 1379	$4.00	$4.00
Road Fees: San Joaquin Hill Transportation Corridor Agency	$5,893.00	($3,432.00/unit) $24,024.00
Road Fees: Coastal Area Road Improvements and Traffic Signals	$2,958.00	($2,367.00/unit) $16,569.00.00
Road Fees: Moulton Parkway	$609.00	($609.00/unit) $4,263.00
School Fees: Capistrano Unified School District (Paid at school)	($4.08 per square foot, with the exception of properties within a development that includes a Mello-Roos) $8,772.00	($4.08 per square foot, with the exception of properties within a development that includes a Mello-Roos.) $41,379.36
Impact Fees: Park, Open Space/Recreation, Water Connection, and Sewer Connection, Storm Drain	$0	$0
Est. Total Fees	**$42,452.70**	**$163,040.24 ($23,291.46 for each unit within the 7-plex)**
Total fees as percentage of building valuation	**10.3%**	**9.5%**

Notes:
1. Based on 2,150-square-foot living area with 504-square-foot garage (valuation $412,000.00)
2. Based on 7-plex, 10,142-square-foot living are with 3,190-square-foot garage (valuation $1,725,308.00)
Source: City of Aliso Viejo, 2021

In summary, planning and building fees represent approximately 10 percent of total development cost.

On- and Off-Site Improvements

City road standards vary by roadway designation as provided in Table CP-31.

Table CP-31
Road Improvement Standards

Roadway Designation	Number of Lanes	Right-of-Way Width	Curb-to Curb Width
Major Highway	6	120	102
Secondary Highway	4	80	64
Collector Street	2	64	40
Local Street	2	60	36
Cul-De-Sac Street	2	52-56	36-40

Source: City of Aliso Viejo General Plan - Circulation Element.

A local residential street requires a 60-foot right-of-way, with two 18-foot travel lanes. The City's road standards are typical for cities in Orange County and do not act as a constraint to housing development.

After the passage of Proposition 13 and its limitation on local governments' property tax revenues, cities and counties have faced increasing difficulty in providing public services and facilities to serve their residents. One of the main consequences of Proposition 13 has been the shift in funding of new infrastructure from general tax revenues to development impact fees and improvement requirements on land developers. As part of a Development Agreement, the City could require developers to provide on-site and off-site improvements necessary to serve their projects. Such improvements may include water, sewer and other utility extensions, street construction and traffic control device installation that are reasonably related to the project. Dedication of land or in-lieu fees may also be required of a project for rights-of-way, transit facilities, recreational facilities, and school sites, consistent with the Subdivision Map Act.

The City's Capital Improvement Program (CIP) contains a schedule of public improvements including streets, bridges, overpasses and other public works projects to facilitate the continued build-out of the City's General Plan. The CIP helps to ensure that construction of public improvements is coordinated with private development.

Although development fees and improvement requirements increase the cost of housing, cities have little choice in establishing such requirements due to the limitations on property taxes and other revenue sources needed to fund public services and improvements.

Development Permit Procedures

Development review and permitting procedures ensure that residential construction proceeds in an orderly manner. However, the time and cost of permit processing and review can be a constraint to housing development if they place an undue burden on the developer.

The process to obtain a development permit begins when a project proponent submits a project proposal to the City. For a typical single and multi-family project, a Site Development Permit is required. The purpose of an SDP for a residential project is to confirm that the physical design of the project is consistent with development standards and design guidelines set forth in the zoning regulations. Unlike a conditional use permit, the SDP process does not examine the appropriateness of the use itself. The Director of Planning Services has the discretion to administratively approve a Site Development Permit or forward it to the City Council. The typical length of time for a Site Development Permit approved by the Director is two months. If the Director forwards the application to City Council, the typical process is four months. Once the site development permit is approved, a Building Permit, which is ministerial, is required. The permitting process is as follows:

- Applicant submits three sets of a site plan, floor plans, and elevations to the Building department. Additionally, the Applicant submits a Building Permit application with the required fee based on the valuation of the project.
- The application is taken in for a plan check, which is completed within ten business days. If revisions are necessary, the plans and comments are routed back to the Applicant. Following receipt of the revisions, Staff has five business days to review.
- Once the plan check is complete, the building permit department is able to issue the permit. It is incumbent upon the applicant to call for inspections once construction commences.

Given the built-out character of the City, remaining development potential is fairly limited. The City does not have a backlog of development applications and is able to process applications in a timely manner. The City's development standards and Site Development Permit procedures provide clear, objective guidelines for developers and help to minimize the time required to obtain approval, which helps to reduce overall development cost. While current procedures do not pose unreasonable constraints, the City is currently developing permit tracking software to streamline the development review process.

Building Codes and Enforcement

The City has adopted the 2019 California Building Codes, which includes the California Building Code, California Residential Code, California Plumbing Code, California Mechanical Code, California Electric Code, California Fire Code, California Green Buildings Standards Code, California Energy Code, California Administrative Code, and the California Referenced Standards Code. While adding to the cost of residential development, enforcement of the California Building Code is necessary to safety of current and future residents of Aliso Viejo.

ENVIRONMENTAL, INFRASTRUCTURE, AND PUBLIC SERVICE CONSTRAINTS

Environmental factors and a lack of necessary infrastructure or public services can constrain residential development in a community by increasing costs and reducing the amount of land suitable for housing construction.

Environmental Constraints

Environmental constraints related to seismic activity, geology, or topography, potential for flooding, or other environmental issues can impact the cost associated with the maintenance, improvement, and development of housing. The Safety Element identifies

areas within the City subject to seismic, geologic, wildfire, and flooding hazards which may constrain residential development.

Seismic and Geologic Constraints: Earthquake shaking is largely caused by the release of seismic energy during periods of sudden displacement along a fault. Aliso Viejo is located in a relatively active seismic region of the State and may be subject to moderate or severe ground shaking at any time. Although no known fault traverses Aliso Viejo that could subject it to ground-rupture, the Inglewood-Newport fault, located northeast of the City could trigger landslides and liquefaction. Measures identified in the Safety Element are required to mitigate hazards associated with natural seismic and geologic conditions and result in added development costs and constrain residential development. Nevertheless, these measures are necessary to protect public safety.

Flooding: The Safety Policy Map (Figure S-1 in the Safety Element) outlines portions of the community that fall within a 100-year flood zone. Most of this area is located in the Aliso and Wood Canyons Wilderness Park and has been designated as Open Space in the Land Use Element. However, no land designated for residential uses is located within the floodplain.

Ecological and Biological Resources: Although much of Aliso Viejo is comprised of urbanized or disturbed areas that generally have low habitat value for wildlife, nearly 25 percent of the City's land area is set aside as open space, the majority of which is located within the Aliso and Wood Canyons Wilderness Park, a significant source of ecological and biological resources.

Extensive research and planning efforts conducted by the County of Orange and other jurisdictions prior to the City's incorporation have identified the locations of sensitive habitats and species. Aliso Viejo lies within the Coastal subregion of the Orange County Natural Community Conservation Plan and Habitat Conservation Plan (NCCP/HCP) area.

Several areas within Aliso and Wood Canyons Wilderness Park are designated as Non-Reserve Open Space within the NCCP/HCP, while a substantial area west of the City is designated as NCCP Habitat Reserve. Within the Habitat Reserve area, the NCCP/HCP restricts the kinds of permitted uses to protect long-term habitat values. Residential uses are prohibited, as are new active recreational uses outside already disturbed areas.

Infrastructure and Public Service Constraints

A lack of adequate infrastructure or public services and facilities to keep pace with the demands of new development can be a substantial constraint to residential development. This section looks at the City's domestic water, sewer and solid waste disposal systems to evaluate capacity to meet residential demands. SB 1087 of 2005 requires cities to provide a copy of their Housing Elements to local water and sewer providers, and also requires that these agencies provide priority hookups for developments with lower-income

housing. The Housing Element will be provided to these agencies immediately upon adoption.

Domestic Water: Potable water is imported by Metropolitan Water District of Southern California (MWD) and transferred to the Moulton Niguel and El Toro Water Districts, which serve Aliso Viejo. According to these Districts, existing piping and filtration infrastructure is adequate to serve future development within the City and the water supply is adequate at least until the year 2030. These districts are totally dependent on the MWD to meet water demands. According to the MWD's long-term water supply modeling, reliable supplies can be maintained until 2030 under conditions that have existed in prior dry periods.

The City will continue to work with the Moulton Niguel and El Toro Water Districts to implement the Urban Water Management Plans and ensure that adequate water supplies are available to meet the needs of existing and future growth. The City will review proposed development projects to ensure that approved projects do not degrade water pressure or reduce supplies available to the rest of the community. Those projects found to be subject to California State Water Code 10910-10915 will be required to undergo review by the applicable water purveyor to ensure adequate water supplies will be available.

In addition, the City will encourage water conservation through various methods. The City will comply with AB 1881 regarding water conservation in landscaping irrigation. The City will coordinate with the Aliso Viejo Community Association (AVCA) to ensure that landscaping, park maintenance and other services provided by the Association employ water conservation measures and use recycled water if available from water suppliers. City officials will continue collaboration with Transportation Corridor Agency (TCA) to achieve attractive, well-maintained low-water landscaping within the Transportation Corridor. The City will continue to expand and implement a plant palette consisting of native and xeriscape plant species to serve as a model for private landscaping projects. In addition to conserving water, new landscaping within the City will be required to consist of 50 percent low water native or xeriscape plant species as required by the General Plan. These requirements will be re-evaluated periodically and the percentage of low water plants will be increased over time. These measures will mitigate the potential constraint on residential development resulting from future availability of adequate water supplies and infrastructure.

Sewer Facilities: The Moulton Niguel and El Toro Water Districts operate sewer collection and transmission facilities within Aliso Viejo. According to the Districts, these facilities are well-maintained and will be able to service future growth within the City. Collected wastewater is transmitted to the Regional Wastewater Treatment Plant operated by the South Orange County Wastewater Authority (SOCWA). New development will be required to cooperate with the Moulton Niguel Water District or the El Toro Water District to ensure that the existing wastewater infrastructure can adequately serve the project. The

City will continue to cooperate with the South Orange County Wastewater Authority in efforts to provide adequate wastewater treatment services for Aliso Viejo. In addition, the City will continue to coordinate with the local water districts in their planning and maintenance of their wastewater collection facilities in the community to ensure adequate wastewater infrastructure for future residential development in Aliso Viejo.

Flood Control: The Orange County Flood Control District (OCFCD) is responsible for regional flood control facilities, while the City maintains local facilities that tie into OCFCD's regional system. Local drainage facilities consist mostly of underground closed conduits and storm drains located primarily in developed areas of the City. These facilities collect and convey storm water to regional facilities including the Laguna Canyon, Woods Canyon, and Aliso Creek Channels. The City will continue to coordinate with the OCFCD, which is responsible for maintenance and monitoring of regional flood control facilities.

Solid Waste: Solid waste generated in Aliso Viejo is collected by a private contractor and transmitted to various landfills operated by the Orange County Integrated Waste Management Department (IWMD). Although Aliso Viejo is nearly built out, the Orange County population continues to grow and so does its waste. IWMD is responsible for ensuring that waste is disposed of in a way that protects public health, safety, and the environment. To accomplish this objective, IWMD developed a Regional Landfill Options for Orange County (RELOC) Strategic Plan. The City will continue to cooperate with IWMD in efforts to maintain and expand its regional landfill facilities. The adequacy of regional landfills to handle future flows of solid waste generated in Aliso Viejo will not constrain future residential development in the City.

EVALUATION OF THE PRIOR HOUSING ELEMENT

Section 65588(a) of the *Government Code* requires that jurisdictions evaluate the effectiveness of the previous Housing Element, the appropriateness of goals, objectives and policies, and the progress in implementing programs for the previous planning period. This appendix contains a review the housing goals, policies, and programs of the previous housing element and evaluates the degree to which these programs have been implemented during the previous planning period, 2013 through 2021. The findings from this evaluation have been instrumental in determining the City's 2021-2029 Housing Implementation Program.

Table CP-32 compares the City's quantified objectives for the 5th planning period to accomplishments.

Table CP-32
Progress in Achieving Quantified Objectives 2013-2021

Program Category	Quantified Objective	Progress
New Construction		
Extremely Low	-	-
Very Low	7	83
Low	34	335
Moderate	199	386
Above Moderate	-	35
Total	**240**	**839**
Conservation (Sec. 8)		
Very Low Low Moderate Above Moderate	56	56
Total	**56**	**56**

Table CP-33 summarizes the programs contained in the previous Housing Element along with the program objectives and accomplishments.



Table CP-33
2013-2021 Housing Element Program Evaluation

Program	Objectives	Timeframe	Progress
1. Adequate Sites for Affordable Housing	1) The City will process amendments to the General Plan and zoning designations for sites located at 4 Liberty and 2C Liberty to accommodate at least 249 lower income housing units in compliance with Government Code Sec. 65583.2.h and Sec. 65583.2.i. 2) Staff will provide assistance to applicants during the design review process. 3) The City will facilitate affordable multi-family development on these sites by supporting funding applications, allocating funds from the Affordable Housing In-Lieu Monies, and / or approving modifications to development standards. 4) The City will report annually to the California Department of Housing and Community Development on its progress in implementing this program. 5) The City will monitor project approvals and comply with the no net loss requirements of Government Code Sec. 65863. No zoning amendment or project approval shall reduce the residential density than assumed in Table CP-23 of the Housing Element Community Profile	1) Within first year of the planning period (October 15, 2014) 2) Ongoing 3) Ongoing 4) By April 1 each year 5) Ongoing	1) On January 22 and February 5, 2014, the City processed amendments to the General Plan and zoning designations for sites located at 4 Liberty and 2C Liberty to accommodate at least 249 lower income housing units. 2) Staff provided assistance to the 2C Liberty site applicant during the design review process for the applicant's 2014 site development permit. Additionally, staff provided assistance to the 4 Liberty site applicant during the design review process for the applicant's 2015 site development permit. 3) On November 5, 2014, the City Council approved a 202-unit senior affordable project located at 2C Liberty. The approval included modifications/waivers to six (6) development standards. On October 7, 2015, the City Council approved a 200-unit senior affordable project located at 4 Liberty. The approval included modifications/waivers to six (6) development standards. 4) Following the March 17, 2021 public meeting, staff will submit this annual planning report to the California Department of Housing and Community Development. 5) The approval of the projects located at 2C Liberty for 202 units and 4 Liberty for 200 units exceeded the residential density at each site (144 units) assumed in Table CP-23 of the Housing Element Community Profile.

Program	Objectives	Timeframe	Progress
	unless the City makes written findings in accordance with Sec. 65863 (b).		
2. Affordable Housing In-Lieu Funds	1) The City will hire a qualified housing consultant to develop recommendations for the best use of the in-lieu funds, with the priority of extremely-low and very-low-income housing. 2) The City Council will make the funds available to qualified participants and could also be utilized to retain affordable status on units that may require City intervention and the associated administrative costs.	1) Within first year of the planning period (October 15, 2014) 2) Within two years after the adoption of the Housing Element (January 22, 2016)	1) On October 1, 2014, the City hired a qualified housing consultant, RSG, to develop recommendations for the best use of the in-lieu funds. 2) On February 4, 2015 the City Council considered and approved RSG's recommendations, and the funds became available to qualified applicants. 3) Per Resolution 2016-08 (approved February 17, 2016) the City provided Aliso Viejo 1776, LP., a $2,250,000 loan in lieu of providing 50 very-low income units at the 4 Liberty site
3. Homeownership Assistance Programs	Provide homebuyer assistance information to potential homeowners in Aliso Viejo.	Ongoing	As homebuyer assistance information becomes available from the County of Orange or non-profit agencies, staff does and will continue to make available the information on the City's website and at the public counter. Additionally, when one of the 58 affordable, owner-occupied units become available, an interest list of potential buyers is provided to the seller.
4. Section 8 Housing Choice Vouchers	The City will continue to promote the use of Section 8 Housing Choice Vouchers in Aliso Viejo with the objective of expanding assistance to very-low income households. Specifically, the City will make referrals to OCHA, advertise the program on the City website and in newsletters, and distribute information at the public counter at City Hall.	Ongoing	The City has and will continue to make referrals to the Orange County Housing Authority regarding Section 8 Housing Choice Vouchers.
5. OCHA Special Needs Groups Rental Assistance Program	The City will continue to assist OCHA in promoting its Special Needs Groups Rental Assistance Programs in Aliso Viejo with the objective of expanding assistance to additional households	Ongoing	The City has and will continue to make referrals to the Orange County Housing Authority regarding Special Needs Group Rental Assistance.

Program	Objectives	Timeframe	Progress
	with special needs. Specifically, the City will make referrals to OCHA, advertise the program on the City website and in newsletters, and distribute information at the public counter at City Hall.		
6. City Grants for Special Needs Groups	The City will allocate 50% of its Human and Social Services community assistance grant budget to incorporate homelessness prevention programs, programs for the disabled, and domestic violence support programs into the annual cycle of grant funding.	Ongoing	66% or $12,250 of the $18,500 Human and Social Services community assistance grant budget was approved for homeless prevention programs, programs for the disabled, and domestic violence support programs in July 2020.
7. Code Enforcement	The City's Code Enforcement Staff will continue to enforce property maintenance standards and adopted City Building and Zoning Codes. The City will promote the importance of property maintenance to long-term housing quality and property values, and encourage community and neighborhood preservation through the Aliso Viejo Community Association (AVCA), City newsletters-news, cable television, and informational brochures at the public counter at City Hall. As opportunities become available, the City will consider funneling resources into home rehabilitation.	Ongoing	The City's code enforcement staff has and will continue to aggressively enforce property maintenance standards, including the enforcement of health and safety provisions.
8. Conservation of Existing and Future Affordable Units	Annually, the City will monitor the status, notify residents of potential conversion, and pursue options to preserve the units.	Ongoing	Planning staff has and will continue to monitor the affordable units. In 2020, the City did not receive any notices for potential conversions.

Program	Objectives	Timeframe	Progress
9. Streamlined Residential Permit Processing	Minimize permit processing time to reduce development costs for affordable housing.	Ongoing	Planning staff worked diligently with the applicant for 2C Liberty to minimize permit processing time for its affordable housing 202-unit project. The application was submitted in May 2014 and approved in November 2014, a total of six months. Additionally, Planning staff worked diligently with the applicant for 100 Freedom Lane (4 Liberty) to minimize permit processing time for its affordable housing 200-unit project. The application was submitted in May 2015 and approved in October 2015, a total of five months. In 2018, staff continued to assist the 100 Freedom Lane development through the construction process. In 2019, the City was also awarded $160,000 in first year SB 2 grant funds to secure a Enterprise Land Management software system which will reduce processing times.
10. Fair Housing Services	The City will continue to contract to support fair housing services for City residents. The City will advertise fair housing services on its website and at the public counter at City Hall, library, and other community locations.	Ongoing	As of July 1, 2020, the City initiated a contract with the Fair Housing Foundation to provide fair housing services. From January 1, 2020 - June 30, 2020, the City contracted with the Fair Housing Council of Orange County (FHCOC) via the entitlement status administrative partnership with the County of Orange.
11. Encourage Energy Conservation	Amend zoning regulations to encourage energy conservation.	2014	As of September 2014 (approved July 16, 2014) a zoning code amendment creating AVMC 15.68 Green Building Program became effective to encourage energy conservation. The amendment included the implementation of a fee reduction for energy conserving permits and a solar education program.

Attachment C-1: Candidate Sites for Rezoning

ALISO VIEJO
Live Life Inspired

Site Inventory – Potential Sites

1 Columbia

Site Size: 2 acres

Info: Office building at the Corner of Columbia and Aliso Creek Road

Zoning: BP-2

Unit Potential: 60-100 units



2

ALISO VIEJO
Live Life Inspired

Site Inventory – Potential Sites

41 Columbia

Site Size: 2 acres

Info: Office building formerly occupied by Benny Hinn Ministries and Love World.

Zoning: BP-2

Unit Potential: 60-100 units



3

ALISO VIEJO
Live Life Inspired

Site Inventory – Potential Sites

35 Journey

Site Size: 2 acres

Info: Office building located at corner of Journey and Aliso Creek Rd.

Zoning: BP-1

Unit Potential: 60-100 units



4

ALISO VIEJO
Live Life Inspired

Site Inventory – Potential Sites

26800-26880

Aliso Viejo Parkway

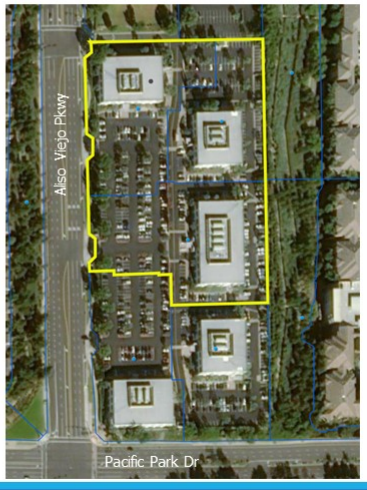
Site Size: 7 acres

Info: Mid-block office buildings located

Between Glaukos campus and Pacific Park Dr.

Zoning: BP-1

Unit Potential: 210-350 units



5

ALISO VIEJO
Live Life Inspired

Site Inventory – Potential Sites

The Commons

Site Size: 21 acres

Info: Potential to add mixed-use component to parking lot area adjacent to building previously occupied by Lowe's

Zoning: SP-2

Unit Potential: 630-1050 units



6

ALISO VIEJO
Live Life Inspired

Site Inventory – Potential Sites

AVTC Gateway District

Site Size: 6 acres

Info: Mixed-use potential. Community Design Process anticipated 300 housing units.

Zoning: CT

Unit Potential: 300 units



7



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City of Aliso Viejo
AGENDA ITEM

DATE: May 19, 2021

TO: Mayor and City Council

FROM: Omar Dadabhoy, Community Development Director
Rose Rivera, Senior Planner

SUBJECT: STUDY SESSION: 2021-2029 HOUSING ELEMENT UPDATE

Recommended Action(s):

That the City Council conduct a study session regarding the 2021-2029 update to the Housing Element of the Aliso Viejo General Plan as required by State law, and provide direction to Staff regarding the update.

Fiscal Impact:

None.

Background:

State law requires every city and county in California to prepare, adopt and implement a General Plan, which establishes overall goals and policies for future growth of the jurisdiction. As set out in California Government Code, a city's General Plan must include a Housing Element as one of seven mandatory elements. The Housing Element must include policies and programs to meet the City's existing and future housing needs, as established by the California Department of Housing and Community Development ("HCD") and the Southern California Association of Governments ("SCAG").

The purpose of this study session is to provide the City Council and community stakeholders with an overview of the State-mandated update to the Housing Element of the City's General Plan for the 2021-2029 period.

Discussion:

RHNA Requirements

To comply with State law, the City's Housing Element must be updated to ensure that the City's policies and programs can accommodate the estimated existing and projected housing needs for Aliso Viejo identified by SCAG's Regional Housing Needs Assessment (RHNA) allocation for the 2021- 2029 planning cycle. Prior to each cycle, the total new

housing need for each region of California is determined by HCD based upon economic and demographic trends, existing housing problems such as overcrowding and overpayment, and additional housing needed to ensure reasonable vacancy rates and replace units lost due to demolition or natural disasters.

The total housing need for the SCAG region, which includes Los Angeles, Orange, Riverside, San Bernardino, Imperial and Ventura counties, is distributed to cities and counties by SCAG based upon objectives and criteria established in State law. In 2019, HCD determined that the total new housing need for the entire SCAG region in the 6th Housing Element cycle is 1,341,827 units. In March 2021, SCAG adopted the RHNA plan for the 6th cycle, which fully allocates the RHNA to jurisdictions in the SCAG region. Table 1 shows the RHNA allocations for Aliso Viejo, Orange County, and the entire SCAG region.

Table 1. 6th Cycle RHNA – Aliso Viejo, Orange County and SCAG Region

	Aliso Viejo	Orange County	SCAG Region
Housing need allocation 2021-2029	1,195	183,861	1,341,827

Source: SCAG, 3/4/2021

The RHNA also distributes each jurisdiction's total housing need into four income categories (the extremely-low and very-low categories are combined for RHNA purposes). Aliso Viejo's 6th cycle RHNA allocation by income category is shown in Table 2.

Table 2. 6th RHNA by Income Category – Aliso Viejo

Extremely Low + Very Low	Low	Moderate	Above Moderate	Total
390	214	205	386	1,195

Source: SCAG, 3/4/2021

Available Sites Analysis

The Housing Element must provide an evaluation of the city's capacity for additional housing based on land use patterns, development regulations, other development constraints (such as infrastructure availability and environmental conditions) and real estate market trends. The analysis must be prepared at a parcel-specific level of detail and identify properties (or "sites") where additional housing could be built consistent with City regulations. This evaluation is referred to as the "sites analysis" and State law requires the analysis to demonstrate that the city has adequate capacity to fully accommodate its RHNA allocation in each income category. If the sites analysis does not demonstrate that adequate capacity exists to fully accommodate the RHNA, the Housing Element must describe what steps will be taken to increase capacity consistent with the

RHNA – typically through amendments to land use and zoning regulations that could facilitate additional housing development. Such amendments typically include increasing the allowable residential density or allowing housing to be built in areas that are currently restricted to only non-residential land uses.

Aliso Viejo is fully developed and with little vacant land suitable for new housing. Therefore, the City's RHNA allocation must be satisfied through redevelopment of properties that have potential for housing or mixed use (i.e., a combination of housing and commercial uses on the same property). As part of the available sites analysis process, staff is currently studying development options such as mixed-use, construction of accessory dwelling units (ADUs), and rezoning of office properties. Staff has prepared a list of potential sites for City Council discussion as part of the attached PowerPoint presentation. State law allows up to three years for cities to evaluate the potential properties and adopt zoning amendments on sufficient sites to accommodate the RHNA allocation.

Community Participation

Staff developed an online survey with eight questions for those who live or work in Aliso Viejo to provide feedback regarding housing preferences. The survey was posted on the City's website for six weeks. The City received 111 responses to the survey, which closed on May 7, 2021, and the results of the survey will also be part of this discussion. Members of the community who were on the City's interest list were notified of the Study Session to provide them the opportunity to learn about the Housing Element Update process and to provide public input. The meeting notice along with additional materials related to the Housing Element update process were also posted to the City's website at https://avcity.org/371/Housing-Element.

Next Steps

As part of this study session, John Douglas, the City's housing element consultant along with City staff, will provide an update to the Council on the project timeline and next steps in the development of the Housing Element update, including preparation of the draft Housing Element.

Environmental:

This Study Session is statutorily exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15262, Feasibility and Planning Studies. Any direction provided to staff is not a final action or approval in regard to the Housing Element Update and does not have a legally binding effect on any possible future discretionary action.

Public Notice:

Through the normal agenda posting process.

Attachment(s):

1. PowerPoint Presentation
2. Survey Questions
3. Survey Responses

City of Aliso Viejo
AGENDA ITEM

DATE: August 18, 2021

TO: Mayor and City Council

FROM: Scott C. Smith, City Attorney

SUBJECT: BALLOT MEASURES FOR NOVEMBER 8, 2022 GENERAL MUNICIPAL ELECTION FOR THE ADOPTION OF AN ORDINANCE ESTABLISHING TERM LIMITS FOR MEMBERS OF THE CITY COUNCIL AND FOR THE ADOPTION OF A CHARTER ESTABLISHING TERM LIMITS FOR MEMBERS OF THE CITY COUNCIL AND REQUIRING SPECIAL ELECTIONS TO FILL COUNCIL VACANCIES

Recommended Actions:

1. Consider a resolution for a ballot measure for the November 8, 2022 General Municipal Election adopting an ordinance establishing term limits for members of the City Council.
2. Instruct staff to set and notice a first and second hearing on a resolution placing on the November 8, 2022 ballot an Aliso Viejo charter establishing term limits for members of the City Council and requiring special elections for Council vacancies.

Fiscal Impact:

If approved, the estimated cost to add each measure to the November 8, 2022 General Municipal Election would be approximately $9,000 and would be contemplated in the FY 2022-23 budget.

Background:

At its regular meeting of June 17, 2020, the City Council directed staff to prepare the documents to place on the November 8, 2022 general municipal election ballot a measure for an ordinance amending the Aliso Viejo Municipal Code to provide for term limits for City Council members. The City Council has given further consideration to this since.

At its regular meeting of May 19, 2021, the City Council discussed the possible measure for the ordinance addressing term limits and also discussed a possible measure for a charter addressing term limits. The City Council directed staff to prepare the documents to place both the measure for the ordinance and the measure for the charter on the ballot for the 2022 general municipal election.

At its regular meeting of July 21, 2021, Council asked staff to revise the term limit charter measure to clarify that terms commenced in or after 2018 are the first that count toward term limits. The City Council had further inquiry about the statutory processes and timelines for filling a Council vacancy by appointment or special election, which is addressed in greater detail below.

Discussion:

Initiative Ordinance Establishing Term Limits

Government Code section 36502, subdivision (b) provides that the City Council or the residents of the City may submit to the voters an ordinance limiting the number of terms a member of the City Council may serve. Term limits do not become operative unless the proposition is submitted to the electors of the City at a regularly scheduled election and a majority of the votes cast favor its adoption.

Attached is a draft resolution to place the ordinance establishing term limits on the ballot and, as an attachment to the resolution, the ordinance. The resolution initiates the process for placing the measure on the ballot for the November 8, 2022 election, provides for the filing of primary and rebuttal arguments, and directs the City Attorney to prepare an impartial analysis of the measure to submit to the voters in the Voter Information Guide. The Council may, at its discretion, designate specific members to write the primary and rebuttal arguments, or may elect to co-author the arguments together.

The resolution presents the following question for voters:

Shall an ordinance be adopted by the City of Aliso Viejo to limit consecutive years of service by members of the City Council to a combined total of two four-year terms with the ability to again serve as a member after a lapse of service of at least two years? Further, this ordinance shall be void should a measure for a charter addressing term limits on the same ballot be adopted.	YES	
	NO	

As described in the question above, the ordinance would limit the terms of Councilmembers to two consecutive four-year terms, followed by a two-year lapse in service before being eligible to serve again. Councilmembers who serve partial terms of less than two years would remain eligible to serve an additional two consecutive four-year terms. The term limit rules would apply prospectively, meaning that any term of office that commenced prior to November 2022 (the date of its potential passage) would not count as a term served for purposes of implementing the ordinance. Lastly, question includes language that should a measure for a charter addressing term limits be adopted, the ordinance becomes void.

City Charter on Election Issues

California Constitution article XI, section 3, Government Code section 34458, subdivision (a), and Elections Code section 9255, subdivision (b)(1), provide that the City Council may submit to the voters a city charter as a ballot measure for adoption. City charters are usually multi-faceted in scope, but may also address limited issues such as elections.

General law cities are granted their corporate powers from the general laws passed by the State legislature. Charter cities are granted their corporate powers from the California Constitution's home rule provision, which allows them to preside over all municipal affairs, limited only by their charters and matters of statewide concern. Accordingly, charters can provide for greater and more flexible authority to regulate local matters. For example, Government Code section 36502, subdivision (b) requires that term limit ordinances apply prospectively. Although we've found no controlling legal precedent on whether retroactive terms limits are a charter prerogative, courts have generally given broad latitude to charter cities to govern election issues, including term limits. We believe a charter city may use home rule to apply term limits retroactively, notwithstanding the default provisions of section 36502.

Adoption of a charter requires special notice and hearing procedures. The City must hold two public hearings, with at least one held outside of normal business hours. For each hearing, notice must be posted in three public places and published in the newspaper 21 days in advance. The second hearing must occur at least 30 days after the first hearing. Then, at least 21 days after the second hearing, the City Council may vote on whether to adopt a resolution submitting the charter to the voters. The resolution would initiate the process for placing the measure on the ballot, provide for the filing of primary and rebuttal arguments, and direct the City Attorney to prepare an impartial analysis of the measure to submit to the voters in the Voter Information Guide. The Council may, at its discretion, designate specific members to write the primary and rebuttal arguments, or may elect to co-author the arguments together.

A new City charter may only be adopted at a general election, so if approved, the charter measure would be added to the Council's call for election for the November 2022 election. The deadline for placing a measure on the November 8, 2022 ballot is August 12, 2022. Council may, at its discretion, adopt a resolution calling the election for the purposes of placing the measure on the ballot anytime between now and that date, provided the two required public hearings are conducted. The Council will also be required to adopt a resolution calling the election for November 8, 2022 for the purposes of electing officers in any event.

Charter Provision Establishing Term Limits as of 2018 (Section 201)

Section 201 of the attached draft City charter establishes term limits. To bring this measure to effect, the Council would take action to instruct staff to notice the two hearings and bring back the charter measure for consideration at each, then conduct a final vote

at least 21 days after the second hearing to adopt the resolution submitting the charter to the voters. The resolution would present the following question for voters:

Shall the proposed City Charter of the City of Aliso Viejo be adopted, to include provisions to, retroactively, limit consecutive years of service by members of the City Council to a combined total of two four-year terms with the ability to again serve as a member after a lapse of service of at least two years, beginning with terms commencing on or after 2018, and requiring special elections to fill Council vacancies?	YES	
	NO	

As described in the question above, the charter would limit the terms of Councilmembers to two consecutive four-year terms, followed by a two-year lapse in service before being eligible to serve again. Councilmembers who serve partial terms of less than two years would remain eligible to serve an additional two consecutive four-year terms. As Council directed, the term limits in this version apply to terms commencing in 2018 or thereafter, so it would have retroactive effect to the extent it counts terms commenced in 2018 and 2020 as the first of two terms. (By contrast, the term limit ordinance discussed above could not count terms commencing before its passage; in other words, Councilmembers elected in 2022 could serve until 2030, no matter when they were first elected.)

Charter Provision Requiring Special Elections for Council Vacancies (Section 202)

Government Code section 36512 governs the method of filling a Council vacancy. Subsection 36512(b) provides as follows:

> "If a vacancy occurs in an elective office provided for in this chapter, the council shall, within 60 days from the commencement of the vacancy, either fill the vacancy by appointment or call a special election to fill the vacancy."

If the appointee assumes less than a two-year term, they stand for election when their predecessor would have. If they assume more than a two-year term, they must stand for election at the next general election. Section 36512 also provides that the Council has the option to call a special election to fill the vacancy. The special election must be held on the next regularly scheduled election date not less than 114 days from the date the election is called. This means the election would need to occur as a special election at the next available statewide election date, which dates are not necessarily November of even-numbered years. (So, for example, if a vacancy were to occur today and the Council did not make an appointment within 60 days, the special election to fill the vacancy would need to be on April 12, 2022.) If a council fails to make the 60-day deadline to appoint or call an election, an election must be held as a default, and a writ of mandate can issue

to compel the Council to bring to effect the election process, with attorney's fees awarded to the official or individual who brings the lawsuit.

Subsection 36512(c) allows a city council to limit its options in this scenario to calling a special election rather than having the option of appointing someone to fill the vacancy. The special election must be called immediately (i.e., at the first opportunity, rather than within 60 days) and must occur at the next available election date. This means that for every subsequent vacancy, the City Council would need to skip the appointment opportunity to proceed directly to call and fund an election. Doing this by ordinance pursuant to subsection 36512(c) leaves future City Councils the ability to amend the ordinance to revert to a process that allows appointment. (This is nearly impossible to do when considering a vacancy, but it can be done between vacancies.)

Section 202 of the draft City charter takes this discretion from the Council. It would mean that for every vacancy the Council faces, it would need to skip the appointment option and proceed directly to calling and funding a special election. It would eliminate the 60-day decision-making period but would not accelerate the date for the election to fill the vacancy, which under either approach must occur between 114 days and the next available election date.

Environmental:

There is no environmental impact related to this item.

Public Notice:

Through the normal agenda posting process.

City Attorney:

The City Attorney's office reviewed and provided comments for this report.

Attachments:

1. Draft Resolution with Term Limit Ordinance Attached
2. Draft Charter

RESOLUTION NO. 2021-___

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ALISO VIEJO, CALIFORNIA SUBMITTING TO THE QUALIFIED VOTERS OF THE CITY AN ORDINANCE AMENDING THE ALISO VIEJO MUNICIPAL CODE TO ADD SECTION 2.04.125 REGARDING COUNCILMEMBER TERM LIMITS AT THE REGULAR MUNICIPAL ELECTION TO BE CONSOLIDATED WITH THE STATEWIDE GENERAL ELECTION TO BE HELD NOVEMBER 8, 2022

WHEREAS, the City of Aliso Viejo is governed by a five-member elected City Council, whose members are generally elected to staggered four-year terms on the first Tuesday after the first Monday of November of even-numbered years; and

WHEREAS, the Aliso Viejo Municipal Code currently does not address term limits for councilmembers; and

WHEREAS, pursuant to Government Code section 36502, subdivision (b) and Elections Code section 9222 and, the City Council is authorized and desires to submit to the voters a ballot measure to amend the Municipal Code by adding section 2.04.125 regarding councilmember term limits; and

WHEREAS, pursuant to Government Code section 36502, subdivision (b), a term limit measure must be approved by a majority of City voters at an election consolidated with either the statewide primary election or the statewide general election; and

WHEREAS, in 2022, per Elections Code section 1200, the statewide general election will be held Tuesday, November 8; and

WHEREAS, the City Council desires to consolidate the election for the ballot measure with the statewide general election held on Tuesday, November 8, 2022; and

WHEREAS, the specific language of the ordinance to be considered by the voters is attached as Exhibit A and incorporated herein; and

WHEREAS, as provided in the ordinance, the ordinance shall be void should a measure to adopt a charter addressing term limits on the same ballot be adopted.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ALISO VIEJO AS FOLLOWS:

Section 1. Recitals

The City Council hereby finds and determines that the recitals of this resolution are true and correct and are incorporated herein.

Section 2. Submission of Ballot Measure

The City Council, pursuant to its authority under Elections Code section 9222, hereby orders that the ordinance attached hereto as Exhibit A be submitted to the qualified voters of the City at the statewide general election held on Tuesday, November 8, 2022. The proposed ordinance shall be in the form attached hereto as Exhibit A.

Section 3. Ballot Measure

The City Council, pursuant to its authority under Elections Code section 9222 and Government Code section 36502, subdivision (b), hereby orders that the ballot measure shall be presented and printed upon the ballot submitted to the qualified voters in the manner and form set forth in this section below. On the ballot to be submitted to qualified voters, there shall be printed substantially in the following:

Shall an ordinance be adopted by the City of Aliso Viejo to limit consecutive years of service by members of the City Council to a combined total of two four-year terms with the ability to again serve as a member after a lapse of service of at least two years? Further, this ordinance shall be void should a measure for a charter addressing term limits on the same ballot be adopted.	YES	
	NO	

Section 4. Election Procedures

A. The City Council consents to the consolidation of the election on this Measure with all other elections being held in the same territory on Tuesday, November 8, 2022, and to hold and conduct the consolidated election in the manner prescribed in Election Code section 10418.

B. The ballots to be used at the election shall be in the form and content as required by law.

C. In accordance with Elections Code section 10002, the Board of Supervisors of Orange County is hereby requested to consent to having the Registrar of Voters render such election services to the City of Aliso Viejo as may be requested by the City Clerk of said City, the County of Orange to be reimbursed in full for such services as are performed.

D. The election services which the City of Aliso Viejo requests the Registrar of Voters, or such other official as may be appropriate, to perform and which such officer is hereby authorized and directed to perform, if said Board of Supervisors consents, include: the preparation, printing and mailing of sample ballots and polling place cards; the establishment or appointment of precincts, polling places, and election officers, and

making such publications as are required by law in connection therewith; the furnishing of ballots, voting booths and other necessary supplies or materials for polling places; the canvassing of the returns of the election and the furnishing of the results of such canvassing to the City Clerk of the City of Aliso Viejo; and the performance of such other election services as may be requested by the City Clerk.

E. The City Clerk is authorized, instructed and directed to procure and furnish any and all official ballots, notices, printed matter and all supplies, equipment and paraphernalia that may be necessary in order to properly and lawfully conduct the election.

F. The polls for the election shall be open at seven o'clock a.m. of the day of the election and shall remain open continuously from that time until eight o'clock p.m. of the same day when the polls shall be closed, except as provided in Elections Code section 14401.

G. In all particulars not recited in this resolution, the election shall be held and conducted as provided by law for holding municipal elections in the City.

H. Notice of the time and place of holding the election is given and the City Clerk is authorized, instructed and directed to give further or additional notice of the election, in time, form, and manner as required by law.

I. All ballots shall be tallied at a central counting place and not at the precincts. Said central counting place shall be at a County center as designated by the Registrar of Voters.

J. The Orange County Registrar of Voters is hereby authorized to canvass the returns of said election.

K. The City Clerk of the City of Aliso Viejo shall receive the canvass as it pertains to the election on the Measure, and shall certify the results to the City Council, as required by law.

Section 5. Arguments and Impartial Analysis

A. The City Council authorizes (i) the City Council or any member(s) of the City Council, (ii) any individual voter eligible to vote on the above measure, (iii) a bona fide association of citizens or (iv) any combination of voters and associations, to file a written argument in favor of or against the Measure, in accordance with Elections Code section 9280 et seq. and may change the argument until and including Friday, August 12, 2022 (unless the Registrar requires additional lead time), after which no arguments for or against the Measure may be submitted to the City Clerk. Arguments in favor of or against the Measure shall each not exceed 300 words in length. Each argument shall be filed with the City Clerk, signed, and include the printed name(s) and signature(s) of the author(s) submitting it, or if submitted on behalf of an organization, the name of the

organization, and the printed name and signature of at least one of its principal officers who is the author of the argument. The arguments shall be accompanied by the "Form of Statement to be filed by Author(s) of Argument" as provided by the City Clerk.

B. The City Clerk shall comply with all provisions of law establishing priority of arguments for printing and distribution to the voters, and shall take all necessary actions to cause the selected arguments to be printed and distributed to the voters.

C. Pursuant to California Elections Code section 9280, the City Council directs the City Clerk to transmit a copy of the Measure to the City Attorney. The City Attorney shall prepare an impartial analysis of the Measure, not to exceed 500 words in length, showing the effect of the Measure on the existing law and the operation of the Measure. The City Attorney shall transmit such impartial analysis to the City Clerk, who shall cause the analysis to be published in the ballot pamphlet along with the ballot Measure as provided by law. The impartial analysis shall be filed by the deadline set for filing of primary arguments as set forth in subsection A above. The impartial analysis shall include a statement indicating whether the Measure was placed on the ballot by a petition signed by the requisite number of voters or by the City Council. In the event the entire text of the Measure is not printed on the ballot, nor in the voter information portion of the sample ballot, there shall be printed immediately below the impartial analysis, in no less than 10-font bold type, the following:

> The above statement is an impartial analysis of Measure ____. If you desire a copy of the ordinance, please call the election official's office at (insert phone number) and a copy will be mailed at no cost to you.

Section 6. Rebuttals

A. That pursuant to California Elections Code section 9285, when the Clerk has selected the arguments for and against the Measure which will be printed and distributed to the voters, the Clerk shall send copies of the argument in favor of the Measure to the authors of the argument against, and copies of the argument against to the authors of the argument in favor. The authors or persons designated by them may prepare and submit rebuttal arguments not exceeding 250 words. The rebuttal arguments shall be filed with the City Clerk not later than Monday, August 22, 2022 (unless the Registrar establishes an earlier date), accompanied by the "Form of Statement to be filed by Author(s) of Argument" as provided by the City Clerk. Rebuttal arguments shall be printed in the same manner as the direct arguments. Each rebuttal argument shall immediately follow the direct argument which it seeks to rebut.

B. That all previous resolutions providing for the filing of rebuttal arguments for City measures are repealed.

C. That the provisions herein shall apply only to the election to be held on November 8, 2022, and shall then be repealed.

Section 7. Placement on the Ballot

The full text of the Ordinance/Measure shall be printed in the voter pamphlet, and a statement shall be printed in the ballot pursuant to Elections Code section 9223 advising voters that they may obtain a copy of this Ordinance/Measure at no cost, upon request made to the City Clerk.

Section 8. Delivery of Resolution to Count

The City Clerk shall certify to the passage and adoption of this resolution and enter it into the book of original resolutions. The City Council directs the City Clerk to deliver copies of this resolution, including the Ordinance/Measure attached hereto as Exhibit "A", to the Clerk of the Board of Supervisors of Orange County and to the Registrar of Voters of Orange County.

Section 9. CEQA

The City Council hereby finds and determines that the Measure relates to organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment, and therefore is not a project within the meaning of the California Environmental Quality Act ("CEQA") and the State CEQA Guidelines, Section 15378(b)(5).

Section 10. Severability

If any provision of this resolution or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of the resolution which can be given effect without the invalid provision or application, and to this end the provisions of this resolution are severable. The City Council hereby declares that it would have adopted this resolution irrespective of the invalidity of any particular portion thereof.

Section 11. Effective Date of Resolution

This resolution shall take effect immediately upon its adoption.

PASSED, APPROVED AND ADOPTED this ____ day of _____, 2021.

_____
Tiffany Ackley
Mayor

APPROVED AS TO FORM:

_____
Scott C. Smith, City Attorney

ATTEST:

_____
Mitzi Ortiz, MMC, City Clerk

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss.
CITY OF ALISO VIEJO)

I, MITZI ORTIZ, City Clerk of the City of Aliso Viejo, California, DO HEREBY CERTIFY that the foregoing is the original of Resolution No. 2021-__ duly passed and adopted by the City Council of the City of Aliso Viejo at their regular meeting held on the ___ day of _____, 2021, by the following roll call vote, to wit:

AYES:

NOES:

ABSENT:

_____
MITZI ORTIZ, MMC
CITY CLERK

(SEAL)

EXHIBIT "A"

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF ALISO VIEJO, CALIFORNIA, AMENDING THE ALISO VIEJO MUNICIPAL CODE TO ADD SECTION 2.04.125 REGARDING COUNCILMEMBER TERM LIMITS, SUBJECT TO THE APPROVAL OF THE ELECTORS VOTING ON THE MEASURE IN THE GENERAL ELECTION HELD ON TUESDAY, NOVEMBER 8, 2022, WHICH SHALL BE VOID SHOULD A CHARTER ADDRESSING TERM LIMITS BE ADOPTED IN THE SAME ELECTION

NOW THEREFORE, THE PEOPLE OF THE CITY OF ALISO VIEJO DO ORDAIN AS FOLLOWS:

Section 1. Term Limits

Pursuant to Government Code section 36502, subdivision (b) and subject to the approval of a majority of the voters of the City of Aliso Viejo, the Aliso Viejo Municipal Code is hereby amended to add section 2.04.125, Term Limits, to chapter 2.04, City Council, of title 2, Administration and Personnel to read as follows:

2.04.125 Term Limits

A. No person shall be eligible to serve as a member of the City Council for more than two consecutive four-year terms following the adoption of this ordinance commencing with the, and including those persons elected to serve as a member of the City Council in the November 8, 2022 election. Notwithstanding the foregoing, any person who is appointed by the City Council or elected to fill a vacant office of a member of the City Council for the balance of a four-year term, but serves less than two years in that office, shall be eligible for nomination and election for two consecutive four-year terms thereafter.

B. Any person who shall be ineligible for election, appointment, or further services as a member of the City Council due to the limitation set forth in subsection A of this section, shall again be eligible for election or appointment as a member of the City Council, and a new period of consecutive years of service shall commence, provided that at least two years has or will have elapsed between the most recent date of such person's prior service as a member of the City Council and the effective date of such person's most recent election or appointment to such office.

C. The phrase “two years” as used in subsection B of this section shall mean the period between the date of the declaration of the results of any general municipal election held in November of an even-numbered year and the date of the declaration of the results of any general municipal election held in November of any immediately preceding or immediately succeeding even-numbered year, even though such period may be more or less than an actual period of two years.

Section 2. Voter Approval, Prospective Application, and Effective Date

Except as provided in section 3 below, this ordinance shall take effect if approved by a majority of the eligible voters of the City of Aliso Viejo voting in the general election held on Tuesday, November 8, 2022, and shall only apply prospectively beginning with the terms of members of the City Council that start after the November 8 election. If so approved, this ordinance becomes effective 10 days after the City Council declares and certifies the results of the election by resolution.

Section 3. Void if the Charter is Adopted

This ordinance shall be void and unenforceable should a charter addressing term limits of members of City Council be adopted by the voters of the City of Aliso Viejo in the same election held on Tuesday, November 8, 2022.

Section 4. Severability

If any provision of this ordinance or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of the ordinance which can be given effect without the invalid provision or application, and to this end the provisions of this ordinance are severable. The City Council hereby declares that it would have adopted this ordinance irrespective of the invalidity of any particular portion thereof.

Section 5. Publication

The City Clerk is hereby directed to publish this ordinance at least once, within 15 days after the election results are certified, in a newspaper of general circulation published and circulated in the City of Aliso Viejo.

I certify that Ordinance No. ____ was adopted by the electorate of the City of Aliso Viejo at the general election held on November 8, 2022. This ordinance was adopted as a result of the passage of Measure ____. Please refer to Resolution No. ____ for the recitation of the election results.

Mitzi Ortiz, MMC
City Clerk

Aliso Viejo Charter

Preamble

We, the people of the City of Aliso Viejo, do ordain and establish this Charter as the law of the City under the Constitution of the State of California.

Article I. Powers and Construction

Section 101. Municipal Affairs

The City shall have full power and authority, as prescribed herein, to adopt, make, exercise and enforce all legislation, laws, and regulations and to take all actions relating to municipal affairs, without limitation, subject only to such limitations and restrictions as may be provided in this Charter and the Constitution of the State of California. Without limiting in any manner the foregoing power and authority, each of the powers, rights, and responsibilities described in this Charter is hereby declared to be a municipal affair, the performance of which is unique to the benefit and welfare of the citizens of the City.

Section 102. General Laws

In addition to the power and authority granted by the terms of this Charter and the Constitution of the State of California, the City shall have the power and authority to adopt, make, exercise and enforce all legislation, laws and regulations and to take all actions and to exercise any and all rights, powers, and privileges heretofore or hereafter established, granted or prescribed by any law of the State of California or by any other lawful authority. In the event of any conflict between the provisions of this Charter and the provisions of the general laws of the State of California, the provisions of this Charter shall control.

Section 103. Interpretation

The language contained in this Charter is intended to be permissive rather than exclusive or limiting and shall be liberally and broadly construed in favor of the exercise by the City of its power to govern with respect to any matter which is a municipal affair.

Section 104. Severability

If any provision of this Charter should be held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, the remaining provisions shall remain enforceable to the fullest extent permitted by law.

Article II. Elected Officials

Section 201. City Council Term Limits

(a) No person shall be eligible to serve as a member of the City Council for more than two consecutive four-year terms. Notwithstanding the foregoing, any person who is appointed by the City Council or elected to fill a vacant office of a member of the City Council for the balance of a four-year term, but serves less than two years in that office, shall be eligible for nomination and election for two consecutive four-year terms thereafter.

(b) Any person who shall be ineligible for election, appointment, or further services as a member of the City Council due to the limitation set forth in subdivision (a) of this section, shall again be eligible for election or appointment as a member of the City Council, and a new period of consecutive years of service shall commence, provided that at least two years has or will have elapsed between the most recent date of such person's prior service as a member of the City Council and the effective date of such person's most recent election or appointment to such office.

(c) The phrase "two years" as used in subdivision (b) of this section shall mean the period between the date of the declaration of the results of any general municipal election held in November of an even-numbered year and the date of the declaration of the results of any general municipal election held in November of any immediately preceding or immediately succeeding even-numbered year, even though such period may be more or less than an actual period of two years.

(d) This section applies to terms commencing on or after 2018.

Section 202. Council Vacancies

(a) If a vacancy occurs on the City Council, the Council shall immediately call for a special election to fill the vacancy.

(b) The election shall be held on the next regularly scheduled election date not less than 114 days from the date the election is called.