

Los Angeles Community Choice Energy (LACCE)

COMMUNITY CHOICE AGGREGATION IMPLEMENTATION PLAN AND STATEMENT OF INTENT

[August 14, 2017]

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CHAPTER 1 – Introduction

The Los Angeles Community Choice Energy (“LACCE”) Authority is a public agency located within Los Angeles County, formed for the purpose of implementing a community choice aggregation program (“CCA”, or “Community Choice Energy” – “CCE” – which has been recently used as an alternative identifying term for the CCA service model), which has been named Los Angeles Community Choice Energy (the “Program” or “LACCE”). Member Agencies of the LACCE Authority include two (2) municipalities located within the County of Los Angeles (“County”) as well as the unincorporated areas of the County itself (together, the “Members” or “Member Agencies”), which have elected to allow the LACCE Authority to provide electric generation service within their respective jurisdictions. Currently, the following Members Agencies comprise the LACCE Authority:

- Los Angeles County (unincorporated)
- Rolling Hills Estates
- City of South Pasadena

This Implementation Plan and Statement of Intent (“Implementation Plan”) describes the LACCE Authority’s plans to implement a voluntary CCA program for electric customers within the jurisdictional boundaries of the County that currently take bundled electric service from Southern California Edison (“SCE”). The LACCE 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 January 15, 2018. All current SCE customers within the LACCE Authority’s service area will receive information describing the LACCE Program and will have multiple opportunities to choose to remain full requirement (“bundled”) customers of SCE, in which case they will not be enrolled. Thus, participation in the LACCE Program is completely voluntary; however, customers, as provided by law, will be automatically enrolled according to the anticipated phase-in schedule later described in Chapter 5 unless they affirmatively elect to opt-out.

Implementation of LACCE will enable customers within the LACCE Authority’s service area to take advantage of the opportunities granted by Assembly Bill 117 (“AB 117”), the Community Choice Aggregation Law. The LACCE Authority’s primary objectives in implementing this Program are to provide cost competitive electric services; reduce electric sector greenhouse gas emissions (“GHGs”) within the County; stimulate renewable energy development; implement distributed energy resources; promote energy efficiency and demand reduction programs; and sustain long-term rate stability for residents and businesses through local control. The prospective benefits to consumers include increased renewable and other low-GHG emitting energy supplies, 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 LACCE Authority is currently soliciting energy suppliers and marketers through a competitive process and will negotiate with one or more qualified suppliers throughout the summer and fall of 2017. Final selection of the LACCE Authority's initial energy supplier(s) will be made by the LACCE Authority following administration of the aforementioned solicitation process and related contract negotiations. Information regarding the anticipated solicitation process for the LACCE Authority's initial energy services provider(s) is contained in Chapter 10.

The California Public Utilities Code provides the relevant legal Authority for the LACCE Authority 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 LACCE Program. The CPUC also has responsibility for registering the LACCE Authority as a Community Choice Aggregator and ensuring compliance with basic consumer protection rules. The Public 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 August 4, 2017, the LACCE Authority, at a duly noticed public hearing, considered and adopted this Implementation Plan, through Resolution 17-002 (a copy of which is included as part of Appendix A). 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. Finally, each of the LACCE Authority's Members has adopted an ordinance to implement a CCA program through its participation in the LACCE Authority, and each of the Members has adopted a resolution permitting the LACCE Authority to provide service within its jurisdiction¹. With each of these milestones having been accomplished, the LACCE Authority 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 LACCE Authority will take the final steps needed to register as a CCA prior to initiating the customer notification and enrollment process.

Organization of this Implementation Plan

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 LACCE Authority'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.

¹ Copies of individual ordinances adopted by the LACCE Authority's Members are included within Appendix A.

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
- Appendix A: the LACCE Authority Resolution No. 17-002(Adopting Implementation Plan)
- Appendix B: the LACCE Authority Joint Powers Agreement

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

AB 117 Cross References

AB 117 REQUIREMENT	IMPLEMENTATION PLAN CHAPTER
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.

Beginning in 2015, Los Angeles County began investigating formation of a CCA Program in the County, pursuant to California state law, with the following objectives: 1) provide cost-competitive electric services; 2) reduce greenhouse gas emissions related to the use of electric power within the County; and 3) increase the use of renewable energy resources relative to the incumbent utility. A technical feasibility study for a CCA Program serving the County was completed for the LACCE Authority Partnership in July 28, 2016.

After nearly 2 years of collaborative work by representatives of the Los Angeles County, city governments, independent consultants, local experts and stakeholders, the LACCE Authority was formed in July 2017 for purposes of implementing the LACCE Program. Subsequently, the LACCE Authority approved this Implementation Plan through a duly-noted public hearing, complying with the standards stated in California Public Utilities Code Section 366.2. The LACCE Authority is continuing discussions with additional Cities regarding membership in the JPA. This Implementation Plan will be updated as additional Cities become partners in the LACCE Authority.

The LACCE Program represents a culmination of planning efforts that are responsive to the expressed needs and priorities of the citizenry and business community within the Member Agencies. The LACCE Authority plans to offer choices to eligible customers through creation of innovative programs for voluntary purchases of renewable energy, net energy metering to promote customer-owned renewable generation, energy efficiency, demand responsiveness to promote reductions in peak demand, distributed energy generation, customized pricing options for large energy users, and support of local renewable energy projects through offering of a standardized power purchasing agreement or Feed-In Tariff. Commercial direct access customers are not included as it is assumed that customers taking direct access service from a competitive electricity provider will continue to remain with their current supplier.

Process of Aggregation

Before they are enrolled in the Program, prospective LACCE customers will receive two written notices in the mail from the LACCE Authority 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 no later than thirty days 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 the first phase of customers in November 2017. Initial enrollment notices will be provided to

subsequent customer phases consistent with statutory requirements and based on schedule(s) determined by the LACCE Authority. These notices will be sent to customers in subsequent phases twice within 60 days of automatic enrollment.

Customers enrolled in the LACCE 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 LACCE Authority as well as other charges related to electricity delivery and other utility charges assessed by SCE.

After service cutover, customers will have approximately 60 days (two billing cycles) to opt-out of the LACCE Program without penalty and return to the distribution utility (SCE). LACCE 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 the LACCE Authority 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 LACCE Program and to have agreed to the LACCE 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

LACCE Customers will pay the generation charges set by the LACCE Authority 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 LACCE Authority'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 LACCE Authority will establish rates sufficient to recover all costs related to operation of the Program, and actual rates will be adopted by the LACCE Authority's Board.

Initial LACCE Program rates will be established following approval of LACCE's inaugural program budget, reflecting final costs from the LACCE Program's energy supplier(s). The LACCE Authority's rate policies and procedures are detailed in Chapter 7. Information regarding final LACCE 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 the LACCE Authority gives definitive notice to SCE that it will commence service, LACCE 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 customers².

Renewable Energy Impacts

A second consequence of the Program will be an 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. LACCE customers will also have the opportunity to participate in a 50 percent or 100 percent renewable supply option. To the extent that customers choose the LACCE Authority's 50 percent or 100 percent renewable energy option, the renewable content of the LACCE Authority'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 LACCE Authority will consider independent development of new local renewable generation resources. The LACCE Authority seeks to establish a resource portfolio that encourages the use and development of cost-effective local renewable and distributed energy 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 LACCE Program implementation. LACCE 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 LACCE Program, as described in Chapter 6, will follow the LACCE Authority'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 the LACCE Authority-administered energy efficiency programs. Thus, the LACCE Program has the potential for increased energy savings and a further reduction in emissions due to expanded energy efficiency programs.

² For SCE bundled service customers, the Power Charge Indifference Adjustment element of the Cost Responsibility Surcharge is contained within the tariffed Generation rate. Other elements of the Cost Responsibility Surcharge are set forth in SCE's tariffs as separate rates/charges paid by all customers (with limited exceptions).

CHAPTER 3 – Organizational Structure

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

Organizational Overview

On August 4, 2017, the LACCE Authority formed its Board of Directors to serve as its Governing Board. The Board is responsible for establishing LACCE Program policies and objectives and overseeing the LACCE Authority's operation. Also on August 4, 2017, the Board appointed an Interim Executive Director executive director to manage the operation of the LACCE Authority in accordance with policies adopted by the Board. When the LACCE Authority receives CPUC certification, the executive director will proceed to appoint staff and contractors to manage the LACCE Authority's activities. These activities include support services (administration, finance and IT), marketing and public affairs (community outreach, key account management and customer advocacy), Supply acquisition (energy trading, contract negotiation and system development) and Legal and government affairs.

Governance

The LACCE Program will be governed by the LACCE Authority's Board, which shall include one appointed designee from each of the Members. The LACCE Authority will be a joint powers agency formed under California law created on June 27, 2017. The Members of the LACCE Authority include two (2) municipalities located within the County as well as the unincorporated areas of the County, all of which have elected to allow the LACCE Authority to provide electric generation service within their respective jurisdictions. The LACCE Authority's Board will be comprised of representatives appointed by each of the Members in accordance with the JPA agreement. The LACCE Program will be operated under the direction of an executive director appointed by the Board, with legal and regulatory support provided by a Board appointed General Counsel.

The Board'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 Board. The Board will elect a Chairman and Vice Chairman and will establish an Executive Committee, Finance Committee, and Community Advisory Committee. In the future, the Board may also establish other committees and sub-committees, as needed, to address issues that require greater expertise in particular areas. The LACCE Authority may also form various standing and ad hoc committees, as appropriate, which would have responsibility for evaluating various issues that may affect the LACCE Authority and its customers and would provide analytical support and recommendations to the Board in these regards.

Management

The LACCE Authority Board of Directors has appointed an Interim Executive Director, who has management responsibilities over functional areas of Administration & Finance, Marketing & Public Affairs, Power Resources & Energy Programs, and Government Affairs as well as the LACCE Authority's General Counsel. In performing his obligations to the LACCE Authority, the Executive Director may utilize a combination of internal staff and/or contractors. Certain specialized functions needed for program operations, namely the electric supply and customer account management functions described below, may be performed initially by third-party contractors.

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

Administration

The LACCE Authority's Executive Director is responsible for managing the organization's human resources and administrative functions and will coordinate with the LACCE Board, as necessary, with 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 the LACCE Authority, 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 LACCE Authority 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.

The LACCE Authority 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.

The LACCE Authority'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 LACCE 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 LACCE Authority 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 LACCE Authority will conduct program marketing to raise consumer awareness of the LACCE Program and to establish the LACCE “brand” in the minds of the public, with the goal of retaining and attracting as many customers as possible into the LACCE Program. Outgoing communications will also promote LACCE’s customer programs. Additionally, LACCE will communicate with 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 LACCE Authority’s ability to differentiate itself as a highly customer-focused organization that is responsive to the needs of the community. The LACCE Authority 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 LACCE 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 LACCE Authority, 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 LACCE Authority.

The customer data management services function also manages billing-related communications with customers, customer call centers, and routine customer notices. The LACCE Authority will initially 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

The LACCE Authority 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 LACCE Authority’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 LACCE Authority may develop and administer complementary energy programs that may be offered to LACCE 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 LACCE Authority.

The LACCE Authority 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 LACCE Authority will make maximum 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 LACCE Authority 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.
- *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 and short-term for the electricity purchases and sales needed to maintain a balance between hourly resources and loads.
- *Scheduling Coordination* – scheduling and settling electric supply transactions with the CAISO.

The LACCE Authority will initially contract with one or more experienced and financially sound third party energy services providers to perform all of the electric supply operations for the LACCE 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.

Local Energy Programs

A key focus of the LACCE Program will be the development and implementation of local energy programs, including energy efficiency programs, distributed generation programs and other energy programs responsive to community interests. These programs are likely to be phased in during the first several years of operations. The implementation of such programs will follow the identification of requisite funding sources.

The LACCE Authority will eventually administer energy efficiency, demand response and distributed generation programs that can be used as cost-effective alternatives to procurement of supply-resources. The LACCE Authority will attempt to consolidate existing demand side programs into this organization and leverage the structure to expand energy efficiency offerings

to customers throughout its service territory, including 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 LACCE customers.

Governmental Affairs & General Counsel

The LACCE 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 LACCE Authority, its Members and customers. The LACCE Authority 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.

Under the direction of its General Counsel, the LACCE Authority may retain outside legal services, as necessary, to administer the LACCE Authority, review contracts, and provide overall legal support related to activities of the LACCE Program.

CHAPTER 4 – Startup Plan & Funding

This Chapter presents the LACCE Authority's plans for the start-up period, including necessary expenses and capital outlays. As described in the previous Chapter, the LACCE Authority may utilize a mix of staff and contractors in its CCA Program implementation.

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 LACCE Program will be the responsibility of the LACCE 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 LACCE staff or contractors will be added incrementally to match workloads involved in forming the new organization, managing contracts, and initiating customer outreach/marketing during the pre-operations period. During the startup period, minimal personnel requirements would include an Executive Director, a General Counsel, and

other personnel needed to support regulatory, procurement, finance, and communications activities.

For budgetary purposes, it is assumed that 5 to 10 full-time equivalents (staff or contracted professional services) supporting the above listed activities would be engaged during the initial start-up period. Following this period, additional staff and/or contractors will be retained, as needed, to support the roll-out 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) working capital. Based on the LACCE Authority's anticipated start-up activities and phase-in schedule, a total need of nearly \$50 million has been identified to support the aforementioned functions. The finance plan in Chapter 7 provides some additional detail regarding the LACCE Authority's expected capital requirements and general Program finances.

Related to the LACCE Authority'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 LACCE Authority's power supplier(s)); 2) requisite deposit with the California Independent System Operator prior to commencing market operations; 3) CCA bond (posted with the CPUC); and 4) SCE service fee deposit.

Operating revenues from sales of electricity will be remitted to the LACCE Authority 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 LACCE Authority will need working capital to support electricity procurement and costs related to program management, which is included in the LACCE Authority's initial capital requirements.

Financing Plan

The LACCE Authority's initial capital requirement will be provided via a \$10 million loan from Los Angeles County and conventional financing methods (e.g., bank loans and/or lines of credit); subsumed in the initial capital requirement is the LACCE Authority's initial start-up funding (\$10 million), which has been provided by LA County in accordance with the LACCE Authority's JPA Agreement – these amounts are to be repaid by the LACCE Authority no later than June 30, 2018. For all other amounts borrowed, the LACCE Authority will make repayments (including any interest, as applicable). The LACCE Authority will recover the principal and interest costs associated with the start-up funding via retail generation rates charged LACCE 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

The LACCE Authority will roll out its service offering to customers over the course of three or more phases:

Phase 1. LA County Municipal accounts

Phase 2. Municipal, Commercial and Industrial Customers in JPA service area

Phase 3. All Remaining Customers in JPA service area

This approach provides the LACCE Authority with the ability to initiate its program with sufficient economic scale before building to full program integration for an expected customer base of approximately 285,000 accounts, post customer opt-out. The LACCE Authority will offer service to all customers on a phased basis, which is expected to be completed within 12 months of initial service to Phase 1 customers.

Phase 1 of the Program is targeted to begin on or about January 15, 2018, subject to a decision to proceed by the LACCE Authority. During Phase 1, the LACCE Authority anticipates serving approximately 1,700 accounts, comprised of all LA County municipal accounts, totaling nearly 170 GWh of annual energy sales. Specific accounts to be included in Phase 1 will be approximately five (5) percent of the LACCE Authority's total customer load and will be specifically defined after further analysis and consideration by the LACCE Authority.

Phase 2 of the Program will commence following successful operation of the LACCE Program over an approximate six-month term, which corresponds with an expected Phase 2 service commencement date occurring no later than June 2018. It is anticipated that approximately 25,000 additional customers, comprised of commercial and industrial customers, will be included in Phase 2, with annual energy consumption approximating 1,950 GWh, or fifty-five (55) percent of the LACCE Authority's total prospective customer load, inclusive of Phase 1. The LACCE Authority is currently refining the potential composition of Phase 2 accounts in consideration of cost of service and customer load characteristics as well as other operational considerations.

Following the successful completion of Phase 1 and Phase 2 customer enrollments, the LACCE Authority will complete roll out to all remaining customers in Phase 3, which is currently expected to occur no later than December 2018, subject to roll-out success of previous phases. This phase is expected to include residential accounts within LACCE's service territory as well as all agricultural and street lighting accounts. Phase 3 will total approximately 285,000 accounts with annual energy consumption of approximately 3,470 GWh, or one hundred (100) percent of LACCE's current prospective customer load, inclusive of Phases 1 and 2.

To the extent that additional customers require enrollment after the completion of Phase 3, the LACCE Authority will evaluate a subsequent phase of CCA enrollment.

The LACCE Authority may also evaluate other phase-in options based on 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 the LACCE Authority 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 LACCE Authority will seek to increase use of renewable energy resources and distributed energy resources in order to reduce reliance on fossil-fueled electric generation for purposes of reducing electric sector GHG emissions.
- The LACCE Authority will manage a diverse resource portfolio to increase control over energy costs and maintain competitive and stable electric rates.
- The LACCE Authority will apply for the administration of energy efficiency program funding to help customers reduce energy costs through administration of enhanced customer energy efficiency, distributed generation, and other demand reducing programs.
- The LACCE Authority will benefit the area's economy through investment in local infrastructure, energy projects and energy programs.

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

The LACCE Authority's aggressive commitment to renewable generation adoption may involve both direct investment in new renewable generating resources, partnerships with experienced public power developers/operators and purchases of renewable energy from third party suppliers.

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 three distinct generation rate tariffs: 1) 100 percent renewable energy; 2) 50 percent renewable energy; and 3) a LACCE service option that includes a proportion of renewable energy meeting California's prevailing renewable energy procurement mandate.
- Member agencies will choose the default option into which their customers will be enrolled when service begins. After enrollment, customers will be allowed to participate in any of the three available energy supply options.

- Continue increasing renewable energy supplies over time to meet or exceed state mandates, subject to resource availability and economic viability.
- Actively pursue energy efficiency projects and programs using program revenues, in collaboration with the other efficiency program administrators in the region. Additionally, if LACCE is successful in applying for administration of public funding to support locally administered efficiency programs, it will even more robustly work 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; a standardized power purchase agreement or “Feed-In Tariff”; and other creative, customer-focused programs targeting increased access to local renewable energy sources.

The LACCE Authority will comply with regulatory rules applicable to California load serving entities. The LACCE Authority will arrange for the scheduling of sufficient electric supplies to meet the demands of its customers. The LACCE Authority 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 LACCE’s customers, even if there were a need for the LACCE Program to cease operations and return customers to SCE. In addition, the LACCE Authority will be responsible for ensuring that its resource mix contains sufficient production from renewable energy resources needed to comply with the statewide RPS (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.

Resource Plan Overview

To meet the aforementioned objectives and satisfy the applicable regulatory requirements pertaining to the LACCE Authority’s status as a California load serving entity, the LACCE Authority’s resource plan includes a diverse mix of power purchases, renewable energy, distributed energy, 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 ultimate goal of the LACCE Authority’s resource plan is to reduce electric sector GHG emissions while offering competitive generation rates to participating customers. The planned power supply is initially comprised of power purchases from third party electric suppliers and, in the longer-term, may also include renewable generation assets owned and/or controlled by the LACCE Authority.

Once the LACCE Program demonstrates it can operate successfully, the LACCE Authority 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 LACCE Authority or controlled under long-term power purchase agreement with a proven public power developer, could provide a portion of the LACCE Authority'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 LACCE 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, the LACCE Authority may consider partnering with an experienced public power developer and could enter into a long-term (20-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 LACCE Program's operational risk associated with capacity ownership while providing its customers with all renewable energy generated by the facility under contract. This option may be preferable to the LACCE Authority as it works to achieve increasing levels of renewable energy supply to its customers.

The LACCE Authority's resource plan will integrate supply-side resources with programs that will help customers reduce their energy costs through improved energy efficiency and other demand-side measures. As part of its integrated resource plan, the LACCE Authority will actively pursue, promote and ultimately administer a variety of customer energy efficiency programs that can cost-effectively displace supply-side resources.

The LACCE Authority's indicative resource plan for the years 2018 through 2027 is summarized in the following table. Note that the LACCE Authority's projections reflect a portfolio mix of 60% renewable resources and 40% conventional resources for Phase 1. Subject to the availability of funds, a sizable percentage of the conventional resources reflected in the following table will be replaced with GHG-free resources.

Table 1
Los Angeles Community Choice Energy
Proposed Resource Plan (GWh)
2018 to 2027

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
LACCE Demand										
Retail Demand	1,419	3,465	3,472	3,479	3,486	3,493	3,500	3,507	3,514	3,521
Dist. Gen	0	0	0	0	0	0	0	0	0	0
Energy Efficiency	0	0	0	0	0	0	0	0	0	0
Losses and UFE	92	225	226	226	226	227	227	228	228	229
TOTAL DEMAND	1,511	3,690	3,698	3,705	3,712	3,720	3,727	3,735	3,742	3,750
LACCE Supply										
Total Renewable Resources	907	1,845	1,849	1,853	1,856	1,860	1,864	1,868	1,871	1,875
Total Conventional Resources	604	1,845	1,849	1,853	1,856	1,860	1,864	1,868	1,871	1,875
TOTAL SUPPLY	1,511	3,690	3,698	3,705	3,712	3,720	3,727	3,735	3,742	3,750
Energy Open Position	0	0	0	0	0	0	0	0	0	0

Supply Requirements

The starting point for the LACCE Authority'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 the LACCE Authority's plan to introduce the LACCE Program to customers in phases and the degree to which customers choose to remain with SCE during the customer enrollment and opt-out periods. The LACCE Authority's phased roll-out plan and assumptions regarding customer participation rates are discussed below.

Customer Participation Rates

Customers will be automatically enrolled in the LACCE 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. For the first phase, LA County municipal accounts, the LACCE Authority anticipates a 100% participation rate. For subsequent phases, the LACCE Authority anticipates an overall customer participation rate of approximately 90 percent of SCE bundled service customers, based on reported opt-out rates for the Marin Clean Energy, Sonoma Clean Power and Lancaster Choice Energy 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 due to the fact that the LACCE Authority will offer three 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 the LACCE Authority's public outreach and market research efforts continue to develop.

Customer Forecast

Once customers enroll in each phase, they will be switched over to service by the LACCE Authority on their regularly scheduled meter read date over an approximately thirty-day period. Approximately 58 service accounts per day will be switched over during the first month of service. For Phase 2, the number of accounts switched over to LACCE service will increase to about 820 accounts per day. For Phase 3, the number of accounts switched over to LACCE service will increase again to about 8,400 accounts per day. The number of accounts served by the LACCE Authority at the end of each phase is shown in the table below.

Table 2 Los Angeles Community Choice Energy Enrolled Retail Service Accounts Phase-In Period (End of Month)				
LACCE Customers	Eligible Accounts	Jan-18 Phase 1	Jun-18 Phase 2	Dec-18 Phase 3
Residential	289,205	43	43	252,369
Small Commercial	23,865	746	20,163	20,746
Medium Commercial	4,165	167	3,612	3,612
Large Commercial	305	17	261	267
Industrial	136	10	115	118
Street Lighting & Traffic	1,276	690	1,255	1,276
Agricultural & Pumping	972	64	852	852
Total	319,925	1,738	26,302	279,241

The LACCE Authority assumes that customer growth will generally offset customer attrition (opt-outs) over time, resulting in a relatively stable customer base (0.2% 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 in SCE service area, which makes it fairly difficult to anticipate the actual levels of customer participation within the LACCE Program. The LACCE Authority believes that its assumptions regarding the offsetting effects of growth and attrition are reasonable in consideration of the historical customer growth within Los Angeles County and the potential for continuing customer opt-outs following mandatory customer notification periods. The forecast of service accounts (customers) served by LACCE for each of the next ten years is shown in the following table:

Table 3
Los Angeles Community Choice Energy
Retail Service Accounts (End of Year)
2018 to 2027

LACCE Customers	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Residential	252,369	258,820	259,337	259,856	260,376	260,896	261,418	261,941	262,465	262,990
Small Commercial	20,746	21,235	21,278	21,320	21,363	21,406	21,449	21,491	21,534	21,578
Medium Commercial	3,612	3,619	3,627	3,634	3,641	3,649	3,656	3,663	3,670	3,678
Large Commercial	267	269	270	270	271	271	272	272	273	273
Industrial	118	125	125	125	126	126	126	126	127	127
Street Lighting & Traffic	1,276	1,277	1,280	1,282	1,285	1,287	1,290	1,293	1,295	1,298
Agricultural & Pumping	852	860	861	863	865	867	868	870	872	873
Total	279,241	286,205	286,778	287,351	287,926	288,502	289,079	289,657	290,236	290,817

Sales Forecast

The LACCE Authority's forecast of kWh sales reflects the roll-out and customer enrollment schedule shown above. Annual energy requirements are shown below.

Table 4
Los Angeles Community Choice Energy
Annual Energy Requirements (GWh)
2018 to 2027

LACCE Energy Req.	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Retail Energy	1,419	3,465	3,472	3,479	3,486	3,493	3,500	3,507	3,514	3,521
Losses and UFE	92	225	226	226	226	227	227	228	228	229
Total Load Requirement	1,511	3,690	3,698	3,705	3,712	3,720	3,727	3,735	3,742	3,750

Capacity Requirements

The CPUC's resource adequacy standards applicable to the LACCE Program require a demonstration one year in advance that LACCE 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, LACCE must demonstrate 100 percent of the peak load plus a minimum 15 percent reserve margin.

A portion of the LACCE Authority's capacity requirements must be procured locally, from the Greater LA area as defined by the CAISO and another portion must be procured from local reliability areas outside the Greater LA Area. The LACCE Authority 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 the LACCE Authority's forecasted peak load. The LACCE Authority must demonstrate compliance or request a waiver from the CPUC requirement as provided for in cases where local capacity is not available.

The LACCE Authority 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 2018 through 2020 are shown in the following tables³:

Table 5
Los Angeles Community Choice Energy
Forward Capacity and Reserve Requirements (MW)
2018 to 2020

Month	2018	2019	2020
January	33	676	678
February	35	535	509
March	35	645	646
April	38	717	719
May	37	610	611
June	39	750	752
July	831	837	838
August	868	875	876
September	973	982	984
October	892	893	895
November	543	544	545
December	696	698	699

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

³ The figures shown are estimates. The LACCE Authority'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.

Table 6
Los Angeles Community Choice Energy
Capacity Requirements (MW)
2018 to 2027

Demand (MW)	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Retail Demand	973	982	984	984	986	987	989	991	993	995
Losses and UFE	0	0	0	0	0	0	0	0	0	0
Total Net Peak Demand	973	982	984	984	986	987	989	991	993	995
Reserve Requirement (%)	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Capacity Reserve Requirement	146	147	148	148	148	148	148	149	149	149
Capacity Requirement Including Reserve	1,119	1,129	1,131	1,131	1,133	1,136	1,138	1,140	1,142	1,145

Local capacity requirements are a function of the SCE area resource adequacy requirements and the LACCE Authority's projected peak demand. The LACCE Authority 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 LACCE Authority's annual local capacity requirement for the ten-year planning period ranges from approximately 399 MW to 409 MW as shown in the following table:

Table 7
Los Angeles Community Choice Energy
Local Capacity Requirements (MW)
2018 to 2027

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
LACE Peak	973	982	984	984	986	987	989	991	993	995
Local Capacity Req. (% of Peak)	41%	41%	41%	41%	41%	41%	41%	41%	41%	41%
LA Basin Share of Local Capacity	76%	76%	76%	76%	76%	76%	76%	76%	76%	76%
Other SCE Areas (Big Creek/Ventura) Share of Local Capacity	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%
LACCE Local Capacity Req., LA Basin	305	308	308	308	309	309	310	311	311	312
LACCE Local Capacity Req., Other SCE	94	95	95	95	95	95	96	96	96	96
LACCE Local Capacity Req., Total	399	402	403	403	404	405	406	406	407	408

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 LACCE Authority will coordinate with SCE and appropriate state agencies to manage the transition of responsibility for resource adequacy from SCE to the LACCE Authority during CCA program phase-in. For system resource adequacy requirements, the LACCE Authority will make month-ahead showings for each month that the LACCE Authority plans to serve load, and load migration issues would be addressed through the CPUC’s approved procedures. The LACCE Authority 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 LACCE Authority 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 the LACCE Authority’s renewable energy requirements, the same standards for RPS compliance that are applicable to the distribution utilities are assumed to apply to the LACCE Authority.

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 LACCE Authority 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 LACCE Authority will also adopt an integrated resource plan in compliance with SB 350 – the LACCE Authority understands that various details related to this planning requirement have yet to be developed, and the LACCE Authority intends to monitor and participate, as appropriate, in pertinent proceedings to promote the preparation and submittal of a responsive planning document. Furthermore, the LACCE Authority 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.

The LACCE Authority’s Renewables Portfolio Standards Requirement

The LACCE Authority’s annual RPS procurement requirements, as specified under California’s RPS program, are shown in the table below. When reviewing this table, it is important to note that the LACCE Authority projects increases in energy efficiency savings as well as increases in locally situated

distributed generation capacity, resulting in only a slight upward trend in projected retail electricity sales.

Table 8										
Los Angeles Community Choice Energy										
RPS Requirements (GWh)										
2018 to 2027										
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Retail Sales	1,419	3,465	3,472	3,479	3,486	3,493	3,500	3,507	3,514	3,521
Baseline	355	1,005	1,146	1,209	1,272	1,336	1,400	1,461	1,523	1,584
% of Current Year Retail Sales*	25%	29%	33%	35%	37%	38%	40%	42%	43%	45%

*Note: Specific details related to SB 350 implementation have yet to be identified. For purposes of this table, the LACCE Authority 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. The LACCE Authority may choose to accelerate this schedule in the future.

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 LACCE Program operation. The LACCE Authority 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 LACCE Authority's desired quantities of renewable energy, to provide a stable and cost-effective resource portfolio for the Program.

Renewable Resources

the LACCE Authority will initially secure necessary renewable power supply from its third party electric supplier(s). The LACCE Authority 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 LACCE Authority. 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 the LACCE Authority, 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 LACCE Authority. 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 LACCE Authority's load zone, as defined by the CAISO.

Energy Efficiency

The LACCE Authority's energy efficiency goals will reflect a strong commitment to increasing energy efficiency within the County, expanding beyond the savings achieved by SCE's programs. To promote the achievement of this goal, the LACCE Authority 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 LACCE customers. To the extent that the LACCE Authority 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 the LACCE Authority's need for traditional electric procurement activities. Additional details related to the LACCE Authority's energy efficiency plan will be developed once LACCE Program phase-in is underway.

Demand Response

Demand response programs provide incentives to customers to reduce demand upon request by the load serving entity (i.e., the LACCE Authority), reducing the amount of generation capacity that must be maintained as infrequently used reserves. Demand response programs can be cost effective alternatives to procured capacity that would otherwise be needed to comply with California's resource adequacy requirements. The programs also provide rate benefits to customers who have the flexibility to reduce or shift consumption for relatively short periods of time when generation capacity is most scarce. Like energy efficiency, demand response can be a win/win proposition, providing economic benefits to the electric supplier as well as customer service benefits.

In its ruling on local resource adequacy, the CPUC found that dispatchable demand response resources as well as distributed generation resources should be counted for local capacity requirements. This resource plan anticipates that the LACCE Authority's demand response programs would partially offset its local capacity requirements beginning in 2020.

SCE offers several demand response programs to its customers, and the LACCE Authority intends to recruit those customers that have shown a willingness to participate in utility programs into similar programs offered by the LACCE Authority. The LACCE Authority may also adopt a demand response program that enables it to request customer demand reductions during times when capacity is in short supply or spot market energy costs are exceptionally high.

Appropriate limits on customer curtailments, both in terms of the length of individual curtailments and the total number of curtailment hours that can be called should be included in the LACCE Authority's demand response program design. It will also be important to establish a reasonable measurement protocol for customer performance of its curtailment obligations and deploy technology to automate customer notifications and responses. Performance measurement should include establishing a customer specific baseline of usage prior to the curtailment request from which demand reductions can be measured. The LACCE Authority may utilize experienced third party contractors to design, implement and administer its demand response programs.

Distributed Generation

Consistent with the LACCE Authority's policies and the state's Energy Action Plan, clean distributed generation is a component of the integrated resource plan. The LACCE Authority will work to promote deployment of photovoltaic (PV) systems within the LACCE Authority's service territory,

with the goal of optimizing the use of the available incentives that are funded through current utility distribution rates and public benefits surcharges. The LACCE Authority also plans to implement a net energy metering program and a feed-in-tariff to promote local investment in distributed generation.

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

CHAPTER 7 – Financial Plan

This Chapter examines the monthly cash flows expected during the startup and customer phase-in period of the LACCE 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 LACCE Authority'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 LACCE Program's monthly costs and revenues and specifically accounts for the phased enrollment of LACCE 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;
 - ✓ Grid Management and other CAISO Charges;
 - ✓ Scheduling Coordination;
- Exit Fees;
- Staffing and Professional Services;
- Data Management Costs;
- Administrative Overhead;
- Billing Costs;
- CCA Bond and Security Deposit;
- Pre-Startup Cost; 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 the LACCE Authority charges a standard, default electricity tariff similar to the generation rates of SCE for each customer class, an optional 50% renewable energy tariff, and an optional 100% renewable energy tariff, both at a

premium reflective of incremental renewable power costs. More detail on LACCE 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 LACCE Authority 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 the LACCE Authority, 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 all three phases of customer enrollments, was determined to be \$50 million. Working capital requirements peak soon after enrollment of the Phase 3 customers.

CCA Program Implementation Pro Forma

In addition to developing a cash flow analysis which estimates the level of working capital required to move the LACCE Authority 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 LACCE Program operations for the period beginning January 2018 through December 2027⁴. The LACCE Authority has also included a summary of Program reserves, which are expected to accrue over this same period of time.

⁴ 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.

Table 9
Los Angeles Community Choice Energy
Summary of CCA Program Start-Up and Phase-In
2018 to 2027

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Total
Revenue from Operations (\$)											
Electric Sales Rev	\$92,221,765	\$241,139,907	\$250,468,101	\$255,504,930	\$261,959,532	\$248,317,287	\$252,171,999	\$255,098,549	\$258,137,112	\$261,649,544	\$2,376,668,726
Less Uncollected Accounts	\$313,493	\$780,022	\$794,019	\$808,982	\$823,767	\$840,351	\$856,868	\$873,511	\$890,743	\$908,919	\$7,890,675
Total Revenues	\$91,908,272	\$240,359,885	\$249,674,082	\$254,695,948	\$261,135,765	\$247,476,936	\$251,315,132	\$254,225,037	\$257,246,369	\$260,740,624	\$2,368,778,051
Cost of Operations (\$)											
Cost of Energy	\$58,998,601	\$141,702,746	\$144,477,974	\$147,395,157	\$150,275,362	\$153,514,114	\$156,737,900	\$159,985,849	\$163,349,876	\$166,901,511	\$1,443,339,091
PCIA	\$25,429,976	\$64,949,044	\$89,025,139	\$87,930,395	\$86,876,842	\$66,506,721	\$64,870,294	\$63,881,825	\$62,873,862	\$61,719,692	\$674,063,791
Operating & Administrative											
Billing & Data Management	\$600,172	\$4,357,019	\$4,365,733	\$4,374,465	\$4,383,214	\$4,391,980	\$4,400,764	\$4,409,566	\$4,418,385	\$4,427,222	\$40,128,519
SCE Fees	\$784,730	\$1,429,214	\$1,432,072	\$1,434,936	\$1,437,805	\$1,440,681	\$1,443,562	\$1,446,449	\$1,449,341	\$1,452,240	\$13,751,029
Tech. Services	\$580,000	\$1,150,000	\$1,150,000	\$1,150,000	\$1,150,000	\$1,150,000	\$1,150,000	\$1,150,000	\$1,150,000	\$1,150,000	\$10,930,000
Staffing	\$1,135,000	\$2,825,400	\$2,881,908	\$2,939,546	\$2,998,337	\$3,058,304	\$3,119,470	\$3,181,859	\$3,245,496	\$3,310,406	\$28,695,727
G&A Exp.	\$600,000	\$356,000	\$312,120	\$318,362	\$324,730	\$331,224	\$337,849	\$344,606	\$351,498	\$358,528	\$3,634,916
Debt Service	\$0	\$4,183,967	\$4,183,967	\$4,183,967	\$4,183,967	\$4,183,967	\$4,183,967	\$4,183,967	\$4,183,967	\$4,183,967	\$37,655,699
Total O&A Costs	\$3,699,902	\$14,301,599	\$14,325,800	\$14,401,276	\$14,478,052	\$14,556,155	\$14,635,611	\$14,716,446	\$14,798,687	\$14,882,362	\$134,795,890
Operating Reserves	\$3,761,910	\$10,920,304	\$11,116,264	\$11,325,750	\$11,532,739	\$11,764,919	\$11,996,146	\$12,229,161	\$12,470,399	\$12,724,871	\$109,842,464
New Programs Funding	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Cost & Reserves	\$91,890,390	\$231,873,694	\$258,945,177	\$261,052,578	\$263,162,995	\$246,341,910	\$248,239,951	\$250,813,281	\$253,492,825	\$256,228,436	\$2,362,041,236
CCA Program Surplus/(Deficit)	\$17,882	\$8,486,191	(\$9,271,095)	(\$6,356,629)	(\$2,027,230)	\$1,135,026	\$3,075,181	\$3,411,757	\$3,753,545	\$4,512,188	\$6,736,816

Table 10
Los Angeles Community Choice Energy
Reserves Summary
2018 to 2027

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Total
Reserve Additions											
Operating Reserve Contr.	\$3,779,793	\$19,406,495	\$1,845,170	\$4,969,121	\$9,505,509	\$12,899,945	\$15,071,327	\$15,640,918	\$16,223,944	\$17,237,059	\$116,579,279
Cash from Financing	\$50,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$50,000,000
Total Additions	\$53,779,793	\$19,406,495	\$1,845,170	\$4,969,121	\$9,505,509	\$12,899,945	\$15,071,327	\$15,640,918	\$16,223,944	\$17,237,059	\$166,579,279
Reserves Outlays											
Start-Up Funding Payments	\$10,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$10,000,000
Working Capital Repayment	\$0	\$4,183,967	\$4,183,967	\$4,183,967	\$4,183,967	\$4,183,967	\$4,183,967	\$4,183,967	\$4,183,967	\$4,183,967	\$37,655,699
New Programs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Reserve Outlays	\$10,000,000	\$4,183,967	\$4,183,967	\$4,183,967	\$4,183,967	\$4,183,967	\$4,183,967	\$4,183,967	\$4,183,967	\$4,183,967	\$47,655,699
Rate Stabilization Reserve Balance	\$43,779,793	\$59,002,321	\$56,663,524	\$57,448,679	\$62,770,221	\$71,486,199	\$82,373,559	\$93,830,510	\$105,870,488	\$118,923,581	

The surpluses achieved during the phase-in period serve to build the LACCE Authority's net financial position and credit profile and to provide operating reserves for the LACCE Authority in the event that operating costs (such as power purchase costs) exceed collected revenues for short periods of time. In addition, financial surpluses could be used to increase renewable and GHG-free resources within the LACCE Authority's resource mix.

The LACCE Authority Financings

It is anticipated that one or more financings, inclusive of prospective direct term loans between the LACCE Authority and its Member Agencies, will be necessary to support LACCE Program implementation. Subsequent capital requirements will be self-funded from the LACCE Authority's accrued financial reserves. The anticipated financing approach is described below.

CCA Program Start-up and Working Capital

As previously discussed, the anticipated start-up and working capital requirements for the LACCE Program are \$50 million. This amount is dependent upon the electric load served by the LACCE Authority, 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 LACCE Program is up and running, these costs would be recovered from customers through retail rates.

LA County will provide \$10 million in initial funding for start-up and phase 1 costs. LACCE currently projects repaying this interest free loan within the first year of operations, subject to change based on final power prices. It is assumed that the remaining financing will be primarily secured via a short-term loan or letter of credit, which would allow the LACCE Authority to draw cash as required. It is assumed that the remaining financing will be primarily secured via a short-term loan or letter of credit, which would allow the LACCE Authority to draw cash as required. Requisite financing would need to be arranged no later than the fourth quarter of 2017.

Renewable Resource Project Financing

The LACCE Authority may consider project financings for renewable resources, likely local wind, solar, biomass and/or geothermal as well as energy efficiency projects. These financings would only occur after a sustained period of successful LACCE Program operation and after appropriate project opportunities are identified and subjected to appropriate environmental review. The LACCE Authority's ability to directly finance projects will likely require a track record of five to ten years of successful program operations demonstrating strong underlying credit to support the financing; direct financing undertaken by the LACCE Authority would not be expected to occur sooner than 2023.

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 LACCE.

CHAPTER 8 – Rate Setting, Program Terms and Conditions

Introduction

This Chapter describes the initial policies proposed for the LACCE Authority 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 LACCE Authority's Board. The LACCE Authority would retain Authority to modify program policies from time to time at its discretion.

Rate Policies

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

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

- Rate competitive tariff option including a proportionate quantity of renewable energy meeting California's prevailing renewable energy procurement mandate;
- 50 percent renewable energy supply option
- 100 percent renewable energy supply option
- Allow individual member agencies to choose the default energy supply option into which their customers will be enrolled
- Allow customers to participate in any of the three energy supply options after enrollment
- Rate stability;
- Equity among customers in each tariff;
- Customer understanding; and
- Revenue sufficiency.

Each of these objectives is described below.

Rate Competitiveness

The LACCE Authority's primary goal is to offer its customers competitive rates for electric services relative to the incumbent utility SCE. As planned, the value provided by the LACCE Program will also include options for a higher proportion of renewable energy and reduced GHG emissions relative to the incumbent utility, enhanced energy efficiency and customer programs, community focus, local investment and control. The LACCE Authority currently plans to offer customers rates matching SCE's during Phase 1, and to target lower rates in subsequent phases, subject to final power price bids.

As previously discussed, the LACCE Program will increase renewable energy supply to program customers, relative to the incumbent utility, by offering three distinct rate tariffs. The initial renewable energy content provided under the LACCE Authority's base Tariff will meet California's prevailing renewable energy procurement mandate, and the LACCE Authority will endeavor to increase this percentage on a going forward basis, subject to operational and economic constraints. The LACCE Authority will also offer its customers a 50% and 100% renewable energy Tariff, which will supply participating customers with either 50 percent or 100 percent renewable energy at rates that reflect the LACCE Authority's cost for procuring related energy supplies.

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 LACCE Authority 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 LACCE 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 LACCE Program. The LACCE Authority will attempt to maintain general rate parity with SCE to ensure that LACCE Program rates are not drastically different from the competitive alternative.

Equity among Customer Classes

The LACCE Authority's initial rates will be set at a discount to the rates offered by SCE, subject to final power price bids. The level of the discount will depend upon the default product chosen by the Member Agency. 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 LACCE Authority.

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 LACCE 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).

Revenue Sufficiency

LACCE Program rates must collect sufficient revenue from participating customers to fully fund the LACCE Authority's annual budget. Rates will be set to collect the adopted budget based on a forecast of electric sales for the budget year. Rates will be adjusted as necessary to maintain the ability to fully recover all of costs of the LACCE Program, subject to the disclosure and due process

policies described later in this chapter. To ensure rate stability, funds available in the LACCE Authority's rate stabilization fund may be used from time to time to augment operating revenues.

Rate Design

The LACCE Authority 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 LACCE Program.

Custom Pricing Options

The LACCE Authority 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 LACCE Authority 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 LACCE Authority. 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 the LACCE Authority'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 LACCE Authority plans to pay customers for excess power produced from net energy metered generation systems in accordance with the rate designs adopted by the LACCE Authority.

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

Initial program rates will be adopted by the LACCE Authority following the establishment of the first year's operating budget prior to initiating the customer notification process. Subsequently, the LACCE Authority will prepare an annual budget and corresponding customer rates. Any proposed rate adjustment will be made to the Board of Directors and ample time will be given to affected customers to provide comment on the proposed rate changes.

After proposing a rate adjustment, the LACCE Authority 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 the LACCE Authority charges). The notice will provide a summary of the proposed rate adjustment and will include a link to the LACCE 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 LACCE Authority 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 LACCE 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 LACCE Board from time to time.

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

Customer Notices

At the initiation of the customer enrollment process, a total of four notices will be provided to customers describing the Program, informing them of their opt-out rights to remain with utility bundled generation service, and containing a simple mechanism for exercising their opt-out rights. The first notice will be mailed to customers approximately sixty days prior to the date of automatic enrollment. A second notice will be sent approximately thirty days later. The LACCE Authority 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 LACCE Authority using the LACCE 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 LACCE 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 LACCE service commences. Opt-out requests made on or before the sixtieth day following start of LACCE 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 LACCE Authority during the time the customer took service from the LACCE Program, but will otherwise not be subject to any penalty or transfer fee from the LACCE Authority.

Customers who establish new electric service accounts within the Program's service area will be automatically enrolled in the LACCE 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 LACCE Authority's privacy policy regarding customer usage information. The LACCE Authority will have

the Authority to implement entry fees for customers that initially opt out of the Program, but later decide to participate. Entry fees, if deemed necessary, would aid in resource planning by providing additional control over the LACCE Program's customer base.

Termination Fee

Customers that are automatically enrolled in the LACCE 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 the LACCE Authority reserves the right to impose, if deemed necessary. Customers that relocate within the LACCE Authority's service territory would have LACCE service continued at their new address. If a customer relocating to an address within the LACCE Authority's service territory elected to cancel CCA service, the Termination Fee could be applied. Program customers that move out of the LACCE Authority's service territory would not be subject to the Termination Fee. If deemed applicable by the LACCE Authority, SCE would collect the Termination Fee from returning customers as part of the LACCE Authority's final bill to the customer.

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

Table 11 Los Angeles Community Choice Energy Illustrative Schedule of Fees for Service Termination*	
Customer Class	Fee
Residential	\$5
Non-Residential	\$25

*Note that the LACCE Authority 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 the LACCE Authority 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

The LACCE Authority 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 LACCE Authority will maintain the confidentiality of individual customers' names, service addresses, billing addresses, telephone numbers, account

numbers, and electricity consumption, except where reasonably necessary to conduct business of the LACCE Authority 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 the LACCE Authority 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 LACCE Authority will not disclose customer information for telemarketing, e-mail, or direct mail solicitation. Aggregate data may be released at the LACCE Authority's discretion.

Responsibility for Payment

Customers will be obligated to pay LACCE Program charges for service provided through the date of transfer including any applicable Termination Fees. Pursuant to current CPUC regulations, LACCE will not be able to direct that electricity service be shut off for failure to pay the LACCE Authority 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, LACCE 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 LACCE Program. A deposit would be required for an applicant who previously had been a customer of SCE or LACCE and whose electric service has been discontinued by SCE or the LACCE Authority 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 nonpayment⁵. Failure to post deposit as required would cause the account service transfer request to be rejected, and the account would remain with SCE.

⁵ A customer whose service is discontinued by the LACCE Authority is returned to SCE generation service.

CHAPTER 10 ---- Procurement Process

Introduction

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

Procurement Methods

The LACCE Authority will enter into agreements for a variety of services needed to support program development, operation and management. It is anticipated that the LACCE Authority 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 LACCE Authority 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 the LACCE Authority's discretion. Authority for terminating agreements will generally mirror the Authority for entering into such agreements.

Key Contracts

Electric Supply Contract

The LACCE Authority will initiate service using supply contracts with one or more qualified providers to supply sufficient electric energy resources to meet LACCE customer demand as well as applicable resource adequacy requirements, ancillary and other necessary services. The LACCE Authority may complete additional solicitations to supplement its energy supply and/or to replace contract volumes provided under the original contract. The LACCE Authority 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.

The LACCE Authority will solicit the services of a certified Scheduling Coordinator to schedule loads and resources to meet LACCE customer demand. The LACCE Authority may designate the primary supplier to be responsible for day-to-day energy supply operations of the LACCE 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 renewable energy supplier of the LACCE program. Finally, the primary supplier may be responsible for ensuring the LACCE Authority's compliance with all applicable resource adequacy and regulatory requirements imposed by the CPUC or FERC.

As this point in time, the LACCE Authority has commenced the requisite competitive solicitation process to identify its initial energy supplier(s). The LACCE Authority anticipates executing the electric supply contract for Phase 1 loads in fall 2017. The contract for Phase 2 and Phase 3 loads will be executed shortly thereafter.

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 functions⁶.

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;
- Settlement quality meter data reporting; and
- 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 gives the LACCE Authority greater flexibility to change energy suppliers, if desired, without facing an expensive data migration issue.

As this point in time, the LACCE Authority has commenced the requisite competitive solicitation process to identify its data management services provider. It is anticipated that the LACCE Authority will execute a contract for data management services in September.

⁶ The contractor providing data management may also be the same entity as the contractor supplying electricity for the program.

Electric Supply Procurement Process

In the third quarter of 2017, the LACCE Authority plans to solicit proposals for shaped energy, renewable energy, carbon free energy, and resource adequacy capacity, from a highly-qualified pool of suppliers. The LACCE Authority will also solicit proposal for scheduling coordinator services from a separate bidder. Contract negotiations will commence immediately following proposal evaluation. Following the identification of short-listed energy services and scheduling coordinator provider candidates, the LACCE Authority will update the Commission regarding its selection process. It is anticipated that selection of the final suppliers will be made by the LACCE Authority in the Fall of 2017.

CHAPTER 11 – Contingency Plan for Program Termination

Introduction

This Chapter describes the process to be followed in the case of LACCE Program termination. By adopting the original Implementation Plan, the LACCE Authority will have approved the general termination process contained herein to be effective at Program initiation. In the unexpected event that the LACCE Authority would terminate the LACCE 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 LACCE Authority retains Authority to modify program policies from time to time at its discretion.

Termination by the LACCE Authority

The LACCE Authority will offer services for the long term with no planned Program termination date. In the unanticipated event that the LACCE Authority decides to terminate the Program, each of its Member Agencies would be required to adopt a termination ordinance or resolution and provide adequate notice to the LACCE Authority consistent with the terms set forth in the JPA Agreement. Following such notice, the LACCE Authority's Board would vote on Program termination subject to voting provisions as described in the JPA Agreement. In the event that the LACCE Authority affirmatively votes to proceed with JPA termination, the LACCE Authority would disband under the provisions identified in its JPA Agreement.

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 LACCE Authority 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.

The LACCE Authority 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 re-entry fees is the responsibility of the energy services provider or the community choice aggregator, except in the case of a customer returned for default or because its contract has expired. The LACCE Authority

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.

Termination by Members

The JPA Agreement defines the terms and conditions under which Members may terminate their participation in the program.

CHAPTER 12 – Appendices

Appendix A: LACCE Authority Resolution No. 17-002 to Adopt the Implementation Plan

Appendix B: LACCE Authority Joint Powers Agreement