

To: South Bay and Westside Cities of Los Angeles  
From: W. Kent Palmerton  
Date: 16 May 2017  
Subject: Letter commending the SBCP draft Business Plan and supporting its Recommendations

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I have had the opportunity to read and review the South Bay Clean Power (“SBCP”) draft Business Plan, and offer my endorsement without reservation. The SBCP Plan is the first, of what I hope to be many declarations by new CCA initiatives, to embrace what many are now calling a “CCA 3.0” model in which a regional CCA Joint Powers Agency (“JPA”) provides services to its member CCA organizations.

This enthusiastic endorsement is predicated on my nearly 30 years of service with Municipal Electric Utilities in California where my assignments have been related to, or directly involved with, managing and operating regional JPA’s that provide state of the art, timely and cost-effective services to member organizations<sup>1</sup>.

The key component of success for a Regional JPA is that it collectively can provide a much higher degree of service to its members than its members can afford to provide individually. The resulting economies of scale, in both price and service achieved by the JPA, are then used to drive operational costs (and customer rates) down and service levels up for each member organization.

This “Regional JPA” approach makes so much sense that it is universal throughout the Municipal Electric Utility community, both here in California and throughout the US. The SBCP Business Plan is unique in its application of these management principles, due in part to the size and scope of the SBCP CCA, but also because of the vision crafted in the Business Plan.

The CCA industry is undergoing rapid evolution, and the SBCP Business Plan adequately captures, explains and synthesizes best practices for SBCP to launch 'best in class' on a rapid timeline and at minimal cost. I am confident that other CCAs would invariably follow SBCP’s initiative, and join the Regional JPA. It is a sensible ‘win-win’ for all involved.

The SBCP Plan is actionable and not theory. To put it plainly, it focuses on the step-by-step process to hire the best contractors, tasks them with the right set of services, and appropriately incentivizes all actors to ensure their performance.

In my professional opinion, I expect that the Plan will give SBCP industry-leading risk management capabilities across the entire CCA enterprise. This fact alone is worthy of its own endorsement.

I would offer the following additional comments for consideration:

1. Flexibility in governance options is smartly anticipated by the Plan, which provides for the launch of the SBCP JPA in a standalone configuration or via a Regional JPA of CCAs. Each configuration provides

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<sup>1</sup> From 1985 to 2000, I held various management positions at the Northern California Power Agency, including serving in the equivalent capacity as Assistant General Manager (as that position is now known today). After five subsequent years working for Williams Energy and Constellation Energy in Vice-President and Directorship positions, I’ve recently completed a ten-year engagement as General Manager of the Power and Water Resources Pooling Authority, a JPA of California Irrigation Districts serving retail electric load in PG&E’s territory. I’ve also been an active participant in the CCA industry: my company Power Choice, Inc. bid and won the right to serve San Francisco’s first CCA initiative, and I’ve subsequently bid on several other CCA service RFP’s. The most recent was with Tanoak Energy Advisors, on a bid to the Redwood Coast Energy Authority JPA (where we employed the same approach as the winning bid, but with a different vendor).



