



DATE: January 29, 2014

TO: City Council Sustainability Committee

FROM: Director of Public Works – Utilities & Environmental Services

SUBJECT: Community Choice Aggregation

RECOMMENDATION

That the Committee reviews and comments on this report.

SUMMARY

This report provides an introduction to the topic of Community Choice Aggregation (CCA) and the activities of other local jurisdictions efforts to form and study CCA. In addition, the report identifies several issues that should be considered before deciding whether CCA is right for Hayward.

BACKGROUND

California's Renewable Portfolio Standard (RPS) was established in 2002 by Senate Bill 1078, which required investor-owned utilities, electric service providers, and community choice aggregators to provide at least 20% renewable energy by 2017. Executive Order S-14-08 by Governor Schwarzenegger set a target of 33% renewable energy by 2020 and Senate Bill 2 (2011) codified the 33% requirement into law. PG&E's 2012 electricity sales came from 19% renewable energy. According to PG&E's *2012 Preliminary Annual 33% RPS Compliance Report*¹, compliance with the RPS will be expensive. The report shows that PG&E intends to meet the RPS by increasing the use of landfill gas, solar photovoltaic, and solar thermal electricity production. PG&E's targets are to achieve 25% renewables by 2016, 29% by 2018, and 33% by 2020.

CCA is a program where a city or county, or a group of cities and counties, can arrange the purchase and/or generation of electricity on behalf of customers within their jurisdictions. The purpose of a CCA can be to secure electricity at competitive prices and/or secure electricity from cleaner sources. The existing utility, in our case PG&E, would continue to provide distribution and billing services. A CCA may or may not own the generation facilities and does not own distribution infrastructure. Formation of CCAs was made possible by Assembly Bill 117 in 2002, and the law states that utility

¹ https://www.pge.com/regulation/RenewablePortfolioStdsOIR-IV/Reports/PGE/2013/RenewablePortfolioStdsOIR-IV_Report_PGE_20130801_282881.pdf

customers within the jurisdiction will be included in the CCA unless they choose to opt out. CCAs are completely supported by rate-payer revenues, not by taxpayer subsidies. CCA is currently allowed by law in six states: California, Illinois, Ohio, Massachusetts, New Jersey and Rhode Island.

Hayward's Climate Action Plan, adopted in 2009, includes Action 5.4, "Increase the renewable portion of utility electricity generation by advocating for increased state-wide renewable portfolio standards; and consider participating in community choice aggregation, or other means." The draft General Plan includes Policy NR-4.8: "Community Choice Aggregation - The City shall assess and, if appropriate, pursue participation in community choice aggregation, or other similar programs. The City shall seek partnerships with other jurisdictions to minimize start up and administration costs."

As noted in the October 2, 2013 report² to the Committee, the new greenhouse gas (GHG) emissions estimates completed as part of the General Plan update show that implementation of a CCA in Hayward has the potential to achieve approximately 78% of the reduction necessary to meet the City's 2020 GHG emission target.

The Committee received presentations about CCA on April 1, 2009³ and May 6, 2009⁴. On April 1, 2009, Paul Fenn of Local Power Inc. provided an overview of CCA and answered questions about start-up costs and administration of a CCA. On May 6, 2009, Michael Campbell of the San Francisco Public Utilities Commission gave a presentation outlining the benefits, challenges, and issues related to CCA. At the same meeting, representatives from PG&E stated their desire to work with Hayward staff on promoting energy efficiency. At the conclusion of the May 6, 2009 meeting, the Committee directed staff to continue to monitor CCAs and to pursue partnerships with PG&E.

DISCUSSION

The decision for the City to establish or join a CCA is not one to be taken lightly. Formation of a new CCA is expensive; however, if other cities participate, the costs can be shared. The benefits of a CCA can also be significant. As noted above, a CCA could allow Hayward to meet a significant portion of its 2020 GHG emission reduction target.

If the Committee is interested, staff can invite CCA experts to present information at future Committee meetings. Experts may include representatives from the following organizations: Marin Clean Energy, Sonoma Clean Power, Local Clean Energy Alliance, Local Power Inc., PG&E, Local Energy Aggregation Network (LEAN), and Clean Power SF. After continued research and presentations from CCA and energy experts, staff will be in a position to provide a recommendation to the Committee regarding whether or not Hayward should pursue

² See Item 2 at <http://www.hayward-ca.gov/CITY-GOVERNMENT/COUNCIL-STANDING-COMMITTEES/COUNCIL-SUSTAINABILITY-COMMITTEE/2013/CSC-CCSC100213full.pdf>

³ Report and presentation are available at <http://www.hayward-ca.gov/CITY-GOVERNMENT/COUNCIL-STANDING-COMMITTEES/COUNCIL-SUSTAINABILITY-COMMITTEE/2009/CSC-CCSC040109.pdf>

⁴ Presentation is available at <http://www.hayward-ca.gov/CITY-GOVERNMENT/COUNCIL-STANDING-COMMITTEES/COUNCIL-SUSTAINABILITY-COMMITTEE/2009/CSC-CCSC050609.pdf>

participation in a CCA and the related staff resources needed to conduct the investigation and analysis.

There is currently one CCA operating in the Bay Area – Marin Clean Energy (MCE). Several communities in the Bay Area are currently exploring or forming CCAs. These communities include Sonoma County, San Francisco, the East Bay Municipal Utility District (EBMUD), and Berkeley. With the formation of MCE and, more recently, Sonoma Clean Power, some interest has been expressed in exploring the formation of CCA, and there is more information available regarding the cost of establishing a CCA. In addition, MCE is actively seeking additional Bay Area cities to become part of MCE.

Marin Clean Energy – MCE was established in May 2010 and offers customers either Light Green or Deep Green electricity. Light Green contains 50% renewable energy, while Deep Green is 100% renewable. PG&E’s electricity is currently 19% renewable. The additional cost of Deep Green is just a penny more per kilowatt-hour than the Light Green rates. For the average residential customer, the additional cost of Deep Green adds up to \$5 per month. MCE’s rates are competitive with those of PG&E. The following tables are from PG&E’s website⁵:

Residential: E-1 / RES-1

Residential: E-1	PG&E	MCE Light Green (50% Renewable)	MCE Deep Green (100% Renewable)
Generation Rate (\$/kWh)	\$0.07884	\$0.07400	\$0.08400
PG&E Delivery Rate (\$/kWh)	\$0.12521	\$0.12521	\$0.12521
PG&E PCIA/FF (\$/kWh)	N/A	\$0.00664	\$0.00664
Total Electricity Cost (\$/kWh)	\$0.20405	\$0.20585	\$0.21585
Average Monthly Bill (\$)	\$ 103.62	\$ 104.54	\$ 109.62

Monthly usage: 508 kWh
Rates are current as of October 1, 2013

This compares electricity costs for a typical residential customer in the MCE/PG&E service area (Marin County and Richmond) with an average monthly usage of 508 kilowatt-hours (kWh). This is based on the recent 12-month billing history for all customers on E-1 / RES-1 rate schedules for PG&E’s and MCE’s published rates as of October 1, 2013.

Small and medium business: A-1L / COM-1L

Commercial/Industrial: A-1 CARE	PG&E	MCE Light Green (50% Renewable)	MCE Deep Green (100% Renewable)
Generation Rate (\$/kWh)	\$0.08547	\$0.07561	\$0.08561
PG&E Delivery Rate (\$/kWh)	\$0.01846	\$0.01846	\$0.01846
PG&E PCIA/FF (\$/kWh)	N/A	\$0.00547	\$0.00547
Total Electricity Cost (\$/kWh)	\$0.10394	\$0.09955	\$0.10955
Average Monthly Bill (\$)	\$ 220.52	\$ 211.20	\$ 232.42

Monthly usage: 2,122 kWh
Rates are current as of October 1, 2013

⁵ <http://www.pge.com/cca/>

Before a CCA begins operating, a significant amount of public outreach is necessary to educate the community about the benefits, costs, and details of the program. Outreach efforts would include information about the opt out provisions in AB 117, which state that all electricity customers within the boundaries of the CCA are enrolled unless they choose to opt out. As of July 2012, MCE had 92,000 customers. Approximately 23% have opted out and chosen to continue to have their electricity sourced by PG&E. In September 2013, MCE adopted a policy to “to explore and support customer electric service in new communities to further agency goals” and established a seven-step process a jurisdiction can follow to become a member of MCE’s governing body, the Marin Energy Authority. In 2013, MCE presented information to communities including Albany (March), San Pablo (May), El Cerrito (October) and San Ramon (November). In November 2013, the Napa County Board of Supervisors authorized a letter of interest, asking the MCE to “conduct exploratory negotiations” to consider adding Napa County as an affiliate member.

The City of Richmond recently joined MCE and began enrolling customers in July 2013. Richmond spent approximately \$50,000 on technical analysis and approximately 0.5 FTE for one year prior to joining MCE. Sonoma Clean Power considered partnering with MCE and estimated potential start-up costs savings of over \$1 million; however, after community polling revealed that there was significant interest in a CCA with local control, SCP decided to form its own CCA.

Sonoma Clean Power – On December 4, 2012, the Sonoma County Water Agency's Board of Directors approved the formation of the joint powers authority for Sonoma Clean Power. SCP is a not-for-profit agency, independently run by the Sonoma County cities that have joined the program, including Sonoma, Santa Rosa, Cotati, Windsor, Sebastopol, and all of the unincorporated areas in the County.

In February 2013, SCP released the results of a community survey that found:

- 83% of residential utility ratepayers want a choice in how their electricity is generated.
- 74% of residential utility ratepayers are supportive of having a local clean and renewable electricity source owned by the community.
- 79% of residential utility ratepayers are supportive of electricity produced locally if they were assured the revenues would be reinvested back into the local economy.
- 18% of residential utility ratepayers are not willing to pay any additional costs for clean energy.
- 37% of residential utility ratepayers are willing to pay more for clean energy.

SCP expects to begin offering service to the first group of customers in May 2014. Most customers will be eligible to join the program in 2015 or 2016. SCP’s default product will come from 33% renewable sources in 2014. SCP expects an increase to 50% by 2018, when PG&E is projected to be at 29%. SCP expects to offer residential rates between 1.8% below and 1.1% above PG&E’s rates. Commercial rates are expected to be between 3.1% below and 0.5% above PG&E’s rates.

Berkeley – The City of Berkeley has been studying CCA since 2005 and maintains several studies, reports, and presentations on its website⁶. In January 2012, the City of Berkeley formally declared

⁶ <http://www.ci.berkeley.ca.us/communitychoice/>

its intent to “explore Community Choice Aggregation with the Marin Clean Energy Authority, Richmond, and the East Bay Municipal Utility District.” Berkeley staff most recently provided an update to the Berkeley Energy Commission on December 18, 2013. The Commission will provide an informational report at an upcoming Berkeley City Council meeting and anticipates continuing evaluation of CCA in 2014.

EBMUD – On December 11, 2012, EBMUD staff presented a 72-page report titled *East Bay Community Choice Aggregation Preliminary Analysis*, which studied two potential models for the District to form an East Bay CCA: 1) forming a separate Electric Utility; and 2) forming a Joint Powers Authority (JPA). The Board expressed concern about the relatively low rate of return and the potential fiscal impact risk a CCA could have on the District. The District Board directed their staff to discontinue further exploration of a District-led electric utility and to continue exploring a JPA as a CCA model to be funded by participating cities and not by the District.

GCC Grant – Green Cities California (GCC), of which Hayward is a member, recently partnered with Local Energy Aggregation Network (LEAN), the Sierra Club, and the Climate Protection Campaign (based in Sonoma County) to receive a grant from the San Francisco Foundation to expand CCA education and outreach throughout the Bay Area. The grant will be used to target specific communities and stakeholder groups and provide outreach to the general public through educational campaigns. The effort will also provide the following assistance to city staff and elected officials:

- An overview of CCA and best practices, including alignment with climate action plans;
- The economic, job creation and environmental benefits of CCA;
- Factors to consider when deciding to join an existing CCA effort vs. launch a new CCA;
- Financing issues and options;
- Provision of a communications strategy offering recommendations for engaging underserved, economically challenged communities through targeted outreach;
- A “How To” blueprint for launching a substantive CCA effort;
- Recommendations for establishing a CCA Steering Committee; and,
- Assistance in passing ‘resolutions of support and interest’ that officially affirms a city or county’s interest in investigating CCA for their municipality.

ECONOMIC IMPACT

There will be no economic impact from the Committee accepting this report. Economic impacts associated with a Hayward CCA or an East Bay CCA are unknown at this time and will be studied in detail pending further direction from the Committee and Council.

FISCAL IMPACT

Staff’s continued exploration of CCA will have minimal fiscal impacts. Any detailed feasibility studies are likely to be prepared by consultants who will be paid by more than one city. Staff time associated with this initial effort can be accommodated by existing, budgeted staff. If Hayward

decides to form a CCA, additional staff resources will be necessary. As noted above, the City of Richmond utilized approximately 0.5 FTE for one year prior to joining MCE.

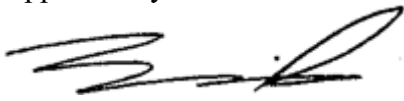
NEXT STEPS

Staff will continue to explore and research CCA as directed by the Committee.

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