



Legislation Text

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TO:

Honorable Mayor and Members of the City Council

THROUGH:

Mark Danaj, City Manager

FROM:

Anne McIntosh, Community Development Director
Dana Murray, Environmental Programs Manager

SUBJECT:

Status Update on Various Community Choice Aggregation (“CCA”) Programs that Enable Cities to Purchase Electricity from Renewable Energy Sources (Community Development Director McIntosh).

DISCUSS AND PROVIDE DIRECTION

RECOMMENDATION:

Staff recommends that City Council receive this status update on various Community Choice Aggregation (CCA) programs that enable cities to purchase electricity generated from renewable energy sources and provide direction regarding future participation in a CCA program.

EXECUTIVE SUMMARY:

Community Choice Aggregation (CCA) allows local governments to purchase and sell electricity to customers in their jurisdictions as an alternative to traditional investor owned utility power procurement. This approach often provides residents with lower electrical utility rates while using power generated from a higher percentage of renewable energy sources.

The CCA approach has been used across the country and state successfully with over 70 jurisdictions participating in a CCA in California. Southern California cities began exploring the option a few years ago when South Bay Clean Power (SBCP) was formed. Los Angeles County ultimately developed a CCA plan to aggregate purchasing electricity under its Los Angeles Community Choice Energy (LACCE) program in June 2016. Los Angeles County’s Feasibility Study found that not only is a CCA feasible for residents and jurisdictions in Los Angeles County, but it is also financially viable and would benefit local jurisdictions considerably. Benefits of joining a CCA include securing lower rates for more renewables, reducing greenhouse gases countywide, bolstering economic development, creating local jobs, and establishing local control of energy rates and percentage of renewables.

Adopting a CCA in Manhattan Beach is an essential strategy for reducing greenhouse gas (GHG) emissions, and there are several CCA programs that Manhattan Beach should consider, including joining LACCE or SBCP or independently developing its own city-wide CCA. Joining a CCA would likely have a positive impact on the City and its residents and continue to establish Manhattan Beach as a leader in sustainability.

FISCAL IMPLICATIONS:

No fiscal implications associated with the recommended action, although joining a CCA may ultimately reduce the amount that the City and our residents pay for electricity.

BACKGROUND:

This report and its attachments provide an overview of the two primary Community Choice Aggregation (CCA) energy programs in the Los Angeles area, and an update on the status of regional community choice energy options for Manhattan Beach. The report will be supplemented with presentations by the Los Angeles County Community Choice Energy Program (LACCE) and South Bay Clean Power (Attachments 1 and 2).

What is Community Choice Aggregation?

Community Choice Aggregation (CCA) is a program that allows communities to “aggregate” their buying power in order to make cleaner energy purchases, effectively enabling local governments to procure or develop clean power for their own facilities and on behalf of their residents and businesses. CCAs create a partnership between municipalities and the existing utility provider, giving local governments the option to purchase up to 100% renewable electricity - such as solar, wind, bioenergy, geothermal, and hydroelectric - at competitive rates. Municipalities can buy electricity from cleaner sources and use the local utility’s distribution infrastructure (e.g., SCE), to deliver power to its residents and businesses. Once a city chooses to participate in a CCA, all its residents and businesses are automatically enrolled in the CCA program. However, residents can opt out of the CCA program and return to receiving power generated from SCE’s portfolio at any time.

The CCA will negotiate contracts for power supply and offer renewable electricity at competitive rates, while SCE will deliver that power through its existing utility lines. SCE continues to bill the customer, maintain power lines, and handle new service requests and emergencies; and customers will continue to pay SCE’s distribution rate. Customers will see no change how they receive their electricity bills from SCE, although it will likely be lower under the CCA program.

Advantages in forming and/or joining a CCA include:

- Lowering electrical rates for residents and businesses
- Offering residents and businesses energy choice options
- Promoting electrical rate price stability
- Promoting the development and use of renewable energy sources and energy efficiency programs
- Addressing climate change by reducing energy related greenhouse gas emissions
- Fostering local economic benefits such as jobs creation and local power development
- Developing local green energy projects/sources

More than 70 cities and counties in California have already joined seven CCAs including Apple Valley Choice Energy, CleanPowerSF, Lancaster Choice Energy, MCE Clean Energy, Peninsula Clean Energy, Silicon Valley Clean Energy, and Sonoma Clean Power. In addition, Illinois, Ohio, Massachusetts, New Jersey, Rhode Island, and New York also have community power programs. Customers in almost every city have experienced lower utility bills. Some CCAs in California offer rates that are approximately equal to those offered by their existing utility; however, in these CCAs

the purchased power is significantly more renewable and greener than the power offered by the existing utility. There are many factors that contribute to a CCA's ability to offer cheaper rates than incumbent utilities - most notably, CCAs are nonprofit governmental entities that do not need to make profits for shareholders and require less overhead, which helps keep costs lower.

Manhattan Beach's Commitment to Sustainability

Participation in a CCA supports the City's Strategic Goal to "Enhance, Preserve, and Protect the Environment and Health of Our Beach Community." The City has a community-wide goal to reduce its greenhouse gas emissions, and a long history of supporting efforts that lead to climate protection. Community Choice is a tool local government can use to meet greenhouse gas emissions reduction goals. Further, joining a CCA would give the City an opportunity to offer its citizens a renewable alternative to meet their electricity needs.

On March 29, 2014, the City hosted a community forum as part of its Earth Hour initiative to discuss options that would bring the City of Manhattan Beach to 100% renewable energy by 2025. One of the options presented by a representative from Sonoma County was Community Choice Aggregation. The topic was well received by the community, with over 100 members in attendance. Shortly thereafter, on June 17, 2014 City Council voted to oppose AB 2145 because the legislation would make it difficult for local governments to pursue Community Choice energy programs as an alternative to traditional utility power generation. The City of Manhattan Beach sent an additional opposition letter in August 2014, stating its continued opposition to AB 2145 and its amendments. The proposed bill did not pass, and the original legislation enacting Community Choice programs remains in place.

On October 21, 2014, the City Council unanimously adopted a resolution to authorize staff to participate in the pre-development exploration and feasibility phase of Community Choice Aggregation in Manhattan Beach.

Los Angeles County Community Choice Energy (LACCE) (Attachment 3)

Completed by L.A. County in July 2016, the LACCE Business Plan and Feasibility Study evaluated the feasibility of establishing a Community Choice Energy program for LA County unincorporated areas and 82 eligible cities. The study concluded that LACCE could provide lower cost to customers, more renewable energy generation, and more locally-produced energy than what is currently provided by Southern California Edison. In September 2016, the LA County Board of Supervisors approved a motion to conduct negotiations with interested cities to form a LACCE Joint Powers Agreement (JPA). The LACCE JPA will govern, operate, and be liable for the LACCE program. It will have its own staff and will report to a board of directors made up of representative members of the JPA. Cities have a 180-day window (June 27 through December 27, 2017) to join the JPA and secure their own enabling CCA ordinance. Those cities that do not meet the deadline may still join at a later date, but will not have the same membership privileges that cities who meet the deadline will have.

The date that the LACCE program begins actually purchasing power will depend on the California Public Utilities Commission's (CPUC) acceptance of the LACCE Implementation Plan and the time needed for Southern California Edison to transfer its customer accounts to LACCE. LA County anticipates that a phased rollout will occur no later than January 2018, with priority given to municipal members and followed by large commercial and industrial facilities, and finally to all other LACCE customers. LA County encourages all eligible jurisdictions interested in participating in LACCE at

program launch to have their representative authorities (e.g. City Attorney, Elected Officials, City Managers, appointed staff) attend negotiation meetings and contribute their perspectives on each topic. This past June and in partnership with many cities including Manhattan Beach, LA County finalized Joint Powers Agreement (JPA) language for all cities who elect to participate in the LACCE program.

South Bay Clean Power: Community Choice in the South Bay (Attachment 4)

South Bay Clean Power is a member of the Local Energy Aggregation Network (LEAN) and the Californians for Energy Choice coalition. South Bay Clean Power is an ad-hoc citizen advisory group with members from Hermosa Beach, Manhattan Beach, Redondo Beach, Torrance, Santa Monica, Carson, Palos Verdes Estates, Culver City, Malibu, Beverly Hills, and West Hollywood. The CCA proposed by SBCP is intended to lower electric rates, provide the South Bay with more control of its electric energy future, and increase the amount of renewable energy being used by residents and businesses in the South Bay. Ultimately, the CCA will allow local communities to take control of the decision-making about the sources of electrical power. South Bay Clean Power worked with Los Angeles County to pursue the development of a feasibility study for community choice in the region. SBCP's goal is to bring together the 15 South Bay cities and the 5 cities of the Westside Cities Council of Governments (WSCCOG) to establish their own CCA program. SBCP has actively met since 2015 to educate its members about CCA programs, follow and learn from cities forming CCA programs in Northern California, keep up with LA County's desire to proceed with a local CCA, and keep various elected officials and city staff abreast of the latest trends and happenings with CCE programs regionally and across the State. SBCP has completed and distributed its CCA business plan, which examines and explains best practices from other California CCAs, lessons learned from the public power industry, and practical guidance and direction for city staffs, elected representatives and stakeholders.

Other Reviews

It is worth noting that the City of Santa Monica recently commissioned a Comparative Analysis of Three Alternative CCA Scenarios (LACCE, SBCP, Single-City CCA) to be completed by the UCLA Luskin Center for Innovation by late October 2017. This report will highlight the strengths and weaknesses of the CCAs' differing financial analysis and business plan approaches, including metrics around governance, finance, economics, and environment. The UCLA Luskin Center report may provide valuable insights for Manhattan Beach to consider as it contemplates joining a CCA.

DISCUSSION:

The City of Manhattan Beach has the option to participate in either LACCE or SBCP CCA now or at some future date. It may also choose to not participate in any CCA or form its own single-city CCA. Any deference would result in adhering to the JPA structure, priorities, and processes set in place during the County's enrollment period.

Implementation of a CCA program would also shift more of the City's utility source generation to clean renewable energy, thereby reducing its overall greenhouse gas emissions and better positioning the City to achieve renewable energy goals. It would allow Manhattan Beach to join other regional jurisdictions in helping the State achieve its goals to power 50 percent of the state's electricity consumption using renewable energy by 2030 (according to the California Air Resources Board). In addition, fewer emissions created from clean energy generation in the Los Angeles region lessens the public health impacts of air pollution, which is particularly harmful to young children, the elderly, and individuals with respiratory diseases or asthma (Centers for Disease Control and

Prevention).

Therefore, at this time, staff proposes that City Council:

- Provide direction on whether the City wants to pursue the CCA approach for energy conservation for its facilities, residents and businesses; and
- Defer making any final decision about which CCA would be most desirable to participate in until November, which would allow time for the UCLA Luskin Center report to be published and reviewed.

PUBLIC OUTREACH/INTEREST:

No significant public outreach has been conducted since 2014. Future outreach would be based on whether City Council wants to participate in a CCA, with an outreach strategy developed around City Council direction.

ENVIRONMENTAL REVIEW:

The City has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not a “Project” as defined under Section 15378 of the State CEQA Guidelines; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines the activity is not subject to CEQA. Thus, no environmental review is necessary.

LEGAL REVIEW:

The City Attorney has reviewed this report and no legal analysis is necessary.

Attachments:

1. PowerPoint Presentation from Los Angeles County
2. PowerPoint Presentation from South Bay Clean Power
3. Los Angeles Community Choice Energy’s Implementation Plan and Statement of Intent
4. South Bay Clean Power’s Business Plan and Financial Strategy