# Alternative Governance and Electrical Services Study – Imperial Irrigation District

*NOVEMBER 30, 2023*

PREPARED FOR:

RIVERSIDE AND IMPERIAL COUNTY LOCAL AGENCY FORMATION COMMISSIONS

# ACKNOWLEDGEMENTS

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# TABLE OF CONTENTS

# LIST OF TABLES



# LIST OF FIGURES

# LIST OF APPENDICES

APPENDIX A - E: PROVIDED UNDER SEPARATE COVER

# LIST OF ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| AB | Assembly Bill |
| Act | Local Government Reorganization Act |
| AD | Assembly Districts |
| APPA | American Public Power Association |
| BCPA | Boulder Canyon Project Act |
| CAISO | California Independent System Operator |
| CCA | Community Choice Aggregators |
| CCSC | Cove Communities Services Commission |
| CEPC | California Electric Power Company |
| CFC | Cooperative Finance Corporation |
| CIP | Capital Improvement Program |
| CFD | Community Finance District |
| Co-op | Electric Cooperative |
| CPUC | California Public Utilities Commission |
| CV | Coachella Valley |
| CVAG | Coachella Valley Association of Governments |
| CVEC | Coachella Valley Energy Commission |
| CVWD | Coachella Valley Water District |
| CWC | California Water Code |
| EPA | Environmental Protection Agency |
| ESP | Electric Service Providers |
| IID | Imperial Irrigation District |
| IOU | Investor-Owned Utility |
| JFA | Joint Financing Authority |
| JPA | Joint Powers Authority |
| LAFCO | Local Agency Formation Commission |
| MW | Megawatts |
| NRECA | National Rural Electric Co-op Association |
| O&M | Operation and Maintenance |
| PFA | Public Financing Authority |
| PUD | Public Utility District |
| REA | Rural Electrification Administration |
| REOZ | Renewable Energy Overlay Zone |
| RUS | Rural Utility Services |
| SB | Senate Bill |

| | |
|---|---|
| SCAG | Southern California Association of Governments |
| Study | Alternative Governance Structures and Alternative Electricity Service Provision Study |
| SWRCB | State Water Resource Control Board |
| WECC | Western Electricity Coordination Council |

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# EXECUTIVE SUMMARY

RIVERSIDE LAFCO

Dopudja & Wells consulting

Imperial LAFCO
LOCAL AGENCY FORMATION COMMISSION

**The following effort was developed in accordance with the Riverside and Imperial Local Agency Formation Commissions special studies contract for the development of an "Alternative Governance Structures and Alternative Electricity Service Provisions: Imperial Irrigation District", sponsored by the California State Water Resources Control Board, Study Grant Agreement No. D2118003**

## ES.1 Introduction

Imperial Irrigation District (IID) was established in 1911 pursuant to the Irrigation District Law (California Water Code sections 20500 et. Seq.). Over the years, the district has expanded its services to become the primary electricity provider for Imperial County, as well as portions of Riverside and San Diego counties. The jurisdictional boundary, or legal boundary for IID encompasses all Imperial County. The District also provides electricity service to areas outside of their jurisdictional boundary to customers in the cities of Indio, Coachella, La Quinta, and portions of Palm Desert, Rancho Mirage, Indian Wells and several communities in unincorporated areas of the Coachella Valley, located in Riverside County.


Since 1943, IID has been providing electricity service to areas outside of its jurisdictional boundary. Today, IID is responsible for an annual operating budget of approximately $520 million, managing and operating over 1.2 gigawatts (GW) of energy generation facilities and power purchases, 20 megawatts (MW) of energy storage facilities, 1,800 miles of energy transmission lines, over 125 substations, and approximately 6,150 miles of distribution lines across a 6,800 square mile service territory.

**$520 M**
ANNUAL OPERATING BUDGET

**1.2 GW**
OF ENERGY GENERATION FACILITIES

**20 MW**
OF ENERGY STORAGE FACILITIES

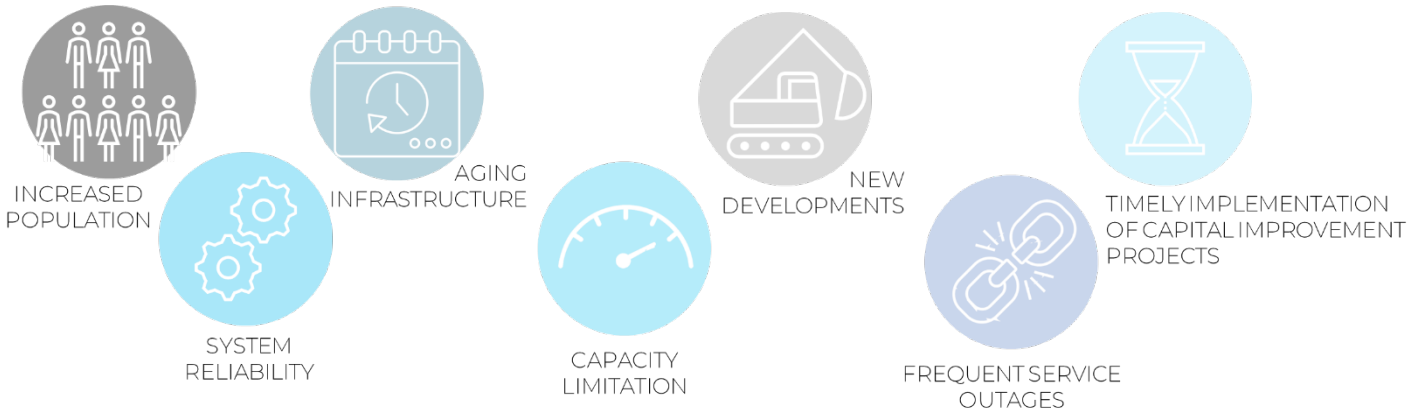
**1,800**
MILES OF ENERGY TRANSMISSION LINES

**125**
SUBSTATIONS

**6,150**
MILES OF DISTRIBUTION LINES ACROSS A 6,800 SQUARE MILE SERVICE TERRITORY

IID's Board of Directors is comprised of five officials who are elected by registered voters from geographic divisions within the district's jurisdiction boundary, which is limited to Imperial County. Since the IID's jurisdictional boundary does not extend into Riverside County, Riverside County registered voters are ineligible to serve on IID's Board of Directors, nor are they eligible to vote in IID elections. Over the years, conditions have changed, and the electrical service requirements have evolved for IID's Coachella Valley electrical service territory.

## *TOP CONCERNS FOR COACHELLA VALLEY STAKEHOLDERS*




Increasing population, system reliability, aging infrastructure, capacity limitations, new development, frequent service outages, and questions regarding timely implementation of capital improvements are among the top concerns and has driven the desire for Coachella Valley stakeholders to obtain representation on IID's Board to provide oversight on electrical service provisions for Coachella Valley customers.

Today, the Coachella Valley service territory of IID represents over

**60%**

of IID's rate-paying population

With the expiration of Section 17, Lease of Power Rights, of the 1934 Agreement of Compromise nearing, local officials have begun to weigh options and discuss the outlook of electricity service and ability for the Coachella Valley to obtain local control and representation on electrical service matters. Regardless of the conditions set in the 1934 Agreement of Compromise, Coachella Valley residents can decide if they would like IID to continue service or explore an alternative service and governance structure.

## ES.2 Study Objective

The scope of the Study is to evaluate potential alternative electrical service governance structures for stakeholders' consideration, specifically concerning IID's extended electrical service territory in the Coachella Valley. The Study provides an analysis of alternative options for future governance, including proportional representation of Riverside County electricity customers being served by IID and options for future electrical service provision by alternative utility structures, in the case residents in the Coachella Valley decide to discontinue electricity service with IID.

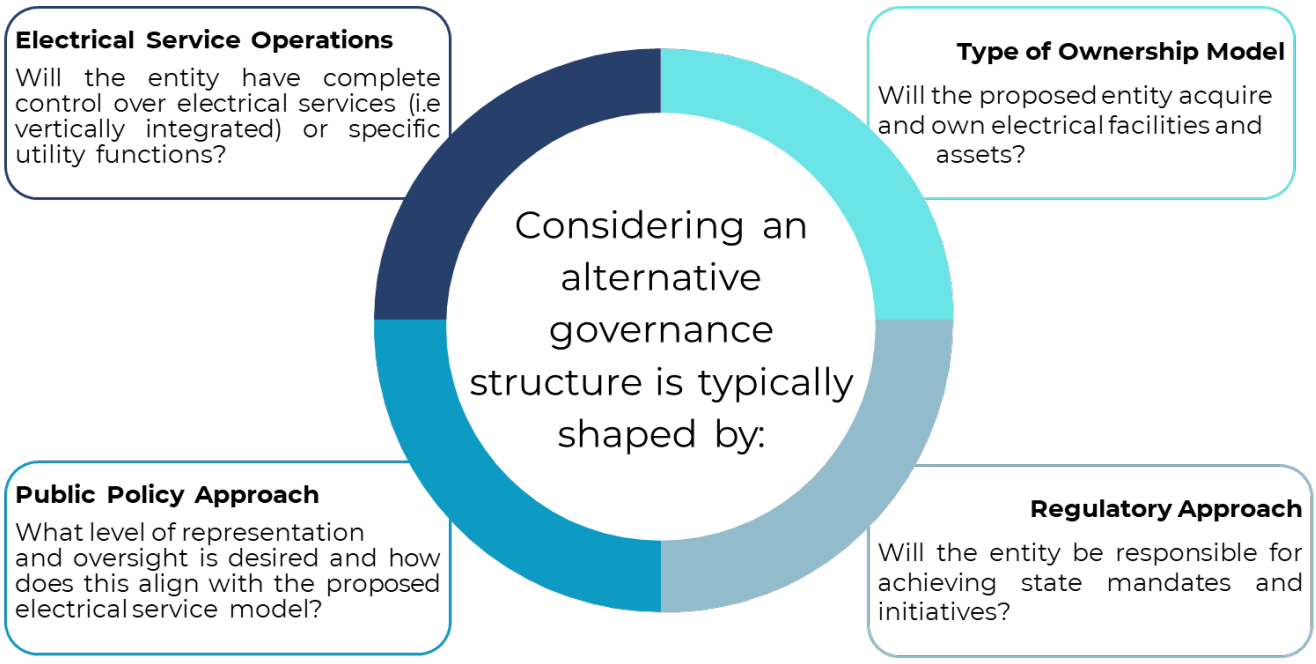
# Goal and Objective

The Study is to review the current conditions relative to the electricity service provisions provided by IID and address the following requirements:

01 Options for providing continued publicly and/or independent system operator owned and managed electrical service in perpetuity to Imperial Irrigation District electrical service area customers both prior to and after, the expiration of the 99-year lease for power rights made between the Imperial Irrigation District and the Coachella Valley Water District in 1934.

02 Options for alternative governance structures that would extend voting rights to registered voters residing within the Imperial Irrigation District's electrical service area, allowing for proportional representation on a governing board that will have primary jurisdiction on all electrical service matters. Any findings will not affect the water service area boundaries or water rights management, which remain the sole responsibility of IID's current board of directors.

The Study focuses on identifying a variety of utility ownership and governance structures that policy makers and stakeholders can consider when evaluating the current IID electricity service structure and provisions for the Coachella Valley service territory. To ensure maximum benefit in both service territories, the Study established foundational objectives to aid in the review and consideration of alternative options.



## ES.3 Study Approach and Methodology

The Study is based on an extensive review of background documents, including IID's 2018 Integrated Resources Plan, Service Area Plan, and material presented at the Coachella Valley Energy Commission (CVEC). The primary source of information for the development of the Study and alternative options was obtained through discussions conducted with key stakeholders as part of the study's outreach effort.

Over the course of developing the Study, extensive stakeholder outreach was conducted and included individual discussions with IID staff, CVWD, Cities within the Coachella Valley, Tribal Nations, Riverside and Imperial Counties, and a general session with over ten different local government and special interest groups. Additional information about key stakeholders who played a vital role in the development of the evaluation criteria can be found in Section 3, which established foundational objectives that provide insight to how well each alternative option performs against the status quo and align with local interests. This approach defined criteria based on stakeholder input and provides for a locally derived set of criteria that can be used to evaluate and compare alternative options. More information on foundational objectives can be found in Section 6.

Several attempts over the years, including AB 854 introduced in 2019, have been unsuccessful in providing representation for Coachella Valley customers. In attempt to address this, the Study will:

- Identify practical alternatives to enable stakeholders to further develop and advance implementation.
- Determine foundational differences between service and governance structure options.
- Highlight the interaction between the level of utility responsibility (operating and managing electrical services) and the corresponding degree of representation, i.e., the degree of representation would be equivalent to the amount of control and market risk of the proposed utility.
- Assess each alternative option against criteria that has been established by local stakeholders.

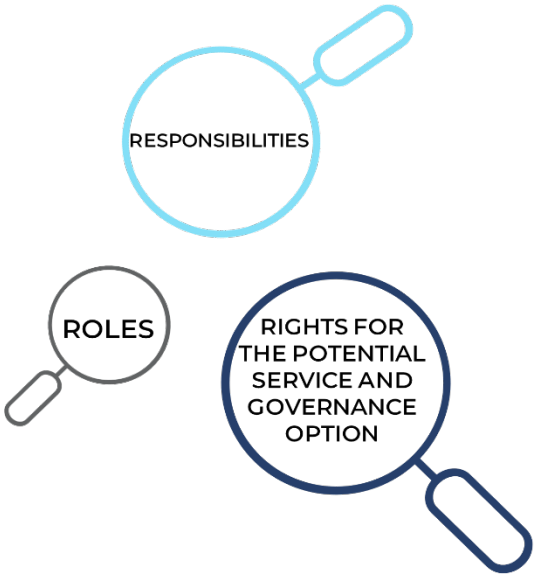
After stakeholders determine the appropriate service and governance approach, the next task is to determine roles, responsibilities, and rights for the alternative option under consideration.

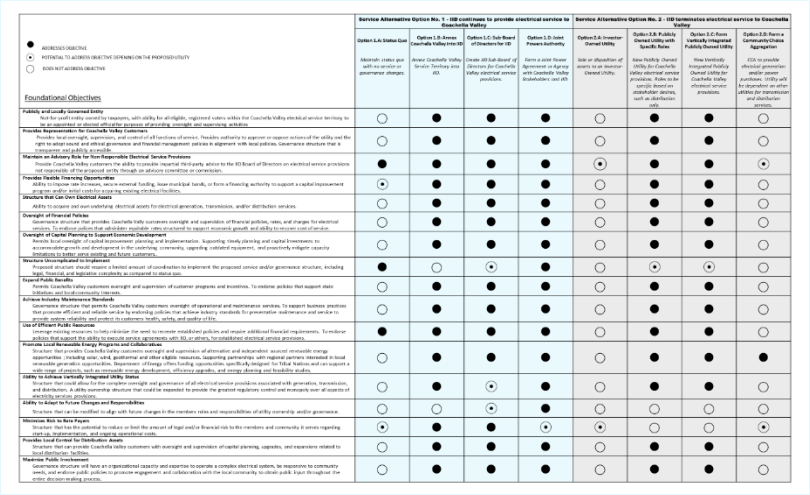
> The scope of this Study is limited to only identifying alternative service and governance structures for the Coachella Valley service territory.

## ES.4 Summary of Findings

Section 7 presents the findings of this Study. The conclusion as to whether IID should continue to serve as the electrical service provider for the Coachella Valley territory depends on the analysis of how well the proposed alternative options match the appropriate scale and ambitions within the service territory, stakeholder needs, and potential to improve the status quo.

To determine which alternative option best suits the needs of the Coachella Valley, stakeholders must first identify the desired roles, responsibilities, and rights for the potential service and governance option. Since existing regulations and underlying objectives within the service territory may vary, stakeholders could likely have differing perspectives on which option is more suitable for implementation. Therefore, it is critical for stakeholders in the Coachella Valley to identify the foundational objectives that are common and core, regardless of the alternative option under consideration. Based on the findings, there are several alternative service and governance options that support many of the foundational objectives.



| Foundational Objectives | Service Alternative Option No. 1 - IID continues to provide electrical service to Coachella Valley | | | | Service Alternative Option No. 2 - IID terminates electrical service to Coachella Valley | | | |
|---|---|---|---|---|---|---|---|---|
| | Option 1.A: Status Quo | Option 1.B: Annex Coachella Valley into IID | Option 1.C: Sub-Board of Directors for IID | Option 1.D: Joint Powers Authority | Option 2.A: Investor Owned Utility | Option 2.B: Publicly Owned Utility with Specific Roles | Option 2.C: Form Vertically Integrated Publicly Owned Utility | Option 2.D: Form a Community Choice Aggregator |
| Publicly and Locally Governed Entity | ○ | ● | ● | ● | ○ | ● | ● | ○ |
| Provide Representation for Coachella Valley Customers | ○ | ● | ● | ● | ○ | ● | ● | ○ |
| Maintain an Advisory Role for Non-Responsible Electrical Service Provisions | ● | ● | ● | ● | ◉ | ● | ● | ◉ |
| Provides Flexible Financing Opportunities | ◉ | ● | ● | ● | ○ | ● | ● | ○ |
| Structure that Can Own Electrical Assets | ○ | ● | ● | ● | ○ | ● | ● | ○ |
| Oversight of Financial Policies | ○ | ● | ● | ● | ○ | ● | ● | ○ |
| Oversight of Capital Planning to Support Economic Development | ○ | ● | ● | ● | ○ | ● | ● | ○ |
| Structure Uncomplicated to Implement | ● | ○ | ◉ | ● | ○ | ◉ | ◉ | ○ |
| Expand Customer Programs | ○ | ● | ● | ● | ○ | ● | ● | ○ |
| Achieve Industry Maintenance Standards | ○ | ● | ● | ● | ○ | ● | ● | ○ |
| Use of Efficient Public Resources | ● | ● | ● | ● | ○ | ● | ● | ○ |
| Promote Local Renewable Energy Programs and Collaboratives | ○ | ● | ● | ● | ○ | ● | ● | ● |
| Ability to Achieve Vertically Integrated Utility Status | ○ | ● | ◉ | ● | ○ | ● | ● | ○ |
| Ability to Adapt to Future Changes and Responsibilities | ○ | ○ | ◉ | ● | ○ | ○ | ○ | ○ |
| Minimize Risk to Rate Payers | ◉ | ● | ● | ◉ | ◉ | ○ | ○ | ◉ |
| Provides Local Control for Distribution Assets | ○ | ● | ● | ● | ○ | ● | ● | ○ |
| Maximize Public Involvement | ○ | ● | ● | ● | ○ | ● | ● | ○ |

The alternative options evaluation matrix is presented in Figure 7-1 and provides an overview of how each of the proposed alternative options supports the foundational objectives. The foundational objectives were derived from stakeholder feedback and used to evaluate the performance of each alternative option against status quo. Ranking of the alternative options was performed by determining the extent each of the seventeen foundational objectives are addressed. Those alternatives which addressed the most foundational objectives were then prioritized as the top recommendations, providing the greatest alignment with local priorities and identified for further consideration.

*TOP TWO ALTERNATIVE OPTIONS WITH THE HIGHEST RANKING INCLUDED:*

## Option 1.D
JOINT POWERS AUTHORITY

## Option 2.B
FORM A NEW PUBLICLY OWNED UTILITY

Based on the two highest ranked alternative options, the following foundational objectives were identified as the most important among the stakeholders when considering further evaluation of each proposed option:

- A Governance Structure Uncomplicated to Implement
- Ability to Achieve Vertically Integrated Utility Status
- Ability to Adapt to Future Changes and Responsibilities

If the desire among Coachella Valley stakeholders is to pursue an alternative option that is uncomplicated, efficient to implement, flexible and adaptable going forward, ***then Option 1.D should be further developed and pursued as it addressed these objectives the greatest and maximizes alignment with local priorities.*** It should be noted that alternative options are not exclusive and therefore, a combination of options can be pursued, i.e. forming a Joint Powers Authority (JPA) with individual members, IID, and potentially a new publicly owned utility; or establishing a JPA and forming a Community Choice Aggregator (CCA).

At the conclusion of the study's outreach effort, it was uncertain what Coachella Valley stakeholders desire regarding service responsibilities and, therefore, stakeholders must continue to collaborate to identify and determine their local and regional priorities prior to concluding which alternative option, or options to pursue. To assist, Section 7 provides a summary of suggested next steps, key determinations, and policies that stakeholders should address prior to concluding which alternative governance and service option to pursue. A summary of actions is also provided in Section 7, Table 7-4.

Based on the required actions to form and implement each of the highest ranked alternatives, Option 1.D: Joint Powers Authority, is validated as being the easiest alternative option to pursue and most cost-effective at this time. Based on feedback received from Coachella Valley stakeholders, cost-effectiveness has been initially defined as:

- Established Criteria for Defining a Cost- Effective Alternative: Consists of an alternative option that would create a financing mechanism that is equitable, allows for increased system reliability and capacity to sustain economic growth and development without *incurring* excessive inherent risk associated with operating and managing electrical services.

JPA's can be formed under two different arrangements:

- Public agencies to contract to jointly exercise common powers,
- Public agencies to form a separate legal entity.

The ultimate type of JPA arrangement will be dependent on Coachella Valley's desire to secure electricity service responsibility. Initially, parties can implement a JPA with IID in an arrangement similar to the Indio-IID JPA (with exception, by having additional conditions specific to greater oversight by Coachella Valley members), then potentially expanded by forming a CCA to secure local control over generation and power procurement, then further expanded by increasing service responsibilities and territory by establishing a publicly owned utility, with or without IID electricity provisions for the Coachella Valley. This alternative option provides maximum flexibility and allows members to establish different degrees of local control based on each party's ambition to pursue an alternative electrical service and governance structure.

# SECTION 1

# ROLE OF THE LOCAL AGENCY FORMATION COMMISSION

RIVERSIDE LAFCO

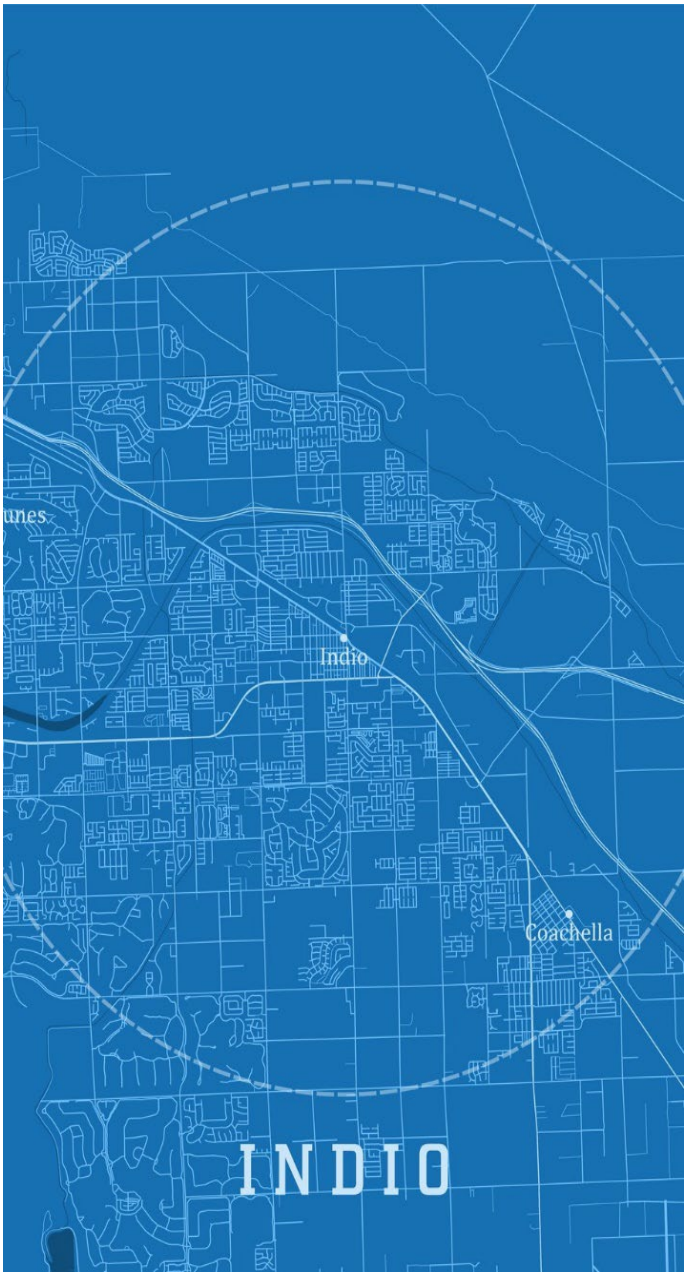
Dopudja & Wells consulting

Imperial LAFCO
LOCAL AGENCY FORMATION COMMISSION

# ROLE OF THE LOCAL AGENCY FORMATION COMMISSION

The Riverside County Local Agency Formation Commission (Riverside LAFCO) and the Imperial County Local Agency Formation Commission (Imperial LAFCO) are jointly referred to as the Riverside and Imperial LAFCOs throughout this document. The Riverside and Imperial LAFCOs are responsible for conducting periodic reviews of public service providers per to the Cortese- Knox-Hertzberg Local Government Reorganization Act of 2000 (Act). Under the Act, each LAFCO is required to initiate and make studies of existing governmental agencies, including, but not limited to, studies to determine each local agency's maximum service area and service capacities.

In September 2021, Assembly Bill 1021 (AB 1021, Mayes. Imperial Irrigation District) was introduced and ultimately vetoed. However, because state funding was included as part of 2021 Budget Act, the study referenced in AB 1021 was allowed to proceed. Thus, the study parameters included in AB 1021 established the scope and basis of evaluation for the proposed study. In response, the Riverside and Imperial LAFCO's were selected to conduct and publish a joint study regarding options for providing continued publicly owned and managed electrical service to the Imperial Irrigation District's electrical service area. Further, this joint study is to evaluate existing electrical service provisions, and to evaluate alternative governance structures that would provide for proportional representation on a governing board with primary jurisdiction over electrical service matters for IID electricity customers located in the Coachella Valley. In response to this requirement, the Riverside and Imperial LAFCOs initiated the preparation of an "Alternative Governance Structures and Alternative Electricity Service Provision" study (Study).



The Riverside and Imperial LAFCOs are responsible for providing notice and distributing materials relating to this Study; interested parties can find more information at the respective LAFCO websites. Public hearings will be held during review process and prior to the release of the final Study, and the public review period will allow all stakeholders, the Riverside and Imperial LAFCOs, and the general public to review and provide comments on the Public Draft Study. The public review period commenced March 31, 2023, and extended to October 15, 2023. A total of 13 comment letters were received and are summarized below and included in Appendix D.

- August 3, 2023: Electric Ratepayer Alliance
- August 8, 2023: Coachella Valley Water District
- August 23, 2023: Coachella Valley Energy Commission
- August 30, 2023: Imperial Irrigation District
- August 30, 2023: City of La Quinta
- August 30, 2023: County of Riverside
- October 3, 2023: Leadership Counsel for Justice and Accountability
- October 5, 2023: City of Indio
- October 12, 2023: City of Coachella
- October 13, 2023: Coachella Valley Energy Commission
- October 13, 2023: Twenty-Nine Palms Band of Mission Indians
- October 15, 2023: County of Riverside Customer
- October 15, 2023: County of Riverside Customer

# SECTION 2

# OVERVIEW OF THE ELECTRICAL SERVICE FOR THE COACHELLA VALLEY

RIVERSIDE LAFCO

Dopudja & Wells consulting

Imperial LAFCO
LOCAL AGENCY FORMATION COMMISSION

# OVERVIEW OF ELECTRICAL SERVICE FOR THE COACHELLA VALLEY

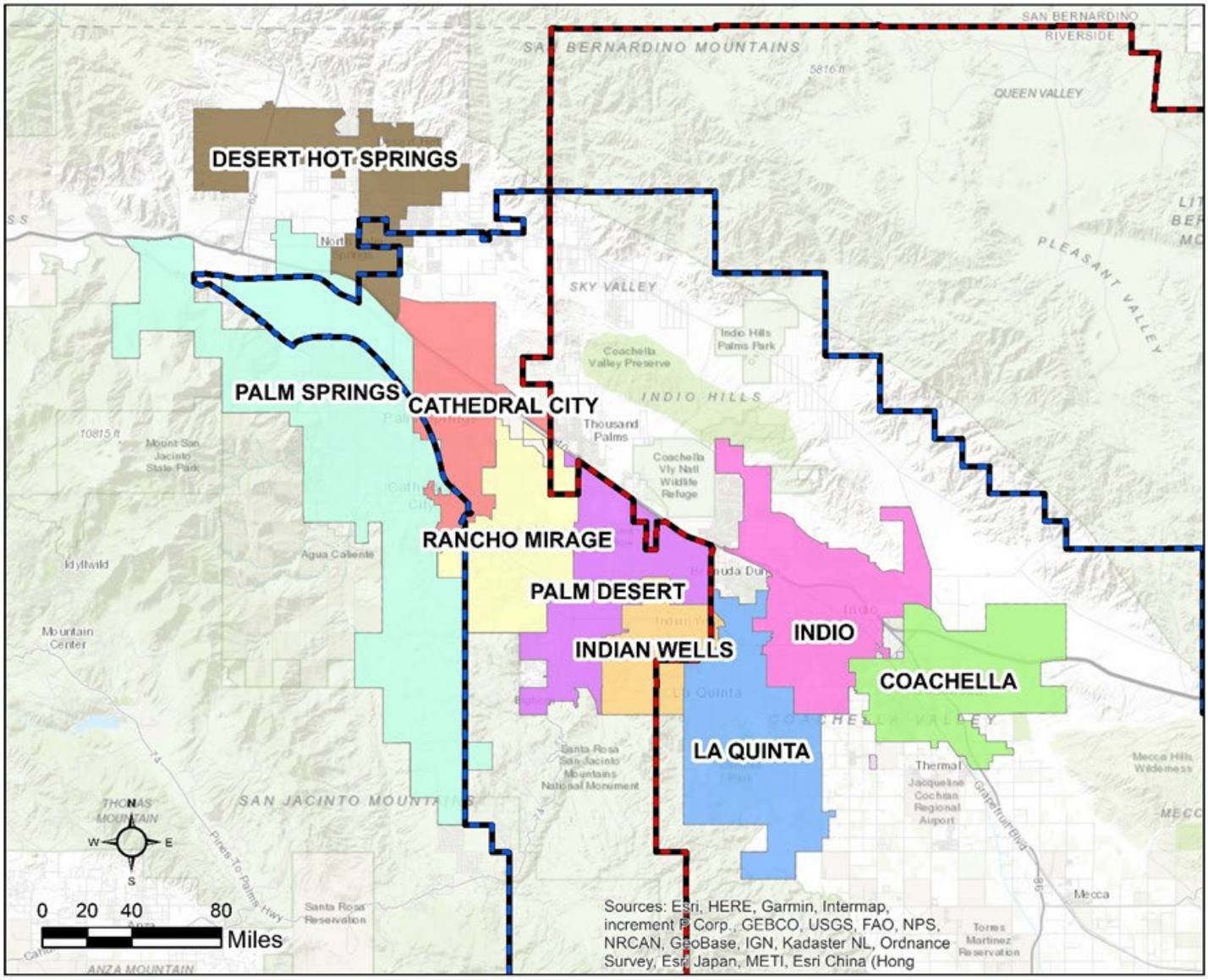
Coachella Valley, situated in the Colorado Desert of California, spans from the Salton Sea to Riverside County in the northwest. It extends southeast from the San Gorgonio Pass to the northern shoreline of the Salton Sea, encompassing portions of Imperial County. It is bounded by the San Bernardino and Little San Bernardino Mountains on the northeast, and by the San Jacinto and Santa Rosa Mountains on the southwest. Within Coachella Valley, there are nine incorporated cities and several unincorporated communities. According to the 2020 Census, the total population in Coachella Valley was 370,135 individuals. The population is summarized by incorporated area in Table 2-1. An overview of cities located in the Coachella Valley and incorporated areas is presented on Figure 2-1.

TABLE 2-1 – INCORPORATED CITIES IN COACHELLA VALLEY AND CITY POPULATIONS

| City | Population (2020 Census) |
|---|---|
| Indio | 89,137 |
| La Quinta | 37,558 |
| Coachella | 41,941 |
| Rancho Mirage | 16,999 |
| Indian Wells | 5,463 |
| Palm Desert | 51,163 |
| Palm Springs1 | 44,575 |
| Desert Hot Springs1 | 32,512 |
| Cathedral City1 | 51,493 |

Notes:
(1) Located in Coachella Valley, but not within IID's extended electrical service territory.

*FIGURE 2-1 – INCORPORATED CITIES WITHIN COACHELLA VALLEY*




**Symbology**

- CVWD Service Boundary
- ElectricServiceArea

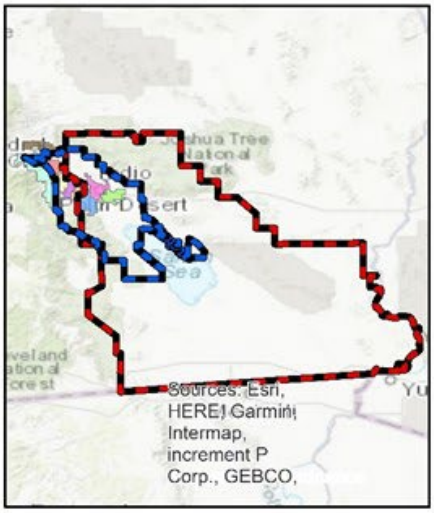
**Coachella Valley Cities and Populations**

- INDIO, 89137
- LA QUINTA, 37558
- COACHELLA, 41941
- RANCHO MIRAGE, 16999
- INDIAN WELLS, 5463
- CATHEDRAL CITY, 51493
- PALM DESERT, 51163
- DESERT HOT SPRINGS, 32512
- PALM SPRINGS, 44575

Data Source:
City, CVWD, and IID Electric Service boundaries provided by Riverside LAFCO.

Population data from 2020 US Census Data.

Disclaimer: This is NOT an official map. Dopudja and Wells Consulting does not guarantee the accuracy of data in this map. Any errors or omissions shall not be considered the responsibility of Dopudja and Wells Consulting.



The Coachella Valley is also home to several unincorporated areas and towns including Cabazon, Bermuda Dunes, and Thousand Palms, which are located in the east end of the valley. The northern part of the valley includes Indio Hills, Sky Valley, North Palm Springs, and Garnet. In the southeast, there are Thermal, Vista Santa Rosa, Oasis, and Mecca. The native Cahuilla tribe is represented in the area by the Cabazon Band of Mission Indians, Twentynine Palms Band of Mission Indians, Augustine Band of Cahuilla Indians, and the Torres-Martinez Band of Cahuilla Indians, all of whom have reservations in the region.

The portion of IID's service territory in the Coachella Valley encompasses customers in several cities, as well as a number of communities located in unincorporated areas of Riverside County, also including Salton Sea, North Shores, Chiriaco Summit, and Joshua Tree National Park. A summary of communities located in Riverside County that receive electrical service from IID is provided in Table 2-2 below.


TABLE 2-2 –SUMMARY OF RIVERSIDE COMMUNITIES AND COMMUNITY STATUS

| Riverside County Communities that Receive Electricity Service from IID | Community Status |
|---|---|
| City of Indio | Incorporated City |
| City of La Quinta | Incorporated City |
| City of Coachella | Incorporated City |
| City of Rancho Mirage | Incorporated City |
| City of Indian Wells | Incorporated City |
| City of Palm Desert | Incorporated City |
| City of Desert Hot Springs | Incorporated City |
| Indio Hills District Community | CDP/ Unincorporated[1] |
| Mecca District Community | CDP/ Unincorporated[1] |
| Sky Valley District Community | CDP/ Unincorporated[1] |
| Thermal District Community | CDP/ Unincorporated[1] |
| Thousand Palms District Community | CDP/ Unincorporated[1] |
| Bermuda Dunes District Community | CDP/ Unincorporated[1] |
| Cabazon Band of Mission Indians | Indian Reservation |
| Augustine Band of Cahuilla Indians | Indian Reservation |
| Torres-Martinez Band of Cahuilla Indians | Indian Reservation |
| Twentynine Palms Band of Mission Indians | Indian Reservation |

**Note:**
**CDPs are a statistical geography representing closely settled, unincorporated communities that are locally recognized and identified by name. The purpose of CDPs is to provide meaningful statistics for well-known, unincorporated communities.**

## 2.1 History of IID's Extended Service Territory

IID was established in 1911 pursuant to the Irrigation District Law (California Water Code sections 20500 et seq.). Throughout the 1920's, the source of power to Imperial County was approximately 400 miles away at hydroelectric installations in Northern California. Due to the long distance from power sources and high line losses, the district faced high electric rates which made it less competitive compared to other areas in California. In response, IID investigated the potential for developing hydroelectric power.

In 1928, the U.S. Congress enacted the Boulder Canyon Project Act (BCPA), which authorized the construction of a dam on the Colorado River to control the river and preserve its waters. The Act also authorized the creation of the Hoover Dam and the construction of the All- American Canal, a canal system that would deliver Colorado River water to the Imperial and Coachella Valley areas. During this time, both the IID and the Coachella Valley Water District (CVWD) – described in more detail in the section that follows, were separately negotiating independent contracts with the United States for the construction of the canal and repayment of costs to bring water to the region. The BCPA was primarily related to water issues, but also allowed for the Department of Interior to contract for hydroelectric power generation opportunities on the canal.

The United States recognized the potential for hydroelectric power and that it could be used as a way to repay canal construction costs. Realizing the potential, the United States granted all hydroelectric generation opportunities on the canals to IID and CVWD, in exchange for a repayment agreement that would provide "net proceeds" received from power operations to the United States for the repayment of construction costs.

Anticipating that hydroelectric power generated from the All-American Canal would allow for power rates considerably lower than the current competitors, in 1936 the IID entered the electric power business for Imperial County during the construction of the All- American Canal and later expanded their service territory by purchasing electrical facility assets in the Coachella Valley from the California Electric Power Company (CEPC) in 1943.

The California Public Utilities Commission (CPUC) approved an adjustment to the service boundary between IID and CEPC as part of the acquisition. Today, this area is known as IID's "District Coachella Service Territory". The areas serviced under service boundary agreement include the cities of Indio, Coachella, La Quinta, and portions of Palm Desert, Rancho Mirage, Indian Wells, and several communities in unincorporated areas in the Coachella Valley, located in Riverside County. Today, approximately 60 percent of IID's electricity customers reside outside of IID's jurisdictional boundary and are located in the Coachella Valley service territory. Furthermore, growth in this area of Riverside County continues to outpace Imperial County. A map of IID's electrical service territory is shown on Figure 2-2.

## 2.2 Average Electricity Rate Comparison by Utility Type

To establish a baseline electric rate for comparison, the following section compares average IID residential electricity rates to neighboring utilities. Rates are provided for IID, an Investor-owned Utility, and a Municipally Owned Utility. As shown, IID electricity rates for residential service are competitive and additional information on can be found on IID's website (www.iid.com/energy/rates-regulations/rates).

Based on a February 2023 billing, the average electric residential service cost is approximately $0.1715 per Kilowatt-Hour and includes the following components:

- Customer Charge (Schedule D) = $9.60 per month fixed charge
- Energy Cost Adjustment-Nonrenewable (Schedule ECA) = $0.0383 per Kilowatt-Hour
    - Based on the previous 12 months of actual costs
- Energy Cost Adjustment-Renewable (Schedule ECA- R) = $0.0019 per Kilowatt-Hour
    - Based on the previous 12 months of actual costs
- Public Benefit Charge (Schedule PBC) = 2.85% surcharge based on total monthly charge
- California Energy Surcharge = $0.00030 per Kilowatt- Hour

The following provides a residential rate comparison based on 2020 average rates and charges for various energy providers and utility structures.

- Imperial Irrigation District: $0.1616 per Kilowatt-Hour
- Investor-Owned Utility (Southern California Edison): $0.2513 per Kilowatt-Hour
- Municipal Owned Utility (Riverside Public Utilities): $0.1695 per Kilowatt-Hour

## 2.3 Agreement of Compromise and Hydroelectric Generation

To facilitate the construction of the All-American Canal and the repayment of construction costs, both IID and CVWD negotiated independent contracts with the United States. In 1932, the IID and the United States executed a contract for the construction of the canal. The agreement granted IID exclusive rights to all power generation opportunities created on the canal system, not reserved by the United States. The agreement also required the CVWD service territory to annex into IID, or the United States would forgo the development and construction of the canal system to the Coachella Valley area. However, CVWD contested the requirement by the United States and initiated a series of negotiations to finalize the contract. Eventually, the United States mandated that the parties resolve their differences to avoid impeding the construction and repayment of the proposed canal system.

On February 14, 1934, the IID and CVWD resolved their differences and signed an Agreement of Compromise, allowing the project to move forward and to execute separate contracts with the United States.

On October 15, 1934, CVWD executed a contract with the United States for the construction of the Coachella branch with similar conditions included in IID's contract for the All- American Canal.

### 2.3.1 Parties to the Agreement

Signed in 1934, the Agreement of Compromise was executed to ratify the allocation of water priorities between the IID (also referred as Imperial District) and CVWD (also referred as Coachella District). The agreement stipulated that CVWD would lease its power generation opportunities to IID for a period of 99 years, ending on December 31, 2033, in exchange for certain conditions as specified in the agreement.

### 2.3.2 Agreement Outline

This section provides an outline of the Sections related to power and electricity service under the 1934 Agreement of Compromise. Sections 14 and 17 establish the conditions under the agreement and delineates the Lease of Power Rights. In Section 15 of the agreement, the water rights settlement is explicitly defined, resolving the parties' disputes about the use of Colorado River water. An outline of Section 14 and 15 is as follows:

Priority Rights:

- Imperial Irrigation District has the first right for irrigation and potable use in the Imperial Service Area, as defined by the boundaries constituted on June 23, 1931. Applies to waters from the All-American Canal in Imperial and Coachella Valleys.
- Coachella Valley County Water District has the next right for irrigation and potable use in the Coachella Service Area, as defined by Exhibits B, C, D, and E in the 1934 Compromise. This applies to waters from the same canal and is subject to Imperial Irrigation District's prior rights.

Secondary Use for Power Generation:

- Water can be used for generating electricity, but this use is secondary to irrigation and potable needs of the two districts.

Boundary Changes:

- Districts can change service area boundaries with Interior Secretary's consent, but changes are limited to the addition or subtraction of 5000 acres without the other district's consent.

Revenue and Service Restrictions:

- Coachella District: Cannot share revenues from services outside the agreement. Also, cannot provide services near Pilot Knob.

Section 17 of the agreement establishes a lease agreement between Coachella District and Imperial District regarding power rights. Key points include:

Commencement and Termination:

- The lease starts from the date of execution and ends on January 1, 2033, or the longest period permitted by law.

Exclusive Rights:

- Imperial District gains entire and exclusive operation, management, development, and control of all power rights, including the use, sale, and control of power produced from these rights.

Rental Payments:

- Imperial District pays Coachella District eight percent of the net proceeds from the power rights annually. These payments are credited to the Coachella Contract until obligations are met, after which Imperial District pays Coachella District directly.

Conditions for Rentals:

- Rentals are due only when capacity for Coachella District down to Pilot Knob is ensured.

Termination:

- The lease terminates if Coachella District is relieved of obligations as per Section 14 or if Imperial District defaults on rental payments for two years.

Segregation and Adjustment:

- Upon termination, the rights and privileges of the parties will be segregated and/or adjusted equitably based on their respective investments and legal and equitable rights. (In the case that the parties cannot agree upon such segregations, then a board consisting of 5 members – one selected by Imperial District, one selected by Coachella District, and 3 selected by the Secretary of the Interior shall arbitrate).

Interest on Overdue Payments:

- Overdue rentals accrue interest until paid.

Inspection Rights:

- Coachella District has the right to inspect Imperial District's power facilities and access related records.

Assignment and Subletting:

- Imperial District cannot assign or sublet its interest without Coachella District's written consent.

Section 18 outlines the obligations related to power contracts. Imperial District, upon executing the lease as described in Section 17 and being ready to construct facilities for electrical energy (power) in Coachella Valley, must notify Coachella District in writing. Upon receiving this notice, Coachella District is obligated to obtain contracts or applications for power signed by consumers, amounting to at least eighty percent of the power load then consumed in the Coachella Service Area. These contracts or applications must be secured within six months after the notice from Imperial District.

Section 19 outlines power supply rights and terms to the Coachella District for project purposes. Key points include:

Power Supply to Coachella District:

- Imperial District will furnish power to Coachella District for its project purposes within the Coachella Service Area at rates not exceeding the cost of power delivered in Coachella Valley, plus fifteen percent. These rates should not be higher than those charged by Imperial District to itself for similar uses, accounting for the difference in power transmission costs between Imperial and Coachella Valleys.

Power Supply to Consumers within Coachella District:

- Power will be supplied to consumers within Coachella District (other than Coachella District itself for project purposes) at rates not exceeding those charged by Imperial District for similar service within its own district. These rates should also account for the difference in power transmission costs between Imperial and Coachella Valleys. Rates charged to consumers will not exceed seventy-five percent of the rates paid for similar services by individual consumers in Coachella District on January 1, 1934, adjusted for the purchasing power of the dollar on that date.
- Imperial District will further reduce rates to consumers to match competitive rates offered by other public utilities, authorized by relevant regulatory authorities. However, Imperial District is not obliged to charge rates that yield less than the cost of service.

A copy of the 1934 Agreement of Compromise is provided in Appendix B.

### 2.3.3 Summary of Conditions

The 1934 Agreement of Compromise provided that the CVWD would lease their power rights over the term of the agreement to IID, providing IID the exclusive right to operate, manage, develop, and control the use, sale, and generation of electricity as related to the All- American Canal. Below is a summary of conditions included as part of the agreement.

- Stipulated the term of the agreement to be 99 years, through December 31, 2033.
- Allowed IID to lease CVWD's power right opportunities along the canal over the term of the agreement.

- Authorized CVWD to execute an independent contract with the United States for the All-American Canal without being annexed by IID.
- Gave IID priority Colorado River rights over CVWD.
- Provided IID the ability to sell electricity in CVWD's territory.
- Restricted CVWD's ability to compete in power sales with IID.
- Called for IID to serve power in the Coachella Valley for 99 years and to administer electric rates no greater than those charged by IID to Imperial County customers.
- Required CVWD to provide signed contracts representing 80 percent of CVWD's water customers to IID.
- Granted IID control of all power opportunities along the All-American Canal.
- Required IID to pay eight percent of "net proceeds" annually from its power system to CVWD to settle water right disputes and combine and coordinate power rights for benefit of both service territories.

## 2.4 Imperial Irrigation District Energy Division

The IID headquarters is in the City of Imperial, 120 miles east of San Diego and directly to the north of the United States and Mexico International border in Imperial County. IID is a public entity formed pursuant [JP1] to the Irrigation District Law (California Water Code sections 20500 et. Seq.) and is responsible for providing irrigation water and energy services to customers within its district boundaries and, through service contracts, to customers outside of its district boundaries.

After discovering the potential from hydroelectric generation along the All-American Canal, IID entered the power industry in 1936. Today, IID serves electricity to more than 150,000 customers in Imperial County, as well as parts of Riverside and San Diego counties. Initially, IID's power customers were served electricity from a diesel generation plant in Brawley. Shortly after, with the purchase of the CEPC in 1943, IID expanded its electrical service area to include the Coachella Valley.

Today, IID manages an annual electric operating budget of approximately $520 million and operates over 1.2 gigawatts of energy generation facilities and power purchases, 20 megawatts (MW) of energy storage facilities, 1,800 miles of energy transmission lines, over 125 Substations, and approximately 6,150 miles of distribution lines across a 6,800 square mile service territory.

A summary of IID's operating budget for their energy division is provided in Table 2-3. IID is not a member of the California Independent System Operator (CAISO). As a separate Balancing Authority, it must be self-sufficient in providing reliable energy services under extreme events and is regulated by the Western Electricity Coordination Council (WECC). Below is an overview of the types of generation facilities constructed and managed by IID to deliver electricity to their customers.

- All-American Canal Hydroelectric Generation: 32 MW
- Palo Verde Nuclear Generating Station: 14 MW
- USBR Parker Davis Project: 32.6 MW Yucca Steam Plant: 70 MW
- IID Thermal Generation Plants: over 592 MW
- Power Purchases: approximately 460 MW

According to the 2018 Energy Integrated Resources Plan, electricity usage, or demand for IID's service territory in 2018 was recorded as 1,125 megawatts. Based on IID's latest projections, electricity usage is expected to increase by approximately 25 percent by 2035, with peak demand estimated to reach 1,395 megawatts. These estimates account for planned energy conservation programs and services that IID intends to implement, which will reduce the total demand required from generation facilities and power purchase contracts.

IID currently serves approximately 159,000 residential, commercial, and industrial customers. Of this, about 61,900 customers, or 39 percent, reside within IID's current jurisdictional boundary. ***The remaining customers, approximately 97,100 customers, or 61 percent, reside in the Coachella Valley, outside of IID's legal jurisdictional boundary and their political divisions for IID Board of Director elections.*** Population projections prepared by IID and the Southern California Association of Governments (SCAG) indicate that growth in the Coachella Valley service territory is expected to outpace population growth in Imperial County. Details regarding estimated service area population projections can be found in IID's 2020 Service Area Plan (Section III.B, Table G-4).

TABLE 2-3 – IMPERIAL IRRIGATION DISTRICT ENERGY DIVISION BUDGET SUMMARY BY MAJOR CATEGORY

| IID Energy Division | 2022 Projected Actual | 2023 Budget | 2024 Budget |
|---|---|---|---|
| **REVENUE AND FUNDING** | | | |
| Residential | $300,393,800 | $310,940,200 | $312,089,900 |
| Agricultural | $11,222,500 | $11,650,900 | $11,701,400 |
| Commercial | $217,301,200 | $225,438,000 | $226,352,700 |
| Industrial | $3,157,200 | $3,279,100 | $3,332,900 |
| Lights | $2,486,500 | $2,566,400 | $2,582,900 |
| Public Authorities | $10,065,500 | $10,430,700 | $10,466,500 |
| Interdepartmental | $2,587,500 | $2,599,600 | $2,599,600 |
| Public Benefit Charge | $15,658,000 | $16,158,700 | $16,222,000 |
| Interest Income | $(2,971,703) | $3,000,000 | $3,500,000 |
| Public Benefit Fund | $2,852,900 | $2,615,100 | $2,615,100 |
| Capital Contributions | $18,867,800 | $91,603,600 | $54,023,900 |
| Capital Loans | $8,357,103 | $9,893,700 | $32,184,200 |
| Cert. Of Participation Proceeds | $0 | $44,386,800 | $71,661,600 |
| Other Income | $49,345,600 | $40,894,000 | $46,261,500 |
| **Total Revenue and Funding** | **$639,323,900** | **$775,456,800** | **$795,594,200** |

TABLE 2-3 – IMPERIAL IRRIGATION DISTRICT ENERGY DIVISION BUDGET SUMMARY BY MAJOR CATEGORY

| IID Energy Division | 2022 Projected Actual | 2023 Budget | 2024 Budget |
|---|---|---|---|
| **EXPENDITURES** | | | |
| Purchased Energy | $334,689,300 | $339,668,400 | $338,837,900 |
| Operations and Maintenance | $148,086,000 | $165,778,100 | $168,409,600 |
| General and Administration | $19,315,300 | $19,639,400 | $20,021,200 |
| Energy Capital Projects | $81,925,855 | $181,859,200 | $171,595,600 |
| Support Services Capital Projects | $16,677,445 | $26,966,200 | $49,454,100 |
| Transmission Rate Credits | $1,600,000 | $1,873,200 | $1,800,000 |
| Other Operating Expenses | $(3,600,000) | $(2,600,000) | $(3,900,000) |
| Debt Service | $40,630,000 | $42,272,300 | $49,375,800 |
| **Total Expenditures** | **$639,323,900** | **$775,456,800** | **$795,594,200** |

Notes:

1. Imperial Irrigation District 2023 Budget Plan, November 1, 2022.
2. Public Benefit Charge is based on 2.85% surcharge per Schedule PBC

*IID's Mission Statement*

*The Imperial Irrigation District is a fiscally responsible public agency whose mission is to provide reliable, efficient, and affordably priced water and energy service to the communities it serves.*

*Vision Statement*

*The Imperial Irrigation District will protect the Imperial Valley's water rights and energy balancing authority, deliver the highest level of customer service and maintain system reliability for the sustained benefit of the regional economy, the environment and the communities it serves in a fiscally responsible manner.*

### 2.4.1 Governance Structure

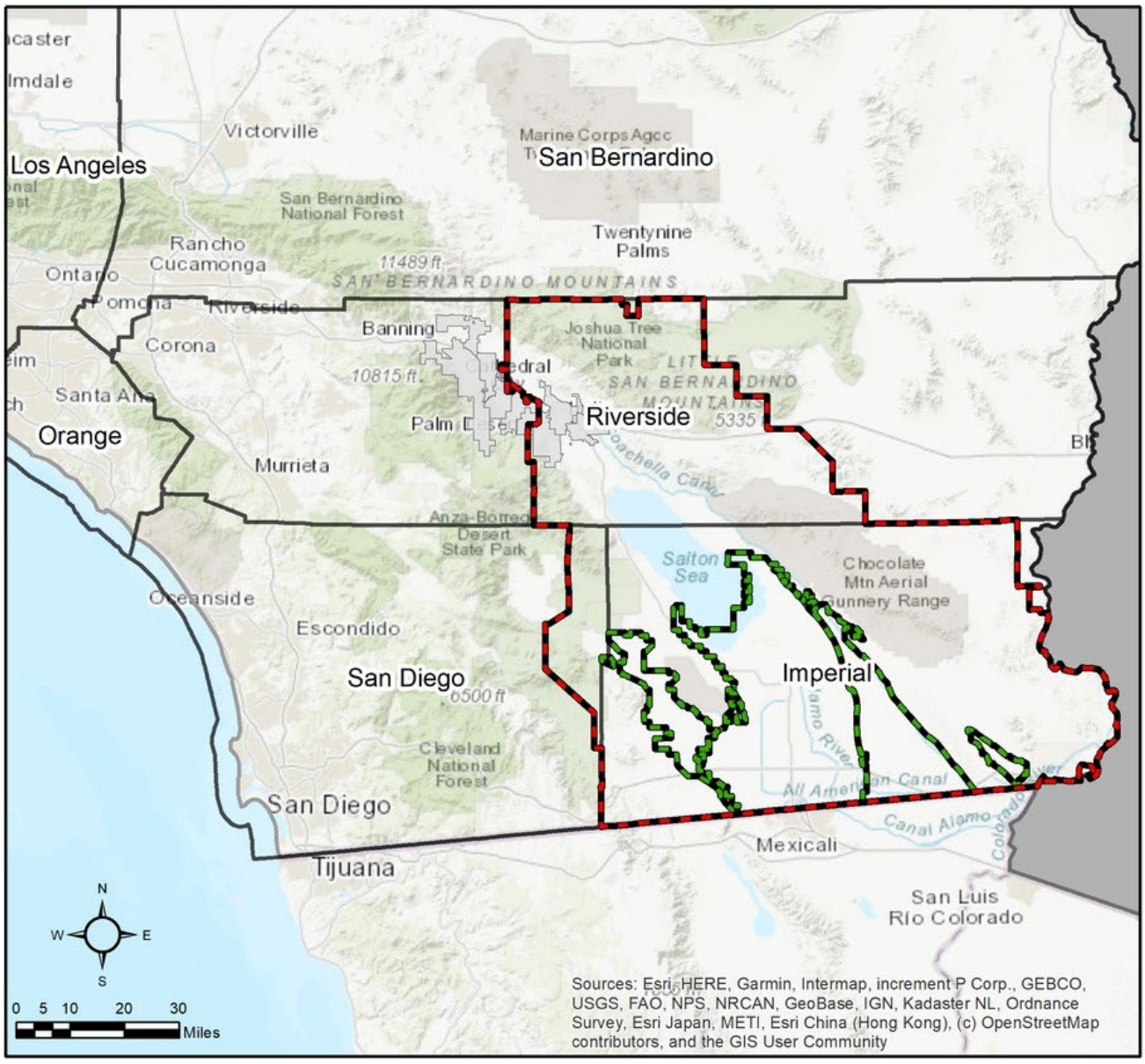
IID is governed by an elected five-member Board of Directors, who are responsible for overseeing the district's operations, policies, and finances. The members of the Board are elected by registered voters from the geographic divisions in which they reside with a general manager appointed by the Board to manage the day- to-day operations. All the district political divisions are located within Imperial County, but not coterminous with Imperial County. Customers in the Coachella Valley are currently unable to participate in IID Board elections.

The IID has two primary operational departments, the Water Department and the Energy Department. Each department is overseen by the general manager's Executive Office and supported by four service departments: General Services, Information Technology, Finance and Human Resources. The IID Board of Directors is apprised and supported by the Executive Department, including Administration Services, which handles matters related to government affairs, real estate, and risk management.

### 2.4.2 Jurisdictional Boundary and Extended Service Territory

IID's jurisdictional boundary was amended by the BCPA of 1928 and the BCPA Agreement of 1932. Their jurisdictional boundary, also known as legal boundary, is entirely contained in the Imperial County. In 1943, IID executed a purchase and sales agreement with CEPC. After the sales agreement was approved by the CPUC, IID provided energy service to areas outside of its legal boundary and into Riverside and San Diego counties. IID's jurisdictional boundary and extended electrical service territory is presented in Figure 2-2.

*FIGURE 2-2 – IID JURISDICTIONAL BOUNDARY AND EXTENDED ELECTRIC SERVICE TERRITORY*




**Symbology**

- IID Electric Service Territory
- IID Jurisdictional Boundary
- County Boundary
- Coachella Valley Cities

Data Source:
CVWD and IID Electric Service boundary provided by Riverside and Imperial LAFCOs.

County lines from California Open Data Portal. Last updated 9/10/2019

Disclaimer: This is NOT an official map. Dopudja and Wells Consulting does not guarantee the accuracy of data in this map. Any errors or omissions shall not be considered the responsibility of Dopudja and Wells Consulting.

# SECTION 3
# ENERGY SERVICE STAKEHOLDERS

RIVERSIDE LAFCO

Dopudja & Wells consulting

Imperial LAFCO
LOCAL AGENCY FORMATION COMMISSION

# ENERGY SERVICE STAKEHOLDERS

This section will introduce key stakeholders involved in the development of the Study. Although there were additional stakeholders involved as part of the Study's outreach, the following stakeholders were identified by the Riverside and Imperial County LAFCOs and are members of the Coachella Valley Energy Commission (CVEC). Feedback and supplemental materials provided by stakeholders during outreach is further described in Section 6.1. This includes responses to the Study's electrical service questionnaire and input received during the individual stakeholder discussions.

The CVEC was created by IID in response to Assembly Bill 1021. The Commission is tasked with providing immediate and diverse local representation by Coachella Valley stakeholders in IID's extended electrical service territory. The Commission is tasked with developing a long-term strategic plan for continued energy service to the Coachella Valley following the 2033 expiration of the 99-year lease of power rights between the CVWD and IID.

## 3.1 Coachella Valley Water District

Established under the provisions of the California Water Code, Coachella Valley Water District (CVWD), previously known as Coachella Valley County Water District, was organized in 1918 as a County Water District. The district's jurisdiction now spans approximately 640,000 acres, primarily located in Riverside County, but also encompassing areas in northernly Imperial and northeastern San Diego Counties.

CVWD has evolved into a multi-faceted agency that delivers irrigation and domestic water, collects and recycles wastewater, provides regional storm water protection, replenishes the groundwater basin and promotes water conservation. CVWD does not provide electrical operations or service to its customers. CVWD is a County Water District and does not have legal authority to provide electricity.

CVWD's primary fields of service include:

- Domestic/drinking water treatment and distribution
- Irrigation water importation and distribution
- Wastewater collection and treatment
- Recycled water distribution
- Groundwater management
- Regional stormwater and flood protection

Prior to 1943, the CEPC served as the primary electrical service provider for the Coachella Valley. Subsequently, CVWD entered into a partnership with IID to assume the responsibility of providing electrical services to the region, while acknowledging the advantages of securing hydroelectric power. According

to the conditions of the 1934 Agreement of Compromise, CVWD is restricted from competing with IID on electrical service operations and sales through December 31, 2033. Although CVWD participates, the district is not a member of the CVEC.

CVWD Mission Statement

*To meet the water-related needs of the people through dedicated employees, providing high quality water at a reasonable cost.*

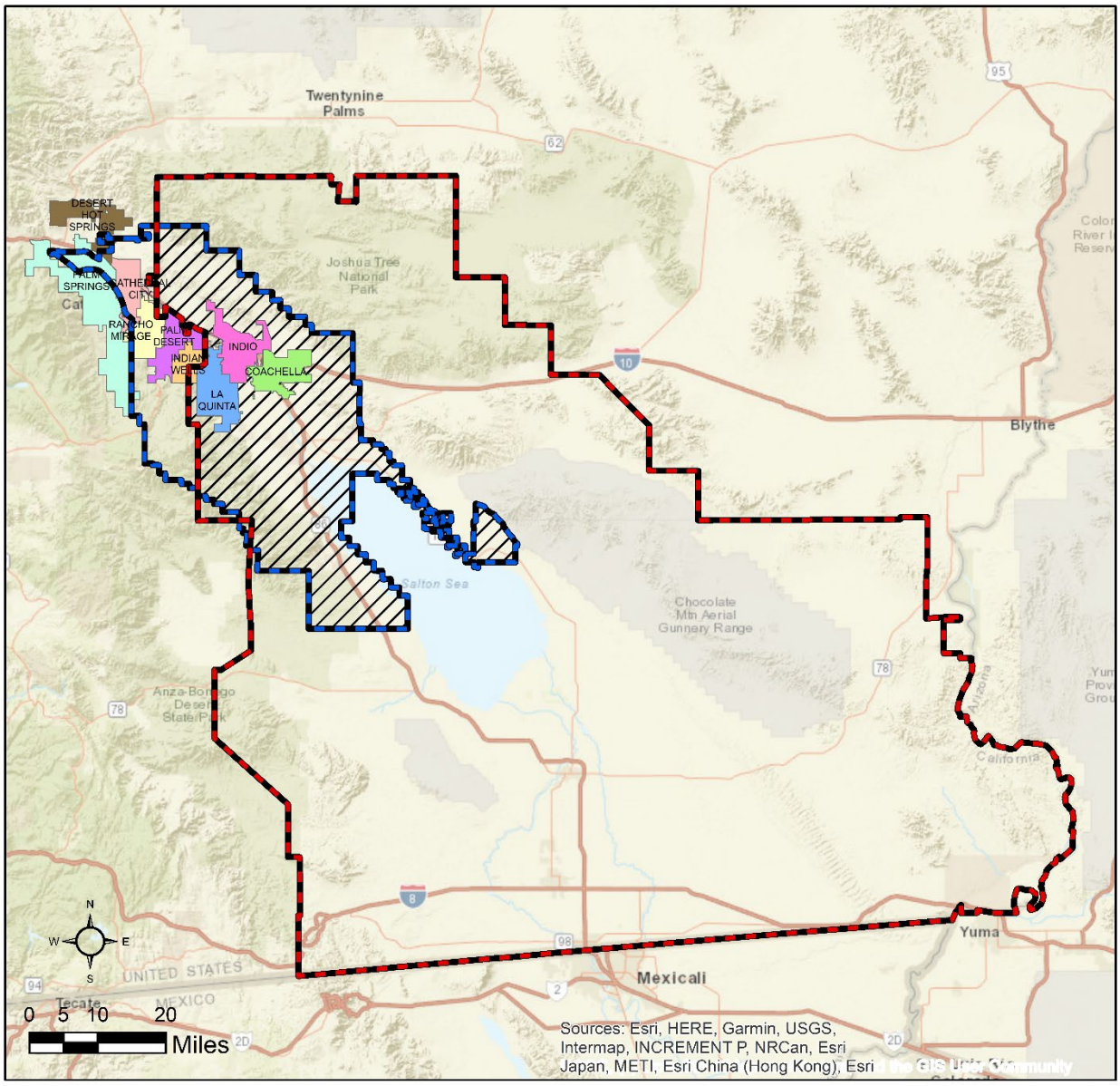
### 3.1.1 Governance

CVWD is a special district established by the state legislature and certified by the State on January 16, 1918. CVWD is governed by a five-member Board of Directors elected to 4-year terms by district voters. Each director represents one of five divisions of the district and are elected at-large by all voters. CVWD policies are regulated by several state and federal agencies, including the State Water Resources Control Board, California Department of Public Health, and the California and United States Environmental Protection Agencies. Because the District is a government agency and not a private company, it is not regulated by the Public Utilities Commission.

### 3.1.2 Jurisdictional Boundary

CVWDs jurisdictional boundary encompasses the Coachella Valley and extends into Imperial County, southeast from the San Bernardino Mountains to the Salton Sea. The CVWD jurisdictional boundary and corresponding service area is shown in Figure 3-1.

*FIGURE 3-1 – COACHELLA VALLEY WATER DISTRICT JURISDICTIONAL BOUNDARY*




**Symbology**

**Coachella Valley City**

- INDIO
- LA QUINTA
- COACHELLA
- RANCHO MIRAGE
- INDIAN WELLS
- CATHEDRAL CITY
- PALM DESERT
- DESERT HOT SPRINGS
- PALM SPRINGS

- IID Electric Service Boundary
- CVWD Service Boundary
- Intersected Area

Data Source:
City, CVWD, and IID Electric Service boundaries provided by Riverside and Imperial LAFCOs.

Disclaimer: This is NOT an official map. Dopudja and Wells Consulting does not guarantee the accuracy of data in this map. Any errors or omissions shall not be considered the responsibility of Dopudja and Wells Consulting.

## 3.2 City of La Quinta

The City of La Quinta, situated in Riverside County, is a growing, premier desert resort destination recognized for its exceptional golf resorts. The governing body of the city, the La Quinta City Council, comprises five members and is led by Mayor Linda Evans. Mayor Evans is currently serving her third term in the position. The La Quinta City Council is responsible for formulating and implementing city legislation and policy-making. The City Council is responsible for appointment of the City Manager and the City Attorney. It serves as the Board of Directors for the Financing Authority. In addition, the Council serves as the legislative authority for the La Quinta Lighting and Landscaping District.

The City of La Quinta is the southern most city in the Coachella Valley. The city is bordered by the City of Indian Wells on the northwest and by the City of Indio on the northeast. It is surrounded by the Santa Rosa mountain range on all other sides. The location of the City of La Quinta within IID's electrical service boundary and their sphere of influence is shown in Figure 3-2. A sphere of influence is a planning boundary outside of an agency's legal boundary (such as the city limit line) that designates the agency's probable future boundary and service area. The estimated population, as of 2021, is 38,000 and the city is a member of the CVEC.

## 3.3 City of Indio

The City of Indio, situated in Riverside County, is the largest and fastest growing city in Coachella Valley best known for several large music festivals. The city was originally founded as a railroad outpost but transitioned into a agricultural hub and is now the sole producer of dates in the United States, yielding 41.4 million pounds of dates each year.

The governing body of the city includes an elected City Council and City Manager, consisting of five elected members and a Council appointed City Manager. Each year, a new Mayor is selected by the Council, currently the Council is led by Mayor Oscar Ortiz.

The Indio City Council is responsible for formulating and implementing city legislation, policy-making, and overseeing the City Budget. The City Council is the legislative body for the City, Public Financing Authority and Redevelopment Agency.

The City of Indio is located on the eastern side of Coachella Valley, bordered by the city of La Quinta on the southwest and the city of Coachella on the southeast. The location of the City of Indio within IID's electrical service boundary and their sphere of influence is shown in Figure 3-2. A sphere of influence is a planning boundary outside of an agency's legal boundary (such as the city limit line) that designates the agency's

probable future boundary and service area. The estimated population, as of 2021, is 90,000 and the city is a member of the CVEC.

## 3.4 City of Coachella

The City of Coachella, situated in Riverside County, was first settled by J.L. Rector in 1989 when he came to the area to establish a mesquite terminal. Additional settlement in the area began after he and his brother L.B Rector tapped into an artesian water well in 1900.

The governing body of the city includes an elected City Council and City Manager, consisting of five elected members and a Council appointed City Manager. All five members of the City Council are elected by the residents, with general Council Members serving four-year terms and the mayor serving two-year terms. Currently the Council is led by Mayor Steve Hernandez. The Coachella City Council is responsible for formulating and implementing city legislation, conducting public hearings, analyzing public issues, and managing city finances as well as general city operations.

The City of Coachella is located on the most southeastern edge of Coachella Valley. The location of the City of Coachella within IID's electrical service boundary and their sphere of influence is shown in Figure 3-2.

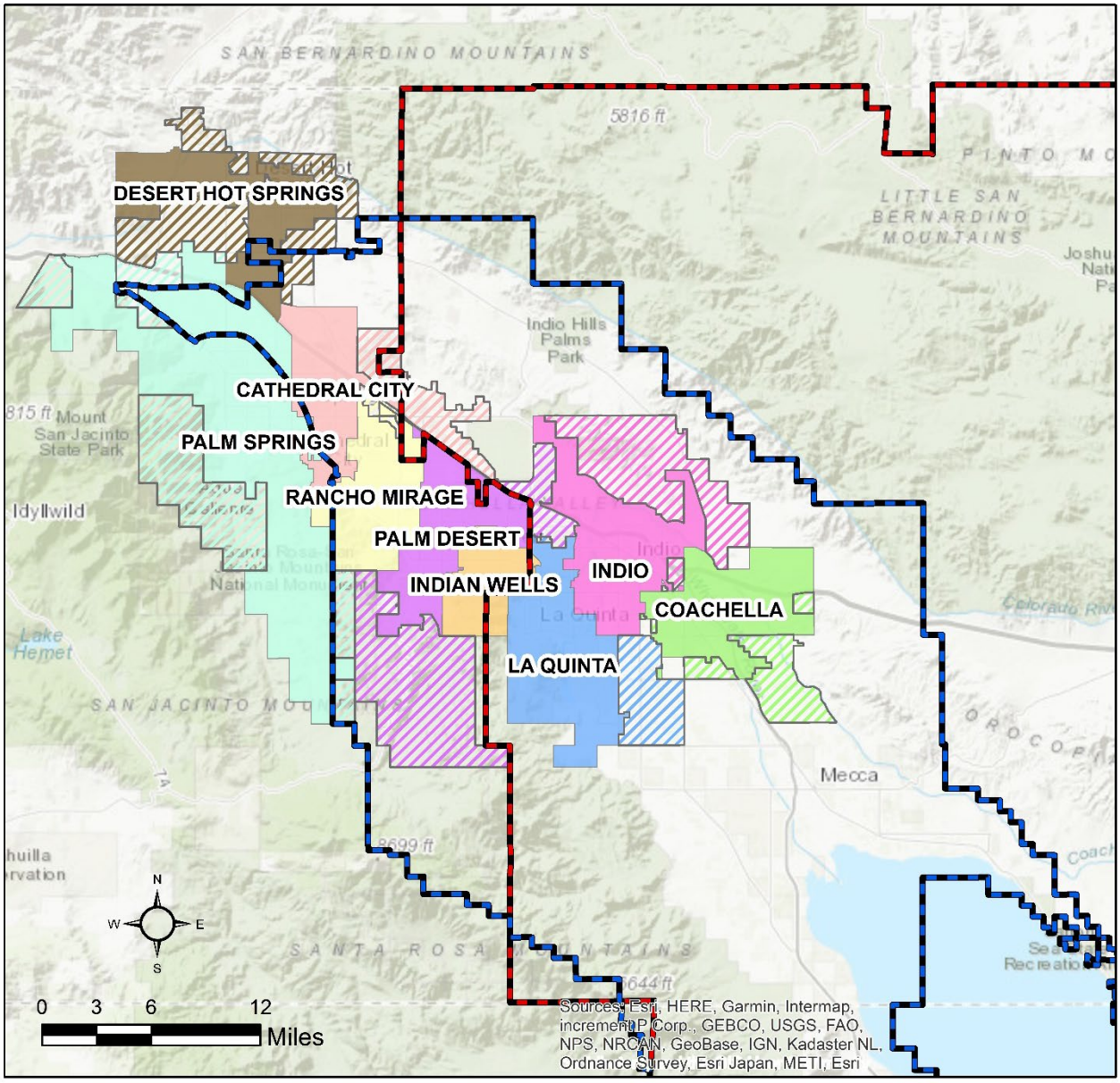
A sphere of influence is a planning boundary outside of an agency's legal boundary (such as the city limit line) that designates the agency's probable future boundary and service area. The estimated population, as of 2021, is 43,000 and the city is a member of the CVEC.

## 3.5 Cove Communities Services Commission

The Cove Communities Services Commission (CCSC) was established by City of Rancho Mirage, the City of Palm Desert and the City of Indian Wells to provide coordinated fire, police, and paramedic services. The Commission, comprised of six elected council members, two from each city, holds quarterly meetings. Hosting and administrative duties are annually rotated among the cities. Although each city now individually contracts for public safety services, the CCSC are actively engaged in regional programs and initiatives that affect all three cities.

The estimated population for the cities included under the CCSC, as of 2021, is approximately 74,500 and the CCSC is a member of the CVEC. Individual city population projections can be found in Table 2-1.

*FIGURE 3-2 – COACHELLA VALLEY CITIES AND SPHERE OF INFLUEN*




**Symbology**

IID Electric Service Area

CVWD Service Boundary

| Coachella Valley Cities | CV SOI |
|---|---|
| INDIO | INDIO |
| LA QUINTA | LA QUINTA |
| COACHELLA | COACHELLA |
| RANCHO MIRAGE | RANCHO MIRAGE |
| INDIAN WELLS | CATHEDRAL CITY |
| CATHEDRAL CITY | PALM DESERT |
| PALM DESERT | DESERT HOT SPRINGS |
| DESERT HOT SPRINGS | PALM SPRINGS |
| PALM SPRINGS | |

Data Source:
City, City SOI, CVWD, and IID Electric Service boundaries provided by Riverside and Imperial LAFCOs.

Disclaimer: This is NOT an official map. Dopudja and Wells Consulting does not guarantee the accuracy of data in this map. Any errors or omissions shall not be considered the responsibility of Dopudja and Wells Consulting.

## 3.6 County of Riverside

Riverside County was formed in 1893 from parts of San Bernardino and San Diego Counties. These two territorial components comprise over 7,300 square miles. Its early years were tied to agriculture, but other industries soon took hold and contributed to the county's rapid growth. The governing body of the County is the Board of Supervisors. There are five separate districts based on population and other factors within the county. The Board of Supervisors is the governing body of the County, certain special districts and the Housing Authority. The Board enacts ordinances and resolutions, adopts the annual budget, approves contracts, appropriates funds, determines land use zoning for the unincorporated areas, as well as appoints certain County officers and members of various boards and commissions.

Riverside County is located north of San Diego and Imperial Counites and south of San Bernardino County. Riverside County's eastern neighbor is the State of Arizona, and its western neighbor is Orange County. The estimated population, as of 2021, is 2.5 million, making Riverside the fourth largest county in California by population. This population estimate is for the entire County, which extends beyond the boundary of the IID Coachella Valley electrical service territory. Individual population estimates for the cities located in Riverside County, which receive electrical service from IID are shown in Table 2-1. The County of Riverside is a member of the CVEC.

### 3.6.1 State Assembly Representation

Riverside County is represented by six Assembly Districts (AD), AD 36, AD 47, AD 58, AD 60, AD 63, and AD 71. The two AD's of interest for this study are AD 36 and AD 47. Eduardo Garcia (D) is the current Assembly member of AD 36, representing Riverside County cities, Imperial County communities, and San Bernardino communities. He is the chair of the Water, Parks, and Wildlife Committee and serves on several other committees such as Appropriations, Communications and Conveyance, and Utilities and Energy.

Greg Wallis (R) is the current Assembly member of AD 47, representing Riverside County cities, including the City of La Quinta. He assumed office in December 2022 and is currently serving his first term as Assemblyman.

### 3.6.2 District Supervisor

The Riverside County Board of Supervisors consists of five separate districts. The district which oversees the Study area is the Fourth District. The Fourth District is the largest district in Riverside County by area. The Fourth District covers the eastern two-thirds of the County including the cities of Blythe, Cathedral City, Coachella, Desert Hot Springs, Indian Wells, Indio, La Quinta,

Palm Desert, Palm Springs and Rancho Mirage. The current supervisor for the Fourth District is Supervisor V. Manuel Perez.

The Fourth District also includes several district communities, each with its own distinct assets and issues. Ten of these communities are sufficiently large and active that the Board of Supervisors has established a Community Council to advise the Board of a wide variety of concerns that arise within the community. While they are strictly advisory in nature, the voice of the councils is heard by both the Board and other important entities such as the County Planning Commission. The Fourth District includes Bermuda Dunes, Desert Edge, Indio Hills, Mecca-North Shore, Sky Valley, Thermal-Oasis, Thousand Palms, and Vista Santa Rosa district communities.

## 3.7 County of Imperial

Imperial County encompasses seven cities and eight unincorporated communities across 4,284 square miles. It was established in 1907 from portions of San Diego County. The county has a strong agricultural heritage, producing half of the nation's winter vegetables and abundant renewable resources such as geothermal, wind, and solar. It also offers various recreational activities including the Imperial Sand Dunes Recreation Area, the Sonny Bono Salton Sea National Wildlife Refuge, and frequent community events.

Although geographically ninth largest county in California, Imperial County is the smallest of the nine counties in Southern California based on population estimates.

The governing body of the County is the Board of Supervisors. The Board of Supervisors is the governing body of the County, certain special districts and the Housing Authority. The Board enacts ordinances and resolutions, adopts the annual budget, approves contracts, appropriates funds, determines land use zoning for the unincorporated areas, as well as appoints certain County officers and members to various boards and commissions.

Imperial County is underway with establishing and implementing a renewable energy overlay zone. These are areas where the County's General Plan is encouraging renewable energy development. The renewable energy overlay zone is concentrated in areas that the County has determined to be the most suitable for developing renewable energy facilities while minimizing the impact to other established uses. The overlay zones cover approximately 201,000 acres and can accommodate a range of technologies. Figure 3-3 provides an overview of the proposed renewable energy overlay zone.

Imperial County is located on the most southeastern border of California. Imperial County's northern neighbor is Riverside County, its Western neighbor is San Diego County, its Eastern neighbor

is the State of Arizona, and its southern neighbor is Mexico. The estimated population, as of 2021, is 180,000 and the majority of this area is within IID's jurisdictional boundary. The County of Imperial is a member of the CVEC.

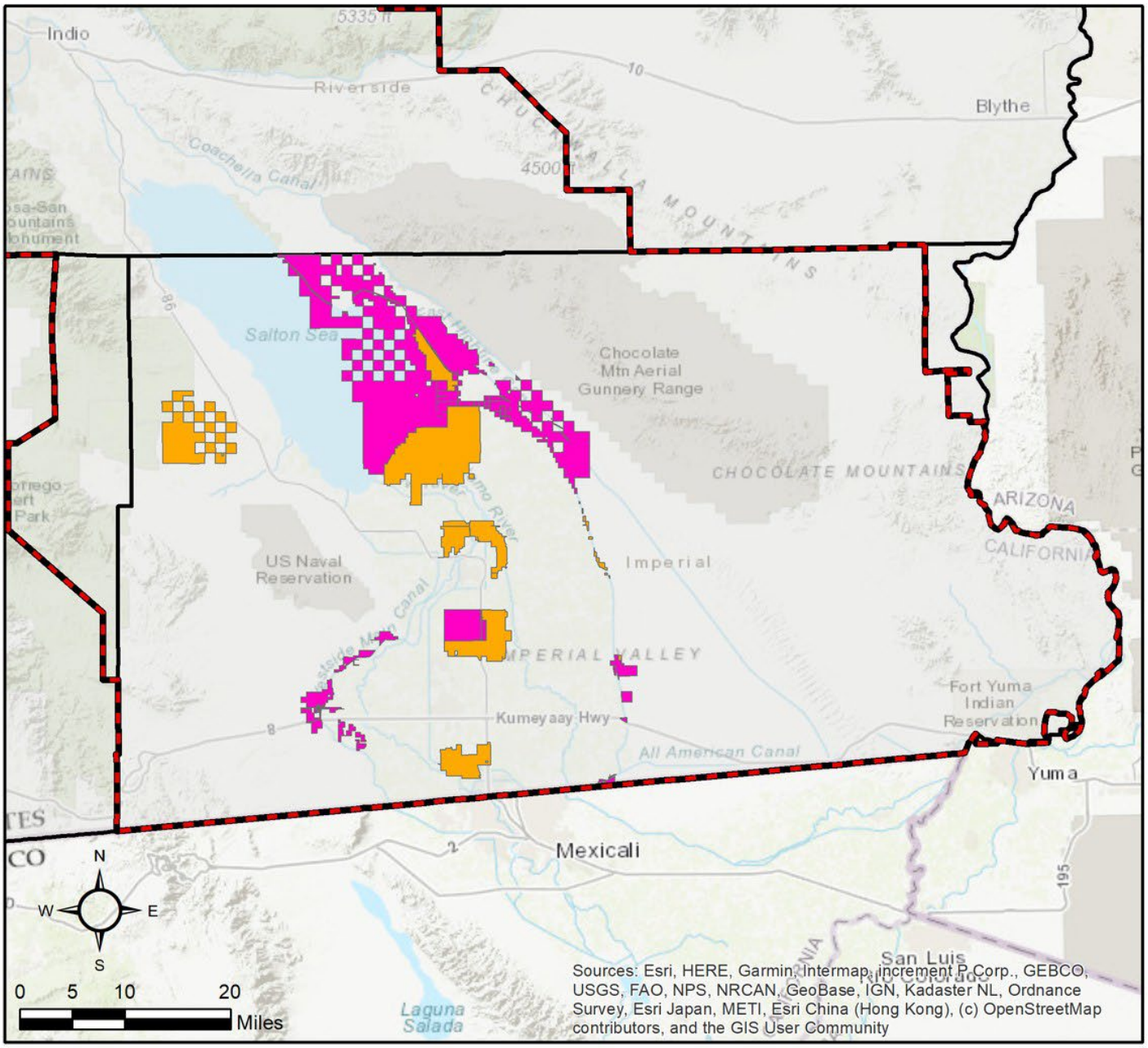
### 3.7.1 State Assembly Representation

Imperial County is represented by AD 36. Eduardo Garcia (D) is the current Assembly member of AD 36, representing Riverside County cities, Imperial County communities, and San Bernardino communities.

### 3.7.2 District Supervisors

The Imperial County Board of Supervisors consists of five separate districts as shown on Figure 3-4. The Chairman of the Board is Supervisor Ryan E. Kelly of the Fourth District.

*FIGURE 3-3 – IMPERIAL COUNTY RENEWABLE ENERGY OVERLAY ZONE*




## Symbology

IID Electric Service Area

**Renewable Energy Source**

Geothermal

Renewable Energy/Geothermal

Data Source:
IID Service Boundary provided by Riverside and Imperial LAFCOs.

Energy Overlay provided by Imperial County.

Disclaimer: This is NOT an official map. Dopudja and Wells Consulting does not guarantee the accuracy of data in this map. Any errors or omissions shall not be considered the responsibility of Dopudja and Wells Consulting.

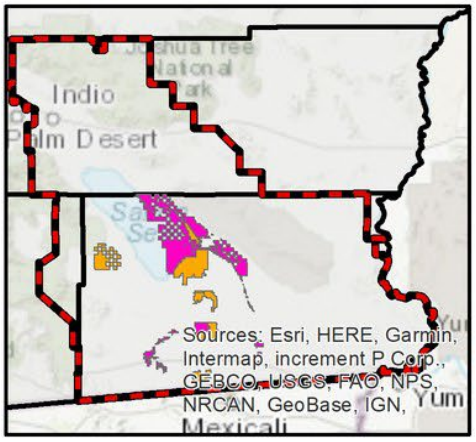
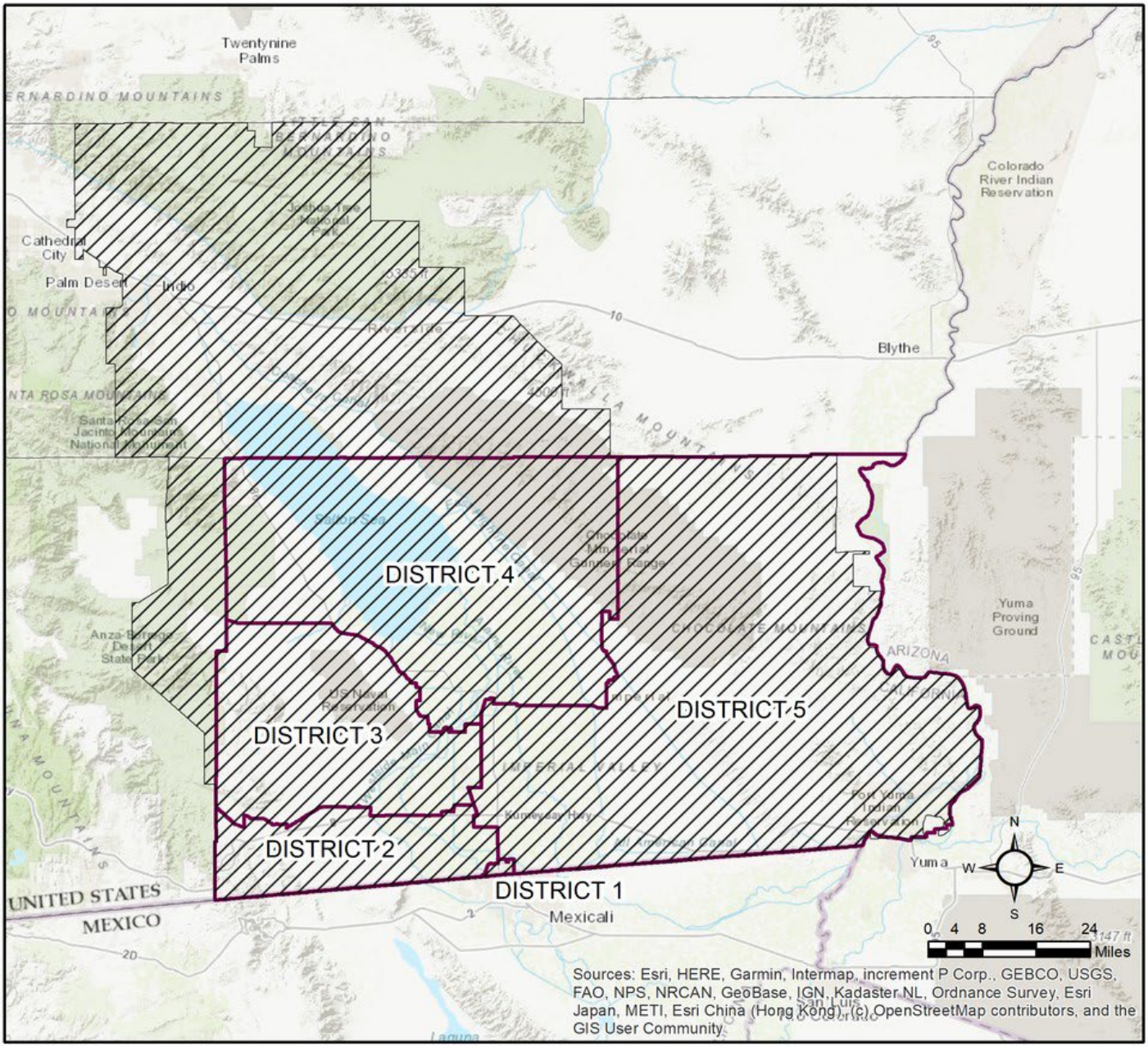


*FIGURE 3-4 – IMPERIAL COUNTY SUPERVISOR DISTRICTS*




## SYMBOLOGY

- IID Electric Service Boundary
- Imperial County Supervisoral Districts
- Imperial County

Data Source:
IID Service Boundary provided by Riverside and Imperial LAFCOs.

County lines from California Open Data Portal. Last updated 9/10/2019

Supervisoral Districts provided by Imperial County

Disclaimer: This is NOT an official map. Dopudja and Wells Consulting does not guarantee the accuracy of data in this map. Any errors or omissions shall not be considered the responsibility of Dopudja and Wells Consulting.

## 3.8 Twenty-Nine Palms Band of Mission Indians

The Twenty-Nine Palms Band of Mission Indians are a Chemehuevi people who are a federally recognized tribe whose reservation is located near the City of Twentynine Palms and the City of Coachella, California. In 1975, President Gerald Ford signed legislation recognizing the land and the tribe. The Twenty-Nine Palms Reservation was established by the Executive Order of 1895 in Twentynine Palms and was expanded in 1979 with an additional parcel in Coachella, California.

Today, the Tribe has established business enterprises and governmental operations on its sovereign lands, with Spotlight 29 Casino and the Tribal Government Offices near the City of Coachella, and Tortoise Rock Casino near the town of Twentynine Palms. The Tribe provides employment to over 700 people, contributes to the community through charitable contributions, and supports the Tribe's government operations and programs. The Tribe strives to ensure a solid economic foundation for future generations by investing diverse and strategic business ventures within its reservation boundaries and the neighboring regions for self- resiliency. The Tribe is a member of the CVEC and a general overview of where the Tribe is located is shown on Figure 3-5.

## 3.9 Augustine Band of Cahuilla Indians

The Cahuilla People are known to be the first known inhabitants of the Coachella Valley. They have lived in the Coachella Valley and surrounding mountains for over 3,000 years. The Cahuilla can be generally divided into three groups based on the geographical region in which they lived: Desert Cahuilla, Mountain Cahuilla and Western (San Gorgonio Pass) Cahuilla. The Augustine Band of Cahuilla Indians are Desert Cahuilla and are one of a total of nine Cahuilla Indian nations. The other eight are: Torres-Martinez Desert Cahuilla Indians, Cabazon Band of Mission Indians, Agua Caliente Band of Cahuilla Indians, Morongo Band of Mission Indians, Cahuilla Band of Mission Indians, Ramona Band of Cahuilla Indians, Santa Rosa Band of Mission Indians and Los Coyotes Band of Cahuilla Indians.

The Tribe has established a successful business enterprise, with the opening of the Augustine Casino in the City of Coachella. Since its opening, Augustine Casino has been a growing business in the East Valley providing nearly $200 million in total salaries and wages which have gone directly back into the local economy. The Tribe also has an existing power purchase agreement with IID and considering expanding their current operations, to assist in the development of renewable energy or creation of micro-grids. The Augustine Band of Cahuilla Indians is dedicated to shaping a lasting legacy, today, and for many future generations. The Tribe is a

member of the CVEC and a general overview of where the Tribe is located is shown on Figure 3-5.


## 3.10 Torres-Martinez Desert Cahuilla Indians

The Cahuilla People are known to have inhabited the Martinez Canyon since the early 1800's. In May of 1876, an Executive Order by Present Ulysses S. Grant created the Torres and Martinez reservations and combined them in 1891. The Tribe is governed by constitution and bylaws adopted by the general membership.

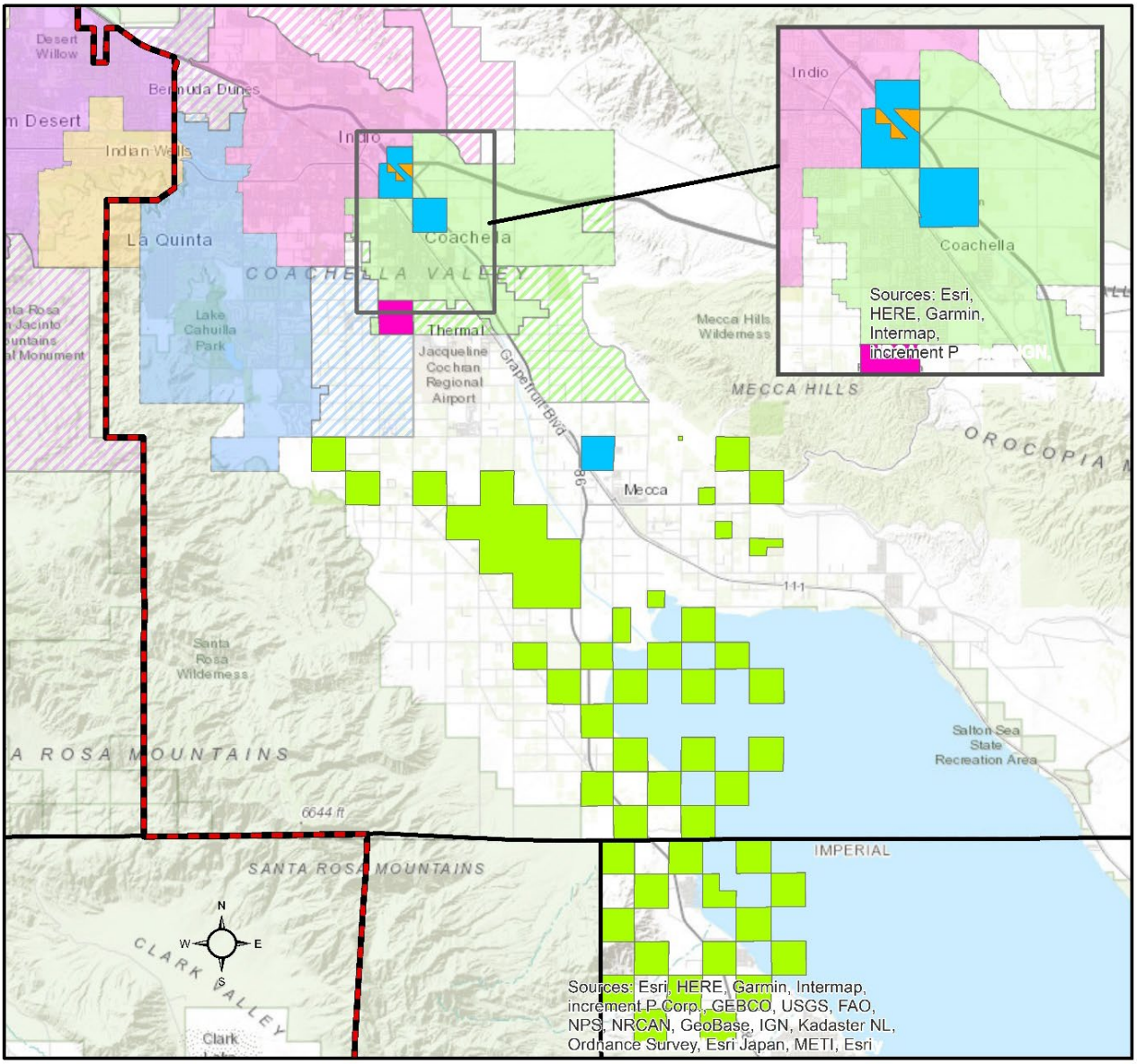
The Tribe also manages and operates Red Earth Casino and is considering expanding their current operations. The Tribe also has an existing power purchase contract with IID and is interested in expanding this part of their portfolio to assist in the development of renewable energy. Torres-Martinez Desert Cahuilla Indians' vision is to create opportunities in education, economic development, social services and other aspects of life for its tribal members and employees to become productive citizens and neighbors, thus creating a more harmonious community. The Tribe is a member of the CVEC and a general overview of where the Tribe is located is shown on Figure 3-5.

## 3.11 Cabazon Band of Cahuilla Indians

Over three thousand years ago, long before the United States, the Cahuilla People called the Coachella Valley and surrounding areas their home. The Cabazon reservation was formally recognized in 1867 and gained national attention under the Supreme Court case California v Cabazon. The Cabazon Band of Cahuilla Indians, formerly known as the Cabazon Band of Mission Indians, is a federally recognized tribe of Cahuilla Indians, located in Riverside County, California. The tribe has a population of approximately 806 members and is located northwest of the Twenty-Nine Palms Reservation.

The Tribe has established a successful business enterprise by owning and managing the Fantasy Springs Resort Casino and several other dining venues throughout the city. The Tribe is a member of the CVEC and a general overview of where the Tribe is located is shown on Figure 3-5.

*FIGURE 3-5 – TRIBAL NATIONS IN THE COACHELLA VALLEY*




## Symbology

- IID Electric Service Area
- County Line

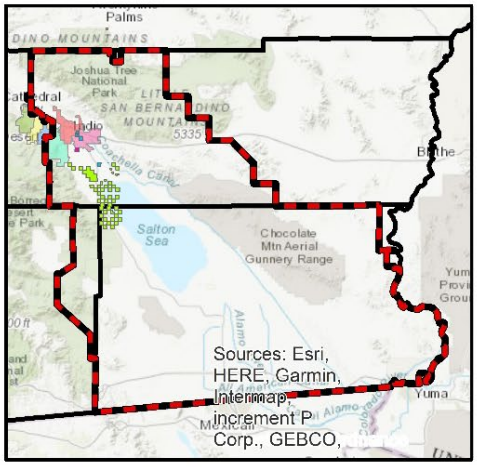
**Tribal Land Reservations**

- Augustine Reservation
- Cabazon Reservation
- Torres-Martinez Reservation
- Twenty-Nine Palms Reservation

| City | City SOI |
|---|---|
| INDIO | INDIO |
| LA QUINTA | LA QUINTA |
| COACHELLA | COACHELLA |
| RANCHO MIRAGE | RANCHO MIRAGE |
| INDIAN WELLS | PALM DESERT |
| PALM DESERT | |

Data Source:
City and IID Electric Service boundaries provided by Riverside and Imperial LAFCOs.
Tribal Reservations from US Department of the Interior Bureau of Indian Affairs.
County lines from California Open Data Portal. Last updated 9/10/2019

Disclaimer: This is NOT an official map. Dopudja and Wells Consulting does not guarantee the accuracy of data in this map. Any errors or omissions shall not be considered the responsibility of Dopudja and Wells Consulting.



## 3.12 Coachella Valley Association of Governments

The Coachella Valley Association of Governments (CVAG) is a regional planning agency which coordinates government services within the Coachella Valley. The three major planning departments within CVAG are: administration, energy and environmental, and transportation. The Administrative Department is responsible for overseeing administrative operations and managing the Coachella Valley Housing First program. The Energy & Environmental Department advocates for the sustainable use of natural resources and protecting the natural heritage in the Coachella Valley. The Transportation Department is responsible for the regional transportation program and the Coachella Valley Link and Coachella Valley Sync programs. CVAG currently has 15 members, including City of Coachella, Cathedral City, Desert Hot Springs, Indian Wells, Indio, La Quinta, Palm Desert, Palm Springs, Rancho Mirage, County of Riverside, and Tribal Nations.

# SECTION 4

# UNCERTAIN ENERGY OUTLOOK FOR COACHELLA VALLEY

RIVERSIDE LAFCO

Dopudja & Wells consulting

Imperial LAFCO
LOCAL AGENCY FORMATION COMMISSION

# UNCERTAIN ENERGY OUTLOOK FOR COACHELLA VALLEY

Since executing the 1934 Agreement of Compromise, many electrical service requirements, community priorities, economic conditions and political interests have evolved. Over the years, IID's Coachella Valley electrical service territory has experienced a tremendous amount of growth and is projected to continue in the years ahead. Today, the majority of IID's electrical service customers are in the Coachella Valley and they have expressed concerns over the existing and future electrical service outlook for their communities.

## 4.1 Desire for Local Representation and Control

Increasing population, system reliability, aging infrastructure, capacity limitations, electrification, new development, frequent service outages, and questions regarding timely implementation of capital improvements are among the top concerns and has driven the desire for Coachella Valley stakeholders to obtain representation on IID's Board.

With the end of the 99-year lease of power rights nearing, local officials have begun to weigh options and discuss the outlook of electrical service and ability for the Coachella Valley to obtain local representation and control over electrical service matters. The following section provides an overview of a variety of electrical service and governance structures that provide local representation and local control over operations and services for Coachella Valley customers.

The following highlights the main concerns expressed by Coachella Valley customers receiving electrical service from IID:

- Uncertainty whether IID's low and competitive rates are sustainable.
- Frustration with system capacity limitations hampering economic development.
- Uncertain electrical service outlook for Coachella Valley due to aging facilities and capacity limitations. Unclear if facilities are properly maintained and in accordance with industry standards.
- Concern with system reliability due to frequent and extended service outages in Eastern Coachella Valley.
- Concern for how new developments will be accommodated, and what the corresponding impact would be to existing electric rates.
- Frustration with billing format and complex rate structure.
- Concern as to how overdue capital improvements will be funded, or if projects will even be implemented.

# SECTION 5
# UTILITY OWNERSHIP MODELS FOR ELECTRICAL SERVICE

RIVERSIDE LAFCO

Dopudja & Wells consulting

Imperial LAFCO
LOCAL AGENCY FORMATION COMMISSION

# UTILITY OWNERSHIP MODELS FOR ELECTRICAL SERVICE

This section examines the most common types of utility ownership models, the regulatory and governance structures these utility structures operate in, and associated implications to the electrical utility business. It should be noted that the majority of the following proposed alternative service options can be developed to "best fit" the desired level of service ownership and associated degree of governance responsibility. Figure 5-1 presents a summary of the major types of utility ownership structures.

**Investor-owned**

Investor-owned utilities are granted service areas by the state government over a specified service territory. Shareholders hold stock and are commonly paid dividends based on assessment of many utility factors. Leading examples include Southern California Edison, Pacific Gas and Electric Company, and San Diego Gas & Electric. This type of ownership structure is regulated within the state by the California Public Utilities Commission.

**Public Power**

City municipal departments, public utility district, and municipal utility district's, serve as publicly operated ownership models. Each of the publicly operated ownership models have slight differences, but generally share similar characteristics and implementation actions, therefore considered as one alternative option in this Study. Revenues are collected by the utility and subject to oversight and governance by elected or appointed members. The public ownership structure offers the greatest opportunity for local control and representation. Municipal utilities are created by voter approval and formation can be proposed by a citizen initiative or by the legislative body.

- City-owned utilities are governed by the local city council or another elected commission with a service boundary predefined within city limits, for example Alameda Municipal Power, Moreno Valley Electric Utility, and City of Corona Utilities Department.
- Municipal Utility Districts are governed by elected officials. Municipal utility districts are authorized to serve cities and unincorporated areas, typically serving an entire county, for example Sacramento Municipal Utility District.
- Public Utility Districts are created by the community and operated under an elected board which exists solely to provide intended services, for example Trinity Public Utilities District and Kirkwood Meadows Public Utilities District.
- Cooperatives, or known as co-ops tend to be mostly in rural areas, which are private not-for-profit entities governed by a board elected by the customers within the co-op.

**Supporting Ownership Models**

Other entity types exist and include structures such as Generation and Transmission Cooperatives, Community Choice Aggregators, and Joint Power Agencies. These generally provide a utility structure which has responsibility over specific electrical service functions and can be formed as a standalone or combined with other ownership models presented in this Study. These types of structures work closely with the underlying utilities and are flexible when defining roles and responsibilities. An example entity would be the M-S-R Public Power Agency and the Northern California Power Agency.



FIGURE 5-1 – OVERVIEW OF MAJOR TYPES OF UTILITY STRUCTURES

**IOU**

IOUs are privately owned companies granted a monopoly by the state government to provide electric, or other essential, services over their defined service territory. IOUs generate revenue through the exclusive service territories, with shareholders owning stocks and receiving dividends

**Publicly Operated Utility**

Publicly operated ownership models, including city-owned utilities, public utility districts, municipal utility districts, and co-ops function as non-profit, locally controlled organizations overseen by a City Council or an elected/appointed Board of Directors. Their operations require compliance with state and local regulations.

**CCA**

Community Choice Aggregators (CCAs) are government entities managing aspects of electricity generation and procurement. They rely on the underlying electric utility for transmission and distribution, negotiating rates and clean energy sources for customers through collective buying power. CCAs can stand alone or be combined with other models, subject to state regulations and automatic customer enrollment.

**JPA**

Joint Powers Agreements (JPAs) involve collaboration between government agencies to address common issues, allowing them to pool resources and powers. JPAs have separate boards and can possess powers granted by participating agencies. They offer a flexible and customizable approach for agencies to work together, whether for short-term or long-term service agreements.

## 5.1 Investor-Owned Utility

Majority of electricity customers in the United States are served by an Investor-owned Utility (IOU), which are private entities subject to state regulations and financed through a combination of shareholder equity and bond debt. IOU's operate as for-profit businesses and are the driving principle for this type of ownership structure. IOUs are corporate, for-profit companies that are either privately or publicly owned by shareholders. While some are owned by private equity, most IOUs are publicly owned and publicly traded. Figure 5-2 provides a summary of an IOU ownership model.

These entities are for-profit and are regulated to ensure that the interests of consumers are being preserved. Each IOU is assigned a specific franchise service territory by the regulator and is responsible for serving all consumers within that area. The franchise provided to the IOU are competitive franchises and can be competitively bid by other entities as defined by the Public Utilities Code. The CPUC provides oversight and determines the rates the IOU can charge and sets the conditions under which the utility can earn a profit. Figure 5-3 provides an overview of an IOU's governance structure. These entities tend to be large organizations that take advantage of economies of scale. Example utility types include Southern California Edison, San Diego Gas & Electric, Pacific Gas and Electric, and Arizona Public Service. Neighboring IOU's to IID are shown in Figure 5-4.

An IOU operates to achieve balance between:

- Maximizing shareholder return
- Providing reliable service to the grid
- Maintaining affordable energy service to customers

*FIGURE 5-2 - INVESTOR-OWNED UTILITY OWNERSHIP MODEL*

Investor Owned Utility

IOUs are private entities that operate as a for-profit business and regulated by the California Public Utilities Commission.

| Utility Structure | |
|---|---|
| Ownership | Publicly traded corporation; owned by shareholders |
| Revenues and Profits | Revenue collected from rates resulting from utility costs that are passed through to customer; Utilities also include certain costs in their rate base on which they earn a return; return on equity (ROE) is set at approved rates and flows back to shareholders. |
| Management and Governance | An executive leadership ream responsible to a board of directors elected by the shareholders. Management often is diffed through business units. |
| Regulation and Oversight | California Public utility commission (CPUC); shareholders federal and state environmental regulators. |
| Source of Capital | Private debt and equity investments. |
| Other Key Business Relationships | Independent power producers and other generators; other owners of bulk system assets; regional transmission operators/independent system operators (RTOs/ISO); adjacent balancing authorities. |

### 5.1.1 Statutory Authority of an Investor-Owned Utility

Typically, electricity supplied by IOUs comes from a combination of self-generated power and power purchased from public and private markets. IOUs are considered monopolistic operations as they are protected from competition against other electric providers by state and federal legislation. Most IOU's sell power at retail rates to various classes of customers and at wholesale rates to other utilities, including federal, state, and local government utilities, public utility districts, rural electric cooperatives, and even other IOU's. Most IOU's follow a vertically integrated approach in delivering bundled generation, transmission, distribution and delivery services to retail customers.

Because this type of structure is privately owned and for profit, the CPUC has several programs to engage customers serviced by IOU's in CPUC proceeding and decision-making. The following programs are offered by the CPUC:

- Consumer Affairs Branch to help resolve disputes between customers and their utility provider.
- Public Advisors Office to offer information on how to participate in CPUC proceedings.
- Business and Community Outreach Office to work and inform local communities on how to get involved with CPUC programs and policy making.
- Small Business Program to allow for business opportunities with state and local governments.
- Supplier Diversity Program to administer programs encouraging utilities to spend more than 20 percent of contracts to businesses owned by women and minorities.
- Low Income Oversight Board to help ensure utility companies serve low-income customers with helpful programs and partnerships.
- Disadvantaged Community Advisory Group to advise the California Energy Commission on issues related to environmental justice and social equity.

### 5.1.2 Funding for an Investor-Owned Utility

Revenue is collected from rates resulting from the utilities costs that are passed through to its customers, including additional costs to provide a return on equity back to shareholders. All functions of an IOU are regulated with oversight by the CPUC, including state and federal environmental regulations.

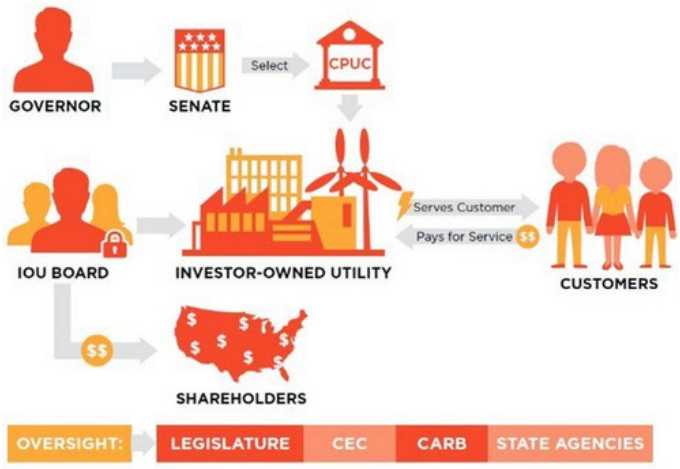
### 5.1.3 Role of the California Public Utilities Commission

The CPUC is a regulatory agency responsible for overseeing privately owned public utilities within the state of California. The CPUC regulates services and utilities, protects consumers, safeguards the environment, and assures Californians' access to safe and reliable utility infrastructure and services.

CPUC regulatory services include:

- Auditing, accounting, financial, advisory, and law and Commission directive compliance monitoring.
- Enforcement and Citation to ensure statutory mandates are carried out and that ratepayers and the public are protected from safety, reliability, service quality, and other violations.
- Energy Licensing to register Electric Service Providers (ESPs) and Community Choice Aggregators (CCAs).

*FIGURE 5-3 – INVESTOR-OWNED UTILITY GOVERNANCE STRUCTURE*




Source: California Municipal Utilities Association

### 5.1.4 Factors that Support the Formation of an Investor-Owned Utility

The CPUC, as the underlying regulatory agency for California, oversees all investments and costs expended by IOU's, including regulatory decisions over what is included in the utilities' rates and the allowable rate of return. With several industry trends challenging the traditional ownership structures, primarily the need to implement necessary upgrades to system infrastructure and operations, this is forcing regulators to reassess how IOU's can deliver sufficient shareholder profit and maintain adequate bond ratings, while meeting new policy and customer objectives.

Adding to those demands, community choice aggregation and municipalization trends are putting pressure on IOU's to better meet customer needs or face the possibility of losing customers.

### 5.1.5 Factors that could Challenge the Formation of an Investor-Owned Utility

Revenue is collected from rates resulting from the utilities costs that are passed through to its customers, including additional costs to provide a return on equity back to shareholders. All functions of an IOU are regulated with oversight by the CPUC, including state and federal environmental regulations.

*2022 California Code*

*Public Utilities Code - PUC*

*DIVISION 3 – Public Utility Franchises by Local Governments*

*DIVISION 5 – Utilities Owned by Municipal Corporations*

*FIGURE 5-4 – LOCATION OF IOUS IN CALIFORNIA*

## 5.2 Municipal Utilities, Public Utility Districts, and Cooperatives

City municipal departments, public utility district, and municipal utility district's serve as publicly operated ownership models. Publicly operated ownership models operate as non-profit organizations subject to oversight by a City Council or an elected or appointed Board of Directors. In addition to compliance with state and local regulations, the creation and operation of Municipal Utility Districts are contingent on obtaining voter approval. Figure 5-5 provides a summary of a publicly operated ownership model.

Public power utilities operate under the following principles: not for profit, community owned, and locally controlled. Each of the publicly operated ownership models have slight differences, but generally share similar characteristics and implementation actions, therefore considered as one alternative option in this Study. Deciding which ownership model will be dependent on Stakeholders desire of forming a utility serving a specific geographic area (potentially creating multiple utilities within existing jurisdiction limits) or an entity that can serve the greater Coachella Valley service territory.

Before a public utility can begin operations, they must comply with many state and local laws, which generally determine the types and the manner in which services could be provided. In California, state and local provisions authorize the creation of municipal utilities - specifically, the California Constitution (Article XI, Sections 5 and 9), Government Code Sections 6500 through 6599.2, and the Public Utilities Code (Division 6, Section 11501, et seq.) which applies exclusively to Municipal Utility Districts. The Public Utilities Code (Section 10002) separately addresses the acquisition of an IOU service territory in the event of acquisition by eminent domain.

Public power comes in a variety of structures, including:

- City-owned utilities are governed by the local city council or another elected commission.
- Municipal Utility Districts are governed by elected officials. Municipal utility districts are authorized to serve cities and unincorporated areas, typically serving an entire county.
- Public utility districts are utility-only governance agencies, governed by a board of directors elected by voters within its service territory. Public utility districts can only serve unincorporated county territory.
- Cooperatives, or known as co-ops tend to be mostly in rural areas, which are private not-for-profit entities governed by a board elected by the customers within the co-op. This ownership model can be standalone or combined with other ownership models presented in this Study.

Public power also exists in a variety of other forms, including entities such as Native American tribes, irrigation districts, mutual power associations and other public formed entities which can also provide electricity service to customers. IID is a public entity providing electrical service pursuant to the

Irrigation District Law (California Water Code sections 20500 et. Seq.).

*2022 California Code Public Utilities Code - PUC*

*DIVISION 6 – Municipal Utility District Act (or "MUD Act") of the State of California (California Public Utilities Code Section 11501 et seq.).*

*FIGURE 5-5 – PUBLICLY OPERATED UTILITIES*

### Publicly Operated Utilities

Publicly operated utilities function as non-profit, locally controlled organizations overseen by a City Council or an elected/appointed Board of Directors.

| Utility Structure | |
|---|---|
| Ownership | Public power comes in a variety of structures, they generally share the same characteristics and include member-owned (co-ops), city-owned municipal utility, municipal utility district, and public utility district. |
| Revenues and Profits | Revenue collected from rates resulting from utility costs that are passed through to customers. Revenue is derived from three basic sources; taxes, benefit assessments, and service charges. |
| Management and Governance | An executive leadership ream responsible to a city council, or board of directors who are appointed or elected officials. |
| Regulation and Oversight | Oversight provided by City Council or an elected or appointed Board of Directors |
| Source of Capital | Issuing debt and repayment of general obligation bonds by voter approval. |
| Other Key Business Relationships | Democratically governed with public policy objectives and customer expectations to have direct influence over the operations of the utility. |

## 5.3 Municipal Utility Districts

A Municipal Utility District is also a special-purpose government entity that provides utility services within a specific geographic area. However, Municipal Utility Districts are typically created by local governments, such as cities or counties, through the establishment of a district. Municipal Utility Districts are generally limited to serving areas within the jurisdiction of the creating local government.

Municipal Utility Districts are governed by elected officials and are authorized to serve cities and unincorporated areas, typically serving an entire county. Division 6 of the Public Utilities Code (Chapter 6 of the Municipal Utility District Act) addresses the power and functions of a Municipal Utility District. Any public agency together with unincorporated territory, or two or more public agencies, with or without unincorporated territory; public agencies and unincorporated territory included within a district may be in the same or separate counties and need not be contiguous; no public agency shall be divided in the formation of a district.

Municipal Utility Districts Principle Enabling Act: Public Utilities Code §11501 et seq.

Municipal Utility Districts have the following distinguishing characteristics:

- Constitute a form of local government.
- Have a governing Boards of Directors.
- Provides public services and facilities.
- Authorized to serve cities and unincorporated areas, typically serving

an entire county or greater service territory.

The various legal forms of each publicly operated ownership model all share the same attributes of local governance and accountability. Section 5.4.2 provides an overview of the general characteristics of a Municipal Utility District.

### 5.3.1 Formation of District

Forming a new publicly owned utility takes an extended amount of time, funding, and requires the commitment of the community and its elected officials. The process can take several years and involves many steps. Several of the steps can proceed concurrently, but educating the community is likely to be an ongoing process, starting early and adapting throughout the process. The following section outlines steps necessary in forming a Municipal Utility District according to the Public Utilities Code: Division 6, Chapter 2. Additional details are also provided in Section 6 outlining key determinations as Stakeholder advance potential consideration of an alternative ownership and governance model for the Coachella Valley territory.

Article 1 - Eligible Entities: Any public agency, alone or with unincorporated territory, or multiple public agencies, can form a municipal utility district. These entities do not need to be contiguous and cannot divide existing public agencies during formation.

Article 2 and 3 - Formation Request: This can be accomplished by either Resolution or Petition. By Resolution: Half or more of the involved public agencies can pass resolutions declaring the need for the district. These resolutions outline the utility purpose and proposed boundaries.

By Petition: Instead of resolutions, a petition signed by at least 10% of voters within the proposed district can be submitted, stating the necessity for the district. Each signer must confirm the authenticity of their signature through an affidavit, which will be confirmed by the clerk of the Board of Supervisors.

Article 4 - Election Call: Upon receiving certified copies of resolutions or petitions, the board of supervisors will divide the proposed district into wards, publish election notices, and provide written notification of the election call to the executive officer of the Local Agency Formation Commission in which the majority of the proposed district is located.

The executive officer will provide an impartial analysis and arguments for and against the district's formation. The Board of Supervisors, or eligible voters, within the proposed district may also file arguments for and against the proposed district's formation.

Candidates receiving the most votes in each ward become Directors if they are residents and voters of the district. Vacant positions, if caused by elimination of a territory in the proposed District, will be appointed by remaining elected directors.

Article 5 – Establishment: A certified copy of the order declaring the election results is filed with the Secretary of State by the Board of Supervisors, completing the district's establishment.

Article 6 – Contest of Incorporation: Mistakes or informalities, not adversely affecting the rights of any citizen, will not affect the District formation. Challenges to the incorporation must be made within three months from filing the election results; otherwise, the incorporation is considered valid and legally binding.

## 5.4 Public Utility Districts

State law defines a Public Utility District as any agency of the state for the local performance of governmental or proprietary functions. A Public Utility District represents a distinct local government unit dedicated to delivering a specific range of public services within a geographically defined area, capable of serving unincorporated county territory.

Public Utility Districts have the following distinguishing characteristics:

- Constitute a form of local government.
- Have a governing Boards of Directors.
- Provides public services and facilities.
- Have defined boundaries with the ability to serve unincorporated areas.

Public Utility Districts have fundamental powers similar to counties and cities. Their legal jurisdiction allows them to sign contracts, engage in hiring practices, and procure real estate through either purchase or the power of eminent domain. Within the boundaries of existing legislation, they are also authorized to issue bonds, impose special taxes, levy benefit assessments, and impose service fees. The ability to finance capital improvements is a key element in determining if this alternative option would address stakeholder needs. In other words, if ownership of assets and facilities is a desired outcome, this alternative option should be considered.

Similar to other forms of governance, Public Utility Districts have the capacity to initiate legal proceedings as well as be subject to litigation. These local agencies function with the objective of delivering distinct services to designated communities. Although they function as self- governed entities, they are responsible to the electorate within their jurisdiction. A Public Utility District operates under the purview of state regulations subject to the oversight by state officials who, for example, require annual financial reports to be submitted to the State Controller's Office. Utility Districts are obliged to abide by state laws regarding special taxes, bonded debt, public hearings, public records, and elections.

### 5.4.1 Formation of District

Similar to the formation of a Municipal Utility District, forming a new Public Utility District takes an extended amount of time, funding, and requires the commitment of the community and its elected officials. The process can take several years and involves many steps. Several of the steps can proceed concurrently, but educating the community is likely to be an ongoing process, starting early and adapting throughout the process. The following

section outlines steps necessary in forming a Public Utility District according to the Public Utilities Code: Division 7, Chapter 2. Additional details are also provided in Section 6 outlining key determinations as Stakeholder advance potential consideration of an alternative ownership and governance model for the Coachella Valley territory.

Article 1 – Petition for Formation: Residents of unincorporated territory must present a petition describing the territory and signed by registered voters equal to 15 percent of the votes cast for the Governor in the last general election. The petition must specify the proposed district's boundaries and name, including the words "public utility district." Each signer must include their address.

The county elections official examines and verifies the signatures within 30 days. If insufficient, a supplemental petition can be filed within 10 days. If needed, the petition can be amended by a supplemental petition filed within 10 days from the date of the insufficient certificate.

> Exclusion and Inclusion: Property owners can request exclusion from the proposed district, and adjoining landowners can request inclusion.

Article 2 – Hearing: The Board of Supervisors sets a hearing date within 15 days after final publication of the notice. The petition and hearing details are published in local newspapers. The Board can make boundary changes based on the hearing and petitions received.

Article 3 – Election: The Board of Supervisors calls a special election, specifying the purpose, time, election precincts, polling places, and election officers. The election is held at least 74 days after the ordinance's publication. Notification of the election is sent to the Local Agency Formation Commission. An impartial analysis of the proposed district is prepared by the executive officer of the Local Agency Formation Commission and distributed to voters. The Board of Supervisors, or eligible voters, within the proposed district may also file arguments for and against the proposed district's formation.

A ballot pamphlet is created, including the proposition text, impartial analysis, arguments for and against the district formation. The ballot includes the district's name and a yes/no vote option for its creation.

Article 4 – Establishment of the District: The Board of Supervisors examines the certificates of the election results. If a majority in each unincorporated territory votes in favor, the Board declares the district's incorporation. Duplicate certificates and the order of incorporation are filed with the Secretary of State, county recorder, and county elections official. Upon filing of the duplicate roll, the district is officially incorporated with all the rights and powers outlined in the statutes.

Article 5 – Contest of Incorporation: Challenges to the incorporation must be made within 20 days after the date of the certificate of incorporation. After this period, the incorporation is considered valid and legal. Contests are heard in the Superior

Court of the county where the district is primarily located. Appeals, if any, are expedited in the Supreme Court.

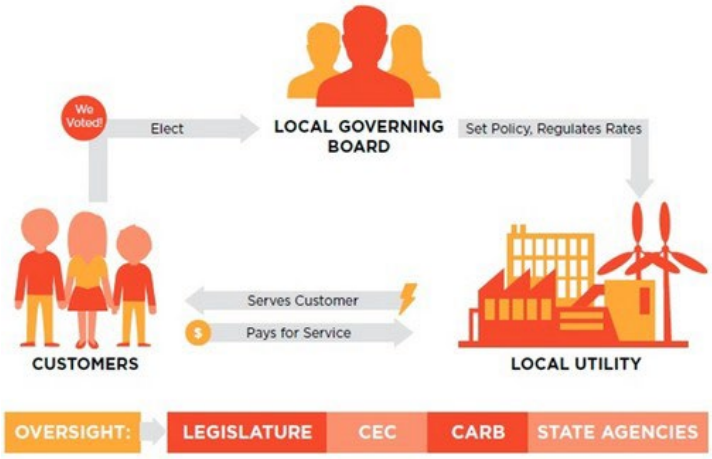
Article 6 – Verification Deputies: Verification deputies, who verify signatures, must reside within the area of the proposed district and are appointed by county elections officials or district clerks based on written applications from 5 to 10 qualified electors. Verification deputies serve for 90 days and must file an oath detailing their qualifications before appointment.

The various legal forms of each publicly operated ownership model all share the same attributes of local governance and accountability. The following sections provide an overview of the general characteristics for all public power ownership models.

### 5.4.2 Statutory Authority of a Publicly Owned Utility

Publicly owned utilities operate either under a principal act or a special act. A principal act is a generic statute which applies to all Public Utility Districts. Occasionally, local circumstances don't fit the general conditions anticipated by the principal acts and would require new legislation. In those cases, the Legislature can create a special act district that's tailored to the unique needs of a specific area. Public Utility Districts, which are regional in nature, collaborative among multiple parties, have unique governing board requirements, provide specific services, or need special financing are typically special act districts. All principal acts are state law in the California state codes, whereas most special acts are not codified - written laws passed by the legislative and administrative bodies. Public Utility Districts are locally controlled utilities, governed by either an independently elected Board or a Board appointed by registered voters within the utility's jurisdictional boundary. Figure 5-6 provides an overview of a Public Utility Districts governance structure.

*FIGURE 5-6 – PUBLIC UTILITY DISTRICT GOVERNANCE STRUCTURE*




Source: California Municipal Utilities Association

### 5.4.3 Funding for a Publicly Owned Utility

As with any government agency, a publicly owned utility requires money to operate and to perform main functions such as: Administration, Operations and Maintenance, and Capital Improvements.

Public Utility Districts operate autonomously compared to municipal

utilities. Because these entities operate independently of municipal control, they can exercise more budgetary control. Regardless, any new utility district will face a significant financial challenge from start-up and operational costs. Given these circumstances, Public Utility Customer customers could experience increased utility costs.

Publicly owned utilities are subject to many regulations and processes involving state and local laws, as well as involvement by voters, who not only approve their formation, but also approve the utility's ability to provide service, make investments, and financing.

Publicly owned utilities generate revenue from three basic sources: taxes, benefit assessments, and service charges.

General taxes: When the voters amended the California Constitution by passing Proposition 13 (1978), they stopped local officials from levying separate property tax rates. Instead, county officials collect a uniform 1% property tax rate and allocate the resulting revenues to other local governments, following complicated formulas in state law. Most Special Districts get a share of these general property taxes. Proposition 218 (1996) constitutionally prohibited Special Districts from levying their own general taxes.

Special taxes: Special Districts may levy special taxes with 2/3-voter approval. Often called "parcel taxes," these special taxes are usually a flat amount for each lot or each acre of ground. These are also known as Community Facilities Districts (CFD), a method of financing public improvements and services when no other source of funding is available. A CFD may be established by any County, City, Special District or Joint Powers Authority, pursuant to California Government Code §53311-53368.3 (The Mello-Roos Community Facilities Act of 1982). The CFD special tax is assessed against the property but is not based on the assessed value of the property. This makes it a viable option to secure funding despite the limitations imposed by Proposition 13. Utility officials will need to develop a comprehensive debt policy to establish financial policies and principles.

Benefit assessments: Many Special Districts can charge benefit assessments to pay for operating and maintaining public facilities and service programs that directly benefit property. Proposition 218 (1996) required assessment amounts to reflect the "proportionate special benefit" that the property receives. Benefit assessments are constitutionally distinct from taxes in several important ways. One key difference between assessments and taxes is that the affected property owners must give their approval for benefit assessments in a weighted-ballot election while special taxes require the voters' approval.

Service Charges: Special Districts that run enterprise activities or deliver specific services can pay for their activities through monthly rates and service charges.

Publicly owned utilities create debt to borrow the money they need for capital projects and paying off their general obligation bonds with higher property tax rates that require 2/3-voter approval. More unique borrowing opportunities include

certificates of participation, promissory notes, and loans from the state and federal governments.

### 5.4.4 Oversight and Regulation of a Publicly Owned Utility

Publicly owned utilities obtain authority directly from the community they serve through a governing body that serves independently from other government agencies. City-owned utilities are governed by the local city council or another elected commission, while Municipal Utility Districts are governed by elected officials. Public Utility Districts are governed by a constituent-elected Board of Directors. In some cases, the Board may be appointed by one or more other local elected officials, so long as the board members serve fixed-terms and none of the board members serve in an ex-officio capacity.

*California Government Code*

*Section 1099 - Incompatible offices for publicly appointed or elected government officials.*

### 5.4.5 Factors that Support the Formation of a Publicly Owned Utility

Publicly owned utilities operate not-for-profit and are governed democratically by the local City Council (as Municipal Owned Utility) or by an elected/appointed Board of Directors. This structure allows public policy objectives and customer demands to have direct influence over the operations of the utility. The ownership structure of a publicly owned utility allows for the entity to define its role and responsibilities pertaining to electrical service provisions.

### 5.4.6 Factors that could Challenge the Formation of a Publicly Owned Utility District

Public Utility Districts often face the question of how to pay for investments if local policy or future assumptions are not realized. The possibility of these investments becoming stranded assets is a major concern, given that all risk falls on the utility and its ratepayers. Regarding service territory, if the proposed service area for the publicly owned utility will include territory outside of unincorporated areas, such as cities, a Public Utility District is not a legally defined ownership structure under current law, a Municipal Utility District will need to be pursued. Additionally, these structures could also present challenges associated with existing elected officials and their ability to hold more than one public office under California Government Code 1099.

In addition, public ownership models require an election within the proposed district area, the district will be divided into wards and popular vote will be used to elect Board Members. Stakeholders which consist of limited populations, such as Tribal Nations and various unincorporated communities will be at a disadvantage to securing an elected position.

## 5.5 Electric Cooperatives

Electric Cooperatives (Co-op) emerged as a result of the Rural Electrification Administration (REA) established by President Franklin D. Roosevelt in 1935. The

Executive Order establishing the REA and the passage of the REA Act, marked the first steps in a public-private partnership that helped bring electric power to businesses and communities willing to organize cooperatively and accept responsibility of providing safe, affordable and reliable electric power.

*2021 California Code*

*Public Utilities Code - PUC*

*DIVISION 1 - REGULATION OF PUBLIC UTILITIES*

*PART 2 - SPECIFIC PUBLIC UTILITIES*

*CHAPTER 5 - Electrical Cooperatives*

A Co-op refers to any private corporation or association organized for the sole purpose of transmitting or distributing electricity exclusively to its stockholders or members at cost.

In most cases Co-op's are able to purchase their wholesale power from non-profit entities, their own generation and transmission Co-op's, or from other federal agencies. Electric Co-op's have access to competitive financing, either through their own Cooperative Finance Corporation (CFC), a Co-op owned and operated by and for the electric Co-op's of America, as well as access to more traditional forms of external funding. CFC's tend to have consistently high credit ratings, and therefore, they able to borrow at lower rates.

For Co-op's that serve remote rural areas, there is potential access to alternative financing from the United States Department of Agriculture, now known as Rural Utility Services (RUS). This federal agency gives Co-op's additional access to low-cost financing to help build rural distribution and transmission lines, and new generation plants. In California, Co-op communities only have access to RUS loans and programs through the three distribution Co-op's, Anza, Plumas-Sierra and Surprise Valley, when combined, serve less than one percent of the electricity load in the state. Electric Co-op's collaborate closely through the National Rural Electric Co-op Association (NRECA) to take advantage of ways to reduce operating costs.

### 5.5.1 Oversight and Regulation of Cooperative

Co-op's function as non-profit entities that are customer- owned and governed by an elected or appointed Board of Directors. This type of structure anchors firmly in the communities they serve and allows its members to closely regulate business functions. California's electric Co-op's are established for the purpose of transmitting or distributing electricity exclusively to its customers at cost and are regulated by the California Public Utilities Code, Section 2779.

### 5.5.2 Factors that would Support the Formation of a Cooperative

Similar to Municipal Utilities, Co-op's operate as not-for- profit entities and must have sufficient capital to support their operations, maintain infrastructure, and invest in new initiatives. Any net earnings are typically returned to the customers, who are also owners and members of the Co-op. As member owners, customers have the potential to be key drivers of change for the

utility. Each member votes annually for members on its Board of Directors who have oversight and set policy for the utility. This ownership structure is less flexible compared to the other structures, as it is typically formed to provide specific services and must rely on the underlying utility for services not responsible of the Co-op.

### 5.5.3 Factors that could Challenge the Formation of a Cooperative

Lack of access to capital, need for short-term affordability, and staffing expertise are often challenges for newly formed Co-op's. Co-op's could also be dependent on other utilities depending on the Co-op's desire to be a vertically integrated utility or specific to either generation, transmission, and/or distribution services and assets. Depending on the desire and policy of the utility, Co-op's could be restricted in their ability to secure local low-cost renewable energy, if contracts are secured with an outside utility for generation or transmission services.

## 5.6 Community Choice Aggregators

Community Choice Aggregators (CCA) are governmental entities, cities, counties, or other eligible organizations that have opted to assume responsibility for certain aspects of their electricity generation, procurement, distribution, and sales to local residents within the service area of an IOU. It should be noted that a CCA could potentially be allowed if residents are served outside of the underlying utilities jurisdictional boundary, such as in the case of IID and their Coachella Valley service territory. It is strongly recommended that stakeholders seek legal guidance on applicable state laws or the need to pursue enabling legislation if this ownership model is pursued. It is important to note that CCA's are not IOU's. CCA's are not-for-profit entities that rely on the underlying utility for several services, including the use of its transmission and distribution system to deliver electricity, as well as providing maintenance, meter reading, and billing services to CCA customers. Figure 5-7 provides a summary of a CCA ownership model.

- Enables local governments to aggregate electricity demand within their jurisdictions to procure electricity for its customers at cost.
- The underlying service provider provides transmission and distribution services, and continues to provide all metering, billing, collection, and customer service to retail customers that participate in a CCA.
- Any city or county is eligible to from a CCA if located in an IOU territory, or potentially served outside of the underlying service provider's jurisdiction. Cities and counties that are part of a Publicly Owned are not eligible to form a CCA, as they are already governed by a local board.

The term "aggregate" refers to the process of bringing together the electricity demand of multiple customers within a specific geographic area, in order to purchase or generate electricity for those customers collectively. This aggregation allows local governments to leverage the collective buying power of their communities to negotiate better rates and procure clean

energy sources for their customers. CCA's may be run directly by a city or county government, or by a third party through a contractual arrangement with a Joint Powers Agreement. Once a CCA program is established or implemented, state regulations require that customers located within the member jurisdiction of the CCA be automatically enrolled in the program, unless they opt-out. In some cases, a CCA may opt to gradually introduce its program, enrolling customers at different intervals. Figure 5- 8 provides an overview of a CCA's governance structure.

*FIGURE 5-7 – COMMUNITY CHOICE AGGREGATES MODEL*

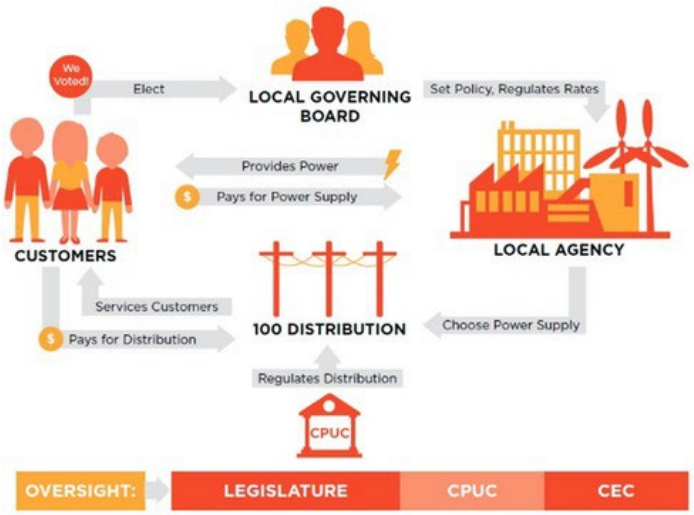
### Community Choice Aggregates

CCAs operate as local, non-profit entities that rely on the underlying utility for certain aspects of their electricity generation, procurement, transmission, distribution, and sales.

| Utility Structure | |
|---|---|
| Ownership | Governmental entities including cities, counties, or other eligible organizations. Can be a group of cities or counties and expanded through Joint Powers Agreement. |
| Revenues and Profits | Self-funded, not-for-profit public agency created to ensure that any financial benefits directly serve its community members. Once launched, a CCA is completely funded by program revenue. |
| Management and Governance | Managed directly by a city or county government; option for third party management through a contractual arrangement through a Joint Powers Agreement. |
| Regulation and Oversight | Oversight provided by boards or city council; regulated by Public Utilities Commission in limited instances; federal and state environmental regulators |
| Source of Capital | Financed by member agencies, banks or other lenders and paid back once revenue from the sale of electricity accumulates. |
| Other Key Business Relationships | Communities can join together to pool (or aggregate) their electricity load in order to purchase clean energy and develop local projects and programs on behalf of their residents and businesses. |

For the purposes of this Study, this ownership model can be standalone or combined with other ownership models presented in this Study. The ultimate composition of the preferred ownership structure for the Coachella Valley territory will be dependent on the desired roles and responsibilities of each stakeholder and desire for a local or regional approach for electricity service. Some examples of CCA's include the Central Coast Community Energy< Redwood Coast Energy Authority, and Silicon Valley Clean Energy. These entities are CCA's formed and expanded through a Joint Powers Agreement and utilize the underlying service provider for services outside of the CCA's responsibility.

*FIGURE 5-8 – COMMUNITY CHOICE AGGREGATORS GOVERNANCE STRUCTURE*




Source: California Municipal Utilities Association

## 5.7 Joint Powers Authority

The term "joint powers" is used to refer to the collaboration between government agencies that have joined forces to solve common problems by pooling their resources and powers. Joint Powers Agreements (JPA's) provide an alternative method for governments to deliver services. The acronym JPA stands for Joint Powers Agreement, Joint Powers Agency, or Joint Powers Authority.

Publicly owned utilities often partner together to establish a JPA. The utilities are legally distinct that allow for two or more publicly owned utilities to jointly exercise common powers in accordance with the Joint Exercise of Powers Act, California Govt. Code section 6500 and special legislation.

Public officials of two or more public agencies are able to assert joint powers when forming a new legal entity and when establishing a joint approach in tackling a common issue, financing a project, or acting as a representative body for a particular activity, such as electrical provisions. In California, such powers can be exercised by federal agencies, state departments, counties, cities, Special Districts, school districts, redevelopment agencies, and other joint power organizations. Example JPA include Southern California Public Power Authority and Northern California Power Agency.

JPA's have separate Boards from their member utilities and can be granted any of the powers possessed by their participating agencies. The formation of a JPA not only provides a creative approach to public service, but also enables Public Agencies to provide services more efficiently and cost-effective. Figure 5-9 provides a summary of a JPA ownership model.

*FIGURE 5-9 - JOINT POWERS AUTHORITY MODEL*

### Joint Powers Authority

JPA is used to refer to the collaboration between government agencies that have joined to solve common problems by pooling their resources.

| Utility Structure | |
|---|---|
| Ownership | Governmental entities including cities, counties, or other eligible organizations. Member agencies agree to work together to jointly exercise common powers. |
| Revenues and Profits | Self-funded, not-for-profit public agency created to ensure that any financial benefits directly serve its community members. Once launched, a CCA is completely funded by program revenue. |
| Management and Governance | Board of Directors separate from their member agencies. JPAs can be granted any of powers possessed by their participating agencies. |
| Regulation and Oversight | JPAs can exercise only those powers that are common to their member agencies. The governance structure depends on what the members agree to, and legal authority comes from the Joint Exercise of Powers Act. |
| Source of Capital | Financed by member agencies, taxes, bonds, and fees. Special taxes are issued by forming a Community Facilities District. A Public Financing Authority can also be established for the purpose of issuing tax-exempt and taxable bonds for funding capital improvements. |
| Other Key Business Relationships | JPAs allow for two kinds of arrangements: the first allows two or more public agencies to contract to jointly exercise common powers, and second allows two or more public agencies to form a separate legal entity. |

### 5.7.1 Joint Powers Agreement

In a JPA, member agencies agree to work together to provide a service, and one agency may take the lead in delivering that service on behalf of the others. A JPA is designed to be flexible and highly customizable, such that it can be adapted to meet the specific requirements of each participating agency. The agreement can range from short-term, long-term, or perpetual-service agreements. In general, JPA's are formed to issue debt, potentially reduce liability to the members, and/or exercise a common power of the members to provide a regional service.

In situations where the agreement necessitates a significant allocation of resources from one agency, additional staff may be necessary to ensure effective delivery of the services provided by the JPA.

### 5.7.2 Joint Powers Agency and Authorities

An alternative way to exercise joint powers is to create a distinct entity separate from the member agencies using a JPA. A JPA can create a new, and separate government organization created by the member agencies, but is legally independent from them. A Joint Powers Agency shares powers common to the member agencies, and those powers are outlined in the JPA. You can establish JPA's specifically to arrange for only capital financing, or create a fully integrated utility by acquiring assets, implementation CIP and having authority over associated service responsibilities. Roles and responsibility of the JPA is determined by its membership.

### 5.7.3 Statutory Authority of a Joint Powers Authority

A JPA obtains authority to work together from a state law called the Joint Exercise of Powers Act. JPA's can exercise only those powers that are common to their member agencies. JPA meetings are open to the public and subject to the Ralph M. Brown Act. Further, JPA's must follow the Public Records Act, the Political Reform Act, and other public interest laws to ensure political transparency.

The California Government Code Section 6502 provides that, if authorized by their legislative or other governing bodies, two or more public agencies by agreement may jointly exercise any power common to the contracting parties, including and not limited to, the authority to levy a fee, assessment, or tax, even though one or more of the contracting agencies may be located outside this state.

The Joint Exercise of Powers Act authorizes two kinds of JPA arrangements:

- The first allows two or more public agencies to contract to jointly exercise common powers.
- The second allows two or more public agencies to form a separate legal entity. This new entity has independent legal rights, including the ability to enter into contracts, hold property and sue or be sued. Forming a separate entity can be beneficial because the debts, liabilities, and obligations of the JPA belong to that entity, not the contracting parties.

Since there are two different JPA arrangements available for consideration,

the ultimate type will be dependent on Coachella Valleys desire to secure electricity service. This could potentially be accomplished by initially forming a CCA and potentially expanding future service responsibilities with or without IID electricity provisions,

The formation of a JPA is relatively uncomplicated, requiring only the signing of a joint powers agreement by the member agencies. A JPA begins when public officials negotiate a formal agreement that spells out the member agencies' intentions, the powers they will share, and other mutually acceptable conditions that define the intergovernmental arrangement. Each member agency's governing body then approves the joint powers agreement. An agreement that creates a new joint powers agency describes the size, structure, and membership of the JPA's governing board and documents the JPA's powers and functions.

### 5.7.4 Funding of a Joint Powers Authority

State law allows a JPA to issue revenue bonds without voter approval, provided that each of the JPA's member agencies adopts a separate local ordinance. A city, for example, needs majority-voter approval to finance the expansion of its sewer plant with revenue bonds. On the other hand, if the city and IID created a JPA, the JPA could issue the revenue bonds without voter approval if the City Council and the District's Board of Directors adopted authorizing ordinances.

As with any government agency, a JPA needs money to operate and there are two popular funding methods: first is to create a revenue stream, and second would be to raise capital by issuing bonds or special tax by forming CFD's in partnership with its members. Although JPA's do not need voter approval before issuing bonds, each member agency must pass an ordinance.

Those ordinances face a 30-day period in which voters can object by signing referendum petitions that trigger an election. If there is no referendum petition or if the petition fails to qualify, the JPA can sell the bonds and use the proceeds to build improvements or buy equipment. JPA's that provide financing and sell bonds for multiple agencies pay for their operations by collecting fees from their member agencies.

A CFD is a method of financing public improvements and services when no other source of funding is available. A CFD may be established by any County, City, Special District or JPA, pursuant to California Government Code §53311-53368.3 (The Mello-Roos Community Facilities Act of 1982). The CFD special tax is assessed against the property but is not based on the assessed value of the property. This makes it a viable option to secure funding despite the limitations imposed by Proposition 13. Officials will need to develop a comprehensive debt policy to establish financial policies and principles. The process to administer a CFD shall be in accordance with applicable Government Codes.

### 5.7.5 Public Financing Authority

In addition to the financing options presented above, the JPA can also form a Public Financing Authority (PFA), established under the Joint Exercise of Powers Act for the purpose of issuing tax-exempt and taxable bonds for funding capital improvements. Bonds issued by this JPA provide the capital to build public facilities and the costs will be paid back over time by the Authority and from the revenue generated by the projects. The PFA may issue bonds and loan the proceeds to one or more of its member agencies who are responsible for the debt service. An example of this JPA structure includes the recently adopted City of Indio and IID JPA which formed a PFA for financing capital improvements.

### 5.7.6 Oversight and Regulation of a Joint Powers Authority

The formation of a JPA begins with a formal agreement that specifies the members' intentions, the powers that they will share, and other mutually acceptable conditions that define administration arrangements.

JPA's can exercise only those powers that are common to their member agencies. A JPA's governance structure depends on what the members agree to. The legal authority for all JPA's comes from the Joint Exercise of Powers Act.

### 5.7.7 Factors that would Support the Formation of a Joint Powers Authority

Similar to Public Utility Districts and Co-op's, JPA's are also not-for-profit and must have enough capital to support operations, maintain infrastructure, and invest in new initiatives. JPA's are flexible and allows any government agency to participate, the Joint Powers Act permits its member agencies to negotiate their level of commitment and structure their own governing Boards. JPA's also allow for the ability to finance capital improvements and authorize purchase agreements. In addition, JPA's do not require a popular elected vote for elected positions, this would be advantageous to stakeholders which reside within areas with limited population, providing equitably representation from all JPA members.

### 5.7.8 Factors that could Challenge the Formation of Joint Powers Authority

JPA's require mutual trust to form. Getting separate public agencies to cooperate can be difficult because each organization has its own powers, purposes, and politics. If a member agency decides to terminate their agreement, the departure can harm the JPA's long-term financial strength and purchasing capabilities.

Under current law, members of the JPA can exercise only those powers that are common. Since existing service is provided outside of the underlying utilities jurisdiction, and if the ultimate arrangement of the JPA will pursue electrical service responsibilities; the members are encouraged to seek legal

advisement to determine if service responsibilities can be pursued to meet the specific needs of the membership. Enabling legislation could also be required to avoid a members eligibility to participate in the JPA, such as Tribal Nations and/or the County.

### 5.7.9 Comparison Between a Joint Powers Authority and Public Utility District

The comparison in Table 5-1 that follows summarizes the differences and similarities between a JPA and a Public Utility District.

TABLE 5-1 – COMPARING A JOINT POWER AUTHORITY AND PUBLICLY OPERATED UTILITY

| | Joint Power Authority | Publicly Owned Utility |
|---|---|---|
| Purpose | Generate Saving to Customers<br><br>Provide Reliable Service<br><br>Provides Local Control and access to wholesale power | Generate Saving to Customers<br><br>Provide Reliable Service<br><br>Provides Local Control and access to wholesale power |
| Statutory Authority | California Constitution (Article XI, Sections 5 and 9)<br><br>Public Utilities Code (Section 10002) regarding the acquisition of IOU service territory.<br><br>Government Code (Sections 6500-6599.2) | Public Utilities Code (Sections 11501-14403.5), Public Utilities Code (Section 10002), and Public Utilities Code (Sections 15501-18055)<br><br>Local Government Reorganization Act of 2000 (applies to electric MUDs).<br><br>Government Code (Sections 6500-6599.2) |
| Governance | If the member is a city department, it can be governed by the city's legislative body or appointees of the legislative body (and City Mayor, in some cases), or governed by an elected or appointed board, the JPA board either operates independently or with oversight by the legislative body.<br><br>Members of the JPA can exercise only those powers that are common. | Governed by an elected independent utility board serving in staggered terms and elected by district residents.<br><br>Directors have decision-making authority over all major functions of the utility.<br><br>Municipal Utility Districts are authorized to serve cities and unincorporated areas, Public Utility Districts can only serve unincorporated areas. |

# SECTION 6
# STUDY APPROACH AND ANALYSIS

RIVERSIDE LAFCO

Dopudja & Wells consulting

Imperial LAFCO
LOCAL AGENCY FORMATION COMMISSION

# STUDY APPROACH AND ANALYSIS

To assist with the development and analysis of the alternative service and governance options, extensive stakeholder outreach was conducted. Stakeholder discussions established foundational objectives that provide insight to how well each alternative option performs against status quo and stakeholder interests. The following section overviews the outreach effort and feedback received for the development of the Study.

## 6.1 Stakeholder Outreach and Feedback Received

One of the most important aspects when identifying potential alternative service and governance options is to gain a clear understanding of the needs of the entire electrical service territory. In October 2022, the Study initiated a task to engage with an extensive roster of Coachella Valley stakeholders located in IID's extended electrical service territory. This list of stakeholders was provided by the Riverside and Imperial LAFCO's. To generate thorough feedback from the maximum number of stakeholders, the outreach effort involved a comprehensive electrical service questionnaire and a series of stakeholder discussions. Outreach materials are included in Appendix D.

### 6.1.1 Data Request for Coachella Valley Subdivision

In preparation for outreach, a request for data was generated seeking to collect enough information to construct the electrical service Study objectives. Data was requested from IID and from each stakeholder, the following items were requested:

- IID cost of service and financial reports.
- Capital improvement plans.
- Conditional assessment studies and asset information.
- Top energy users.
- Historical generation and demand projections by subdivision.
- Associated energy related planning studies prepared by IID and stakeholders.

To allow for a successful stakeholder driven input process, outreach was designed to address the following key topics:

- Identify critical items and key topics.
- Understand concerns and drivers for electrical service.
- Discuss potential reorganizational structures compared to status quo.
- Explore strategies for future electrical service and governance structures in response to AB 1021.
- Discuss desired service roles and responsibilities. Identify level of ambition to pursue an alternative electrical service and governance option.

### 6.1.2 Electrical Service Questionnaire and Responses

To maximize feedback from as many stakeholders as possible, outreach consisted of an electrical service questionnaire and a series of stakeholder

discussions. The following section will provide an overview of the feedback received and how this information was used for analysis of the alternative options.

The electrical service questionnaire consisted of fourteen questions and was provided to approximately 55 stakeholders in October 2022. A total of twelve completed responses to the questionnaire were received. The primary purpose of the questionnaire was to:

- Understand the extent of knowledge and interest in considering potential alternative electrical service and governance options.
- Obtain preliminary feedback to help facilitate content and discussions with each stakeholder group.

Despite the small sample group of responses, in general, several underlying themes emerged from the feedback received by stakeholders and are summarized below:

- Little interest in pursuing a merger with an IOU. Preference for public power, assuming IID desires to maintain continuity of service.
- Preference for a special district, JPA or entity with more than one City and/or utility as partnering members, for concepts involving formation of a new public utility.
- Conviction that, regardless of alternative options, local representation is a must.
- Uncertainty as to whether IID's low and competitive rates are sustainable.
- Recognition that electric infrastructure upgrades and expansions are needed for Coachella Valley as existing capacity limitations are hampering economic development.
- Uncertainty with the electrical service outlook due to aging facilities and capacity limitations.
- Concern regarding frequent and extended service outages in Eastern Coachella Valley.
- Uncertainty as to how new residential and commercial developments can be accommodated and their corresponding impact on existing electric rates.
- Frustration with billing format, complicated rate structures, and lack of transparency.
- Uncertainty if and how overdue capital improvements are to be funded.
- Recognizing that planning is a critical component in mitigating excessive financial risk.
- Mixed thoughts regarding the degree of electrical service role and responsibilities.

### 6.1.3 Individual Stakeholder Discussions

In addition to the electrical service questionnaire, the Study team conducted several individual stakeholder discussions to further obtain insight on matters related to both existing and future electrical service provisions, with an emphasis on services for the Coachella Valley. To facilitate these discussions, a presentation was prepared and distributed in advance, which included targeted objectives and goals for each discussion topic. A total of 12 discussions were conducted and consisted of both in-person and remote meeting formats.

The main goal of the discussions were twofold. The first goal was to obtain additional insight on items of interest, concerns, and perspectives related to current and future service and governance roles. The second goal was to understand the desired responsibilities from Coachella Valley stakeholders. The following section provides a summary of the discussions, feedback received, when the discussion occurred, who participated, and if supplementary information was provided.

Individual stakeholder discussions were conducted with the following stakeholders as follows:

- November 15, 2022: Sky Valley Community Council
- November 17, 2022: Imperial Irrigation District
- December 2, 2022: the Cites of La Quinta, Indio, Coachella, Cove Communities Services and Palm Desert
- December 6, 2022: Coachella Valley Water District December 8, 2022: Tribe of Torres-Martinez
- December 8, 2022: Tribe of Augustine
- December 15, 2022: General session with over ten different local community and special interest groups
- January 3, 2023: Imperial County
- January 17, 2023: Follow-up with Cities of La Quinta, Indio, Coachella, Cove Communities Services and Palm Desert
- January 24, 2023: Chair of the Coachella Valley Energy Commission
- February 24, 2023: Tribe of Twenty-Nine Palms
- June 21, 2023: Imperial Irrigation District
- June 21, 2023: Coachella Valley Energy Commission

In addition to the discussions mentioned above, stakeholders also provided supplemental input in the form of historical documents, letters, and other Study related reports. A summary of these items is below:

- Leadership Counsel for Justice and Accountability: Eastern Coachella Valley Input for the Alternative Governance Structure and Service Provisions, dated March 24, 2023. Indicating critical need for establishing customer engagement plan and outreach throughout entire process, addressing unique priorities of Each Coachella Valley for clean, reliable and affordable energy, desire for a transparent and publicly accessible governance system, and identifying potential barriers to the proposed ownership models.
- Prior comment letter regarding East Coachella Valley representation, dated March – October 2021.
- Coachella Valley Energy Commission: letter regarding governance alternatives for consideration, dated February 2023.

In general, several of the interests, concerns, and underlying themes identified from the energy service questionnaire aligned and were reiterated during the individual stakeholder discussions. The feedback gathered during the discussions was consolidated and is summarized into the seven main topics below:

## Affordability

Existing rates are competitive and any proposed alternative service options should consider short and long-term rate implications.

## Economic Development

Developments are being impacted and concerned about how these, and other new developments will be served, along with the associated impact to existing customer rates.

## Financing

How will upgrades and expansions be funded, expenses should be equitable and based on benefits received.

## Representation

Representation is top priority and required regardless of which alternative service option is considered.

## Industry Trends

Concerned with increased electrification and the plan for achieving renewable energy goals.

## Local Programs

Desire for IID to increase local programs and incentives, including power purchase programs with local communities for solar, geothermal, and other generation opportunities.

## Local Control

Desired by stakeholders, but degree of role and responsibility was uncertain.

To evaluate how each proposed option addresses the interests and concerns of stakeholders, foundational objectives were established. The following section describes how the feedback received was used to establish foundational objectives for performing analysis of the alternative service and governance options.

## 6.2 Analysis of Alternative Options

Although each alternative service and governance option may achieve different outcomes, the Study has established the following criteria to facilitate an assessment of the degree to which each alternative option addresses the desires of the stakeholders. These fundamental objectives were derived from stakeholder feedback and were utilized during the analysis phase to ascertain how each alternative option compares to the status quo.

### 6.2.1 Establishing Stakeholder-Driven Foundational Objectives

The following foundational objectives were established to aid in the review and assessment of each alternative option and derived from input received by all stakeholders. As each stakeholder may have different core objectives, stakeholders may assess the performance of each alternative option under a distinct subset of foundational objectives, leading to varying conclusions. To address this matter, the ensuing analysis was conducted to provide stakeholders and policymakers with a general indication of which alternative option may optimally cater to their needs based on the established foundational objectives. It's important to note that the findings of this analysis will need to be aligned with the desired level of responsibility each stakeholder is willing to undertake in providing electrical service provisions for the Coachella Valley service territory. The intersection of these two elements will be key in identifying the best fit alternative option for the Coachella Valley service territory.

- Public and Locally Governed Entity: Not-for-profit entity owned by taxpayers, with ability for all eligible, registered voters within the Coachella Valley electrical service territory to be an appointed or elected official for purposes of providing oversight and supervising activities.
- Provides Representation for Coachella Valley Customers: Provides local oversight, supervision, and control of all functions of service. Provides authority to approve or oppose actions of the utility and the right to adopt sound and ethical governance and financial management policies in alignment with local policies. Governance structure that is transparent and publicly accessible.
- Maintain an Advisory Role for Non-Responsible Electrical Service Provisions: Provide Coachella Valley customers the ability to provide impartial third-party advice to the IID Board of Directors on electrical service provisions not responsible of the proposed entity through an advisory committee or commission.
- Provides Flexible Financing Opportunities: Ability to impose rate increases, secure external funding, issue

municipal bonds, or form a financing authority to support a capital improvement program (CIP) and/or initial costs for acquiring existing electrical facilities.

- Structure that Can Own Electrical Assets: Ability to acquire and own underlying electrical assets for electrical generation, transmission, and/or distribution services.
- Oversight of Financial Polices: Governance structure that provides Coachella Vally customers oversight and supervision of financial policies, rates, and charges for electrical services. To endorse polices that administer equitable rates structured to support economic growth and ability to recover cost of service.
- Oversight of Capital Planning to Support Economic Development: Permits local oversight of capital improvement planning and implementation. Supporting timely planning and capital investments to accommodate growth and development in the underlying community, upgrading outdated equipment, and proactively mitigate capacity limitations to better serve existing and future customers.
- Structure Uncomplicated to Implement: Proposed structure should require a limited amount of coordination to implement the proposed service and/or governance structure, including legal, financial, and legislative complexity as compared to status quo.
- Expand Public Benefits: Permits Coachella Valley customers oversight and supervision of customer programs and incentives. To endorse policies that support state initiatives and local community interests.
- Achieve Industry Maintenance Standards: Governance structure that permits Coachella Valley customers oversight of operational and maintenance services. To support business practices that promote efficient and reliable service by endorsing policies that achieve industry standards for preventative maintenance and service to provide system reliability and protect its customers health, safety, and quality of life.
- Use of Efficient Public Resources: Leverage existing resources to help minimize the need to recreate established policies and require additional financial requirements. To endorse policies that support the ability to execute service agreements with IID, or others, for established electrical service provisions.
- Promote Local Renewable Energy Programs and Collaboratives: Structure that provides Coachella Valley customers oversight and supervision of alternative and independent sourced renewable energy opportunities; including solar, wind, geothermal and other eligible resources. Supporting partnerships with regional partners interested in local renewable generation opportunities. Department of Energy offers funding opportunities specifically designed for Tribal Nations and can support a wide range of projects, such as renewable energy development, efficiency upgrades, and energy planning and feasibility studies.
- Ability to Achieve Vertically Integrated Utility Status: Structure that could allow

for the complete oversight and governance of all electrical service provisions associated with generation, transmission, and distribution. A utility ownership structure that could be expanded to provide the greatest regulatory control and monopoly over all aspects of electricity services provisions.

- Ability to Adapt to Future Changes and Responsibilities: Structure that can be modified to align with future changes in the members roles and responsibilities of utility ownership and/or governance.
- Minimizes Risk to Rate Payers: Structure that has the potential to reduce or limit the amount of legal and/or financial risk to the members and community it serves regarding start-up, implementation, and ongoing operational costs.
- Provides Local Control for Distribution Assets: Structure that can provide Coachella Valley customers with oversight and supervision of capital planning, upgrades, and expansions related to local distribution facilities.
- Maximize Public Involvement: Governance structure will have an organizational capacity and expertise to operate a complex electrical system, be responsive to community needs, and endorse public policies to promote engagement and collaboration with the local community and obtain public input throughout the entire decision-making process.

# SECTION 7

# ALTERNATIVE ELECTRICAL SERVICE OPTIONS

RIVERSIDE LAFCO

Dopudja & Wells consulting

Imperial LAFCO
LOCAL AGENCY FORMATION COMMISSION

# ALTERNATIVE ELECTRICAL SERVICE OPTIONS

This section will present several alternative electrical service options for consideration. While these alternative options provide stakeholders and policy makers with a general indication of the best-suited alternatives, other conditions must also be considered when determining which options are pursued and timely to implement. In general, each alternative option should be aligned to match with the appropriate scale and ambition of the service territory. Depending on the existing regulations and underlying objectives within the service territory, stakeholders are likely to have varying perspectives on which option is more suitable for implementation.

This section focuses on two alternative electrical service options for providing continued publicly and/or independent system operator owned and managed electrical service in perpetuity to IID electrical service area customers prior to, and after, the expiration of the 99-year lease for power rights made between the IID and the CVWD. Both options include a number of alternative governance structures that can be considered for potential implementation. It should be noted that the following alternative options are not exclusive and therefore, a variety of combinations can exist, i.e. forming a new Public Utility District, or CCA and joining with IID through a JPA.

To help stakeholders, regulators, and policy makers prioritize the potential alternative service options, this section of the Study identifies the following:

- A range of alternative options with different degrees of complexity such that stakeholders can determine their required level of effort in developing and advancing the implementation of the proposed alternative structure.
- Advantages and disadvantages of alternative options, including considerations regarding policy, service and financial implications.

## 7.1 Required Capital Investment Common to all Options

Many cities and utility districts administer Capital Investment Program (CIP) to assist with planning and identifying critical capital infrastructure projects to renovate, repair, or expand existing facilities. Projects could range from minor, low cost to multi-year program expansions. This effort is necessary in order to identify the extent of near and long-term capital improvements to sustain operations and assess funding needs to support implementation. Based on information shared by IID, there are several capital improvements needed to facilitate growth and development. Infrastructure upgrades and additional generation resources are necessary to serve additional growth in Imperial and Coachella Valley. The capital requirements to serve the additional growth is estimated to be $800 million. This includes approximately $500 million for additional infrastructure and substations, and $300 million for additional generation resources to support the growth and development.

Although the capital investment indicated above is for Imperial and Coachella Valley, it would likely not go away under any of the options presented below. A capital investment would be required and common to all options. No further evaluation was performed on the capital investment provided by IID due to limited data received for this Study. The extent of capital investment would vary by option and must be a consideration when evaluating each alternative electrical governance option. After the parties determine which of the following alternative option(s) are to be considered, evaluations should be performed to determine anticipated cost-of- service and associated rate and operating expense for the desired role and responsibility of the proposed entity. Performing cost evaluations at this stage is difficult due to several unknown factors to adequately estimate valuation of the underlying electrical facility assets under consideration.

## 7.2 Financial Information Provided by IID for the Coachella Valley Territory

To best navigate the multifaceted landscape of potential alternatives to Imperial Irrigation District's (IID) electrical services, a comprehensive understanding of the region's energy consumption and billing dynamics becomes paramount. This section outlines the financial and customer information provided by IID for the Coachella Valley service territory.

The parties must acknowledge that little to no information is available from IID on assets and capital improvements exclusive to the Coachella Valley service territory. On September 7, 2023, a financial review meeting was held with IID and their financial consultant. During the meeting, it was evident that IID has little to no disaggregated data separately available for the Coachella Valley service territory. Assessments performed by IID are done as a “integrated-whole” and not broken down by jurisdiction. Tables 7-1, 7-2, and 7-3 presents a summary of the supplemental financial information provided by IID and is also included in Appendix E.

TABLE 7-1 – OVERVIEW OF ELECTRICAL CONSUMPTION AND BILLING IN COACHELLA VALLEY

| City | Number of Customers | CY 2022 Energy Consumption (kWh) | Total Billing |
|---|---|---|---|
| Indio | 38,487 | 776,731,036 | $95,041,122 |
| La Quinta | 27,051 | 593,339,522 | $72,820,681 |
| Coachella | 11,559 | 246,096,192 | $57,135,787 |
| Rancho Mirage | 664 | 23,073,317 | $2,752,123 |
| Palm Desert | 6,533 | 111,623,651 | $13,865,070 |
| Indian Wells | 485 | 4,738,219 | $613,625 |
| Indio Hills | 69 | 2,834,818 | $379,920 |
| Thousand Palms | 4,163 | 85,609,739 | $10,701,651 |
| Bermuda Dunes | 2,011 | 37,875,372 | $4,694,143 |
| Chiriaco Summit | 18 | 2,390,277 | $276,963 |
| Thermal | 3,930 | 162,480,027 | $19,806,248 |
| Mecca | 2,168 | 46,781,268 | $5,957,663 |
| North Shore | 1,068 | 16,617,373 | $2,070,200 |
| **TOTAL** | **98,206** | **2,110,190,812** | **$286,115,196** |

IID is also underway with technical and financial evaluations as part of their 2023 cost-of-service effort and is presented below. This information is preliminary and provided for informational purposes only. Depending on the outcome of selecting an alternative governance and service option for the Coachella Valley territory, the parties could potentially consider opportunities with IID and the current cost of service effort to identify a solution beneficial to the entire service territory; establishing financial mechanisms and policies to assist with increasing system reliability and capacity, and to sustain economic growth and development. Table 7-2 summarizes the preliminary cost allocation of the capital plan funding expenditures by funding source. Table 7-3 provides a detailed breakdown of the associated capital projects.

TABLE 7-2 – PRELIMINARY CAPITAL PLAN FUNDING EXPENDITURES

| Capital Plan | 2023-2027 Cost of Services |
|---|---|
| Rate Funded | $36,512,000 |
| Debt Funded | $10,901,000 |
| Developer Funded | $147,142,700 |
| **Total** | **$194,555,700** |

TABLE 7-3 – BREAKDOWN OF SUBSTATION PROJECTS AND PRELIMINARY FUNDING ALLOCATION

| Substation | Total Project Cost | Rate Funded | Debt Funded | Developer Funded |
|---|---|---|---|---|
| Cannabis AWZ Coachella | $14,000,000 | - | - | $14,000,000 |
| Jefferson 3rd Bank | $2,300,000 | $800,000 | - | $1,500,000 |
| Avenue 58 3rd Bank | $17,000,000 | $4,000,000 | - | $13,000,000 |
| Ave 52 2nd Bank | $8,500,000 | - | - | $8,500,000 |
| Classic Club Sub 1 | $27,270,300 | - | - | $27,270,300 |
| Carreon 2nd Bank | $11,000,000 | $204,000 | - | $10,796,000 |
| New Thermal/Airport | $50,000 | - | - | $500,000 |
| Coachella Switch 3rd Bank | $14,000,000 | $7,700,000 | - | $6,300,000 |
| New Jackson 4th Bank | $7,300,000 | $200,000 | - | $7,100,000 |
| Indio Downtown New Substation | $10,804,000 | $204,000 | - | $10,600,000 |
| Avenue 40 Substation | $7,204,000 | $204,000 | - | $7,000,000 |
| New North Indio Substation | $9,000,000 | - | - | $9,000,000 |
| Marshall 3rd Bank | $11,800,400 | - | $10,901,000 | $899,400 |
| Northgate Substation/Magestic | $18,107,000 | $9,000,000 | - | $9,107,000 |
| Rio Del Sol Substation | $17,770,000 | $1,200,000 | - | $16,570,000 |

TABLE 7-3 – BREAKDOWN OF SUBSTATION PROJECTS AND PRELIMINARY FUNDING ALLOCATION

| Substation | Total Project Cost | Rate Funded | Debt Funded | Developer Funded |
|---|---|---|---|---|
| Frances Way 2nd Bank | $5,000,000 | - | - | $5,000,000 |
| Mecca 2nd Bank | - | - | - | - |
| Heber Distribution Substation 2nd Bank | $6,500,000 | $6,500,000 | - | - |
| Gateway Distribution Substation 2nd Bank | $6,500,000 | $6,500,000 | - | - |
| Lavinge Distribution Substation | - | - | - | - |
| Victoria Ranch Distribution Substation | - | - | - | - |
| **Total** | **$194,555,700** | **$36,512,000** | **$10,901,000** | **$147,142,700** |

## 7.3 OPTION 1: IID Continues to Provide Electrical Service to the Coachella Valley Territory

Under this option, the following alternative service and associated governance options are provided for stakeholder consideration. The reader can supplement the following section with details pertaining to each governance structure provided in Section 5.

Service Alternative Option No. 1 - Imperial Irrigation District continues to provide electrical service provisions for the Coachella Valley service territory. Under this service option, the following alternative governance structures can be considered.

### 7.3.1 Alternative Governance Structures for Service Alternative Option No. 1

The proposed alternative governance structures aim to ensure proportional representation on a governing board that will have primary jurisdiction over all electrical service matters by extending voting rights to eligible voters residing within the Imperial Irrigation District electrical service area. The following options do not affect the water service area boundaries of the Imperial Irrigation District, which will remain under the sole responsibility of the current IID Board of Directors, thereby isolating water rights and management from electrical service matters.

**GOVERNANCE OPTION 1.A - Maintain status quo. Under this governance option, the following should be considered:**

- This option would maintain the existing service and governance structure for IID and the Coachella Valley service territory.
- Would not address the concerns of the Coachella Valley stakeholders.
- No reorganization, proceedings, or special elections are required.
- Coachella Valley stakeholders would not have direct governance control or have representation over electrical service provisions.
- CVEC continues to provide advisement as an advisory body to the IID Board of Directors.
- If additional funding is necessary, individual cities could adopt as needed charges for local upgrades and expansion of local distribution facilities. Per ongoing CVEC discussions.
- Can provide the opportunity to reform existing electrical service provisions/programs to align with Coachella Valley stakeholder and local community needs, i.e. local power purchase contracts and programs, adopt policies similar to CPUC for rate payer participation and aid in addressing grievances and complaints.
- A comprehensive debt policy should be established to define financial policies and principles to support economic development and additional growth in both service territories.
- Having the ability to administer potential change to Power Rates will be limited per Section 19 of the Agreement of Compromise.
- Reduces or eliminates additional risk, as no additional start-up or reorganization debt is required.
- Eliminates the need for additional staff and related services by utilizing established IID business functions. No financial and/or operational impact likely to existing IID operations.
- To note, IID does not receive a portion of the one- percent tax levy from the Coachella Valley service territory located in Riverside County.

**GOVERNANCE OPTION 1.B - Annex the Coachella Valley electrical service territory into IID. Under this governance option, the following should be considered:**

- Would expand the jurisdictional boundary for IID and include the Coachella Valley service territory.
- Reorganization, proceedings, and/or special elections would be required.
- Allows eligible voters from Coachella Valley to participate in IID Board of Director elections.
- Coachella Valley stakeholders would have direct governance control and have representation on electrical service provisions.
- This option aligns with the recommendations from Riverside LAFCO Study 2006-61-4.
- Division boundaries for the Board of Directors could be established in a similar approach per previously adopted IID Resolution No. 50-2021.
- New legislation would be required to authorize exclusive voting rights by

elected officials from Imperial County on all water-related business functions and decisions.

- Management and ownership of electrical facilities and assets would remain under IID.
- A comprehensive debt policy should be established to define financial policies and principles to support economic development and additional growth.
- Potential to improve economic development by having the ability to adopt rates and charges based on cost-of-service.
- Opportunity to reform existing electrical service provisions to align with Coachella Valley stakeholder interest and their desire to implement energy programs for solar and other local generation opportunities.
- Policies should be established to administer a sustainable capital improvement plan to assist with additional growth and development requirements. This option limits the amount of risk by not requiring additional debt and long-term financial obligations from acquiring new assets and/or staffing requirements when forming a new entity.
- Reduced implementation complexity by utilizing existing business functions and processes established by IID.
- Minimizes financial and/or operational impact to the existing IID Energy Division.
- Could result in a financial impact to the CVWD and corresponding hydroelectric generation rights on the canal.
- To note, IID does not receive a portion of the one- percent tax levy for the Coachella Valley service territory located in Riverside County.

**GOVERNANCE OPTION 1.C - Create a new sub-Board of Directors to provide oversight on all electrical service provisions related to Coachella Valley, and establish an electrical service jurisdictional boundary for IID's Coachella Valley service territory. Under this governance option, the following should be considered:**

- Would create a new jurisdictional boundary for IID and include the Coachella Valley service territory.
- The existing IID jurisdictional boundary would remain and provide oversight of business functions not responsible of the sub-Board of Directors.
- Allows eligible voters from Coachella Valley to participate in IID sub-Board of Director elections.
- Coachella Valley stakeholders would have direct governance control and obtain representation on electrical service provisions for Coachella Valley.
- Reorganization, proceedings and/or special elections would be required.
- Sub-Board of Directors would provide oversight and governance on a portion, or all electrical service provisions for the Coachella Valler service territory. Exact roles and responsibilities could be established by the parties.
- New legislation would be required to authorize exclusive voting rights by elected officials from Imperial County on all water-related business functions and decisions.

- Management and ownership of electrical facilities and assets would remain under IID.
- Provides an opportunity for locally elected officials from the Coachella Valley to reform existing electrical service provisions to align with community needs, and the greater Coachella Valley service territory.
- A comprehensive debt policy should be established to define financial policies and principles to support economic development and additional growth.
- An Executive Director and/or additional staff could be required to administer the new subdivision.
- Provides the ability to update existing financial policies to help establish equitable rates and charges for the service territories.
- This option limits the amount of financial risk by not requiring additional debt and long-term financial obligations from acquiring new assets and/or staffing requirements when forming a new entity.
- Reduced implementation complexity by utilizing existing business functions and processes already established by IID.
- Minimizes financial and/or operational impact to the existing IID Energy Division.
- Could result in a financial impact to the CVWD and corresponding hydroelectric generation rights on the canal.
- To note, IID does not receive a portion of the one- percent tax levy for the Coachella Valley service territory located in Riverside County.

**GOVERNANCE OPTION 1.D - Coachella Valley Parties Establish a Joint Powers Authority with IID. Under this governance option, the following should be considered:**

- Offers the greatest amount of flexibility and provides membership the option of either pursuing specific roles and responsibilities, or creating a fully integrated entity (generation, transmission, and distribution) that would be responsible for all electrical service provisions.
- Will not change the existing IID Board of Directors structure.
- Can establish a multi-party JPA with Cities, Counties, and Tribal Nations
- IID can be a member of the JPA for coordinating services not responsible of the JPA.
- Coachella Valley stakeholders would have direct governance control and obtain representation on electrical service provisions for Coachella Valley for services responsible of the JPA.
- To function successfully, would require all Coachella Valley parties to become members of the JPA.
- California Indian Tribal governments can join JPA's with legislative permission. Federal law specifies three ways in which an Tribal Nation may become federally recognized with the ability to join JPA's: By Act of Congress, By administrative procedures specified in federal regulations, or by decision of a United States Court. For example, the Torres Martinez Desert Cahuilla Indians was provided authorization to join the Salton Sea Authority through AB 959, Kelley, 2001.

- Offers the greatest amount of flexibility and allows members to define their own areas of authority and responsibilities pertaining to electrical service.
- Allows services exclusive to Imperial County and the greater region (i.e. regional generation and transmission) to continue to be governed by the existing IID Board of Directors.
- Board actions from the JPA can be coordinated with IID Board of Directors through an advisory committee or similar forum if the JPA membership decides on a structure that will not create a fully integrated entity.
- JPA can administer its own programs and incentives to align with local community interests.
- New legislation could be required, parties are encouraged to seek legal advisement to determine if enabling legislation would be necessary based on the ultimate JPA structure for the region, to allow electrical services (advisement on "common powers") and/or membership of entities (such as Tribal Nation and the County).
- A comprehensive debt policy should be established to define financial policies and principles to memorialize guiding directives from members of the JPA.
- Management and ownership of electrical facilities and assets could remain under IID (if existing assets are not acquired from IID, or for services not responsible of the JPA).
- Provides flexible financing opportunities, either by IID rates and charges and/or JPA financing authority.
- An Executive Director and/or additional staff could be required to administer the JPA.
- The JPA can pursue a power supply agreement with IID, if the JPA desires to control generation services.
- Accommodating additional growth and development can be improved depending on the financing policies imposed by IID and/or the JPA.
- This option increases the amount of risk by potentially requiring debt and long-term financial obligations from acquiring property, assets, staffing, and/or administering a CIP under the JPA, for electrical services independent of IID.
- Potential financial and/or operational impact to IID, and would be dependent based on the role and responsibility of the JPA.
- Ability to utilize Local Bond Act to assist in the financing of public capital improvements.
- Could potentially result in a financial impact to the CVWD and corresponding hydroelectric generation rights on the canal if they are non-member to the JPA.

## 7.4 OPTION 2: IID Terminates Electrical Service to the Coachella Valley Territory

Under this option, the following alternative service and associated governance options are provided for stakeholder consideration. The reader can supplement the following section with details pertaining to each governance structure provided in Section 5.

Service Alternative Option No. 2 - Imperial Irrigation District terminates electrical service provisions for the Coachella Valley service territory. Under this service option, the following alternative governance structures can be considered.

### 7.4.1 Alternative Governance Structures for Service Alternative Option No. 2

The following alternative governance structures aim to ensure proportional representation on a governing board that will have primary jurisdiction over all electrical service matters by extending voting rights to eligible voters residing within the Imperial Irrigation District electrical service area. This will establish proportional representation on a governing board that will have primary jurisdiction on all matters related to electrical service. These proposals distinctly separate water rights and management, ensuring that the current Imperial Irrigation District Board of Directors retains exclusive authority over them, and that the water service area boundaries shall remain unaffected.

**GOVERNANCE OPTION 2.A – Sale or Disposition of Assets to an Investor-Owned Utility. Under this option the following should be considered:**

- Approval from the CPUC is required. When both environmental and general proceedings are complete, the CPUC will prepare a proposed decision for consideration by the five CPUC Commissions.
- Members could have the ability to secure a franchise fee in exchange for providing the IOU with the right to operate exclusively in their community.
- Local control and representation would be provided by the established CPUC polices.
- Would not allow eligible voters from Coachella Valley to participate in elections.
- Coachella Valley stakeholders would not have direct governance control or obtain representation on electrical service provisions.
- The IOU would acquire and purchase existing electrical infrastructure and assets.
- Regulation and oversight would be provided by the CPUC and established policies for customers participation and grievances.
- Complex negotiations would be needed to transfer existing electrical assets.
- Potential for higher rates depending on the IOU's generation sources and portfolio.
- Funding provided by rates are set by the IOU and regulated by CPUC.
- Uncertain if implementation of timely capital investments would be improved by the IOU and limited improvement with accommodating additional growth and development could be experienced.
- Once IOU merger is complete, stakeholders would be eligible to form a CCA or similar. This would provide a small degree of local control and oversight for Coachella Valley stakeholders.
- Could potentially minimize the amount of initial risk by deferring the management and ownership to the IOU. Long-term financial impacts are

uncertain, with the potential to be greater than other alternative options under consideration.
- Will impose a financial and operational impact on IID and could ultimately cause IID to administer future rate increases despite a reduction in service responsibilities.

**GOVERNANCE OPTION 2.B - Form a new Publicly Owned Utility with Specific Service Roles. Under this option the following should be considered:**

- Reorganization, proceedings, and/or special elections would be required.
- A new publicly owned utility would be formed consisting of either a Public Utility District and/or Municipal Utility District structure based on membership and unincorporated areas.
- The roles and responsibilities for the utility would be specific and based on the member's interest, this alternative would not be vertically integrated initially, with services and responsibilities as desired by the membership.
- IID would continue to provide underlying electrical services not responsible of the new publicly owned utility (such as generation, transmission, and/or distribution).
- Coachella Valley stakeholders would have direct governance control and obtain representation on electrical service provisions for Coachella Valley, if desired by the newly formed utility and service responsibilities are obtained.
- The new utility would have the ability to finance and own electrical facilities and assets.
- Financing for capital improvements could be provided by the utilities electric rates, charges, and/or ability to secure bonds for public improvements.
- Require funding resources to acquire and purchase underlying electrical assets from IID, or others. The specific amount to acquire such assets is uncertain and would need to be negotiated.
- This option offers flexibility in defining the utilities service responsibilities, such as forming a partially integrated utility or vertically integrated.
- Additional staffing and resources would be required to administer business functions and associated services, such as an Executive Director and/or technical staff.
- The existing IID Board of Directors structure and governance would remain unaltered.
- With local control and oversight, local officials can administer programs and incentives that align with community needs.
- New legislation would not be required, and existing legislation allows for flexibility in defining the utility's powers and rights.
- Could impose a financial and operational impact to the existing IID Energy Division.
- The utility can have the authority to execute a power supply agreement with IID, if the utility desires to control generation services.
- A comprehensive debt policy should be established to define financial policies and principles to memorialize guiding directives from local officials.

- Members must consider potential start-up costs from acquiring existing assets, replacement, and/or future CIP.
- Accommodating additional growth and development can be improved depending on the financing policies selected by the utility and its officials.
- The ability to adapt to new legislation, state initiatives, and local priorities will be dependent on the utilities policies and available funding resources.
- This structure will require an extensive number of staffing resources and technical expertise for start-up and ongoing operations.
- A public vote and adoption by LAFCO would be required. Participation from low population areas could be limited based on popular vote elections for its officials.
- This option increases the amount of risk by potentially requiring debt and long-term financial obligations from acquiring property, assets, staffing, and/or administering a CIP under the new utility, for electrical services independent of IID.
- Potential financial and/or operational impact on IID and would be dependent based on the role and responsibility of the utility.
- The service structure can also be combined with a JPA, with the members of the JPA being IID and the new utility, and/or formation of a CCA.
- Under this option, CVWD could also be named as the public entity and successor to continue service for the Coachella Valley.
- Could result in a financial impact to the CVWD and corresponding hydroelectric generation rights on the canal if the new utility district desires oversight over generation services.

**Governance Option 2.C: Form a Vertically Integrated Publicly Owned Utility . Under this option the following should be considered:**

- Similar to option 2.B, but with expanded oversight and local governance over all aspects of electrical service, including: generation, transmission, distribution and administration.
- Utility could encompass all, or have a service boundary specific to subset of members based on geographic locations to oversee and obtain full responsibility over electrical service provisions. Subset of membership will result in multiple entities.
- Offers the greatest level of local control and oversight by Coachella Valley stakeholders and formation can be local or extended to encompass a regional approach for electricity service in the Coachella Valley territory.
- Modifies the electrical service area for IID by removing a portion (by formation of a spot utility) or all of the Coachella Valley service territory.
- Under this option, CVWD could also be named as the public entity and successor to continue service for the Coachella Valley.
- This structure has increased risk from requiring the greatest amount of debt and long- term financial obligations associated with the need to acquire property, assets, staffing, and funding capital improvements for each utility.

- Will impose a financial and/or operational impact on the IID Energy Division.
- A comprehensive debt policy will need to be established to define financial policies and principles to memorialize guiding directives from public officials.
- Could potentially acquire hydroelectric generation rights from CVWD, either as power purchase agreement or similar arrangement. The parties should seek legal advisement to determine the potential to secure hydro generation opportunities.

**Governance Option 2.D: Create a Community Choice Aggregation. Under this option the following should be considered:**

- The parties will need to seek legal advisement to determine is a CCA could be formed if residents are served outside of the underlying utilities jurisdictional boundary, such as in the case of IID and their Coachella Valley service territory. It is strongly recommended that stakeholders seek legal guidance on applicable state laws or the need to pursue enabling legislation if this ownership model is pursued.
- The CCA can be operated under a JPA structure or as a single jurisdiction.
- The parties to the CCA must issue an Implementation Plan and Statement of Intent to the CPUC for certification.
- No reorganization, proceedings or special elections are required.
- The CCA would create a new public entity to oversee and assume responsibility over electrical generation and/or purchases.
- All electrical facilities and assets would be managed and owned by others, not the CCA.
- Financing programs for the CCA could be limited and should be identified if this structure will be pursued.
- This structure would provide a limited amount of local control and oversight to Coachella Valley stakeholders, as this structure would depend on the underlying utility for transmission and distribution services.
- CCA allows for greater control over local programming and local renewable energy collaboratives.
- Could require the need to retain additional staff, such as administration or operational managers, and technical.
- The existing IID Board of Directors would remain. No new legislation would be required.
- The CCA would be supported and managed by its members, residents within its service boundary.
- Uncertain if improvements can be achieved to accommodate additional growth and development, as this option is dependent on other utilities for providing transmission and distribution services.
- Could minimize the amount of initial risk by deferring the management and ownership of transmission and distribution services to other utilities.
- Would impose a financial and/or operational impact to the IID Energy Division.

## 7.5 Alternative Options Support Foundational Objectives to Varying Degrees

While each alternative service option achieves different outcomes, each stakeholder can review performance under varying subsets of foundational objectives. The resulting variability in the assessment of alternative option performance could potentially result in conflicting opinions. Therefore, it is critical for stakeholders in the Coachella Valley to identify the foundational objectives that are common and core, regardless of the alternative option under consideration. To address this issue, the following analysis was conducted to provide stakeholders and policymakers with a general indication of the alternative option that might best address their needs.

It is worth noting that the findings of this analysis will need to be aligned with the desired level of responsibility and risk each stakeholder is willing to commit to providing electrical service provisions. For instance, local representation can be provided under a variety of alternative options, but the degree of representation would be limited to the level of control of the proposed utility, or alternative ownership structure other than IID. Evaluating future alternative options based on these two critical elements will be crucial in identifying the best-fit alternative option for both electrical service territories to allow for a regionally collaborative solution that will be sustainable, equitable, and provide long-term reliability for all customers.

The alternative options evaluation matrix is presented in Figure 7-1 and provides an overview of how each of the proposed alternative options supports the foundational objectives. The foundational objectives were derived from stakeholder feedback and used to evaluate the performance of each alternative option against status quo. Ranking of the alternative options was performed by determining the extent each of the seventeen foundational objectives are addressed. Those alternatives which addressed the most foundational objectives were then prioritized as the top recommendations for further consideration.

The two alternative options with the highest ranking included:

- Option 1.D: Joint Powers Authority
- Option 2.B: Form a New Publicly Owned Utility

Based on the two highest ranked alternative options, the following foundational objectives were identified as the most important among the stakeholders when considering further evaluation of each proposed option:

- A Governance Structure Uncomplicated to Implement
- Ability to Achieve Vertically Integrated Utility Status
- Ability to Adapt to Future Changes and Responsibilities

When comparing the above foundational objectives against the alternative options ranked highest, stakeholders will need to determine the importance of each of these objectives in regard to the future electrical

service provisions for the Coachella Valley territory.

### 7.5.1 Recommended Alternative Option for Further Consideration

As indicated, two alternative options ranked highest among all that were evaluated. These alternatives included Option 1.D: Joint Powers Authority and Option 2.B: Forming a new Publicly Owned Utility.

***If the desire among Coachella Valley stakeholders is to pursue an alternative option that is uncomplicated, efficient to implement, flexible and adaptable going forward, then Option 1.D should be further developed and pursued as it addressed these objectives the greatest.***

It should be noted that alternative options are not exclusive and therefore, a combination of options can be pursued, i.e. forming a JPA with individual members, IID, and potentially a new publicly owned utility; or establishing a JPA and forming a CCA, this alternative can be further developed by the formation of a new publicly owned utility if expanded service responsibilities and membership is desired.

At the conclusion of outreach performed as part of this study, it was uncertain what Coachella Valley stakeholders desire regarding service responsibilities and, therefore, stakeholders must continue to collaborate to identify and determine their local and regional priorities prior to concluding which alternative option, or options to pursue. To assist, the following section, provides a summary of suggested key determinations and polices that stakeholder should address prior to concluding which alternative governance and service option to pursue. A summary of actions is also provided in Table 7-4.

Based on the required actions to form and implement each of the top two alternatives, Option 1.D: Joint Powers Authority, is validated as being the easiest alternative option to pursue and most cost effective at this time. As previously indicated, JPA's can be formed under two different arrangements; first allows public agencies to contract to jointly exercise common powers, and the second arrangement allowing public agencies to form a separate legal entity.

The ultimate type of JPA arrangement will be dependent on Coachella Valleys desire to secure electricity service provisions. Initially, parties can implement a JPA with IID in an arrangement similar to the Indio-IID JPA (with exception, by having additional conditions specific to greater oversight by Coachella Valley members), then potentially expanded by forming a CCA to secure local control over generation and power procurement, then further expanded by increasing service responsibilities and territory by establishing a publicly owned utility, with or without IID electricity provisions for the Coachella Valley. This alternative option provides maximum flexibility and allows members to establish different degrees of local control based on each parties ambition to pursue an alternative electrical service and governance structure.

Under Option 1.D: Joint Powers Authority, stakeholders will need to pursue enabling

legislation to allow a member's ability to join a JPA, i.e. counties, unincorporated areas, and Tribal Nations. This structure will also assist with supporting greater participation (equitable representation) from areas of low population, as this structure does not require popular vote for election of its officials. In addition, state legislation will be necessary if the ultimate arrangement for the JPA will include electrical service responsibilities to jointly exercise common powers. This is further detailed in the following section outlining next steps and key determinations.

**TABLE 7-4 - ITEMS TO BE ADDRESSED DEPENDING ON THE ALTERNATIVE GOVERNANCE OPTION DESIRED BY COACHELLA VALLEY PARTIES.**

| | Top Ranked Alternative Options | |
|---|---|---|
| **Outstanding Items to be Addressed the Coachella Valley Service Territory** | Option 1.D: Joint Powers Authority | Option 2.B: Form a New Utility District |
| **Identify preferred governance alternative** | Required | Required |
| **Determine enabling legislation requirements** | Required | Required |
| **Establish service territory** | Not Required | Required |
| **Obtain opinion on disposition of assets** | Not Required | Required |
| **Perform asset inventory and conditional assessment** | Not Required | Required |
| **Determine acquisition, upgrade, and severance costs** | Not Required | Required |
| **Perform financial evaluation** | Not Required (1) | Required |
| **Determine financing options and bonding capacity** | Not Required (1) | Required |
| **Perform rate study** | Not Required | Required |

**Notes: (1) Potentially required if Public Financing Authority is pursued.**

## 7.6 Key Determinations and Suggested Actions Prior to the Expiration of the Lease of Power Rights

This section provides suggested actions to help assist with addressing outstanding questions regarding the existing and continued electrical service to the Coachella Valley. Coachella Valley stakeholders and IID can consider the following actions to support the ongoing collaboration toward developing a community-based regional solution for electrical service and governance for the Coachella Valley. The following considerations can be used to establish near-term priorities and help assist with addressing technical feasibility, legal requirements, and financial policies for the alternative service and governance options under consideration. Based on the CVEC 2021-22 Annual Report many of the following actions are identified as the near and long-term priorities of the Commission.

Based on the findings of this report and information collected throughout stakeholder outreach, it is apparent that the Coachella Valley parties have made significant progress and must acknowledge that the Coachella Valley Energy Commission (CVEC) has promoted collaboration and is effective at advancing development of this topic. Despite the progress that has been made, there are still several key determinations needing to be addressed to assist stakeholders with clearly weighing benefits, risks, and identifying potential rate impacts to Coachella Valley customers. Based on the findings and observations under this Study, the following items are considered fundamental prior to conducting any further evaluations associated with the selection of an alternative service and governance option that is best-suited and most cost effective for the Coachella Valley territory.

Most importantly, the parties must acknowledge that little to no information is available from IID on assets and capital improvements exclusive to the Coachella Valley service territory. On September 7, 2023, a financial review meeting was held with IID and their financial consultant. During the meeting it was evident that IID has little to no disaggregated data separately available for the Coachella Valley service territory. Assessments performed by IID are done as a “integrated-whole” and not broken down by jurisdiction. Section 6 presents a summary of the supplemental financial information provided by IID and is also included in Appendix E.

The following policy and key determinations were identified as needing to be addressed by Coachella Valley parties, this information is also summarized in Table 7-4:

- **Identify a Leader**: Verify if the parties desire to continue with CVEC as the leader to spearhead the effort going forward and start building awareness and support within the community.

- **Determine if IID will continue to provide electrical provisions for Coachella Valley**: It’s unclear if members would like to pursue an

alternative option with IID continuing to provide some degree of electrical services. Determining each member's interest in changing from IID provision of full electrical service to any other alternative would be fundamental to understanding potential financial and rate impacts.

- **Determine if a regional consensus-based solution will be pursued**: Each party will need to determine and align local priorities to determine if a regional or local solution will be feasible. This will have a significant impact on the parties' ability to assess financing and revenue requirements for any of the proposed alternative options.

- **Identify Enabling Legislation for Member Eligibility**: The parties are encouraged to identify membership eligibility and enabling legislation requirements to allow a member's ability to join any alternative option under consideration. Existing law prohibits certain public districts and entities from joining certain structures (i.e. joining a JPA), owning, and operating electrical assets.

- **Legal Opinion on Leased Power Rights under the Agreement of Compromise**: The parties will need to understand the associated investments of IID and CVWD upon the termination of leased power rights under the Agreement of Compromise, including each party's respective legal and equitable rights in said power rights, works, and facilities on or in connection with the All-American Canal. Over the course of developing the draft Study, a number of discussions were held around this topic with no clear or consistent indication of outcome. It would be crucial to understand the potential impact this could have on IID and/or the proposed successor utility.

- **Asset Valuation and Condition Assessment**: The parties should obtain an opinion on asset disposition and/or associated cost to potentially acquire existing assets from IID. Through the course of this effort, it was not apparent if existing assets would be made available and, if so, at what price. To note, limited information is available from IID on existing/planned assets for the Coachella Valley territory and the parties will likely need to obtain this information from other sources, e.g., conducting a comprehensive assessment and inventory of assets, before further analysis is performed. As stated earlier, performing a financial evaluation prior to obtaining this information will depend largely on broad assumptions and could result in significant unforeseen financial impact to members pursuing an alternative option with service responsibility.

- **Legal Opinion and Enabling Legislation for Joint Powers and Desire for Service Responsibilities**: For a regional based solution and the desire for obtaining electrical service

responsibility and provisions, the parties should seek legal advisement on "common powers" rule and identify enabling legislation for members to pursue service responsibilities to meet a specific need, since service is provided outside of the underlying utilities jurisdiction.

- **Identify Market Risks and Trends**: To identify unforeseen risk potentials with forming and operating a new utility, conducting a risk assessment is recommended. The assessment should focus on understanding potential market drivers, trends, mandates, and requirements for low-income areas. All items carry a degree of uncertainty and must be quantified to determine cost mitigation efforts if such items were to be realized. For example, a few of these items are captured in IID's Energy Cost Adjustment (ECA) charge.

- **Legal Opinion of Coachella Valley Water District Utility Rights**: The parties should seek legal advisement to verify utility rights granted to CVWD as part of the Federal and State Agreements for the All-American Canal. To verify if electrical service rights were granted with acquiring hydroelectric power generation opportunity.

- **Establish Debt Policy Principles**: To aid in the assessment and decision-making process, it is advisable that the parties develop general debt policy guidelines to identify limits, obligations, and associated risk mitigation measures for uncertain market drivers and customer demands. These guidelines will assist with issuing, managing, and adhering to affordability standards for the proposed alternative option under consideration. This could also assist with balancing obligations associated with asset acquisitions, associated rehabilitation and replacement projects, and new capital investment planning.

- **Community Education**: Establish a committee or public engagement program to keep customers informed about the proposed electric service options and benefits. The initiative will also play a crucial role in assessing the support of citizens, local officials, and business leaders.

## 7.7 APPA Governance Survey

To supplement this analysis and the overall effort, in April 2021, the American Public Power Association (APPA) conducted a Governance Survey to present information on the type of governing bodies responsible for overseeing public power systems.

The survey findings are summarized in Tables 7-5 and 7-6 and revealed that the type of governing body in charge of public power systems was evenly divided, with 54% of respondents indicating that the

electrical system is governed by a City Council and the remaining 46% by an independent utility board. This was based on 295 responses, with eighteen of those being completed by utilities with more than 50,000 customers. A summary of the survey results are provided below and additional information can be found at the APPA website (https://www.publicpower.org/resource/public-power- governance-survey).

This information serves as a valuable reference point for gaining insight into the current governance structures of Public Utilities and can further supplement the information presented in this Study. Depending on the decisions made by the Coachella Valley stakeholders, the following survey results are presented by the number of customers served. It should be noted that the governance structure and roles vary by the number of customers served. Depending on the outcome of IID and/or the parties within the Coachella Valley, the following survey results by customers count appear to align with the estimated number of customers to be served by the alternative service or governance options under consideration.

TABLE 7-5 – AMERICAN PUBLIC POWER ASSOCIATION GOVERNANCE SURVEY: TYPE OF GOVERNING BODY

| | | Primary Governing Body | | |
|---|---|---|---|---|
| **No. Of Customer Connections** | **No. Of Survey Responses** | **Independent Elected** | **Independent Appointed** | **City Council** |
| Less than 5,000 | 144 | 7% | 26% | 67% |
| 5,000 to 20,000 | 94 | 20% | 41% | 38% |
| 20,000 to 50,000 | 34 | 9% | 41% | 50% |
| More than 50,000 | 17 | 18% | 53% | 29% |
| **Total** | **289** | **12%** | **34%** | **54%** |

**Notes:**

1. **April 2021 survey results from the American Public Power Association – Public Power Governance Survey**

TABLE 7-6 – AMERICAN PUBLIC POWER ASSOCIATION GOVERNANCE SURVEY: AUTHORITY OF GOVERNING BODY

| Authorities | Independent Utility Board | City Council | Other |
|---|---|---|---|
| **Less than 5,000 Connections** | | | |
| Set retail electric rates | 85% | 4% | 11% |
| Approve Utility Budgets | 85% | 11% | 4% |
| Issue Bonds | 61% | 28% | 11% |
| Set Financial Policies | 87% | 7% | 6% |
| Approve Power Purchase Contracts | 74% | 20% | 6% |
| **5,000 to 20,000 Connections** | | | |
| Set retail electric rates | 69% | 14% | 17% |
| Approve Utility Budgets | 78% | 11% | 11% |
| Issue Bonds | 46% | 46% | 8% |
| Set Financial Policies | 74% | 9% | 17% |
| Approve Power Purchase Contracts | 80% | 5% | 15% |
| **20,000 to 50,000 Connections** | | | |
| Set retail electric rates | 69% | 25% | 6% |
| Approve Utility Budgets | 87% | 13% | 0% |
| Issue Bonds | 44% | 38% | 18% |
| Set Financial Policies | 100% | 0% | 0% |
| Approve Power Purchase Contracts | 94% | 6% | 0% |
| **More than 50,000 Connections** | | | |
| Set retail electric rates | 62% | 38% | 0% |
| Approve Utility Budgets | 69% | 31% | 0% |
| Issue Bonds | 38% | 38% | 24% |
| Set Financial Policies | 69% | 8% | 23% |
| Approve Power Purchase Contracts | 77% | 8% | 15% |

Notes:

1) April 2021 survey results from the American Public Power Association – Public Power Governance Survey
2) The term "other" includes structures where there is a Joint Powers Authority with the underlying independent utility or City Council.

● ADDRESSES OBJECTIVE

◉ POTENTIAL TO ADDRESS OBJECTIVE DEPENING ON THE PROPOSED UTILITY

○ DOES NOT ADDRESS OBJECTIVE

| Foundational Objectives | Service Alternative Option No. 1 - IID continues to provide electrical service to Coachella Valley | | | | Service Alternative Option No. 2 - IID terminates electrical service to Coachella Valley | | | |
|---|---|---|---|---|---|---|---|---|
| | **Option 1.A: Status Quo**<br>*Maintain status quo with no service or governance changes.* | **Option 1.B: Annex Coachella Valley into IID**<br>*Annex Coachella Valley Service Territory into IID.* | **Option 1.C: Sub-Board of Directors for IID**<br>*Create IID Sub-Board of Directors for Coachella Valley electrical service provisions.* | **Option 1.D: Joint Powers Authority**<br>*Form a Joint Power Agreement or Agency with Coachella Valley Stakeholders and IID.* | **Option 2.A: Investor-Owned Utility**<br>*Sale or disposition of assets to an Investor-Owned Utility.* | **Option 2.B: Publicly Owned Utility with Specific Roles**<br>*New Publicly Owned Utility for Coachella Valley electrical service provisions. Roles to be specific based on stakeholder desires, such as distribution only.* | **Option 2.C: Form Vertically Integrated Publicly Owned Utility**<br>*New Vertically Integrated Publicly Owned Utility for Coachella Valley electrical service provisions.* | **Option 2.D: Form a Community Choice Aggregation**<br>*CCA to provide electrical generation and/or power purchases. Utility will be dependent on other utilities for transmission and distribution services.* |
| **Publicly and Locally Governed Entity**<br>Not-for-profit entity owned by taxpayers, with ability for all eligible, registered voters within the Coachella Valley electrical service territory to be an appointed or elected official for purposes of providing oversight and supervising activities | ○ | ● | ● | ● | ○ | ● | ● | ○ |
| **Provides Representation for Coachella Valley Customers**<br>Provides local oversight, supervision, and control of all functions of service. Provides authority to approve or oppose actions of the utility and the right to adopt sound and ethical governance and financial management policies in alignment with local policies. Governance structure that is transparent and publicly accessible. | ○ | ● | ● | ● | ○ | ● | ● | ○ |
| **Maintain an Advisory Role for Non-Responsible Electrical Service Provisions**<br>Provide Coachella Valley customers the ability to provide impartial third-party advice to the IID Board of Directors on electrical service provisions not responsible of the proposed entity through an advisory committee or commission. | ● | ● | ● | ● | ◉ | ● | ● | ◉ |
| **Provides Flexible Financing Opportunities**<br>Ability to impose rate increases, secure external funding, issue municipal bonds, or form a financing authority to support a capital improvement program and/or initial costs for acquiring existing electrical facilities. | ◉ | ● | ● | ● | ○ | ● | ● | ○ |
| **Structure that Can Own Electrical Assets**<br>Ability to acquire and own underlying electrical assets for electrical generation, transmission, and/or distribution services. | ○ | ● | ● | ● | ○ | ● | ● | ○ |
| **Oversight of Financial Policies**<br>Governance structure that provides Coachella Vally customers oversight and supervision of financial policies, rates, and charges for electrical services. To endorse polices that administer equitable rates structured to support economic growth and ability to recover cost of service. | ○ | ● | ● | ● | ○ | ● | ● | ○ |
| **Oversight of Capital Planning to Support Economic Development**<br>Permits local oversight of capital improvement planning and implementation. Supporting timely planning and capital investments to accommodate growth and development in the underlying community, upgrading outdated equipment, and proactively mitigate capacity limitations to better serve existing and future customers.. | ○ | ● | ● | ● | ○ | ● | ● | ○ |
| **Structure Uncomplicated to Implement**<br>Proposed structure should require a limited amount of coordination to implement the proposed service and/or governance structure, including legal, financial, and legislative complexity as compared to status quo. | ● | ○ | ◉ | ● | ○ | ◉ | ◉ | ○ |
| **Expand Public Benefits**<br>Permits Coachella Valley customers oversight and supervision of customer programs and incentives. To endorse policies that support state initiatives and local community interests. | ○ | ● | ● | ● | ○ | ● | ● | ○ |
| **Achieve Industry Maintenance Standards**<br>Governance structure that permits Coachella Valley customers oversight of operational and maintenance services. To support business practices that promote efficient and reliable service by endorsing policies that achieve industry standards for preventative maintenance and service to provide system reliability and protect its customers health, safety, and quality of life. | ○ | ● | ● | ● | ○ | ● | ● | ○ |
| **Use of Efficient Public Resources**<br>Leverage existing resources to help minimize the need to recreate established policies and require additional financial requirements. To endorse policies that support the ability to execute service agreements with IID, or others, for established electrical service provisions. | ● | ● | ● | ● | ○ | ● | ● | ○ |
| **Promote Local Renewable Energy Programs and Collaboratives**<br>Structure that provides Coachella Valley customers oversight and supervision of alternative and independent sourced renewable energy opportunities ; including solar, wind, geothermal and other eligible resources. Supporting partnerships with regional partners interested in local renewable generation opportunities. Department of Energy offers funding opportunities specifically designed for Tribal Nations and can support a wide range of projects, such as renewable energy development, efficiency upgrades, and energy planning and feasibility studies. | ○ | ● | ● | ● | ○ | ● | ● | ● |
| **Ability to Achieve Vertically Integrated Utility Status**<br>Structure that could allow for the complete oversight and governance of all electrical service provisions associated with generation, transmission, and distribution. A utility ownership structure that could be expanded to provide the greatest regulatory control and monopoly over all aspects of electricity services provisions. | ○ | ● | ◉ | ● | ○ | ● | ● | ○ |
| **Ability to Adapt to Future Changes and Responsibilities**<br>Structure that can be modified to align with future changes in the members roles and responsibilities of utility ownership and/or governance. | ○ | ○ | ◉ | ● | ○ | ○ | ○ | ○ |
| **Minimizes Risk to Rate Payers**<br>Structure that has the potential to reduce or limit the amount of legal and/or financial risk to the members and community it serves regarding start-up, implementation, and ongoing operational costs. | ◉ | ● | ● | ◉ | ◉ | ○ | ○ | ◉ |
| **Provides Local Control for Distribution Assets**<br>Structure that can provide Coachella Valley customers with oversight and supervision of capital planning, upgrades, and expansions related to local distribution facilities. | ○ | ● | ● | ● | ○ | ● | ● | ○ |
| **Maximize Public Involvement**<br>Governance structure will have an organizational capacity and expertise to operate a complex electrical system, be responsive to community needs, and endorse public policies to promote engagement and collaboration with the local community to obtain public input throughout the entire decision-making process. | ○ | ● | ● | ● | ○ | ● | ● | ○ |

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