



**SAN JACINTO POWER**

**COMMUNITY CHOICE  
AGGREGATION  
IMPLEMENTATION PLAN AND  
STATEMENT OF INTENT**

**December 2016**

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### CHAPTER 1 – Introduction

The City of San Jacinto (“City” or “San Jacinto”), located within Riverside County, is pursuing the implementation of a community choice aggregation program (“CCA”), which has been named San Jacinto Power (the “Program” or “SJP”). SJP is structured to offer service to all customers within the City’s geographic boundaries.

This Implementation Plan and Statement of Intent (“Implementation Plan”) describes the City’s plans to implement a voluntary CCA program for electric customers within the jurisdictional boundaries of San Jacinto that currently take bundled electric service from Southern California Edison (“SCE”). The SJP Program will provide electricity customers the opportunity to join together to procure electricity from competitive suppliers, with such electricity being delivered over SCE’s transmission and distribution system. The planned start date for the Program is July 3, 2017, the first business day in July, 2017. All current SCE customers within the City’s service area will receive information describing the SJP Program and will have multiple opportunities to opt out and choose to remain full requirement (“bundled”) customers of SCE, in which case they will not be enrolled. Thus, participation in the SJP Program is completely voluntary; however, customers, as provided by law, will be automatically enrolled according to the anticipated schedule later described in Chapter 5 unless they affirmatively elect to opt-out.

Implementation of SJP will enable customers within San Jacinto’s service area to take advantage of the opportunities granted by Assembly Bill 117 (“AB 117”), the Community Choice Aggregation Law. San Jacinto’s primary objectives in implementing this Program are to provide cost competitive electric services; spur local economic development; and sustain long-term rate stability for residents and businesses through local control. The prospective benefits to consumers include increased renewable supply product options, stable and competitive electric rates, and the opportunity for public participation in determining which technologies are utilized to meet local electricity needs.

To ensure successful operation of the Program, the City will solicit energy suppliers and marketers through a competitive process and will negotiate with one or more qualified suppliers throughout early 2017. Final selection of SJP’s initial energy supplier(s) will be made by San Jacinto following administration of the aforementioned solicitation process and related contract negotiations. Information regarding the anticipated solicitation process for SJP’s initial energy services provider(s) is contained in Chapter 10.

The California Public Utilities Code provides the relevant legal authority for the City to become a Community Choice Aggregator and invests the California Public Utilities Commission (“CPUC” or “Commission”) with the responsibility for establishing the cost recovery mechanism that must be in place before customers can begin receiving electrical service through the SJP Program. The CPUC also has responsibility for registering the City as a Community Choice Aggregator and ensuring compliance with basic consumer protection rules. The Public

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Utilities Code requires that an Implementation Plan be adopted at a duly noticed public hearing and that it be filed with the Commission in order for the Commission to determine the cost recovery mechanism to be paid by customers of the Program in order to prevent shifting of costs to bundled customers of the incumbent utility.

On November 17 2016, the City, at a duly noticed public hearing, introduced this Implementation Plan, through Ordinance No. 16-12 (a copy of which is included as part of Appendix A). Then on December 6, 2016, the City, at a duly noticed City Council meeting, approved this Implementation Plan and the implementation of a CCA Program through the adoption of Ordinance No. 16-12.

The Commission has established the methodology that will be used to determine the cost recovery mechanism, and SCE has approved tariffs for imposition of the cost recovery mechanism. With this milestone having been accomplished, the City submits this Implementation Plan to the CPUC. Following the CPUC's certification of its receipt of this Implementation Plan and resolution of any outstanding issues, the City will take the final steps needed to register as a CCA prior to initiating the customer notification and enrollment process.

### ***Statement of Intent***

The content of this Implementation Plan complies with the statutory requirements of AB 117. As required by Public Utilities Code Section 366.2(c)(3), this Implementation Plan details the process and consequences of aggregation and provides the City's statement of intent for implementing a CCA program that includes all of the following:

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

### ***Organization of this Implementation Plan***

The remainder of this Implementation Plan is organized as follows:

- Chapter 2: Aggregation Process
- Chapter 3: Organizational Structure
- Chapter 4: Startup Plan & Funding
- Chapter 5: Program Phase-In
- Chapter 6: Load Forecast & Resource Plan
- Chapter 7: Financial Plan
- Chapter 8: Rate setting
- Chapter 9: Customer Rights and Responsibilities
- Chapter 10: Procurement Process
- Chapter 11: Contingency Plan for Program Termination

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### Appendix A: City of San Jacinto Ordinance No. 16-12 (Adopting Implementation Plan)

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

#### AB 117 Cross References

<b>AB 117 REQUIREMENT</b>	<b>IMPLEMENTATION PLAN CHAPTER</b>
Statement of Intent	Chapter 1: Introduction
Process and consequences of aggregation	Chapter 2: Aggregation Process
Organizational structure of the program, its operations and funding	Chapter 3: Organizational Structure Chapter 4: Startup Plan & Funding Chapter 7: Financial Plan
Disclosure and due process in setting rates and allocating costs among participants	Chapter 8: Rate setting
Rate setting and other costs to participants	Chapter 8: Rate setting Chapter 9: Customer Rights and Responsibilities
Participant rights and responsibilities	Chapter 9: Customer Rights and Responsibilities
Methods for entering and terminating agreements with other entities	Chapter 10: Procurement Process
Description of third parties that will be supplying electricity under the program, including information about financial, technical and operational capabilities	Chapter 10: Procurement Process
Termination of the program	Chapter 11: Contingency Plan for Program Termination

## CHAPTER 2 – Aggregation Process

### *Introduction*

This chapter describes the background leading to the development of this Implementation Plan and describes the process and consequences of aggregation, consistent with the requirements of AB 117.

In early 2016 San Jacinto engaged the assistance of the City of Lancaster to evaluate the feasibility of San Jacinto operating a standalone CCA program. The initial study revealed that a CCA program was viable, offering customers rates competitive with SCE, by partnering with Lancaster on operations such as procurement, regulatory compliance and monitoring, and data management.

The City created SJP with the following objectives: 1) provide cost-competitive electric services; 2) incentivize economic development within San Jacinto; 3) and gain local control of the City's energy procurement needs.

The City released a draft Implementation Plan in November 2016, which described the planned organization, governance and operation of the CCA Program. Following consideration of comments related to the draft document, a final Implementation Plan was prepared and duly adopted by the San Jacinto City Council.

The SJP Program represents a culmination of planning efforts that are responsive to the expressed needs and priorities of the citizenry and business community within San Jacinto. The City plans to expand the energy choices available to eligible customers through creation of innovative new programs for voluntary purchases of renewable energy, net energy metering to promote customer-owned renewable generation, and customized pricing options for large energy users.

### *Process of Aggregation*

Before they are enrolled in the Program, prospective SJP customers will receive two written notices in the mail, from San Jacinto, that will provide information needed to understand the Program's terms and conditions of service and explain how customers can opt-out of the Program, if desired. All customers that do not follow the opt-out process specified in the customer notices will be automatically enrolled, and service will begin at their next regularly scheduled meter read date following the date of automatic enrollment, subject to the service phase-in plan described in Chapter 5. The initial enrollment notices will be provided to customers in April 2017, with a second notice being provided in May 2017.

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

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After service cutover, customers will have approximately 60 days (two billing cycles) to opt-out of the SJP Program without penalty and return to the distribution utility (SCE). SJP customers will be advised of these opportunities via the distribution of two additional enrollment notices provided within the first two months of service. Customers that opt-out between the initial cutover date and the close of the post enrollment opt-out period will be responsible for program charges for the time they were served by SJP but will not otherwise be subject to any penalty for leaving the program. Customers that have not opted-out within thirty days of the fourth enrollment notice will be deemed to have elected to become a participant in the SJP Program and to have agreed to the SJP Program's terms and conditions, including those pertaining to requests for termination of service, as further described in Chapter 8.

### *Consequences of Aggregation*

#### **Rate Impacts**

SJP Customers will pay the generation charges set by the City and no longer pay the costs of SCE generation. Customers enrolled in the Program will be subject to the Program's terms and conditions, including responsibility for payment of all Program charges as described in Chapter 9.

The City's rate setting policies described in Chapter 7 establish a goal of providing rates that are competitive with the projected generation rates offered by the incumbent distribution utility (SCE). The City will establish rates sufficient to recover all costs related to operation of the Program, and actual rates will be adopted by the San Jacinto City Council.

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

Once San Jacinto gives definitive notice to SCE that it will commence service, SJP customers will generally not be responsible for costs associated with SCE's future electricity procurement contracts or power plant investments. Certain pre-existing generation costs and new generation costs that are deemed to provide system-wide benefits will continue to be charged by SCE to CCA customers through separate rate components, called the Cost Responsibility Surcharge and the New System Generation Charge. These charges are shown in SCE's electric service tariffs, which can be accessed from the utility's website, and the costs are included in charges paid by both SCE bundled customers as well as CCA and Direct Access customers.<sup>1</sup>

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<sup>1</sup> For SCE bundled service customers, the Power Charge Indifference Adjustment element of the Cost Responsibility Surcharge is contained within the CCA-CRS rate tariff.



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### **Renewable Energy Impacts**

A second consequence of the Program will be a potential increase in the proportion of energy generated and supplied by renewable resources. The resource plan includes procurement of renewable energy sufficient to meet California's prevailing renewable energy procurement mandate for all enrolled customers. SJP customers may also voluntarily participate in a renewable supply option that is above the minimum Required Portfolio Standard, potentially up to 100%. To the extent that customers choose SJP's voluntary renewable energy option, the renewable content of SJP's aggregate supply portfolio will further increase. Initially, requisite renewable energy supply will be sourced through one or more power purchase agreements. Over time, however, the City may consider independent development of new renewable generation resources.

### **Energy Efficiency Impacts**

A third consequence of the Program will be an anticipated increase in energy efficiency program investments and activities. The existing energy efficiency programs administered by the distribution utility are not expected to change as a result of SJP Program implementation. SJP customers will continue to pay the public benefits surcharges to the distribution utility, which will fund energy efficiency programs for all customers, regardless of generation supplier. The energy efficiency investments ultimately planned for the SJP Program, as described in Chapter 6, will follow San Jacinto's successful application for and administration of requisite program funding (from the CPUC) to independently administer energy efficiency programs within its jurisdiction. Such programs will be in addition to the level of investment that would continue in the absence of City-administered energy efficiency programs. Thus, the SJP Program has the potential for increased energy savings and a further reduction in emissions due to expanded energy efficiency programs.

## CHAPTER 3 – Organizational Structure

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

### *Organizational Overview*

The San Jacinto City Council is responsible for establishing SJP Program policies and objectives and overseeing SJP's operation. The San Jacinto City Manager will serve as the SJP Executive Director to manage the operations of SJP in accordance with policies adopted by the City Council.

### *Governance*

The SJP Program will be governed by the San Jacinto City Council. SJP is the CCA entity that will register with the CPUC, and it is responsible for implementing and managing the program pursuant to the City Council's direction. The City Council is comprised of five councilmembers, one of which, the Mayor, serves as the presiding officer at all meetings. The SJP Program will be operated under the direction of an Executive Director (City Manager) appointed by the City Council.

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

### *Management*

The SJP Executive Director has management responsibilities over the functional areas of Administration & Finance, Marketing & Public Affairs, Power Resources & Energy Programs, and Government Affairs. In performing the defined obligations to SJP, the Executive Director may utilize a combination of internal staff, partnerships with other CCA agencies, and/or contractors. Certain specialized functions needed for program operations, namely the electric supply and customer account management functions described below, will be performed by experienced third-party contractors.

Major functions of SJP that will be managed by the Executive Director are summarized below.

### *Administration*

SJP's Executive Director will be responsible for managing the organization's human resources and administrative functions and will coordinate with the City Council, as necessary, with

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regard to these functions. The functional area of administration will include oversight of employee hiring and termination, compensation and benefits management, identification and procurement of requisite office space and various other issues.

### ***Finance***

The Executive Director is also responsible for managing the financial affairs of SJP, including the development of an annual budget, revenue requirement and rates; managing and maintaining cash flow requirements; arranging potential bridge loans as necessary; and other financial tools.

Revenues via rates and other funding sources (such as a rate stabilization fund, when necessary) must, at a minimum, meet the annual budgetary revenue requirement, including recovery of all expenses and any reserves or coverage requirements set forth in bond covenants or other agreements. The City will have the flexibility to consider rate adjustments within certain ranges, administer a standardized set of electric rates, and may offer optional rates to encourage policy goals such as economic development or low income subsidy programs, provided that the overall revenue requirement is achieved.

SJP may also offer customized pricing options such as dynamic pricing or contract-based pricing for energy intensive customers to help these customers gain greater control over their energy costs. This would provide such customers – mostly larger energy users within the commercial sector – with greater rate-related flexibility than is currently available.

In conjunction with the City's finance department, SJP's finance function will be responsible for arranging financing necessary for any capital projects, preparing financial reports, and ensuring sufficient cash flow for successful operation of the SJP Program. The finance function will play an important role in risk management by monitoring the credit of energy suppliers so that credit risk is properly understood and mitigated. In the event that changes in a supplier's financial condition and/or credit rating are identified, the City will be able to take appropriate action, as would be provided for in the electric supply agreement(s).

### ***Marketing & Public Affairs***

The marketing and public affairs functions include general program marketing and communications as well as direct customer interface ranging from management of key account relationships to call center and billing operations. The City will conduct program marketing to raise consumer awareness of the SJP Program and to establish the SJP "brand" in the minds of the public, with the goal of retaining and attracting as many customers as possible into the SJP Program. Communications will also be directed at key policy-makers at the state and local level, community business and opinion leaders, and the media.

In addition to general program communications and marketing, a significant focus on customer service, particularly representation for key accounts, will enhance the City's ability to differentiate itself as a highly customer-focused organization that is responsive to the needs of

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the community. City will also establish a customer call center designed to field customer inquiries and routine interaction with customer accounts.

The customer service function also encompasses management of customer data. Customer data management services include retail settlements/billing-related activities and management of a customer database. This function processes customer service requests and administers customer enrollments and departures from the SJP Program, maintaining a current database of enrolled customers. This function coordinates the issuance of monthly bills through the distribution utility's billing process and tracks customer payments. Activities include the electronic exchange of usage, billing, and payments data with the distribution utility and the City, tracking of customer payments and accounts receivable, issuance of late payment and/or service termination notices (which would return affected customers to bundled service), and administration of customer deposits in accordance with credit policies of the City.

The customer data management services function also manages billing-related communications with customers, customer call centers, and routine customer notices. The City will contract with a third party, who has demonstrated the necessary experience and administers an appropriate customer information system to perform the customer account and billing services functions.

### ***Power Resources & Energy Programs***

San Jacinto must plan for meeting the electricity needs of its customers utilizing resources consistent with its policy goals and objectives as well as applicable legislative and/or regulatory mandates. The City's long-term resource plans (addressing the 10-20 year planning horizon) will comply with California Law and other pertinent requirements of California regulatory bodies. The City may develop and administer complementary energy programs that may be offered to SJP customers, including green pricing, energy efficiency, net energy metering and various other programs that may be identified to support the overarching goals and objectives of the City.

The City will develop integrated resource plans that meet program supply objectives and balance cost, risk and environmental considerations. Such integrated resource plans will also conform to applicable requirements imposed by the State of California. Integrated resource planning efforts of the City will make use of demand side energy efficiency, distributed generation and demand response programs as well as traditional supply options, which rely on structured wholesale transactions to meet customer energy requirements. Integrated resource plans will be updated and adopted by the City Council on an annual basis.

### **Electric Supply Operations**

Electric supply operations encompass the activities necessary for wholesale procurement of electricity to serve end use customers. These highly specialized activities include the following:

- *Electricity Procurement* – assemble a portfolio of electricity resources to supply the electric needs of Program customers.

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- *Risk Management* – application of standard industry techniques to reduce exposure to the volatility of energy and credit markets and insulate customer rates from sudden changes in wholesale market prices.
- *Load Forecasting* – develop load forecasts, both long-term for resource planning, short-term for the electricity purchases, and sales needed to maintain a balance between hourly resources and loads.
- *Scheduling Coordination* – scheduling and settling electric supply transactions with the California Independent System Operator (“CAISO”).

The City will initially contract with one or more experienced and financially sound third party energy services providers to perform most of the electric supply operations for the SJP Program. These requirements include the procurement of energy, capacity and ancillary services, scheduling coordinator services, short-term load forecasting and day-ahead and real-time electricity trading.

### ***Governmental Affairs & Legal Support***

The SJP Program will require ongoing regulatory and legislative representation to manage various regulatory compliance filings related to resource plans, resource adequacy, compliance with California’s Renewables Portfolio Standard (“RPS”), and overall representation on issues that will impact the City and SJP customers. The City will maintain an active role at the CPUC, the California Energy Commission, the California Independent System Operator, the California legislature and, as necessary, the Federal Energy Regulatory Commission.

The City may retain outside legal services, as necessary, to administer SJP, review contracts, and provide overall legal support related to activities of the SJP Program.

### CHAPTER 4 – Startup Plan & Funding

This Chapter presents the City’s plans for the start-up period, including necessary expenses and capital outlays. As described in the previous Chapter, San Jacinto may utilize a mix of internal staff, partnerships with other CCA agencies, and contractors in its CCA Program implementation and operation.

#### *Startup Activities*

The initial program startup activities include the following:

- Hire staff and/or contractors to manage implementation
- Identify qualified suppliers (of requisite energy products and related services) and negotiate supplier contracts
  - Electric supplier and scheduling coordinator
  - Data management provider (if separate from energy supply)
- Define and execute communications plan
  - Customer research/information gathering
  - Media campaign
  - Key customer/stakeholder outreach
  - Informational materials and customer notices
  - Customer call center
- Post CCA bond and complete requisite registration requirements
- Pay utility service initiation, notification and switching fees
- Perform customer notification, opt-out and transfers
- Conduct load forecasting
- Establish rates
- Legal and regulatory support
- Financial management and reporting

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

#### *Staffing and Contract Services*

Personnel in the form of City staff, from partnerships, or contractors will be added incrementally to match workloads involved in forming SJP, managing contracts, and initiating customer outreach/marketing during the pre-operations period. During the startup period, minimal personnel requirements would include an Executive Director, legal support, and other personnel needed to support regulatory, procurement, finance, legal, and communications activities.

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For budgetary purposes, it is assumed that three full-time equivalents (staff or contracted professional services) supporting the above listed activities would be engaged during the initial start-up period. This support may come from using existing city staff, or some combination of new staff, existing staff, partnerships or contractors. Following this period, additional staff and/or contractors may be retained, as needed, to support the rollout of additional value-added services (e.g., efficiency projects) and local generation projects and programs.

### ***Capital Requirements***

The Start-up of the CCA Program will require capital for three major functions: (1) staffing and contractor costs; (2) deposits and reserves; and (3) operating cash flow. Based on the City's anticipated start-up activities and implementation schedule, a total need of \$1.5 million has been identified to support the aforementioned functions. Out of the \$1.5 million in capital requirements, \$675 thousand is related to the implementation/startup efforts (i.e., rate setting, power procurement and contract negotiations, marketing and communications, regulatory compliance, CPUC bond, SCE security deposit, etc.) in order to serve customers by July 2017. The other \$825k is the "float" required for SJP to pay its monthly bills before the program generates enough internal cash to self-fund its working capital needs. The finance plan in Chapter 7 provides additional detail regarding the City's expected capital requirements and general Program finances.

Related to the City's initial capital requirement, this amount is expected to cover staffing and contractor costs during startup and pre-startup activities, including direct costs related to public relations support, technical support, and customer communications. Requisite deposits and operating reserves are also reflected in the initial capital requirement, including the following items: 1) operating reserves to address anticipated cash flow variations (as well as operating reserve deposits that will likely be required by the City's power supplier(s)); 2) requisite deposit with the CAISO prior to commencing market operations<sup>2</sup>; 3) CCA bond (posted with the CPUC); and 4) SCE service fee deposit.

Operating revenues from sales of electricity will be remitted to the City beginning approximately sixty days after the initial customer enrollments. This lag is due to the distribution utility's standard meter reading cycle of 30 days and a 30-day payment/collections cycle. The City will need working capital to support electricity procurement and costs related to program management, which is included in the City's initial \$1.5 million capital requirement.

### ***Financing Plan***

The City's initial capital requirement will be provided via terms of a loan from the City's General Fund, or other eligible sources; subsumed in the initial capital requirement is the City's estimated initial start-up funding. For all amounts borrowed, the City will make repayments (including any interest, as applicable) over an assumed 5-year term, commencing in January

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<sup>2</sup> The City may not be required to make a deposit with the CAISO depending upon CAISO's review of the City's financial position

## **SJP Implementation Plan**

2018. San Jacinto will recover the principal and interest costs associated with the start-up funding via retail generation rates charged to SJP customers. It is anticipated that the start-up costs will be fully recovered through such customer generation rates within the first several years of operations.

### **CHAPTER 5 – Program Phase-In**

San Jacinto will roll out its service offering to all eligible customers over the course of just one phase. Given that there are only about 15,000 eligible customer accounts within the City's boundaries, a one phase roll-out is reasonable and the most efficient way for SJP to serve customers in July 2017. This approach also provides the City with the ability to initiate its program with sufficient economic scale.

The City may also evaluate other phase-in options based on then-current market conditions, statutory requirements and regulatory considerations as well as other factors potentially affecting the integration of additional customer accounts.



## CHAPTER 6 - Load Forecast & Resource Plan

### *Introduction*

This Chapter describes the planned mix of electric resources that will meet the energy demands of SJP customers using a diversified portfolio of electricity supplies. Several overarching policies govern the resource plan and the ensuing resource procurement activities that will be conducted in accordance with the plan. These key policies are as follows:

- The City will manage a diverse resource portfolio to increase control over energy costs and maintain competitive and stable electric rates.
- The City will benefit the area's economy through investment in local infrastructure, projects and energy programs.

The plan described in this section would accomplish the following:

- Procure energy through one or more contracts with experienced, financially stable energy suppliers sufficient to offer two distinct generation rate tariffs: 1) a voluntary renewable energy product with a renewable content greater than the prevailing RPS mandate, offered to SJP customers on a price premium basis relative to the SJP default retail option; and 2) a default SJP service option that includes a proportion of renewable energy that at a minimum meets California's prevailing renewable energy procurement mandate.
- To the extent that the City is successful in applying for administration of public funding to support locally administered efficiency programs, it will attempt to reduce net electricity purchases within the region.
- Encourage distributed renewable generation in the local area through the offering of a net energy metering tariff.

The City will comply with regulatory rules applicable to California load serving entities. The City will arrange for the scheduling of sufficient electric supplies to meet the demands of its customers. San Jacinto will adhere to capacity reserve requirements established by the CPUC and the CAISO designed to address uncertainty in load forecasts and potential supply disruptions caused by generator outages and/or transmission contingencies. These rules also ensure that physical generation capacity is in place to serve the City's customers, even if there were a need for the SJP Program to cease operations and return customers to SCE. In addition, the City will be responsible for ensuring that its resource mix contains sufficient production from renewable energy resources needed to comply with the statewide RPS mandate (33 percent renewable energy by 2020, increasing to 50 percent by 2030). The resource plan will meet or exceed all of the applicable regulatory requirements related to resource adequacy and the RPS.

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### *Resource Plan Overview*

To meet the aforementioned objectives and satisfy the applicable regulatory requirements pertaining to the City's status as a California load serving entity, San Jacinto's resource plan includes a diverse mix of power purchases, renewable energy, and potentially, new energy efficiency programs, demand response, and distributed generation. A diversified resource plan minimizes risk and volatility that can occur from over-reliance on a single resource type or fuel source, and thus increases the likelihood of rate stability. The planned power supply is initially comprised of power purchases from third party electric suppliers and, in the longer-term, may include renewable generation assets owned and/or controlled by the City.

Once the SJP Program demonstrates it can operate successfully, San Jacinto may begin evaluating opportunities for investment in renewable generating assets, subject to then-current market conditions, statutory requirements and regulatory considerations. Any renewable generation owned by the City or controlled under long-term power purchase agreement with a proven public power developer, could provide a portion of San Jacinto's electricity requirements on a cost-of-service basis. Depending upon market conditions and, importantly, the applicability of tax incentives for renewable energy development, electricity purchased under a cost-of-service arrangement can be more cost-effective than purchasing renewable energy from third party developers, which will allow the SJP Program to pass on cost savings to its customers through competitive generation rates. Any investment decisions will be made following thorough environmental reviews and in consultation with qualified financial and legal advisors.

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

San Jacinto's indicative resource plan for the years 2017 through 2026 is summarized in the following table. Note that SJP's projections reflect a portfolio mix of renewable energy compliant with the annual RPS requirement and all other supply coming in the form of conventional resources or CAISO system power.

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**San Jacinto Power  
Proposed Resource Plan  
(GWH)  
2017 to 2026**

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>SJP Demand (GWh)</b>										
Retail Demand	-100	-171	-172	-173	-174	-175	-176	-176	-177	-178
Losses and UFE	(5.60)	(9.59)	(9.64)	(9.68)	(9.73)	(9.78)	(9.83)	(9.88)	(9.93)	(9.98)
Total Demand	-106	-181	-182	-183	-184	-184	-185	-186	-187	-188
<b>SJP Supply (GWh)</b>										
<u>Renewable Resources</u>										
Total Renewable Resources	27	50	53	57	60	64	67	70	74	77
<u>Conventional Resources</u>										
Total Conventional Resources	79	131	128	126	123	121	118	116	114	111
Total Supply	106	181	182	183	184	184	185	186	187	188
Energy Open Position (GWh)	0	0	0	0	0	0	0	0	0	0

### *Supply Requirements*

The starting point for San Jacinto’s resource plan is a projection of participating customers and associated electric consumption. Projected electric consumption is evaluated on an hourly basis, and matched with resources best suited to serving the aggregate of hourly demands or the program’s “load profile”. The electric sales forecast and load profile will be affected by San Jacinto’s plan to introduce the SJP Program to customers one single phases and the degree to which customers choose to remain with SCE during the customer enrollment and opt-out period. The City’s rollout plan and assumptions regarding customer participation rates are discussed below.

### *Customer Participation Rates*

Customers will be automatically enrolled in the SJP Program unless they opt-out during the customer notification process conducted during the 60-day period prior to enrollment and continuing through the 60-day period following commencement of service. The City anticipates an overall customer participation rate of approximately 90 percent of eligible SCE bundled service customers, based on reported opt-out rates for the Marin Clean Energy, Sonoma Clean Power, Lancaster Choice Energy, CleanPowerSF, and Peninsula Clean Energy Authority CCA programs. It is assumed that customers taking direct access service from a competitive electricity provider will continue to remain with their current supplier.

The participation rate is not expected to vary significantly among customer classes, in part because the City will offer two distinct rate tariffs that will address the needs of cost-sensitive customers as well as the needs of both residential and business customers that prefer a highly renewable energy product. The assumed participation rates will be refined as San Jacinto’s public outreach and market research efforts continue to develop.

### *Customer Forecast*

Once customers enroll during July 2017, they will be switched over to service by the City on their regularly scheduled meter read date over an approximately thirty-day period. Approximately 462 service accounts per day will be switched over during the first month of

## SJP Implementation Plan

service. The number of accounts anticipated to be served by San Jacinto at the end of July 2017 is shown in the table below.

**San Jacinto Power  
Enrolled Retail Service Accounts  
Phase-In Period (End of Month)**

SJP Customers	<u>Jul-17</u>
Residential	11,885
Commercial	1,156
Industrial	<15
Street Lighting & Traffic	264
Agricultural & Pumping	74
<b>Total (excluding Industrial)</b>	<b>13,379</b>

The City assumes that customer growth will generally offset customer attrition (opt-outs) over time, resulting in a relatively stable customer base (0.5% annual growth) over the noted planning horizon. While the successful operating track record of California CCA programs continues to grow, there is a relatively short history with regard to CCA operations, which makes it difficult to anticipate the actual levels of customer participation within the SJP Program. The City believes that its assumptions regarding the offsetting effects of growth and attrition are reasonable in consideration of the historical customer growth within the City and the potential for continuing customer opt-outs following mandatory customer notification periods. The forecast of service accounts (customers) served by San Jacinto for each of the next ten years is shown in the following table:

**San Jacinto Power  
Retail Service Accounts (End of Year)  
2017 to 2026**

SJP Customers	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Residential	11,885	11,945	12,005	12,065	12,125	12,186	12,246	12,308	12,369	12,431
Commercial	1,156	1,162	1,168	1,173	1,179	1,185	1,191	1,197	1,203	1,209
Industrial	<15	<15	<15	<15	<15	<15	<15	<15	<15	<15
Street Lighting & Traffic	264	265	267	268	269	271	272	273	275	276
Agricultural & Pumping	74	74	75	75	75	76	76	77	77	77
<b>Total (excluding Industrial)</b>	<b>13,379</b>	<b>13,446</b>	<b>13,514</b>	<b>13,581</b>	<b>13,649</b>	<b>13,717</b>	<b>13,786</b>	<b>13,855</b>	<b>13,924</b>	<b>13,994</b>

### *Sales Forecast*

The City's forecast of kWh sales reflects the rollout and customer enrollment schedule shown above. Annual energy requirements are shown below.

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**San Jacinto Power  
Energy Requirements  
(GWh)  
2017 to 2026**

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>SJP Energy Requirements (GWh)</b>										
Retail Demand	100	171	172	173	174	175	176	176	177	178
Losses and UFE	6	10	10	10	10	10	10	10	10	10
Total Load Requirement	106	181	182	183	184	184	185	186	187	188

### *Capacity Requirements*

The CPUC's resource adequacy standards applicable to the SJP Program require a demonstration one year in advance that the City has secured physical capacity for 90 percent of its projected peak loads for each of the five months May through September, plus a minimum 15 percent reserve margin. On a month-ahead basis, San Jacinto must demonstrate 100 percent of the peak load plus a minimum 15 percent reserve margin.

A portion of the City's capacity requirements must be procured locally, from the LA Basin area and Big Creek/Ventura as defined by the CAISO. The City would be required to demonstrate its local capacity requirement for each month of the following calendar year. The local capacity requirement is a percentage of the total (SCE service area) local capacity requirements adopted by the CPUC based on San Jacinto's forecasted peak load. San Jacinto must demonstrate compliance or request a waiver from the CPUC requirement as provided for in cases where local capacity is not available.

The City is also required to demonstrate that a specified portion of its capacity meets certain operational flexibility requirements under the CPUC and CAISO's flexible resource adequacy framework.

The estimated forward resource adequacy requirements for 2017 through 2019 are shown in the following tables<sup>3</sup>:

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<sup>3</sup> The figures shown in the table are estimates. San Jacinto's resource adequacy requirements will be subject to modification due to application of certain coincidence adjustments and resource allocations relating to utility demand response and energy efficiency programs, as well as generation capacity allocated through the Cost Allocation Mechanism. These adjustments are addressed through the CPUC's resource adequacy compliance process.

**San Jacinto Power  
Forward Capacity and Reserve Requirements  
(MW)  
2017 to 2019**

<b>Month</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
January	-	32	32
February	-	31	31
March	-	29	29
April	-	31	31
May	-	32	32
June	-	40	41
July	53	53	53
August	50	50	51
September	66	66	67
October	53	53	53
November	38	38	39
December	32	32	33

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

<b>San Jacinto Power Capacity Requirements (MW) 2017 to 2026</b>										
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>Demand (MW)</b>										
Retail Demand	55	55	55	55	55	56	56	56	57	57
Losses and UFE	3	3	3	3	3	3	3	3	3	3
<b>Total Net Peak Demand</b>	<b>58</b>	<b>58</b>	<b>58</b>	<b>58</b>	<b>58</b>	<b>59</b>	<b>59</b>	<b>59</b>	<b>60</b>	<b>60</b>
Reserve Requirement (%)	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Capacity Reserve Requirement	9	9	9	9	9	9	9	9	9	9
Capacity Requirement Including Reserve	66	66	67	67	67	68	68	68	69	69

Local capacity requirements are a function of the SCE area resource adequacy requirements and San Jacinto’s projected peak demand. The City will need to work with the CPUC’s Energy Division and staff at the California Energy Commission to obtain the data necessary to calculate its monthly local capacity requirement. A preliminary estimate of the City’s annual local capacity requirement for the ten-year planning period remains constant at 9 MW as shown in the following table:

## SJP Implementation Plan

**San Jacinto Power  
Local Capacity Requirements  
(MW)  
2017 to 2026**

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
SJP Peak (MW)	58	58	58	58	58	59	59	59	60	60
Local Capacity Requirement (% of Peak)	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Big Creek / Ventura Area Share of Local Capacity Requirement (%)	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%
LA Basin Area Share of Local Capacity Requirement (%)	76%	76%	76%	76%	76%	76%	76%	76%	76%	76%
SJP Local Capacity Requirement Big Creek / Ventura (MW)	2	2	2	2	2	2	2	2	2	2
SJP Local Capacity Requirement LA Basin (MW)	7	7	7	7	7	7	7	7	7	7
SJP Local Capacity Requirement, Total (MW)	9	9	9	9	9	9	9	9	9	9

The CPUC assigns local capacity requirements during the year prior to the compliance period; thereafter, the CPUC provides local capacity requirement true-ups for the second half of each compliance year.

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

### *Renewables Portfolio Standards Energy Requirements*

#### Basic RPS Requirements

As a CCA, the City will be required by law and ensuing CPUC regulations to procure a certain minimum percentage of its retail electricity sales from qualified renewable energy resources. For purposes of determining San Jacinto's renewable energy requirements, many of the same standards for RPS compliance that are applicable to the distribution utilities will apply to SJP.

California's RPS program is currently undergoing reform. On October 7, 2015, Governor Brown signed Senate Bill 350 ("SB 350"; De Leon and Leno), the Clean Energy and Pollution Reduction Act of 2015, which increased California's RPS procurement target from 33 percent by 2020 to 50 percent by 2030 amongst other clean-energy initiatives. Many details related to SB 350 implementation will be developed over time with oversight by designated regulatory agencies. However, it is reasonable to assume that interim annual renewable energy procurement targets will be imposed on CCAs and other retail electricity sellers to facilitate progress towards the 50 percent procurement mandate. For planning purposes, the City has assumed straight-line annual increases (1.7 percent per year) to the RPS procurement target beginning in 2021, as the state advances on the 50 percent RPS. The City will also adopt an integrated resource plan in compliance with SB 350. San Jacinto understands that various details related to this planning requirement have yet to be developed, and San Jacinto intends to monitor and participate, as

## SJP Implementation Plan

appropriate, in pertinent proceedings to promote the preparation and submittal of a responsive planning document. Furthermore, the City will ensure that all long-term renewable energy contracting requirements, as imposed by SB 350, will be satisfied through appropriate transactions with qualified suppliers and will also reflect this intent in ongoing resource planning and procurement efforts.

### San Jacinto's Renewables Portfolio Standards Requirement

The City's annual RPS procurement requirements, as specified under California's RPS program, are shown in the table below.

	San Jacinto Power RPS Requirements (MWH) 2017 to 2026									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Retail Sales	100,073	171,221	172,077	172,937	173,802	174,671	175,545	176,422	177,304	178,191
Annual Procurement Target	27,020	49,654	53,344	57,069	60,309	63,580	66,882	70,216	73,581	76,978
% of Current Year Retail Sales*	27%	29%	31%	33%	35%	36%	38%	40%	42%	43%

\*Note: Specific details related to SB 350 implementation have yet to be identified. For purposes of this table, the City assumed a straight-line increase from California's 33 percent RPS procurement mandate in 2020 to California's new, 50 percent RPS procurement mandate in 2030.

### *Purchased Power*

Power purchased from power marketers, public agencies, generators, and/or utilities will be a significant source of supply during the first several years of SJP Program operation. San Jacinto will initially contract to obtain all of its electricity from one or more third party electric providers under one or more power supply agreements, and the supplier(s) will be responsible for procuring the specified resource mix, including the City's desired quantities of renewable energy, to provide a stable and cost-effective resource portfolio for the SJP Program.

### *Renewable Resources*

The City will initially secure necessary renewable power supply from its third party electric supplier(s). San Jacinto may supplement the renewable energy provided under the initial power supply contract(s) with direct purchases of renewable energy from renewable energy facilities or from renewable generation developed and owned by the City. At this point in time, it is not possible to predict what projects might be proposed in response to future renewable energy solicitations administered by San Jacinto, unsolicited proposals or discussions with other agencies. Renewable projects that are located virtually anywhere in the Western Interconnection can be considered as long as the electricity is deliverable to the CAISO control area, as required to meet the Commission's RPS rules and any additional guidelines ultimately adopted by the City. The costs of transmission access and the risk of transmission congestion costs would need to be considered in the bid evaluation process if the delivery point is outside of the City's load zone, as defined by the CAISO.



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### *Energy Efficiency*

SJP's energy efficiency goals will reflect a commitment to increasing energy efficiency within the City, expanding beyond the savings achieved by SCE's programs. To promote the achievement of this goal, SJP plans to complete the CPUC application process for third party administration of energy efficiency programs and use of funds collected through the existing public benefits surcharges paid by SJP customers. To the extent that SJP is successful in this application process, receiving funding to administer additional energy efficiency programs within the region, it will seek to maximize end-use customer energy efficiency by facilitating customer participation in existing utility programs as well as by forming new programs that will displace SJP's need for traditional electric procurement activities. Additional details related to SJP's energy efficiency plan will be developed once SJP Program phase-in is underway.

With regard to SJP's anticipated energy efficiency savings, a reasonable baseline assumption for efficiency savings related to the demand-side portion of the SJP resource plan is steady growth towards 0.5 percent of SJP's projected energy sales by 2024. These savings would be in addition to the savings achieved by SCE administered programs.

## CHAPTER 7 – Financial Plan

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

### *Description of Cash Flow Analysis*

The City's cash flow analysis estimates the level of capital that will be required during the startup and phase-in period. The analysis focuses on the SJP Program's monthly costs and revenues and specifically accounts for the phased enrollment of SJP Program customers described in Chapter 5.

### *Cost of CCA Program Operations*

The first category of the cash flow analysis is the Cost of CCA Program Operations. To estimate the overall costs associated with CCA Program Operations, the following components were taken into consideration:

- Electricity Procurement;
- Ancillary Service Requirements;
- Exit Fees;
- Staffing and Professional Services;
- Data Management Costs;
- Administrative Overhead;
- Billing Costs;
- Scheduling Coordination;
- Grid Management and other CAISO Charges;
- CCA Bond and Security Deposit;
- Pre-Startup Cost Reimbursement; and
- Debt Service.

### *Revenues from CCA Program Operations*

The cash flow analysis also provides estimates for revenues generated from CCA operations or from electricity sales to customers. In determining the level of revenues, the analysis assumes the customer phase-in schedule described herein, and assumes that San Jacinto charges a standard, default electricity tariff similar to the generation rates of SCE for each customer class and an optional renewable energy tariff (with a renewable energy content that exceeds the SJP

## **SJP Implementation Plan**

default retail option) at a premium reflective of incremental renewable power costs. More detail on SJP Program rates can be found in Chapter 8.

### ***Cash Flow Analysis Results***

The results of the cash flow analysis provide an estimate of the level of capital required for the City to move through the CCA startup and phase-in periods. This estimated level of capital is determined by examining the monthly cumulative net cash flows (revenues from CCA operations minus cost of CCA operations) based on assumptions for payment of costs or other cash requirements (e.g., deposits) by San Jacinto, along with estimates for when customer payments will be received. This identifies, on a monthly basis, what level of cash flow is available in terms of a surplus or deficit.

The cash flow analysis identifies funding requirements in recognition of the potential lag between revenues received and payments made during the phase-in period. The estimated financing requirements for the startup and phase-in period, including working capital needs associated with the customer enrollments, was determined to be \$1.5 million. Out of the \$1.5 million in capital requirements, \$675 thousand is related to the implementation/startup efforts (i.e., rate setting, power procurement and contract negotiations, marketing and communications, regulatory compliance, CPUC bond, SCE security deposit, etc.) in order to serve customers by July 2017. The other \$825k is the “float” required for SJP to pay its monthly bills before the program generates enough internal cash to self-fund its working capital needs. Working capital requirements peak soon after enrollment of all SJP customers in July 2017.

### ***CCA Program Implementation Pro Forma***

In addition to developing a cash flow analysis that estimates the level of working capital required to move San Jacinto through full CCA phase-in, a summary pro forma analysis that evaluates the financial performance of the CCA program during the phase-in period is shown below. The difference between the cash flow analysis and the CCA pro forma analysis is that the pro forma analysis does not include a lag associated with payment streams. In essence, costs and revenues are reflected in the month in which service is provided. All other items, such as costs associated with CCA Program operations and rates charged to customers remain the same. Cash provided by financing activities are not shown in the pro forma analysis, although payments for debt service are included as a cost item.

The results of the pro forma analysis are shown in the following tables. In particular, the summary of CCA program startup and phase-in addresses projected SJP Program operations for the period beginning January 2017<sup>4</sup> through December 2026<sup>5</sup>. The City has also included a summary of Program reserves, which are expected to accrue over this same period.

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<sup>4</sup> The results of the pro forma analysis are broken out by San Jacinto’s fiscal year, which spans July to June; therefore, the financial results for FYE 2017 are only inclusive of the second half of FYE 2017 (January through June 2017); all other fiscal years span a twelve month period.

## SJP Implementation Plan

**City of San Jacinto  
Summary of CCA Program Startup and Phase-In  
(January 2017 through December 2026)**

CATEGORY	FYE 2017	FYE 2018	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FYE 2023	FYE 2024	FYE 2025	FYE 2026	TOTAL
<b>I. REVENUES FROM OPERATIONS (\$)</b>											
ELECTRIC SALES REVENUE	-	10,482,933	10,851,408	11,232,835	11,627,669	12,036,382	12,459,461	12,897,411	13,350,755	13,820,034	108,758,886
LESS UNCOLLECTIBLE ACCOUNTS	-	48,530	47,490	49,359	50,987	52,748	54,576	56,474	58,444	60,489	479,097
<b>TOTAL REVENUES</b>	-	10,434,403	10,803,918	11,183,476	11,576,682	11,983,634	12,404,884	12,840,937	13,292,310	13,759,544	108,279,789
<b>II. COST OF OPERATIONS (\$)</b>											
<b>(A) OPERATIONS AND ADMINISTRATIVE (O&amp;A)</b>											
STAFFING & PROFESSIONAL SERVICES	445,750	955,623	984,291	1,013,820	1,044,235	1,075,562	1,107,828	1,141,063	1,175,295	1,210,554	10,154,020
MARKETING	104,742	212,626	219,005	225,575	232,342	239,313	246,492	253,887	261,503	269,349	2,264,835
DATA MANAGEMENT SERVICES	-	200,759	201,765	202,770	203,775	204,780	205,800	206,820	207,840	208,875	1,843,184
IOU FEES (INCLUDING BILLING)	-	71,895	14,125	14,173	14,221	14,269	14,318	14,367	14,416	14,466	186,251
OTHER ADMINISTRATIVE & GENERAL	15,000	30,450	31,364	32,304	33,274	34,272	35,300	36,359	37,450	38,573	324,345
<b>SUBTOTAL O&amp;A</b>	565,492	1,471,352	1,450,549	1,488,642	1,527,847	1,568,195	1,609,739	1,652,496	1,696,505	1,741,817	14,772,635
<b>(B) COST OF ENERGY</b>	-	8,234,583	8,047,471	8,383,160	8,669,501	8,981,380	9,305,489	9,642,303	9,992,318	10,356,047	81,612,251
<b>(C) OPERATING RESERVE CONTRIBUTION</b>	-	314,488	325,542	336,985	348,830	361,091	373,784	386,922	400,523	414,601	3,262,767
<b>TOTAL COST AND OPERATING RESERVE</b>	565,492	10,020,423	9,823,563	10,208,787	10,546,178	10,910,667	11,289,011	11,681,721	12,089,345	12,512,465	84,875,018
<b>CCA PROGRAM SURPLUS/(DEFICIT)</b>	(565,492)	413,980	980,355	974,688	1,030,505	1,072,967	1,115,873	1,159,215	1,202,966	1,247,079	8,632,137

**City of San Jacinto  
Reserves Summary  
(January 2017 through December 2026)**

CATEGORY	FYE 2017	FYE 2018	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FYE 2023	FYE 2024	FYE 2025	FYE 2026	TOTAL
<b>I. RESERVE ADDITIONS</b>											
(A) OPERATING RESERVE CONTRIBUTION	-	314,488	325,542	336,985	348,830	361,091	373,784	386,922	400,523	414,601	3,262,767
(B) CASH FROM FINANCING	1,500,000	-	-	-	-	-	-	-	-	-	1,500,000
<b>SUBTOTAL RESERVE ADDITIONS</b>	1,500,000	314,488	325,542	336,985	348,830	361,091	373,784	386,922	400,523	414,601	3,262,767
<b>II. RESERVE SUBTRACTIONS</b>											
(A) TOTAL FINANCING REPAYMENT	-	23,203	283,003	291,611	300,480	309,620	292,084	-	-	-	1,500,000
(B) INTEREST PAYMENTS	-	3,750	40,434	31,826	22,956	13,817	4,399	-	-	-	117,182
<b>SUBTOTAL RESERVE SUBTRACTIONS</b>	-	26,953	323,436	323,436	323,436	323,436	296,483	-	-	-	1,617,182
<b>III. RATE STABILIZATION RESERVE BALANCE</b>	1,500,000	1,787,535	1,789,641	1,803,189	1,828,583	1,866,238	1,943,538	2,330,461	2,730,983	3,145,584	

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

### *SJP Financings*

It is anticipated that a loan from the City will be necessary to support SJP Program implementation. Subsequent capital requirements will be self-funded from the City's accrued SJP generated financial reserves. The anticipated financing approach is described below.

<sup>5</sup> Costs projected for staffing & professional services and other administrative & general relate to energy procurement, administration of energy efficiency and other local programs, generation development, customer service, marketing, accounting, finance, legal and regulatory activities necessary for program operation.

## **SJP Implementation Plan**

### ***CCA Program Start-up and Working Capital***

As previously discussed, the anticipated start-up and working capital requirements for the SJP Program are \$1.5 million. This amount is dependent upon the electric load served by the City, actual energy prices, payment terms established with the third-party supplier, and program rates. This figure would be refined during the startup period, as these variables become known. Once the SJP Program is up and running, these costs would be recovered from customers through retail rates.

It is assumed that this financing will be primarily secured via one or more term loans from the City. Requisite financing would need to be arranged no later than the first quarter of 2017.

### ***Renewable Resource Project Financing***

San Jacinto may consider project financings for renewable resources, likely local wind, solar, and biomass projects. These financings would only occur after a sustained period of successful SJP Program operation and after appropriate project opportunities are identified and subjected to appropriate environmental review.

In the event that such financing occurs, funds would include any short-term financing for the renewable resource project development costs, and would likely extend over a 20- to 30-year term. The security for such bonds would be the revenue from sales to the retail customers of San Jacinto.

## CHAPTER 8 – Rate Setting, Program Terms and Conditions

### *Introduction*

This Chapter describes the initial policies proposed for San Jacinto in setting its rates for electric aggregation services. These include policies regarding rate design, rate objectives, and provision for due process in setting Program rates. Program rates are ultimately approved by the San Jacinto City Council. The City would retain authority to modify program policies from time to time at its discretion.

### *Rate Policies*

The City will establish rates sufficient to recover all costs related to operation of the SJP Program, including any reserves that may be required as a condition of financing and other discretionary reserve funds that may be approved by San Jacinto. As a general policy, rates will be uniform for all similarly situated customers enrolled in the SJP Program throughout the City.

The primary objectives of the rate setting plan are to set rates that achieve the following:

- Rate competitive tariff option (default service offering), including a proportionate quantity of renewable energy in excess of California’s prevailing renewable energy procurement mandate;
- Voluntary renewable energy supply option (renewable content greater than the SJP default retail service offering));
- Rate stability;
- Equity among customers in each tariff;
- Customer understanding; and
- Revenue sufficiency.

Each of these objectives is described below.

### *Rate Competitiveness*

The primary goal is to offer competitive rates for electric services that the City would provide to participating customers. For participants in the SJP standard Tariff, the goal would be for SJP Program rates to be initially one to five percent below, subject to actual energy product pricing and decisions of the City Council, similar generation rates offered by SCE. For participants in the SJP Program’s voluntary renewable energy Tariff, the goal would be to offer the lowest possible customer rates with an incremental monthly cost premium reflective of the actual cost of additional renewable energy supply required to serve such customers. Based on current estimates, the anticipated cost premium for the SJP Program’s voluntary renewable supply option would be one to five percent relative to the default SJP tariff.

## **SJP Implementation Plan**

Competitive rates will be critical to attracting and retaining key customers. In order for the City to be successful, the combination of price and value must be perceived as superior when compared to the bundled utility service alternative. As planned, the value provided by the SJP Program will include a community focus and local investment and control.

As previously discussed, the SJP Program will increase renewable energy supply to program customers, relative to the incumbent utility, by offering two distinct rate tariffs. The default tariff for SJP Program customers will be the standard Tariff, which will increase renewable energy supply while maintaining generation rates that are generally comparable to SCE's. The initial renewable energy content provided under SJP's standard Tariff will at a minimum meet California's prevailing renewable energy procurement mandate. The City will also offer its customers a voluntary renewable energy Tariff, which will supply participating customers with renewable energy above the minimum RPS mandate and potentially up to 100 percent, at rates that reflect SJP's cost for procuring related energy supplies.

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Participating qualified low- or fixed-income households, such as those currently enrolled in the California Alternate Rates for Energy ("CARE") program, will be automatically enrolled in the standard Tariff and will continue to receive related discounts on monthly electricity bills through SCE.

### ***Rate Stability***

The City will offer stable rates by hedging its supply costs over multiple time horizons and by including renewable energy supplies that exhibit stable costs. Rate stability considerations may prevent SJP Program rates from directly tracking similar rates offered by the distribution utility, SCE, and may result in differences from the general rate-related targets initially established for the SJP Program. San Jacinto plans to offer the most competitive rates possible after all Program operating costs are recovered and reserve targets are achieved.

### ***Equity among Customer Classes***

Initial rates of the SJP Program will be set based on cost-of-service considerations with reference to the rates customers would otherwise pay to SCE. Rate differences among customer classes will reflect the rates charged by the local distribution utility as well as differences in the costs of providing service to each class. Rate benefits may also vary among customers within the major customer class categories, depending upon the specific rate designs adopted by the City.

### ***Customer Understanding***

The goal of customer understanding involves rate designs that are relatively straightforward so that customers can readily understand how their bills are calculated. This not only minimizes customer confusion and dissatisfaction but will also result in fewer billing inquiries to the SJP Program's customer service call center. Customer understanding also requires rate structures to reflect rational rate design principles (i.e., there should not be differences in rates that are not justified by costs or by other policies such as providing incentives for conservation).

## **SJP Implementation Plan**

### ***Revenue Sufficiency***

SJP Program rates must collect sufficient revenue from participating customers to fully fund the City's annual budget related to SJP operations. Rates will be set to collect the adopted budget based on a forecast of electric sales for the budget year. Rates will be adjusted as necessary to maintain the ability to fully recover all costs of the SJP Program, subject to the disclosure and due process policies described later in this chapter. To ensure rate stability, funds available in the City's rate stabilization fund may be used from time to time to augment operating revenues.

### ***Rate Design***

The City will generally match the rate structures from the utilities' standard rates to avoid the possibility that customers would see significantly different bill impacts as a result of changes in rate structures that would take effect following enrollment in the SJP Program.

### ***Custom Pricing Options***

The City may work to develop specially-tailored rate and electric service products that meet the specific load characteristics or power market risk profiles of larger commercial and industrial customers. This will allow such customers to have access to a wider range of products than is currently available under the incumbent utility and potentially reduce the cost of power for these customers. The City may provide large energy users with custom pricing options to help these customers gain greater control over their energy costs. Some examples of potential custom pricing options are rates that are based on an observable market index (e.g., CAISO prices) or fixed priced contracts of various terms.

### ***Net Energy Metering***

As planned, customers with on-site generation eligible for net metering from SCE will be offered a net energy metering rate from the City. Net energy metering allows for customers with certain qualified solar or wind distributed generation to be billed on the basis of their net energy consumption. The SCE net metering tariff ("NEM") requires the CCA to offer a net energy metering tariff in order for the customer to continue to be eligible for service on Schedule NEM. The objective is that San Jacinto's net energy metering tariff will apply to the generation component of the bill, and the SCE net energy metering tariff will apply to the utility's portion of the bill. The City plans to pay customers for excess power produced from net energy metered generation systems in accordance with the rate designs adopted by the City.

### ***Disclosure and Due Process in Setting Rates and Allocating Costs among Participants***

Initial program rates will be adopted by San Jacinto following the establishment of the first year's operating budget prior to initiating the customer notification process. Subsequently, the City will prepare an annual budget and corresponding customer rates. Following the commencement of service, any proposed rate adjustment will be made to the City Council and ample time will be given to affected customers to provide comment on the proposed rate changes.



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After proposing a rate adjustment, the City will furnish affected customers with a notice of its intent to adjust rates, either by mailing such notices postage prepaid to affected customers, by including such notices as an insert to the regular bill for charges transmitted to affected customers, or by including a related message directly on the customer's monthly electricity bill (on the page addressing SJP charges). The notice will provide a summary of the proposed rate adjustment and will include a link to the SJP Program website where information will be posted regarding the amount of the proposed adjustment, a brief statement of the reasons for the adjustment, and the mailing address of the SJP Program to which any customer inquiries relative to the proposed adjustment, including a request by the customer to receive notice of the date, time, and place of any hearing on the proposed adjustment, may be directed.

## **CHAPTER 9 – Customer Rights and Responsibilities**

This chapter discusses customer rights, including the right to opt-out of the SJP Program and the right to privacy of customer usage information, as well as obligations customers undertake upon agreement to enroll in the CCA Program. All customers that do not opt out within 30 days of the fourth enrollment notice will have agreed to become full status program participants and must adhere to the obligations set forth below, as may be modified and expanded by the SJP City Council from time to time.

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

### ***Customer Notices***

At the initiation of the customer enrollment process, four notices will be provided to customers describing the Program, informing them of their opt-out rights to remain with utility bundled generation service, and containing a simple mechanism for exercising their opt-out rights. The first notice will be mailed to customers approximately sixty days prior to the date of automatic enrollment. A second notice will be sent approximately thirty days later. The City will likely use its own mailing service for requisite enrollment notices rather than including the notices in SCE's monthly bills. This is intended to increase the likelihood that customers will read the enrollment notices, which may otherwise be ignored if included as a bill insert. Customers may opt out by notifying the City using the SJP Program's designated telephone-based or internet opt-out processing service. Should customers choose to initiate an opt-out request by contacting SCE, they would be transferred to the SJP Program's call center to complete the opt-out request. Consistent with CPUC regulations, notices returned as undelivered mail would be treated as a failure to opt out, and the customer would be automatically enrolled.

Following automatic enrollment, at least two notices will be mailed to customers within the first two billing cycles (approximately sixty days) after SJP service commences. Opt-out requests made on or before the sixtieth day following start of SJP Program service will result in customer transfer to bundled utility service with no penalty. Such customers will be obligated to pay charges associated with the electric services provided by the City during the time the customer took service from the SJP Program, but will otherwise not be subject to any penalty or transfer fee from SJP.

Customers who establish new electric service accounts within the Program's service area will be automatically enrolled in the SJP Program and will have sixty days from the start of service to opt out if they so desire. Such customers will be provided with two enrollment notices within this sixty-day post enrollment period. Such customers will also receive a notice detailing the City's privacy policy regarding customer usage information. San Jacinto will have the authority to implement entry fees for customers that initially opt out of the Program, but later decide to

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participate. Entry fees, if deemed necessary, would aid in resource planning by providing additional control over the SJP Program's customer base.

### *Termination Fee*

Customers that are automatically enrolled in the SJP Program can elect to transfer back to the incumbent utility without penalty within the first two months of service. After this free opt-out period, customers will be allowed to terminate their participation but may be subject to payment of a Termination Fee, which San Jacinto reserves the right to impose, if deemed necessary. Customers that relocate within the City's service territory would have SJP service continued at their new address. If a customer relocating to an address within the City's service territory elected to cancel CCA service, the Termination Fee could be applied. Program customers that move out of San Jacinto's service territory would not be subject to the Termination Fee. If deemed applicable by San Jacinto, SCE would collect the Termination Fee from returning customers as part of SJP's final bill to the customer.

For illustrative purposes, SJP's Termination Fee could vary by customer class as set forth in the table below, subject to a final determination by the City.

### **SJP Program: Illustrative Schedule of Fees for Service Termination\***

<b>Customer Class</b>	<b>Fee</b>
Residential	\$5
Non-Residential	\$25

\*Note that San Jacinto has yet to adopt a Schedule of Fees for Service Termination. The fees reflected in this table are representative of similar charges adopted by California's operating CCA programs.

If adopted, the Termination Fee would be clearly disclosed in the four enrollment notices sent to customers during the sixty-day period before automatic enrollment and following commencement of service. The fee could also be changed prospectively by San Jacinto subject to applicable customer noticing requirements.

Customers electing to terminate service after the initial notification period would be transferred to SCE on their next regularly scheduled meter read date if the termination notice is received a minimum of fifteen days prior to that date. Such customers would also be liable for the nominal reentry fees imposed by SCE and would be required to remain on bundled utility service for a period of one year, as described in the utility CCA tariffs.

### *Customer Confidentiality*

San Jacinto will establish policies covering confidentiality of customer data that are fully compliant with the required privacy protection rules for CCA customer energy usage information, as detailed within Decision 12-08-045. The City will maintain the confidentiality of individual customers' names, service addresses, billing addresses, telephone numbers, account

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numbers, and electricity consumption, except where reasonably necessary to conduct business of the SJP Program or to provide services to customers, including but not limited to where such disclosure is necessary to (a) comply with the law or regulations; (b) enable San Jacinto to provide service to its customers; (c) collect unpaid bills; (d) obtain and provide credit reporting information; or (e) resolve customer disputes or inquiries. The City will not disclose customer information for telemarketing, e-mail, or direct mail solicitation. Aggregate data may be released at San Jacinto's discretion.

### ***Responsibility for Payment***

Customers will be obligated to pay SJP Program charges for service provided through the date of transfer including any applicable Termination Fees. Pursuant to current CPUC regulations, the City will not be able to direct that electricity service be shut off for failure to pay SJP bills. However, SCE has the right to shut off electricity to customers for failure to pay electricity bills, and SCE Electric Rule 23 mandates that partial payments are to be allocated pro rata between SCE and the CCA. In most circumstances, customers would be returned to utility service for failure to pay bills in full and customer deposits (if any) would be withheld in the case of unpaid bills. SCE would attempt to collect any outstanding balance from customers in accordance with Rule 23 and the related CCA Service Agreement. The proposed process is for two late payment notices to be provided to the customer within 30 days of the original bill due date. If payment is not received within 45 days from the original due date, service would be transferred to the utility on the next regular meter read date, unless alternative payment arrangements have been made. Consistent with the CCA tariffs, Rule 23, service cannot be discontinued to a residential customer for a disputed amount if that customer has filed a complaint with the CPUC, and that customer has paid the disputed amount into an escrow account.

### ***Customer Deposits***

Under certain circumstances, SJP customers may be required to post a deposit equal to the estimated charges for two months of CCA service prior to obtaining service from the SJP Program. A deposit would be required for an applicant who previously had been a customer of SCE or SJP and whose electric service has been discontinued by SCE or SJP during the last twelve months of that prior service arrangement as a result of bill nonpayment. Such customers may be required to reestablish credit by depositing the prescribed amount. Additionally, a customer who fails to pay bills before they become past due as defined in SCE Electric Rule 11 (Discontinuance and Restoration of Service), and who further fails to pay such bills within five days after presentation of a discontinuance of service notice for nonpayment of bills, may be required to pay said bills and reestablish credit by depositing the prescribed amount. This rule will apply regardless of whether or not service has been discontinued for such nonpayment<sup>6</sup>. Failure to post deposit as required would cause the account service transfer request to be rejected, and the account would remain with SCE.

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<sup>6</sup> A customer whose service is discontinued by San Jacinto is returned to SCE generation service.

## CHAPTER 10 - Procurement Process

### *Introduction*

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

### *Procurement Methods*

San Jacinto will enter into agreements for a variety of services needed to support program development, operation and management. It is anticipated that the City will generally utilize Competitive Procurement methods for services but may also utilize Direct Procurement or Sole Source Procurement, depending on the nature of the services to be procured. Direct Procurement is the purchase of goods or services without competition when multiple sources of supply are available. Sole Source Procurement is generally to be performed only in the case of emergency or when a competitive process would be an idle act.

The City will utilize a competitive solicitation process to enter into agreements with entities providing electrical services for the program. Agreements with entities that provide professional legal or consulting services, and agreements pertaining to unique or time sensitive opportunities, may be entered into on a Direct Procurement or Sole Source basis at San Jacinto’s discretion. Authority for terminating agreements will generally mirror the authority for entering into such agreements.

### *Key Contracts*

#### **Electric Supply Contract**

San Jacinto will initiate service using supply contracts with one or more qualified providers to supply sufficient electric energy resources to meet SJP customer demand as well as applicable resource adequacy requirements, ancillary and other necessary services. It is anticipated a Request for Proposals (“RFP”) for energy supply products and services including shaped conventional energy, renewable energy, resource adequacy capacity, and scheduling coordinator services will be issued in December 2016. The tentative RFP schedule and timeline is broken out below:

Release RFP	December 2016
Deadline for Question Submittal	December 2016
Proposals Due	January 2017
Notification of Short List	January 2017
Short List Interviews	February 2017
Begin Contract Negotiations	March 2017
Best and Final Pricing	April 2017

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Contract Approval and Execution      April 2017

As indicated in the above RFP timeline, the City plans to receive proposals, including indicative pricing for all requested products and services, in January 2017. This would provide the City with a sufficient amount of time to evaluate the proposals, develop a short-list, conduct interviews, negotiate contracts, and execute final agreements by the beginning of the 2<sup>nd</sup> quarter 2017.

The City may complete additional solicitations to supplement its energy supply and/or to replace contract volumes provided under the original contract. San Jacinto would begin such procurement sufficiently in advance of contract expiration so that the transition from the initial supply contract occurs smoothly, avoiding dependence on market conditions existing at any single point in time.

As part of the energy supply and services RFP released in December 2016, San Jacinto will solicit the services of a certified scheduling coordinator to schedule loads and resources to meet SJP customer demand. The City may designate the primary supplier to be responsible for day-to-day energy supply operations of the SJP Program and for managing the predominant supply risks for the term of the contract. The primary supplier may also contribute to meeting the Program's renewable energy supply goals. However, additional suppliers may be identified to supplement requisite energy supplier of the SJP program. Finally, the primary supplier may be responsible for ensuring San Jacinto's compliance with all applicable resource adequacy and regulatory requirements imposed by the CPUC or FERC.

### Data Management Contract

A data manager will provide the retail customer services of billing and other customer account services (electronic data interchange or EDI with SCE, billing, remittance processing, and account management). Recognizing that some qualified wholesale energy suppliers do not typically conduct retail customer services whereas others (i.e., direct access providers) do, the data management contract may be separate from the electric supply contract. It is anticipated that a single contractor will be selected to perform all of the data management functions.<sup>7</sup>

The data manager is responsible for the following services:

- Data exchange with SCE;
- Technical testing;
- Customer information system;
- Customer call center;
- Billing administration/retail settlements; and
- Settlement quality meter data reporting

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<sup>7</sup> The contractor providing data management may also be the same entity as the contractor supplying electricity for the program.

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- Reporting and audits of utility billing.

Utilizing a third party for account services eliminates a significant expense associated with implementing a customer information system. Such systems can impose significant information technology costs and take significant time to deploy. Separation of the data management contract from the energy supply contract provides the City with greater flexibility to change energy suppliers, if desired, without facing an expensive data migration issue.

San Jacinto is considering partnering with Lancaster Choice Energy for various components of SJP's operations, including data management and call center functions. Should SJP decide not to partner for these services, an RFP process, similar to the electric supply RFP described above, will be completed. The tentative RFP schedule and timeline is broken out below:

Release RFP	December 2016
Deadline for Question Submittal	December 2016
Proposals Due	January 2017
Notification of Short List	January 2017
Short List Interviews	January 2017
Begin Contract Negotiations	January 2017
Contract Approval and Execution	January 2017

The RFP timeline will allow the City to get a data manager under contract by late January 2017. Even though SJP will not serve customers until July 2017, the data manager will need sufficient time to setup and integrate the various data systems with San Jacinto, SCE, and other third parties such as SJP's scheduling coordinator.

### CHAPTER 11 – Contingency Plan for Program Termination

#### *Introduction*

This Chapter describes the process to be followed in the case of SJP Program termination. By adopting the original Implementation Plan, the City will have approved the general termination process contained herein to be effective at Program initiation. In the unexpected event that the City would terminate the SJP Program and return its customers to SCE service, the proposed process is designed to minimize the impacts on its customers and on SCE. The proposed termination plan follows the requirements set forth in SCE's tariff Rule 23 governing service to CCAs. The City retains authority to modify program policies from time to time at its discretion.

#### *Termination by SJP*

San Jacinto will offer services for the long term with no planned Program termination date. In the unanticipated event that the City decides to terminate the Program, the City Council would vote on Program termination.

After any applicable restrictions on such termination have been satisfied, notice would be provided to customers six months in advance that they will be transferred back to SCE. A second notice would be provided during the final sixty-days in advance of the transfer. The notice would describe the applicable distribution utility bundled service requirements for returning customers then in effect, such as any transitional or bundled portfolio service rules.

At least one year advance notice would be provided to SCE and the CPUC before transferring customers, and the City would coordinate the customer transfer process to minimize impacts on customers and ensure no disruption in service. Once the customer notice period is complete, customers would be transferred *en masse* on the date of their regularly scheduled meter read date.

San Jacinto will post a bond or maintain funds held in reserve to pay for potential transaction fees charged to the Program for switching customers back to distribution utility service. Reserves would be maintained against the fees imposed for processing customer transfers (CCASRs). The Public Utilities Code requires demonstration of insurance or posting of a bond sufficient to cover reentry fees imposed on customers that are involuntarily returned to distribution utility service under certain circumstances. The cost of reentry fees are the responsibility of the energy services provider or the community choice aggregator, except in the case of a customer returned for default or because its contract has expired. The City will post financial security in the appropriate amount as part of its registration materials and will maintain the financial security in the required amount, as necessary.



CHAPTER 12 – Appendices

*Appendix A: City of San Jacinto Ordinance No. 16-12 (Adopting Implementation Plan)*