

ALTERNATIVE GOVERNANCE AND ELECTRICITY SERVICE STUDY – IMPERIAL IRRIGATION DISTRICT

DRAFT STUDY REPORT - MARCH 2023

Prepared For: Riverside and Imperial County Local Agency Formation Commissions







AGENDA

01. Overview of the Draft Study Report

02. Summary of Findings

03. Suggested Actions

04. Recap and Next Steps



STUDY OBJECTIVES RECAP

Evaluate potential alternative electrical service governance structures for IID and its extended service territory in the Coachella Valley.

Task 1

Task 2

Options for providing continued publicly and/or independent system operator owned and managed electrical service to IID service area customers. Options for alternative governance structures that would extend voting rights to registered voters who reside within the IID electrical service area, allowing for proportional representation on a governing board that has primary jurisdiction on all electrical service matters.

REPORT ORGANIZATION

Results were summarized into the following main sections to facilitate ease of use and assist with ongoing discussions.

Executive Summary

Electrical Service Overview for the Coachella Valley

Energy Service Stakeholders

Utility Ownership Models

Study Approach and Analysis

Alternative Electrical Service Options

Findings and Suggested Actions

ELECTRIC SERVICE OVERVIEW

Boulder Canyon Project Act Enacted Authorized the Construction of the All-American Canal

02

Agreement of Compromise Executed

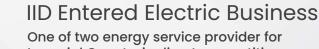
Authorized IID to service and sell electricity in Coachella Valley Water District's (CVWD's) territory. Allowed IID to lease CVWD's hydro power right opportunities for 99-years.

03

1934

One of two energy service provider for

Imperial County, in direct competition with Cal Electric



04

1936

IID Extends Electric Services

Electric service boundary expanded to Coachella Valley after purchasing assets from California Electric Power Company.



IID Energy Division in 2023

Today, IID manages an annual operating budget of over \$520 million and responsible for 1.2 gigawatts of generation and power purchases, 20 megawatts of storage, over 125 substations, 1,800 miles of transmission lines, and 6,100 miles of distribution lines.



IID's Lease of Hydro Power Rights Ends

According to the conditions of the Agreement of Compromise.



1928

01

1911

Service Boundary Agreement

Agreement between S. Cal Edison (formerly Cal Electric) and IID dividing Coachella Valley for non-compete service areas. Renewed approximately every 25-years (renewed in 1967, 1992,

1943

2023

2033

07

ENERGY SERVICE STAKEHOLDERS



OVERVIEW OF UTILITY OWNERSHIP MODELS

Investor-Owned Utility (IOU)

State governed, for-profit private entity providing service in franchised areas. Regulated by California Public Utilities Commission (CPUC).

Municipal Utility

Locally governed, non-profit organization created by voter approval. Regulated by City Council or elected commission.

Public Utility District

Locally governed, non-profit organization created for specific public services. Operate under a principal act or a special act. Regulated by elected or appointed Board of Directors.





Electric Cooperative (Co-Op)

Locally governed, not-for-profit private entity formed for the sole purpose of transmitting or distributing electricity exclusively to its stockholders or members at-cost. Regulated by the CPUC.

Community Choice Aggregators (CCA)

Locally governed within IOU service area, not-for-profit private entity formed for the sole purpose of securing power exclusively to its stakeholders or members at-cost.



Joint Powers Authority/Agency (JPA)

Locally governed, non-profit organization created by two or more public agencies for a specific range of common public services within geographically defined area. Operate under a Joint Exercise of Powers Act. Regulated by either elected or appointed Board of Directors.



STUDY APPROACH AND ANALYSIS

Development of Alternative Governance Structures consisted of the following actions:



Conduct extensive outreach



Develop stakeholderdriven evaluation criteria.



Present foundational differences between models.



Identify practical alternatives.

ENERGY SERVICES STAKEHOLDER FEEDBACK

Local Representation and Local Control

- Top priority regardless of option.
- Publicly owned and governed with flexible structure.

System Reliability

- East Coachella Valley experiences frequent/prolonged outages.
- Aging facilities and capacity limitations system wide.

Economic Development

- Unable to accommodate growth and new development.
- Unclear how overdue capital improvements will be funded.
- Improvements with planning and implementation process needed.

Industry Trends

- Concerns with electrification and achieving renewable goals.
- Limited local power program offerings, i.e. rooftop solar, etc.

Affordability

- Uncertain how existing customer rates will be impacted.
- Cost to form new entity and/or energy utility.











STAKEHOLDER-DRIVEN FOUNDATION OBJECTIVES

The following objectives were established to aid in the review and assessment of each Alternative Option.

- Public and Local Governed Entity
- Provides Representation
- Maintain Advisory Role
- Flexible Financing Opportunities
- Ability to Own Assets
- Financial Policy Oversight
- Capital Planning Oversight
- Structure Easy to Implement
- Expands Public Benefits

- Achieve Industry Standards
- Use of Efficient Public Resources
- Promotes Local Energy Programs
- Achieve Vertically Integrated Status
- Ability to Adapt
- Minimizes Financial Risk
- Local Control of Distribution Assets
- Maximize Public Involvement

Alternative Option 1:

IID Continues to Provide Service



The following option are not exclusive and indented to provide a general indication of the best-suited alternatives for consideration.

Option 1.A (Note 1) Maintain status quo.

Option 1.B

Annex Coachella Valley service territory into IID and adjust jurisdictional boundary. Option 1.C (Note 1) Create IID sub-Board of Directors for Coachella Valley electrical service oversight. Option 1.D (Note 1)

Establish a Joint Powers Authority

Note (1) Option does not change IID's water service boundary, water services to remain under the sole responsibility of the current IID Board of Directors.

Alternative Option 2:

IID Terminates Electric Service



The following option are not exclusive and indented to provide a general indication of the best-suited alternatives for consideration.

Option 2.A (Note 1) Dissolution and Merger with Investor-Owned Utility. Option 2.B (Note 1) Form a New Utility District with specific roles. Option 2.C (Note 1) Form a New Vertically Integrated Utility District

Option 2.D (Note 1)

Form a Community Choice Aggregation

Note (1) Option does not change IID's water service boundary, water services to remain under the sole responsibility of the current IID Board of Directors.

SUMMARY OF FINDINGS

Several Alternative's support many stakeholderdriven Foundational Objectives, except for the following:

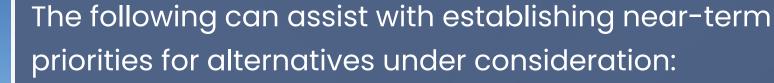
Structure Easy to Implement

Proposed structure should have <u>limited</u> <u>legal, financial, and</u> <u>legislative complexity</u> as compared to status quo. Ability to Achieve Vertically Integrated Utility Status

Ability to Adapt to Future Changes

A utility structure that <u>could</u> <u>be expanded</u> to provide the greatest regulatory control over all aspects of electricity service. Structure that can be <u>modified to align with</u> <u>future changes</u> in members roles, utility responsibilities and/or governance.

SUGGESTED ACTIONS PRIOR TO EXPIRATION OF THE AGREEMENT OF COMPROMISE



- Acknowledge that CVEC has promoted collaboration and effective at advancing development on this issue.
- Establish roles, rights and responsibilities for electrical service in Coachella Valley.
- Develop policy principles to provide a consistent basis for evaluating issues, making decisions, and setting policy.
- Perform necessary technical feasibility and financial evaluations.

Meeting Recap and Next Steps

Closing Remarks and Observations

Aug 30, 2023

Public Review Period Closes Submit written comments to LAFCO by this Date

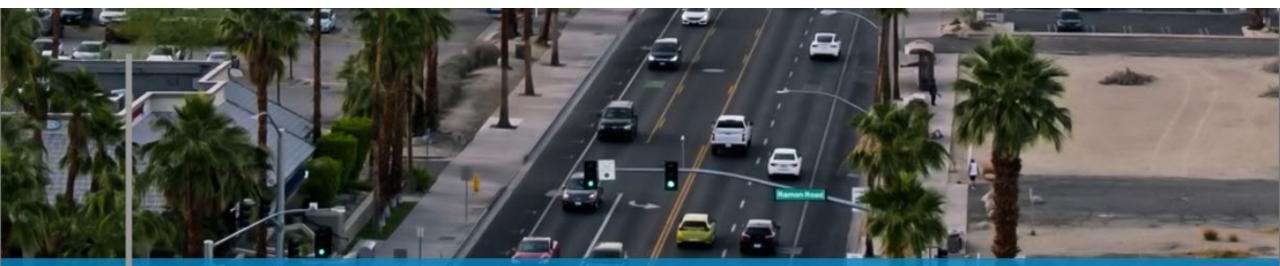
Nov 30, 2023

Final Study Report Due









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