



October 13, 2023

Stephen Dopudja, P.E.
President
Dopudja & Wells Consulting
6789 Quail Hill Parkway, #421
Irvine, California 92603

RE: Coachella Valley Energy Commission's Comment Letter on the Draft Alternative Governance and Electrical Service Study

Dear Mr. Dopudja,

The Coachella Valley Energy Commission (CVEC) appreciates the opportunity to provide comments on the governance alternatives analyzed in the joint Imperial County and Riverside County LAFCOs draft "Alternative Governance and Electricity Service Study" (Study) published in March of this year. This letter contains the Commission's collective observations and preferences related to each alternative provided in the Study, and builds upon CVEC's comments in our February 10, 2023 letter (February Letter).

Option 1.A — "Maintain Status Quo"

The February Letter identified five governance principles developed through consensus by CVEC membership. The first of these principles states, "*The status quo is not a sustainable long-term option.*" It is the consensus of CVEC that there is a need for an alternative governance structure that is adaptable and that recognizes the unique needs of the Coachella Valley, which is not best achieved by maintaining the status quo in the long-term.

Option 1.B — "Annex Coachella Valley service territory into IID and adjust jurisdictional boundary"

Principles 2 and 5 contained in the February Letter state that "*[n]o option can alter the IID Board of Directors' governance or governance structure related to water and energy service in Imperial Valley and should be focused on establishing appropriate governance by and for Coachella Valley energy ratepayers*" and that "*[t]he most effective manner of achieving the greatest benefit to ratepayers and affected stakeholders is through consensus-based solutions.*" While the annexation of the Coachella Valley portion of the IID jurisdictional boundaries may appear, on its face, a simple way to afford representation to Coachella Valley ratepayers, this approach would both alter the IID Board's governance over water and energy service in the Imperial Valley and is an



approach that IID has made clear it could not support — and thus would not constitute a consensus-based solution.

Over 60 percent of IID’s energy customers reside in the Coachella Valley. By annexing the Coachella Valley into the IID jurisdictional boundary, Coachella Valley energy ratepayers would have a majority vote on all IID matters, notably including water issues. Coachella Valley stakeholders have expressly stated their disinterest in water related matters and that the interest of the Coachella Valley stakeholders is solely related to electrical services, not water. Annexing the Coachella Valley service territory into the IID jurisdictional boundary does not align with the views of Coachella Valley stakeholders and would lead to undesirable outcomes for IID and its Imperial Valley water and energy stakeholders.

Option 1.C — “Create IID sub-Board of Directors for Coachella Valley electrical service oversight”

Although the creation of a sub-Board of Directors for the Coachella Valley would alleviate concerns related to Coachella Valley governance over IID water related matters, the structure creates complex reorganization and falls short of being the most effective alternative for true, effective representation and governance. A sub-Board may lack the necessary autonomy to make or influence meaningful decisions should the sub-Board make decisions that conflict with the views of the IID Board which could lead to confusion, inefficiencies, and political tensions in effectively implementing the oversight recommendations of the sub-Board. A sub-Board would likely make IID’s governance structure more complex and potentially lead to unclear roles and responsibilities, while at the same time would fail to adequately address Coachella Valley stakeholder desires to achieve greater levels of autonomy over various decisions where a sub-Board, innately, would be subordinate to the IID Board. Ultimately, this option may not be well-integrated into the overall governance framework, leading to fragmented approaches to decision-making and oversight while frustrating, rather than alleviating, concerns regarding appropriate Coachella Valley representation.

Option 2.A — “Dissolution and Merger with Investor-Owned Utility”;

Principle 2 of the February Letter states, “*Any governance option in the future must maintain publicly owned and operated energy service.*” Merging with an investor-owned utility (IOU) is counter to one of the key principles agreed upon by CVEC, which is to ensure that the preferred governance option maintains publicly owned and operated energy service. There are significant disadvantages associated with merging with an IOU, including, but not limited to, loss of local control over policies, rates, and overall service quality. Moreover, IOUs are profit-driven entities, which can negatively impact affordability



for the many low-income and disadvantaged communities in IID’s electrical service area. CVEC priorities include local control over policies, programs, and rates, to be able to tailor electrical services to meet the unique needs of the electrical service customers in the Coachella Valley and Imperial Valley.

Option 1.D — “Establish a Joint Powers Authority”

Option 2.B — “Form a New Public Utility District with specific roles”

Option 2.C — “Form Vertically Integrated Public Utility District”

Option 2.D — “Form a Community Choice Aggregation”

For options, 1.D and 2.B – 2.D, our comments are merged here as they largely echo those in our February Letter.

Many CVEC discussions to date have centered around the suitability of a Community Choice Aggregation (CCA) style model for the Coachella Valley. In Investor-Owned Utilities (IOUs) across California, local not-for-profit CCAs have been established by local governments to pool together electricity load to purchase energy and develop local projects and programs for residents and businesses. In this model, the locally governed CCAs work in partnership with the region’s existing IOU, which continues to deliver power and maintain the grid. Similarly, regional energy networks (RENs) have been established in the footprint of IOUs to allow for local governance over the spending of public benefits charge funding which is collected as required by state law primarily for energy efficiency and low-income programs. At a high level and in the abstract, CVEC has found both examples instructive in concept as they allow for greater levels of local and regional governance over areas of customer and community interest within the footprint of an existing energy utility.

CVEC supports alternative governance structures that most strongly align with the foundational objectives outlined in the study. As identified in the study, a JPA and a Municipal Utility District (MUD) meet the most foundational objectives, making these governance options top priorities for consideration. As such, CVEC recommends that further due diligence efforts focus on determining which of these two governance options are most viable, to address representation and governance of the Coachella Valley.

CVEC has contemplated that an independently formed JPA entity may be a suitable governance structure. Membership of a JPA board could be similar in nature to the composition of CVEC in that it would include cities, tribes, and counties in the greater Coachella Valley portion of the IID energy service area. A JPA formation agreement approved between willing, contracting local agencies would define the membership and the powers to be exercised, which could be amended and expanded from time to time as the JPA more fully develops over the years.



Once a JPA agreement is developed between participating cities, Tribal Nations, counties, and IID, the JPA would be formed. As a locally controlled governing board, the JPA would entail public board meetings and decision-making and be accountable and responsive to the community and local public agency needs specific to the greater Coachella Valley area. A JPA formed as a new entity with independent legal rights and responsibilities, including the ability to enter into contracts, hold property, and other purposes would allow for shared resources and expertise, economies of scale, flexibility and adaptability related to partnerships, reduced duplication of efforts, risk sharing, effective regional planning, enhanced accountability, and long-term sustained collaboration. Overall, a JPA can be an effective tool for regional cooperation, leveraged resources, and achievement of shared objectives.

CVEC sees the benefits of this structure as providing significant flexibility to member agencies to shape and mold the purpose and role of the JPA over time while building upon the collaborative framework and relationships established through the transitional CVEC process. As a positive example, the City of Indio and IID have formed a JPA to enable the financing of distribution infrastructure required for new growth and development and achieve associated benefits, such as reliability and redundancy. While this JPA is limited to the purpose of financing infrastructure necessary for new developments, CVEC believes the operational experience gained from the process of forming and operating this JPA can and will be useful for the formation and operation of a JPA for local governance purposes in the greater Coachella Valley.

CVEC has also discussed the formation of a MUD as another alternative. The Municipal Utility District Act, as codified in California Public Utilities Code section 11500, governs MUDs. Under the Act, MUDs are public agencies authorized to provide electrical service, formed by a public vote, and are governed by a publicly elected board of directors. Two MUDs providing public power service in California include the Sacramento Municipal Utility District (SMUD) and the Lassen Municipal Utility District (LMUD). We would note that only an MUD can be formed to cover the greater Coachella Valley portion of the IID energy service area, and not a Public Utility District (PUD) as MUDs are authorized to serve cities and unincorporated areas whereas PUDs may only serve unincorporated areas.

Political representation has long been a theme in the Coachella Valley regarding the electrical service provided by IID. The popular election of the formation of an MUD and the election of directors to an MUD's board provide opportunities for the most direct representation of ratepayers. However, CVEC also acknowledges potential challenges associated with an MUD as an alternative. First, current elected officials (namely city council members) would likely be unable to sit on the MUD board of directors due to



incompatibility of offices. CVEC views the participation of current and future elected council members as valuable to decision-making processes regarding electrical service in the region, and some current elected officials have expressed interest in also serving under a successor governance structure. We also acknowledge that a JPA would provide greater opportunities for tribal inclusion compared to an MUD. A JPA allows flexibility in its membership composition whereas an MUD is limited to a popularly elected board in which Tribal Nations, limited in population, are at a disadvantage to have access to a seat at the table.

After reviewing options 1.D, 2.B – 2.D, CVEC established a consensus that an independently formed JPA option may likely offer optimal outcomes as a governance structure of all the alternatives considered, but that an MUD should also be considered and similarly studied moving forward.

CVEC requests that the final study incorporates recommendations pertinent to financial considerations and variables that may be associated with the JPA and MUD options as the two most feasible and viable options. We also request additional analysis and recommendations related to policies and procedures that should be considered for implementing a JPA and MUD. This should also include, but not limited to, the need for enacting legislation to provide the ability of a county to participate in a JPA structure, and the procedural steps that would be necessary to form an MUD. Additionally, CVEC requests the final study include recommendations for next steps, such as a process and criteria to determine cost-effectiveness and efficient implementation of governance options. Through these recommendations, CVEC can have guided direction to weigh benefits, risks, and rate impacts when determining the preferred governance option that is most appropriate and beneficial to address representation on IID electrical matters for Coachella Valley customers.

In closing, CVEC appreciates your acknowledgement of our efforts in Section 9.5 of your report, and we look forward to using the final study to aid our ongoing discussions and engagements. We appreciate the opportunity to work with your team, the Imperial County and Riverside County LAFCOs, and affected stakeholders throughout this process. If you have any questions, please contact Susie Carrillo at SCarrillo@IID.com or (760) 604-1029, or Emmanuel Martinez at emartinez@cvaq.org or (760) 346-1127.

Sincerely,

Handwritten signature of J.B. Hamby in black ink.

J.B. Hamby
Chairman

Handwritten signature of Joseph Mirelez in black ink.

Joseph Mirelez
Vice Chair

Handwritten signature of Linda Evans in blue ink.

Linda Evans
Vice Chair



cc: Augustine Band of Cahuilla Indians
Cabazon Band of Cahuilla Indians
City of Coachella
City of Indio
City of La Quinta
Coachella Valley Association of Governments
Coachella Valley Water District
County of Imperial
County of Riverside
Cove Communities Services Commission
Imperial Irrigation District Board of Directors
Torres Martinez Desert Cahuilla Indians
Twenty-Nine Palms Band of Mission Indians
Imperial County LAFCO
Riverside County LAFCO