



**CITY COUNCIL
AGENDA REPORT**

TYPE OF ITEM: Report
AGENDA ITEM NO.: 3

DATE: October 23, 2018

TO: City Council

FROM: Ashley Golden
Development Services Director

SUBJECT: Selection of Default Tier Option for Clean Power Alliance (CPA). (10/10/10)

CONTACT: Ashley Golden, Development Services Director
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RECOMMENDATION:

Staff recommends that City Council approve the selection of 50% renewable energy tier as the default product for Clean Power Alliance customers within the City of Oxnard.

BACKGROUND

On February 27, 2018, the Oxnard City Council introduced Ordinance No. 2935 approving the Joint Powers Agreement for Los Angeles Community Choice Energy (LACCE) authority and authorized implementation of a community choice aggregation (CCA) program. Since this time, LACCE has been renamed the Clean Power Alliance (CPA) to better reflect the organization and its goals. The City is currently serving on the CPA board of directors and participating in the CCA program.

CPA is a CCA program, established as a Joint Powers Authority (JPA) of 31 local governments in Los Angeles and Ventura Counties, including the City of Oxnard, working together to bring clean energy choices to communities. As a CCA, 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. To date, CPA has launched service to municipal and commercial customers in unincorporated Los Angeles County and the cities of Rolling Hills Estates and South Pasadena. On February 1, 2019 (Phase 3), all residential customers will be automatically enrolled in CPA service, unless they opt out. Once enrolled customers will begin receiving their power from the CPA by paying a line item – "generation charges" – on their SCE

bill. On May 1, 2019 (Phase 4), all nonresidential customers will likewise be enrolled with the opportunity to opt out.

CPA rates are typically set annually by the Board of Directors based on the projected cost of energy; therefore customers will have a steady, predictable energy rates. Unlike the rates of the local investor-owned utilities, which are set by the California Public Utilities Commission, CPA rates are set locally. The CPA Board of Director has committed to providing participating organizations, residents, and businesses with cleaner energy options at competitive rates. In addition, Attachment A addresses participants CPA frequently asked questions.

CPA has asked that the City select a desired renewable energy tier (referred to as default tier rate) for all of its sectors. All electric accounts assigned to residents, businesses, or organizations – basically, an electric account assigned to jurisdiction within the City of Oxnard – will be able to remain at the same City selected tier rate or select a new tier rate each year. In other words, tier rates will be able to be adjusted if an electric account owner does not agree with the tier rate selected by the City of Oxnard. Different tier rates for each sector can be selected. Member jurisdictions have until the end of October 2018 to make their default tier selection for their community.

DEFAULT TIER

Renewable Content Selection

On August 16, 2018, the CPA Board of Directors (Board) adopted its rate structure in advance of the CPA 2019 launch of Phases 3 and 4, and adopted three renewable tier content rates for customers. These are the CPA renewable rate tier options which will be immediately available to CPA accounts/customers:

- 36% renewables
- 50% renewables
- 100% renewables

Customers will also be able to choose their own individual renewable tier by opting up or down, relative to the default tier selection chosen by the City of Oxnard or opt out of CPA service without penalty and choose to remain with SCE for their energy generation charges. Customers are able to change their renewable tier at any time once they are notified of their service enrollment with CPA.

Within each renewables tier option, there are a variety of specific rates offered to match the rate schedules offered by SCE. As a comparison, SCE has the following renewable content mandates/timeframes for all SCE accounts/customers:

- 33% by Dec. 31, 2020
- 40% by Dec. 31, 2024
- 45% by Dec. 31, 2027

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- 50% by Dec. 31, 2030
- 100% by Dec. 31, 2045

2019 CPA Tier Rates

The CPA Board adopted tier rate structure and estimated comparison to SCE rates, on a total bill basis are shown below:

| Tier Rate Options | Cost Relative to SCE Rates |
|--------------------------|--|
| 36% Renewables | 1%-2% overall bill discount to SCE base rate |
| 50% Renewables | 0%-1% overall bill discount to SCE base rate |
| 100% Renewables | 7%-9% overall bill premium to SCE base rate for non-CARE* customers (at least 5% overall bill discount to SCE 100% renewable option) Parity with SCE base rate for CARE* and other low-income customers |

*Please see the following section Tier Rates and Low Income Customers for more information on the CARE program.

Staff has evaluated the CPA versus SCE options and prepared the following summary results:

- 36% Renewable: Overall bill discount if CPA plan is chosen is 1-2%; CPA plan cheaper and cleaner than SCE 2019 base rate.
- 50% Renewable: Overall bill discount if CPA plan is chosen is 0-1%; CPA plan competitive with and cleaner than SCE 2019 base rate. GHG reductions achieved sooner than current 2030 mandate. Drives support for larger renewable options in the City sooner.
- 100% Renewable: 7-9% more expensive than SCE's 34% renewable plan as compared to SCE's 2019 base rates. Achieves GHG reductions sooner than current 2045 mandate. Makes a strong statement that the City supports renewables.

Most accounts are on SCE's standard plan, by switching to a 36% or 50% CPA plan, the account holder would save money and get cleaner power when compared to SCE's standard plan.

The bill discounts presented in the table above are presented as a range due to two main uncertainties:

1. SCE's 2019 rates, which are a benchmark for CPA rates, are difficult to predict until SCE submits an updated rate forecast, which will likely include rate increases, to the California Public Utilities Commission on November 8th.

2. CPA is still in the process of procuring energy for 2019, leaving some uncertainty around costs.

By the November 15, 2018 CPA Board meeting, when residential rates will be set, these uncertainties will largely be resolved as SCE will have submitted an updated rate filing and CPA will have locked in much of its 2019 energy costs.

Tier Rates and Low Income Customers

The Domestic California Alternate Rates for Energy (CARE) program provides SCE's income-qualified residential customers with a discount of about 30 percent on monthly electric bills. In Oxnard, CARE customers make up approximately 35% of the total residential customer base.

The CARE program is available to CPA customers and provides the same discount regardless of enrollment with CPA. Customers enrolled in CPA continue to receive their CARE discounts within their SCE delivery charges. When a customer is enrolled in CPA service, their participation in discount programs through SCE does not stop, it will carry over and nothing will change. However, all new enrollments or renewals must still be done through SCE's customer service or website.

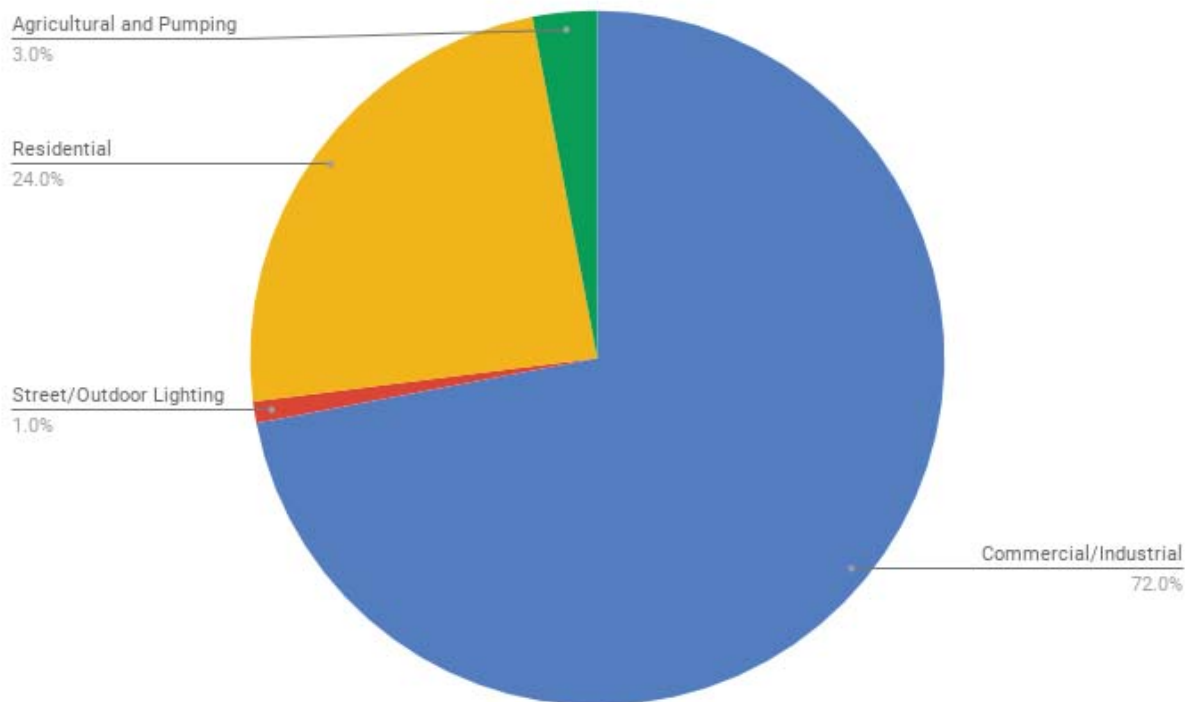
SELECTION OF TIER RATE

The method by which each member jurisdiction makes the tier rate selection is entirely within their purview, as there are no legal requirements governing this default selection. Staff recommends the City Council select the 50% default renewable energy tier. Selection of this tier is based upon a holistic approach looking at the City's demographics, and understanding of economics for the community. For background, according to the City's Energy Action Plan (EAP – April 2013- Figure ES-1), as of 2005 the City's Community Baseline Energy Consumption was comprised of the following sectors (i.e., uses) and percentages:

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While the base renewable percentage product offers a slightly larger cost savings, the power mix is comparable to the electricity that City customers currently receive. The 50% energy tier offers benefits to customers by offering both a cost savings and a cleaner electricity mix. This selection also aligns with the City's commitment to reduce its greenhouse gas emissions and helps lead the way on policies and programs that reinforce climate action and environmental stewardship. As noted earlier, 35% of the City's residential accounts are enrolled in the CARE program which provides reduced monthly energy charges. Residential accounts represent 24% of the City's energy accounts. The City of Oxnard's per capita personal income is \$19,451, the second lowest in the County (Data Source: American Community Survey 5 year Estimate 2008-2012). CPA has negotiated that CARE customers will be able to receive monthly energy charges commensurate with their current tier level. This means that the City could enroll all residential accounts in the 50% renewable energy tier with virtually no financial impact to residential customers.

Selecting the 100% renewable option will result in increased costs for commercial/industrial accounts in the City. Customers who have a strong desire for clean power are more likely to switch to CPA and to move up to the 100% renewables.

For context, in Ventura County the following energy tier levels have been selected:

**Clean Power Alliance Member Agency
Default Tier Choices – As of September 26, 2018**

| Member Name | Default Power Product |
|--------------------|------------------------------|
| Camarillo | 36% |
| Moorpark | 36% |
| Ojai | 100% |
| Simi Valley | 36% |
| Thousand Oaks | 50% |
| Ventura (City) | 100% |
| Ventura (County) | 100% |

Further still, Attachment B identifies energy tiers selected for various cities and counties throughout California.

IMPLEMENTATION OF TIER RATE

Notice to Residential and Non-Residential Customers

Before automatic enrollment into the program begins, prospective CPA customers will receive two written notices in the mail from the CPA Authority that will explain the program's goals, terms, and conditions and how customers can opt-up, opt-down, or opt-out of the program if desired. These notices will be sent respectively at 60 days and 30 days prior to automatic enrollment. After transfer of service, two additional notices will be sent to CPA customers (at 30 and 60 days after enrollment), notifying them again of the shift from SCE to CPA, the program details, and the ability to opt-out. Following 60 days after enrollment, a small service charge (less than \$2.00) will be applied to any customer wishing to opt-out.

STRATEGIC PRIORITIES

This agenda item supports the Infrastructure and Natural Resources strategy. The purpose of the Infrastructure and Natural Resources strategy is to establish, preserve and improve our infrastructure and natural resources through effective planning, prioritization, and efficient use of available funding. This item supports the following goals and objectives:

Goal 1. Ensure Master plans for all City infrastructures are current, synchronized and consistent with the General Plan.

Goal 5. Ensure orderly development and long-range conservation and management of our natural resources and coastal assets.

Objective 5a. Develop and implement a sustainability program.

Objective 5b. Protect ocean and waterways.

FINANCIAL IMPACT

At the recommended 50% default rate, all electric accounts should see an approximate 1% reduction in their monthly energy bill. However, the precise fiscal implication to the City and all accounts is dependent upon which tier structure is selected for municipal accounts and the final rate structure negotiated as part of the CPA process.

Electricity consumption makes up about 1% of the Adopted Budget. Of the \$5.6M Budgeted for all funds, General Funds make up about 35% and Utility Funds make up about 48% of the budgeted and consumption amounts for FY19. The remaining funds included LMDs, CFDs, and other restricted funds.

The City has approximately 656 municipal accounts. With the selection of the 50% renewable energy tier and consumption amount compared to total budget for each fund, municipal account savings realized may be immaterial compared to total budget adopted. If a higher default rate is selected, the costs will increase.

Prepared by Kathleen Mallory, Planning & Environmental Services Manager.

ATTACHMENTS:

Attachment A: Clean Power Alliance - FAQ

Attachment B: CPA Member Agency Default Tier Choices - As of September 26, 2018

Frequently Asked Questions

1. Will all customers in the City get the same default tier?

Yes, unless the customer opt-up, opt-down or opt-out.

2. Is there any coal or nuclear power in my power?

CPA will not sign any contracts that include energy from coal or nuclear power resources.

3. Why does the city need to make this decision?

CPA will launch non-residential loads in June of 2018. In anticipation of this launch, CPA needs to know what kind and how much of each type of power the cities need so adequate amounts can be purchased for future use by the cities.

4. Can my city change the default option in the future?

Yes, we expect that we will ask cities once a year if they would like to change their default option.

5. What types of default product options do the other CCA's offer?

The other CCA's have offerings similar to the ones being offered CPA, though some do not offer a base (36%) tier but start at 50%.

6. Does the CPUC or SCE have to approve these default options

No, this selection only needs to be approved by your city.

7. Are the rates noted in the staff report the final rates for service starting in June 2018?

No, the stated rates are indicative based upon CPA's best estimates of future power costs. Final rates will not be known until power contracts are finalized for 2018 deliveries. These power contracts and final rates should be completed by April 2018 for

approval by the CPA Board. But it is very likely that final rates will offer the same percentage differences as should in the indicative rates included in the attached memo.

8. How long will this rate comparison between CPA and SCE hold?

SCE changes rates annually at the beginning of the year. In addition, additional smaller rate changes can occur during the year. However, it is expected that this rate comparison will hold until January 2019, at which time it is likely that both SCE and CPA will change rates.

9. Are CPA customers still eligible for SCE programs, such as energy efficiency and renewable energy incentive programs?

Yes, CPA customers remain eligible for SCE rebate programs since those are funded by Public Purpose Program fees. Those fees will still be paid on SCE bills as part of the SCE transmission and distribution portion of the bill.

10.If a customer has solar panels and is on a net energy metering rate, will they still get that rate when enrolled in the CPA program?

Yes, CPA will offer Net Energy Metering rates that are the same or better than those currently offered by SCE.

11.Are CPA customers still eligible for CARE, FERA and Medical Baseline discounts?

Yes. CARE, FERA and Medical Baseline is available to CPA customers as well as SCE customers and provides the same discount regardless of enrollment with CPA or SCE. Customers enrolled in CPA continue to receive their CARE, FERA and Medical Baseline discount within their SCE delivery charges; there is no need to reapply with CPA. New CARE, FERA and Medical Baseline enrollments or renewals must still be done through SCE's customer service center or website.

12.How will CPA procure power to meet the selected Default Products?

CPA will have short and long-term contracts with a variety of power suppliers to meet the energy needs of the CPA customers. The exact proportion of renewable resources varies with time, based on demand and availability. CPA will provide detailed information about the power supply in the annual Power Content Label reporting.

13. How can the City be sure that CPA is actually procuring 36%, 50% or 100% renewable energy on the customer's behalf?

CPA is required to report to the California Public Utilities Commission and California Energy Commission on an annual basis to verify the amount of renewable energy delivered to our customers. This is the same standard used by other California utilities, such as SCE, for verification purposes.

Clean Power Alliance
Member Agency Default Tier Choices
As of September 26, 2018

| Member Name | Default Power Product |
|-----------------------|------------------------------|
| Agoura Hills | 36% |
| Alhambra | 50% |
| Arcadia | 36% |
| Beverly Hills | 50% |
| Calabasas | 36% |
| Camarillo | 36% |
| Carson | 50% |
| Claremont | 50% |
| Culver City | 100% |
| Downey | 50% |
| Hawaiian Gardens | 50% |
| Hawthorne | 36% |
| Los Angeles County | 50% |
| Malibu | 50% |
| Manhattan Beach | 50% |
| Moorpark | 36% |
| Ojai | 100% |
| Oxnard | TBD |
| Paramount | 50% |
| Redondo Beach | TBD |
| Rolling Hills Estates | 36% |
| Santa Monica | TBD |
| Sierra Madre | 50% |
| Simi Valley | 36%% |
| South Pasadena | 50% |
| Temple City | TBD |
| Thousand Oaks | 50% |
| Ventura City | TBD |
| Ventura County | 100% |
| West Hollywood | 100% |
| Whittier | 50% |

2019 Clean Power Alliance Default Tier Selections

City Council
Kathleen Mallory
Planning & Environmental Services Manager
Development Services
October 23, 2018



BACKGROUND

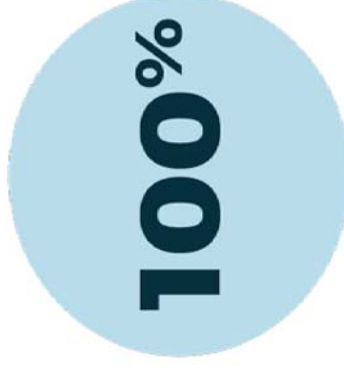
- February 27, 2018, the Oxnard City Council adopted an Ordinance (No. 2935) authorizing joining Los Angeles Community Choice Energy (LACCE) which is a community choice aggregation (CCA) program.
- LACCE has since been renamed to Clean Power Alliance (CPA).

CLEAN POWER ALLIANCE

- CPA is a Joint Powers Authority (JPA) made up of 31 public agency members; including the Counties of Los Angeles and Ventura and 29 Cities.
- Local CPA participants: Cities of Ventura, Thousand Oaks, Simi Valley, Camarillo, Moorpark, & Ojai.
- February 1, 2019 residential customers automatically enrolled in CPA service, and will begin receiving their power from the CPA by paying a line item – "generation charges", unless they opt out.
- May 1, 2019 nonresidential customers will likewise be enrolled with the opportunity to opt out.

CLEAN POWER ALLIANCE CHOICES

- Three rate options to suit customer needs



| | | |
|--|---|--|
| 36% renewable energy that offers a 1%-2% discount to overall Southern California Edison (SCE) bill. | 50% renewable energy that offers a 0%-1% overall bill discount to SCE. | 100% renewable energy that is a 7%-9% overall bill premium to SCE base rates for non-CARE customers.* |
|--|---|--|

*Offers parity with SCE rates for CARE customers.

Discounts are estimates and are subject to final rate setting by Clean Power Alliance Board

TIER RATES AND LOW INCOME CUSTOMERS

- California Alternate Rates for Energy (CARE) program provides SCEs income-qualified residential customers with a discount of about 30 percent on monthly electric bills.
- Approximately 35% of Oxnard's total residential customer base are CARE customers.
- CARE program is available to CPA customers & provides the same discount regardless of enrollment with CPA.
- When a customer is enrolled in CPA service, their participation in discount programs through SCE does not stop, it will carry over and nothing will change.
- City's selected default tier will not impact CARE customers, and they do not need to reapply with CPA.

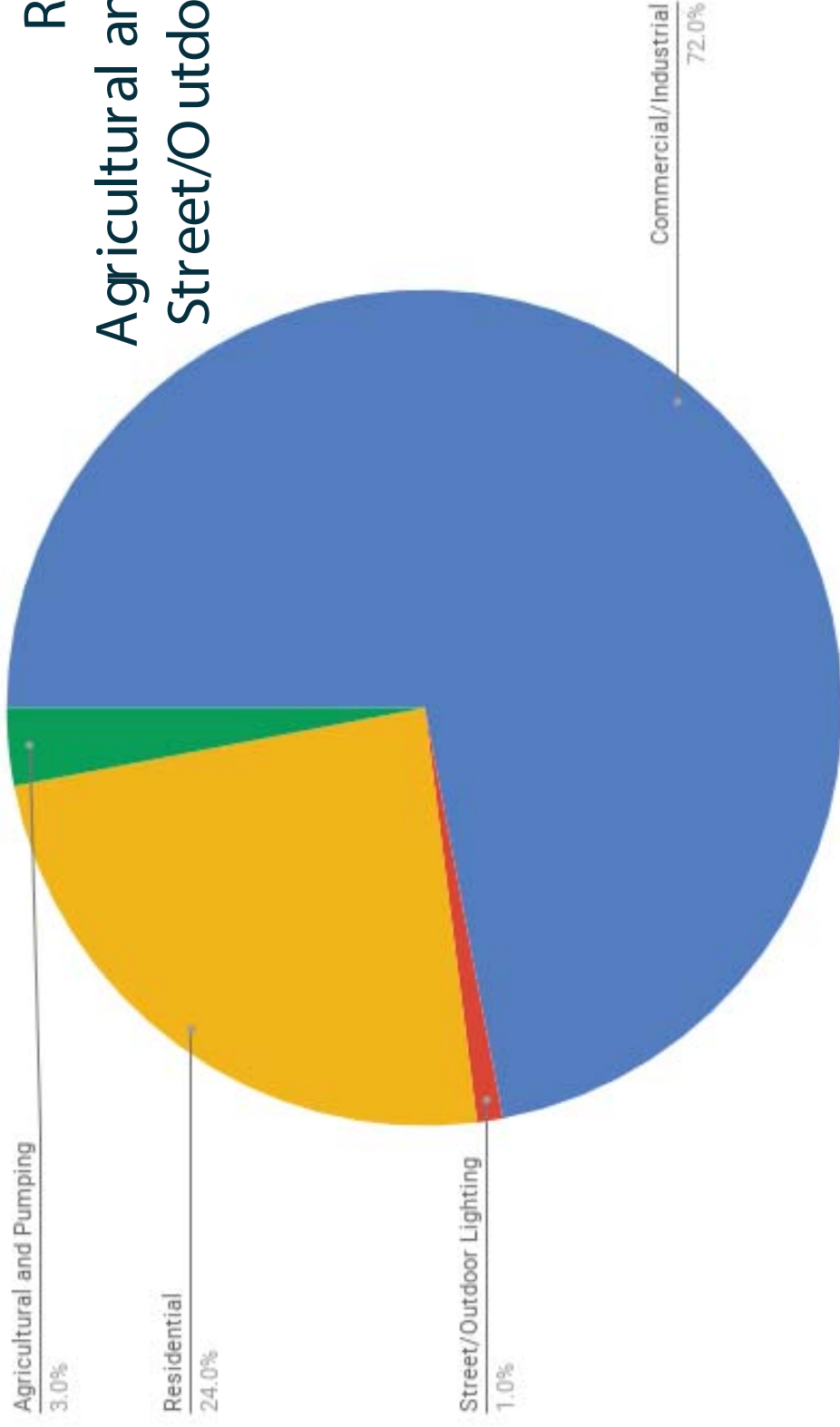
SELECTION OF 50% TIER RATE

- 50% energy tier offers benefits to customers by offering both a cost savings and a cleaner blend of renewables for electricity. Virtually no financial impact to customers.
- 100% renewable option will result in increased costs for all customer accounts in the City (minus CARE accounts). Customers who have a strong desire for clean power are not precluded in selection of 100% renewable option.
- Achievement of energy reduction percentages earlier than SCE (immediate versus 2030).
- 35% of the City's residential accounts are enrolled in the CARE program which provides reduced monthly energy charges. Residential accounts represent 24% of the City's energy accounts.

CITY'S COMMUNITY BASELINE ENERGY CONSUMPTION

City's Energy Action Plan, as of 2005 Community Baseline Energy Consumption was:

Commercial/Industrial – 72%
Residential – 24%
Agricultural and Pumping – 3%
Street/Outdoor Lighting – 1%



Default Tier Choices – As of October 16, 2018

| Member Name | Default Power Product |
|------------------|-----------------------|
| Cam arillo | 36% |
| Moorpark | 36% |
| Ojai | 100% |
| Simi Valley | 36% |
| Thousand Oaks | 50% |
| Ventura (City) | 100% |
| Ventura (County) | 100% |

- **Power Charge Indifference Adjustment (PCIA)** -
Is a fee charged by SCE to CCA customers
- October 11, 2018 - California Public Utilities Commission voted 5-0 in favor of the Alternate Proposed Decision (APD) in the PCIA hearing
- PCIA decision was accounted for in financial projections and does not change the bill comparisons for CPA vs. SCE in 2019
- Ability to hit these numbers was not dependent on a different PCIA outcome.

RECOMMENDATION

- Staff recommends that City Council approve the selection of 50% renewable energy tier as the default product for Clean Power Alliance customers within the City of Oxnard.



QUESTIONS?