



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:

Community choice energy (CCE) programs allow 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. The Clean Power Alliance of Southern California (CPA) is a nonprofit entity and a CCE program, formed through a Joint Powers Authority (JPA). The JPA is made up of 32 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. To start up, CPA was granted a \$10 million loan from Los Angeles County, which has been fully paid off as of September 2020, making CPA now operating debt-free.

CPA is the largest CCE program in California, and has more customers on 100% renewable energy than any other energy provider in the U.S. 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.

CPA purchases and sells clean power to customers, while Southern California Edison (SCE) is responsible for delivery, billing, and resolving any electricity service issues. 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. In December 2017, City Council approved the City to become a member of CPA.

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

The Default Tier establishes the Rate Product that every power customer is automatically enrolled in, unless the customer affirmatively opts up to 100% Green Power or down to 36% Lean Power, or opts out of CPA to SCE base rates instead. Prior to service launch, each CPA Member Agency selected a Default Tier for their jurisdiction. In February 2018, City Council selected the 50% Default Tier. In May 2019, City Council voted to have all City facilities moved from the 50% to 100% renewable energy.

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.

In March 2020, City Council considered changing the Default Tier to 100% Green Power, in advance of an April 1, 2020, CPA policy date for default changes to occur in 2020. Although there was some support for increasing the default tier, after discussion, City Council gave direction for staff to return with the item after increasing outreach to the community about CPA, including “spend[ing] resources to reach out to our community and convince them that going to 100% is a needed idea to battle climate change... educate them and try and get as many as we can to voluntarily opt up through the process.”

Since the March 2020 City Council meeting, staff has followed City Council direction to increase public outreach to encourage individual opt-ups to 100% Green Power, and encouraged the public to

attend the November 17, 2020, City Council meeting. Staff used in-house resources, in coordination with Clean Power Alliance staff, to create a mini-campaign utilizing community member testimonies from residents encouraging their neighbors to also opt up to 100% Green Power. These informational ads were run in the local papers and as posts on the City's social media. In addition, staff shared information with Manhattan Beach seniors through the Older Adults Program newsletter, and provided information to the community about CPA through the Chamber of Commerce, The South Bay Show radio program, and several community talks. From June-September 2020, the City created informational social media posts about CPA, COVID-relief funding, etc.

In October and early November, the City highlighted local testimonials from residents and businesses about opting-up to 100%. These ads ran in two local papers weekly, and were posted on the City's social media accounts. As a result of community sentiments and these outreach efforts, Manhattan Beach has the highest "opt up" rate of any jurisdiction in Clean Power Alliance. Sierra Madre formerly held the spot for most "opt ups" to 100%, and subsequently changed their City's default rate to 100% Green Power earlier this year.

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 2021, jurisdictions must notify CPA by the end of 2020 for changes to occur in 2021.

DISCUSSION:

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.

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 kept us on track with state requirements for renewable energy (SB 100), waste diversion (AB 341), and climate adaptation (SB 379). 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% annually to meet the requirements of SB 32, which raised the state's emissions reduction goal to 40% below 1990 levels by 2030.

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%.

Since the inception of joining CPA, over 100 of Manhattan Beach's residential power customers (households) and 98 commercial power customers have opted to voluntarily raise their Renewable Energy Tier to "100% Green Power." Manhattan Beach currently has the highest voluntary "opt up" rate of all the jurisdictions in CPA. However, the reality is that most power customers do not take opt actions, and stay at the default rate set by their City. For example, Malibu and Sierra Madre recently switched to 100% Green Power as their default rates for all customers, and the City of Rolling Hills Estates switched its non-residential default to 100% Green Power- their overall opt actions have been low so far; less than 0.3% of customers have opted out while 2.25% have changed their rate level to something other than the new default.

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. There are more jurisdictions at the 100% Green Power default tier in CPA than at the 50% Clean default tier or base level tier. Selecting the 100% Green Power as the City's Default Tier would enable Manhattan Beach to join these other 12 other regional jurisdictions in CPA in meeting California's SB 100 mandate early, to power 100% of the state's electricity consumption with zero-carbon, clean, renewable electricity by 2045, while cutting GHG emissions city-wide.

Transitioning from 50% Clean Power to 100% Green Power would result in a 7-9% increase in most customers' overall SCE bill. For example, if a customer's bill is \$100 a month 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. Power customers always have the ability to choose one of CPA's other rate options and take an Opt Action. Additionally, if power customers have already taken an Opt Action before a change in the default tier, those customers' Opt Actions will not change even if the default tier is changed.

Financial Assistance and Discount Programs

Some Manhattan Beach residents with limited incomes may be enrolled in financial assistance programs such as California Alternate Rates for Energy (CARE). The CARE program provides income-qualified customers a discount of about 30% on their monthly electric bill. For CARE customers in CPA member agencies with 100% Green Power as their default rate, CARE customers are offered 100% renewables at a rate that matches SCE's base rate (approximately 36% renewables) 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.

Public Outreach & Communications

If City Council approves resetting its Default Tier to 100% Green Power, CPA would work 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. 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. of CPA's 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. For example, this summer in Sierra Madre and Malibu, customer notices were sent out and the cities have engaged in social media campaigns to alert customers to the change prior to customers receiving their first bills reflecting the new default change.

Timing for Changing Default Tier

Member Agencies in CPA may change Default Tiers no more than one time every two years. CPA's Policy requires advance notice by January 1, 2021 for a default change to take place in 2021. Should Manhattan Beach's City Council decide to change the default tier before January 1, 2021, the transition will take effect on the individual customer's first meter-read date in October 2021. 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. The City can potentially change the default multiple times, however, the City cannot change it two years in a row.

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:

Since the March 2020 Council meeting, the City has run informational ads about CPA in the local papers and as posts on the City's social media. The City has provided information on community choice energy, and specifically CPA, to the public through a variety of outlets and venues, including:

- Social media
- Website updates
- Ads and articles in local newspapers
- Local Radio shows
- Chamber of Commerce
- Press releases
- Direct mailers to power customers
- Manhattan Beach Farmer's Market booth
- Hometown Fair booth
- City's Older Adults Program newsletter
- 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 2014-2020

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.

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>>.

Should City Council direct staff to increase the Default Tier to 100% Green Power, the transition will take effect on the individual customer's first meter-read date in October 2021. 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.

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.

ATTACHMENT:

1. CPA Member Agency Default Rates and Opt Actions