



ZeroCity^{LLC}

White Paper

Monterey Bay Community Power Governance

Summary

Question: how does Monterey Bay Community Power (MBCP) design an efficient governance structure with wide appeal throughout the economically and politically diverse Monterey Bay Region?

There are as many as 21 potential member agencies in the MBCP region, and if each agency were to be given a seat on the governing board, decision making could become hampered by parochial concerns as members vie for influence over a range of policy choices, procurement decisions, and pricing structures. In short, the potential for trouble exists, and how this issue is handled will largely determine the success of MBCP's ambitious experiment to establish community choice energy (CCE) across a multi-county region.

One potential approach to solving this governance conundrum is to be found in distributed renewable energy production. This paper argues that a small and efficient board is essential to the success of MBCP and that the logical tradeoff to deploying a small and efficient governing board over a large and diverse geographic region is to provide a guaranteed share of the renewable energy market to each participating jurisdiction. Such an approach would promote resiliency and regional equity by dispersing energy production—and its associated economic opportunities—throughout the three-county region. Given the financial stakes, such an approach could provide a sturdy rationale for local jurisdictions to limit their pursuit of political influence over the agency.

Regional Implementation

The first step should be to make every effort to launch MBCP as a regional entity, rather than on a county-by-county basis. While a staged roll-out is necessary to ensure that institutional capacity keeps pace with the demands of a growing customer base, the region as a whole is better served if such staging is done on the basis of customer class (i.e., residential, commercial, etc.) or percent of customer base across classes (i.e., 1/3rd of all potential customers) rather than on the basis of geography. For example, if it so chooses, some initial subset of King City customers should be able to enjoy the benefits of the Community Choice Energy (CCE) as early as Santa Cruz. This approach promotes regional cohesion and equity.

Streamlined Decision Making

The second step should be to ensure that the MBCP organization is a model of efficiency and social responsibility that serves as an example to emulate across the state. A small governing board—from 9 to 12 members—weighted toward technocrats chosen for their expertise and organization savvy, is the best way to ensure that MBCP is able to efficiently discharge its considerable duties in the coming months and years.

Structural Equity

Finally, the question of equity must be addressed. While a streamlined governance structure allows for efficiency, it's small size offers limited ability to represent the broad range of economic and social interests that exist in the three-county MBCP region. One sure way to compensate for this shortcoming is to insure that the constitutional structure of MBCP guarantees a share of the renewable energy market to participating jurisdictions so that each has an opportunity to directly broker (or provide) electrical power from renewable sources. There are various ways to structure these guarantees, and three options are discussed below:

- **Percent of Customer Base (Option 1)** – One simple approach to distributing benefits is to assign a portion of each jurisdiction's customer base to the local jurisdiction for its own opportunities. For example, every local jurisdiction could be allowed the opportunity to provide renewable power to five (5) percent of its own customer base under the MBCP umbrella. At five (5) percent market share, local jurisdictions could collectively develop up to 120 MW of renewable power in the three-county region that they then sell to customers at retail rates.
- **By Customer Class (Option 2)** – Another approach to distributing benefits is to assign certain customer classes to the local jurisdiction. For example, MBCP could assign all government operations to the participating local jurisdiction, who in turn would have the option to lease or construct renewable energy projects to meet its own needs. Other classes that could be made available to the local jurisdiction might include commercial and industrial accounts. The MBCP could even be structured to provide residential service only.
- **Assigned MWs (Option 3)** – A third approach is to assign some specified power generation potential to each participating jurisdiction. For example, MBCP could assign 5, 10, or even 20 MW of renewable power potential to each jurisdiction, perhaps using a sliding scale for small, medium, and large jurisdictions (e.g., under 20,000 population = 5 MW; 20,000 to 50,000 = 10 MW; over 50,000 = 15 MW).

Whatever guarantee is agreed upon, it should be encoded as an agency program in the foundational structure of MBCP and revisable only after an initial five-year start-up period lapses and with the concurrence of 2/3rds of all participating jurisdictions.

MBCP Success

The approach outlined above should benefit both MBCP and local jurisdictions.

- First, the approach is a win for MBCP. The MBCP would be better positioned to demonstrate the viability of its “regional CCE” concept and remain on track to be the largest CCE in the State of California. Furthermore, some reduction in MBCP’s customer base would not be expected to affect the agency’s ability to structure an organization capable of meeting financial goals and achieving participation rates.
- Second, the approach is a win for local jurisdictions. Promoting the use of city lands and other resources to generate renewable energy would provide an important revenue stream that could underpin a new financial model for city halls across the region.
- Finally, the approach could serve as an important regional or even national model for distributed renewable energy. Providing an umbrella under which community-based distributed energy can be propagated to provide a share of the region’s energy portfolio may be just the catalyst needed to move California and the nation more quickly toward a greenhouse-gas-free energy future.

PDAC Guidance

As MBCP moves forward, a small subset of member agencies—referred to as early adopters—will likely be responsible for creating a governance structure and setting initial policy that affects the entire three-county region for years to come. These early adopters should have the benefit of the Planning Development Advisory Committee’s (PDAC) perspective on governance. No group or individual is more representative of the three-county region than the current PDAC membership. Who better to guide MBCP on matters of governance as it takes its formative steps? A sample resolution is attached to assist the committee in setting forth its formal guidance.

Respectfully,
The ZeroCity Team

Sample Resolution on MBCP Governance

Before the Planning Development Advisory Committee for
Monterey Bay Community Power

Resolution No. 16-001

- Resolution of the Planning Development Advisory Committee)
 recommending that Monterey Bay Community Power:)
)
 1) Codify the recommendations set forth below into the)
 governance structure to be created by member jurisdictions)
 acting in concert to form Monterey Bay Community Power;)
)
 2) Find that the adoption of this resolution does not constitute a)
 “project” for the purpose of complying with the California)
 Environmental Quality Act.)

Having overseen the development of the feasibility study upon the merits of which participating local jurisdictions may join together to form Monterey Bay Community Power, and having considered all the written and documentary materials and oral testimony, the Planning Development Advisory Committee forwards the following recommendations to jurisdictions intending to consider the creation of Monterey Bay Community Power with reference to the following facts:

RECITALS

A. The Planning Development Advisory Committee is comprised of members from various participating jurisdictions in the three-county Monterey Bay Area, who were designated to serve by formal resolution of each participating jurisdiction.

B. Each participating jurisdiction represented on the Planning Development Advisory Committee, through the same formal resolution, agreed to support and participate in the pre-development and feasibility phase of Community Choice Aggregation for the Monterey Bay Region.

C. The Planning Development Advisory Committee is an ad hoc committee, the sole roles of which are participatory and advisory, with no formal power to make decisions having binding effect.

D. The Planning Development Advisory Committee has, since mid-2013, participated in the development of the aforementioned feasibility phase to determine if Community Choice Aggregation is feasible in the Monterey Bay Region and to report back its findings to the participating jurisdictions.

E. These proposed recommendations set forth below are offered by the Planning Development Advisory Committee in support of forming a governance structure for Monterey Bay Community Power that promotes regional cohesion and equity, thereby clearing the way for widespread consideration of the Community Choice Aggregation mechanism in the three-county region.

D. As this resolution has no binding effect, its adoption is not a project under the California Environmental Quality Act (CEQA) per CEQA Sections 15060 (c)(3) and 15378 (b)(5); the resolution will not result in direct or indirect physical changes in the environment.

E. At its duly noticed meeting held on March 11, 2016, the Planning Development Advisory Committee discussed the recommendations set forth below and heard public comment regarding the same.

DECISION

NOW, THEREFORE, BE IT RESOLVED that the Planning Development Advisory Committee does hereby make the following recommendations with regard to the formation of a governance structure for Monterey Bay Community Power:

1. Monterey Bay Community Power should be implemented as a single three-county region, rather than county by county;
2. The governing board to be formed for Monterey Bay Community Power should be limited to between nine (9) to 12 members to promote efficient decision making. Furthermore, the membership of the governing board should be weighted toward individuals with administrative and technical expertise, well versed in running an organization and a utility;
3. To offset the limited representation offered by a small, technocratic governing board, measures to ensure economic equity across the region should be built into the constitutional structure of Monterey Bay Community Power; specifically, Option _____ should be instituted to guarantee a share of the renewable energy market to each participating jurisdiction for its own development and benefit under the auspices of Monterey Bay Community Power; and
4. The guarantee referenced above should be encoded in the foundational structure of MBCP and revisable only after an initial five-year start-up period lapses and with the concurrence of 2/3rds of all participating jurisdictions.

PASSED AND ADOPTED this ____ day of _____, 2016, upon motion of _____, seconded by _____, by the following vote, to-wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

Nancy Carr-Gordon, Chair