



PUBLIC WORKS DEPARTMENT

Council Meeting Date: February 24, 2015

Staff Report #: 15-030

CONSENT CALENDAR: **Adopt a Resolution Supporting San Mateo County Community Choice Aggregation**

RECOMMENDATION

Staff recommends that Council adopt a resolution (Attachment A) supporting progress toward creation of a San Mateo County-wide Community Choice Aggregation (CCA) for the procurement of environmentally preferable electrical power.

POLICY ISSUES

The resolution of support is consistent with the City of Menlo Park's Climate Action Plan.

BACKGROUND

CCA allows cities and counties to aggregate the buying power of individual customers within a defined jurisdiction in order to secure alternative energy supply contracts on a community-wide basis. It also allows consumers to opt-out if they do not wish to participate. CCAs are operational in Marin and Sonoma counties, and several others are under consideration throughout the State of California, including an effort in San Mateo County.

In 2009, Menlo Park City Council adopted a Climate Action Plan (CAP) and in 2011, City Council adopted a greenhouse gas (GHG) reduction target of 27% below 2005 levels by 2020. By 2020, it is estimated statewide initiatives will reduce Menlo Park's GHG emissions by 10%, leaving the remaining 17% to be provided by Menlo Park initiatives.

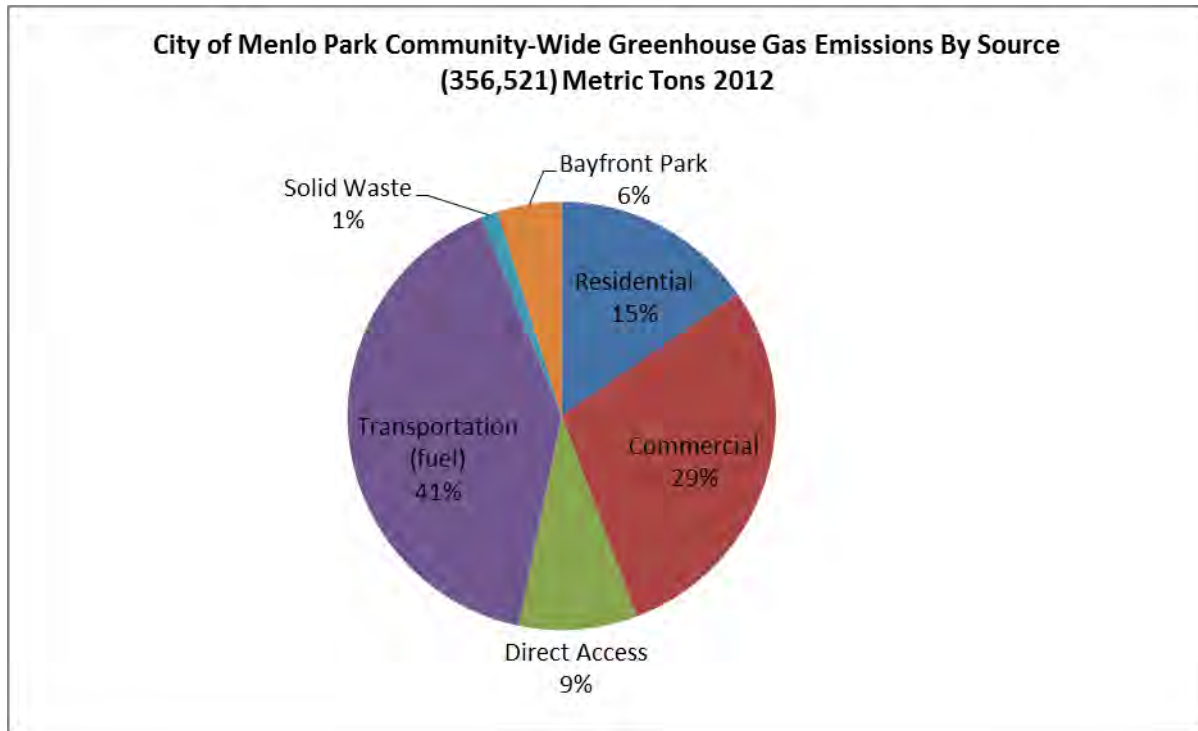
In June 2014, the City Council approved the Five-Year Climate Action Plan strategy, which included consideration of a feasibility study for a CCA. The County of San Mateo is considering developing a CCA that could procure electricity from renewable energy sources and deliver it to residents and businesses through the existing PG&E electrical power transmission grid. Staff and the Environmental Quality Commission have been following the County's efforts to begin this process. The County of San Mateo is currently initiating a feasibility study of a County-wide CCA and is requesting a resolution of support from interested local agencies in this effort.

ANALYSIS

What is a CCA?

CCA's promise of significantly reducing GHG emissions without disrupting resident and business behavior is very attractive to many cities. A CCA supplying 100% renewable energy could allow Menlo Park to reduce GHG emissions approximately 15%, whereas a CCA with 50% renewables could cut GHG emissions approximately 7%.

Below is the latest GHG data for Menlo Park.



As shown in the chart above, 15% of energy usage is residential and 29% is commercial. Thus, approximately 44% of Menlo Park's GHG emissions are attributed to energy use in buildings, which is made up primarily of natural gas and electricity.

CCA can address the electricity portion of energy usage. PG&E estimates 36% of Menlo Park's combined energy usage is electricity. Specifically, 76% of commercial energy usage is electricity and 24% of Menlo Park's residential energy use is electricity.

Lean Energy is the County's consultant on CCA. Attachment B contains selected slides from Lean Energy's presentation on CCA. Included on the first page is an info-graphic that further explains how CCA would fit into the electrical power delivery system.

Benefits of a CCA

From the customer's perspective, a CCA would change very little. Customers would continue to receive power through the existing PG&E grid and customers would continue to pay for power through their PG&E bill. A case study by Lean Energy provided a comparison of costs of the different options offered by the Marin County CCA (Attachment B). The default option in Marin offers a small savings over PG&E prices without the CCA and provides 50% renewable electricity sources, as compared with approximately 20% from PG&E. The Deep Green and 100% Local Solar options provide 100% renewable electricity at slightly higher than standard PG&E prices.

Customers have the option to opt-out of the CCA and continue to have power sourced by PG&E. If the CCA were to fail, customers would immediately revert to PG&E electricity sources without service disruptions.

Next Steps

An initial step in the CCA process requires a feasibility study to determine if forming a County CCA would be cost effective and achieve the desired renewable energy portfolio.

The County has committed funds to conducting the feasibility study, and has not asked cities to contribute to the funding. If the study concludes the CCA to be feasible, it is likely the CCA would borrow start-up capital until it begins gathering revenue from customers who buy its power, at which point it would be self-sustaining. If any profits are generated, they could be used to fund local energy savings or environmentally preferable energy generation projects.

There are also other options available. Menlo Park could join the San Mateo County CCA, potentially link with the City of Palo Alto's municipal electric utility, or work with PG&E to decrease GHG emissions from their electrical sources. Staff is also aware that Santa Clara County and several local cities are interested in forming a CCA. At this stage, providing a resolution of support for the San Mateo County CCA does not preclude Menlo Park from pursuing these other options.

As background information, Attachment C shows a rough order of magnitude cost estimates for each stage of CCA formation, from Sunnyvale City staff working on the CCA effort currently being funded by Sunnyvale, Mountain View, Cupertino, and Santa Clara County.

The CCA would be formed as Joint Powers Authority (JPA) with officials from each of its member cities having voting power on its Board of Directors. Conducting the feasibility study and approving the attached resolution of support do not commit the City of Menlo Park to join the CCA, even if they express initial support for the idea.

IMPACT ON CITY RESOURCES

Staff time to attend county-wide CCA meetings, coordinate efforts, and provide information to the public will be required to support the CCA effort. The staff time needed to support the feasibility study can be absorbed with current staffing levels.

ENVIRONMENTAL REVIEW

The adoption of a resolution of support does not require an action under CEQA at this time. A future CCA project, if deemed feasible, will require complete CEQA environmental clearance at such time as required.

PUBLIC NOTICE

Public Notification was achieved by posting the agenda, with this agenda item being listed, at least 72 hours prior to the meeting.

ATTACHMENTS

- A. Resolution
- B. Selected Slides from CCA Presentation
- C. City of Sunnyvale's CCA cost estimates

Report prepared by:

Heather Abrams

Environmental Programs Manager

RESOLUTION NO.

**RESOLUTION OF SUPPORT TO PARTICIPATE IN A FEASIBILITY
STUDY OF A COMMUNITY CHOICE AGGREGATION PROGRAM
FOR SAN MATEO COUNTY**

WHEREAS, The City of Menlo Park has demonstrated its commitment to an environmentally sustainable future through its policy goals and actions, including energy reduction and the adoption of clean energy and sustainability programs,

WHEREAS, The County of San Mateo and the City Council of Menlo Park have identified Community Choice Aggregation as a promising strategy to meet local clean energy goals and projected greenhouse gas reduction targets; and,

WHEREAS, Community Choice Aggregation is a mechanism by which local governments assume responsibility for providing electrical power for residential and commercial customers in their jurisdiction in partnership with Pacific Gas & Electric Co. (PG&E); and,

WHEREAS, Community Choice Aggregation, if determined to be technically and financially feasible, could provide substantial environmental and economic benefits to all residents and businesses in Menlo Park; and,

WHEREAS, Community Choice Aggregation also provides the opportunity to fund and implement a wide variety of energy-related programs of interest to the community; and,

WHEREAS, In addition to technical and financial feasibility, it is important to determine whether there is adequate public support for Community Choice Aggregation; and,

NOW THEREFORE BE IT RESOLVED by the City Council of Menlo Park that:

The City of Menlo Park indicates its commitment to participate in the feasibility phase of Community Choice Aggregation in partnership with San Mateo County without obligation of the expenditure of any of the General Funds of the Menlo Park unless otherwise authorized by the City Council.

The City of Menlo Park may choose to participate on an inter-jurisdictional CCA Steering Committee (if one is formed) and may authorize staff to participate in the preparation of the CCA technical study.

Adoption of this resolution in no way binds or otherwise obligates the City of Menlo Park to participate in Community Choice Aggregation, unless it so chooses by passage of a City ordinance.

I, Pamela Aguilar, City Clerk of Menlo Park, do hereby certify that the above and foregoing Council Resolution was duly and regularly passed and adopted at a meeting by said Council on the twenty-fourth day of February, 2015, by the following votes:

AYES:

NOES:

ABSENT:

ABSTAIN:

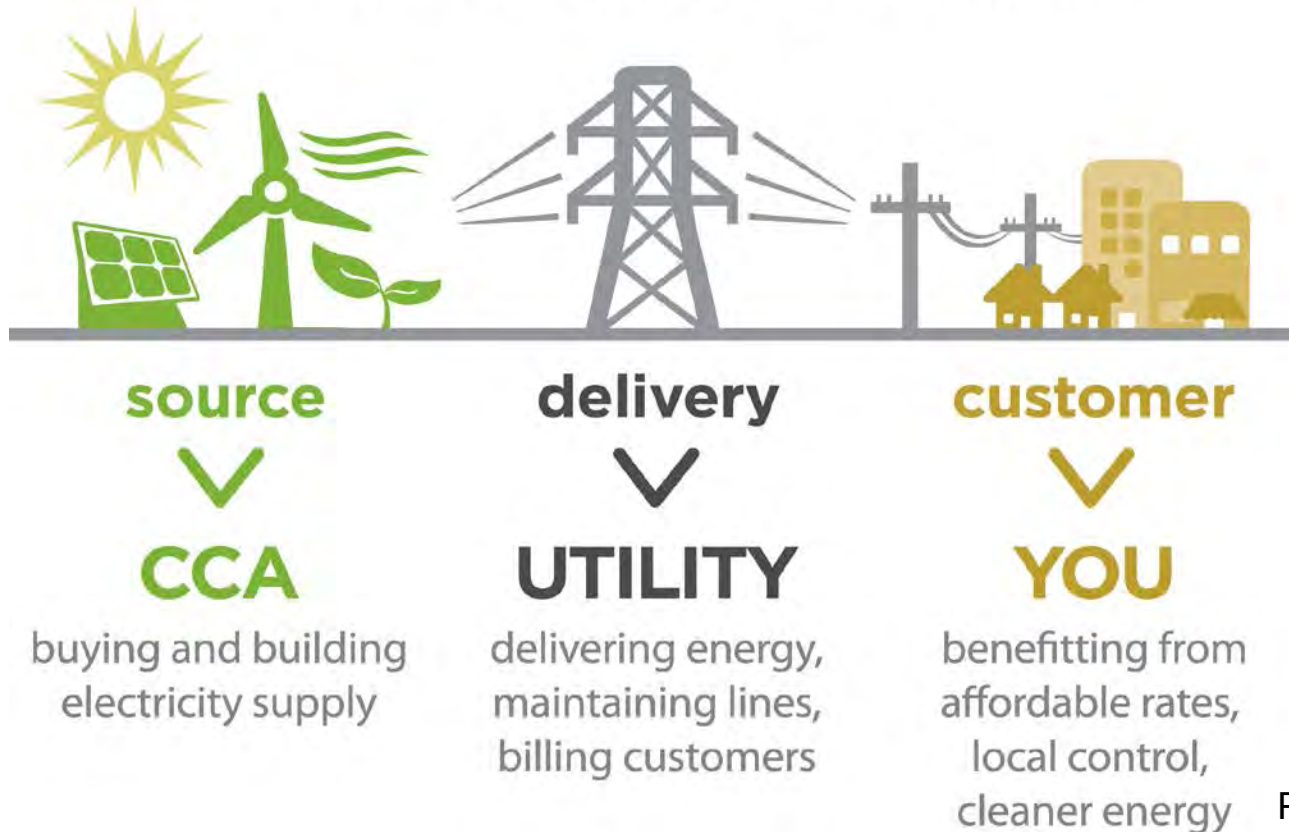
IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Official Seal of said City on this twenty-fourth day of February, 2015.

Pamela Aguilar
City Clerk

WHAT IS CCA?

CCA leverages the market power of group purchasing, consumer choice, and local decision-making. It enables local governments to procure and/or develop power on behalf of their public facilities, residents and businesses. CCA creates a functional partnership between municipalities and existing utilities. It has the proven ability to lower electricity rates and rapidly green the grid.

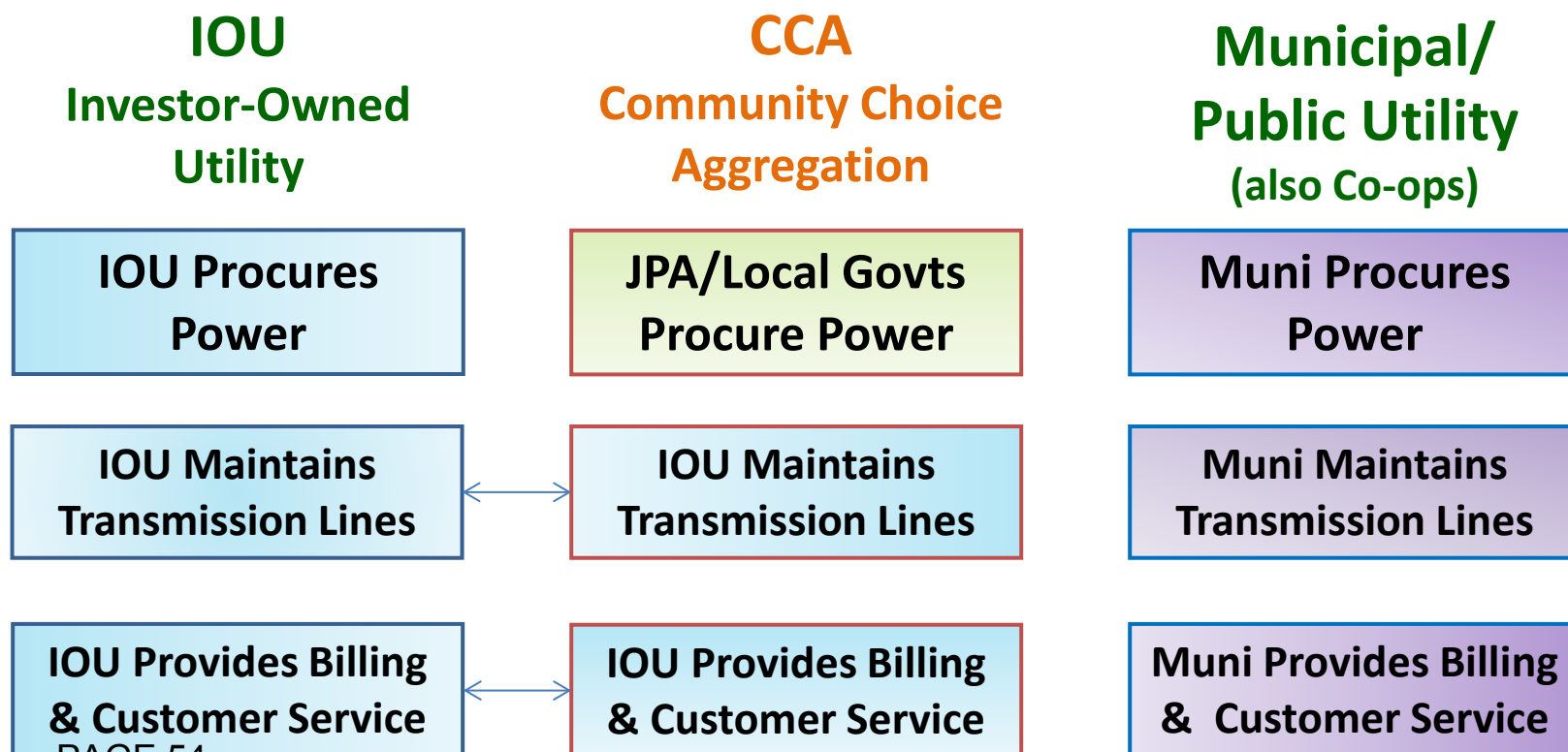
How Local Energy Aggregation Works



A HYBRID APPROACH



Roughly 70% of U.S. electricity is supplied by vertically integrated investor-owned utilities (IOUs), with much of the balance coming from publicly-owned municipal utilities and co-ops. *CCA offers a third, hybrid option, where the supply and transmission functions are split between a public entity and the IOU.*



WHY IS CCA SO POWERFUL?

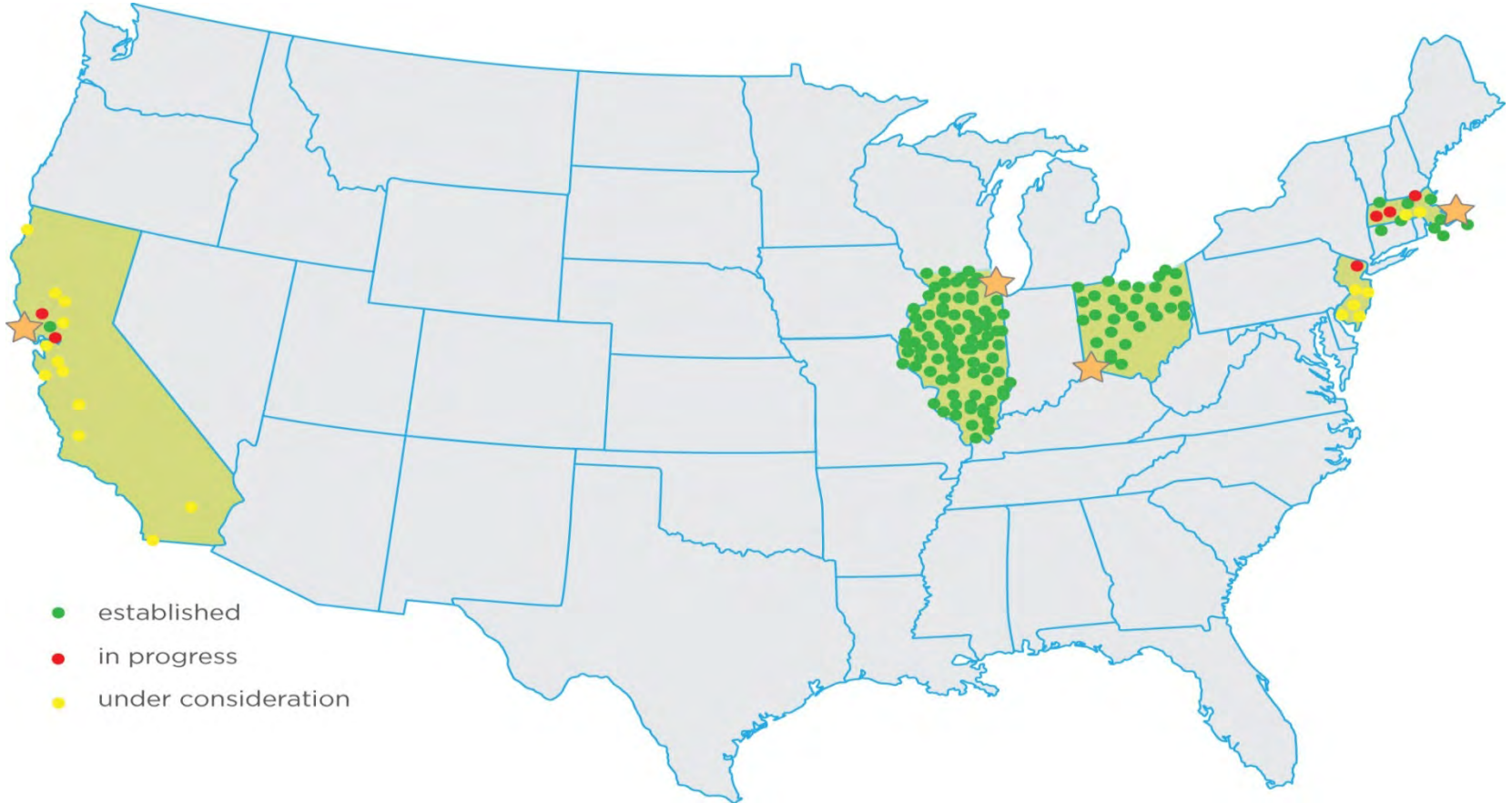


- Responsive to *Local* Environmental and Economic Goals
- Offers Consumers a Choice
- Revenue Supported, Not Taxpayer Subsidized
- Stable, Often Cheaper, Electricity Rates
- Allows for Rapid Switch to Cleaner Power Supply
- Leverages Public and Private Sector \$\$ and Opportunities
New local programs, renewable generation, job creation, and economic development

CCA Responds to California State Climate & Clean Energy Policy

2002/2011	AB 117 and SB 790 - CCA Legislation
2006	AB 32 – Global Warming Solutions Act 15% below 1990 levels by 2020
Revised 2011	CA State RPS and RA requirements Laws governing utility renewable energy standards and resource adequacy (RPS = 33% by 2020)
2011/2012	Governor’s Renewable Energy Mandate - 12,000 MW local/distributed RE by 2020 http://www.law.berkeley.edu/12901.htm

CCA ACROSS THE COUNTRY



CCA By the Numbers:

(as of 10/2013)

Illinois – 650

Ohio – 260

Rhode Island – 42

Massachusetts - 26

California – 2+

New Jersey – 6

KEY PROGRAM FEATURES


“CCA: The Biggest Change You’ll Never Notice”

- JPA or special district can operate a CCA in CA; local governments participate by passing an ordinance
- Utility continues to provide billing, customer service, line maintenance and repair; codified in Service Agreement
- CCA electricity charges appear as a new section of the utility bill – all other charges the same
- CCA is an opt-out program; Customers receive 4 opt-out notices over 120 day period and can return to PG&E any time.
- CPUC certifies CCA plan; oversees relationship between utility/CCA



Sample Bill – Marin Clean Energy

SAMPLE BILL: PAGE ONE



ENERGY STATEMENT

www.pge.com/MyEnergy

Account No: **1234567890-1**

Statement Date: 10/01/2013

Due Date: 10/22/2013

Service For:

MARY SMITH
1234 STREET AVENUE
SAN RAFAEL, CA
94804

Questions about your bill?

24 hours per day, 7 days per week
Phone: 1-866-743-0335
www.pge.com/MyEnergy

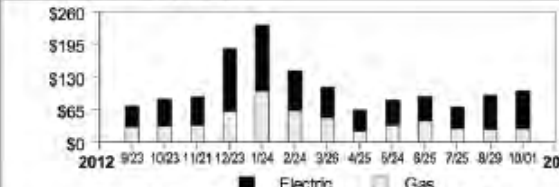
Local Office Address

750 LINDARO STREET, STE 160
SAN RAFAEL, CA 94901

Your Account Summary

Amount Due on Previous Statement	82.85
Payments Received Since Last Statement	82.85
Previous Unpaid Balance	\$0.00
Current PG&E Electric Delivery Charges	\$39.32
MCE Electric Generation Charges	\$42.81
Current Gas Charges	\$27.20
Total Amount Due	\$109.33

Monthly Billing History



Visit www.pge.com/MyEnergy for a detailed bill comparison

Daily Usage Comparison

1 Year Ago	Last Period	Current Period
9.66	12.27	12.38
Electric kWh / Day		
0.85	0.75	0.75
Gas Therms / Day		

Important Messages

Your charges on this page are separated into delivery charges from PG&E and generation or procurement charges from an energy provider other than PG&E. These two charges are for different services and are not duplicate charges.

Electric power line safety PG&E cares about your safety. Be aware of your surroundings and keep yourself, tools, equipment and antennas at least 10 feet away from overhead power lines. If you see an electric power line fall to the ground, keep yourself and others away, call 9-1-1 and then PG&E at 1-800-743-5000.

CCA AS A LOCAL ENERGY STIMULUS



- Power Purchase Agreements (PPA) w/ optional buy-out provisions
- CCA-sponsored energy projects; team with private company to leverage investment tax credits
- Local Feed-in-Tariff and Net Energy Metering programs for small projects and residential/commercial solar
- Community solar gaining in popularity; EV charging stations
- Energy Efficiency funding is available; on-bill repayment for building upgrades, solar installs
- Organizational partnerships for local job training, energy audits, building upgrades and installations

WHAT ARE THE RISKS...

And how are they mitigated?



Rate Competition: Market expertise and well crafted power RFP is essential; Long vs. short term contracts; Diversified supply portfolio and integrated energy plan



Customer Opt-Out: Competitive rates are a must; Articulate additional consumer and community benefits; Opt-outs in CA typically in 10%-20% range



Political: Align CCA to state and local policy objectives; Appeal to both progressive and conservative minds; Local education and advocacy is key



Regulatory/Legislative: Track influencing statutes and legislation; Participate in the CA regulatory process

1. Political/Community

- Resolutions of support and participation
- Community education/endorsements
- JPA Ordinance
- Marketing and outreach/opt-out notices

2. Technical

- Technical Study - load and rate analysis, economic impacts, environmental attributes and supply options
- JPA - legal formation, vendor contracts
- Implementation Plan, Service Agreement, etc.

3. Financial Considerations

- Technical study and community outreach
- CCA formation costs
- Bridge financing from 1st contract to 1st revenue

Remember: All development and formation costs are reimbursable from early program revenue!



Case Study: Marin Clean Energy

- May 2010: Start of service for Phase I customers
- As of 2014: 125,000 customers; 77% of customer base
- Service area includes City of Richmond and Marin County
- 13-Member Board of Directors
- 67,500+ tons of GHG reductions to date



Residential Cost Comparison

MCE proposed rates effective April 6, 2014

PG&E proposed rates effective May 1, 2014

	PG&E	MCE Light Green	MCE Deep Green
<i>508 kWh, E-1/Res-1</i>	19%	50%	100%
Electric Generation	\$46.74	\$40.13	\$45.21
Added PG&E Fees	-	\$5.89	\$5.89
Electric Delivery	\$36.26	\$36.26	\$36.26
Total Electric Cost	\$83.00	\$82.28	\$87.36

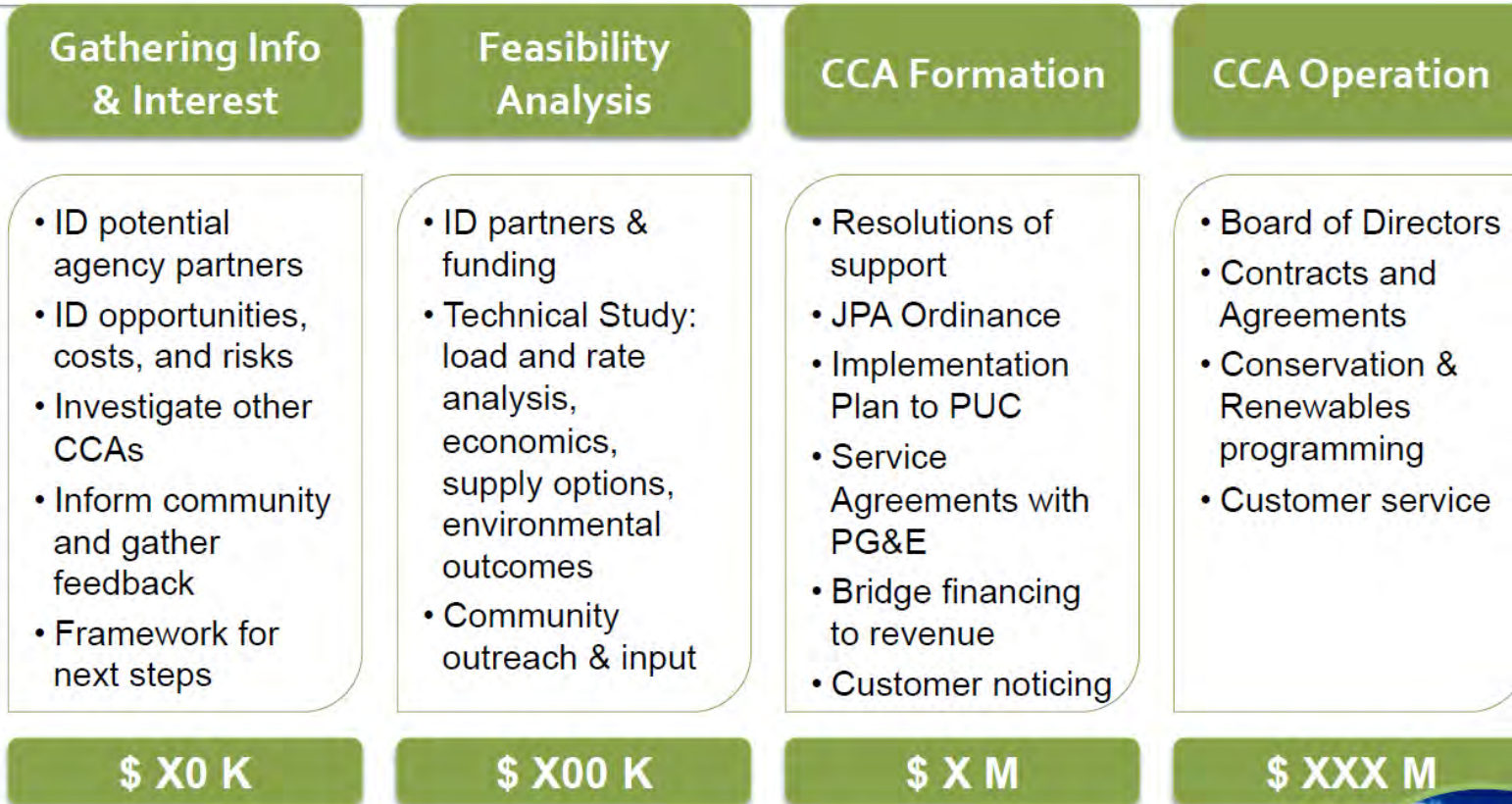
Commercial Cost Comparison

MCE proposed rates effective April 6, 2014
 PG&E proposed rates effective May 1, 2014

<i>1,182 kWh, A-1/Com-1</i>	PG&E 19%	MCE Light Green 50%	MCE Deep Green 100%
Electric Generation	\$138.44	\$112.29	\$124.11
Added PG&E Fees	-	\$12.19	\$12.19
Electric Delivery	\$131.51	\$131.51	\$131.51
Total Electric Cost	\$269.94	\$255.98	\$267.81

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The Journey Begins



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