



Legislation Text

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TO:

Honorable Mayor and Members of the City Council

THROUGH:

Bruce Moe, City Manager

FROM:

Carrie Tai, AICP, Community Development Director
Dana Murray, Environmental Sustainability Manager

SUBJECT:

Consider Increasing the Default Renewable Energy Tier for Power Customers in the City to 100% Renewable Energy Under the Clean Power Alliance of Southern California (Community Development Director Tai).

DISCUSS AND PROVIDE DIRECTION

RECOMMENDATION:

Staff recommends the City Council consider increasing the Default Renewable Energy Tier (Default Tier) for residential and commercial power accounts to 100% renewable energy under the Clean Power Alliance of Southern California.

FISCAL IMPLICATIONS:

There are no fiscal implications associated with the recommended action.

BACKGROUND:

The Clean Power Alliance of Southern California (CPA) is a nonprofit entity and a community choice energy (CCE) program, formed through a Joint Powers Authority (JPA). The JPA is made up of 31 public agencies across Los Angeles and Ventura counties, working together to bring affordable, clean energy to our communities. CPA was established in 2017 to provide cost competitive electric services, reduce electric sector greenhouse gas (GHG) emissions, stimulate renewable energy development, implement distributed energy resources, promote energy efficiency and demand reduction programs, and sustain long-term rate stability for residents and businesses through local control.

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 GHG 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 approved the City to become a member of CPA. This adoption was done in an effort to provide greater levels of local involvement in energy decisions; significantly increase the amount of renewable energy to Manhattan Beach residents and businesses; provide price stability and long-term electricity costs savings; attain opportunities for local programs; and to reduce GHGs that are emitted by creating electricity for the community.

CPA offers three Renewable Energy Tiers (also known as Rate Products) which represent the amount of energy content generated by renewable sources. These are described below, along with general cost differences.

- Lean Power, which provides 36% renewable energy content at a 1-2% discount as compared to SCE base rates
- Clean Power, which provides 50% renewable energy content at a 0-1% discount as compared to SCE base rates
- 100% Green Power, which provides 100% renewable energy content at a 7-9% premium as compared to SCE base rates

Prior to service launch, each CPA Member Agency selected a Default Tier for their jurisdiction. On February 20, 2018, City Council selected the 50% Renewable Energy Default Tier offered by CPA to power customers (residents and businesses) in the City. The Default Tier established the energy rate product that every customer was automatically enrolled in, unless the customer affirmatively opted to a different CPA rate product or opted out of CPA service all together (choosing SCE base rates instead).

In October 2019 and February 2020, the cities of Malibu and Sierra Madre changed their default tiers to 100%, with the County of Los Angeles currently in discussions about a potential change. Anticipating that more jurisdictions may also decide to change their Default Tier from their original selections, the CPA Board of Directors approved a Policy for Changes to Default Rate Products on February 6, 2020. This policy describes the requirements for advance notice by CPA member agencies, customer communications, default transition timeline, and the applicability and frequency of default changes. The policy is provided as an attachment.

Because a change in the Default Tier will impact CPA's fiscal, energy procurement, operational, and customer communication activities, CPA needs to appropriately plan for these changes. Therefore, in order for Default Tier changes to take place in 2020, jurisdictions must notify CPA no later than April 1, 2020.

Cities are on the front lines when it comes to climate change. Cities are also leading the world in reducing carbon emissions through aggressive policies and adoption of clean technologies. The City of Manhattan Beach has a strong history of taking climate action and moving towards sustainability; the Council's decisions on CPA renewable energy tiers have a direct correlation with lowering carbon emissions, and are in line with the City's initiatives to reduce GHG emissions, develop climate adaptation strategies, and create a climate resilient community. The City's efforts have not only kept us on track with state requirements for renewable energy (SB 100), waste diversion (AB 341), and climate adaptation (SB 379), they have also allowed us to surpass goals for some State policies. California's Assembly Bill 32 (the California Global Warming Solutions Act of 2006), set the State's goal for a more sustainable future. The 11th annual *California Green Innovation Index* released in

October 2019 finds California will meet its 2030 climate targets more than three decades late, in 2061, and could be more than 100 years late in meeting its 2050 target if the average rate of emissions reductions from recent years hold steady. The report finds that the state needs to reduce emissions by an average of 4.51 percent annually to meet the requirements of SB 32, which raised the state's emissions reduction goal to 40 percent below 1990 levels by 2030.

CPA is the largest CCE program in California. CCEs allow local governments to aggregate the buying power of individual customers to get alternative energy on a community-wide scale. CPA plays a critical role in accelerating the adoption of clean energy by creating programs that support local renewable energy, building electrification, and electric vehicles. In addition, through the City's commitment to renewable energy in CPA, it furthers the impact that a growing number of CCEs in California are making- to not only deliver a higher percentage of renewable energy than investor-owned utilities, but also CCEs like CPA are causing investor-owned utilities to offer a higher percentage of renewables, according to a recent report by the UCLA Luskin Center for Innovation.

DISCUSSION:

Selecting the 100% Green Power as the City's Default Tier enables Manhattan Beach to join 12 other regional jurisdictions in CPA in meeting the California's SB 100 mandate early, to power 100% of the state's electricity consumption with zero-carbon, clean, renewable electricity by 2045.

According to the City's most recent GHG emissions Inventory report from April 2019, based on 2016 energy data, about 18% of the community's GHG emissions in 2016 came from commercial and residential energy, with 24,141 metric tons of CO₂ emitted annually from residential energy, and 20,431 metric tons of CO₂ emitted annually from commercial energy. Therefore, moving to 100% Green Power will reduce the Community's GHG emissions by at least 18%.

CPA's 100% Green Renewable Energy Tier is procured from non-polluting, clean, and renewable sources such as solar, wind, and hydroelectric power. 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, CPA procures an amount of renewable energy sufficient to meet the sum of the individual choices of all its customers. As a CPA customer, the City's energy choices and Default Tier directly impact the overall amount of renewable power CPA is buying. Selecting 100% Green Power means that CPA will procure additional, incremental renewable power to meet that demand.

Since the inception of joining the CPA, Manhattan Beach's residents have opted to raise their Renewable Energy Tier to "100% Green Power" at the second highest rate compared to other CPA jurisdictions, and at double the average rate of "opt ups" amongst all jurisdictions. In Manhattan Beach, 81 residential power customers have opted up to 100% Green Power. More jurisdictions in CPA are at 100% Green Power than any other tier, with 12 jurisdictions in CPA at 100% Green Power as their Default Tier, included in the "Member Agency Default Tier Choices" attachment. 100% Green Power cities include Culver City, Malibu, Ojai, Oxnard, Rolling Hills Estates, Santa Monica, Sierra Madre, South Pasadena, Thousand Oaks, Ventura City, Ventura County, and West Hollywood. By joining these cities at 100% Green Power, Manhattan Beach would lead by example in cutting GHG emissions city-wide.

CPA will notify customers subject to a Member Agency's Default Tier change. CPA will lead, with

support from the Member Agency, the development and dissemination of customer notices. Any customer accounts subject to a Member Agency's Default Tier change shall be sent a minimum of two notifications. A minimum of one notice shall be sent prior to the change going into effect. In addition to the two required notices referenced in Section 4.a. in the attached policy, CPA will coordinate with a Member Agency who wishes to develop and distribute additional customer notices and conduct additional communications such as on-bill messaging, bill inserts, social media campaigns, jurisdictional newsletters, etc. CPA will cover the cost of the required customer notices for the Member Agency's first Default Tier change. The transition will take effect on the individual customer's first meter-read date in October 2020.

Transitioning from Clean Power (50%) to 100% Green Power will result in a 7-9% increase in most customers' overall SCE bill. For example, if a customer's bill is \$100 a month in the summer now at 50% renewable energy, their bill would increase to approximately \$107-\$109 a month by transitioning to 100% renewable energy. A customer may take an Opt Action at any time by notifying CPA by phone call or visiting CPA's website; approximately 3% of residential accounts and 4.6% of non-residential accounts have opted not to participate and returned to SCE. Power customers always have the ability to choose one of CPA's other rate options and take an Opt Action. If the Council approves resetting its Default Tier to 100% Green Power, CPA would work very closely with the City on a communications campaign that clearly informs customers about their ability to still choose one of CPA's lower rate options.

For CPA member agencies with 100% renewables as their default rate, CARE customers will be offered 100% renewables at a rate that matches SCE's base rate (approximately 36% renewables for 2019) and include their low-income discount. This avoids automatically increasing costs for CPA's most vulnerable customers by spreading the incremental cost of renewables for CARE customers across all 100% renewable rate customers in those jurisdictions.

A Member Agency may change its Default Tier no more than one time every two years. CPA's Policy requires advance notice by April 1, 2020, for a default change to take place in 2020. In all future years, January 1 is the deadline to notify CPA about a default change that that would go into effect later that year (e.g. if the City wants to implement a default change in 2021, the City would have to let CPA know by Jan 1, 2021). The City can potentially change the default multiple times, however, the City cannot change it two years in a row (e.g. if the City changes the default in 2020, the next time the City can change it is 2022).

If the Council approves resetting its default tier to 100% Green Power, City staff would work with CPA staff on an implementation plan that addresses timing and customer communication to ensure a smooth transition.

PUBLIC OUTREACH:

Should Council direct staff to increase the Default Tier to 100% Green, renewable energy, the transition will take effect on the individual customer's first meter-read date in October 2020. CPA will notify customers subject to a City's Default Tier change in advance of the change. CPA will lead, with support from the City, the development and dissemination of customer notices. Any customer accounts subject to a Member Agency's Default Tier change shall be sent a minimum of two notifications. A minimum of one notice shall be sent prior to the change going into effect. In addition to the two required notices referenced in Section 4.a. in the attached policy, CPA will coordinate with a Member Agency who wishes to develop and distribute additional customer notices and conduct

additional communications such as on-bill messaging, bill inserts, social media campaigns, jurisdictional newsletters, etc. CPA will cover the cost of the required customer notices for the Member Agency's first Default Tier change.

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
- Press releases
- Direct mailers to power customers
- Manhattan Beach Farmer's Market booth
- Hometown Fair booth (annually)
- Mayor's Town Hall on the Challenge of Climate Change on March 2, 2020
- 100 seniors at a CPA-focused Dine 'N Discover event in January 2019
- Mayor's Town Hall on the Environment in August 2018
- City Council Environmental Sustainability Study Session in January 2018
- Multiple presentations and reports to City Council from 2014-2019

The City continues to work in conjunction with 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>>.

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>>, through monthly public Board Meetings, and through the CPA customer service call line: 888-585-3788 or 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. CPA Member Agency Default Tier Choices
2. CPA Policy for Changes