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Over the past decade, California’s Community Choice energy movement has quietly swept into action, forming thirteen locally-controlled, public electricity service agencies. Despite continued opposition from the state’s investor-owned utilities, dozens more Community Choice programs are in the pipeline and, within the next few years, half of Californians could get their electricity from their local Community Choice program. The question for Community Choice consumers, advocates and program managers now turns from “Can we have a Community Choice program?” to “What kind of Community Choice program do we want?”

The California Alliance for Community Energy created this guide to set forth our vision of what an optimal Community Choice program looks like and to provide pointers for how to go about creating and operating such a program. Our vision is inspired by the belief that Community Choice can deliver transformative social, economic, and political benefits beyond greenhouse gas reductions. A well-designed program can empower communities to control how much electricity they consume, where and how it’s generated, and how the resulting revenues are used. Surviving in an energy-constrained, climate-disrupted, economically-pinched future requires us to take advantage of all the potential benefits of a progressive innovation like Community Choice, rather than viewing it narrowly as a carbon-cutting method.

Early adopter Community Choice programs like MCE (Marin) and Sonoma Clean Power blazed a difficult trail and proved, against aggressive opposition from the investor-owned utility (PG&E), that these public programs can be successfully launched and operated. Standing on the shoulders of these giants, emerging Community Choice agencies are in a position to develop “second generation” programs that deliver a broader set of benefits and are more engaged with the communities they serve. The devil, as they say, is in the details, and we invite you to read on and make use of this guide as you contemplate, develop, launch, and manage your program.
Section 1: Community Benefit Goals

One of the distinguishing features of the California Alliance for Community Energy compared to other Community Choice initiatives is our mission—to support and defend Community Choice programs in California that advance local clean energy for the environmental, economic, and social justice benefit of our communities—and what we understand that mission to mean in practice.

We assume that Community Choice programs, as public agencies, will practice high standards of good governance, fiscal responsibility, and public accountability. We also assume that they will comply with all state mandates for renewable portfolio standards, resource adequacy, and environmental justice.

Beyond these assumed practices, however, we advocate for Community Choice practices based on the following set of values and principles. These translate to programmatic goals (what we want to achieve) and operational goals (how we achieve the programmatic goals).

Programmatic Goals

The goal of a state-of-the-art Community Choice program is to provide the following kinds of benefits to our communities:

Transition to Clean Energy:

A Community Choice program should commit to the goal of transitioning rapidly to 100% carbon-free, clean energy, surpassing the timelines of the incumbent monopoly utilities and state law.

Distributed Energy Resource (DER)\(^1\) Development:

A key goal of a Community Choice program’s energy portfolio is to maximize development and integration of local renewable energy resources. These resources include demand reduction, new generation, storage, and other system optimizations, on both the customer-side and grid-side of the meter. Community-based resource development opens the door to many other community benefits, including those that derive from community ownership of energy assets.
Economic Development:

A Community Choice program should spur new local business development, clean energy jobs, workforce development, and family-sustaining careers. The transition to renewable energy resources needs to provide high standards of work, quality working conditions, union jobs, job training, apprenticeship programs, local hire, and pathways out of poverty. Hiring opportunities should be provided for women, people of color, veterans, and formerly incarcerated individuals and community members impacted by the fossil fuel economy, including workers displaced by new local renewable energy development, as well as residents of heavily polluted and climate-disrupted areas.

Social Equity:

A Community Choice program should include community-based projects and programs that prioritize benefits to low-income communities and communities that have been most impacted, economically and environmentally, by the fossil fuel economy. Programs that address the needs of these communities, in particular, also benefit other working class and small business communities, foster social justice, and build community participation and resilience. This includes increasing energy security by making special provisions for those people unable to afford energy services at normal rates.

Community Asset Ownership:

An important goal of a Community Choice program is to maximize development of community-owned (both private and collective) and publicly owned local energy assets. This can include ownership of behind-the-meter residential or business resources, community shared solar facilities, cooperative-based ownership, and, eventually, assets built and owned by the Community Choice program itself. Ownership of resources such as renewable energy generation, energy-efficient buildings, storage, micro grids, and so forth, gives the community more control over the use of these assets, more local energy independence, more energy resilience, and a bigger stake in developing beneficial energy and climate policies.

Environmental Sustainability:

A Community Choice program should respect ecological integrity and the limited restorative capacity of the biosphere, while creating the environmental conditions needed to support present and future generations. This means that a project, policy, or decision should not be pursued if its impact on human and environmental health is risky or unknown.
Operational Goals:

To achieve its programmatic goals, a Community Choice program must maximize its ability to make sound, responsible decisions by pursuing the following operational goals:

Community Engagement:

A Community Choice program should provide for all-inclusive community engagement, collaboration, and involvement in decision-making regarding program design and implementation. Making the community a key element of Community Choice, especially those most impacted by the fossil fuel economy and climate change, is essential to building community support and to achieving the economic, social equity, and other goals of the program. It is important to have an engaged community to serve as a watchdog over the agency before, during and after Community Choice program formation.

Build-out Planning:

To achieve a Community Choice program that advances local clean energy for community environmental, economic, and social justice benefits requires explicit planning and program design, preferably before launch. Distributed energy resource development requires explicit planning to integrate local generation, load reduction, and load reshaping technologies into the program’s energy portfolio as early as possible.

Demand Reduction Programs:

Demand reduction programs are more effective in providing affordable energy than procuring the cheapest possible mix of electricity. They also result in greenhouse gas reductions and local economic benefits. Aggressive demand reduction should be made explicit in all build-out planning and implementation, including incentivizing steep demand reductions through a “negawatt” reward structure that compensates developers in proportion to the megawatts of demand reduced year over year.

Internal Technical Capability:

A Community Choice program should strive to develop internal technical capability to run the program for long-term success. When contracting, the program should favor contractors willing to partner with the Community Choice agency to provide both management services (not just advice) and training that strengthen the technical know-how of program staff. This long-term approach contrasts with contracting administrators, brokers, or supply contractors who provide short-term services or energy to the program based on maximizing their own financial interests.
**Transparent, Innovative Contracting:**

A Community Choice program should employ a transparent, competitive solicitation process for hiring any contractors needed to help launch and operate the program. The making of contracts should be free of any conflicts of interest, encourage robust competition and innovation, and promote a marketplace of vendors who have the vision, creativity, and experience to advance Community Choice programs. Specifically, contractors who assist in Community Choice planning or preparation of requests for proposals (RFPs) generally have conflicts of interest that should bar them from being awarded long-term operational contracts. In addition, at-risk and/or performance-based contracting, if designed appropriately, can incentivize contractors to perform services to the best of their abilities by shifting financial risks of under-performance from the Community Choice program to the contractor.

**Capacity for Long-term Program Stability:**

A Community Choice program should acquire utility-grade energy service capabilities that enhance long-term program stability. These services include load, market price, and DER forecasting; power procurement and 24/7 power scheduling; integrated resource planning (including DER) and portfolio management; financial settlement services; and long-term financial planning and risk management. These capabilities are necessary in a rapidly changing energy market. (For more detail, see Section 3: Facing New Challenges)

**Regional Collaboration:**

A Community Choice program should strive to collaborate with other Community Choice programs within the same region or investor-owned utility service territory. This collaboration can help to develop common resources that could strengthen procurement and other operational services, regulatory and legislative action, project financing, and other functions that could benefit from shared resources and economies of scale.
Section 2: Community Organizing for Community Choice

Like any local government agency, the quality of the service a Community Choice program provides is a function of its degree of community engagement and responsiveness. Left to its own devices, a Community Choice program can become just another rigid, business-as-usual bureaucracy that’s out of touch with the needs of the community it serves, perhaps only marginally better than the competing investor-owned utility. It’s incumbent on the community to actively participate in the formation and ongoing decision-making. This chapter provides an outline of the many opportunities for doing so.

Even if you’re lucky enough to live in a jurisdiction with an ambitious climate action plan and progressive elected officials, achieving the goals described in the previous section entails bottom-up innovations and ongoing grassroots pressure. Failure to vigilantly watchdog the process—from establishing a Community Choice program, to launch, to implementation and operation—can result in a program that doesn’t fully realize the potential for providing community benefits.

Successful community organizing requires building a strong stakeholder constituency led by a coalition which plans strategies and actions for achieving the desired outcomes. The coalition needs to influence decision makers both through lobbying (the inside game) and through mobilizing community actions that demonstrate political strength (the outside game). Ideally, this community organizing should result in a formal role for the community in the establishment and implementation of the Community Choice program. This could be through a community steering committee or advisory committee or, as in the case of East Bay Community Energy, through non-voting participation on the governing board of the program (state law requires that voting members be elected officials).

Community Choice organizing and engagement requires that organizers educate themselves about the wonky details of energy programs and Community Choice in particular. Thankfully, help is available from operating Community Choice agencies and their trade organization (CalCCA), the Clean Power Exchange (CPX), and the California Alliance for Community Energy. (If the technical level of this guide makes you glaze over, try to find at least one member in your coalition with an appetite for energy policy or contact the California Alliance for Community Energy for technical assistance).

Community organizing also means educating community stakeholders to be able to engage with decision-makers in a
knowledgeable and committed fashion on an ongoing basis—advocacy for community benefits does not end with the establishment of a Community Choice program. Rather, it becomes even more crucial.

Communities that create a community-centered vision and engage in robust participation that holds the governing board accountable are more likely to reap the full array of social and economic benefits and ensure that such benefits are extended first and foremost to underserved communities.

By contrast, where these organizing tenets have not been followed, where initiative was left to elected officials, where activists did not develop a strong coalition, where advocates focused exclusively on the inside game, where community stakeholders did not develop a commitment to community benefit goals, and where advocacy ended with the establishment of the program, Community Choice programs have not realized the benefits we discussed in Section 1.

The following guidelines are meant to help advocates understand some of the major steps of the Community Choice organizing process and when and how to intervene. The guidelines are built around a scenario that has been popular for Community Choice formation in Northern California: a county government becomes the nucleus for establishing a joint powers authority (JPA) consisting of the unincorporated county and the cities within the county. For other scenarios, more prevalent in Southern California, by which a single city or group of cities form a Community Choice program, the guidelines suggest appropriate adjustments.

Depending on what stage your Community choice program is in, you might want to skip ahead in the guidelines, but we recommend reading all of what follows in case it sparks ideas of how you can strengthen your current effort.
1. Assessing the landscape

- Does your jurisdiction have a climate action plan and, if so, what are its greenhouse gas reduction goals related to electricity?

- Are there other reasons your community might wish to pursue Community Choice (for example, local economic development, job creation, air quality, rate stability)?

- Who serves on your county Board of Supervisors and who might champion, support or oppose Community Choice and for what reasons?
  
  o Where the Board of Supervisors is not a promising initial target, which cities in your area have a track record of environmental concern? Which of them is most likely willing to serve as the “progressive leader” in launching the county’s first Community Choice program?

  o Which community stakeholders have the most influence with supervisors or city council members?

- Is there a neighboring county whose Community Choice program you want to consider joining? Does its mission and track record align with your community’s goals and the goals set forth in Section 1?

- Who are the relevant stakeholders and which of them are likely to work together to actively support and promote Community Choice goals (for example, renewable energy companies and entrepreneurs, environmental and social justice groups, organized labor, local government sustainability staff, small businesses, consumer protection groups)?

- Are there conflicts among any of the stakeholder groups, and if so how might they be resolved through this process?

2. Forming a coalition that will put the “community” in Community Choice

- Build a leadership core. This core group should be comprised of representatives of local organizations, each of whom is passionate about achieving the community benefits a properly-designed Community Choice program can offer. It is also that group most willing to invest the most time, to serve as the “guidance mechanism” for the organizing and campaign steps that follow.
• Build the broadest, most diverse coalition you can based on the community benefit goals identified by the leadership core.

  o Invite interested stakeholders to join a coalition—make sure it’s as broad as possible! Do the homework to identify, inform, and engage representatives from all the underserved communities that need to be represented. Reach out to social justice groups, public health groups, community empowerment groups, local business groups, ethnic chambers of commerce—these groups may not initially understand how clean energy can help empower them. Educate them.

  o Hold roundtable(s) as needed to formulate the coalition’s shared goals for the Community Choice program.

  o Grow the coalition via outreach to community organizations based on the agreed-upon goals.

### 3. Initiating a campaign

• Formulate a strategy and agree on a campaign plan that sets objectives and milestones, based on the stage your Community Choice program is in. Your plan should include both inside game and outside game strategies.

• Create a handout and/or PowerPoint that explains the kind of Community Choice program you want to achieve (see, for example, the vision statement of the East Bay Clean Power Alliance²).

• Meet with elected officials and keep an eye out for who might become your champion.

• Reach out to the community by tabling at community events, holding community forums, placing stories in local media, circulating petitions.
4. Building momentum

- Draw on the results and insights of Step 1: Assessing the Landscape to identify local champions and/or the best jurisdictions for your message and momentum.

  The target might be a county or specific city governments and other potential champions.

- Having identified a jurisdictional target and “champions” for Community Choice, plan and conduct as much public outreach as possible. Build momentum within your target jurisdiction, within city staff, and all other relevant boards and commissions.

- Draft a resolution calling for jurisdictions to participate in a Community Choice program with a specific mission (see, for example, the City of Oakland resolution\(^3\)).
  
  o When pursuing a single-City program, be sure to vet any draft resolutions with your champion board or committee and all elected officials, as well as city staff. Be sure that there are “no surprises” for any City contacts when you release your resolution.

  o When pursuing a County-wide program, get resolutions passed in as many municipalities as possible, ideally with identical language.

  - Meet with county staff to educate them about Community Choice and enlist their support—use case studies where applicable.

  - Meet with supervisors and their staff to inform them about the benefits of Community Choice programs generally, and specifically on the principles (see Section 1) your group urges.

5. Funding an initial study

An initial study (such as a feasibility study or business plan) is often important to show how a Community Choice program can achieve the coalition’s community benefit goals. Note that when dealing with city or county government in California, the Brown Act\(^4\) spells out the rights of the public to have access to meeting agendas and relevant documents at least 72 hours before meetings.
• Organize community stakeholders to attend Board of Supervisors’ or city council hearings/meetings to support funding of an initial study.

• Provide staff with language describing purpose and scope of initial study (see, for example, Feasibility Study RFP recommendations of East Bay Clean Power Alliance5).

• Demand the formation of a community steering committee to oversee the initial study, including input into the scope of work and RFP for the hiring of technical experts.

  o Make a specific proposal regarding the selection of a steering committee to guard against patronage appointments and against domination of the committee by technical experts6.

  o Propose selection criteria (e.g. demographic and geographic diversity, social justice and environmental representation, organized labor representation).

  o Recruit people you want to apply to serve on this committee.

  o Attend (and encourage others to attend) meetings of the steering committee and speak during public comment.

6. Watchdogging the initial study

• Ask staff to release a draft of the RFP for consultants to prepare the initial study.

• Provide feedback on RFP. Request a public scoping meeting, to provide input into the RFP.

• Alert staff to potential conflict of interest issues that could arise downstream and may affect selection of consultants (see Chapter 3).

• Demand that a review draft of the initial study be released to public, as well as any third-party reviews of the draft.

• Provide feedback on the draft initial study, including recommended changes, and mobilize the stakeholder coalition to support these changes.
7. Moving to establish a Community Choice program following a positive initial study

- When pursuing a single-City program, draft a city council resolution to establish a Community Choice program. The resolution should call for the creation of a local development business plan (see the box below).

  o Publicize and mobilize coalition members to participate in all city committee reviews of this draft resolution, and comment at every City Council briefing or vote on the resolution.

- When pursuing a County-wide program, design a local education, mobilization, and lobbying plan for winning a vote to establish a Joint Powers Authority (JPA). Under state law, the program will be governed by a JPA made up of elected officials from each of the participating jurisdictions.

  o Lobby for language in the JPA Agreement calling for the creation of a local development business plan (LDBP) prior to launch and for community involvement in governance of the program.

  - A local development business plan demonstrates how the program can meet its community benefit goals. (See, for example, the joint labor/community unity proposal adopted in Alameda County).

  - Many Community Choice programs have a community advisory committee that advises the JPA board. Also, non-voting members of the community can serve on the JPA (See, for example, East Bay Clean Power Alliance successful proposal to include community representation on the JPA Board).

The importance of a Local Development Business Plan

A local development business plan (LDBP) provides a roadmap for how to maximize and integrate the development of distributed generation, demand reduction and storage. Absent such a plan, the program is likely to enter long term electricity contracts that could impede or postpone the buildout of local resources and the community benefits that come with local development. See page 16 for more on LDBPs.
• Provide language for an ordinance that calls for the creation of a program with the goals and governance structure you've been advocating. Make sure the ordinance calls for the creation of a local development business plan prior to program launch.

• Turn out supporters to Board of Supervisors committee hearings and final vote on program approval through media, social media, rallies, etc.

• Get municipalities to join the JPA.

  o Repeat all the organizing you did to get the Board of Supervisors to approve the program but this time with each city council.

  o If you’ve got a holdout city, don’t despair, it will likely come around eventually.

8. Developing your new Community Choice program

Congratulations! Now the fun really begins!

The following guidelines apply to the governing board of the Community Choice program.

• In the case of a county-wide JPA, stack the Board: Identify elected official from each participating municipality whom you’d like to have serve on the Board and approach them.

• Publish the schedule of Board meetings as the new entity begins to form. Attend Board meetings and speak during public comment—hold the directors accountable to fulfilling the programmatic priorities you fought for. Also continue meeting with board members to hold them accountable to promoting your priorities.

• Push for establishing a Community Advisory Committee.

  o Propose a process for selecting members of the Community Advisory Committee (See, for example, the East Bay Clean Power Alliance’s Criteria and Selection Process®).

  o Recruit who you want to serve on Community Advisory Committee.

  o After formation, meet separately with members of the Community Advisory Committee, on a regular basis, to make sure members understand community’s objectives and priorities.
• Engage the Board on hiring of consultants.
  
  ○ Request draft RFPs for hiring of consultants who will prepare a local development business plan, prepare an Implementation Plan, provide data management and energy portfolio management services, and carry out other pre-launch activities.

  ○ Provide feedback on RFPs.

  ○ When final vendor candidates are announced, do due diligence and alert staff to any conflicts of interests or shortcomings.

• Engage the Board on program design and development. Circulate Board agendas, continue attending and encouraging stakeholders to attend all Board and Community Advisory Committee meetings, and advocate for implementation of your community’s priorities. This includes weighing in on all plans (Implementation Plan, Integrated Resource Plan, and local development business plan), policies, deliverables, design issues, energy procurement, rate setting, rollout phasing, marketing, and other aspects of the program.

• Work with the Board to engage the community regarding the benefits of the program before enrollment begins.
Section 3: Facing New Challenges - Operational Best Practices

Recent growth in Community Choice programs has brought a number of new challenges that require these programs—both new and established—to employ more sophisticated energy procurement and risk management strategies to address a rapidly changing energy market.

The most apparent challenge facing Community Choice programs is the skyrocketing Power Charge Indifference Adjustment (PCIA) charge levied on Community Choice customers. The purported justification for this ongoing fee is to shield the monopoly utilities from stranded contract losses due to the departure of Community Choice customers. The PCIA is impacting the net revenues of Community Choice programs and their ability to compete with the monopoly utilities. While the California Public Utilities Commission (CPUC) has opened a proceeding on this issue, the bias of the CPUC against Community Choice programs leaves little expectation of relief from state regulators.10

Another challenge arises from the emergence of “second generation” Community Choice programs—those which place a high priority on the development of local renewable energy resources, such as energy efficiency, storage, demand response, local electricity generation, and other distributed energy resources. These resources must be deployed, integrated, scheduled, and

First vs. Second Generation Community Choice

First Generation
First Generation programs procure energy on the market with the objective of supplying a higher percentage of renewable energy at lower cost than the incumbent utility.

Second Generation
prioritize development of local renewable energy resources with the objective of shielding the program from market volatility and providing a broad range of environmental, economic, and social justice benefits to their communities.
The benefits of local renewable resources are broad and include the following:

- Healthier and more sustainable communities through local control of electricity and resilience to the impacts of climate change. This can help address the economic and social justice needs of our communities, while increasing tax revenues from new business activity.

- Family-sustaining clean energy jobs and careers through strong labor standards, local workforce development and overcoming barriers to employment in disadvantaged communities.

- Long-term stability of the Community Choice program by shielding it from the volatility of the energy market. Investments in local energy projects come with more stable and more manageable costs and result in more secure and self-sufficient energy supplies.

A third challenge requiring more sophisticated energy procurement lies in the growth of renewable energy procurement by Community Choice programs, creating an upsurge in demand and greater competition for renewable energy resources by California’s load-serving entities. CPUC actions to open up retail choice or to require more battery storage could change markets and prices. All of this, combined with the impacts of climate change on hydropower production, changes in the availability of low-priced natural gas, and the shutting down of nuclear power plants, creates a more unstable energy market for procurement by Community Choice programs, which could substantially narrow net revenues.

In light of these significant challenges, we recommend that Community Choice energy programs consider adopting the following practices.
The development of local renewable energy resources requires a transition over time from procuring renewable electricity on the wholesale market to creating an optimized system\(^\text{11}\) of local distributed energy resources (DER) that play an increasing role in providing the energy needs of our communities. This transition does not happen by accident or through a spontaneous change in the market. Rather, it requires a roadmap for making it happen within an aggressive yet achievable timeframe.

For this reason, we recommend that any emerging Community Choice program establish in its founding documents its commitment to and plan for developing local renewable energy resources. For example, East Bay Community Energy required in its JPA agreement the creation of a Local Development Business Plan as a “roadmap for the development, procurement, and integration of local renewable energy resources.”

### East Bay Community Energy’s Local Development Business Plan

The JPA Agreement for East Bay Community Energy (EBCE) calls for a Local Development Business Plan that addresses how the Community Choice program can contribute to fostering local economic benefits, such as job creation and community energy programs. It will also identify opportunities for local power development, explain how to achieve the Community Choice program’s community benefits goals, and provide employment and labor standards for adoption by the EBCE program.

EBCE’s Local Development Business Plan is meant to provide this high-level roadmap for local renewable generation, demand reduction, storage, and other distributed energy resource programs in Alameda County. It will provide a timeline for developing local projects and programs—either on its own or in partnership with private sector developers—and lay out how projects can be prioritized, financed and coordinated. It will also discuss cost implications, trade-offs and other challenges to implementation. Finally, the Plan will provide policy guidance that will inform the development of the EBCE’s power resource plan over the long term.

We recommend that any such Plan strive to answer questions such as the following: How many megawatts of local renewable energy development and demand reduction can be developed as a result of your Community Choice program and over what time period? How would your Community Choice program address the credit, development and implementation issues involved? How can the local development benefits of this Community Choice program be achieved, and what are the priorities and trade-offs involved?
To achieve their goal, Alameda County sought a team of consultants to conduct a thorough analysis of local resources and perform the other complex and interrelated tasks required in its request for proposals for the Plan, as shown below.

<table>
<thead>
<tr>
<th>Task #</th>
<th>Description</th>
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<tbody>
<tr>
<td>1</td>
<td>Grid-side DER Assessment: Large-scale Local Clean Energy Potential</td>
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<td>2</td>
<td>Customer-side DER Assessment: Behind-the-meter Energy Resources</td>
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<td>Development Models and Strategies: Local DER Programs and Incentives</td>
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<td>4</td>
<td>EBCE Development Issues: Labor and Workforce, Finance and Ownership Models</td>
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<tr>
<td>5</td>
<td>Implementation and Policy Issues: Permitting, Equity, Transparent Reporting</td>
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<td>6</td>
<td>Integrated Resource Planning: Integrating LDBP w/Long-term Planning (IRP)</td>
</tr>
<tr>
<td>7</td>
<td>Preliminary Plan Scenarios: Develop Local Development Business Plan</td>
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</tbody>
</table>

Completing these tasks requires an integrated and inter-disciplinary team of consultants. The Alameda County team organized a series of roundtables and focus groups as part of a rigorous stakeholder engagement process. Through that process, the Project Team established a dialogue with over 100 community stakeholders and industry professionals, helping to ensure that the plan is feasible and well aligned with community goals.

**Issuance of Single RFP for Comprehensive Energy Services**

The issuance of one or more requests for proposals is a critical step in launching a Community Choice energy program. Local governments rarely have seasoned power industry management experience and technical skillsets when starting up a Community Choice program. Thus, consultants are usually hired to design and launch Community Choice programs and to issue one or more RFPs to obtain needed energy services.

One approach to soliciting participation from the most experienced companies is through issuing a single, comprehensive RFP for energy services. For example, Redwood Coast Energy Authority found that this approach reduced needed staff time and resources, created more competition for services, produced transparent results, accelerated the implementation process, allowed for transfer of skills from consultants to local staff, and created a more advanced and cost-effective Community Choice program overall, compared to separate RFPs for single services. Emerging programs may wish to consider the efficiencies of this approach.

Some programs have taken this approach one step further by structuring their RFPs more broadly around three core service areas needed to get off the ground:
• energy services: portfolio management, procurement, and scheduling coordination
• data management services
• customer outreach and marketing services

Vendors or teams of vendors are then allowed to respond to all or as many service categories as they choose, without having to first find complementary partners to fulfill all categories.

Whether through a single RFP or a few RFPs, the objective is to increase both teaming among consultants and more rapid development of skills and expertise within the Community Choice program staff.

Utility-Grade Energy Services for Community Choice

In light of the challenges set forth at the outset of this section, Community Choice energy programs are beginning to adopt a qualitatively more sophisticated approach to managing their energy portfolios than has been employed thus far. As opposed to signing a fixed suite of energy contracts to meet projected load, some Community Choice programs are now attempting to diversify and dynamically manage their energy supply to be more cost-effective, to minimize long-term risk, and to maximize program stability—while optimally integrating distributed renewable energy resources of many kinds.

Most Community Choice programs currently rely on individual power planning consultants and separate third-party power marketing firms to procure and schedule remote power. This generally results in static, non-integrated, and potentially risky long-term energy procurement, with little cost transparency, often based on per megawatt-hour commissions. While this approach might have worked for the first generation of Community Choice programs, which started with high margins, meeting the challenges outlined above will require the more sophisticated energy portfolio management services like those employed by municipal and investor-owned utilities.

This utility-grade capability consists of an integrated set of services for energy planning, dynamic load forecasting, energy procurement, contracts management, energy scheduling, financial settlements, and robust data management. It enables the integration of a diverse portfolio of energy resources in a way that lowers cost, minimizes risk, and hedges against uncertainties. A number of companies, both private and non-profit, have developed these capabilities to serve municipal utilities and to assist investor-owned utilities in California and around the country.¹²
Most offer these services to Community Choice programs for a flat fee rather than as a percentage of energy procured, some train their clients to be able to perform these energy services in-house, and some provide services on an at-risk basis, in which payments are deferred until after a Community Choice program is launched.

Community Choice initiatives are increasingly recognizing the importance of energy portfolio management services. Below are a few examples.

**Redwood Coast Energy Authority**

The first program to adopt an energy portfolio manager approach was Humboldt County’s Redwood Coast Energy Authority (RCEA), which requested these capabilities in its request for proposals for energy services. As a result, it engaged The Energy Authority (TEA) to manage its energy portfolio, and launched in 12 months.

According to Matthew Marshall, RCEA Executive Director:

“TEA is helpful for us because they’ve got both the analytic capabilities to do forecasting and sophisticated modeling to help us manage risk. And we’re able to use their trading desk to execute our procurement process…Instead of having to go and negotiate agreements with all these counter-parties, we can just use the sixty or so they have in the CAISO market and it makes it a more efficient process.

It gives us a lot of flexibility and good capabilities right out of the gate. And it’s good for transparency—we have full visibility into exactly what we’re paying for—and the ability to be fairly nimble in the market. So far for 2017 we’ve executed some twenty different transactions with over a dozen counter-parties for energy, for renewables, for resource adequacy, and we know how much everything is costing and how our hedges are performing against market prices.

And it’s also helpful to have that flexibility for integrating local renewables—TEA can adaptively manage the processes, even in this first year, keeping chunks of procurement open while we were negotiating for local renewables…and it gives us some good flexibility…to slot in local resources.”

**South Bay Clean Power**

Next to recognize the significance of energy portfolio management services was South Bay Clean Power (SBCP), a Community Choice initiative in South Bay, Los Angeles County. The South Bay Business Plan provides a framework for achieving a Community Choice program with a strong emphasis on distributed energy resource (DER) deployment: a focus on local economic development, jobs and workforce development, and economic and environmental justice.
In particular, the SBCP Plan proposes energy portfolio management services and an organizational structure that would enable SBCP to promote DER deployment, making SBCP the central engine—the DER aggregator—for developing and integrating a variety of distributed energy resources (energy efficiency, local renewable generation, energy storage, demand response technologies, electric vehicle infrastructure, and so forth). Developing, integrating, and scheduling these resources is key to optimizing electricity services to consumers and achieving SBCP’s community benefit goals.

Key to supporting this DER platform is the Plan’s call for a comprehensive and integrated set of energy services and risk management capabilities that matches that of established utilities.

**Valley Clean Energy Alliance**

A more recent Community Choice initiative to move toward energy portfolio management services is Yolo County’s Valley Clean Energy Alliance (VCEA). In August, the VCEA Board decided to enter into negotiations with the Sacramento Municipal Utility District (SMUD), a municipal utility, to contract for a set of bundled services to help launch and operate VCEA for three years.

This novel arrangement was based on a proposal from SMUD that included energy portfolio management services not offered by other bidders. More specifically the SMUD proposal cited utility-grade capabilities such as:

- Enterprise risk management: planning, origination/procurement, contract management, active market operations/schedule coordination and financial settlements

- Managing a power portfolio sourced from multiple suppliers of various types including DER resources

- Credit support options tied to risk exposures and how the energy portfolio is structured/managed

- Establishing procurement and risk policies and procedures, and active reporting of various specific risk metrics to ensure transparency
Regional Community Choice Collaboration

The concept of a regional collaborative structure for Community Choice programs has emerged recently, and while it hasn’t yet been implemented by any existing programs, we are intrigued by the possibility and recommend tracking its development.

A regional structure would in theory enable participating Community Choice programs to leverage the benefits of economies of scale while retaining local control. A larger JPA umbrella would enable groups of cities with similar policy and programmatic goals to retain local control over their energy choices, rates, revenues and financial reserves, while sharing overhead costs associated with various services.

Perhaps more significant, establishing a regional JPA of this type could assure that requisite wholesale side power services remain available as long as needed by members. Private sector contract vendors may change ownership, shift organizational focus or cease providing technical services altogether. Community Choice programs must have dependable and durable services providers. And while contracting for services from third parties may be initially expedient, only “self provision” (either internal to the Community Choice program or via an overarching JPA) can assure access to the breadth and quality of required technical services, without which, the likelihood of ongoing Community Choice program success diminishes.

The South Bay Clean Power initiative proposed a regional model long proven by the municipal utility industry in California. The Northern California Power Agency (NCPA) is a JPA of fifteen municipal utilities and cooperatives, and the Southern California Public Power Authority (SCPPA) is a JPA of twelve municipal utilities and irrigation districts. Each provides wholesale power generation, financing, and operating services to approximately five million people.

Conclusion

Establishing, launching, and operating a Community Choice program is no simple or easy task, but the rewards are commensurate with the effort. Rome wasn’t built in a day, as the saying goes, nor are there any quick fixes to the interlocking crises bearing down on us. Community Choice is well beyond the proof-of-concept stage and is now poised to transform and democratize California’s energy sector for the long haul. Huzzah!
End Notes

1 Distributed energy resources (DER) refer to energy technologies, such as solar PV, solar thermal, micro-turbines, energy efficiency, storage, demand response, combined heat and power, micro grids, and others that can be developed and deployed locally.


4 For information about Brown Act provisions, see this Brown Act Primer [https://firstamendmentcoalition.org/open-meetings-3/facs-brown-act-primer/brown-act-primer-notice-of-a-meeting/].


11 Optimizing the energy system in this context means minimizing waste, lowering costs, assuring reliable service, and minimizing the carbon footprint.

12 South Bay Clean Power interviewed five leading energy portfolio managers that are offering services to California Community Choice programs, and published this exchange in a Q&A with Portfolio Managers [https://cleanpowersouthbay.files.wordpress.com/2017/07/sbcp_qa-with-portfolio-managers_july2017.pdf].
