ORDINANCE NO. 997

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF LANCASTER, CALIFORNIA ESTABLISHING A COMMUNITY CHOICE AGGREGATION PROGRAM.

WHEREAS, the City of Lancaster ("City") 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 City of Lancaster to establish a Community Choice Aggregation Program; and

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

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

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF LANCASTER DOES ORDAIN AS FOLLOWS:

SECTION 1. The City of Lancaster 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 city 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 City have developed an Implementation Plan (attached hereto as Exhibit A) that describes the formation of Lancaster Community Choice Aggregation program to be implemented by the City.

SECTION 7. As described in the Implementation Plan, Community Choice Aggregation by and through the City 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 Lancaster citizens.
(c) To provide initial price stability, long-term electricity cost savings and other benefits for the community.

SECTION 8. 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 9. Based upon all of the above, the Council hereby approves the City proceeding with the implementation of a Community Choice Aggregation program within the City's jurisdiction, as described in the Implementation Plan in the form attached hereto as Exhibit A.

SECTION 10. 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 City Council of the City of Lancaster 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 11. The Mayor shall sign and the City Clerk shall certify to the passage and adoption of this Ordinance and shall cause the same to be published and posted pursuant to the provisions of law in that regard and this Ordinance shall take effect 30 days after its final passage.

I, Geri K. Bryan, CMC, City Clerk of the City of Lancaster, do hereby certify that the foregoing ordinance was regularly introduced and placed upon its first reading on the _______ day of ________, 2014, and placed upon its second reading and adopted at a regular meeting of the City Council on the _____ day of __________, 2014 by the vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST:	APPROVED:
______________________________	______________________________
GERI K. BRYAN, CMC City Clerk City of Lancaster	R. REX PARRIS Mayor City of Lancaster

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) ss
CITY OF LANCASTER)

CERTIFICATION OF ORDINANCE
CITY COUNCIL

I, __________________________, ____________________________________ City of Lancaster, California, do hereby certify that this is a true and correct copy of the original Ordinance No. 997, for which the original is on file in my office.

WITNESS MY HAND AND THE SEAL OF THE CITY OF LANCASTER, on this _________ day of ________________, ________.

____

(seal)

Lancaster Community Choice Aggregation

COMMUNITY CHOICE AGGREGATION IMPLEMENTATION PLAN

May 2014

Contents

1 INTRODUCTION

1.1 Overview

The Lancaster Community Choice Aggregation is a City of Lancaster, California ("City") municipal service formed for the purposes of implementing a Community Choice Aggregation serving the retail electric service customers residing and doing business in the City of Lancaster. This Implementation Plan describes the Lancaster Community Choice Aggregation's plans to implement a Community Choice Aggregation program for retail electric service customers within the jurisdictional boundaries of the City of Lancaster.

The majority of electric service customers in the City of Lancaster currently receive bundled retail electric service from Southern California Edison (SCE). Bundled retail electric service includes the electric capacity (kW) and the electric energy (kWh) consumed by the customer and the delivery of the electricity utilizing the SCE transmission and distribution systems. Approximately 0.5 percent of 55,400 electric service customers within the City have selected an alternative Electricity Service Provider (ESP) to serve their power procurement and generation needs through Direct Access (DA)[1]. These DA customers account for approximately 1% of the total electricity load for customers within the City.

Similar to an ESP for DA customers, the Lancaster Community Choice Aggregation ("LCCA") program will procure electricity from competitive suppliers to meet the City's retail electric service customers' electricity demand while the electricity will continue to be delivered utilizing the SCE distribution grid. The planned start date for Community Choice Aggregation ("CCA") service (subject to the final review and approval of the City Council) is May 1, 2015. Customer enrollment will be implemented in three phases, with municipal accounts switching to CCA service first, followed by commercial and industrial customers with residential customers switching the following year.

Table 1: CCA Enrollment Schedule

Date	Enrollment
May 2015	Municipal
November 2015	Commercial & Industrial
February 2016 and / or November 2016	Residential

All retail electricity service customers ("Customers") within the City (the LCCA's "service area") will receive information describing the LCCA. Participation in the CCA program is completely voluntary. Customers will be provided with multiple "opt out" opportunities as specified in AB 117 and related

[1] For additional information on Direct Access alternative Electric Service Providers, see http://www.cpuc.ca.gov/PUC/energy/Retail+Electric+Markets+and+Finance/

CPUC rules and regulations. However, without proactive selection of the opt out option, customers will be automatically enrolled the CCA program, as provided by law.

The LCCA's primary objective is to enable Customers within its service area to take advantage of the opportunities granted by Assembly Bill 117 (AB 117), the Community Choice Aggregation Law[2]. The benefits to consumers include local control of the power procurement, rate setting, and generation choices for residents of the City. Goals for the LCCA include:

- Simplified and stabilized electricity rate structures to assist Customers in both understanding and managing their electricity usage and spending;
- Competitive electric energy rates with the potential to improve the local economy and growth opportunities by providing economic incentive to live, work and do business within the City; and
- Utilize alternative fuels whenever possible in an effort to become the world's first net-zero city while meeting or exceeding the California Renewable Portfolio Standard (RPS) requiring 25% of electricity used within the City to be provided by renewable generation by 2016 and 33% by 2020.

Because providing retail electric service can be a complex undertaking, and since the LCCA has limited operational experience in procuring electricity for retail customers, the LCCA will contract with experienced ESPs to provide electricity service to LCCA customers and will operate the LCCA utilizing a combination of internal staff, contractors and qualified ESPs. The LCCA's Implementation Plan describes the partnership among the LCCA, the City's constituents and the private sector to bring the benefits of competitive electric supply and customer choice to residents and businesses. By exercising its legal right to form a CCA program, the LCCA will enable its constituent Customers to exert local control over Lancaster's electricity supply.

The California Public Utilities Code provides the relevant legal authority for the LCCA to become a CCA and assigns the California Public Utilities Commission ("CPUC") with the responsibility for:

- Certifying receipt of this LCCA Implementation Plan;
    - The Public Utilities Code requires that an implementation plan be adopted at a duly noticed public hearing and that the implementation plan be filed with the CPUC
- Establishing the cost recovery mechanism, if any, to reimburse SCE for any power procurement or generation expenses already incurred on behalf of the City's constituents
    - Any resulting Cost Responsibility Surcharge will be paid by LCCA Customers in order to prevent shifting of costs from LCCA Customers to SCE bundled customers.
- Ensuring compliance with basic consumer protection rules; and
- Ensuring electricity generation resource adequacy.

On May 13, 2014, the Lancaster City Council, at a duly noticed public hearing, introduced this Implementation Plan through Lancaster City Council Ordinance No. XX (a copy of which is included as

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[2] For more information on California State law and related regulation related to Community Choice Aggregation, see http://www.cpuc.ca.gov/PUC/energy/Retail+Electric+Markets+and+Finance/070430_ccaggregation.htm

Appendix A). The Implementation Plan was then adopted together with the ordinance on May 27, 2014 and the Implementation Plan was submitted to the CPUC on June 1, 2014. The CPUC has established the methodology that will be used to determine the SCE cost recovery mechanism, and SCE has approved tariffs for imposition of the cost recovery mechanism. Following the CPUC's certification of this Implementation Plan and resolution of any outstanding issues, the City will take the final steps required for implementing the CCA prior to initiating the customer notification and enrollment process.

As the Implementation Plan is modified from time to time, the LCCA will maintain a current version on file with the CPUC.

1.2 Organization of this Implementation Plan

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

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

This implementation plan is organized as follows:

- Section 2: Aggregation Process
- Section 3: Organizational Structure
- Section 4: Start-up Plan and Funding
- Section 5: LCCA Phase-In
- Section 6: Load Forecast and Resource Plan
- Section 7: Financial Plan
- Section 8: Ratesetting and LCCA Terms and Conditions
- Section 9: Customer Rights and Responsibilities
- Section 10: Procurement Process
- Section 11: Contingency Plan for LCCA Termination

The requirements of AB 117 are cross-referenced to Sections of this Implementation Plan in Table 2.

Table 2: AB 117 Cross References

AB 117 REQUIREMENT	IMPLEMENTATION PLAN SECTION
Process and consequences of aggregation	Section 2 Aggregation Process

AB 117 REQUIREMENT	IMPLEMENTATION PLAN SECTION
Organizational structure of the LCCA, its operations and funding	Section 0 Organizational Structure Section 4 Start-up Plan and Funding Section 7 Financial Plan
Rate setting and other costs to participants	Section 8 Ratesetting and LCCA Terms and Conditions Section 9 Customer Rights and Responsibilities
Disclosure and due process in setting rates and allocating costs among participants	Section 8 Ratesetting and LCCA Terms and Conditions
Methods for entering and terminating agreements with other entities	Section 10 Procurement Process
Participant rights and responsibilities	Section 9 Customer Rights and Responsibilities
Termination of the LCCA	Section 0 Contingency Plan for LCCA Termination
Description of third parties that will be supplying electricity under the LCCA, including information about financial, technical and operational capabilities	Section 10 Procurement Process
Statement of Intent	Section 1 Introduction

2 AGGREGATION PROCESS

2.1 Introduction

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

The City's efforts to form a CCA program began with a detailed two-phase CCA feasibility study. The initial feasibility study, completed in July 2013, found that there were numerous benefits (and certain risks) for the City to develop and ultimately implement a CCA program. The final feasibility study completed in the first quarter of 2014 developed additional detail and analyses. After considering the feasibility study results, the City prepared this Implementation Plan, which was completed in draft form in May 2014.

The draft Implementation Plan was published on a public website and was made available at City offices. Any person was able to view the draft Implementation Plan and provide comments for consideration to be incorporated in the final version of the Implementation Plan. The City of Lancaster introduced an ordinance on May 13, 2014 declaring its election to implement a CCA program by and through the City's participation in the LCCA as described herein. The ordinance and associated Implementation Plan was adopted at a duly noticed public hearing of the City Council on May 27, 2014.

A high-level overview and timeline for the CCA establishment steps the City is planning to follow is shown in Table 3.

Table 3 CCA Establishment

Date	Action
5/13/14	City Council introduction of the CCA ordinance
5/27/14	City Council adoption of the CCA ordinance
6/1/2014	Submit (2 copies) of Implementation Plan to CPUC
6/11/2014	CPUC Notifies SCE
7/30/2014	Draft Customer Notice to CPUC Public Advisor
8/15/2014	CPUC Public Advisor finalizes the CCA notice
8/30/2014	CPUC Certifies Receipt of Implementation Plan
8/30/2014	CPUC findings regarding any CRS
9/30/2014	Complete Contracts with 3rd party Suppliers
10/30/2014	Annual Resource Adequacy Plan
1/1/2015	Binding Notice of Intent

2.2 Process of Aggregation

Prior to their enrollment in the LCCA, Customers will receive a minimum of two notices in the mail that will provide the information needed to understand the terms and conditions of CCA electric service and explain how customers can opt out of the CCA, if desired. All customers that do not follow the opt out process specified in the customer notices will be automatically enrolled with the LCCA and will begin receiving CCA electric service at their next regularly scheduled meter read date (following the date of automatic enrollment), subject to the service phase-in plan described in Section 5. Subsequent to enrollment of Customers that do not opt out, an additional two notifications will be provided within two of the customers' billing cycles. This enrollment and notification schedule will provide Customer notifications at least twice within 60 days prior to automatic enrollment and at least twice within two billing cycles after enrollment.

Table 4: Notification and Enrollment Schedule

Date	Action
March 2015	Notification – Municipal
April 2015	Notification – Municipal
May 2015	Enrollment – Municipal
June 2015	Notification – Municipal
July 2015	Notification – Municipal
September 2015	Notification – C&I
October 2015	Notification – C&I
November 2015	Enrollment – C&I
December 2015	Notification – C&I
January 2016	Notification – C&I
March 2016 and/or September 2016	Notification – Residential
April 2016 and/or October 2016	Notification – Residential
February 2016 and/or November 2016	Enrollment – Residential
June 2016 and/or December 2016	Notification – Residential
July 2016 and/or January 2017	Notification – Residential

Customers automatically enrolled in the LCCA will continue to have their electric meters read by SCE and will continue to receive an electricity bill from SCE. After a Customer's CCA enrollment, the SCE electric bill will include charges for SCE electricity delivery (and other CPUC-authorized charges and fees). In addition, a separate line item will show the applicable LCCA charges for power procurement and generation costs based on the Customer's electricity use and the applicable LCCA rate.

After enrollment, Customers will have approximately 60 days (two billing cycles) to opt out of the LCCA and return without penalty to their prior electricity service provider. LCCA customers will be advised of these opportunities via the distribution of two additional enrollment notices provided within the first two LCCA billing cycles. Customers that opt out between their enrollment date and the close of the post-enrollment opt out period will be responsible for any LCCA charges incurred during the time they were served by the LCCA. However, the Customer will not be subject to any other LCCA fees or penalties for selecting post-enrollment opt out within sixty days of enrollment. Customers that have not opted out within sixty days of enrollment in CCA service will be deemed to have elected to become a participant in the LCCA program and to have agreed to the LCCA's terms and conditions, including those pertaining to requests to terminate service, as further described in Section 9.

New Customers who establish service within the LCCA service area will be automatically enrolled in the LCCA and will have sixty days from the date of service activation and enrollment to opt out of the LCCA. Such Customers will be provided with two opt out notices within their first two LCCA billing cycles.

2.3 Consequences of Aggregation

2.3.1 Rate Impacts

LCCA customers will see no obvious changes in their electric service other than the price and composition of their electric bills. The only real change in service is which entity is purchasing and generating electricity for the City's constituents and the expansion of customer choice, giving Customers the option to select between entities to procure their electricity. Customers enrolled in LCCA will continue to pay SCE delivery charges, but will no longer pay the costs of SCE generation. Instead, Customers participating in the LCCA will pay the power procurement and generation charges set by the LCCA. Customers enrolled in the LCCA will also be subject to the LCCA's terms and conditions, including responsibility for payment of all LCCA changes as described in Section 9.

The LCCA's rate-setting policies described in Section 8 establish a goal of providing rates that are competitive to the generation rates offered by SCE and other ESPs for a given customer classification. The Lancaster City Council will establish, consider, and formally adopt rates sufficient to recover all costs related to operation of the LCCA. The initial rates for the LCCA have been set as follows:

Table 5: Initial LCCA Electricity Rate Structure

LCCA Electricity Rates	$/kWh
Large Commercial (>20kW)	
On-Peak	$0.20
Mid-Peak	$0.06

LCCA Electricity Rates	$/kWh
Off-Peak	$0.03
Small Commercial (<20kW)	
On-Peak	$0.20
Mid-Peak	$0.08
Off-Peak	$0.06
Municipal	$0.08
Streetlights	TBD
Residential	$0.10

Initial LCCA rates were established utilizing the estimated power procurement costs developed within the scope of the CCA feasibility study and are subject to final approval by the City Council of the LCCA's inaugural budget. The electric rates will be adjusted periodically based on power procurement costs reflecting prospective costs from the LCCA's energy supplier(s) and any adjustments necessary to recoup market and operational costs not covered under the prior year's rate. Information regarding final LCCA rates will be disclosed, along with other terms and conditions of service, in the pre-enrollment opt out notices sent to potential LCCA constituent customers.

LCCA plans to submit a Binding Notice of Intent (BNI) to SCE in order to facilitate a smooth and lower-cost CCA transition for the City's Customers. The BNI will provide SCE with a detailed schedule of CCA enrollment plans and enable SCE to remove LCCA Customers from SCE's future load forecast and related power procurement obligations. A BNI submitted early in the calendar year during what is referred to as Open Season is optional; however a BNI can reduce customer costs by exempting customers from certain charges related to subsequent SCE power procurement contracts and generation capital expenses. Certain pre-existing generation costs will continue to be charged by SCE to CCA Customers through a separate rate component, called the Cost Responsibility Surcharge (CRS). These charges are shown in SCE's electric service tariffs, which can be accessed from the utility's website. These pre-existing costs are included in charges paid by both SCE bundled customers as well as CCA and DA customers.

2.3.1.1 Renewable Energy Impacts

One of the LCCA goals will be to create an energy supply portfolio that offers LCCA's Customers a "greener" electricity product by ensuring that a large portion of the supply portfolio includes energy generated and supplied by renewable resources. The resource plan includes procurement of renewable energy sufficient to support the City's goal of attaining net-zero status and meeting or exceeding the California RPS that requires 25% of electricity to be provided by renewable generation by 2016, and 33% by 2020. In fact, the LCCA's initial energy supply portfolio target and retail rates are based on 35% renewable energy.

2.3.1.2 Energy Efficiency Impacts

Another LCCA goal will be to increase energy efficiency program investments and activities for the LCCA's Customers. The existing energy efficiency (EE) programs administered by SCE are still expected to be available to LCCA customers. LCCA customers will continue to pay the Public Purpose Program charges and Electricity Program Investment Charge (EPIC) to the distribution utility, which provides funding for energy efficiency programs for all customers as well as funds to support the Customer Alternate Rates for Energy (CARE) and Family Electric Rate Assistance (FERA) programs, regardless of generation supplier. In addition and subject to CPUC approval, the LCCA will be able to use EE funds collected though the EPIC charge for additional EE programs targeted specifically to LCCA customers.

The energy efficiency investments ultimately planned for the LCCA, as described in Section 6.5, will be in addition to the level of investment that SCE is making and will continue to make. Thus, through expanding energy efficiency programs in the City, the LCCA has the potential to drive increased energy savings beyond that which might be achieved under the SCE programs alone.

3 ORGANIZATIONAL STRUCTURE

This section provides an overview of the proposed LCCA organizational structure that will be used for implementation of its CCA program. The key agreements, governance, management, and organizational functions of the LCCA are outlined and discussed below.

3.1 Organizational Overview

3.1.1 CCA Authority

The Lancaster City Council is the local authority with jurisdiction over the LCCA. The City Council reviewed and approved this implementation plan prior to filing with the CPUC. In terms of the LCCA, the City Council's primary duties will be to:

- Establish LCCA policies;
- Authorize any subsequent changes to this implementation plan;
- Review and approve resource plans;
- Review and approve proposed rate changes;
- Establish commissions, committees and/or sub-committees to oversee and advise LCCA operational activities; and
- Provide policy direction to the City Manager, who will have general accountability for LCCA operations, consistent with the policies established by the City Council.

3.1.2 CCA Accountability

The Lancaster City Manager is accountable for overseeing the LCCA and ensuring compliance with the City Council approved implementation plan and other city policies.

The City Council is responsible for evaluating the City Manager's performance in the management and oversight of LCCA operations.

3.1.3 CCA Responsibility

The Lancaster Finance Director will have responsibility and oversight of the finance aspects of the LCCA. The Finance Director reports to the City Manager.

The Deputy City Manager will have responsibility and oversight of the operational aspects of the LCCA. The Deputy City Manager reports to the City Manager.

The LCCA Operations Manager will manage the operational aspects of the LCCA and will report to the Deputy City Manager.

3.1.4 LCCA Organization

The City Manager will utilize a combination of internal LCCA staff and contactors. Certain specialized functions needed for LCCA operations, namely the electric supply and customer account management functions described below, will be performed by experienced and qualified third party ESPs. The LCCA organizational chart is shown in the Figure 1 below with LCCA internal functions in blue and outsourced functions in green.

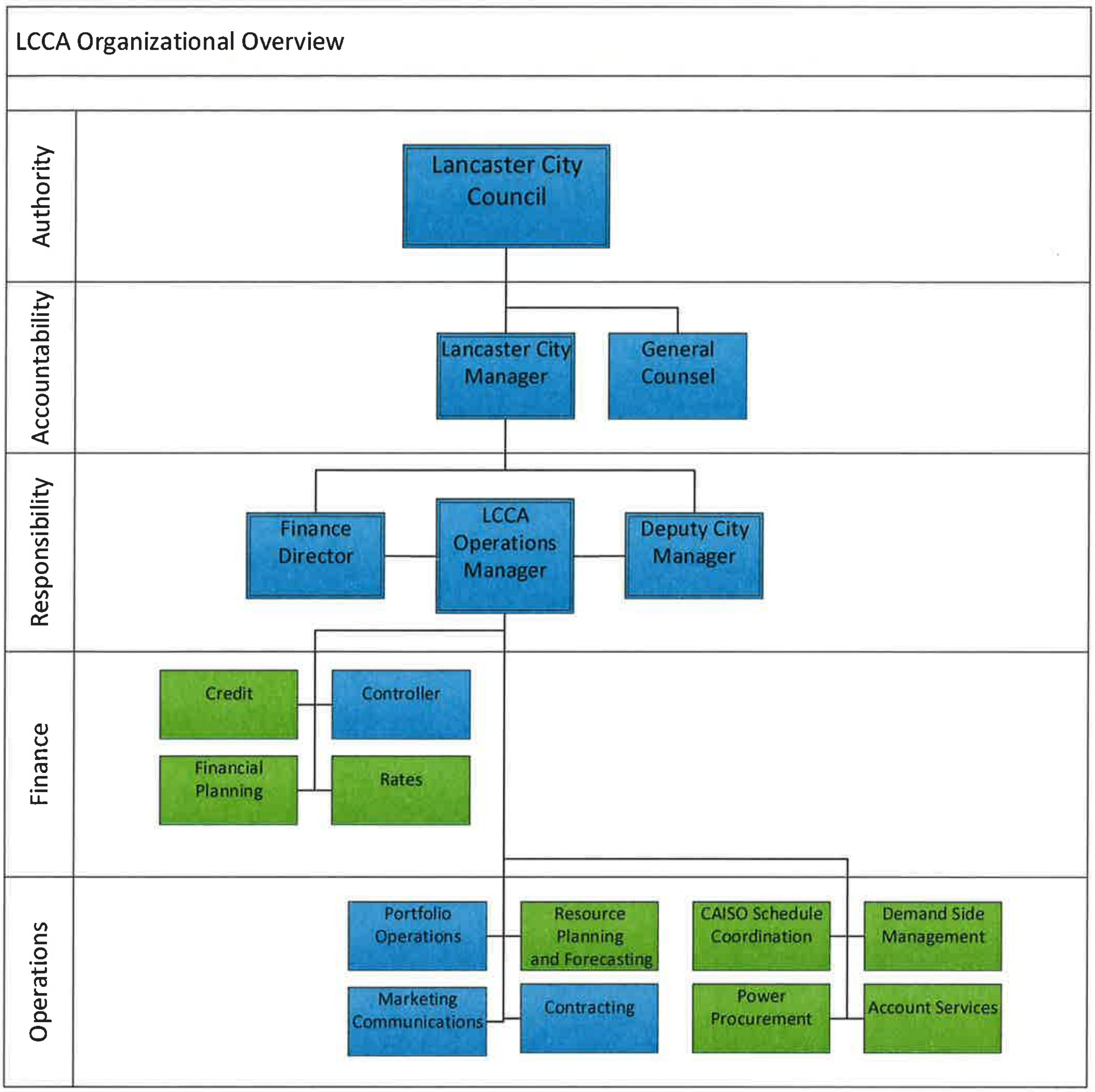

Figure 1 LCCA Organization

3.1.5 City Council Appointed Commissions

The LCCA may require committees, sub-committees or commissions to advise, oversee or address operational topics such as distribution utility interaction, procurement strategy, contracts, resources, Finance/Budget/Audit, Legal/Regulatory, and Risk Management. Specific commissions or committees and their functions will be determined by the City Council at the time of their creation. Commission or committee members will be chosen based on their subject matter expertise and other qualifications. Commission and committees will report findings and recommendations for their specific area to the

LCCA Operations Manager, Finance Director, Deputy City Manager, City Manager and/or the City Council as appropriate per direction from the City Council. The designated level of authority will act on commission or committee recommendations as needed.

3.2 LCCA Operations

The City will conduct LCCA operations utilizing a combination of its own dedicated internal staff and selected contracting for services with third parties. Major LCCA functions that will be overseen by the City Manager and Deputy City manager and managed by the LCCA Operations Manager are summarized in the subsections below.

3.2.1 Resource Planning and Forecasting

LCCA must plan for meeting the electricity needs of its Customers utilizing resources consistent with its policy goals and objectives. Long-term resource planning includes load forecasting and supply planning on a 10- to 20-year time horizon. LCCA planners will develop integrated resource plans that meet LCCA supply objectives and balance cost, risk and environmental considerations. Integrated resource planning will consider distributed generation, demand side energy efficiency and demand response programs as well as traditional supply options. The LCCA program will require a Portfolio Operations planning function even if the day-to-day supply operations are contracted to third parties. Portfolio Operations planning will ensure that local preferences regarding the future composition of supply and demand resources are planned for, developed, and implemented. Updated resource plans will be reviewed and adopted by the City Council on an annual basis.

The LCCA Operations Manager will oversee development of both short (one- and two-year) and long-term resource plans for the City's Customers. The LCCA will develop the resource plan under the policy guidance provided by the City Council and in compliance with California Law and other requirements of California regulatory bodies (CPUC and CEC).

In order to ensure reliable grid operation, all California Load Serving Entities (LSEs), including CCAs, must provide reserve power capacity resources (Resource Adequacy Requirement or "RAR") to ensure the safe and reliable operation of the grid in real time. Thus, the LCCA will need to plan, procure and coordinate reserve capacity with the CPUC, CEC and CAISO. In order to do so, the City and its Scheduling Coordinator must file forms with the CEC verifying that it meets the reserve requirements of the Resource Adequacy (RA) program[3]. The amount of RAR capacity that must be contracted for annually is based on the LCCA's Planning Reserve Margin, which is defined in further detail below. Rules are provided for "counting" resources to meet resource adequacy obligations. The resources that are counted for RA purposes must make themselves available to the California ISO for the capacity for which they were counted.

The RA process is not a static, unchanging set of procedures. Rather, it's an evolving program with new procedures which may need to be completed by the LCCA. In particular, currently there is a new requirement for "flexible RA."

[3] For additional information on RAR, see http://www.cpuc.ca.gov/PUC/energy/Procurement/RA/

Currently, the ISO conducts annual and monthly RA planning processes that require LSEs, through their Scheduling Coordinators, to submit RA filings. These RA filings identify the specific resources that the LSE is relying on to satisfy its forecasted monthly peak demand and reserve margin for the relevant reporting period.

To meet the current RA reporting requirements, the LCCA must demonstrate that it meets the following reserve capacity requirements:

a. Resource Adequacy Requirement (RAR) planning reserves are required to bring total capacity, including ISO required ancillary services, up to 115% of forecast load[4] for summer months (May-September) and 100% of forecast load for all other months. Forecast load is based on a 1 in 2 (50%) probability year and baselined against the CEC forecast;
b. Local RAR considers a longer-term peak based on a 1 in 10 (10%) probability year analysis, and the loss of the two largest contingencies (generation or transmission). LSEs are required to demonstrate their ability to procure 100% of Local RAR (LRAR) requirements for summer months;
c. Demonstrate procurement of 90% of RAR and 100% of Local RAR one year ahead of time (due October 31 for the following year);
d. Demonstrate 100% of RAR two months ahead of time;
e. Provide load forecast updates to the CEC yearly in January and March.

3.2.2 Portfolio Operations

Portfolio operations encompass the activities necessary for procurement of electricity to serve end-use customers. These activities include the following:

- *Electricity Procurement* – assemble a portfolio of electricity resources to supply the electric needs of LCCA Customers.
- *Risk Management* – utilization of electric power industry risk management techniques to reduce exposure to the volatility of electricity demand and energy markets.
- *Load Forecasting* – develop accurate, long-term resource planning and short-term electricity load forecasts to maintain a balance between supply resources and expected customer load.
- *Scheduling Coordination* – schedule and settle wholesale electricity market transactions with the CAISO.

The LCCA will initially contract with one or more experienced and financially sound third-party ESPs to perform most of the electric supply operations for the LCCA program. Contracted services will include the procurement of energy and ancillary services, scheduling coordination services, short-term load forecasting and day-ahead and real-time electricity scheduling and trading. Following a competitive solicitation process and subsequent contract negotiations, qualified firms will be selected for consideration as the LCCA's initial primary energy services provider and Scheduling Coordinator. The final ESP supplier selection is anticipated to be made by the Lancaster City Council in September or October of 2014.

[4] RAR criteria are continuing to evolve including consideration of flexible resource requirements.

3.2.3 Demand Side Management and Distributed Energy Resources

A key focus of the LCCA program will be the development and implementation of local energy efficiency and reliability programs, including distributed generation and storage functions, energy efficiency programs and initiatives, and demand response programs that are responsive to community interests. The LCCA Operations Manager will be responsible for further development of these programs, as these are likely to be implemented on a phased basis during the first several years of operations. Within the first year of operations, the LCCA will develop a long-term strategic policy and plan for the evaluation and funding of local energy projects. This long-term strategic policy and plan will be reviewed by the City Council.

An example of a local energy program is the existing Solar Lancaster program which encourages both residential and commercial constituents to invest in solar generation through available financing options, by taking advantage of the California Solar Initiative (CSI) and through federal solar investment tax credits. In addition, Lancaster has adopted City Ordinance 17.08.305 titled *Implementation of Solar Energy Systems*[5] which requires a builder to provide solar energy systems for all new single-family homes with a building permit issuance date on or after January 1, 2014.

3.2.4 Rate Setting

The City Council will have the ultimate responsibility for setting the rates for LCCA Customers. The Finance Director and LCCA Operations Manager will develop proposed rates and options for the City Council to consider before the finalization of the actual rates (subject to the notice requirements and process described in Section 8). The final approved rates must, at minimum, meet the annual revenue requirement developed by the Finance Director, including any reserves or coverage requirements set forth in bond covenants or other agreements. The City Council will have the flexibility to consider rate adjustments within ranges, provided that the overall revenue requirement is achieved. The LCCA will administer a standardized set of electric rates and may offer optional rates to encourage policy goals.

3.2.5 Financial Management/Accounting

The management of the overall financial aspects of the LCCA program is expected to be a significant work activity. The Finance Director will be responsible for overseeing this function, with management assistance from the LCCA Operations manager, to include developing the annual budget and projected revenue requirements; proposing rates for approval by the City Council; managing and maintaining cash flow requirements; arranging potential bridge loans and other financial tools as necessary; and a large volume of billing settlements.

The Finance function arranges financing for power procurement and capital projects, prepares financial reports, and ensures sufficient cash flow for LCCA operations. The Finance function will play an important role in financial 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 LCCA will take appropriate action as provided for in the electric supply agreement(s). The Finance function also establishes credit policies that the LCCA must follow.

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[5] City Ordinance 17.08.305, *Implementation of Solar Energy Systems*:
http://library.municode.com/HTML/16042/level3/TIT17ZO_CH17.08REZO_ARTVSOWIALENUS.html#TIT17ZO_CH17.08REZO_ARTVSOWIALENUS_17.08.305IMSOENSY

3.2.6 Customer Services including Marketing, Communications and Account Services

The Customer Services function includes general program marketing and communications as well as direct customer interfaces ranging from management of key account relationships to call center and billing operations. The LCCA will conduct program marketing to raise consumer awareness of the LCCA and to establish the LCCA "brand" in the minds of the public, with the goal of communicating CCA benefits in order to retain and attract as many customers as possible. Ongoing communications, marketing messages, and information regarding the LCCA program to all customers will be critical for the overall success of the LCCA. The LCCA Operations Manager, under the direction of the Deputy City Manager, will be responsible for overseeing the Customer Services function.

In addition to general LCCA communications and marketing, a significant focus on customer service and key account representation will be necessary. LCCA will contract call center operations to a third-party provider who will answer customer questions and perform routine interaction with customer accounts.

The Customer Account Services function performs customer billing-related duties and manages customer account data. It processes customer service requests and administers customer enrollments and departures from the LCCA, maintaining a current database of customers enrolled in the LCCA. This function will coordinate the issuance of monthly bills using SCE's billing process and will track customer payments. Business-to-business data transactions with SCE will include the electronic exchange of usage, billing, and payment data between SCE and LCCA. Additionally, Customer Account Services will be responsible for tracking of customer account receivables and payments, issuance of late payment and/or service termination notices (which would return affected customers to bundled service), and administration of customer deposits (if any) in accordance with LCCA credit policies. It is planned that the customer billing and other Customer Account Services functions will be contracted out to a qualified ESP organization with the necessary infrastructure and capability to bill and interface with up to the approximately 55,000 electric service accounts in the City that are eligible to participate in the LCCA.

3.2.7 Legal and Regulatory Representation

The LCCA program will require ongoing regulatory representation to manage various regulatory compliance filings related to resource plans, resource adequacy compliance, compliance with California's Renewable Portfolio Standard (RPS), and overall representation on issues that will impact the LCCA and its customers. The LCCA will be an active stakeholder with the CPUC, the CEC, the CAISO and, as necessary, the Federal Energy Regulatory Commission (FERC) and the California Legislature.

Under the direction of its General Counsel, the LCCA will retain legal services, as necessary, to administer the LCCA, review contracts, and provide overall legal support to the activities of the LCCA.

3.3 Roles and Functions

The City Council and City Manager will perform the functions inherent in their policy-making, management and planning roles. Other highly specialized functions, such as energy supply and account management, will be contracted out to third parties with demonstrated specific experience and technical and financial capabilities. The authority, accountability, responsibility and execution for different CCA functions are specified in Table 6:

Table 6 Organizational Roles

Function	Authority	Accountability	Responsibility	Execution
Policy Setting and Execution	City Council	City Manager	Deputy City Manager	Operations Manager
Governance	City Council	City Manager	Deputy City Manager	Operations Manager
Legal and Regulatory Compliance	City Council	General Counsel	City Manager	Operations Manager
Operations	City Council	City Manager	Deputy City Manager	Operations Manager
• **Risk Management**	City Council	City Manager	Deputy City Manager	Operations Manager
• **Marketing & Communications**	City Council	City Manager	Deputy City Manager	Operations Manager
• **Portfolio Operations**	City Council	City Manager	Deputy City Manager	Operations Manager
• **Contract Management**	City Council	City Manager	Deputy City Manager	Operations Manager
• **Demand Side Management**	City Council	City Manager	Deputy City Manager	Operations Manager Contracted Energy Services Provider
• **Schedule Coordination**	City Council	City Manager	Deputy City Manager	Operations Manager Contracted Electric Service Provider
• **Resource Planning**	City Council	City Manager	Deputy City Manager	Operations Manager Contracted Electric Service Provider
• **Customer Service**	City Council	City Manager	Deputy City Manager	Operations Manager Contracted Service Provider

Function	Authority	Accountability	Responsibility	Execution
Finance	City Council	City Manager	Finance Director	Operations Manager
• **Financial Planning**	City Council	City Manager	Finance Director	Operations Manager
• **Rate Setting**	City Council	City Manager	Finance Director	Operations Manager
• **Credit and Collateral**	City Council	City Manager	Finance Director	Operations Manager
• **Controller**	City Council	City Manager	Finance Director	Operations Manager
• **Cost of Service**	City Council	City Manager	Finance Director	Operations Manager

The LCCA will enter into key contracts with third parties to provide the day-to-day operational functions necessary to procure electricity and manage customer account data:

- Energy Services Provider(s) for Demand Side Management functions
- Electricity Services Provider for Energy Portfolio Operations and Resource Planning
- Electricity Services Provider for CAISO Schedule Coordination, market participation and settlement
- Electricity Services Provider for Customer Account Services

Information on the solicitation process and the qualifications of the necessary service providers is contained in Section 10.

3.4 Staffing

Once the proposed Customer phase-in is complete and the LCCA is fully operational, staffing requirements for the above LCCA functions are expected to gradually increase from 3 to 12 full-time equivalent positions. These staffing requirements are in addition to the services and staffing provided by the third-party energy suppliers and contractors.

Table 7 shows the staffing plan for the LCCA at full-scale operational levels. LCCA staffing requirements during the pre-start-up and phase-in periods are discussed in Section 4.

Table 7: Staffing Plan for the Lancaster CCA program

Position	2014	2015	2016	2017
City Manager	1/3	1/3	1/3	1/3
Legal	1/3	1	1	1
Operations Manager	1/3	1	1	1
Administrative Assistant	1/3	1	1	1
Finance				
Finance Director	1/3	1/3	1/3	1/3
Rates Manager	1/3	1	1	1
Credit Manager	1/3	1	1	1
Analyst I				1
Analyst II		1	1	1
Customer Service Coordinator		1/2	1	1
Operations				
Deputy City Manager	1/3	1/3	1/3	1/3
Portfolio Manager	1/3	1	1	1
Resource Manager			1	1
Management Analyst I	1/3	1	1	1
Total Staffing	3 1/3	9 1/2	11	12

Longer-term staffing needs will include personnel to support energy efficiency activities and potentially the creation of an internal organization to perform the portfolio operations and account services functions that will originally be contracted out.

4 START-UP PLAN AND FUNDING

This section presents the LCCA's plans for the start-up period, including the necessary staffing and capital outlays, which will commence once the CPUC certifies the receipt of this Implementation Plan. As described in Section 3, the LCCA will utilize a mix of internal staff and contractors in its CCA program implementation.

4.1 Staffing Requirements

Staffing is a key component to the Start-up Plan. Staff will be added incrementally to match workloads required to form the new organization, manage contracts, and initiate customer outreach/marketing during the pre-operations period. Existing City staff will oversee the Phase 1 municipal customer enrollment period. Additional staff will be incorporated prior to the notification and enrollment period for Phase 2 commercial customers. Final organization staffing will be determined and implemented concurrent with the notification and enrollment period for Phase 3 residential customers, who will comprise the majority of customer accounts and roughly half of the electricity usage.

4.2 Operating Expenses

The start-up of the CCA program will require a significant amount of working capital for the primary operating expenses:

(1) Salaries and Wages
(2) SCE Services
(3) Power Procurement
(4) Third-Party Providers
(5) Professional Services
(6) Contingency Fund

The Finance Plan contained in Section 7 provides a detailed overview of the longer-term capital requirements.

Staffing costs are estimated to gradually increase to approximately $1.5 million annually. Actual costs may vary depending on the ability of the City to recruit qualified staff to fill the roles described above.

LCCA initiation costs include the administrative and general expenses that the LCCA will require, as well as the distribution utility fees charged by SCE for initiating the LCCA program. SCE services in support of CCA startup activities are expected to be less than $400,000 in addition to the approximately $1 million in annual costs for monthly services.

Power Procurement costs are dependent upon market solicitation, market conditions and contractual negotiations. The LCCA feasibility study has developed a range of expected costs based on available information. However, the feasibility estimates are confidential pending issuance of a formal power procurement solicitation and contract negotiation.

Third-party provider and professional services costs are expected to be approximately $2.5 million per year. An additional contingency amount of approximately $1 million is being budgeted for the first year of operation, with increasing contingency being budgeted as additional power procurement requirements increase the amount of financial risk and potential volatility.

Therefore, the total staffing, contractor and LCCA initiation costs are expected to be approximately $5.5 million over the first four years, not including power procurement costs. These are costs that will ultimately be collected through LCCA program rates; however, most of these costs will be incurred prior to the LCCA selling its first kWh of electricity.

Short-term financing instruments, such as a Letter of Credit (LoC), commercial paper (CP), internal transfers, or negotiated cash flow agreements with power providers, will be used to cover these start-up costs and initial working capital requirements. The actual amount of CP required will be primarily dependent upon specific terms negotiated as part of the power purchase requirements.

4.3 Operating Revenues

Operating revenues from sales of electricity will be remitted to the LCCA beginning approximately 47 days after the initial customer enrollments. This lag in the actual cash receipt of revenue is due to an approximate 30-day billing cycle, charging customers for their electricity usage after each month's consumption, and an estimated 17 days for accounts receivable. The LCCA will need working capital to support electricity procurement and costs related to program management, which will be included in the financing program associated with start-up funding.

4.4 Start-up Activities and Costs

The initial start-up funding is budgeted to fund the following activities and costs:

- Hiring of staff and/or contractors to manage implementation
- Negotiation of supplier/vendor contracts:
    - CAISO Schedule Coordinator
    - Electricity Portfolio supplier
    - Data management provider
- Definition and execution of communications plan(s):
    - Customer research/information gathering
    - Media campaign
    - Key customer/stakeholder outreach
    - Informational materials and customer notices
    - Customer call center
- Payment for utility service initiation, notification and switching fees
- Performance of customer notification, opt out and transfers
- Conduct of load forecasting
- Establishment of rates
- Legal and regulatory support
- Financial reporting
- General consulting costs

Other costs related to the startup of the LCCA will be included with third-party contracted services, including 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.

4.5 Financing Plan

For the initial start-up funding, the City is considering short-term financing such as a letter of credit or issuance of Commercial Paper. If short-term financing is utilized, the LCCA will recover the principal and interest costs associated with the start-up funding via retail rates. Based upon current assumptions, and expected LCCA electric rates, it is anticipated that the start-up costs will be fully recovered within the first three years of LCCA operations through retail rates.

4.5.1.1 Working Capital

Either the electric supplier or the LCCA will be responsible for providing the working capital needed to support electricity procurement, subject to the outcome of negotiations with the selected electric supplier(s). If it is the electricity provider, this cost will be reflected in its price for providing full requirements electric service to the LCCA. Whether or not working capital is provided by the third-party supplier or the LCCA, the LCCA will need to meet working capital requirements related to LCCA management, which will be included in the credit instrument providing start-up funding.

4.5.1.2 Pro Forma

Ongoing operating expenses will be recovered from revenues accruing from sales of electricity to LCCA customers and, where applicable, sales of excess power to other entities. Pro forma projections for the initial four years of LCCA operations are shown in Section 7 below.

5 LCCA PHASE-IN

5.1 Open Season

During Open Season, a CCA may submit a Binding Notice of Intent (BNI) to SCE and the CPUC. The BNI provides the number of customers, the customer class and specific dates that a CCA will begin serving customers. The BNI will reflect the schedule for a phased-in approach for CCA service. SCE will then utilize the BNI to modify power procurement forecasts which will mitigate the Cost Responsibility Surcharge (CRS) that LCCA customers could owe SCE for power already procured on their behalf. While Open Season is optional, it can reduce customer costs by exempting customers from the CRS for subsequent SCE power procurement contracts or generation capital expenses.

Open Season is available annually during January 1 through February 15 or as late as March 1 if the California Energy Commission (CEC) Load Serving Entity (LSE) Load Forecasts are due on or after May 1. The LCCA plans to participate in SCE Open Season in the first quarter of 2015.

5.2 CCA Enrollment Schedule

The LCCA plans to phase in its CCA program in three stages:

1. Municipal Accounts – May 2015
2. Commercial Accounts – November 2015
3. Residential Accounts – February and/or November 2016

The phased-in approach provides the LCCA with the ability to start slow, with a customer base that is aware of and supportive of the CCA, address any problems or unforeseen challenges with a small, manageable program, and then gradually build the program integration for up to 55,000 eligible Customers. This approach also provides for the LCCA and its primary contractors to address all system requirements (billing, collections, payments) in a phase-in manner which will minimize potential exposure to uncertainty and operational/financial risk.

5.3 Phase 1 – Municipal Accounts

Pending CPUC certification of this LCCA Implementation Plan, final approval by City Council, and completion of all necessary implementing agreements including those with suppliers, the investor-owned utilities, and potentially others, Phase 1 of the LCCA is targeted to begin in May 2015.

Phase 1 will consist solely of the City of Lancaster municipal electric service accounts. Under this approach, it is expected that the opt-out rate for accounts (and load) will be zero percent. Phase 1 enrollment of municipal customers customers will consist of approximately 640 accounts (including streetlights) representing a usage of 38 GWh annually.

5.4 Phase 2 – Commercial Accounts

Phase 2 of the LCCA is targeted to begin approximately 6 months after Phase 1. The City Council has the authority to continue as planned or adjust the starting date depending upon the performance of the LCCA under Phase 1. Any changes to the schedule outlined in this Implementation Plan will result in a revision to the Implementation Plan filing with the CPUC. The intent is to ensure that the LCCA is operating properly, including proper procurement and delivery of electricity, as well as billing and receivables from the City's loads prior to rolling the LCCA out to commercial customers.

Phase 2 will be comprised of approximately 5500 non-residential accounts. For modeling purposes, it is assumed that 15 percent of medium and large commercial accounts and 20 percent of small commercial accounts will opt out of the CCA program. This provides for an estimated incremental Phase 2 customer class addition of approximately 4800 accounts, with an annual usage of 300 GWh.

5.5 Phase 3 – All Residential Customer Accounts

The final Phase (Phase 3) provides for all residential electric customers within the service territory of the LCCA to have the option of participating in the CCA program. February 2016 and November 2016 are likely residential enrollment months. Experience with Phases 1 and 2 as well as consultation with SCE will determine which month is chosen, and whether or not to split the residential rollout between the two months, subject to the final review and approval of the City Council. An opt-out rate of 25% is assumed for residential customers. Phase 3 represents a significant increase in the number of customers and the overall energy requirements for the LCCA, as the incremental growth for Phase 3 is 37,500 customer accounts with an annual usage of 260 GWh.

5.6 Customer Participation Rates

Customers will be automatically enrolled in the LCCA unless they opt out during the customer notification process that will be conducted during the 60-day period prior to enrollment, and which will continue through the 60-day period following commencement of service. The LCCA anticipates an overall customer participation rate of 100% during Phase 1, when LCCA service is being offered only to the municipal accounts. Phase 2 participation rates are expected to be 85% (15% opt out) for medium and large commercial customers, and 80% (20% opt out) for non-residential customers. Phase 3 enrollment of residential customers is expected to have 75% participation (25% opt out). The City referenced average opt-out rates of the Marin County and Oak Park, Illinois CCA programs when developing these opt-out assumptions. The assumed participation rates will be refined as the LCCA's marketing and communications plan is executed and information is shared with other California CCA programs.

5.7 Customer Participation Forecast

Upon enrollment of customers in each implementation phase, customers will be switched over to service by the LCCA on their next regularly scheduled SCE meter read date over an approximately 30-day period. Approximately 21 service accounts per day will be switched over during the first month of service. Enrollments planned for Phase 2 average 161 per day and Phase 3 will average 1,433 per day. Because CCAs in California have a relatively short history, it is difficult to anticipate with any precision the actual levels of customer participation within the LCCA program. The LCCA assumes that the same opt-out rates will continue to apply to new customer accounts. The number of accounts forecast to be served by the LCCA at the end of each phase is shown in Table 8.

Table 8: LCCA Enrollments Per Phase

Program Customers	Eligible Accounts	Opt out Accounts	Participating Accounts
Phase 1 – Municipal	640	-	640
Phase 2 - Non-residential	5,500	1,000	4,500
Phase 3 – Residential	48,900	11,400	37,500
TOTAL	**55,040**	12,400	**42,640**

It is assumed that LCCA customer growth will offset customer attrition (opt outs) over time, resulting in a relatively stable customer base (0.6% annual growth) over the noted planning period.

6 LOAD FORECAST AND RESOURCE PLAN

6.1 Introduction

This section describes the planned mix of electric resources and demand reduction programs that will meet the energy demands of the LCCA's customers, using a diversified portfolio of electricity supplies including a large proportion of renewable resources. As a Community Choice Aggregator, the LCCA is responsible for arranging the scheduling of sufficient electric supplies to meet the hour-by-hour demands of its customers. The LCCA must also 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. In addition, the LCCA will be responsible for ensuring that its resource mix contains sufficient production from renewable energy resources needed to comply with the statewide renewable portfolio standards.

Several criteria were used to guide development of the LCCA's resource plan. The LCCA has developed a supply portfolio that strives to achieve the following attributes:

- LCCA will manage a diverse resource portfolio to increase control over energy costs and maintain competitive and stable electric rates.

- LCCA will seek to increase the use of renewable energy resources, including local resources, and reduce reliance on fossil-fueled electric generation.
- LCCA will help customers reduce energy costs through investment in and administration of enhanced customer energy efficiency, distributed generation and storage, and other demand reducing programs.
- LCCA will benefit the area's economy through investment in local infrastructure, projects and energy programs.

To meet the objectives outlined above as well as the applicable regulatory requirements, the LCCA's resource plan includes a diverse mix of generation, power purchases, renewable energy and ultimately new energy efficiency programs. Similar to how diversification benefits an investment portfolio by reducing risk and exposure to a particular market sector, the LCCA's diversified resource plan reduces the risk and volatility that would occur from an over-reliance on a single resource type or fuel source. The ultimate goal of the LCCA's resource plan is to source at least 35% of the resource mix from renewable resources by 2017. The planned resource mix is comprised primarily of power purchases from third-party electric suppliers and may also include renewable generation assets (likely a solar resource) owned by the LCCA.

6.2 Resource Adequacy (Capacity) Requirements

The CPUC's Resource Adequacy Requirement ("RAR") applicable to the LCCA requires a demonstration one year in advance that the LCCA has secured physical capacity for 90% of its projected peak loads for each of the five months May through September, plus a minimum 15% reserve margin. On a month-ahead basis, the LCCA must demonstrate 100% of the peak load plus a minimum 15% reserve margin.

A portion of the LCCA's capacity requirements must be procured locally, from the Lancaster area as defined by the CAISO. The LCCA would be required to demonstrate its local capacity requirement for each month of the following calendar year. The local capacity requirement is a percentage of the total (SCE service area) local capacity requirements adopted by the CPUC based on the LCCA's forecasted peak load. Local capacity requirements are a function of the SCE area resource adequacy requirements and the LCCA's projected peak demand. The LCCA will need to work with the CPUC's Energy Division and staff at the California Energy CPUC to obtain the data necessary to calculate the LCCA's monthly local capacity requirement. The formula is as follows:

*LCCA Local Capacity Requirement = [LCCA Capacity Requirement/Total SCE Service Area Capacity Requirement]*Total Local Capacity Requirement in SCE's Service Area*

The LCCA must demonstrate compliance or request a waiver from the CPUC requirement as provided for in cases where local capacity is not available.

The LCCA's resource adequacy filings take place in October of each year, according to the schedule established by the California Energy CPUC for evaluating statewide resource adequacy based on resource plans filed by all load serving entities in the state.

The LCCA will coordinate with SCE and appropriate state agencies to manage the transition of responsibility for resource adequacy from SCE to LCCA during 2015 - 2017. For system resource adequacy requirements, the LCCA will make required filings showing that LCCA plans to serve load and that load migration issues would be addressed through the CPUC's approved procedures. The LCCA will work with the CEC and CPUC prior to commencing service to customers to ensure that it meets its local and system resource adequacy obligations for 2015 - 2017 through an agreement with its chosen electric supplier.

6.3 Supply Requirements

The starting point for the LCCA'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 LCCA's "load profile." The electric sales forecast and load profile will be affected by the LCCA's plan to introduce the LCCA to customers in phases and the degree to which customers choose to remain with SCE during the customer enrollment and opt out period. The LCCA's phased roll-out plan and assumptions regarding customer participation rates are discussed below.

Figure 2 is a combined chart illustrating the monthly usage (kWh) and peak demand (kW) expected in any given month. RAR will require procuring 15% additional capacity than the peak demand during the summer months (May-September) and is also illustrated on the chart.

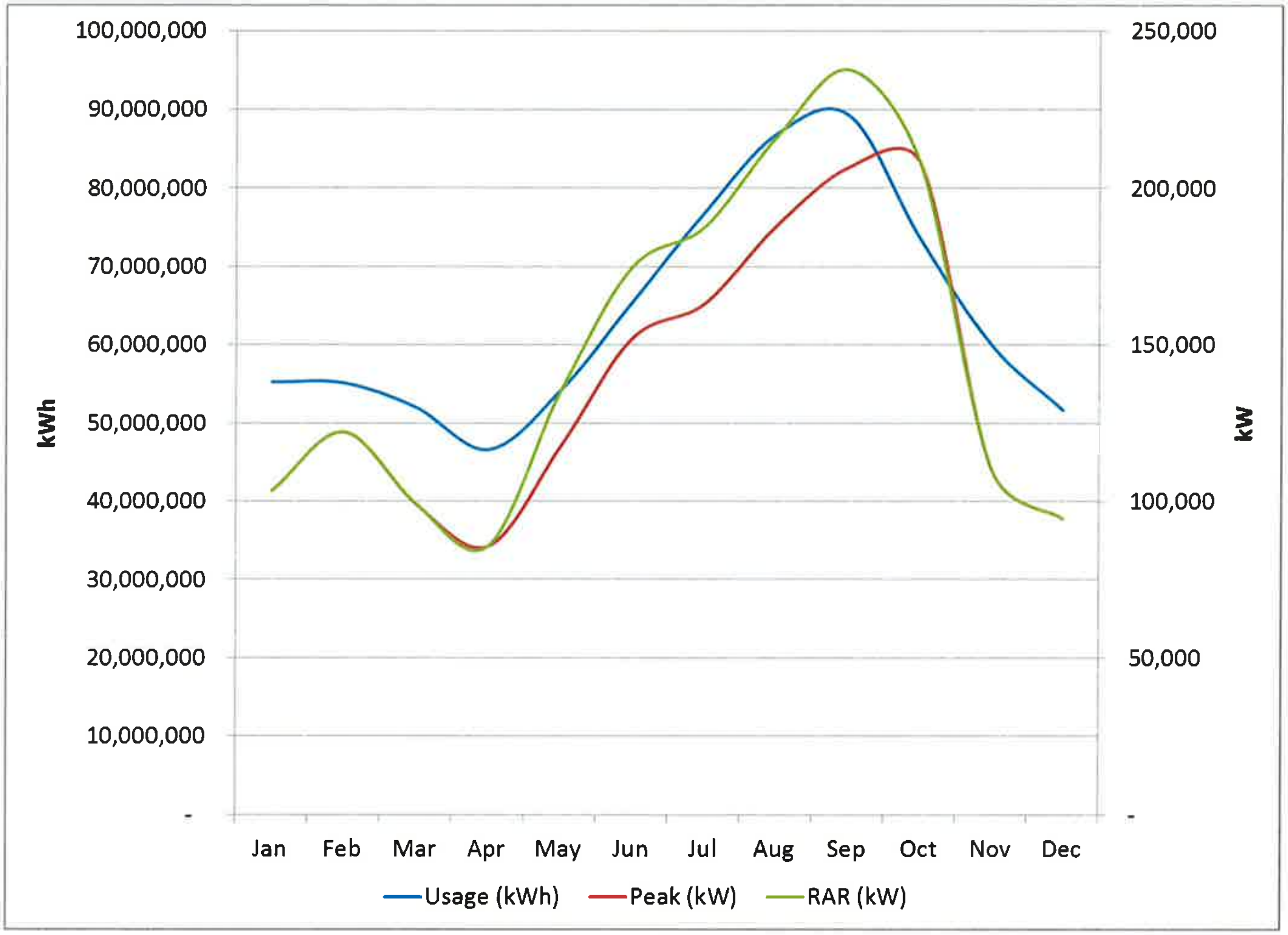

Figure 2: Load and Usage Forecast

6.3.1.1 Renewable Portfolio Standard Requirements

In October 2013, Governor Jerry Brown signed Assembly Bill (AB) 327 into law which authorizes the CPUC to potentially raise the required percentages of renewable energy, known as the Renewable Portfolio Standard (RPS), higher than that which is currently required.

Established in 2002 under Senate Bill 1078, California's Renewables Portfolio Standard (RPS) was accelerated in 2006 under Senate Bill 107 by requiring that 20% of electricity retail sales be served by renewable energy resources by 2010. Subsequently, Governor Schwarzenegger signed Executive Order S-14-08 on November 17, 2008 requiring that "...[a]ll retail sellers of electricity shall serve 33 percent of their load with renewable energy by 2020." Lastly, Senate Bill X1-2 was signed by Governor Brown in April 2011, adopts new RPS goals of:

- 20% of retail sales supplied from renewables by the end of 2013
- 25% of retail sales supplied from renewables by the end of 2016
- 33%of retail sales supplied from renewables by the end of 2020

The RPS now applies to all electricity retailers in the state, including publicly owned utilities (POUs); investor-owned utilities; electricity service providers; and community choice aggregators. The City has actively encouraged and facilitated renewable energy generation. Thus, the City has abundant local renewable generation to help meet the 2016 requirement of 25% and future 33% Renewable Portfolio Standard (RPS).

The LCCA will be in competition for renewable resources with the three California investor-owned utilities, which together require nearly 15 GWh annually to meet their RPS requirements by 2016, and with municipal electric utilities including the Los Angeles Department of Water and Power with an additional requirement of 5.75 GWh annually. The LCCA will work with third-party electric suppliers and local solar developers in pursuing the renewable resources to meet or exceed RPS goals.

6.4 Resources

The LCCA will seek to maximize use of local, cost-based renewable generation resources in its resource plan, subject to the LCCA's ability to finance such projects. The plan calls for power purchase agreements to procure 185 MW of local utility-scale renewable energy resources, which would meet approximately 35% of the LCCA's annual electricity requirements.

Power purchases from both renewable and non-renewable resources will make up the remainder of the portfolio resource mix. The LCCA's electric portfolio will be managed by a third-party electric supplier under contract to LCCA. Through Power Services Agreements, the LCCA will obtain full requirements electric service for the LCCA's Customers, including providing for all electric supply, ancillary services and resource adequacy requirements in conjunction with the scheduling arrangements necessary to provide delivered electricity to these Customers.

The LCCA's third-party electric supplier will be responsible for managing the overall supply portfolio. Details of the electric supply portfolio and risk management practices that will be employed by the LCCA's electric supplier will be established consistent with the LCCA's internal risk management policies, processes and procedures as part of the negotiated contract with the selected electric supplier. It is anticipated that a mix of short- and long-term power purchases will be used to meet the hour-by-hour demand requirements of the LCCA's customers.

Power Purchase Agreements of various lengths and pricing terms will be explored during negotiations with Electric Service Providers and their suppliers in order to hedge price risk and avoid exposure to adverse market conditions along the time horizon. The proportion of contracts or supply volumes falling into long-term (> 1 year), medium-term (< 1 year) and near-term (< 1 month) time horizons will reflect market conditions at any point in time. Specific price hedges can be executed as supply contracts are negotiated and the mix may be adjusted frequently to optimize the supply portfolio and adhere to risk management policies established by the LCCA. The remainder of the portfolio can be supplied by index-priced (variable), load-following electricity products.

Power procurement offers can be considered from generation providers located virtually anywhere in the Western Interconnection, as long as the electricity is deliverable to the CAISO control area. The costs of transmission access and the risk of transmission congestion costs and line loss factors would need to be considered in the bid evaluation process if the delivery point is outside of the LCCA's load zone, as defined by the CAISO.

6.5 Energy Efficiency

The LCCA's energy efficiency goals will reflect a strong commitment to increasing energy efficiency within its jurisdiction. The LCCA will seek to maximize end-use customer energy efficiency by facilitating customer participation in existing utility programs and by forming new programs that will displace LCCA's need for traditional electric procurement activities.

6.6 Demand Response

Demand response programs provide incentives to customers to reduce demand upon request by the load serving entity (i.e., the LCCA), reducing the amount of generation capacity that must be maintained as infrequently used reserves. Demand response programs can be cost-effective alternatives to capacity otherwise needed to comply with the RAR. The programs also provide rate benefits to customers who have the flexibility to reduce or shift consumption for relatively short periods of time when generation capacity is most scarce. Like energy efficiency, demand response can provide economic benefits to both the electricity supplier and to the customer.

In its ruling on Local Resource Adequacy Requirements (LRAR), the CPUC found that dispatchable demand response resources as well as distributed generation resources should be allowed to be counted for local capacity requirements in support of LRAR. SCE offers several demand response programs to its customers, and the LCCA is entitled to the local capacity credits associated with customers within LCCA territory.

The LCCA intends to expand on existing SCE Demand Response ("DR") programs with additional offerings for customers that have shown a willingness to manage their electricity usage and save money. Consistent with statewide targets, the goal for this resource plan is to meet 5% of the LCCA's total capacity requirements through dispatchable demand response programs that qualify to meet LRAR. Achievement of this goal would displace a portion of the LCCA's local capacity requirement.

The LCCA intends to adopt a demand response program that enables it to request customer demand reductions during times when capacity is in short supply or spot market energy costs are exceptionally high. The level of customer payments will be associated with the cost of local capacity that can be avoided as a result of the customer's willingness to curtail usage upon request and/or upon the CAISO real-time market price signal for avoided energy procurement costs. Alternatively, the LCCA may aggregate DR resources and participate in the CAISO Proxy Demand Resource (PDR) or Reliability Demand Response Program (RDRP), in which case customer incentives would be derived from market payments.

Appropriate limits on customer curtailments, both in terms of the length of individual curtailments and the total number of curtailment hours that can be called, will be included in the LCCA's demand response program design. Performance measurement will be consistent with North American Energy Standards Board (NAESB) standards and relevant measurement and verification criteria for CAISO market participation. The LCCA will likely utilize experienced third-party contractors to design, implement and administer its demand response programs.

6.7 Distributed Generation

Consistent with the LCCA's environmental policies and the state's Energy Action Plan, clean distributed generation is a significant component of the integrated resource plan. The LCCA intends to work with state agencies and SCE to promote deployment of photovoltaic (PV) systems within the LCCA's jurisdiction, with the goal of maximizing use of the available incentives that are funded through current utility distribution rates and public benefits surcharges. These programs will primarily reduce the electricity demand within the City and reduce power procurement requirements. Currently, the Solar Lancaster program encourages both residential and commercial constituents to invest in solar generation through financing and taking advantage of the California Solar Initiative (CSI) and the federal solar investment tax credits. Additionally, Lancaster passed a city ordinance requiring solar PV installation on all new construction within the City.

The LCCA can also promote distributed PV without providing direct financial assistance by being a source of unbiased consumer information and by facilitating customer purchases of PV systems through established networks of pre-qualified vendors. It may also provide direct financial incentives from revenues funded by customer rates to further support use of solar power within the City.

The LCCA plans to provide direct incentives for PV by offering a net metering rate to customers who install PV systems so that customers will be able to sell excess energy to the LCCA. Such a program would be generally consistent with principles identified in Assembly Bill 920 (AB 920), which directed the CPUC to establish and implement a compensation methodology for surplus renewable generation produced by net energy metered facilities located within the service territories of California's large investor-owned utilities, including SCE.

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

The LCCA's customers contribute funds to the California Solar Initiative through the Public Purpose Program charges and Electricity Program Investment Charge (EPIC) collected by SCE, and are therefore eligible for the incentives provided under that program for installation of PV systems. The California Solar Initiative provides $2.2 billion of funding to target installation of 1940 MW of solar systems by 2017. All electric customers of PG&E, SCE, and SDG&E are eligible to apply for incentives. Assuming solar deployment would be proportionate to funding, approximately 33 MW would be deployed within the jurisdictional boundaries of the LCCA.

The LCCA will work to ensure that customers within its jurisdiction take full advantage of the solar incentives. Additional solar programs developed by the LCCA will also increase use of solar in the City.

7 FINANCIAL PLAN

This section examines the monthly cash flows expected during the implementation period of the CCA program and identifies the anticipated financing requirements for the overall LCCA program.

7.1 Description of Cash Flow Analysis

This Cash Flow Analysis estimates the level of working capital that will be required during the startup and customer phase-in period of the LCCA program until full implementation of the CCA program is achieved. In general, the components of the Cash Flow Analysis can be summarized into two distinct categories:

(1) Cost of CCA program Operations, and
(2) Revenues from CCA program Operations.

The Cash Flow Analysis identifies and provides annual estimates for each of these two categories. A key aspect of the Cash Flow Analysis is to focus primarily on the costs and revenues associated with the CCA program implementation period, and specifically to account for the transition or "Phase-In" of CCA Customers from SCE's service territory. The Cash Flow Analysis assumes the Phase-In schedule for the LCCA's CCA program as described in Section 5 and shown in Table 1.

7.1.1 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
- Infrastructure Requirements
- Billing Costs
- Scheduling Coordination
- Grid Management and other CAISO Charges
- CCA Bond and Security Deposit
- Pre-Startup Cost Reimbursement
- Debt Service

A key element of the Cash Flow Analysis is the assumption that electricity will be procured under power purchase arrangements managed by an electric service provider. The focus of this Cash Flow Analysis is during the implementation period when costs associated with start-up, implementation and operations are incurred prior to the receipt of cash from revenues associated with electricity sales.

7.1.2 Revenues from CCA Program Operations

The Cash Flow Analysis also estimates revenues generated from CCA operations and from electricity sales to customers. In determining the level of revenues, the Cash Flow Analysis assumes the Customer Phase-In schedule. The following table provides a comparison between draft initial LCCA rates and SCE rates for small commercial (GS-1) and residential customers.

Table 9 Comparison of SCE rates and LCCA draft rates

Customer Segment	SCE Specific Rate	SCE ($/kWh)		Initial Draft LCCA Rate
		Summer	Winter	
Large and Medium Commercial	TOU-8 (>500kW)			
	On-Peak	$0.34217	N/A	
	Mid-Peak	$0.10690	$0.05817	
	Off-Peak	$0.03389	$0.03875	
	GS-3 (200kW<>500kW)			
	On-Peak	$0.30124	N/A	
	Mid-Peak	$0.10195	$0.05618	
	Off-Peak	$0.03264	$0.03718	
	GS-2 (20kW<>200kW)			
	On-Peak	$0.30228	N/A	$0.20
	Mid-Peak	$0.10641	$0.05979	$0.06
	Off-Peak	$0.03431	$0.03909	$0.03
Small Commercial	GS-1 (<20kw)			
	On-Peak	$0.15038	N/A	$0.20
	Mid-Peak	$0.10589	$0.08106	$0.08
	Off-Peak	$0.07631	$0.06971	$0.06
Residential	Usage	$0.08592		$0.10
Municipal	Various	Various		$0.08
	Street Lights (LS-1, LS-3)	Various		TBD

SCE rates are shown for generation services only and the net of the cost responsibility surcharges that the LCCA's customers will pay directly to SCE.

7.1.3 Cash Flow Analysis Results

The results of the Cash Flow Analysis provide an estimate of the amount of working capital required for the LCCA during the CCA implementation period. This estimated level of working capital is determined by examining the monthly cumulative net cash flows (Revenues from CCA Operations minus Cost of CCA Operations) based on assumptions for payment of costs by the LCCA, along with an assumption for when customer payments will be received. This identifies what level of cash flow is available in terms of a surplus or deficit. With regard to the assumptions related to payments streams, the Cash Flow Analysis assumes that customers will make payments within 60 days of the service month, and that the LCCA will make payments to suppliers within 30 days of the service month.

In terms of reviewing the results of the Cash Flow Analysis, it is important to note that from a feasibility standpoint, the LCCA program is viable, meaning that the LCCA program is feasible with revenues exceeding expenditures within a few years of implementation while providing competitive rates to SCE, given the stated assumptions.

With the assumptions regarding payment streams, the Cash Flow Analysis itself identifies funding requirements while recognizing the potential lag between payments received and payments made during the implementation period.

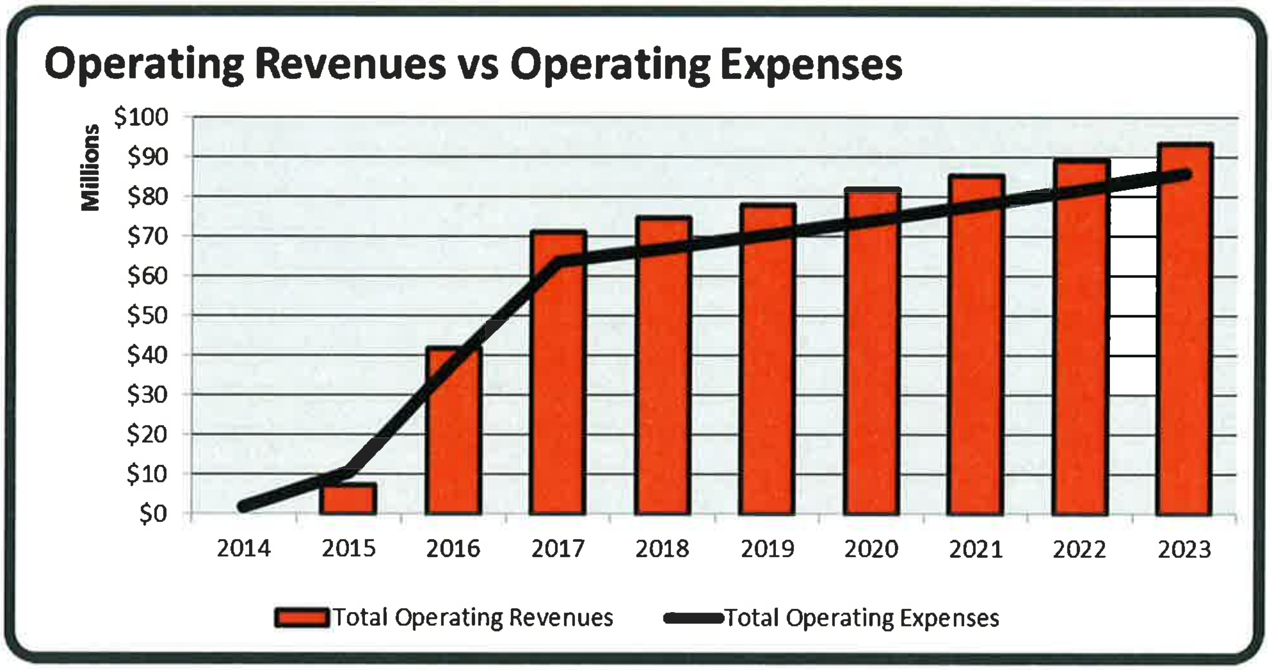

Figure 3: Operating Revenues vs Operating Expenses

7.2 LCCA Financings

It is anticipated that some level of working capital financing will be necessary to support startup of the LCCA program. The anticipated financings are discussed in greater detail in the subsections below.

7.2.1 CCA program Start-up and Working Capital (Phases 1 and 2)

The anticipated start-up costs associated with the activities discussed in Section 4, combined with the working capital requirements for the CCA program through Phase 2, total approximately $40 million.

Once the CCA program is operational, these costs would be recovered from the retail customers through retail rates. Actual recovery of these costs will be dependent on third-party electricity purchase prices and the LCCA's decisions regarding initial rates for municipal, non-residential and residential customers.

The City is considering financing obtained via a letter of credit (LOC), which would allow the LCCA to draw cash as required. The LOC could be sized (or increased) should it be needed for working capital in the future. This financing would need to commence in mid-2014 to cover LCCA start-up costs.

7.2.2 CCA Program Working Capital (Phase 3)

The next potential financing needed would be working capital for Phase 3 which could be facilitated with an extension (increase) of the LOC for the LCCA's start-up and working capital. The exact amount required will be refined as the CCA program becomes operational and negotiations are conducted with power providers.

8 RATESETTING AND LCCA TERMS AND CONDITIONS

8.1 Introduction

This section describes the initial policies for the LCCA in setting its rates for electric aggregation services. Ratesetting includes policies regarding rate design, objectives, and due process in setting LCCA rates. This section also presents a comparison of preliminary LCCA rates to the distribution utility rates projected to be in effect at LCCA initiation. Final LCCA rates will be approved by the City Council and included in the initial customer opt out notices.

By adopting this Implementation Plan, the City Council will approve the rate policies and procedures contained herein to be effective at LCCA initiation. The City Council retains authority to modify LCCA policies from time to time at its discretion.

8.2 Rate Policies

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

The primary objective of the ratesetting plan is to establish rates that achieve the following:

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

Each of these objectives is described below.

8.2.1 Rate Competitiveness

The LCCA's goal is to offer competitive rates for the electric services it provides to participating Customers. Competitive rates will be critical to attracting and retaining customers to provide the LCCA's revenues.

8.2.2 Rate Stability

The LCCA will offer stable rates by hedging its supply costs over multiple time horizons. Rate stability considerations may mean that rates at any point in time may offer somewhat greater or lesser savings than the general rate targets set for the LCCA. In comparison, SCE's rates also fluctuate based on energy market conditions such as natural gas prices, the utility's hedging strategies, hydro-electric conditions, and rate impacts caused by periodic additions of generation to the utility rate base. Local control of power procurement decisions will focus on sustainable rate stability.

8.2.3 Equity among Customer Classes

The LCCA's policy is to provide rate benefits to all customer classes relative to the rates Customers would otherwise pay to the local distribution utility. Rate differences between LCCA and SCE will be affected by the variety of rates (including optional rates) charged by SCE for different customer classes. LCCA is also considering a temporary non-residential economic incentive rate to attract business to the City with discounted rates for a period of time after establishing a business within LCCA jurisdictional area.

8.2.4 Customer Understanding

The goal of customer understanding will be to consider rate designs that are relatively straightforward so that Customers can readily understand how their bills are calculated. LCCA plans to have fewer rates than SCE with broader Customer classifications and simplified rate structures in order to facilitate Customer understanding. Fewer and more straightforward rates not only help minimize Customer confusion and dissatisfaction, but will also result in fewer billing inquiries to the LCCA's customer service call center.

8.2.5 Revenue Sufficiency

The LCCA's rates must collect sufficient revenue from participating Customers to fully fund the LCCA's annual budget and required reserves. Rates will be set to collect the adopted budget based on a forecast of electric sales for the budget year. Rates will be adjusted as necessary to maintain the ability to fully recover all of the LCCA's costs, subject to the disclosure and due process policies described in Section 8.4 of this section.

8.3 Net Energy Metering

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 LCCA will utilize a net metering rate.

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

Initial LCCA rates will be adopted by the City Council following the establishment of the first year's operating budget, prior to initiating the customer notification process. Subsequently, the LCCA budget will be incorporated into the City budget process. Considerations for the budgeting process will include determining the cost of service and development of rates for the different customer categories for consideration by the City Council. The budgeting process is open to the public and related LCCA notices will be incorporated into the existing City Council public notification process. Additionally, the LCCA will initially follow customer notification requirements similar to those the CPUC requires of SCE. These notice requirements are described as follows:

- Notice of rate changes will be published at least once in a newspaper of general circulation in the city within 10 days of submitting the application. Such notice will state that a copy of said application and related exhibits may be examined at the offices of the LCCA as are specified in the notice, and shall state the locations of such offices.
- Within 45 days after the submitting an application to increase any rate, the LCCA will furnish notice of its application to its customers affected by the proposed increase, either by mailing such notice postage prepaid to such customers or by including such notice with the regular bill for charges transmitted to such customers. The notice will state the amount of the proposed increase expressed in both dollar and percentage terms, a brief statement of the reasons the increase is required or sought, and the mailing address of the LCCA to which any customer inquiries relative to the proposed increase, including a request by the customer to receive notice of the date, time, and place of any hearing on the application, may be directed.

9 CUSTOMER RIGHTS AND RESPONSIBILITIES

This section discusses Customer rights, including the right to opt out of the LCCA program, as well as obligations Customers undertake upon agreement to enroll in the LCCA program. All Customers that do not opt out within 60 days of enrollment in the LCCA (after having received at least four opt out notices) will have agreed to become full-status LCCA participants and must adhere to the obligations set forth below, as may be modified and expanded by the City Council from time to time.

By adopting this Implementation Plan, the City Council is approving the customer rights and responsibilities policies contained herein to be effective at LCCA initiation. The City Council retains authority to modify LCCA policies from time to time at its discretion.

9.1 Customer Notices

A minimum of four notices will be provided to customers describing the LCCA, informing them of their opt out rights to remain with SCE's bundled generation service or their current ESP. The notice shall include information regarding the alternatives for exercising their opt out rights. The first notice will be mailed to customers approximately 60 to 90 days prior to the date of automatic enrollment. A second notice will be sent approximately 30 days later. Customers who do not affirmatively opt out within this period shall be automatically enrolled in the LCCA. The City will either use its own mailing service for opt out notices or will take advantage of including the notices in the distribution utility's monthly bills.

Following automatic enrollment, a third opt out notice will be included with the final bill containing utility generation charges, and a fourth and final opt out notice will be included with the first bill containing LCCA charges. Opt out requests made on or before the sixtieth day following enrollment will result in customer transfer to utility service with no penalty. Such customers will be obligated to pay the LCCA's charges for electric services provided during the time the customer took service from the program, but will otherwise not be subject to any penalty or transfer fee from the LCCA.

Customers who establish new electric service accounts within the LCCA's service area will be automatically enrolled in the LCCA program and will have 60 days from the start of LCCA service to opt out if they so desire. Such customers will be provided with two enrollment notices within this 60-day post-enrollment period. Such customers will also receive a notice detailing the LCCA's privacy policy regarding customer usage information. The City Council will have the authority to implement entry fees for customers that initially opt out of the LCCA but later decide to participate. Entry fees, if deemed necessary, would aid in resource planning by providing additional control over the LCCA program's customer base.

9.2 Termination Fee

Customers who are automatically enrolled in the LCCA can elect to transfer back to SCE without penalty within the first two billing cycles of service. After this free opt out period, customers may terminate their participation in the LCCA subject to payment of a Termination Fee. The Termination Fee will apply to all LCCA customers who elect to return to bundled utility service or "direct access" service from ESP. LCCA customers who relocate within the LCCA's service territory would have their LCCA service continued at the new address. If a customer relocating to an address within the LCCA service territory elects to cancel LCCA service, the Termination Fee may apply. LCCA customers who move out of the LCCA's service territory would not be subject to the LCCA's Termination Fee.

The Termination Fee will consist of two parts: an Administrative Fee set to recover the costs of processing the customer transfer and other administrative costs and a Cost Recovery Charge (CRC) that would apply in the event that the LCCA is unable to recover the costs of supply commitments attributable to the customer that is terminating service. SCE will collect the Administrative Fee from returning customers as part of the final bill to the customer from the LCCA program and will collect the CRC as a lump sum or on a monthly basis, pursuant to a negotiated servicing agreement between the LCCA and SCE.

The customer CRC will be equal to a pro rata share of any above market costs of the LCCA's supply portfolio at the time the customer terminates service. The purpose of the CRC is to prevent shifting of costs to remaining LCCA customers. The CRC will be set by the LCCA's City Council as part of the City budgeting process. At this time LCCA's CRC is estimating the administrative fee portion of the CRC to be $75 for residential customers and $100 commercial customers.

If customers do terminate service, the LCCA should be able to re-market the excess supply to either fully or partially recover a portion of the supply cost. Although the Cost Recovery Charge will likely not be needed for recovery of stranded costs, the LCCA's ability to assess a Cost Recovery Charge, if necessary, is a condition for obtaining financing for the LCCA's power supply.

The Termination Fee will be clearly disclosed in the opt out notices sent to customers during the 60-day period before automatic enrollment and following commencement of service. The fee can be changed prospectively by the City Council, subject to the LCCA's customer noticing requirements. Customers will be provided advance notice of the change and will have the opportunity to terminate service prior to the effective date of the new Termination Fee.

Customers electing to terminate service will be transferred to the new electric service provider on their next regularly scheduled meter read date if the termination notice is received a minimum of 15 days prior to that date. Customers who voluntarily transfer back to SCE will also be liable for any reentry fees imposed by SCE as set forth in the applicable utility CCA tariffs. Such customers will also be required to remain on bundled utility service for a period of three years, as described in the utility tariffs.

9.3 Customer Reentry

If a customer that had opted out of CCA service elects to come back to CCA service, the customer will be locked in to CCA service for a period of one year. However, LCCA will not impose a customer reentry fee for the customer's change of service provider.

9.4 Customer Confidentiality

Senate Bill 477, Chapter 275, Section 394.4 (a) contains confidentiality provisions. Primarily, customer information, including customer-specific billing, credit, or usage information, shall be confidential unless the customer consents in writing. This requirement does not extend to disclosure of generic information regarding the usage, load shape, or other general characteristics of a group or rate classification, unless the release of that information would reveal customer-specific information because of the size of the group, rate classification, or nature of the information.

Additionally, CPUC Decision 11-07-056 enacted Rules Regarding Privacy and Security Protections for Energy Usage Data, including the requirement for annual privacy reports to be submitted to the CPUC Executive Director. The decision *"adopts the FIP principles as the framework for developing specific regulations to protect consumer privacy because these principles are consistent with California law, consistent with emerging national privacy and security policies, and supported by the record in this proceeding."* and contains the following provisions:

(1) Definition of Primary and Secondary Purposes
(2) Transparency and notice *"provid(ing) customers with meaningful, clear, accurate, specific, and comprehensive notice regarding the accessing, collection, storage, use, and disclosure of covered information."*
(3) Purpose Specification with a of *"each category of covered information collected, used, stored or disclosed by the covered entity, and, for each category of covered information, the reasonably specific purposes for which it will be collected, stored, used, or disclosed"*
(4) Individual Participation describing
    a. Access where *"Covered entities shall provide to customers upon request convenient and secure access to their covered information," and*
    b. Control where *"Covered entities shall provide customers with convenient mechanisms for (1) granting and revoking authorization for secondary uses of covered information, (2) disputing the accuracy or completeness of covered information that the covered entity is storing or distributing for any primary or secondary purpose, and (3) requesting corrections or amendments to covered information that the covered entity is collecting, storing, using, or distributing for any primary or secondary purpose."*
    c. Disclosure Pursuant to Legal Process.

(5) Data Minimization where *"Covered entities shall collect, store, use, and disclose only as much covered information as is reasonably necessary or as authorized by the Commission to accomplish a specific primary purpose identified in the notice required under section 2 or for a specific secondary purpose authorized by the customer."*

(6) Use and Disclosure Limitation where *"Covered information shall be used solely for the purposes specified"*

(7) Data Quality and Integrity where *"Covered entities shall ensure that covered information they collect, store, use, and disclose is reasonably accurate and complete or otherwise compliant with applicable rules and tariffs regarding the quality of energy usage data."*

(8) Data Security where *"(a) Generally. Covered entities shall implement reasonable administrative, technical, and physical safeguards to protect covered information from unauthorized access, destruction, use, modification, or disclosure; and (b) Notification of Breach. A covered third party shall notify the covered electrical corporation that is the source of the covered data within one week of the detection of a breach..."*

(9) Accountability and Auditing where *"Covered entities shall be accountable for complying with the requirements herein, and must make available to the Commission upon request or audit... (and) On an annual basis, each electrical corporation shall disclose to the Commission as part of an annual report required by Rule 8.b, the following information:*

   a. *the number of authorized third parties accessing covered information,*
   b. *the number of non-compliances with this rule or with contractual provisions required by this rule experienced by the utility, and the number of customers affected by each non-compliance and a detailed description of each non-compliance.*

CPUC Decision 12-08-045 on August 23, 2012 extends these privacy protections to the customers of CCAs and to the residential and small commercial customers of electric service providers (ESPs).

The LCCA has established policies covering confidentiality of individual customer data consistent with these requirements.

9.5 Responsibility for Payment

Customers will be obligated to pay LCCA charges for service provided through the date of transfer, including any applicable Termination Fees. Pursuant to CPUC regulations, electricity service will not be shut off for failure to pay the LCCA's bill. However, SCE has the right to shut off electricity to customers for failure to pay electricity bills, and Rule 23 mandates that partial payments are to be allocated pro rata between SCE and LCCA. In most circumstances, customers will be returned to utility service for failure to pay bills in full and customer deposits will 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. Two late payment notices will 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 will be transferred to the utility on the next regular meter read date, unless alternative payment arrangements have been made. Consistent with the CCA tariffs, Rule 23, service 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 in to an escrow account.

9.6 Customer Deposits

Customers may be required to post a deposit equal to two months' estimated bills for the LCCA's charges to obtain service from the LCCA under certain circumstances. A deposit would be required for an applicant who previously has been a customer of SCE or LCCA and whose electric service has been discontinued by SCE or LCCA during the last 12 months of that prior service because of nonpayment of bills. Such customer 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. Failure to post a deposit as required will cause the account service transfer request to be rejected, and the account will remain with the SCE. Customer deposits will be required based on the LCCA's credit policy to be adopted by the City Council.

10 PROCUREMENT PROCESS

10.1 Introduction

This section describes the LCCA's initial procurement policies and the key third-party service agreements by which the City will obtain operational services for the CCA program.

By adopting this Implementation Plan, the City Council approved the general procurement policies contained herein to be effective at LCCA initiation. The City Council retains authority to modify LCCA policies from time to time at its discretion.

10.2 Procurement Methods

The City anticipates entering into agreements for a variety of services needed to support LCCA development, operation and management. The City will generally utilize competitive procurement methods for services but may also utilize direct procurement or sole-source procurement, depending on the nature of the services to be procured. Direct procurement, or sole-source procurement, is the purchase of goods or services without competition when multiple sources of supply are available. Sole-source procurement is generally to be performed only in the case of emergency or when a competitive process would be an idle act.

The City will utilize a competitive solicitation process to enter into agreements with entities providing electrical services for the LCCA. Agreements with entities that provide professional legal or consulting services, and agreements pertaining to unique or time-sensitive opportunities, may be entered into on a direct procurement or sole-source basis at the discretion of the City Manager or the City Council.

Authority for terminating agreements will generally mirror the authority for entering into the agreements.

10.3 Key Contracts

10.3.1 Electric Supply Contracts

From the initial commencement of service, a third-party ESP will supply electricity to customers under a full requirements contract. Under a full requirements contract, the supplier commits to serve the composite electrical loads of customers in the CCA program. The supplier is wholly responsible for the portfolio operations functions and managing all supply risks for the term of the contract. The supplier must meet the LCCA's renewable energy goals and comply with all resource adequacy and other regulatory requirements imposed by the CPUC or FERC.

The supplier must specify the renewable content of the supply portfolio that will be used to supply the LCCA for each year of the agreement term as specified by the LCCA. The renewable resources provided by the electric supplier must qualify to meet the California Renewable Portfolio Standard.

The City will also contract with a third-party ESP to act on behalf of the LCCA as a CAISO market participant with a certified Scheduling Coordinator. The Scheduling Coordinator ESP shall be responsible for the CAISO scheduling and settlement processes.

10.3.2 Data Management Contract

A data manager will provide the retail customer services of billing and other customer account services (Electronic Data Interchange (EDI) with SCE, 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 will likely be separate from the electric supply contract(s). A single contractor will perform all of the data management functions.

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
- Reporting and audits of utility billing

Utilizing a third party for the fulfillment of customer account services eliminates a significant expense associated with implementing a customer information system. Such systems can cost from $5 to $10 million to implement and take significant time to deploy. A longer-term contract is appropriate for this service because of the time and expense that would be required to migrate data to a new system. Separation of the account services contract from the energy supply contract gives the City greater flexibility to change energy suppliers, if desired, without facing an expensive data migration issue.

10.3.3 Supplier Selection

The City will issue one or multiple requests for proposal (RFPs) from eligible contactors for each of these roles through a competitive solicitation process. A short list of potential energy suppliers and account services providers selected as a result of this process should reflect a highly qualified pool of suppliers for further negotiations, which will be completed prior to registration of the LCCA with the CPUC.

The timeline for the initial solicitation is shown in Table 10.

Table 10: Procurement Solicitation

Date	Action
5/14/2014	Issue RFI
6/13/2014	Receive RFI Responses
6/30/2014	Complete Review of RFI
7/15/2014	Issue RFP
8/1/2014	Receive RFP Responses
9/30/2014	Selection of Suppliers
10/30/2014	Complete Contracts with Third-party Suppliers

11 CONTINGENCY PLAN FOR LCCA TERMINATION

11.1 Introduction

This section describes the process to be followed in the case of LCCA termination. In the unexpected event that the City would terminate the CCA and return Customers to SCE service, the proposed process is designed to minimize the impacts on its Customers and on SCE. The termination plan follows the requirements set forth in SCE's tariff Rule 23 governing service to CCAs.

11.2 Termination by the City

There is no planned LCCA termination date. In the unanticipated event that the City Council decides to terminate the LCCA and any applicable restrictions on such termination have been satisfied, notice will be provided to Customers six months in advance that they will be transferred back to SCE. A second notice will be provided the last 60 days in advance of the transfer. The notice will describe the applicable distribution utility bundled service requirements for returning customers then in effect, such as any transitional or bundled portfolio service rules.

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

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