ORDINANCE NO. 16-1368

AN ORDINANCE OF THE CITY OF HERMOSA BEACH, CALIFORNIA, IMPLEMENTING A COMMUNITY CHOICE AGGREGATION PROGRAM

WHEREAS, the City of Hermosa Beach ("City") adopted its Municipal Carbon Neutrality Plan ("CNP") in February 2015; and

WHEREAS, the CNP identified the formation of a Community Choice Aggregation Program by 2017 as a top priority for achieving its carbon neutrality goals; and

WHEREAS, Assembly Bill 117 and California Public Utilities Code Sections 218.3, 331.1, 366.2, 381.1, 394 and 394.25 permit the City of Hermosa Beach to establish a Community Choice Aggregation Program.

WHEREAS, an initial feasibility study 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 achieving the goals of the CNP and 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.

THE CITY COUNCIL OF THE CITY OF HERMOSA BEACH, CALIFORNIA, DOES HEREBY ORDAIN AS FOLLOWS:

SECTION 1. The City of Hermosa Beach has been actively investigating options to procure and provide electric power to its 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 Bill117 (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 to be submitted under the Act as the means of describing the Community Choice Aggregation program and ensuring compliance with various elements contained in the Act.

SECTION 5. Representatives from the City have developed an Implementation Plan (attached here to as Exhibit A) that describes the formation of Hermosa Beach Clean Energy to be implemented by the City.

SECTION 6. 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 increase the amount of locally renewable energy available to Hermosa Beach citizens and businesses.

(b) To meet the goals established in the Municipal Carbon Neutrality Plan.

(c) To provide greater levels of local involvement in and collaboration on energy decisions.

(d) To provide initial price stability, long-term electricity cost savings and other benefits for the community.

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

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

SECTION 9. If any section, subsection, sentence, clause, phrase or portion of this Ordinance is held for any reason to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The City Council of the City of Hermosa Beach hereby declares that it would have

adopted this Ordinance and each section, subsection, sentence, clause, phrase or portion thereof, irrespective of the fact that any one or more sections, subsections, sentences, clauses, phrases or portions be declared invalid or unconstitutional.

SECTION 10. This Ordinance shall take effect thirty days after the date of its passage.

SECTION 11. Prior to the expiration of fifteen (15) days after the date of its adoption, the City Clerk shall cause the Ordinance to be published in the Easy Reader, a weekly newspaper of general circulation, published and circulated in the City of Hermosa Beach.

SECTION 12. The City Clerk shall certify to the passage and adoption of this Ordinance, shall enter the same in the book of original ordinances of said City; shall make minutes of the passage and adoption thereof in the records of the proceedings of the City Council at which the same is passed and adopted.

PASSED, **APPROVED** and **ADOPTED** this 13th day of September, 2016 by the following vote:

AYES:	Armato, Duclos, Massey, Mayor Fangary
NOES:	Petty
ABSENT:	None
ABSTAIN:	None

PRESIDENT of the City Council and **MAYOR** of the City of Hermosa Beach, California

ATTEST:

City Clerk

APPROVED AS TO FORM:

City Attorney

Hermosa Beach Choice Energy

COMMUNITY CHOICE AGGREGATION IMPLEMENTATION PLAN

&

STATEMENT OF INTENT

September 2016

Contents

1 INTRODUCTION

1.1 Overview

The City of Hermosa Beach, California is a general law city within Los Angeles County. Hermosa Beach Choice Energy ("HBCE") is a City of Hermosa Beach ("City") municipal service formed for the purposes of implementing a Community Choice Aggregation ("CCA") serving the retail electric service customers residing and doing business in the City. This Implementation Plan and Statement of Intent describe the City's plan to implement a CCA program for retail electric service customers within the jurisdictional boundaries of the City of Hermosa Beach.

In February 2015 the City adopted its Municipal Carbon Neutrality Plan ("CNP"), which identifies the formation of a Community Choice Aggregation ("CCA") program as one of its top recommendations. The CNP set a goal for Hermosa Beach to become carbon neutral for municipal operations by 2020, and establish a CCA by 2017. The establishment of Hermosa Beach Choice Energy supports both of those goals.

The majority of electric service customers in the City 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 0.32 percent of 11,000 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 11% of the total electricity load for customers within the City.

HBCE 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 service (subject to the final review and approval of the City Council) is April 2017. Customer enrollment will be implemented in one phase.

Table 1: CCA Enrollment Schedule[2]

Date	Enrollment
April 2017	Municipal, Residential, Commercial & Industrial

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

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

[2] Dates subject to change at the discretion of the City. Implementation Plan will be updated and refiled with any changes.

(AB 117) and related California Public Utilities Commission ("CPUC") rules and regulations. However, without proactive selection of the opt-out option, customers will be automatically enrolled in the CCA program, as provided by law.

HBCE's primary objective is to meet the goals established in the adopted Municipal CNP and enable customers within its service area to take advantage of the opportunities granted by AB 117, the Community Choice Aggregation Law[3]. The benefits to consumers include local control of the power procurement, rate setting, and generation choices for residents of the city. Goals for HBCE include:

- Exceeding the California Renewable Portfolio Standard (RPS) requiring 33% of electricity used within the City to be provided by renewable generation by 2020 and 50% by 2030;
- Offer a voluntary 100% renewable zero-emissions energy product;
- Reduce municipal and community Green House Gas Emissions and be 40% below 2015 levels by 2020 for municipal emissions as set by the Municipal Carbon Neutral Plan;
- Simplified and stabilized electricity rate structures to assist customers in both understanding and managing their electricity usage and spending; and
- 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.

Because providing retail electric service can be a complex undertaking, and since HBCE has limited operational experience in procuring electricity for retail customers, HBCE will contract with experienced contractors and energy suppliers to provide electricity service to HBCE customers and will operate HBCE utilizing a combination of internal staff, contractors and qualified Electric Service Providers (ESPs). HBCE's Implementation Plan describes the partnership among HBCE, 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, Hermosa Beach will enable its constituent customers to exert local control over its electricity supply.

The California Public Utilities Code provides the relevant legal authority for HBCE to become a CCA and assigns the CPUC with the responsibility for:

- Certifying receipt of this Hermosa Beach Choice Energy 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 HBCE customers in order to prevent shifting of costs from HBCE Customers to SCE bundled customers.
- Ensuring compliance with basic consumer protection rules; and
- Ensuring compliance with the CPUC's resource adequacy program.

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[3] 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

On August 23, 2016 the Hermosa Beach City Council, at a duly noticed public hearing, introduced this Implementation Plan through Hermosa Beach City Council Ordinance No. 16-1368 [4] (a copy of which is included as Appendix A). The Implementation Plan was then adopted together with the ordinance on September 13, 2016 and the Implementation Plan was submitted to the CPUC shortly thereafter. 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.

As the Implementation Plan may be modified from time to time, HBCE will maintain a current version on file with the CPUC.

1.2 Statement of Intent

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 HBCE's statement of intent for implementing a CCA program that includes all of the following:

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

HBCE's primary objectives and intention in implementing this program are to achieve goals established in the Municipal Carbon Neutrality Plan; reduce greenhouse gas emissions related to use of power in the City of Hermosa Beach; implement energy efficiency and demand reduction programs; provide cost competitive electric services; stimulate and sustain the local economy by developing local jobs in renewable energy and energy efficiency; and develop long-term rate stability and energy reliability for residents through local control. The prospective benefits to consumers include a substantial increase in renewable energy supply, stable and competitive electric rates, public participation in determining which technologies are utilized to meet local electricity needs, and local/regional economic benefits.

1.3 Organization of this Implementation Plan

This implementation plan is organized as follows:

- Section 2: Aggregation Process
- Section 3: Organizational Structure
- Section 4: Start-up Plan and Funding
- Section 5: HBCE Phase-In
- Section 6: Load Forecast and Resource Plan
- Section 7: Financial Plan
- Section 8: Ratesetting and HBCE Terms and Conditions

[4] Public posting of Hermosa Beach Ordinance and this Implementation Plan:

- Section 9: Customer Rights and Responsibilities
- Section 10: Procurement Process
- Section 11: Contingency Plan for HBCE 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
Statement of Intent	Section 1.2 Statement of Intent
Process and consequences of aggregation	Section 2 Aggregation Process
Organizational structure of HBCE, its operations and funding	Section 3 Organizational Structure Section 4 Start-up Plan and Funding Section 7 Financial Plan
Rate setting and other costs to participants	Section 8 Ratesetting and HBCE 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 HBCE 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 HBCE	Section 11 Contingency Plan for HBCE Termination
Description of third parties that will be supplying electricity under HBCE, including information about financial, technical and operational capabilities	Section 10 Procurement Process

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.

As mentioned above, in February 2015 the City adopted its Municipal CNP, which identifies the formation of a CCA program as one of its top recommendations. The CNP set a goal for Hermosa Beach to become carbon neutral for municipal operations by 2020, and establish a CCA by 2017. The establishment of Hermosa Beach Choice Energy supports both of those goals.

Hermosa Beach became the first city to adopt a resolution to participate in the Los Angeles County feasibility study to establish a county-wide CCA program. At the same time, Hermosa Beach City Council directed staff to investigate the feasibility of establishing a stand-alone CCA program.

In June 2016 a draft technical feasibility study was completed. Based on the results, City Council directed staff to continue pursuing establishment of HBCE.

The draft Implementation Plan was published on a public website and was made available at City offices prior to introduction at the July 26, 2016 public hearing. 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 Hermosa Beach introduced an ordinance on August 23, 2016 declaring its election to implement a CCA program by and through the City's participation in HBCE as described herein. The ordinance and associated Implementation Plan was adopted at a duly noticed public hearing of the City Council on September 13, 2016.

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
07/26/16	City Council introduction of the CCA ordinance
08/23/16	City Council adoption of the CCA ordinance
September 2016	Submit (2 copies) Implementation Plan to CPUC
November 2016	CPUC Certifies Implementation Plan
January 2017	Complete Contracts with 3rd party Suppliers
2/15/2017	Submission of SCE Binding Notice of Intent (Optional)

2.2 Process of Aggregation

Prior to their enrollment in HBCE, 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 HBCE and will begin receiving CCA electric service at their next regularly scheduled meter read date (following the date of automatic enrollment). Subsequent to enrollment of customers that do not opt out, an additional two notifications will be provided within the next two 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[5]

Date	Action
January 2017	Notification #1
February 2017	Notification #2
April 2017	Enrollment
May 2017	Notification #3
June 2017	Notification #4

Customers automatically enrolled in HBCE 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 page will show the applicable HBCE charges for power procurement and generation costs based on the customer's electricity use and the applicable HBCE rate.

After enrollment, customers will have approximately 60 days (two billing cycles) to opt out of HBCE and return without penalty to their prior electricity service provider. HBCE customers will be advised of these opportunities via the distribution of two additional enrollment notices provided within the first two HBCE 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 HBCE charges incurred during the time they were served by HBCE. However, the customer will not be subject to any other HBCE 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 HBCE program and to have agreed to HBCE's terms and conditions, including those pertaining to requests to terminate service, as further described in Section 9.

[5] Dates subject to change at the discretion of the City. Implementation Plan will be updated and refiled with any changes.

Subsequent to the enrollment period, new customers who establish service within the HBCE service area will be automatically enrolled in HBCE and will have sixty days from the date of service activation and enrollment to opt out of HBCE. Such customers will be provided with two opt-out notices within their first two HBCE billing cycles.

2.3 Consequences of Aggregation

2.3.1 Rate Impacts

HBCE 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 HBCE will continue to pay SCE delivery charges, but will no longer pay the costs of SCE generation. Instead, customers participating in HBCE will pay the power procurement and generation charges set by the Hermosa Beach City Council. Customers enrolled in HBCE will also be subject to HBCE's terms and conditions, including responsibility for payment of all HBCE charges as described in Section 9.

HBCE'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 Hermosa Beach City Council will establish, consider, and formally adopt rates sufficient to recover all costs related to operation of the HBCE.

Initial HBCE rates will be established utilizing the estimated power procurement costs developed within the scope of the CCA technical study and are subject to final approval by the Hermosa Beach City Council. The electric rates will be adjusted periodically based on power procurement costs reflecting prospective costs from HBCE'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 HBCE rates will be disclosed, along with other terms and conditions of service, in the pre-enrollment opt-out notices sent to potential HBCE constituent customers.

HBCE may 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 HBCE customers from SCE's future load forecast and related power procurement obligations. 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.

2.3.2 Renewable Energy Impacts

Hermosa Beach's Carbon Neutrality Plan, dated February 2015, established the goal to become carbon neutral for municipal operations by 2020. One of the top recommendations for achieving this goal is establishing an operating CCA in 2017. In support of these goals, HBCE will create an energy supply

portfolio that offers HBCE'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 that exceeds California RPS that requires 33% by 2020. HBCE's initial energy supply portfolio target and retail rates are based on 50% renewable energy at implementation, with 100% renewable energy sourced for all municipal operations. HBCE will also offer a voluntary 100% renewable energy option to its customers. Upon launch of CCA service, all Hermosa Beach municipal accounts will take service under the 100% renewable retail product.

2.3.3 Energy Efficiency Impacts

Another HBCE goal will be to increase energy efficiency program investments and activities for HBCE's customers. The existing energy efficiency (EE) programs administered by SCE are still expected to be available to HBCE customers. HBCE 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, HBCE will be able to use EE funds collected though the EPIC charge for additional EE programs targeted specifically to HBCE customers.

The energy efficiency investments ultimately planned for HBCE, 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, HBCE 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 HBCE organizational structure that will be used for implementation of its CCA program. The key agreements, governance, management, and organizational functions of HBCE are outlined and discussed below.

3.1 Organizational Overview

3.1.1 Governance

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

- Establish HBCE policies and objectives;
- Authorize any subsequent changes to this implementation plan;
- Review and approve resource plans;
- Review and approve proposed rate changes; and
- Provide policy direction to the City Manager, who will have general accountability for HBCE operations, consistent with the policies established by the City Council.

3.1.2 Management

The Hermosa Beach City Manager is accountable for overseeing HBCE and ensuring compliance with the City Council approved implementation plan and other City policies, as well as compliance with governing statutory regulations.

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

3.1.3 HBCE Organization

The City Manager will utilize a combination of internal Hermosa Beach staff and consultants. Certain specialized functions needed for HBCE operations, for example the electric supply and customer account management functions described below, will be performed by experienced and qualified third-party consultants.

3.1.4 Resource Planning and Forecasting

HBCE must plan for meeting the electricity needs of its customers utilizing resources consistent with City Council established policy goals and objectives as well as regulatory and statutory requirements. Long-term resource planning includes load forecasting and supply planning on a 10- to 20-year time horizon. HBCE consultants will develop integrated resource plans that meet HBCE supply objectives and balance cost, risk and environmental considerations, in addition to meeting requirement established by regulatory agencies. Integrated resource planning will consider distributed generation, demand side energy efficiency and demand response programs as well as traditional supply options. The HBCE program will require a resource planning function even if the day-to-day supply operations are contracted to third parties. Resource 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 as needed basis.

The City Manager, or designee, will oversee development of both short (one- and two-year) and long-term resource plans for the city's customers. HBCE 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), including any requirements established by state law or by the CPUC concerning aggregated service and the application of the greenhouse gas emission performance standards.

3.1.5 Electric Supply Operations

Electric supply 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 HBCE Customers.

- *Risk Management* – utilization of standard 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.

HBCE is investigating a partnership with Lancaster Choice Energy to collaborate on services that include procurement, load forecasting, scheduling coordination, and regulatory compliance. By working together both Lancaster Choice Energy and HBCE have the opportunity to reap the benefits and reduced costs of a Joint Powers Authority model, while also realizing the benefits that come with operating a stand-alone CCA. In the event that the shared services model isn't implemented, HBCE will contract with one or more experienced and financially sound third-party energy service providers to perform most of the electric supply operations for the HBCE 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 HBCE's initial primary energy services provider and Scheduling Coordinator. The final ESP selection is anticipated to be made by the Hermosa Beach City Council in early 2017.

3.1.6 Local Energy Programs

A key focus of the HBCE 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 City Manager, or designee, 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 early years of operations, HBCE 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 solar development 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.

3.1.7 Budget and Rate Setting

The City Manager will have responsibility for developing the annual budget and projected revenue requirements; proposing the annual budget and rates for approval by the City Council; and managing and maintaining cash flow requirements. A combination of in-house staff and consultants may be utilized for these functions.

The City Council will have the ultimate responsibility for setting the rates for HBCE customers. The City Manager will have responsibility for developing 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, 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, provided that the overall revenue requirement is achieved. HBCE will administer a standardized set of electric rates and may offer optional rates to encourage policy goals.

HBCE's finance function will be responsible for arranging financing, if needed, for power procurement and capital projects, preparing financial reports, and ensuring sufficient cash flow for HBCE 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, HBCE will take appropriate action as provided for in the electric supply agreement(s). The finance function also establishes credit policies that HBCE must follow.

3.1.8 Customer 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. HBCE will conduct program marketing to raise consumer awareness of HBCE and to establish the HBCE "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 HBCE program to all customers will be critical for the overall success of HBCE.

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

The customer services function performs customer billing-related duties and manages customer account data. This function also processes customer service requests, administers customer enrollments and departures from HBCE, and maintains a current database of customers enrolled in HBCE. 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 HBCE. Additionally, customer 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 HBCE credit policies. It is planned that the customer billing and other customer services functions will be contracted out to a qualified third party with the necessary infrastructure and capability to bill and interface with the electric service accounts in the City that are eligible to participate in HBCE.

3.1.9 Legal and Regulatory Representation

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

Under the direction of its General Counsel, HBCE will retain legal services, as necessary, to administer HBCE, review contracts, and provide overall legal support to the activities of HBCE. Other third party consultants may be used for the varied regulatory compliance filings.

4 START-UP PLAN AND FUNDING

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

4.1 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
- Identification of and negotiations of supplier/vendor contracts:
    - CAISO Schedule Coordinator
    - Energy supplier
    - Data management provider
    - Customer services
        - Customer call center
- Definition and execution of communications plan(s):
    - Customer research/information gathering
    - Media campaign
    - Key customer/stakeholder outreach
    - Informational materials and customer notices
- Post required CCA bond and completion of CCA registration
- Execution of SCE service agreement, notification and payment of any applicable fees
- Performance of customer notification, opt out and transfers
- Conduct of load forecasting
- Establishment of rates
- Legal and regulatory support
- General consulting costs

Other costs related to the startup of HBCE 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.

4.2 Staffing Requirements

Staff, in the form of in-house or contractors, will be added incrementally to match workloads required to form the new program, manage contracts, and initiate customer outreach/marketing during the pre-operations period. The initial staffing needed for start-up include in-house personnel to support communications activities and contractors to support procurement, legal and regulatory activities.

4.3 Funding Requirements

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

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

The Finance Plan contained in Section 7 provides an overview of the working capital requirements.

Operating expenses for the initial feasibility and start-up period (through June 2018) are estimated at $5.3M. Actual costs may vary depending on the actual cost of power. Operating revenues for the same period are estimated at $5.0M. Included in operating expenses is the required $100,000 deposit bond to be posted with CPUC and costs incurred to start-up service. The difference between projected operating revenues and expenses are anticipated to be funded with a loan from the City's general fund.

4.4 Financing Plan

For the initial start-up funding, the City is considering a loan from the General Fund loan. Based upon current assumptions and expected HBCE revenues, it is anticipated that the start-up costs will be fully recovered within the first three years of HBCE operations through retail rates.

4.4.1 Working Capital

The nature of CCA business results in operating revenues from electricity sales being received by HBCA approximately 60 days after the electricity is provided. This is caused by the 30 day meter read cycle and 30 day billing/payment cycle. This lag results in a need to cover working capital. A loan from the General Fund in the amount of $450,000 will provide the necessary funds to launch the HBCE program. The City of Hermosa Beach will provide the working capital necessary to cover the day-to-day operational cash flow requirements (i.e., HBCE paying its bills) and HBCE in return will pay the City for the cost of capital.

4.4.2 Pro Forma

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

5 HBCE PHASE-IN

HBCE shall provide universal access to all electricity customers within the city limits of Hermosa Beach. Nothing in this section shall be construed as authorizing Hermosa Beach to restrict the ability of retail electricity customers to obtain or receive service from any authorized electric service provider in a manner consistent with law.

5.1 Open Season - Binding Notice of Intent

SCE Rule 23.2, Community Choice Aggregation Open Season, allows for a voluntary participation in Open Season whereby 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. If the BNI is filed, it will reflect the schedule for a single phase approach for CCA service. SCE will then utilize the BNI to modify power procurement forecasts which will mitigate the Cost Responsibility Surcharge (CRS) that HBCE 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. HBCE may participate in SCE Open Season in February 2017.

5.2 CCA Enrollment Schedule

HBCE plans to launch its CCA program in one phase, during the month of April 2017. Customers will transition throughout the month based on their meter read date.

Enrolling all eligible customers at one time is appropriate due to the size of the program, and given that there is already an operating CCA in SCE territory. This approach results in decreasing confusion among the citizens of Hermosa Beach as well as the administrative time and expense that a phased approach would incur.

5.3 Customer Participation Rates

Customers will be automatically enrolled in HBCE 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. HBCE anticipates an overall customer participation rate of 90%; 90% (10% opt out) for non-residential and 90% (10% opt out) for residential customers. This rate is a bit more conservative than that experienced by Lancaster, which operates as a stand-alone CCA within SCE territory. The assumed participation rates will be refined as the HBCE's marketing and communications plan is executed.

5.4 Customer Participation Forecast

Upon enrollment customers will be switched over to HBCE service on their next regularly scheduled SCE meter read date over an approximately 30-day period. Because CCAs in California have a relatively short history, in particular in Southern California, it is difficult to anticipate with any precision the actual levels of customer participation. HBCE 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 HBCE is shown in Table 5.

Table 5: HBCE Enrollments

Program Customers	Eligible Accounts	Opt out Accounts	Participating Accounts
Residential	9,453	945	8,508
Non-Residential	1,489	149	1,340
TOTAL	**10,942**	**1,094**	**9,848**

It is assumed that HBCE customer growth will offset customer attrition (opt outs) over time, resulting in a relatively stable customer base 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 HBCE's customers, using a diversified portfolio of electricity supplies including a large proportion of renewable resources. As a CCA, HBCE is responsible for arranging the scheduling of sufficient electric supplies to meet the hour-by-hour demands of its customers. HBCE 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, HBCE 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 will be used to guide development of the HBCE's resource plan. HBCE will develop a supply portfolio that strives to achieve the following attributes:

- HBCE will manage a diverse resource portfolio to increase control over energy costs and maintain competitive and stable electric rates;
- HBCE will seek to increase the use of renewable energy resources, including local resources, and reduce reliance on fossil-fueled electric generation;

- HBCE 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;
- HBCE 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, HBCE's resource plan will include 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 HBCE'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 HBCE's resource plan is to source at least 50% of the resource mix from renewable resources in 2017, increasing to 100% by 2030. The planned resource mix is comprised primarily of power purchases from third-party electric suppliers and may also include renewable generation assets (such as a solar resource) owned by the HBCE.

6.2 Resource Adequacy (Capacity) Requirements

The CPUC's Resource Adequacy Requirement ("RAR") applicable to HBCE requires a demonstration one year in advance that HBCE 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, HBCE must demonstrate 100% of the peak load plus a minimum 15% reserve margin.

A portion of HBCE's capacity requirements must be procured locally, from the LA Basin area and Big Creek/Ventura area as defined by the CAISO. HBCE 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 HBCE's forecasted peak load. Local capacity requirements are a function of the SCE area resource adequacy requirements and HBCE's projected peak demand. HBCE will need to work with the CPUC's Energy Division and staff at the CEC to obtain the data necessary to calculate HBCE's monthly local capacity requirement. The formula is as follows:

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

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

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

HBCE will coordinate with SCE and appropriate state agencies to manage the transition of responsibility for resource adequacy from SCE to HBCE during 2017. For system resource adequacy requirements, HBCE will make required filings showing that HBCE plans to serve load and that load migration issues would be addressed through the CPUC's approved procedures. HBCE 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 2017 through an agreement with its chosen electric supplier.

6.3 Supply Requirements

The starting point for HBCE'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 HBCE's "load profile." The electric sales forecast and load profile will be affected by the degree to which customers choose to remain with SCE during the customer enrollment and opt-out period.

6.3.1 Renewable Portfolio Standard Requirements

In October 2015, Governor Jerry Brown signed Senate Bill 350 (SB 350), the Clean Energy and Pollution Reduction Act of 2015, into law which authorizes the CPUC to raise the required percentages of renewable energy, known as the Renewable Portfolio Standard (RPS), to 50% by 2030. Details related to implementation of SB 350 will be developed over time, however, it is assumed that the annual renewable energy procurement targets will be imposed to facilitate progress towards the 50% by 2030 mandate. The RPS applies to all load serving entities, including investor-owned utilities, publicly owned utilities, electricity service providers and community choice aggregators.

HBCE will work with third-party electric suppliers in pursuing the renewable resources to not only meet the state's mandate, but to meet its own goal of exceeding the minimum mandated RPS.

6.4 Resources

HBCE will seek to maximize use of local, cost-based renewable generation resources in its resource plan, subject to the HBCE's ability to finance such projects.

Power purchases from both renewable and non-renewable resources will make up the remainder of the portfolio resource mix. HBCE's electric portfolio will be managed by a third-party electric supplier under contract to HBCE. Through Power Services Agreements, the HBCE will obtain full requirements electric service for HBCE'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.

HBCE'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 HBCE's electric supplier will be established consistent with the HBCE'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 HBCE'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 HBCE. 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 HBCE's load zone, as defined by the CAISO.

6.5 Energy Efficiency

HBCE's energy efficiency goals will reflect a strong commitment to increasing energy efficiency within the City of Hermosa Beach. HBCE 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 HBCE's need for traditional electric procurement activities.

6.6 Demand Response

Demand response (DR) programs provide incentives to customers to reduce demand upon request by the load serving entity (i.e., HBCE), 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 HBCE is entitled to the local capacity credits associated with customers within HBCE territory.

HBCE intends to expand on existing SCE 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 HBCE's total capacity requirements through dispatchable demand response programs that qualify to meet LRAR. Achievement of this goal would displace a portion of the HBCE's local capacity requirement.

HBCE 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, HBCE 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 HBCE's demand response program design. HBCE will likely utilize experienced third-party contractors to design, implement and administer its demand response programs.

6.7 Distributed Generation

Consistent with HBCE's Carbon Neutrality Plan, environmental policies and the state's Energy Action Plan, clean distributed generation is a significant component of the integrated resource plan. HBCE intends to work with state agencies and SCE to promote deployment of photovoltaic (PV) systems, 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, Hermosa Beach 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. The City currently rebates building permit fees for photovoltaic installations.

HBCE 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 HBCE. 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.

HBCE will work to ensure that customers within its jurisdiction take full advantage of available solar incentives. Additional solar programs developed by HBCE 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 HBCE 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 implementation period of HBCE program. In general, the components of the cash flow analysis can be summarized into three distinct categories:

(1) Cost of CCA program Operations;
(2) Revenues from CCA program Operations; and
(3) Reserves & Financing

The cash flow analysis identifies and provides annual estimates for each of these categories. A key aspect of the cash flow analysis is to focus primarily on the costs and revenues associated with the CCA program start-up period.

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
- Staffing and Professional Services
- Data Management Costs
- Administrative Overhead
- Billing Costs
- Scheduling Coordination
- Grid Management and other CAISO Charges
- CPUC Bond
- 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 start-up 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 HBCE charges a standard, default electricity rate similar to the generation rates of SCE for each customer class, with an optional 100% renewable energy rate at a premium reflective of incremental renewable power costs.

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 HBCE during the CCA start-up 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 HBCE, 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 HBCE will make payments to energy suppliers within 60 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, HBCE program is viable, meaning that HBCE 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. The estimated working capital needs for the startup period is approximately $500,000. HBCE plans to finance the working capital needs through a loan from the City's General Fund.

7.1.4 CCA Program Implementation Pro Forma

In addition to developing a cash flow analysis which estimates the level of working capital required to cover the cash flow needs in the initial startup period, a pro forma was developed to evaluate the financial feasibility of HBCE. The difference between the cash flow analysis and the pro forma analysis is that the pro forma analysis does not take into account the timing differences associated with the lag between when revenues are collected and when payments are due. Assumptions related to CCA program operations and revenues remain the same.

The results of the pro forma analysis are shown in Figure 3 below.

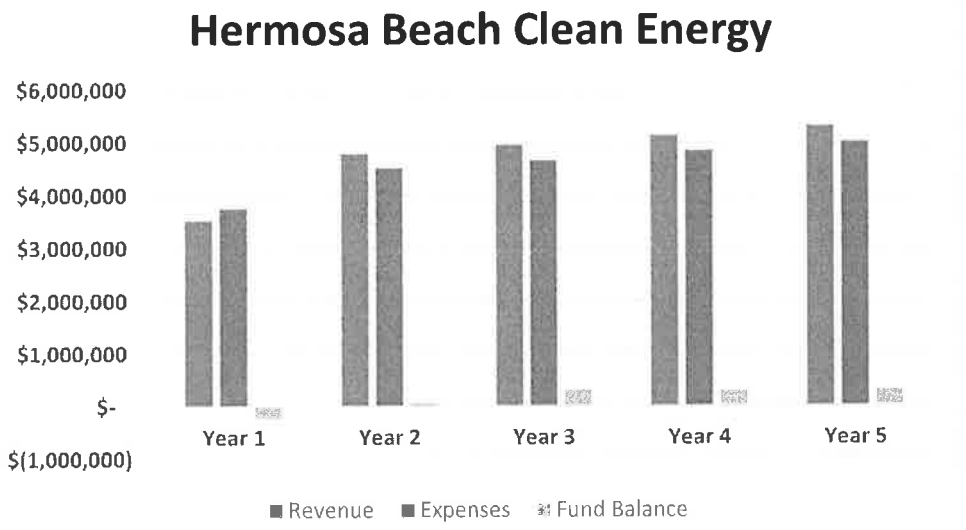

Figure 3: Financial Pro Forma

Under current operating cost assumptions and projected rates HBCE is anticipated to realize a shortfall in year 1 due to the one time start-up costs. It is anticipated these costs will be financed through a loan from the City's general fund, and repaid from future year net revenues. In subsequent years, revenues are sufficient to cover operating expenses. The operating surplus will be available to HBCE to repay its general fund loan and establish reserves to cover any short term cash flow needs and ensure long term financial stability.

8 RATESETTING AND HBCE TERMS AND CONDITIONS

8.1 Introduction

This section describes the initial policies for HBCE in setting its rates for electric aggregation services. Ratesetting includes policies regarding rate design, objectives, and due process in setting HBCE rates. Final HBCE 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 HBCE initiation. The City Council retains authority to modify HBCE policies from time to time at its discretion.

8.2 Rate Policies

HBCE shall establish rates sufficient to recover all costs required for HBCE 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 HBCE throughout the service area of HBCE.

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

- Minimum 50% renewable default energy supply with an optional 100% renewable energy supply
- No use of Category 3 Renewable Energy Certificates
- Rate competitiveness
- Rate stability and reliability
- Equitable treatment of all classes of customers
- Customer understanding
- Revenue sufficiency

Each of these objectives is described below.

8.2.1 Rate Competitiveness

HBCE's goal is to offer competitive rates for the electric services it provides to participating customers as compared to Southern California Edison. Competitive rates will be critical to attracting and retaining

customers to provide HBCE's revenues. A premium, based on the additional cost, will be charged to customers who voluntarily participate in the 100% renewable energy supply.

8.2.2 Rate Stability and Reliability

HBCE will offer stable and reliable 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 HBCE. In comparison, SCE's rates typically 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 Equitable Treatment of All Classes of Customers

HBCE's policy is to provide rate benefits to all customer classes relative to the rates customers would otherwise pay to Southern California Edison (SCE). Rate differences between HBCE and SCE will be affected by the variety of rates (including optional rates) offered by SCE to different customer classes.

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. HBCE 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 HBCE's customer service call center.

8.2.5 Revenue Sufficiency

HBCE's rates must collect sufficient revenue from participating customers to fully fund HBCE'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 HBCE'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. Customers eligible for net metering from SCE will be offered a net metering rate from HBCE.

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

Initial HBCE 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, HBCE's 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 HBCE notices will be incorporated into the existing City Council public notification process. Additionally, HBCE will initially follow public noticing requirements and consider any rate changes at a duly noticed public hearing. This will enable affected customers to provide comments on the proposed rate changes prior to them becoming effective.

9 CUSTOMER RIGHTS AND RESPONSIBILITIES

This section discusses customer rights, including the right to opt out of the HBCE program, as well as obligations customers undertake upon agreement to enroll in the HBCE program. All customers that do not opt out either 60 days prior to, or 60 days following enrollment in HBCE (after having received at least four opt-out notices) will have agreed to become full-status HBCE 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 HBCE initiation. The City Council retains authority to modify HBCE policies from time to time at its discretion.

9.1 Customer Notices

A minimum of four notices will be provided to customers describing HBCE, informing them that they will be automatically enrolled unless they exercise 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 HBCE. The City will either use its own mailing service for opt-out notices or include the notices in the SCE monthly bills.

After enrollment, customers will have approximately 60 days (two billing cycles) to opt out of HBCE and return without restrictions to their prior electricity service provider. HBCE customers will be advised of these opportunities via the distribution of two additional enrollment notices provided within the first two HBCE billing cycles. Opt-out requests made on or before the sixtieth day following enrollment will result in customer transfer to utility service with no restrictions. Such customers will be obligated to pay HBCE'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 HBCE.

Customers who establish new electric service accounts within HBCE's service area will be automatically enrolled in the HBCE program and will have 60 days from the start of HBCE 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 HBCE's privacy policy regarding customer usage information.

9.2 Termination Fee

Customers who are automatically enrolled in HBCE can elect to transfer back to SCE without penalty within the first two billing cycles of service. After this opt-out period, customers that terminate their participation in HBCE will not be subject to a Termination Fee by HBCE.

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 be liable for any reentry fees and conditions imposed by SCE as set forth in the applicable SCE-CCA tariffs.

9.3 Customer Reentry

If a customer that had opted out of CCA service elects to come back to HBCE service, the customer will be locked in to CCA service for a period of one year and subject to conditions imposed by SCE as set forth in the applicable SCE-CCA tariffs. However, HBCE will not impose a customer reentry fee for the customer's change of service provider.

9.4 Customer Confidentiality

HBCE will establish policies covering confidentiality of customer data that are fully compliant with the California Public Utilities Commission's required privacy protection rules for CCA customer energy usage information, as detailed within Decision 12-08-045. Specifically, HBCE will maintain the confidentiality of customer information, including customer names, service addresses, billing addresses, telephone numbers, account numbers, and customer-specific billing, credit, or usage information, unless the customer consents in writing. An exception may be made where reasonably necessary to conduct business of HBCE or to provide services to customers, including but not limited to where such disclosure is necessary to (a) comply with the law or regulations; (b) enable HBCE to provide service to its customers; (c) collect unpaid bills; (d) obtain and provide credit reporting information; or (e) resolve customer disputes or inquiries. HBCE will not disclose customer information for telemarketing, e-mail, or direct mail solicitation. This requirement does not extend to disclosure of generic information, or aggregate data, 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. HBCE will handle customer energy usage information in a manner that is fully compliant with the California Public Utility Commission's required privacy protections for customers of Community Choice Aggregators, as currently defined in Decision 12-08-045.

9.5 Responsibility for Payment

Customers will be obligated to pay HBCE charges for service provided through the date of transfer. Pursuant to CPUC regulations, electricity service will not be shut off for failure to pay the HBCE'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 HBCE. In most circumstances, customers will be returned to utility service for failure to pay bills in full and customer

deposits, if collected, 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. 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 to obtain service from HBCE under certain circumstances. A deposit may be required for an applicant who previously has been a customer of SCE or HBCE and whose electric service has been discontinued by SCE or HBCE 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.

10 PROCUREMENT PROCESS

10.1 Introduction

This section describes HBCE'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 HBCE initiation. The City Council retains authority to modify HBCE 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 HBCE 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 HBCE. 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

HBCE will initiate service using a multi-year electricity supply contract with one or more qualified providers. The third party provider(s) will supply electricity and related services to customers under contract(s) between the provider and HBCE. HBCE may complete additional solicitations to supplement its energy supply and/or to replace contract volumes provided under the original contract. HBCE would begin such procurement sufficiently in advance of contract expiration so that the transition from the initial supply contract occurs smoothly, avoiding dependence on market conditions existing at any single point in time. Under the initial supply contract, the supplier commits to serve the composite electrical loads of customers in the program. The primary supplier is responsible for ensuring that a certified Scheduling Coordinator schedules the loads of all customers in the HBCE program, providing necessary electric energy, capacity/resource adequacy requirements, renewable energy and ancillary services. The primary supplier is responsible for HBCE's day-to-day energy supply operations and for managing the predominant supply risks for the term of the contract. The primary supplier must meet the program's renewable energy goals. However, additional suppliers may be identified to supplement requisite renewable suppliers of the HBCE program. The primary supplier will also be responsible for ensuring HBCE's compliance with all applicable resource adequacy and regulatory requirements imposed by the CPUC or FERC.

HBCE anticipates executing the electric supply contract for all load in early 2017.

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
- Settlement quality meter data reporting
- 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 impose significant information technology costs 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. It is anticipated that HBCE will execute a contract for data management services in late 2016.

10.3.3 Electric Supply Procurement Process

HBCE plans to issue a request for proposals for shaped energy, renewable energy and resource adequacy capacity as part of a competitive solicitation process. The RFP will be released in late 2016 with responses due approximately two weeks thereafter. Contract negotiations will commence immediately following proposal evaluation and short-list selection. Similar to the initial supplier selection processes administered by California's currently operating CCA programs, HBCE intends to identify a highly qualified pool of suppliers for further negotiations, which will be completed prior to initiation of CCA service. Following the identification of short-listed energy services provider candidates, HBCE will update the Commission regarding its selection process. Final supplier selection is anticipated to be made in early 2017.

11 CONTINGENCY PLAN FOR HBCE TERMINATION

11.1 Introduction

This section describes the process to be followed in the case of HBCE program 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. The City Council retains the authority to modify program policies from time to time at its discretion.

11.2 Termination by the City

HBCE will offer services for the long term with no planned program termination date. In the unanticipated event that the City Council decides to terminate HBCE and after 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 post a bond or maintain funds held in reserve to pay for potential transaction fees charged to HBCE for switching customers back to distribution utility service. Reserves will be maintained against the fees imposed for processing customer transfers (CCASRS). The Public Utilities Code requires demonstration of insurance or posting of a bond sufficient to cover 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. HBCE will post financial security in the appropriate amount as part of its registration materials and will maintain the financial security in the required amount, as necessary.

12 APPENDICES

Appendix A: City of Hermosa Beach Resolutions Adopting Implementation Plan

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES)
CITY OF HERMOSA BEACH)

I, Elaine Doerfling, City Clerk of the City of Hermosa Beach, California, do hereby certify that the foregoing Ordinance No. 16-1368 was duly and regularly passed, approved and adopted by the City Council of the City of Hermosa Beach at a regular meeting held at the regular meeting place thereof on the 13th day of September, 2016, and the Ordinance will be published in the Easy Reader newspaper on September 22, 2016.

The vote was as follows:

AYES:	Armato, Duclos, Massey, Mayor Fangary
NOES:	Petty
ABSENT:	None
ABSTAIN:	None

DATED: September 14, 2016

City Clerk