

Understanding Community Choice Energy

Community Choice Aggregation: Why it makes Cents

May 18, 2015

Presented by:

**Anne Falcon, Senior Associate
EES Consulting, Inc.**

A registered professional engineering and management consulting firm with offices in the Seattle and Portland metropolitan areas

Telephone (425) 889-2700

www.eesconsulting.com



SCE's 2014 Revenue Requirement

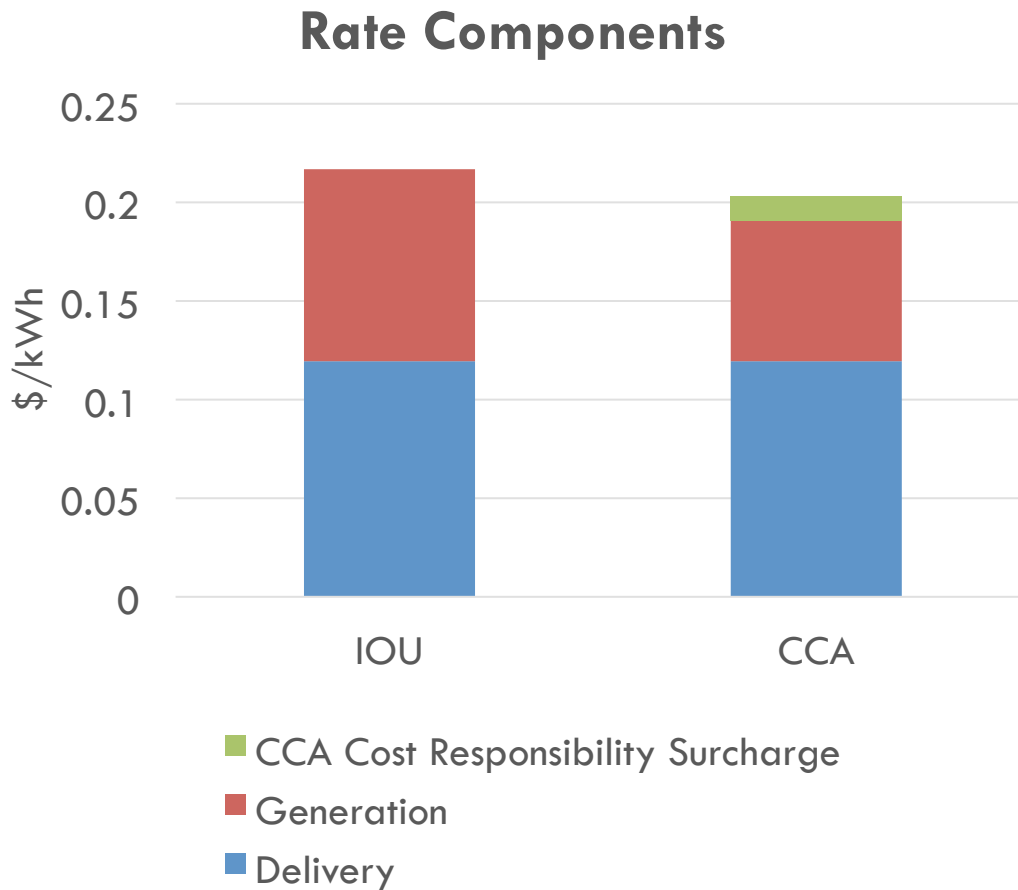
		2014 Bundled Revenue Requirement		
		\$millions	¢/kWh	
	<u>Fuel & Purchased Power</u> – includes CDWR Bond Charge	5,071	6.9	
	<u>Distribution</u> – poles, wires, substations, service centers; Edison SmartConnect®	3,867	5.3	
	<u>Generation</u> – utility owned generation investment and O&M	2,048	2.8	
	<u>Transmission</u> – greater than 220kV	735	1.0	
	<u>Other</u> – CPUC and legislative public purpose programs, system reliability investments, nuclear decommissioning	539	0.7	
Total		\$12,260	16.7	

Source: SCE Business Update April 2015

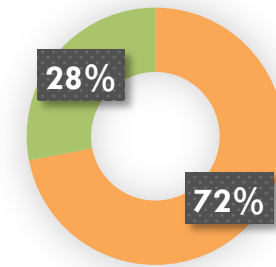
How are IOU's different from CCA's?

- CCA's
 - Non-profit
 - No taxes
 - If any debt, would include debt service and capital program funding in rates
 - Tax-exempt financing
- IOU's:
 - Earn return on investments
 - Include depreciation, interest and earnings in rates
 - Earning based on CPUC approved rate of return
 - SCE's Authorized Return on Equity = 10.45%
 - Debt to equity approximately 50%/50%

Why are Electricity Rates Lower Under CCAs Compared with IOUs?

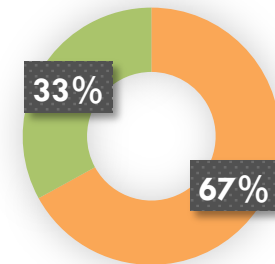


IOU Fuel Mix



Non-Renewable Renewable

CCA Fuel Mix



Non-Renewable Renewable

How can CCAs have Lower Generation Costs with a Higher share of Renewable Power?

- IOU Generation Costs include:
 - Overall Rate of Return
 - PG&E 2014 GRC Proposed: 8.06% (10.4% on Equity)
 - SCE 2014 GRC Proposed: 7.83% (10.45% on Equity)
 - PG&E has over \$1,200 per customer in electric production plant (depreciated)
 - High Overhead
 - PG&E 2014 overhead was 20.6% of operating expenses
- CCA Generation Costs:
 - Return not included
 - Low overhead
 - Marin Clean Energy 2014 overhead was 9% of operating expenses
 - Not taxed
 - Energy procurement from contracts rather than resource ownership

Rate Perspective Take Aways

- Keep It Simple
- Have a plan
- Provide services others do not provide
- Rates
 - ▣ Need to be fair & equitable
 - ▣ Cost based
 - ▣ Simple & easy to understand
 - ▣ Measure of how your are doing
- Educate

Questions?

