701 East Carson Street

Legislation Details (With Text)

File #:	2018-757	**Version:** 1	**Name:**		
Type:	Discussion		**Status:**	Agenda Ready	
File created:	10/2/2018		**In control:**	City Council	
On agenda:	10/16/2018		**Final action:**		

Title: APPROVE SELECTION OF 50 PERCENT RENEWABLES AS THE DEFAULT PRODUCT FOR CLEAN POWER ALLIANCE CUSTOMERS WITHIN THE CITY OF CARSON (CITY COUNCIL)

Sponsors:

Indexes:

Code sections:

Attachments:

Date	Ver.	Action By	Action	Result
10/16/2018	1	City Council		

Report to Mayor and City Council

Tuesday, October 16, 2018

Discussion

SUBJECT:

APPROVE SELECTION OF 50 PERCENT RENEWABLES AS THE DEFAULT PRODUCT FOR CLEAN POWER ALLIANCE CUSTOMERS WITHIN THE CITY OF CARSON (CITY COUNCIL)

I. SUMMARY

Clean Power Alliance (CPA) is a community choice aggregation (CCA) program established as a Joint Powers Authority (JPA) of 31 local governments in Los Angeles and Ventura Counties, including the City of Carson. As a CCA, CPA purchases clean power and sells it to customers, while Southern California Edison (SCE) is responsible for delivery, billing, and resolving any electricity service issues. To date, CPA has launched service to municipal and commercial customers in unincorporated Los Angeles County and the Cities of Rolling Hills Estates and South Pasadena. In February 2019, CPA will phase in all residential customers in its service territory (Phase 3), and in May 2019, CPA will phase in all remaining non-residential customers in its service territory (Phase 4).

On February 20, 2018, the Carson City Council selected a default renewable tier of 50% for the community. The 2019 rate structure was adopted by the CPA Board on August 16, 2018, and the City of Carson now has an opportunity to revisit this topic and select a different tier if it so wishes. If Carson does not re-select a default renewable tier by the end of October 2018, the 50% option selected on February 20, 2018 will remain as the default level at which customers will automatically be enrolled at the time that the CPA service commences. Customers may opt up, opt down, or opt out at any time.

II. RECOMMENDATION

CONTINUE with 50% renewables as the default product for Clean Power Alliance customers within the City of Carson.

III. ALTERNATIVES

TAKE another action the City Council deems appropriate.

IV. BACKGROUND

On August 16, 2018, the CPA Board of Directors (Board), adopted its rate structure in advance of the 2019 launch of Phases 3 and 4, and adopted three rate tiers of renewable energy content for its customers: **36% renewables, 50% renewables, and 100% renewables**. Product names for each renewables tier will be developed by CPA before the 2019 launch. Within each renewables tier option, there are a variety of specific rates offered to match the rate schedules offered by SCE.

As CPA prepares to expand service in 2019, member agencies which have not yet chosen a default rate tier will need to do so. Member agencies that previously selected a default may also revisit the default rate tier that they chose earlier this year, though revisiting is not required and those member agencies may simply do nothing.

The method by which each member jurisdiction makes this determination is entirely within their purview as there are no legal requirements governing this default selection. Once CPA service launches, eligible customers are automatically enrolled as CPA customers, and will begin receiving their power from CPA by paying a line item on their SCE bill. Customers will also be able to choose their own individual renewable tier by opting up or down relative to the default selection chosen by the City of Carson, or opt out of CPA service without penalty and choose to remain with SCE for their energy generation charges.

For example, if a jurisdiction selects 36% renewables as its default tier, then all customers in their jurisdiction will automatically be enrolled in the 36% renewables product unless the customer opts up to either the 50% renewables or 100% renewables products or the customer opts-out of CPA service and stays with SCE.

If the default product is set to 50% renewables, then all customers will automatically be enrolled in the 50% renewables product unless the customer opts-up to the 100% renewables product, opts-down to the 36% renewables product, or opts-out of CPA service and stays with SCE.

Finally, if the default product is set to 100% renewables, then all customers will automatically be enrolled in the 100% renewables product unless the customer opts-down to either the 36% renewables or the 50% renewables products or the customer opts-out of

CPA service and stays with SCE.

DEFAULT TIERS AND 2019 RATES

The Board-adopted rate tier structure and estimated comparison to SCE rates, on a total bill basis are shown in the table below.

Rate Option	Cost Relative to SCE Rates
36% Renewables	1%-2% overall bill discount to SCE base rate
50% Renewables	0%-1% overall bill discount to SCE base rate
100% Renewables	7%-9% overall bill premium to SCE base rate for non-CARE customers (at least 5% overall bill discount to SCE 100% renewable option) Parity with SCE base rate for CARE and other low-income customers

The bill discounts presented in the table above are presented as a range due to two main uncertainties:

1. SCE's 2019 rates, which are a benchmark for CPA rates, are difficult to predict until SCE submits an updated rate forecast to the CPUC on November 8, 2018 (ERRA filing).
2. CPA is still in the process of procuring energy for 2019, leaving some uncertainty regarding costs.

By the November 15, 2018 Board meeting when residential rates will be set, these uncertainties will largely be resolved as SCE will have submitted an updated rate filing, and CPA will have locked in much of its 2019 energy costs. With this added certainty, final decisions for the actual rates for each of the tiers and their financial impact on CPA and its customers will be made at the November 15 Board meeting for residential customers, and at the February 7, 2019 Board meeting for non-residential customers. A detailed timeline of CPA's ratemaking and customer phasing is provided later in this report.

Each of the above rate options contains a range of outcomes to reflect the current uncertainty, which is described below.

36% Renewables

For the 36% renewables base rate, CPA is targeting a discount to the overall SCE bill of 1.5%, but the rate discount could be higher or lower depending on SCE rates and CPA costs.

50% Renewables

For the 50% renewables tier, CPA is targeting a rate equal to SCE's rates. If CPA's financial forecasts improve, it may be possible to either lower rates, increase renewables purchases, or increase reserves. In choosing how to respond to improved finances, a balance between growing reserves, providing rate savings and improving CPA's overall renewables position will need to be considered.

Alternatively, if SCE's rates decrease more than expected or energy costs increase materially, CPA could reduce the renewable content from 50% to some lower level to ensure parity with SCE. In this case, the approach will need to balance competitiveness with SCE rates and to achieve renewable energy content as close as possible to the 50% target.

100% Renewables

CPA is targeting an 8% premium to SCE's overall bill (both generation and Transmission/Delivery charges) for the 100% renewables rate, but this could be higher or lower depending on the same factors detailed above. Another aspect of the 100% renewables rate is the approach to qualified low-income customers who are on the Domestic CARE rate. For member agencies which choose 100% renewables as their default rate, CARE customers will be offered 100% renewables at a rate that matches SCE's base rate (approximately 34% renewables for 2018) and includes their low-income discount. This avoids automatically increasing costs for CPA's most vulnerable customers by spreading the incremental cost of renewables for CARE customers across all 100% renewable rate customers in those jurisdictions.

TIMELINE

Date	Action
August 16, 2018 Board Meeting	Board approves rate tiers: 36% Renewables, 50% Renewables, 100% Renewables
August - October 2018	Members select default rate option with conservative guidance on savings vs. SCE • Communication materials distributed to members for outreach to residents and businesses
Early November 2018	SCE files updated rate forecast
November 15 Board Meeting	Set Residential rates (in time for Dec pre-enrollment notice) • Additional customer outreach materials distributed to members
Early December 2018	Phase 3 (Residential) customer enrollment notice #1 sent out 60 days before enrollment
Early January 2019	Phase 3 customer enrollment notice #2 sent out 30 days before enrollment
February 1, 2019	Phase 3 launches - all residential customers are enrolled in CPA service
February 2019 Board Meeting	Set Non-residential rates (in time for March pre-enrollment notice)
Early March 2019	Phase 4 (Non-residential) customer enrollment notice #1 sent out 60 days before enrollment
Early April 2019	Phase 4 customer enrollment notice #2 sent out 30 days before enrollment

May 1, 2019	Phase 4 launches - all remaining non-residential customers are enrolled in CPA service

V. FISCAL IMPACT

When electricity rates change, they have a direct impact on the amount of money the City collects from the Utility Users Tax (UUT). The UUT is calculated based on a percentage of the customers' utility bills, and electricity drives about 35% of the City's UUT revenue (natural gas is the other component).

If utility bills are reduced because electricity rates are lower, then the total tax collected will decrease. The inverse is also true, if utility bills increase because electricity rates are higher, then the total tax collected will increase.

SCE's 2019 rates, which are a benchmark for CPA rates, are difficult to predict until SCE submits their updated rate forecast to the California Public Utilities Commission (CPUC) on November 8, 2018.

The Power Charge Indifference Adjustment (PCIA) decision was postponed by the CPUC until October 11, 2018, and that also creates some uncertainty about rates.

CPA staff is confident in the estimated rate savings projections and the uncertainties around SCE rates and the PCIA will be largely resolved prior to setting CPA's rates at the November 15, 2018 Board of Directors meeting.

VI. EXHIBITS

None.

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