



Legislation Text

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TO:

Honorable Mayor and Members of the City Council

THROUGH:

Bruce Moe, City Manager

FROM:

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

SUBJECT:

Discussion and Decision on Percentage of Renewable and Greenhouse-Gas-Free Energy the City Sets as the Default Renewable Energy Tier Offered to Residents and Businesses in the City Within the Clean Power Alliance of Southern California Structure, a Community Choice Energy Program (Community Development Director McIntosh).

DISCUSS AND PROVIDE DIRECTION

RECOMMENDATION:

Staff recommends that the City Council:

- a) select a default renewable energy tier as the default product into which the City's residents and businesses will automatically be enrolled, and
- b) select a renewable energy tier which will be applied to the energy utilized at City facilities.

FISCAL IMPLICATIONS:

The Clean Power Alliance operates independently and indemnifies and holds its member cities harmless from liability that may result from its operation. If at a future date the City wishes to terminate its membership with Clean Power Alliance, it may do so as long it provides 180-day notice. Any termination initiated by the City may be subject to costs or liabilities associated with any power purchased to serve City customers prior to the notice of departure. For example, if Clean Power Alliance has purchased power as part of a multi-year contract to serve City customers, the City would be responsible for any difference in the contract price and the price Clean Power Alliance resells the unused power for, if any.

The City pays SCE approximately \$1,180,648 annually for electrical service to all its City-owned facilities. If the City Council selects the 36% Renewable tier, the City's electricity costs would be reduced by 4% or \$47,226 annually. At the 50% Renewable tier, the City's electricity costs would be reduced by 3% or \$35,419. At the 100% Renewable tier, the City's electricity costs would increase by 7% or \$82,645. The Fiscal Year 2018-2019 and 2019-2020 budgets, currently being prepared, will reflect the direction provided by the City Council.

BACKGROUND:

In December 2017, the City of Manhattan Beach joined the Clean Power Alliance of Southern California, formerly known as the Los Angeles Community Choice Energy Program (LACCE), which includes 25 member cities and two counties. Joining the Clean Power Alliance will shift City residents' and businesses' energy to more clean renewable energy, thereby reducing Manhattan Beach's overall greenhouse gas emissions and better position the City to achieve renewable energy and climate action goals. The Clean Power Alliance member cities also will help the State achieve its goals to power 50 percent of the state's electricity consumption using renewable energy by 2030, and help lessen the public health impacts of air pollution.

By virtue of City membership in the Alliance, the City of Manhattan Beach's residents and businesses are automatically enrolled in the Clean Power Alliance; however, residents can opt out of the program and return to receiving power generated from Southern California Edison's (SCE) investor-owned utility, rather than community choice energy, at any time. Residents and businesses in the City will be legally noticed in the second quarter of 2018 as to when our energy will be procured by the Clean Power Alliance. Please see Attachment 1 for more information on Clean Power Alliance Frequently Asked Questions.

Within the Clean Power Alliance structure, each individual city and county member has the authority to set the default renewable energy tier that will be offered to residents and businesses within their jurisdiction. The method by which each member makes this determination is entirely within their own agency's purview as there are no legal requirements governing this selection.

At the Clean Power Alliance's February 1, 2018 Board meeting, Clean Power Alliance staff asked members (including Manhattan Beach) to make their final selection by March 1, 2018. Having this information will allow the Clean Power Alliance to understand the overall program profile and begin procuring energy resources so that the Board can set rates at its April meeting.

DISCUSSION:

As part of the Clean Power Alliance, Manhattan Beach needs to select one of three renewable energy tiers as the default product into which the City's residents and businesses will automatically be enrolled. This default is the product that customers will receive if they do not make any opt-out, opt-up, or opt-down selections. The three products Council can decide between for the default product are:

Option 1: 36% renewable, with 50% GHG-free. Net Bill Discount from SCE Standard Plan 4%; Net Bill Discount from SCE Comparable Plan 4%.

Option 2: 50% renewable, with 50% GHG-free. Net Bill Discount from SCE Standard Plan 3%; Net Bill Discount from SCE Comparable Plan 12%.

Option 3: 100% renewable, with 100% GHG-free. Net Bill Increase from SCE Standard Plan 7%; Net Bill Discount from SCE Comparable Plan 10%.

Please see Attachment 2, "Clean Power Alliance of Southern California Default Tier Options" for a summary of the options in table form.

For example, if Manhattan Beach selects **Option 1:** 36% renewable as its default tier, then the

customer would automatically be enrolled in the 36% renewable product unless the customer opts-up to either the 50% renewable or 100% renewable products or the customer opts-out to stay with SCE.

If the City selects **Option 2:** 50% renewable as its default tier, then the customer would automatically be enrolled in the 50% renewable product unless the customer opts-up to the 100% renewable products, opts-down to the 36% renewable product or the customer opts-out to stay with SCE.

Finally, if the City selects **Option 3:** the default product is set to 100% renewable, then the customer would automatically be enrolled in the 100% renewable product unless the customer opts-down to either the 36% renewable or the 50% renewable products or the customer opts-out to stay with SCE.

For more information on product offerings by other existing Community Choice Energy programs, please see Attachment 3.

It is important to note that the base 36% Renewable product, and the rates necessary to support it, will increase each year to stay ahead of Southern California Edison's percentage of renewable energy (Attachment 4) so that Clean Power Alliance's lowest offering is always slightly greener than SCE's. For instance, in 2019 it may be 38% and in 2020 it may be 42% since the comparable SCE renewable percentage for those years is expected to be 36% in 2019 and 40% in 2020. As such, the rate will similarly adjust slightly upwards each year to reflect the increasing level of renewable energy provided. On the other hand, the 50% and 100% Renewable will allow the CPA members to keep the initially default renewable percentage constant for several years which will mean that these customers will have greater rate stability.

City Facilities

As an energy customer, Manhattan Beach will have the same opportunity to choose a renewable energy tier (option 1, 2, or 3) for City facilities. This decision does not have to be the same as the default product that all City residents and businesses will be enrolled in. The tier chosen by Council for City facilities will direct the City's response to opt-up or opt-down, or stay with the default tier.

Staff recommends that the City Council provide direction on the energy tier to be applied to City facilities.

PUBLIC OUTREACH/INTEREST:

The City has provided information on community choice energy, and specifically Clean Power Alliance (formerly LACCE), to the public through social media, website updates, ads in local newspapers, tabling at the Manhattan Beach Farmer's Market, articles in the local newspapers, an information table at the City Council Environmental Sustainability Study Session on January 31, and through multiple energy expert and staff presentations and reports to Council from 2014-2017.

Prior to June 2018, the Clean Power Alliance will distribute the required noticing to the community regarding the options available by participating in the program and allow for members of the community to opt out, opt up, or opt down if desired. The City of Manhattan Beach will continue to work in conjunction with the Clean Power Alliance to ensure that the community is well-informed and up-to-date on the process.

ENVIRONMENTAL REVIEW

This is not a project pursuant to the California Environmental Quality Act (CEQA.) However, purchasing the City's energy through the Clean Power Alliance at high renewable percentages will shift the City's utility source generation to clean renewable energy, thereby reducing its overall greenhouse gas emissions and better positioning the City to achieve some of its Climate Action goals. It will 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.

LEGAL REVIEW

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

Attachments:

1. Clean Power Alliance Frequently Asked Questions
2. Table 1: Clean Power Alliance of Southern California Default Tier Options
3. Product Offerings by Other Existing Community Choice Energy Programs
4. Figure 1: SCE Annual Percentage of Renewable Energy
5. PowerPoint Presentation (Clean Power Alliance Consultant)
6. Press Release from Clean Power Alliance on February 1, 2018
7. Clean Power Alliance New Executive Director Priorities February 5, 2018