



**Contra
Costa
County**

To: Board of Supervisors
From: John Kopchik, Director, Conservation & Development Department
Date: March 15, 2016

Subject: Consider options for potential implementation of Community Choice Energy within the unincorporated area of the County.

RECOMMENDATION(S):

Consider the following options regarding potential implementation of Community Choice Energy (CCE) within the unincorporated area of the County:

Option 1: Work with interested cities in Contra Costa County to obtain electrical load data from PG&E and conduct a technical study of the following three CCE alternatives:

- Form a new joint powers authority of the County and interested cities within Contra Costa County for the purpose of implementing Community Choice Energy
- Join Marin Clean Energy (MCE)
- Form a new joint powers authority with Alameda County and the interested group of cities in the two-county region

Option 2: Proceed with the steps necessary to join Marin Clean Energy (MCE).

Option 3: Undertake an abbreviated technical study summarizing technical studies recently completed by other Bay Area cities and counties and including a comparison of tradeoffs between CCE alternatives available to the County.

☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY

☐ RECOMMENDATION OF BOARD

ADMINISTRATOR

COMMITTEE

Action of Board On: **03/15/2016** ☐ APPROVED AS RECOMMENDED ☒ OTHER

Clerks Notes: SELECTED OPTION 1

VOTE OF SUPERVISORS

AYE: John Gioia, District I Supervisor

Candace Andersen, District II Supervisor

Mary N. Piepho, District III Supervisor

Karen Mitchoff, District IV Supervisor

Federal D. Glover, District V Supervisor

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: March 15, 2016

David Twa, County Administrator and Clerk of the Board of Supervisors

By: June McHuen, Deputy

Contact: 925-674-7722

cc:

FISCAL IMPACT:

Option 1: Technical Study

The estimated cost of the activities associated with partnering with cities within the County to conduct a technical study of Community Choice Energy is \$400,000. This includes an estimated \$225,000 in consulting services and \$175,000 in County staff costs to manage the project. Staff recommends that the cities be proposed to share in the cost of the technical study consultant, which would reduce the County's overall cost to \$300,000.

These costs would include an amendment to the County's current consulting services contact with LEAN Energy to increase the contract limit by \$75,000 to assist DCD with obtaining electrical load data from PG&E, refining the scope of the technical study and developing the RFP, evaluating proposals from consultants for conducting the technical study, interpreting the results of the technical study and reporting the findings of the technical study to cities, the IOC and the Board of Supervisors. LEAN Energy would also assist County staff in conducting community outreach activities to provide information and education to the public and to gather public input to assist decision-makers in evaluating the results of the technical study.

The cost of the actions associated with Option 1 also includes an estimated \$50,000 for the County's share of cost for conducting a technical study. The total cost of the technical study is estimated to be up to \$150,000. The balance of the cost not paid by the County is proposed to be paid by participating cities proportionate to their share of the total population of the jurisdictions covered by the study.

The estimated \$175,000 cost of County staff time for management of the activities associated with Option 1 includes DCD staff time until the end of 2016 at a cost of approximately \$150,000 plus the cost of County Counsel staff time, estimated to be \$25,000 during 2016.

If a technical study resulted in the County taking additional steps to implement a CCE program, such steps would involve additional time and expense. The cost of these additional steps would depend on the outcome of the study. The estimated schedule and budget following completion of a technical study is described in more detail in Attachment E to this report. The greatest expense would be associated with a scenario involving the formation of a new joint powers authority of the County and cities within Contra Costa County. The cost of forming such a JPA and launching a program is estimated to be approximately \$2 million. These costs would likely be reimbursed by the JPA to the County from CCE program revenues.

Option 2: Take Steps to Join MCE

The estimated cost of activities associated with studying membership in MCE that would be comparable to a full technical study is minimal. There may be some research required of County staff and consultants to answer questions the Board may have regarding MCE, but the estimated cost of addressing these issues would be no more than \$10,000.

If the Board reaches a decision to join MCE and directs staff to take the actions necessary to do so, there would be additional costs of approximately \$50,000 associated with County staff time in DCD and County Counsel related to preparing an ordinance and resolution for adoption by the Board, assisting MCE with program launch activities, and coordinating with Contra Costa cities regarding MCE membership. These costs could be described as "back-end" costs and are not comparable to the "front-end" costs associated with the costs of a technical study as described in Option 1 above. The back-end costs of \$50,000 are more comparable to the back-end costs associated with JPA formation and program launch activities that might follow a technical study, as described more fully in Attachment E.

Option 3: Abbreviated Technical Study

The cost of this option is estimated to be approximately \$65,000. This would include \$50,000 in consulting services to perform the study and \$15,000 in County staff time for project management. The cost of next steps would depend on the approach selected, similar to Option 1, however a portion of a full technical study could be necessary if the abbreviated technical study prompted selection of the option to form a new JPA.

Summary

Overall, the cost of Option 1 (Technical Study) is by far the greatest, and the cost of Option 2 (Join MCE) is the least. Option 3 (Abbreviated Technical Study) represents a middle ground that would provide some of the benefits of a full technical study at a reduced cost and in a shorter time period.

Reimbursement and Potential Source of County Funds

The County would seek to have its costs associated with this project reimbursed in the future from the revenues of a new CCE program should a new JPA be created for this purpose. If a new JPA is not established, the County's costs are unlikely to be reimbursed.

DCD's costs related to this project in the current fiscal year, including the cost of consulting services, can be offset by the unspent portion of the \$200,000 in General Fund revenues budgeted in DCD for FY 2015-2016 for the newly created position of County Sustainability Coordinator, which has not yet been filled. Depending on the direction chosen by the Board, it is anticipated that most, if not all, costs associated with this project in FY 2015-2016 can be paid for from this funding source.

BACKGROUND:

Community Choice Energy (CCE) is described in State law as Community Choice Aggregation. CCE involves cities and counties, or a joint powers authority (JPA) composed of cities and/or counties, pooling ("aggregating") retail electricity customers for the purpose of procuring and selling electricity. Under a CCE program, the CCE entity would become the default electricity provider to all electricity customers within the

service area. Customers would have the ability to opt out of service from the CCE and return to service from the incumbent electrical utility. In Contra Costa County, the incumbent electrical utility is Pacific Gas and Electric (PG&E).

Following the successful launch of CCE programs in Marin County in 2010 and Sonoma County in 2014, most other counties in the Bay Area and many counties throughout California are now in the process of implementing or studying the creation of CCE programs. The City and County of San Francisco and San Mateo County are planning to launch CCE programs in 2016. Alameda County and Santa Clara County are both in the process of establishing JPAs for this purpose and plan to launch programs in 2017.

On October 13, 2015, the Board of Supervisors (Board) accepted the recommendations of the Internal Operations Committee (IOC) and directed County staff to initiate outreach to cities within Contra Costa County to determine the level of interest cities have in joining with the County to investigate three alternatives for potentially implementing CCE in Contra Costa County. These three alternatives are:

1. Form a new Joint Powers Authority (JPA) of the County and interested cities within Contra Costa County for the purpose of CCE;
2. Form a new JPA in partnership with Alameda County, and interested cities in both counties; and
3. Join the existing CCE program initiated in Marin County known as Marin Clean Energy, or MCE

At its meeting on February 29, 2016, the IOC considered a status report from the Department of Conservation and Development (DCD) concerning CCE and heard from numerous members of the public. The IOC directed DCD to prepare a report to the Board of Supervisors (Board) presenting options for proceeding with potential implementation of CCE in the County's jurisdiction, including continuing work with cities to complete a technical study of the three CCE alternatives mentioned above, or proceeding with steps to join the CCE program known as Marin Clean Energy (MCE). Subsequent to the IOC meeting, staff identified an additional option not discussed at the IOC meeting, which is for the County to conduct an abbreviated technical study summarizing other technical studies that have been recently released by Bay Area cities and counties, and including a comparison of tradeoffs between CCE alternatives.

Results of Outreach to Contra Costa Cities

Between November 2015 and January 2016, County staff conducted a variety of outreach activities to engage cities on the topic of CCE. These activities included meetings with City Managers and other city staff, attendance at the December 3, 2015 Mayors Conference, three public workshops in mid-December held in different regions of the County, and presentations provided by County staff and consultants at five City Council meetings during the month of January.

On November 13, 2015, the County Administrator sent a letter (Attachment A) to all City

Managers in Contra Costa County asking for responses back from cities by January 31, 2016 indicating the level of interest cities have in partnering with the County to study CCE. This letter specifically asked if cities would authorize the County to obtain electrical load data from PG&E for the purpose of potentially conducting a technical study of CCE in Contra Costa County, and if the cities would be willing to contribute financially towards the cost of such a study if one were conducted.

To facilitate greater public understanding of CCE and assist cities in their deliberations on the subject, DCD staff and consultants hosted three public workshops in December 2015: the first on December 10 at Walnut Creek City Hall, the second on December 14 at the Hercules Public Library and the third on December 16 at the Brentwood Community Center. Average attendance at these workshops was approximately 20 people, and several cities sent representatives to attend the workshops.

During the month of January 2016, many City Councils throughout the County placed items on their agendas to discuss their interest in partnering with the County to further study implementation of CCE. County staff and consultants were invited to attend and make presentations at the Concord, Clayton, Pinole, Lafayette and Brentwood City Council meetings.

The workshops and city council meetings held in December and January generated several press articles, which can be viewed at the following links:

- [East Bay Express: \(10/12/15\)](#)
- [Contra Costa Times: \(1/8/16\)](#)
- [The Press: \(10/29/15\)](#)
- [Yodeler \(Sierra Club\): \(1/28/16\)](#)
- [East Bay Express: \(1/29/16\)](#)
- [MarinIJ: \(2/16/16\)](#)
- [The Press: \(2/18/16\)](#)

Responses from Cities

By the end of January, all 16 cities in Contra Costa County not currently enrolled in a CCE program (Richmond, El Cerrito and San Pablo are currently enrolled in Marin Clean Energy) provided written responses to the County (Attachment B) authorizing the County to request electrical load data from PG&E necessary for a technical study of CCE in Contra Costa County. Approximately half of these cities indicated varying degrees of willingness to participate in the cost of a technical study of this data, should such a study proceed. These responses are summarized in Table 1 below.

Table 1. City Responses to County

City	Load Data Authorization	Cost Sharing for Tech Study
Antioch	Yes	No indication

Brentwood	Yes	Yes, not to exceed \$30,000
Clayton	Yes	Yes, pending more details
Concord	Yes	Yes, not to exceed \$25,000
Danville	Yes	Yes, not to exceed \$18,000
Hercules	Yes	No indication
Lafayette	Yes	No indication
Martinez	Yes	No indication
Moraga	Yes	No indication
Oakley	Yes	No indication
Orinda	Yes	Need more information
Pinole	Yes	Need more information
Pittsburg	Yes	Yes, pending more details
Pleasant Hill	Yes	Yes, not to exceed \$15,000
San Ramon	Yes	Maybe, pending more details
Walnut Creek	Yes	Yes, not to exceed \$20,000

Internal Operations Committee Discussion and Direction

At its meeting on February 29, 2016, the Internal Operations Committee directed staff to present the Board with information concerning two options for consideration. One option is to proceed to work with cities in Contra Costa County to conduct a technical study of alternatives for implementing CCE. The other option is to forego such a technical study and proceed immediately to apply for membership in the CCE program called Marin Clean Energy, or MCE. MCE was created in Marin County, and has now expanded to serve jurisdictions in the Counties of Marin, Napa, Solano and Contra Costa, including the cities of Richmond, El Cerrito and San Pablo. Subsequent to the IOC meeting, staff conceived an alternative not discussed at the IOC meeting, which is for the County to conduct an abbreviated technical study summarizing other technical studies that have been recently released by Bay Area cities and counties, and including a comparison of tradeoffs between CCE alternatives.

Each of these three options has advantages and disadvantages, summarized as follows:

Option 1 – Proceed with Technical Study: If the County proceeds to conduct a technical study of CCE with a group of interested Contra Costa cities, the advantages are that County and the cities will receive additional information regarding projected CCE revenues and electricity rates under various renewable energy portfolio scenarios and a comparative analysis of the three CCE alternatives under consideration. The technical study would provide information about revenues that could be generated for new local programs and initiatives to promote energy efficiency and economic development through renewable energy generation projects. The technical study would inform decisions by the Board and city councils to either implement one of the three options studied, or to take no additional action. The disadvantages of conducting a technical study

are the time and expense associated with conducting the study.

The immediate next step in performing a technical study would be for the County to obtain electrical load data from PG&E on behalf of the County and the 16 cities that have authorized the County to do so. This would provide the County with detailed information regarding electrical usage within the covered jurisdictions, and would constitute the raw data necessary to conduct a technical study of potential CCE implementation within the County.

Based on prior Board direction, a technical study of CCE in Contra Costa County would evaluate three options: a program including only interested jurisdictions within Contra Costa County; a program that is a partnership with Alameda County and interested cities in the two-county region; and joining the existing CCE program originated in Marin County known as Marin Clean Energy, or MCE.

Such a technical study would be conducted by a qualified consultant selected through a competitive process. The technical study would evaluate electrical load data to determine the amount of electricity a CCE program would need to procure in order to serve electricity consumers in the participating communities, and would estimate the billing rates that a CCE program would need to charge electricity customers in order to pay for program operations.

The study would analyze how rates might vary under scenarios in which the CCE program offered customers different levels of electricity originating from renewable sources (for example, rates associated with 50% renewable or 100% renewable options). Electricity rates for these scenarios would be compared to products offered by the incumbent utility, PG&E (Attachment C). The technical study would also include a risk analysis of factors that could potentially interfere with successful operation of a CCE program within the County, such as risks associated with price volatility in energy markets and risks stemming from legal or regulatory changes. CCE technical studies performed in other Bay Area counties have included additional components, including analysis of the impact a CCE program might have on local renewable power generation and local job creation.

As stated in Table 1 above, roughly half of the cities in Contra Costa County have indicated some degree of willingness to contribute financially towards the cost of a technical study. Staff recommends that if the Board directs DCD to work with cities to finalize payment arrangement and initiate the technical study, the County and each participating city pay for a portion of the cost of the technical study similar to its proportion of the total population covered under the study.

If the Board directs staff to proceed with a technical study, staff would work with the cities to finalize the scope of the technical study, develop and issue a Request for Proposals (RFP), and select a consultant to perform the technical study. The County would then enter into a contract with the selected consultant. The results of the technical

study would be reported to the cities and the Board of Supervisors, and staff would seek further direction.

Option 2 – Join MCE: The advantages of the County proceeding to take steps now to join MCE are substantially lower start-up costs and a faster time to CCE program launch within the area served. The County would be able to leverage the considerable success MCE has achieved in creating a high-quality CCE program and would not need to go through the time and expense of recreating a similar program. A disadvantage of the County proceeding to join MCE without performing a technical study is that the County will not have access to information about the revenues projected to be generated from CCE electricity sales within the County and the potential to use such revenues to reduce consumer electricity rates, procure greater amounts of renewable energy, incentivize increased local renewable energy generation, or other purposes. If the County joins MCE, the revenues generated from electricity sales in Contra Costa County will be controlled by MCE's Board of Directors, who would represent jurisdictions covering portions or all of four counties, meaning that investments in initiatives such as additional renewable energy production would be spread over a larger area and controlled by a broader group of board members than a Contra Costa JPA. The County would also forego an opportunity to more thoroughly consider the tradeoffs between the three CCE alternatives the Board has previously expressed interest in evaluating through a technical study.

MCE is now comprised of 17 member jurisdictions. These include Marin County, all 11 cities in Marin County, the County of Napa, the City of Benecia, and the cities of Richmond, El Cerrito and San Pablo. MCE is presently accepting applications for new membership from jurisdiction within the four counties currently being served. MCE staff has indicated that all of the cities in Napa County are seeking membership during MCE's current inclusion period, which closes on March 31, 2016. Several additional cities in Contra Costa County are giving consideration to joining MCE as well, including Lafayette, Moraga, Oakley and Walnut Creek. If additional jurisdictions within the Counties of Contra Costa and Solano join MCE, the number of MCE's member jurisdictions could grow to 40 or more. MCE has weighted vote system that is 50% dependent on proportion of electrical load. Were Contra Costa County to join, it would likely have the largest vote of any single member.

If the County directs staff to take steps necessary to join MCE, the technical steps involved would include the County sending a letter of interest to MCE and subsequently adopting an ordinance and entering into a joint powers agreement to join MCE. MCE staff has indicated that the County could submit a letter of interest to MCE after the current MCE inclusion period closes on March 31, 2016, and that cities could join the County in its request for membership. Opening a new inclusion period for the County and Contra Costa cities, and approval of the County's membership in MCE, would be subject to approval by MCE's Board of Directors.

County staff would work with MCE staff to complete other necessary technical and operational steps, and to conduct marketing activities within the unincorporated area as

part of MCE's program launch in the new service area. The Board of Supervisors would need to designate one of its members as the County's representative on the MCE Board of Directors.

Should the Board wish to further contemplate joining MCE in the near term, staff recommends the County consider several uncertainties, the outcome of which will likely have an impact on the County. These include:

- Policy and organizational changes MCE may make as it continues to evolve into a regional agency rather than one originally formed solely to serve Marin County, such as
 - Change of name from MCE to a new name reflecting regional identity
 - Rotate the location of MCE Board meetings and add an office in Contra Costa County
 - Change Board membership and voting structure as MCE membership grows
 - Limits on geography area served and related limits on membership
- Comparison between MCE and PG&E billing rates for Contra Costa customers
- Policies to promote economic development and renewable energy generation in Contra Costa County

MCE is aware that such issues may be of concern to the County and other jurisdictions considering membership in MCE. MCE is evaluating these issues, but decisions have not yet been made (see Attachment D for information from MCE concerning these and other issues).

Option 3: Abbreviated Technical Study: Instead of conducting a full technical study, an alternative the Board may wish to consider is to conduct an abbreviated technical study that would summarize recently released technical studies conducted by other Bay Area cities and counties and would analyze tradeoffs between CCE options; for example, forming a new JPA versus joining an existing CCE program, such as MCE. The advantages of this alternative are that the Board would receive additional information regarding projected electricity rates under varying renewable energy scenarios, risk analysis, and economic development and renewable generation opportunities for jurisdictions that are similar to the County. Another advantage of this alternative is that it could be done at a lower cost and in a shorter amount of time than a full technical study, which would involve obtaining load data from PG&E and performing a detailed analysis of that data. A disadvantage of this alternative is that the analysis would not be specific to the County electricity load data and therefore some of the findings may not be as precise or reliable as a full technical study. Also, if the eventual outcome is to form a new JPA, portions of a full technical study, including analysis of electrical load data specific to Contra Costa County, would need to be subsequently completed. This alternative has been identified by staff following the February 29, 2016 IOC meeting, and was not discussed at the IOC meeting.

Public Involvement

If the Board directs staff to proceed with one of the three CCE options described in this report, staff recommends that the County's activities include a public involvement component. The recommended public involvement activities for each of the three options are as follows:

Option 1: Full Technical Study

- Public workshops to obtain public input
- Focused outreach to key stakeholder groups
- Web-based educational materials
- Presentations at Mayors Conference, city councils and other venues

Option 2: Join MCE

- Coordinate with cities in Contra Costa County to provide information concerning MCE

Option 3: Abbreviated Technical Study

- Public workshop prior to consultant preparing study, and a second public workshop to review a draft of the study
- Additional public involvement actions could be considered upon completion of the abbreviated study

Staff is aware that some members of the public have expressed an interest in creating an Advisory Committee to advise the Board and city councils on this topic. Staff is not recommending the creation of an Advisory Committee due to the added cost and time this would involve, and because staff believes the steps described above will allow for effective public input concerning the development of a CCE program without the significant effort involved in recruiting for and selecting members. However, if a more structured involvement program is desired, staff could suggest approaches for forming and structuring such a committee process.

Project Schedule and Budget

If the Board directs staff to proceed with a technical study of CCE (either a full study or an abbreviated one), this would represent the first phase of activity related to potential implementation of CCE within Contra Costa County. Following a technical study, additional steps would be required to launch a CCE program, should the Board decide to proceed with implementation.

An estimated schedule and budget for fully implementing CCE within the County is attached to this report (Attachment E). The time and expense associated with implementing CCE within the County would depend heavily on the outcome of the technical study and the resulting direction selected by the Board and participating cities.

The CCE option likely to require the greatest commitment of time and resources would be the option to form a new JPA comprised of the County and cities within Contra Costa County. Following the technical study, such an option would involve two additional phases of activity: JPA Formation and Program Launch. The activities associated with these additional project phases and the estimated time and expense to complete these activities are described in greater detail in Attachment D. Staff estimates the total time needed to implement the Contra Costa JPA option and begin providing electricity to customers would be in the range of two to three years and would cost approximately \$2 million. These costs would likely be recovered if a new JPA becomes operational.

If the Board directs staff to proceed with steps necessary to join MCE, either immediately or following a technical study, the cost and time associated with joining MCE are expected to be substantially less than creating a new JPA. The organizational start-up activities and costs associated with creating a new public agency would not be required.

However, a financial tradeoff associated with joining MCE is that jurisdictions in Contra Costa County would not have exclusive control over the revenues generated from a CCE program. If the County and several more cities in Contra Costa County decide to join MCE, Contra Costa jurisdictions would represent the majority of the population served by MCE. Therefore, Contra Costa jurisdictions would have a strong collective voice within MCE. Nevertheless, the majority of seats on the MCE Board of Directors would continue to be held by jurisdictions in Marin, Napa and Solano Counties.

Extrapolating from the experience of the existing CCE programs, CCE revenues generated from the sale of electricity within jurisdictions in Contra Costa County not currently in MCE would likely be in the hundreds of millions of dollars annually. Most of these revenues would be used to pay for energy procurement, with smaller portions used to pay for administrative costs, reserves, and local economic development and energy efficiency programs

CONSEQUENCE OF NEGATIVE ACTION:

If no action is taken, the County will not proceed with implementation of a Community Choice Energy program.

CLERK'S ADDENDUM

Speakers: Charles Davidsen, Contra Costa Clean Energy Alliance; Susan Junfish, parents for a Safer Environment; Salvatore Evola, City of Pittsburg; Nancy Rieser, Crockett-Rodeo United to Defend the Environment, and Bay Area Refinery Corridor Coalition; Rebecca Band, IBEW 1245 and Contra Costa Labor Council; Albert Lopez, Alameda County; Alexandra McGee, MCE; Alex Digorgio, MCE; Dawn Weisz, MCE; Bill Pinkham, resident of Richmond; C. DeNeergaard, Kensington Green Group; Harry Thurston, Contra Costa Clan Energy Alliance; Carol Weed, Contra Costa Clean Energy Alliance; Ann Puntch, resident of Rodeo; Ratha Cai, Sierra Club Bay

Chapter; Wendy Lack. Rebecca Band, IBEW 1245 and Contra Costa Labor Council, left written comments for the Board's consideration (attached). The Board Chose Option 1: Work with interested cities in Contra Costa County to obtain electrical load data from PG&E and conduct a technical study of the following three CCE alternatives:

- Form a new joint powers authority of the County and interested cities within Contra Costa County for the purpose of implementing Community Choice Energy*
- Join Marin Clean Energy (MCE)*
- Form a new joint powers authority with Alameda County and the interested group of cities in the two-county region*

ATTACHMENTS

Attachment A: CAO Letter to Cities re CCE

Attachment B: City Responses to CAO Letter re CCE

Attachment C: PG&E's New Solar Choice Offering

Attachment D: Marin Clean Energy Documents

Attachment E: Option 1 Technical Study Schedule and Budget

PowerPoint Presentation