

City of Carpinteria

COUNCIL AGENDA STAFF REPORT September 14, 2015

ITEM FOR COUNCIL CONSIDERATION

Request from County of Santa Barbara to contribute funds for a planned Community Choice Energy Feasibility Study.

STAFF RECOMMENDATION

Action Item X ; Non-Action Item

1. Authorize participation in the Community Choice Energy feasibility study and working group.
2. Approve appropriation of \$7,500 from the General Fund unallocated fund balance to Account No. 1012220, Contract Services, City Administration.

Motion: I move to: (1) authorize participation in the Community Choice Energy feasibility study and working group and, (2) to approve an appropriation of \$7,500 from the General Fund unallocated fund balance to Account No. 1012220, Contract Services, City Administration.

BACKGROUND

In 2002, California law was established to allow local governments to aggregate electric customers within their respective jurisdictions and to become an energy purveyor. This law is known as Community Choice Aggregation (CCA). CCA entities purchase electrical energy on the wholesale market and provide it to customers within the jurisdiction via existing electrical infrastructure. Several counties and cities have established and are operating such entities (Marin County is a notable example). Workshops have been organized over the years for City staffs and elected officials to learn about CCA from experts, including representatives of Marin County and other public agencies. City staff and Council members have attended some of these educational forums concerning CCA.

Earlier this year the City received an inquiry from the County of Santa Barbara about its interest in studying the feasibility of establishing a CCA entity in the region. The County has titled the effort Community Choice Energy (CCE). In May, the City Council authorized sending a response to the County that affirmed its interest in participating in

the feasibility study and its willingness to consider helping to fund the effort (see attached letters and staff report).

Based on initial interest from Santa Barbara, Goleta and Carpinteria, as well as the Counties of Ventura and San Luis Obispo, Santa Barbara County has determined to proceed to the next step and explore organizing and funding the CCE effort. In July the City received a letter from County Executive Officer Mona Miyasato (attached) asking if the City would be willing to work on the effort and could contribute \$15,000 toward the cost of the feasibility study. The purpose of this agenda matter is to allow the Council to consider and act on the matter of City of Carpinteria participation and funding of the CCE effort.

DISCUSSION

The County is estimating the cost of the feasibility study at up to \$500,000. Once complete, and should the parties determine to proceed, a subsequent Implementation Plan would be required to be prepared at an estimated cost of approximately \$1 million. It is assumed that this expense would also be shared by the participating agencies.

The County of Santa Barbara has solicited interest in participation in the feasibility study from the counties of Ventura and San Luis Obispo and the Cities of Santa Barbara, Goleta and Carpinteria. The County of Santa Barbara has budgeted \$400,000 toward the cost of the study. The City of Santa Barbara and County of Ventura have approved contributions of \$50,000. The City of Goleta approved participation but not funding. The County of San Luis Obispo has yet to respond to the request for a funding contribution.

The County has communicated that agencies participating in the feasibility study would appoint representatives to an advisory working group. The advisory working group would provide input on, among other things, determining the objectives of the study, developing the Request for Proposal (RFP), participating in the consultant selection process, and reviewing and commenting on the draft study. Once the feasibility study work is completed and if it is determined to proceed to developing an Implementation Plan, the County anticipates the participating agencies entering into a formal agreement.

POLICY CONSISTENCY

Exploring energy purchase and delivery options that could encourage use of alternative energy sources can be found consistent with City General Plan policies and implementation measures that are a part of the Conservation Element and aim to reduce air pollution and conserve natural resources. Such an effort may also be found consistent with the City's Sustainability Policy with regard to Environmental Stewardship and Energy Conservation.

FINANCIAL CONSIDERATIONS

The County's letter of July 15, asks if the City is able to contribute \$15,000 toward the cost of the CCE feasibility study. Staff suggests that the City's contribution be \$7,500, which is proportional to its population compared to Santa Barbara and its contribution of \$50,000.

The contribution of \$7,500 is a one-time contribution; however, as discussed above, there would be expected to be additional funding support requested from Carpinteria and other participating agencies should the group determine to proceed with an effort to establish the CCE entity.

LEGAL

There has been no legal analysis conducted for this matter.

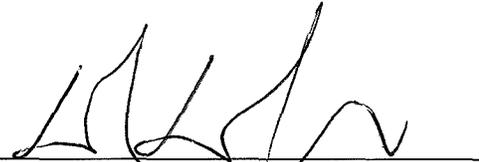
PRINCIPAL PARTIES EXPECTED AT MEETING

None.

ATTACHMENTS

- A. County letter, dated July 15, 2015
- B. City letter, dated May 28, 2015
- C. City Staff Report, dated May 26, 2015

Staff contact: Dave Durflinger
(805 684-5405, daved@ci.carpinteria.ca.us)



Signature

ATTACHMENT A

County Of Santa Barbara



Mona Miyasato
County Executive Officer

105 East Anapamu Street, Room 406
Santa Barbara, California 93101
805-568-3400 • Fax 805-568-3414
www.countyofsb.org

Executive Office

July 15, 2015

Mr. David Durflinger
City Manager
City of Carpinteria
5775 Carpinteria Ave.
Carpinteria, CA 93013

E-mail: daved@ci.carpinteria.ca.us

Re: Interest in Community Choice Energy (CCE)

Dear Mr. Durflinger:

A handwritten signature in cursive script that reads "Dave".

This letter is to follow up on my previous correspondence regarding a local Community Choice Energy (CCE) study.

On June 9, 2015 the Santa Barbara County Board of Supervisors approved the County's 2015-2016 Budget, which included an enhancement to cover the phase 1, including a feasibility study for Santa Barbara County, which was estimated to cost up to \$500,000. A portion of that is anticipated to be offset by other agencies. For example, the City of Santa Barbara has committed to contributing \$50,000 towards the study and the Community Environmental Council, a local non-profit, has committed to contributing \$50,000.

In preparation for soliciting proposals for the feasibility study, we are asking cities that have yet to formally respond to please let us know by September 1, 2015 if your organization will allow the County to include your jurisdiction in the initial study, will work with the County to acquire applicable electricity load data, and if you will be able to contribute \$15,000 for the study. Please note, all contributions must be received by October 15, 2015 so that all sources of funds are known prior to the County authorizing a contract with a consultant to complete the feasibility study.

Please feel free to contact me or Energy and Sustainability Initiatives Division Chief, Angie Hacker, at ahacker@co.santa-barbara.ca.us.

Sincerely,

A handwritten signature in cursive script that reads "Mona Miyasato".

Mona Miyasato
County Executive Officer

cc: George Chapjian, Community Services Department Director
Angie Hacker, Energy and Sustainability Initiatives Manager

Renée E. Bahl
Assistant County Executive Officer
rbahl@co.santa-barbara.ca.us

Terri Maus-Nisich
Assistant County Executive Officer
tmaus@countyofsb.org

ATTACHMENT B

CITY of CARPINTERIA, CALIFORNIA



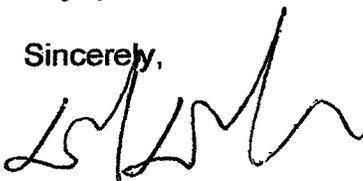
May 28, 2015

Mona Miyasato
County Executive Officer
105 East Anapamu Street, Room 406
Santa Barbara, CA 93101

Dear Ms. ~~Miyasato~~ ^{Mona},

Thank you for your letter of May 15, 2015. I am writing to notify you that at its meeting of May 26, 2015, the City Council considered the County's inquiry regarding City interest in participating in a regional Community Choice Aggregation (CCA) effort. The Council concluded that the City of Carpinteria is interested in joining with the County to evaluate a CCA through a feasibility study and will consider contributing to the cost of such a study. Please contact me if you have any questions.

Sincerely,



Dave Durlinger
City Manager
City of Carpinteria
(805) 684-5405, ext. 400

ATTACHMENT C

50th Year



Golden Jubilee

City of Carpinteria

COUNCIL AGENDA STAFF REPORT May 26, 2015

ITEM FOR COUNCIL CONSIDERATION

A response to an inquiry from the County of Santa Barbara about City interest in participation in a Community Choice Aggregation Feasibility Study.

STAFF RECOMMENDATION

Action Item X ; Non-Action Item

Determine an appropriate response and direct the City Manager to reply to the County Executive Officer Mona Miyasato's letter of May 15, 2015.

Motion: I move to direct the City Manager to respond, as discussed, to the County of Santa Barbara's request, as included in the letter dated May 15, 2015.

BACKGROUND

The City of Carpinteria recently received a letter from the County of Santa Barbara inquiring as to the City's interest in participating in a Community Choice Aggregation (CCA) Feasibility Study for Santa Barbara County. The County's May 15 letter and related report to the Board have been included as an attachment to this staff report. The County report provides background including what is a CCA, the law that established authority to create CCA's, i.e., Assembly Bill 117, 2002, and information about the process for local communities to establish CCA's.

The purpose of this agenda matter is to allow the Council an opportunity to determine and direct an appropriate response to the County's inquiry.

DISCUSSION

Since California law was established to allow local governments to aggregate electric customers within their respective jurisdictions and to become an energy purveyor, purchasing electrical energy on the wholesale market and providing it to customers within its jurisdiction via existing electrical infrastructure, several counties and cities have established and are operating CCA's. Marin County is a notable example. Several seminars/workshops have been organized over the years for City staffs and elected

officials to learn about CCA's from experts, including representatives of Marin County and other public agencies.

The County of Santa Barbara is in the process of exploring the feasibility of a CCA in Santa Barbara County. In order to initiate this process, it is asking cities in the County if they have interest in participating in a CCA evaluation and, if so, would they be able to contribute financially to a Feasibility Study. The County has requested responses by June 1, 2015.

POLICY CONSISTENCY

Exploring energy purchase and delivery options that could encourage use of alternative energy sources can be found consistent with City General Plan policies and implementation measures that are a part of the Conservation Element and aim to reduce air pollution and conserve natural resources. Such an effort may also be found consistent with the City's Sustainability Policy with regard to Environmental Stewardship and Energy Conservation.

FINANCIAL CONSIDERATIONS

Should the City Council elect to participate in an effort to explore the feasibility of a CCA in Santa Barbara County it would be expected that the City would pay for a portion of the costs of a Feasibility Study in the near term and an Implementation Plan further out. The costs are not known but the County estimates they could be approximately \$500,000 for a feasibility study and \$1 million or more for and Implementation Plan.

LEGAL

There has been no legal analysis conducted for this matter.

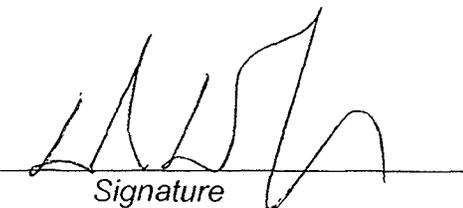
PRINCIPAL PARTIES EXPECTED AT MEETING

None.

ATTACHMENTS

County letter, dated May 15, 2015

Staff contact: Dave Durflinger
(805 684-5405, daved@ci.carpinteria.ca.us)



Signature

County Of Santa Barbara



Mona Miyasato
County Executive Officer

105 East Anapamu Street, Room 406
Santa Barbara, California 93101
805-568-3400 • Fax 805-568-3414
www.countyofsb.org

Executive Office

May 15, 2015

Mr. David Durflinger
City Manager
City of Carpinteria
5775 Carpinteria Ave.
Carpinteria, CA 93013

E-mail: daved@ci.carpinteria.ca.us

Re: Interest in Community Choice Aggregation (CCA)

Dear Mr. Durflinger:

I am writing to gauge your organization's interest in Community Choice Aggregation (CCA) and possible exploration of its feasibility with the County of Santa Barbara.

On May 5, 2015, the Santa Barbara County Board of Supervisors heard a presentation on Community Choice Aggregation (see attached Board Letter) and asked staff to determine if there is interest by jurisdictions within the County of Santa Barbara, or adjoining counties, in participating in a feasibility study.

Community Choice Aggregation allows California cities and counties the ability to aggregate the electric loads of residents, businesses and public facilities to facilitate purchase and sale of electrical energy by becoming an energy purveyor. A CCA chooses the source of electrical power for the community and sets its own rates.

A feasibility study, the first phase of the process, is estimated to cost up to \$500,000 for Santa Barbara County; the amount likely would be greater if other counties are included. The second phase of the process, which includes developing a detailed Implementation Plan involving CPUC approval, is estimated at \$1 million or more.

At this time, we are only asking if there is interest in evaluating a CCA with the County of Santa Barbara and participating in a feasibility study and if so, ability to contribute funding for the study.
Please let us know by June 1, 2015 if you believe your organization would have some interest in

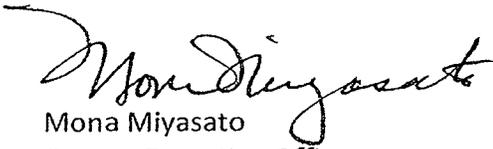
Renée E. Bahl
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rbahl@co.santa-barbara.ca.us

Terri Maus-Nisich
Assistant County Executive Officer
tmaus@countyofsb.org

exploring this (I recognize that some of you may need direction from your Board or Council). I also recognize we are all taking our FY15-16 budgets to our respective Boards and City Councils, and this issue may need to be addressed at that time. The Board of Supervisors for Santa Barbara County will be addressing potential funding for a study as part of its Budget Hearings to be held the week of June 8-12.

Please feel free to contact me or Planning and Development Director Dr. Glenn Russell at grussell@co.santa-barbara.ca.us or 805-568-2084.

Sincerely,

A handwritten signature in black ink, appearing to read "Mona Miyasato". The signature is fluid and cursive, with a large initial "M".

Mona Miyasato
County Executive Officer

cc: Glenn Russell, Planning and Development Director



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: P&D
Department No.: 053
For Agenda Of: May 5, 2015
Placement: Departmental
Estimated Time: 1 hour
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Glenn Russell, Ph.D, 568-2085
Director
Contact Info: Dianne M. Black, 568-2086

SUBJECT: Community Choice Aggregation (CCA)

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: NA

Recommended Actions:

That the Board of Supervisors:

- A. Receive and file this briefing on Community Choice Aggregation; and,
- B. Find this action is not a project pursuant to CEQA 15262, which exempts feasibility or planning studies related to possible future actions.

Summary Text:

One of the projects in the *2014-15 Long Range Planning Division Work Program* for Planning and Development is investigating potential grants to conduct a feasibility study for Community Choice Aggregation (CCA). Staff concluded that there are no available grant sources to fund the feasibility study. However, in the course of searching for grants, staff gathered information about the process of establishing a CCA. On March 24, 2015, during the discussion of the Board of Supervisors long range calendar, your Board requested Planning and Development provide the Board a briefing on CCA.

SUMMARY/ANALYSIS:

Authority for CCA: California State Assembly Bill 117 (AB 117), passed and signed into law in 2002, gave California cities and counties the ability to aggregate the electric loads of residents, businesses and public facilities to facilitate the purchase and sale of electrical energy in a more competitive market. As a result of the California energy crisis of 2000-2001, issues such as reliability and energy independence moved to the forefront, along with price stability and renewable energy. CCAs have the options of supplying power through wholesale purchase contracts and spot market purchases and/or through ownership and operation of generating plants. However, the responsibility for all aspects of power delivery (transmission, distribution, metering, billing, and customer service) remains with the utility.

Definition of CCA: Community Choice Aggregation (CCA) allows local governments to become an energy purveyor and to purchase electrical energy on the wholesale market from any source. A CCA chooses the source of electrical power for the community and sets its own rates. All Investor Owned Utility (IOU) customers within the area defined as a CCA would be included in CCA unless they choose to opt out of CCA and remain customers of the IOU. A CCA's primary mission is to serve its local constituents, rather than to maximize profits for shareholders, as is the case with an IOU. In addition, a CCA is not a municipal utility. A CCA only provides electricity and does not own poles or wires; electricity would continue to be delivered using the IOU's transmission and distribution lines. IOU's are obligated to continue to deliver electricity to CCA customers under the same terms and conditions as their own customers, perform billing duties and provide customer service. CCA customers pay a potentially lower cost for the electricity itself. This includes a Cost Responsibility Surcharge (CRS) to cover the cost of delivering the electricity, including the cost of existing infrastructure. This charge, which is regulated by the CPUC, is charged directly to customers as part of their monthly bill, and helps to ensure that customers that stay with the IOU do not have increases in their rates as a result of other customers joining the CCA.

Establishing a Community Choice Aggregation Program - Three Phase Process: The following is a brief overview of the process to establish a CCA. The process is detailed, resource intensive, and time consuming. This **first phase** is referred to as a feasibility evaluation. This phase addresses the feasibility of creating a CCA, including a careful consideration of potential benefits and risks. This process includes the definition of objectives and evaluation of the economic feasibility of achieving those objectives given local circumstances, including financial, political, administrative, and regulatory considerations. Based upon information from other jurisdictions who have gone through the CCA evaluation process, the phase often includes outreach to other jurisdictions potentially interested in joining the CCA, forming a steering committee, load data procurement, hiring consultant services to help manage and prepare the feasibility study, preparation of the feasibility study, public outreach, and development of initial implementation plans.

If the feasibility analysis results in a decision to pursue a CCA, the **second phase** includes adoption of a resolution by the local government(s) proclaiming its intention to form a CCA and preparation of the Implementation Plan for submittal to and for consideration by the California Public Utilities Commission. The Implementation Plan proposes how the CCA will be set up and how it will function. Important issues to be addressed include the operational structure, a detailed discussion of source(s) of electricity, rate setting, participation with other local jurisdictions (e.g. JPA), rights and responsibilities of program participants, and a Statement of Intent. The Statement of Intent addresses the issues of

universal access, reliability, customer class equity, and other requirements. A key component of CPUC consideration is determination of the Cost Responsibility Surcharge (CRS), which is imposed on CCA customers to shield remaining customers of the IOU from any increases in cost that would otherwise result from customers switching to the CCA. The calculation of the CRS is based on a number of factors, including past costs incurred by the IOU that are still being paid off by the rate payers. These costs are transferred to CCA customers who pay the CRS directly on their monthly bill. This phase of the CCA set-up process is the most resource intensive as it involves setting up the CCA. A rough estimate of the cost of this phase is \$1 to \$2 million.

The **third phase** is enrollment of customers, where customers may opt out of the CCA without penalty during a specified enrollment period. Finally, all applicable accounts of new CCA customers are transferred to the new supplier. There are relatively small costs associated with this phase.

Benefits and Risks of CCA:

There are a variety of potential benefits from a CCA. These include:

- Customer choice in selecting or influencing the selection of energy resources serving the community.
- Local accountability for selection of energy resources, rate-setting, and administration of the CCA.
- Reduced energy costs through the negotiation of energy prices below those offered by investor-owned utilities, or from CCA-owned or financed generation.
- Increased price stability through a diversified energy supply portfolio, which includes long-term power purchase agreements and ownership of low-cost generating resources.
- Affordable renewable energy through economies of scale achieved by aggregating customer load and using public financing.
- Environmental benefits related to the procurement of energy from renewable and/or low-emission resources.
- Opportunities to influence and implement effective energy efficiency and demand side management programs within the community.

There are also a number of potential risks associated with establishing a CCA, including:

- Potential reaction of the IOUs as more customers switch to CCAs. While IOUs are prohibited from utilizing ratepayer funds to oppose CCA formation, shareholder revenue may be utilized.
 - During the last legislative session, AB 2145, which would have provided significant barriers to prevent the formation of CCAs, was introduced but defeated. Other legislative or market reactions to CCAs could occur in the future to make IOUs more competitive with CCAs.
- Cost Responsibility Surcharge can offset the rate benefits to CCA customers.
- Long-term power purchase agreements, where benefits of the long-term agreements may be less advantageous as market forces shift.
- Rates could end up higher than current rates.
- Legislative climate could reduce some of the benefits of CCAs. If the legislature continues to pursue increasing the requirement for alternative energy in IOU portfolios, as is currently underway with SB 350, the environmental benefits of CCAs may reduce.

Organization of CCA: Santa Barbara County is unique in that it is served by two separate IOUs, Southern California Edison and Pacific Gas and Electric. Given that, there are a number of possibilities for organization of a CCA:

- Establish a CCA only for customers in the unincorporated County.
- Set up a Joint Powers Authority. The Joint Powers Authority could include some combination of Ventura County, San Luis Obispo County, and cities within the tri-county area.
- Set up the CCA through a phased approach with one IOU initially or both IOUs at the same time.

The organization would be one of the issues evaluated in a feasibility study.

Funding: There are a variety of potential funding sources for all phases of CCA set-up:

- Loan from the General Fund to be repaid from revenues during the first year of CCA operation.
- Loan from a bank.
- Grant from a foundation.
- Seek funding from the APCD.

Costs and Staffing: Based on the experience of other local governments, this would require somewhere between 2 and 4 FTE during Phase 1. The County of Alameda authorized the expenditure of up to \$1,325,000 for their initial Phase I process. The budgets for the Phase 1 processes for the Counties of Marin and Sonoma were roughly \$2,000,000. Also based on the experience of other local governments, the feasibility analysis should be conducted by dedicated staff, in addition to consultant resources, located in a new CCA division of a department to ensure a smooth transition from the feasibility phase to the implementation phase. There is no obvious answer as to where initial and ongoing efforts should be housed. No matter where CCA is housed, it includes activities and responsibilities that are currently not part of the mission of any existing County department.

Another consideration for the location of start-up activities flows from the likely multi-jurisdictional approach to establishing a CCA. A multi-jurisdictional start-up team could be established at the outset, with members contributing resources, but one entity taking the lead. Such a team could include participating agencies (cities and other Counties in the tri-county area), Air Pollution Control Districts and could also include organizations such as the Community Environmental Council (CEC).

Next Steps: Should the County decide to form a CCA, these would be the next steps. These steps are associated with the phase 1 feasibility phase portion of the CCA process.

- Determine source of funding for CCA set up process.
- Identify staff and department(s) who will have the lead in preparation of the feasibility study.
- Decide if the CCA will be phased in to include only SCE, PG&E, or both at the same time.
- Outreach to potential members of a JPA.
- Prepare RFP for consultant(s) assistance with set up process.
- Prepare feasibility study.
- Begin public outreach and marketing.

Fiscal and Facilities Impacts:

Budgeted: Yes

Fiscal Analysis:

<u>Funding Sources</u>	<u>Current FY Cost:</u>	<u>Annualized On-going Cost:</u>	<u>Total One-Time Project Cost</u>
General Fund	\$6,000		
State			
Federal			
Fees			
Other:			
Total	\$ 6,000.00	\$ -	\$ -

Narrative: Budgeted. The 2014-15 Long Range Planning Work Program (page D-212 in the 2014-15 Adopted Budget for Planning and Development includes) \$6,000 to seek grant funding to conduct a feasibility study for CCA; these funds were used to prepare this report. Costs associated with conducting a feasibility study and establishing a CCA are not currently budgeted.

Key Contract Risks:

NA

Staffing Impacts:

NA