



## TOWN OF APPLE VALLEY TOWN COUNCIL STAFF REPORT

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**To:** Honorable Mayor and Town Council      **Date:** September 13, 2016

**From:** Joseph Moon      **Item No:** 7  
Public Services Manager  
Environmental and Transit Services

**Subject:** ADOPT ORDINANCE NO. 486 – AN ORDINANCE OF THE TOWN COUNCIL OF THE TOWN OF APPLE VALLEY TO ADOPT THE APPLE VALLEY CHOICE ENERGY (AVCE) IMPLEMENTATION PLAN AND STATEMENT OF INTENT

**T.M. Approval:** \_\_\_\_\_      **Budgeted Item:**  Yes  No  N/A

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### **RECOMMENDED ACTION:**

Adopt Ordinance No. 486 adopting the Apple Valley Choice Energy (AVCE) Implementation Plan and Statement of Intent.

### **SUMMARY:**

At the August 9, 2016 meeting, the Town Council reviewed and introduced Ordinance No. 486 authorizing the Implementation Plan and Statement of Intent for the initial start-up and operation of Apple Valley Choice Energy (AVCE).

As part of the requirements to adopt any new ordinance, Ordinance No. 486 has been scheduled for adoption at the September 13, 2016 Town Council meeting.

### **ATTACHMENT:**

Ordinance No. 486

**ORDINANCE NO. 486**

**AN ORDINANCE OF THE TOWN COUNCIL OF THE TOWN OF APPLE VALLEY, CALIFORNIA, ESTABLISHING A COMMUNITY CHOICE AGGREGATION PROGRAM**

**WHEREAS**, the Town of Apple Valley (“Town”) is pursuing alternative energy solutions in hopes of bettering the current and future environmental and economic conditions of its community, region, country and the world; and

**WHEREAS**, Assembly Bill 117 and California Public Utilities Code Sections 218.3, 331.1, 366, 366.2, 381.1, 394 and 394.25, allow the Town of Apple Valley to establish a Community Choice Aggregation Program; and

**WHEREAS**, an initial analysis concluded that a Community Choice Aggregation Program would serve the Town and provide benefits to include the use of renewable energy at or above the required Renewable Portfolio Standard level while providing economic benefits to the Town; and

**WHEREAS**, the Town Council has determined that it is in the public interest and welfare to establish a Community Choice Aggregation Program.

**NOW, THEREFORE, THE TOWN COUNCIL OF THE TOWN OF APPLE VALLEY DOES ORDAIN AS FOLLOWS:**

**SECTION 1.** The Town of Apple Valley has been actively investigating options to procure and provide electric power to citizens with the intent of achieving greater local involvement over the provision of electric services and promoting competitively priced renewable energy.

**SECTION 2.** On September 24, 2002, the Governor signed into law Assembly Bill 117 (Stat. 2002, ch. 838; see California Public Utilities Code section 366.2; hereinafter referred to as the “Act”), which authorizes any California city or county, whose governing body so elects, to combine the electricity load of its residents and businesses in a community-wide electricity aggregation program known as Community Choice Aggregation.

**SECTION 3.** The Act expressly authorizes participation in a Community Choice Aggregation (CCA) program through and by local Town government.

**SECTION 4.** Through Docket No. R.03-10-003, the California Public Utilities Commission has issued various decisions and rulings addressing the implementation of Community Choice Aggregation programs, including the issuance of a procedure by which the California Public Utilities Commission will review “Implementation Plans,” which are required for submittal under the Act as the means of describing the Community Choice Aggregation program and assuring compliance with various elements contained in the Act.

**SECTION 5.** Representatives from the Town have developed an Implementation Plan (attached hereto as Exhibit A) that describes the formation of the Apple Valley Choice Energy (AVCE) Community Choice Aggregation program to be implemented by the Town.

**SECTION 6.** As described in the Implementation Plan, Community Choice Aggregation by and through the Town appears to provide a reasonable opportunity to accomplish all of the following:

- (a) To provide greater levels of local involvement in and collaboration on energy decisions.
- (b) To increase the amount of locally supplied renewable energy available to Apple Valley citizens.
- (c) To provide initial price stability, long-term electricity cost savings and other benefits for the community.

**SECTION 7.** The Act requires Community Choice Aggregation program participants to adopt an ordinance (“CCA Ordinance”) electing to implement a Community Choice Aggregation program within the jurisdiction of the local government agency.

**SECTION 8.** Based upon all of the above, the Council hereby approves the Town proceeding with the implementation of the Apple Valley Choice Energy (AVCE) Community Choice Aggregation program within the Town’s jurisdiction, as described in the Implementation Plan in the form attached hereto as Exhibit A.

**SECTION 9.** If any section, subsection, sentence, clause, phrase or portion of this Ordinance is held for any reason to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The Town Council of the Town of Apple Valley hereby declares that it would have adopted this Ordinance and each section, subsection, sentence, clause, phrase or portion thereof, irrespective of the fact that any one or more sections,

subsections, sentences, clauses, phrases or portions be declared invalid or unconstitutional.

**SECTION 10.** Notice of Adoption. The Town Clerk of the Town of Apple Valley shall certify to the adoption of this ordinance and cause publication to occur in a newspaper of general circulation and published and circulated in the Town in a manner permitted under Section 36933 of the Government Code of the State of California.

**SECTION 11.** Effective Date. This Ordinance shall become effective thirty (30) days after the date of its adoption.

**SECTION 12.** Severability. If any provision of this Ordinance, or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications and, to this end, the provisions of this Ordinance are declared to be severable.

**APPROVED** and **ADOPTED** by the Town Council and signed by the Mayor and attested to by the Town Clerk this 13<sup>th</sup> day of September, 2016.

\_\_\_\_\_  
Barb Stanton, Mayor

**ATTEST:**

\_\_\_\_\_  
La Vonda M-Pearson, Town Clerk

**APPROVED AS TO FORM:**

**APPROVED AS TO CONTENT:**

\_\_\_\_\_  
John Brown, Town Attorney

\_\_\_\_\_  
Frank Robinson, Town Manager

**APPLE VALLEY CHOICE ENERGY**

**COMMUNITY CHOICE AGGREGATION**

**IMPLEMENTATION PLAN AND STATEMENT OF**

**INTENT**

**August 2016**

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The Town of Apple Valley (“Town” or “Apple Valley”), located within San Bernardino County, is pursuing the implementation of a community choice aggregation program (“CCA”), which has been named Apple Valley Choice Energy (the “Program” or “AVCE”). AVCE is structured to offer service to all customers within the Town’s geographic boundaries.

This Implementation Plan and Statement of Intent (“Implementation Plan”) describes the Town’s plans to implement a voluntary CCA program for electric customers within the jurisdictional boundaries of Apple Valley that currently take bundled electric service from Southern California Edison (“SCE”). The AVCE 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 April 3, 2017, the first business day in April, 2017. All current SCE customers within the Town’s service area will receive information describing the AVCE 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 AVCE 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 AVCE will enable customers within Apple Valley’s service area to take advantage of the opportunities granted by Assembly Bill 117 (“AB 117”), the Community Choice Aggregation Law. Apple Valley’s primary objectives in implementing this Program are to provide cost competitive electric services; spur local economic development; and sustain long-term rate stability for residents and businesses through local control. The prospective benefits to consumers include increased renewable supply product options, stable and competitive electric rates, and the opportunity for public participation in determining which technologies are utilized to meet local electricity needs.

To ensure successful operation of the Program, the Town will solicit energy suppliers and marketers through a competitive process and will negotiate with one or more qualified suppliers throughout the fall and winter of 2016. Final selection of AVCE’s initial energy supplier(s) will be made by Apple Valley following administration of the aforementioned solicitation process and related contract negotiations. Information regarding the anticipated solicitation process for AVCE’s initial energy services provider(s) is contained in Chapter 10.

The California Public Utilities Code provides the relevant legal authority for the Town 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 AVCE Program. The CPUC also has responsibility for registering the Town 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 9, 2016, the Town, at a duly noticed public hearing, introduced this Implementation Plan, through Ordinance No. 486 (a copy of which is included as part of Appendix A). Then on September 13, 2016, the Town, at a duly noticed public hearing, approved this Implementation Plan and the implementation of a CCA Program through the adoption of Ordinance No. 486. The Commission has established the methodology that will be used to determine the cost recovery mechanism, and SCE has approved tariffs for imposition of the cost recovery mechanism. With this milestone having been accomplished, the Town 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 Town 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 PU Code Section 366.2(c)(3), this Implementation Plan details the process and consequences of aggregation and provides the Town'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.

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: Town of Apple Valley Ordinance 486 (Adopting Implementation Plan)

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

**AB 117 Cross References**

<b>AB 117 REQUIREMENT</b>	<b>IMPLEMENTATION PLAN CHAPTER</b>
Statement of Intent	Chapter 1: Introduction
Process and consequences of aggregation	Chapter 2: Aggregation Process
Organizational structure of the program, its operations and funding	Chapter 3: Organizational Structure Chapter 4: Startup Plan & Funding Chapter 7: Financial Plan
Disclosure and due process in setting rates and allocating costs among participants	Chapter 8: Rate setting
Ratesetting 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

### *Introduction*

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

In 2001 the Apple Valley Town Council (“Town Council”) recognized the deregulation of the utility industries in California and identified numerous potential benefits that would be derived from providing a municipally owned utility including additional revenues and competitive rates for citizens and businesses. On April 10, 2001, the Apple Valley Town Council adopted Resolution 2001-22 authorizing the creation and operation of a municipally owned utility for the purpose of providing various utility services to areas of the Town. Although the Town is not pursuing a publicly owned utility construct, the launching of AVCE falls under the intent of Resolution 2001-22.

The Town created AVCE with the following objectives: 1) provide cost-competitive electric services; 2) incentivize economic development within Apple Valley; 3) and gain local control of the Town’s energy procurement needs. In 2010 the Town completed a detailed feasibility study around the formation of a CCA program – the results of the analysis were updated twice thereafter in 2014 and 2015.

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

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

### *Process of Aggregation*

Before they are enrolled in the Program, prospective AVCE customers will receive two written notices in the mail, from Apple Valley, that will provide information needed to understand the Program’s terms and conditions of service and explain how customers can opt-out of the Program, if desired. All customers that do not follow the opt-out process specified in the customer notices will be automatically enrolled, and service will begin at their next regularly scheduled meter read date following the date of automatic enrollment, subject to the service phase-in plan described in Chapter 5. The initial enrollment notices will be provided to the first phase of customers in January 2017. Initial enrollment notices will be provided to subsequent customer phases consistent with statutory requirements and based on schedule(s) determined by the Town. These notices will be sent to customers in subsequent phases twice within 60 days of automatic enrollment.

Customers enrolled in the AVCE 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 Town 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 AVCE Program without penalty and return to the distribution utility (SCE). AVCE 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 AVCE 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 AVCE Program and to have agreed to the AVCE 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**

AVCE Customers will pay the generation charges set by the Town 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 Town'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 Town will establish rates sufficient to recover all costs related to operation of the Program, and actual rates will be adopted by the Apple Valley Town Council.

Initial AVCE Program rates will be established following approval of the Town's inaugural program budget, reflecting final costs from the AVCE Program's energy supplier(s). The Town's rate policies and procedures are detailed in Chapter 7. Information regarding final AVCE 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 Apple Valley gives definitive notice to SCE that it will commence service, AVCE customers will generally not be responsible for costs associated with SCE's future electricity procurement contracts or power plant investments. Certain pre-existing generation costs and new generation costs that are deemed to provide system-wide benefits will continue to be charged by SCE to CCA customers through separate rate components, called the Cost Responsibility Surcharge and the New System Generation Charge. These charges are shown in SCE's electric service tariffs, which can be accessed from the utility's

website, and the costs are included in charges paid by both SCE bundled customers as well as CCA and Direct Access customers.<sup>1</sup>

### Renewable Energy Impacts

A second consequence of the Program will be a potential increase in the proportion of energy generated and supplied by renewable resources. The resource plan includes procurement of renewable energy sufficient to meet California's prevailing renewable energy procurement mandate for all enrolled customers. AVCE customers may also voluntarily participate in a 100 percent renewable supply option. To the extent that customers choose AVCE's 100 percent renewable energy option, the renewable content of AVCE'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 Town may consider independent development of new renewable generation resources.

### Energy Efficiency Impacts

A third consequence of the Program will be an anticipated increase in energy efficiency program investments and activities. The existing energy efficiency programs administered by the distribution utility are not expected to change as a result of AVCE Program implementation. AVCE 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 AVCE Program, as described in Chapter 6, will follow Apple Valley'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 Town-administered energy efficiency programs. Thus, the AVCE Program has the potential for increased energy savings and a further reduction in emissions due to expanded energy efficiency programs.

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

## CHAPTER 3– Organizational Structure

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

### *Organizational Overview*

The Apple Valley Town Council is responsible for establishing AVCE Program policies and objectives and overseeing AVCE's operation. The Apple Valley Town Manager will serve as the AVCE Executive Director to manage the operations of AVCE in accordance with policies adopted by the Town Council.

### *Governance*

The AVCE Program will be governed by the Apple Valley Town Council. AVCE is the CCA entity that will register with the CPUC, and it is responsible for implementing and managing the program pursuant to the Town Council's direction. The Town Council is comprised of five councilmembers, one of which, the Mayor, serves as the presiding officer at all meetings. The AVCE Program will be operated under the direction of an Executive Director appointed by the Town Council, with legal and regulatory support provided by the Town Clerk office.

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

### *Management*

The AVCE Executive Director has management responsibilities over the functional areas of Administration & Finance, Marketing & Public Affairs, Power Resources & Energy Programs, and Government Affairs. In performing the defined obligations to AVCE, 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, will be performed initially by experienced third-party contractors.

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

### *Administration*

AVCE's Executive Director will be responsible for managing the organization's human resources and administrative functions and will coordinate with the Town Council, 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 AVCE, 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 Town 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.

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

In conjunction with the Town's finance department, AVCE'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 AVCE 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 Town 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 Town will conduct program marketing to raise consumer awareness of the AVCE Program and to establish the AVCE "brand" in the minds of the public, with the goal of retaining and attracting as many customers as possible into the AVCE Program. Communications will also be directed at key policy-makers at the state and local level, community business and opinion leaders, and the media.

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

The customer data management services function also manages billing-related communications with customers, customer call centers, and routine customer notices. The Town 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*

Apple Valley 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 Town'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 Town may develop and administer complementary energy programs that may be offered to AVCE 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 Town.

The Town 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 Town will make use of demand side energy efficiency, distributed generation and demand response programs as well as traditional supply options, which rely on structured wholesale transactions to meet customer energy requirements. Integrated resource plans will be updated and adopted by the Town Council on an annual basis.

### *Electric Supply Operations*

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

- *Electricity Procurement* – assemble a portfolio of electricity resources to supply the electric needs of Program customers.
- *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 Town will initially contract with one or more experienced and financially sound third party energy services providers to perform most of the electric supply operations for the AVCE Program. These

requirements include the procurement of energy, capacity and ancillary services, scheduling coordinator services, short-term load forecasting and day-ahead and real-time electricity trading.

***Governmental Affairs & Legal Support***

The AVCE 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 Town and AVCE customers. The Town 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 the Town's Clerk Office, the Town may retain outside legal services, as necessary, to administer AVCE, review contracts, and provide overall legal support related to activities of the AVCE Program.

## CHAPTER 4 – Startup Plan & Funding

This Chapter presents the Town's plans for the start-up period, including necessary expenses and capital outlays. As described in the previous Chapter, Apple Valley 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 AVCE Program will be the responsibility of the AVCE 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 Town staff or contractors will be added incrementally to match workloads involved in forming AVCE, managing contracts, and initiating customer outreach/marketing during the pre-operations period. During the startup period, minimal personnel requirements would include an Executive Director, legal support from the Town's Clerk Office, and other personnel needed to support regulatory, procurement, finance, legal and communications activities.

For budgetary purposes, it is assumed that four 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 Town's anticipated start-up activities and phase-in schedule, a total need of \$2.6 million has been identified to support the aforementioned functions. The finance plan in Chapter 7 provides additional detail regarding the Town's expected capital requirements and general Program finances.

Related to the Town'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 Town'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 Town 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 Town will need working capital to support electricity procurement and costs related to program management, which is included in the Town's initial \$2.6 million capital requirement.

### *Financing Plan*

The Town's initial capital requirement will be provided via terms of a loan from the Town's General Fund; subsumed in the initial capital requirement is the Town's estimated initial start-up funding. For all amounts borrowed from the General Fund, the Town will make repayments (including any interest, as applicable) over an assumed 5 year term, commencing in January 2018. Apple Valley will recover the principal and interest costs associated with the start-up funding via retail generation rates charged to AVCE 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

Apple Valley will roll out its service offering to all eligible customers over the course of just one phase. Given that there are only about 29,000 eligible customer accounts within the Town's boundaries, a one phase roll-out is reasonable and the most efficient way for AVCE to serve customers in April 2017. This approach also provides the Town with the ability to initiate its program with sufficient economic scale.

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

## CHAPTER 6- Load Forecast & Resource Plan

### *Introduction*

This Chapter describes the planned mix of electric resources that will meet the energy demands of AVCE 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 Town will manage a diverse resource portfolio to increase control over energy costs and maintain competitive and stable electric rates.
- The Town will benefit the area's economy through investment in local infrastructure, projects and energy programs.

The plan described in this section would accomplish the following:

- Procure energy through one or more contracts with experienced, financially stable energy suppliers sufficient to offer two distinct generation rate tariffs: 1) 100 percent renewable energy, offered to AVCE customer on a voluntary basis; and 2) a default AVCE service option that includes a proportion of renewable energy that at a minimum meets California's prevailing renewable energy procurement mandate.
- To the extent that the Town is successful in applying for administration of public funding to support locally administered efficiency programs, it will attempt to reduce net electricity purchases within the region.
- Encourage distributed renewable generation in the local area through the offering of a net energy metering tariff.

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

### *Resource Plan Overview*

To meet the aforementioned objectives and satisfy the applicable regulatory requirements pertaining to the Town's status as a California load serving entity, Apple Valley's resource plan includes a diverse mix of power purchases, renewable energy, and potentially, new energy efficiency programs, demand

response, and distributed generation. A diversified resource plan minimizes risk and volatility that can occur from over-reliance on a single resource type or fuel source, and thus increases the likelihood of rate stability. The planned power supply is initially comprised of power purchases from third party electric suppliers and, in the longer-term, may also include renewable generation assets owned and/or controlled by the Town.

Once the AVCE Program demonstrates it can operate successfully, Apple Valley 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 Town or controlled under long-term power purchase agreement with a proven public power developer, could provide a portion of Apple Valley’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 AVCE 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, Apple Valley may consider partnering with an experienced public power developer and could enter into a long-term (15-to-30 year) power purchase agreement that would support the development of new renewable generating capacity. Such an arrangement could be structured to reduce the AVCE Program’s operational risk associated with capacity ownership while providing its customers with all renewable energy generated by the facility under contract.

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

<b>Apple Valley Choice Energy Proposed Resource Plan (GWH) 2017 to 2026</b>										
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>AVCE Demand (GWh)</b>										
Retail Demand	-208	-267	-268	-270	-271	-273	-274	-275	-277	-278
Losses and UFE	(11.65)	(14.96)	(15.04)	(15.11)	(15.19)	(15.26)	(15.34)	(15.41)	(15.49)	(15.57)
<b>Total Demand</b>	<b>-220</b>	<b>-282</b>	<b>-284</b>	<b>-285</b>	<b>-286</b>	<b>-288</b>	<b>-289</b>	<b>-291</b>	<b>-292</b>	<b>-294</b>
<b>AVCE Supply (GWh)</b>										
<u>Renewable Resources</u>										
Total Renewable Resources	56	77	83	89	94	99	104	110	115	120
<u>Conventional Resources</u>										
Total Conventional Resources	163	205	200	196	192	189	185	181	177	173
<b>Total Supply</b>	<b>220</b>	<b>282</b>	<b>284</b>	<b>285</b>	<b>286</b>	<b>288</b>	<b>289</b>	<b>291</b>	<b>292</b>	<b>294</b>
<b>Energy Open Position (GWh)</b>	<b>0</b>									

***Supply Requirements***

The starting point for Apple Valley’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 Apple Valley’s plan to introduce the AVCE Program to customers one single phases and the degree to which customers choose to remain with SCE during the customer enrollment and opt-out period. The Town’s roll-out plan and assumptions regarding customer participation rates are discussed below.

***Customer Participation Rates***

Customers will be automatically enrolled in the AVCE Program unless they opt-out during the customer notification process conducted during the 60-day period prior to enrollment and continuing through the 60-day period following commencement of service. The Town anticipates an overall customer participation rate of approximately 90percent of SCE bundled service customers, based on reported opt-out rates for the Marin Clean Energy, Sonoma Clean Power, Lancaster Choice Energy, and CleanPowerSF 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 Town will offer two distinct rate tariffs that will address the needs of cost-sensitive customers as well as the needs of both residential and business customers that prefer a highly renewable energy product. The assumed participation rates will be refined as Apple Valley’s public outreach and market research efforts continue to develop.

***Customer Forecast***

Once customers enroll during April 2017, they will be switched over to service by the Town on their regularly scheduled meter read date over an approximately thirty day period. Approximately 818 service accounts per day will be switched over during the first month of service. The number of accounts anticipated to be served by Apple Valley at the end of April 2017 is shown in the table below.

**Apple Valley Choice Energy  
Enrolled Retail Service Accounts  
Phase-In Period (End of Month)**

	<u>Apr-17</u>
<b>AVCE Customers</b>	
Residential	23,567
Commercial	2,155
Industrial	<15
Street Lighting & Traffic	172
Agricultural & Pumping	85
<b>Total (excluding Industrial)</b>	<b>25,979</b>

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

**Apple Valley Choice Energy  
Retail Service Accounts (End of Year)  
2017 to 2026**

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>AVCE Customers</b>										
Residential	23,567	23,685	23,803	23,922	24,042	24,162	24,283	24,404	24,526	24,649
Commercial	2,155	2,166	2,177	2,187	2,198	2,209	2,220	2,232	2,243	2,254
Industrial	<15	<15	<15	<15	<15	<15	<15	<15	<15	<15
Street Lighting & Traffic	172	173	174	175	175	176	177	178	179	180
Agricultural & Pumping	85	85	86	86	87	87	88	88	88	89
<b>Total (excluding Industrial)</b>	<b>25,979</b>	<b>26,109</b>	<b>26,239</b>	<b>26,371</b>	<b>26,502</b>	<b>26,635</b>	<b>26,768</b>	<b>26,902</b>	<b>27,037</b>	<b>27,172</b>

**Sales Forecast**

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

**Apple Valley Choice Energy  
Energy Requirements  
(GWH)  
2017 to 2026**

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>AVCE Energy Requirements (GWh)</b>										
Retail Demand	208	267	268	270	271	273	274	275	277	278
Losses and UFE	12	15	15	15	15	15	15	15	15	16
<b>Total Load Requirement</b>	<b>220</b>	<b>282</b>	<b>284</b>	<b>285</b>	<b>286</b>	<b>288</b>	<b>289</b>	<b>291</b>	<b>292</b>	<b>294</b>

**Capacity Requirements**

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

A portion of the Town’s capacity requirements must be procured locally, from the LA Basin area and Big Creek/Ventura as defined by the CAISO. The Town 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

Apple Valley’s forecasted peak load. Apple Valley must demonstrate compliance or request a waiver from the CPUC requirement as provided for in cases where local capacity is not available.

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

The estimated forward resource adequacy requirements for 2017 through 2019 are shown in the following tables<sup>2</sup>:

**Apple Valley Choice Energy  
Forward Capacity and Reserve Requirements  
(MW)  
2017 to 2019**

<b>Month</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
January	-	48	43
February	-	55	56
March	-	43	44
April	44	44	45
May	44	44	44
June	52	52	52
July	56	56	56
August	81	81	81
September	96	96	96
October	83	83	84
November	61	61	61
December	46	46	47

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

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<sup>2</sup> The figures shown above are estimates. Apple Valley’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.

**Apple Valley Choice Energy  
Capacity Requirements  
(MW)  
2017 to 2026**

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>Demand (MW)</b>										
Retail Demand	79	79	79	80	80	81	81	81	82	82
Losses and UFE	4	4	4	4	4	5	5	5	5	5
Total Net Peak Demand	83	83	84	84	85	85	86	86	86	87
Reserve Requirement (%)	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Capacity Reserve Requirement	13	13	13	13	13	13	13	13	13	13
Capacity Requirement Including Reserve	96	96	96	97	97	98	98	99	99	100

Local capacity requirements are a function of the SCE area resource adequacy requirements and Apple Valley’s projected peak demand. The Town 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 Town’s annual local capacity requirement for the ten-year planning period ranges from approximately 26 MW to 27 MW as shown in the following table:

**Apple Valley Choice Energy  
Local Capacity Requirements  
(MW)  
2017 to 2026**

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
AVCE Peak (MW)	83	83	84	84	85	85	86	86	86	87
Local Capacity Requirement (% of Peak)	36%	36%	36%	36%	36%	36%	36%	36%	36%	36%
Big Creek / Ventura Area Share of Local Capacity Requirement (%)	34%	34%	34%	34%	34%	34%	34%	34%	34%	34%
LA Basin Area Share of Local Capacity Requirement (%)	66%	66%	66%	66%	66%	66%	66%	66%	66%	66%
AVCE Local Capacity Requirement Big Creek / Ventura (MW)	10	10	10	10	10	10	10	11	11	11
AVCE Local Capacity Requirement LA Basin (MW)	20	20	20	20	20	20	20	20	21	21
AVCE Local Capacity Requirement, Total (MW)	30	30	30	30	30	31	31	31	31	31

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

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

### Apple Valley’s Renewables Portfolio Standards Requirement

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

	Apple Valley Choice Energy RPS Requirements (MWH) 2017 to 2026									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Retail Sales	207,970	267,150	268,485	269,828	271,177	272,533	273,895	275,265	276,641	278,024
Annual Procurement Target	56,152	77,473	83,230	89,043	94,098	99,202	104,354	109,555	114,806	120,107
% of Current Year Retail Sales*	27%	29%	31%	33%	35%	36%	38%	40%	42%	43%

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

### Purchased Power

Power purchased from power marketers, public agencies, generators, and/or utilities will be a significant source of supply during the first several years of AVCE Program operation. Apple Valley 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 Town's desired quantities of renewable energy, to provide a stable and cost-effective resource portfolio for the AVCE Program.

### *Renewable Resources*

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

### *Energy Efficiency*

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

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

This Chapter examines the monthly cash flows expected during the startup and customer phase-in period of the AVCE 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 Town'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 AVCE Program's monthly costs and revenues and specifically accounts for the phased enrollment of AVCE Program customers described in Chapter 5.

### *Cost of CCA Program Operations*

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

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

### *Revenues from CCA Program Operations*

The cash flow analysis also provides estimates for revenues generated from CCA operations or from electricity sales to customers. In determining the level of revenues, the analysis assumes the customer phase-in schedule described herein, and assumes that Apple Valley charges a standard, default electricity tariff similar to the generation rates of SCE for each customer class and an optional 100% renewable energy tariff at a premium reflective of incremental renewable power costs. More detail on AVCE 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 Town 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 Apple Valley, along with estimates for when customer payments will be received. This identifies, on a monthly basis, what level of cash flow is available in terms of a surplus or deficit.

The cash flow analysis identifies funding requirements in recognition of the potential lag between revenues received and payments made during the phase-in period. The estimated financing requirements for the startup and phase-in period, including working capital needs associated with the customer enrollments, was determined to be \$2.6million. Working capital requirements peak soon after enrollment of all AVCE customers in April 2017.

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

In addition to developing a cash flow analysis which estimates the level of working capital required to move Apple Valley 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 AVCE Program operations for the period beginning January 2017 through December 2026.<sup>3</sup>The Town has also included a summary of Program reserves, which are expected to accrue over this same period of time.

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<sup>3</sup> Costs projected for staffing & professional services and other administrative & general relate to energy procurement, administration of energy efficiency and other local programs, generation development, customer service, marketing, accounting, finance, legal and regulatory activities necessary for program operation.

**Apple Valley Choice Energy  
Summary of CCA Program Startup and Phase-In  
(January 2017 through December 2026)**

CATEGORY	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	TOTAL
<b>I. REVENUES FROM OPERATIONS (\$)</b>											
ELECTRIC SALES REVENUE	13,245,107	17,036,056	17,634,873	18,254,739	18,896,393	19,560,601	20,248,156	20,959,879	21,696,619	22,459,255	189,991,679
LESS UNCOLLECTIBLE ACCOUNTS	57,047	74,175	75,325	78,622	81,067	83,456	85,972	88,493	91,060	95,112	810,329
<b>TOTAL REVENUES</b>	<b>13,188,061</b>	<b>16,961,880</b>	<b>17,559,548</b>	<b>18,176,117</b>	<b>18,815,326</b>	<b>19,477,145</b>	<b>20,162,184</b>	<b>20,871,386</b>	<b>21,605,559</b>	<b>22,364,143</b>	<b>189,181,350</b>
<b>II. COST OF OPERATIONS (\$)</b>											
<b>(A) OPERATIONS AND ADMINISTRATIVE (O&amp;A)</b>											
STAFFING & PROFESSIONAL SERVICES	942,000	970,260	999,368	1,029,349	1,060,229	1,092,036	1,124,797	1,158,541	1,193,297	1,229,096	10,798,974
MARKETING	234,552	241,589	248,836	256,301	263,990	271,910	280,067	288,469	297,123	306,037	2,688,876
DATA MANAGEMENT SERVICES	392,952	525,688	528,014	530,336	532,685	535,043	537,414	539,790	542,180	544,587	5,208,686
IOU FEES (INCLUDING BILLING)	184,265	246,598	247,807	249,014	250,236	251,462	252,695	253,931	255,173	256,425	2,447,607
OTHER ADMINISTRATIVE & GENERAL	120,000	123,600	127,308	131,127	135,061	139,113	143,286	147,585	152,012	156,573	1,375,666
<b>SUBTOTAL O&amp;A</b>	<b>1,873,769</b>	<b>2,107,734</b>	<b>2,151,333</b>	<b>2,196,127</b>	<b>2,242,201</b>	<b>2,289,564</b>	<b>2,338,260</b>	<b>2,388,316</b>	<b>2,439,786</b>	<b>2,492,719</b>	<b>22,519,809</b>
<b>(B) COST OF ENERGY</b>	<b>9,888,380</b>	<b>12,727,331</b>	<b>12,913,718</b>	<b>13,528,238</b>	<b>13,971,179</b>	<b>14,401,625</b>	<b>14,856,154</b>	<b>15,310,229</b>	<b>15,772,228</b>	<b>16,529,686</b>	<b>139,898,768</b>
<b>(C) OPERATING RESERVE</b>	<b>397,353</b>	<b>511,082</b>	<b>529,046</b>	<b>547,642</b>	<b>566,892</b>	<b>586,818</b>	<b>607,445</b>	<b>628,796</b>	<b>650,899</b>	<b>673,778</b>	<b>5,699,750</b>
<b>TOTAL COST AND OPERATING RESERVE</b>	<b>12,159,502</b>	<b>15,346,147</b>	<b>15,594,097</b>	<b>16,272,008</b>	<b>16,780,272</b>	<b>17,278,006</b>	<b>17,801,859</b>	<b>18,327,341</b>	<b>18,862,913</b>	<b>19,696,182</b>	<b>145,598,518</b>
<b>CCA PROGRAM SURPLUS/(DEFICIT)</b>	<b>1,028,559</b>	<b>1,615,733</b>	<b>1,965,451</b>	<b>1,904,109</b>	<b>2,035,054</b>	<b>2,199,139</b>	<b>2,360,325</b>	<b>2,544,045</b>	<b>2,742,646</b>	<b>2,667,961</b>	<b>21,063,023</b>

**Apple Valley Choice Energy  
Reserves Summary  
(January 2017 through December 2026)**

CATEGORY	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	TOTAL
<b>I. RESERVE ADDITIONS</b>											
(A) OPERATING RESERVE CONTRIBUTION	397,353	511,082	529,046	547,642	566,892	586,818	607,445	628,796	650,899	673,778	5,699,750
(B) CASH FROM FINANCING	2,600,000	-	-	-	-	-	-	-	-	-	2,600,000
<b>SUBTOTAL RESERVE ADDITIONS</b>	<b>2,997,353</b>	<b>511,082</b>	<b>529,046</b>	<b>547,642</b>	<b>566,892</b>	<b>586,818</b>	<b>607,445</b>	<b>628,796</b>	<b>650,899</b>	<b>673,778</b>	<b>5,302,397</b>
<b>II. RESERVE SUBTRACTIONS</b>											
(A) TOTAL FINANCING REPAYMENT	-	489,315	504,198	519,533	535,336	551,618	-	-	-	-	2,600,000
(B) INTEREST PAYMENTS	-	71,308	56,425	41,090	25,288	9,005	-	-	-	-	203,116
<b>SUBTOTAL RESERVE SUBTRACTIONS</b>	<b>-</b>	<b>560,623</b>	<b>560,623</b>	<b>560,623</b>	<b>560,623</b>	<b>560,623</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,803,116</b>
<b>III. RATE STABILIZATION RESERVE BALANCE</b>	<b>2,997,353</b>	<b>2,947,812</b>	<b>2,916,235</b>	<b>2,903,254</b>	<b>2,909,522</b>	<b>2,935,717</b>	<b>3,543,162</b>	<b>4,171,958</b>	<b>4,822,857</b>	<b>5,496,635</b>	

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

### *AVCE Financings*

It is anticipated that one or more financings, inclusive of a term loan from the Town's General Fund, will be necessary to support AVCE Program implementation. Subsequent capital requirements will be self-funded from the Town's accrued AVCE generated 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 AVCE Program are \$2.6million. This amount is dependent upon the electric load served by the Town, 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 AVCE Program is up and running, these costs would be recovered from customers through retail rates.

It is assumed that this financing will be primarily secured via one or more term loans from the Town's General Fund. Requisite financing would need to be arranged no later than the fourth quarter of 2016.

***Renewable Resource Project Financing***

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

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

### *Introduction*

This Chapter describes the initial policies proposed for Apple Valley 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 Apple Valley Town Council. The Town would retain authority to modify program policies from time to time at its discretion.

### *Rate Policies*

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

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

- Rate competitive tariff option (default service offering), including a proportionate quantity of renewable energy in excess of California’s prevailing renewable energy procurement mandate;
- 100 percent renewable energy supply option (voluntary service offering);
- Rate stability;
- Equity among customers in each tariff;
- Customer understanding; and
- Revenue sufficiency.

Each of these objectives is described below.

### *Rate Competitiveness*

The primary goal is to offer competitive rates for electric services that the Town would provide to participating customers. For participants in the AVCE standard Tariff, the goal would be for AVCE Program rates to be initially one to five percent below, subject to actual energy product pricing and decisions of the Town Council, similar generation rates offered by SCE. For voluntary participants in the AVCE Program’s 100 percent renewable energy Tariff, the goal would be to offer the lowest possible customer rates with an incremental monthly cost premium reflective of the actual cost of additional renewable energy supply required to serve such customers – based on current estimates, the anticipated cost premium for the AVCE Program’s 100 percent renewable supply option would be 5 to 10 percent relative to the default AVCE tariff.

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

As previously discussed, the AVCE Program will increase renewable energy supply to program customers, relative to the incumbent utility, by offering two distinct rate tariffs. The default tariff for AVCE Program customers will be the standard Tariff, which will increase renewable energy supply while maintaining generation rates that are generally comparable to SCE's. The initial renewable energy content provided under AVCE's standard Tariff will at a minimum meet California's prevailing renewable energy procurement mandate. The Town will also offer its customers a voluntary 100 percent renewable energy Tariff, which will supply participating customers with 100 percent renewable energy at rates that reflect AVCE'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 Town 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 AVCE 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 AVCE Program. Apple Valley plans to offer the most competitive rates possible after all Program operating costs are recovered and reserve targets are achieved.

### *Equity among Customer Classes*

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

### *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 AVCE 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*

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

### *Rate Design*

The Town 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 AVCE Program.

### *Custom Pricing Options*

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

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

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

After proposing a rate adjustment, the Town 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 AVCE charges). The notice will provide a summary of the proposed rate adjustment and will include a link to the AVCE 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 AVCE Program to which any customer inquiries relative to the proposed adjustment, including a request by the customer to receive notice of the date, time, and place of any hearing on the proposed adjustment, may be directed.

## CHAPTER 9—Customer Rights and Responsibilities

This chapter discusses customer rights, including the right to opt-out of the AVCE 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 AVCE Board from time to time.

By adopting this Implementation Plan, the Town will have approved the customer rights and responsibilities policies contained herein to be effective at Program initiation. The Town 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 Town 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 Town using the AVCE 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 AVCE 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 AVCE service commences. Opt-out requests made on or before the sixtieth day following start of AVCE 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 Town during the time the customer took service from the AVCE Program, but will otherwise not be subject to any penalty or transfer fee from AVCE.

Customers who establish new electric service accounts within the Program's service area will be automatically enrolled in the AVCE 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 Town's privacy policy regarding customer usage information. Apple Valley 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 AVCE Program's customer base.

**Termination Fee**

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

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

**AVCE Program: Illustrative Schedule of Fees for Service Termination\***

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

\*Note that Apple Valley 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 Apple Valley 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**

Apple Valley 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 Town 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 AVCE Program or to provide services to customers,

including but not limited to where such disclosure is necessary to (a) comply with the law or regulations; (b) enable Apple Valley 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 Town will not disclose customer information for telemarketing, e-mail, or direct mail solicitation. Aggregate data may be released at Apple Valley's discretion.

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

Customers will be obligated to pay AVCE Program charges for service provided through the date of transfer including any applicable Termination Fees. Pursuant to current CPUC regulations, the Town will not be able to direct that electricity service be shut off for failure to pay AVCE 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, AVCE 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 AVCE Program. A deposit would be required for an applicant who previously had been a customer of SCE or AVCE and whose electric service has been discontinued by SCE or AVCE during the last twelve months of that prior service arrangement as a result of bill nonpayment. Such customers may be required to reestablish credit by depositing the prescribed amount. Additionally a customer who fails to pay bills before they become past due as defined in SCE Electric Rule 11 (Discontinuance and Restoration of Service), and who further fails to pay such bills within five days after presentation of a discontinuance of service notice for nonpayment of bills, may be required to pay said bills and reestablish credit by depositing the prescribed amount. This rule will apply regardless of whether or not service has been discontinued for such nonpayment<sup>4</sup>. Failure to post deposit as required would cause the account service transfer request to be rejected, and the account would remain with SCE.

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<sup>4</sup> A customer whose service is discontinued by Apple Valley is returned to SCE generation service.

**Introduction**

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

**Procurement Methods**

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

**Key Contracts**

**Electric Supply Contract**

Apple Valley will initiate service using supply contracts with one or more qualified providers to supply sufficient electric energy resources to meet AVCE customer demand as well as applicable resource adequacy requirements, ancillary and other necessary services. On July 13, 2016, Apple Valley released a Request for Proposals (“RFP”) for energy supply products and services including shaped conventional energy, renewable energy, resource adequacy capacity, and scheduling coordinator services. The RFP schedule and timeline is broken out below:

Release RFP	July 13, 2016
Deadline for Question Submittal	July 22, 2016
Proposals due	August 5, 2016
Notification of Short List	August 19, 2016
Short List Interviews	August 22-26, 2016
Begin Contract Negotiations	October 3, 2016

Best and Final Pricing December 2, 2016

Contract Approval and Execution December 2, 2016

As indicated in the above RFP timeline, the Town plans to receive proposals, including indicative pricing for all requested products and services, by early August 2016. This would provide the Town with a sufficient amount of time to evaluate the proposals, develop a short-list, conduct interviews, negotiate contracts, and execute final agreements towards the end of 2016.

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

As part of the energy supply and services RFP released on July 13<sup>th</sup>, 2016, Apple Valley has solicited the services of a certified scheduling coordinator to schedule loads and resources to meet AVCE customer demand. The Town may designate the primary supplier to be responsible for day-to-day energy supply operations of the AVCE Program and for managing the predominant supply risks for the term of the contract. The primary supplier may also contribute to meeting the Program's renewable energy supply goals. However, additional suppliers may be identified to supplement requisite energy supplier of the AVCE program. Finally, the primary supplier may be responsible for ensuring Apple Valley's compliance with all applicable resource adequacy and regulatory requirements imposed by the CPUC or FERC.

### Data Management Contract

A data manager will provide the retail customer services of billing and other customer account services (electronic data interchange or EDI with SCE, billing, remittance processing, and account management). Recognizing that some qualified wholesale energy suppliers do not typically conduct retail customer services whereas others (i.e., direct access providers) do, the data management contract may be separate from the electric supply contract. It is anticipated that a single contractor will be selected to perform all of the data management functions.<sup>5</sup>

The data manager is responsible for the following services:

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

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<sup>5</sup>The contractor providing data management may also be the same entity as the contractor supplying electricity for the program.

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

Similar to the electric supply RFP described above, on July 13<sup>th</sup>, 2016, Apple Valley released an RFP for data management services. The RFP schedule and timeline is broken out below:

Release RFP	July 13, 2016
Deadline for Question Submittal	July 27, 2016
Proposals due	August 5, 2016
Notification of Short List	August 10, 2016
Short List Interviews	August 15-19, 2016
Begin Contract Negotiations	September 1, 2016
Contract Approval and Execution	September 30, 2016

The RFP timeline will allow the Town to get a data manager under contract by late September or early October of 2016. Even though AVCE will not serve customers until April 2017, the data manager will need sufficient time to setup and integrate the various data systems with Apple Valley, SCE, and other third parties such as AVCE's scheduling coordinator.

## CHAPTER 11 –Contingency Plan for Program Termination

### *Introduction*

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

### *Termination by AVCE*

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

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

At least one year advance notice would be provided to SCE and the CPUC before transferring customers, and the Town 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.

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

*Appendix A: Town of Apple Valley Ordinance 486 (Adopting Implementation Plan)*