COMMITMENT
INTEGRITY
LEADERSHIP

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FACT SHEET

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Orange County Power Authority

Increased Board Oversight Is Needed to Improve Its Operations

Background

The Orange County Power Authority (OCPA) is one of 25 community choice aggregators (CCA) serving customers in California. A CCA procures electrical power from alternative power suppliers and provides it to participating customers within the geographical boundaries of the local governments that participate in the CCA. The power is then delivered to customers through the existing infrastructure of the investor-owned utility supplying power in that area. Because customers may opt out of its services, OCPA has a business need to earn and maintain the trust of the customers in its service area. However, despite its relatively recent formation, OCPA has been the subject of scrutiny and criticism from members of the media and the public and certain other entities who have raised concerns about OCPA's contracting practices and transparency. Since OCPA began providing power in April 2022, more customers than expected have opted out of its service, which could hinder its ability to operate efficiently.

Key Findings

- The number of customers opting out of OCPA's service could negatively affect its profitability, operations, and mission.
  - Its residential customer participation rate dropped to 77 percent within a few months after it began providing service.
  - We estimate that the difference between its projected participation rates and its current participation rates could reduce its expected gross revenue by more than $22 million in fiscal year 2022–23 alone.
- Some OCPA practices lack proper oversight by its board of directors and could contribute to negative public perception.
  - It has engaged in contracting processes that were neither competitive nor sufficiently accountable, such as splitting proposals into multiple contracts.
  - OCPA could not demonstrate what factors it considered when evaluating the proposals it received for certain services.
  - It has avoided competitive bidding processes by repeatedly amending some contracts.
  - We identified areas in which OCPA can improve the quality of its administrative practices—such as managing public records requests—to build trust with customers.
- OCPA needs to strengthen certain planning and operational processes.
  - It has not hired the staff necessary to oversee the consultant that manages its power procurement.
  - OCPA could not demonstrate that its risk oversight committee—intended to mitigate market and credit risks—has fulfilled its responsibilities.

Key Recommendations

- OCPA's board of directors should do the following to improve OCPA's procurement processes:
  - Direct staff not to split purchases when doing so circumvents requirements for competitive bidding and board oversight.
  - Require staff to maintain documentation of the evaluations that they perform of responses to competitive bidding processes, regardless of the dollar amount of the proposal or contract.
  - Amend its procurement policy and contract delegation policy to clarify whether the thresholds in these policies apply to contract amendments.
- OCPA's board should also direct its risk oversight committee to fulfill the responsibilities defined in OCPA's policy and amend this policy to include a limited subset of board members on the committee.
- OCPA should immediately devote additional effort to hiring the staff to oversee its consultant that manages its power procurement.

OCPA's Participation Rates Are Below Expected Levels