Staff Report – Item 7

To:	The Governing Board
From:	Don Eckert, Executive Director
Item 7:	**Expansion Buy-In**
Date:	11/19/2020

ACTION REQUESTED

Discuss and provide direction to staff regarding implementing a buy-in mechanism for El Dorado County (PG&E Territory) and the City of Placerville in consideration of joining Pioneer and provide direction as to the definition of the buy-in.

RECOMMENDATION

There is no recommendation with this report.

BACKGROUND

Staff began discussions with the City of Placerville and El Dorado County to determine the feasibility of joining Pioneer in August 2020. In the same month, staff received approval by Pioneer's Expansion Committee to continue to explore the opportunity and commission an independent consultant to conduct an Impact Assessment Study to determine the feasibility of expansion, and upon favorable results of the study to amend Pioneer's Implementation Plan for eventual filing with the California Public Utilities Commission (CPUC).

At the November 6, 2020 Governing Board Special Meeting (Special Meeting), the results of the Impact Assessment Study (Study) were presented. The results of the Study were favorable with a projected incremental impact to reserves of approximately $8 million per year under the base-case scenario and an approximate increase of 70,000 meters to help mitigate operational risk and maintain stable and competitive rates. The Study also provided three stress test scenarios, and in all scenarios, Pioneer is in a more advantageous position with expansion.

At the Special Meeting, the concept of having El Dorado County and City of Placerville provide a buy-in was raised. The driver for the buy-in consideration was in recognition of Pioneer's existing ratepayers for assuming the risk and providing the start-up capital to establish Pioneer.

ANALYSIS & DISCUSSION

As no other Community Choice Aggregator has implemented a buy-in mechanism in expansion of service territory, there is no benchmark for staff to reference. There are factors to consider in the discussion including:

1. Legality – While there is precedent for CCA's to implement rate differential to new members, the driver was the new members at the time of receiving service had a higher Power Charge Indifference Adjustment (PCIA) vintage and providing them the same discounted rates as current ratepayers was not economical. At the time of this report, staff has not yet determined if a rate differential can be imposed for reasons other than a difference in the PCIA vintage.
2. Competitiveness for Customers– Setting precedent for a buy-in will place Pioneer in a competitive disadvantage with other CCA's for future expansions. Generally, CCA's compete vigorously for

territory and new customers and the CPUC does not impose geographical constraints for CCA's to expand.

3. Culture – One of the criteria for expansion is the recruitment of like-minded members that share the same values and goals of Pioneer as the current members do. Introducing differential rates can risk impacting that collaborative culture.
4. Rate Competitiveness – Expansion allows for greater margins allowing Pioneer to use the extra margin to help reduce rates, procure local energy, and to implement local programs that would spur local jobs. Not expanding would severely limit Pioneer's ability to weather PCIA and rate changes and promote local jobs.

FISCAL IMPACT

There is no fiscal impact with this report.

ATTACHMENTS

There are no attachments with this report.