File #: 2017-293, **Version:** 1

Report to Mayor and City Council

Tuesday, April 18, 2017

Consent

SUBJECT:

UPDATE ON COMMUNITY CHOICE AGGREGATION OPTIONS

I. SUMMARY

On Thursday, April 13, 2017, the Budget and Capital Improvement Project Ad-Hoc Council Subcommittee comprised of Mayor Pro Tem Lula-Davis Holmes and Councilmember Cedric Hicks meet to discuss Community Choice Aggregation options. The Committee members listened to presentations from Gary Gero representing Los Angeles Community Choice Energy (LACCE) (Exhibit No. 1) and from Joe Galliani representing South Bay Clean Power (SBCP) (Exhibit No. 2).

Community Choice Aggregation (CCA) is an energy supply model that works in partnership with the region’s existing utility company, and allows local governments to pool (or aggregate) their electrical loads in order to purchase wholesale power on behalf of their residents, businesses, and city electricity accounts. Existing CCAs in other parts of California provide higher levels of renewable energy to their customers and offer lower prices than the Investor Owned Utilities (IOU) that previously served them. If a CCA program is implemented, the City would be in a position to gain local control of electricity prices and energy sources, create local economic benefits, and accelerate the transition to cleaner power (solar, wind, geothermal).

II. RECOMMENDATION

RECEIVE and FILE.

III. ALTERNATIVES

TAKE another action the City Council deems appropriate.

IV. BACKGROUND

After the state's energy crisis in 2001, the California Legislature passed Assembly Bill 117 in 2002 and Senate Bill 790 in 2011. The passage of these bills allowed for local governments to purchase and sell electricity to their communities through Community Choice Aggregation (CCA). CCAs create a functional partnership between the municipality and the existing utility company, allowing local communities to take control of the decision making associated with the sources of the electrical power, while the utility company continues to provide the transmission of that power.

In California, operational CCAs include MCE Clean Energy (launched in 2010 and serving Marin and Napa Counties, parts of Contra Costa and Solano Counties), Sonoma Clean Power (launched in 2014), Lancaster Choice Energy (launched in 2015), Clean Power San Francisco (launched in 2016), and Peninsula Clean Energy (launched in 2016 and serving San Mateo County). Each CCA is able to provide renewable power mixes to customers in numerous cities within their respective jurisdictions, and the CCA programs are already exceeding the State's Renewable Portfolio Standard, and doing so at lower prices when compared to the local utility company's customer rates.

There are a number of additional agencies set to launch CCA's in the coming years:

2017
- East Bay Community Energy (Alameda County)
- Mendocino County (as a member of Sonoma Clean Power)
- Redwood Coast Energy Authority (Humboldt County)
- Silicon Valley Clean Energy (Santa Clara County)
- Apple Valley Choice Energy

2018
- Los Angeles County (Phase 1- January 2018 - LA County municipal accounts only & Phase 2 - July 2018 - all other accounts)
- Contra Costa County (new CCA and not part of MCE Clean Energy)
- Monterey Bay Community Power (Monterey, Santa Cruz and San Benito Counties)
- Placer County
- Valley Clean Energy Alliance (Yolo County and City of Davis)

On February 3, 2015, the City Council adopted resolution 15-023 to participate in a feasibility study of a Community Choice Aggregation Energy Program (Exhibit No.3). Staff has been monitoring and participating in the development of a CCA program since the passage of this resolution.

Currently, there are four possible options for the City: (1) maintain status quo;(2) consider joining Los Angeles Community Choice Energy (LACCE); (3) consider joining South Bay Clean Power (SBCP); or (4) Consider forming a Carson-only CCA program.

OPTION 1 - MAINTAIN STATUS QUO

The City has the option to maintain status quo and not form or join a CCA. This approach would be the least risky; however, the City may be doing the residential and business community a disservice by not taking advantage of the potential to provide lower energy rates, cleaner energy sources, reduction in greenhouse gas emissions, economic benefits, and consumer choice.

OPTION 2 - LOS ANGELES COMMUNITY CHOICE ENERGY (LACCE)

On June 30, 2016 the County of Los Angeles published a feasibility study in the form of a Business Plan (Exhibit No. 4). The Business Plan determined that a CCA is feasible and could result in cost savings for residential and commercial electricity customers.

Specifically, the business plan shows that LACCE is financially viable and would yield considerable benefits, including:

- Lower Rates - The LACCE rate for 50% renewable energy could be lower than the Southern California Edison (SCE) base rate for an energy mix that includes only 28% renewables.
- Greenhouse Gas (GHG) Reductions - LACCE is committed to reductions in GHG emissions.
- Economic Development and Jobs - LACCE could support the development of local and regional energy projects, creating local jobs.
- Local Control and Energy Management - The County and cities would have the ability to offer choices for retail customers, like varying levels of renewable energy at different prices. Funding could be acquired for end-user programs such as energy efficiency, retail distributed generation, energy storage, water efficiency, and electric vehicle charging, etc.

On September 27, 2016 the Los Angeles County Board of Supervisors passed a motion to authorize the Chief Executive Officer to engage stakeholders, determine the CCA governance structure, and begin negotiations with eligible and interested cities. Staff participated in the public meetings and JPA negotiations. The LACCE proposes forming one JPA and each member agency would be allowed to select one representative with a seat on the JPA Board of Directors. Benefits and potential disadvantages to the LACCE program are outlined below:

OPTION 2 - LACCE Benefits

- Los Angeles County has financial strength and support resources available
- The County has experience and expertise with running countywide programs
- The County has the potential to be the largest CCA in California with 5 County districts and 82 eligible cities, and will therefore wield the greatest amount of purchasing power
- The County would secure initial funding and services for all participating cities

- There is strong support from County Supervisors and staff. The initial cost of LACCE's phase 1 program is estimated at $10,000,000. Los Angeles County has agreed to loan the funds to LACCE to start the program. The 10 million dollars will be repaid within the first year.

OPTION 2 - LACCE Potential Disadvantages

- The County has no prior experience with CCA and would rely on outside consultants that are also available to South Bay Clean Power cities
- Because of the size and diversity of the cities within the County, the JPA may not reflect the values and goals of the City of Carson
- There could be less local control and influence, working with such a large number of cities

OPTION 3 - SOUTH BAY CLEAN POWER (SBCP) PROGRAM

On February 15, 2017, the South Bay Clean Power Business Plan was made available for review. The plans approach focuses on the formation of a regional JPA made up of multiple CCA's (Exhibit No. 5). Benefits and potential disadvantages of the SBCP program are outlined below:

OPTION 3 - SBCP Benefits

- SBCP could collaborate and share economies of scale with the County without having a dedicated County seat on the LACCE Board of Directors
- SBCP cities share common ground and would support new economic opportunities and environmental justice to frontline refinery communities.
- SBCP has an existing strong and diverse coalition of stakeholders, political supporters, and endorsers

OPTION 3 - SBCP Potential Disadvantages

- There is the potential that SBCP cities could drop out and undermine the viability of the JPA
- There could be disagreement on goals and objectives and inability to come to a JPA governance agreement
- There is no proof of ability to achieve 50% renewables portfolio at a lower rate than SCE, because the business plan does not provide the costs to operate the program nor does it show expected revenues
- The "JPA of JPA" model could create unnecessarily redundant and costly layers of staffing and bureaucracy - each JPA would likely require some level of staffing and/or consultant services, and the "master JPA" would also likely require its own Executive

Director, staff, and consultants

- SBCP may not be able to attract or retain a top quality Executive Director or CEO to run the CCA's power authority
- The County could oppose SBCP and refuse to collaborate

OPTION 4 - THIRD PARTY SERVICE PROVIDER (CARSON ONLY PROGRAM)

CCAs can also be developed and implemented directly by third party service providers, known as power services companies. Power services companies provide a broad array of expert services and are experienced in risk management and scheduling for public power agencies. They can still buy power from Power Marketers for the CCA, but have more options and flexibility; and they should be agnostic as to what combination of wholesale power and local distributed energy best meet the CCA's power needs.

The City could issue a request for proposals to conduct a feasibility study, develop a business plan and select a service provider to initiate CCA services on behalf of the City, with no startup costs. The selected provider would provide these services and recoup its costs through the electrical rates. As no study has been performed at the City level, it is undetermined if this would be a cost competitive offer compared to SCE, LACCE, or SBCP.

OPTION 4 - Third Party Service Provider Benefits

- Service providers will bear the risk of CCA formation
- Service providers will have incentive to ensure the CCA is successful in order to recoup their capital costs
- No participation in a JPA would be required
- The City would have sole control over the energy services and programs without partnering with any other city or the County
- The CCA could be branded as the City of Carson's alone
- The City Council and staff would have direct control of the program and potentially use of net revenue funds for energy programs.

OPTION 4 - Third Party Service Provider Potential Disadvantages

- The program would not be anchored by a JPA, which may place the City's General Fund at risk if the CCA became insolvent
- Additional City staff and resources would need to be dedicated to managing the CCA
- The ongoing cost may not be as competitive as other options

Next Steps

The LA County Chief Sustainability Officer will present the draft LACCE JPA document to the LA County Board of Supervisors for approval on April 18, 2017. The LACCE JPA would be formed when at least one other city becomes a member. If the City does not join the JPA within a specified period, the City may be subject to having a smaller role in initiation and/or be faced with added costs that would not be applied to initial members. Furthermore, it is anticipated that key decisions about the LACCE JPA will be made at the June 2017 board meeting.

The City may also participate in the SBCP JPA formation discussions with no obligation to participate in the actual JPA implementation. Once a final draft JPA is agreed upon by participating stakeholders, South Bay Clean Power will work with member cities to support its adoption and approval. A minimum number of cities and amount of electrical load will be required for the SBCP CCA to be successful, but that amount has not yet been determined.

The Council Subcommittee directed staff to request additional information from the LACCE JPA and the SBCP JPA. Upon receipt of the information staff will review the responses with the Subcommittee and return to the City Council with a recommendation.

V. FISCAL IMPACT

There is no financial impact at this time.

VI. EXHIBITS

1. Presentation about Los Angeles Community Choice Energy (Pgs. 7-21)
2. Presentation about South Bay Clean Power (Pgs. 22-39)
3. Resolution No. 15-023 (Pgs. 40-42)

UNDER SEPARATE COVER AND AVAILABLE FOR REVIEW UPON REQUEST:

4. Los Angeles Community Choice Energy Program and Business Plan dated June 30, 2016

5. South Bay Clean Power Draft Business Plan dated February 2, 2017

Prepared by: Reata Kulcsar, Civil Engineering Assistant