



Legislation Text

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Report to Mayor and City Council

Thursday, November 09, 2017

Special Orders of the Day

SUBJECT:

CONTINUED PUBLIC HEARING TO CONSIDER INTRODUCTION OF ORDINANCE NO. 17-1633 AN ORDINANCE OF THE CITY OF CARSON, CALIFORNIA, APPROVING THE JOINT POWERS AGREEMENT FOR LOS ANGELES COMMUNITY CHOICE ENERGY AND AUTHORIZING THE IMPLEMENTATION OF A COMMUNITY CHOICE AGGREGATION PROGRAM (CITY COUNCIL)

I. SUMMARY

This item is being continued from the November 6, 2017 Special City Council Meeting.

On October 3, 2017, the City Council heard from staff and Gary Gero, Chief Sustainability Officer with the County of Los Angeles, regarding the benefits and disadvantages of the Los Angeles Community Choice Energy Program. Staff was directed to hold a public workshop on October 9, 2017 to gather public input and to schedule a Public Hearing for consideration of Ordinance No. 17-1633 (Exhibit No. 1) approving the Joint Powers Agreement (Exhibit No. 2) for the Los Angeles Community Choice Energy program, and authorizing the implementation of a Community Choice Aggregation program.

II. RECOMMENDATION

TAKE the following actions:

1. CONTINUE the public hearing, TAKE public testimony, and CLOSE the public hearing.
2. INTRODUCE ORDINANCE NO. 17-1633, "AN ORDINANCE OF THE CITY OF CARSON, CALIFORNIA, APPROVING THE JOINT POWERS AGREEMENT FOR LOS ANGELES COMMUNITY CHOICE ENERGY AND AUTHORIZING THE IMPLEMENTATION OF A COMMUNITY CHOICE AGGREGATION PROGRAM.
3. CREATE a working group of up to seven members titled, Carson Go Green

Working Group, comprised of City staff, Budget and Capital Improvement Project (CIP) Ad-Hoc Council Subcommittee members, IBEW Local Union 11, and members of the public.

4. APPOINT Councilmember Cedric Hicks as the Director to represent the City of Carson on the Los Angeles Community Choice Energy Board of Directors and APPOINT Director of Public Works, Dr. Maria Slaughter and Civil Engineering Assistant, Reata Kulcsar as alternates.

III. ALTERNATIVES

TAKE another action the City Council deems appropriate.

IV. BACKGROUND

There are currently seven operational CCA programs in California - Apple Valley Choice Energy, CleanPowerSF, Lancaster Choice Energy, MCE Clean Energy, Peninsula Clean Energy, Silicon Valley Clean Energy, and Sonoma Clean Power - with more than 70 cities and counties participating.

The City of Carson has been actively following the Community Choice Aggregation (CCA) efforts in the region since 2015. Additionally, the Budget and Capital Improvement Project (CIP) Ad-Hoc Council Subcommittee, comprised of Mayor Pro Tem Lula Davis-Holmes and Councilmember Cedric Hicks convened on several occasions to discuss the following four options:

- Option 1 - Maintain Status Quo
- Option 2 - Consider the Los Angeles Community Choice Energy (LACCE) program
- Option 3 - Consider the South Bay Clean Power (SBCP) program
- Option 4 - Consider a Carson-only Community Choice Aggregation (CCA) program using third-party service providers

After careful consideration of all the options, risks, and benefits, the Los Angeles Community Choice Energy (LACCE) Program was selected because it provides the City an opportunity to join a Community Choice Aggregation (CCA) program with no upfront City funds as long as the City joins before December 27, 2017.

If, however, the City wanted to withdraw from the JPA after joining the program, the City would need to provide at least 180 days' notice to the LACCE Board. During that 180-day period, the LACCE Board would attempt to sell off any energy purchased on behalf of the City. There is no penalty to leave the JPA. There are two options to address power purchase agreements. The first option is if the energy could not be sold for an equal or greater price, the City would have to pay the difference. The amount, timing and schedule

of such payments would be determined by the LACCE Board. The second option would be to time the City's exit from the JPA to coincide with the expiration of the power purchase agreements.

The LACCE program is a Joint Powers Authority (JPA) operating as a separate legal entity from the City, and existing staff will be utilized to monitor the activities of the LACCE program. Several agencies have already joined the LACCE program including Alhambra, Calabasas, Los Angeles County (unincorporated), Rolling Hills Estates, Sierra Madre, South Pasadena, and West Hollywood. The City of Downey and the City of Claremont have approved the first reading of the enabling ordinance and their second reading is approaching soon.

The LACCE Joint Powers Agreement was developed after several months of meetings between L.A. County and a handful of cities within the County. The Joint Powers Agreement was made available to the public and written comments were received from six groups/individuals. Those comments were reviewed and the Joint Powers Agreement was modified to incorporate some of the public comments.

The Joint Powers Agreement includes recital language, definitions, and clauses related to formation, powers, governance, internal organization, implementation, financial provisions, withdrawal and termination, and miscellaneous provisions.

Within the governance section, the document stipulates that the governing body of each party shall appoint one regular Director and up to two alternate Directors and they shall serve at the pleasure of the governing body of the party that the Director represents. Alternate directors may be an elected official, appointed official (commissioner), staff member, or a member of the public, provided they meet certain qualifications. It should be noted that per the JPA, all meetings of the LACCE Board shall be conducted in accordance with the provisions of the Ralph M. Brown Act.

Per the JPA document, the voting structure stipulates that every member receives an equal vote (one member, one vote). Most items require a simple majority of the directors present to vote in the affirmative for approval and some items require two-thirds majority vote. A LACCE Director may, however, ask for a "weighted vote" in which a member's voting share is weighted based on the size of their electricity load, however, to initiate a weighted vote, at least three Directors must request it and a weighted votes can only follow an affirmative vote of the members.

Some specific items require a supermajority of Directors to vote in the affirmative for approval (change the designation of the Treasurer or Auditor of the Authority, issue bonds or other forms of debt, exercise eminent domain, amend the JPA, adopt or amend the bylaws, and to remove a member for cause).

The Joint Powers Agreement also stipulates that there be three standing committees which include the Executive Committee, the Finance Committee, and the Community Advisory Committee.

To become a member of the LACCE program, the City needs to adopt Ordinance No. 17-1633, executing the Joint Powers Agreement, and selecting a Director (and up to two

alternate Directors) to serve on the LACCE Authority Board of Directors.

Lastly, over the last few weeks a series of questions have been asked with regard to deadlines, local job creation, and savings. The attached handout provides answers to the questions. (Exhibit No. 3)

V. FISCAL IMPACT

There is no direct cost to join the LACCE program.

There is a requirement during the implementation period, to mail mandatory notices to all residential and business customers. Prospective customers will receive four written notices in the mail from the LACCE program that will provide information needed to understand the program terms and conditions, and explain how to opt-out of the program. The cost associated with the mandatory noticing requirements has already been factored into the operating cost of the LACCE program. It would be wise, however, to supplement the required notices with additional marketing material geared specifically towards Carson residents and businesses. The City could piggyback on existing material used for general circulation (i.e. the Carson Report).

If the City joins the LACCE program, the City anticipates that electrical rates for the community will decrease. A decrease in utility rates will directly impact 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. If utility bills are reduced because electricity rates are lower, then the total tax collected will decline by the amount that the rates are lower. In FY 2015/16, Carson collected approximately \$7,000,000.00 from the UUT. Electricity drives about 35% of the City's UUT revenue (natural gas is the other component). Therefore, if rates were to decrease by 5%, the City's revenue may be impacted by about \$122,500.00 ($\$7,000,000.00 \times 35\% \times 5\%$ decrease). It should be noted, however, that the City's own utility costs will also be reduced as the City's utility rates will be lower, and this will offset a portion of the UUT losses. The City's budget for electricity is approximately \$1,300,000.00. A 5% decrease in the City's expenditure is \$65,380.00. Therefore, the City's net impact may be a loss of \$57,120.00 ($\$122,500.00 - \$65,380.00$).

VI. EXHIBITS

1. Ordinance No. 17-1633 for Los Angeles Community Choice Energy. (pgs. 5-7)
2. Los Angeles Community Choice Energy Joint Powers Authority document. (pgs. 8-29)
3. Los Angeles Community Choice Energy Follow-up Questions (pgs 30-31)

1.

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