



## Legislation Text

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**File #:** 19-0322, **Version:** 1

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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 Sustainability Manager

**SUBJECT:**

Update on Clean Power Alliance of Southern California (Community Development Director McIntosh).

**RECEIVE AND FILE**

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**RECOMMENDATION:**

Staff recommends that the City Council receive an update regarding the Clean Power Alliance of Southern California, per the request by Mayor Hersman, Mayor Pro Tem Montgomery, and Councilmember Hadley.

**FISCAL IMPLICATIONS:**

There are no fiscal implications associated with the recommended action.

**BACKGROUND:**

The Clean Power Alliance (CPA) is a nonprofit entity and a community choice energy (CCE) program, formed through a Joint Powers Authority (JPA) made up of 31 public agencies across Los Angeles and Ventura counties, working together to bring affordable, clean energy to our communities. CPA purchases clean power and sells it to customers, while Southern California Edison (SCE) is responsible for delivery, billing, and for resolving any electricity service issues.

The CCE program allows government agencies to buy and generate clean electricity for their residents and businesses by creating a partnership between the municipality and the existing utility provider. Public entities who are part of the CPA have the option to purchase up to 100% renewable/clean electricity - such as solar, wind, bioenergy, geothermal, and hydroelectric - at competitive rates, which helps communities achieve their climate action goals and reduce greenhouse gas emissions. This enables municipalities to buy power from cleaner renewable sources while still using existing utilities (e. g. SCE) to deliver clean electricity to customers.

In December 2017, City Council unanimously approved a motion to become a member of the CPA. On February 20, 2018, City Council selected the 50% renewable energy tier offered by CPA to power customers (residents and businesses) in the City. 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 its residents and businesses within its own jurisdiction. The method by which each member makes this determination is entirely within the agency's purview, as there are no legal requirements governing this selection. Manhattan Beach power customers were automatically enrolled at the time CPA service commenced (February 2019 for residential customers and May 2019 for nonresidential customers). Customers may opt up, opt down, or opt out of the CPA service at any time regardless of the City's overall 50% renewable selection.

As of August 2019, CPA has initiated service to over 1 million residential, commercial, and municipal energy customers in 31 jurisdictions in Los Angeles County and Ventura County.

The CPA Board approved setting rates at the upper end of the ranges approved by the Board in August 2018 and November 2018. This results in the following discounts or premiums for each CPA tier, compared to SCE's default rate:

- Lean Power (36% renewable): 1-2% bill discount over SCE's default rate
- Clean Power (50% renewable): 0-1% bill discount over or parity with SCE's default rate
- 100% Green Power: 7-9% bill increase over SCE's default rate

City Council voted to have all City facilities powered with 100% clean, renewable energy through Clean Power Alliance in May 2019. Public entities like Manhattan Beach who are part of the Clean Power Alliance have the option to purchase up to 100% renewable, clean electricity-procured from non-polluting, clean and renewable sources such as solar, wind, and hydroelectric power. CPA does not use coal or nuclear power. Unlike fossil fuels, such as oil, natural gas, and coal, which cannot be replaced and produce Greenhouse Gas (GHG) emissions, renewable energy regenerates naturally in a short period of time.

Selecting the 100% Green Power energy enables Manhattan Beach to join other regional jurisdictions in meeting the California's SB 100 mandate early, to power 100% of the state's electricity consumption with zero-carbon, clean renewable energy electricity by 2045. According to the City's most recent GHG emissions Inventory report from April 2019, about 44% of the City's emissions come from municipal electricity (1,795 metric tons of CO<sub>2</sub> emitted annually). Therefore, moving to 100% Green Power will reduce the City's emissions by nearly 44%.

As of August 2019, 80% of City facilities are running on 100% Green Power-resulting in an immediate 35% reduction of the City's GHG emissions.

Clean Power Alliance's energy is procured from mostly non-polluting, clean and renewable sources such as solar, wind, and hydroelectric power. CPA does not use coal or nuclear power. Unlike fossil fuels, such as oil, natural gas, and coal, which cannot be replaced (and produce GHG emissions), renewable energy regenerates naturally in a short period of time. The projects that produce CPA's electricity are located in California and on the western grid. The exact proportion of each source varies with time, based on demand and availability. Each year, Clean Power Alliance procures an amount of renewable energy sufficient to meet the sum of the individual choices of all its customers. As a Clean Power Alliance customer, the City's energy choices directly impact the overall amount of renewable power Clean Power Alliance is buying. Selecting 100% Green Power means that Clean Power Alliance will procure additional, incremental renewable power to meet that demand.

The City Council has taken recent actions regarding the City's participation in the Clean Power Alliance. In addition, there have been unprecedented rate changes to energy following budget adoption in June and July 2019. The policies and fiscal considerations have been evolving and changing rapidly since the City joined the program in December 2017. City Council requested a discussion on the Clean Power Alliance this topic to answer specific questions, amend the strategy, and provide additional information and discussion on:

1. Southern California Edison (SCE) Delayed Billing
2. Recent SCE & CPA Rate Changes
3. City Power Accounts Affected by Rate Changes
4. 100% Green Power for Municipal Energy
5. Other Emerging Topics and Questions

## **DISCUSSION:**

### ***SCE Billing Delay Issue***

Over the past few months, SCE had several issues with its billing system that caused delays in the issuance of bills, or the issuance of incomplete bills, to some customers served by Community Choice Aggregation programs, including Clean Power Alliance. Approximately 10% of CPA customers have been impacted. Please see the attached July 2019 CPA Board Presentation regarding SCE billing delays.

SCE has advised CPA that it fixed the issues that caused the current problems and that the number of impacted customers is not increasing. CPA is now collaborating with SCE to clear the backlog of outstanding charges. Clearing that backlog means that over the next few months, SCE will be sending bills to impacted customers that contain two or more billing periods for any CPA charges that SCE failed to include in customer bills over the past few months. Customers may also see SCE charges that were missed.

Customers who are seeing higher than normal bills are not being charged extra and are not being double-billed. These customers are being billed for past electricity usage that SCE either did not apply to their prior bills or did not bill them for at all. No late fees or penalties will be applied and if the higher than normal monthly bills are a financial burden, customers are encouraged to contact SCE at 800-655-4555 to arrange a payment plan.

SCE will include a bill message referencing the delayed bill issue on the statement of all impacted accounts. The next bill the customer receives should include all normal charges from the last billing period and any catch-up charges that SCE failed to apply before that. SCE assures that subsequent bills-e.g. bills issued after the one that includes catch-up charges-will include both CPA and SCE charges and be issued in a timely manner.

Both SCE and CPA Customer Service Centers have been provided detailed talking points on the SCE delayed bill issue to minimize confusion and misinformation between call centers.

CPA is closely monitoring this situation and will continue to keep member cities updated on future customer communications, including a potential email to impacted customers for whom SCE has provided CPA with email addresses for (just over half). Please note there are affected customer accounts in all of CPA's member jurisdictions, with a total of approximately 110,000 affected accounts

(10% of CPA's customers), the vast majority of them residential customers.

### **Recent SCE & CPA Rate Changes**

Clean Power Alliance adopted new rates in June 2019 in response to rate changes SCE implemented on June 1, 2019. Clean Power Alliance's rates, on an annualized basis, will be higher than expected for some of the City's electricity accounts. CPA provided the City with options for avoiding these increases for specified accounts (described below, and in attachments 2 and 3). Over the course of 2019, Clean Power Alliance has adjusted rates for its customers each time SCE has changed its rates with the goal of having customers' bills fall within specified discounts or premiums compared to SCE base rates, depending on which rate tier a customer chooses:

- Lean Power, which provides 36% renewable energy at a 1-2% discount.
- Clean Power, which provides 50% renewable energy at a 0-1% discount.
- 100% Green Power, providing 100% renewable energy at a 7-9% premium.

SCE's June rate change was its fourth this year; adjustments have included both major structural changes and unprecedented increases in fees. Both the scope and number of rate changes so far in 2019 is highly unusual.

The City received the attached letter from Clean Power Alliance in June 2019 including the following information:

Given the combined effect of SCE's recent rate changes, Clean Power Alliance rates will increase beyond the aforementioned discount/premium ranges for accounts in the lighting rate classes (LS-1, LS-2, and LS-3) and OL. Discounts or premiums for residential accounts, commercial accounts in the GS-1 and GS-2 rate classes, and lighting accounts in the TC rate classes are not impacted by these changes.

Clean Power Alliance is implementing this change because matching SCE's new rates for TOU-8, TOU-GS-3, TOU-PA2, TOU-PA3, and certain lighting customers would result in a revenue shortfall compared to the cost to serve these customers, particularly in the winter months. Sustaining such rates would require residential and small commercial customers to subsidize large commercial, industrial, and pumping and agricultural customers, who constitute less than 1% of Clean Power Alliance's eligible customer base.

Most lighting rates do not vary seasonally. As such, lighting rate changes became effective July 1. Typical bill impacts are shown for both SCE-owned and customer-owned lighting rates in the attached June 2019 CPA Board Presentation Rate Changes and the CPA Letter to Subset Customers June 2019.

Clean Power Alliance recognized that the new rates may not be a fit for all customers in the lighting rate classes and reiterated that if power customers, such as the City, decided that Clean Power Alliance is not the right choice at this time, power customers can opt-out one or more of their accounts. Clean Power Alliance will not charge any fees for opting out. SCE may charge a one-time account processing fee, currently set at 50 cents per account.

Customers who opt-out within 60-days of enrollment in CPA will be returned to SCE with no additional conditions. For most accounts this date fell between June 30 and July 31. An opt-out

request of this type must be received at least five business days prior to your July meter read date. If you opt-out more than 60-days after your Clean Power Alliance service launch, there is an additional choice you need to make. Option 1 is to return to SCE service as soon as possible. Under this option, you will be subject to SCE's transitional bundled service (TBS) rates during your first six months back with SCE. TBS rates include variable components based on market energy prices. Option 2 is to return to SCE service after six months advance notice to SCE. Under this option, you will continue to receive service from Clean Power Alliance for a six-month period and then be transferred back to SCE's standard bundled rates.

### ***City Power Accounts Affected by Rate Changes***

The City currently has 151 energy service accounts with CPA, there are 20 regular accounts and 38 lighting accounts with impacted rates. In FY 2018, the City's actual expenditure for electricity was \$1,137,698. Of this, \$285,400 was for street lights. With CPA's newly adopted rates in June 2019, we expect the lighting accounts to go up by about 47%. However, due to the City's recent acquisition of streetlights from SCE, those purchases have not yet been reflected in our bills, and subsequent estimates of how much the rate increase will actually cost the City are uncertain until the purchase is reflected in the bills.

Given the rate change information around the same time as the window for the City to opt out of accounts without putting all of them into transitional rates, the Mayor and the City Manager directed staff to temporarily opt out some of the City's energy accounts for the fiscal year from CPA that are subject to unanticipated large rate increases recently announced at CPA's June Board Meeting. This change to CPA rates is a result of several factors detailed in the attached July 2019 CPA Board Presentation regarding SCE Billing Delays and occurred after Council's budget adoption and recent decision to opt-up City energy accounts to 100% Green Power. As a note, all power tiers in CPA are subject to the large lighting rate increase. Had the City stayed at 50%, the streetlight accounts would still have been subject to significant rate increases.

Absent the streetlight purchase change in our bills, the current estimated total annual premium cost for our City at 100% Green Power (versus SCE base rate) is \$106,116 and finance budgeted for about \$100,000. Since we don't know when the LS-2 (purchased streetlights) switch is going to happen in SCE's bills, there is cost uncertainty. We received detailed data from CPA that includes our mix of energy accounts affected. The City opted out of those accounts for the fiscal year, and although most of the accounts were opted out within the 60-day window and went straight back to SCE's base rates, some of these accounts will be on SCE's transitional rates for six months. Of note, any account that opts out from CPA has to stay with SCE for 12 months, then we can consider returning them to CPA service after that year. This timing coincides with the City's fiscal year.

Once the streetlight purchase is reflected in the City's SCE bills, CPA can do a real cost estimate for the City and opting those accounts back to CPA can be calculated, budgeted for, and reconsidered by City Council. Any accounts that are opted out from Clean Power Alliance can be re-visited, and several other cities are also planning to re-evaluate returning affected accounts to CPA service after CPA has set its 2020 rates next year.

All CPA member agencies made decisions about their eligible CPA accounts impacted by rate increases in late June to early July as Manhattan Beach did. These decisions fell into four categories: 1. All eligible accounts remain with CPA; 2. All subset accounts opted-out; all regular accounts remain with CPA; 3. All streetlight accounts opted out; all other accounts, both regular and subset, remain

with CPA; 4. Custom - some accounts remain, some opted out, some opted up, some opted down.

To see an update of what all member jurisdictions' residential and commercial power customers are doing on CPA rate tiers, please see the attached CPA Customer Status Report, July 2019.

### ***100% Green Power for Municipal Energy***

The City Council's decision in May 2019 to opt-up City power accounts up to 100% Green Power still stands, and the City Council's adopted budget in June 2019 reflects that decision. Currently, 80% of municipal energy consumed in the City is running on 100% clean, renewable energy and the City's GHG emissions are currently cut by about 35% based on the May 2019 decision by City Council.

The affected accounts that are subject to the large rate increase from CPA, and temporarily opted out from CPA and back to SCE for the fiscal year until rates stabilize, constitutes about 20% of the City's municipal energy load. 80% of the City's municipal energy is now running on 100% clean, renewable energy- this includes City Hall, Joslyn Center, Public Works Yard, EV Charging stations, etc.

In April-June 2020, when energy rates have stabilized and the streetlight purchase from SCE is reflected in the City's bills, more accurate rates and cost can be calculated. These costs can be brought to Council and reflected in the next City budget (2020-2021), and the remaining 20% of the City's municipal energy can also move to 100% clean, renewable energy under CPA. Once the remaining 20% of the municipal power load is running on 100% clean, renewable energy, the City's GHG emissions will be cut by an additional 9%, resulting in an overall cut of municipal emissions by 44% within one year of City Council's May 2019 decision.

### **PUBLIC OUTREACH:**

The City has provided information on CCE, and specifically CPA, to the public through a variety of outlets and venues, including:

- Social media
- Website updates
- Ads and articles in local newspapers
- Manhattan Beach Farmer's Market
- Information table at the City Council Environmental Sustainability Study Session in January 2018
- Press releases
- Mayor's Town Hall on the Environment in August 2018
- 100 seniors attended a CPA-focused Dine 'N Discover event in January 2019
- Multiple presentations and reports to City Council from 2014-2019

The City continues to work in conjunction with the CPA to ensure that the community is well-informed and up-to-date on the process. Concurrently, staff has updated the City's website with information about CPA at [www.citymb.info/cleanpoweralliance](http://www.citymb.info/cleanpoweralliance) <<http://www.citymb.info/cleanpoweralliance>>.

In addition, City Council and the public can find up-to-date information on Clean Power Alliance's website [www.cleanpoweralliance.org](http://www.cleanpoweralliance.org) <<http://www.cleanpoweralliance.org>>, through monthly public Board Meetings, and through the CPA customer service call line: 888-585-3788 or [customerservice@cleanpoweralliance.org](mailto:customerservice@cleanpoweralliance.org) <<mailto:customerservice@cleanpoweralliance.org>>.

**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 determined that no additional legal analysis is necessary.

**ATTACHMENTS:**

1. July 2019 CPA Board Presentation SCE Billing Delays
2. June 2019 CPA Board Presentation Rate Changes
3. June 2019 CPA Letter to Subset Customers
4. July 2019 CPA Customer Status Report
5. Frequently Asked Questions & Answers