Contra Costa County

To: Board of Supervisors

From: INTERNAL OPERATIONS COMMITTEE

Date: October 13, 2015

Subject: AUTHORIZATION TO COMMIT STAFF RESOURCES TO CONDUCT OUTREACH ON COMMUNITY CHOICE AGGREGATION

RECOMMENDATION(S):

DIRECT the Conservation and Development Director to:

1. Reach out to Contra Costa mayors and city managers to explain and gauge their interest in studying the following the Community Choice Aggregation (CCA) options:

   - formation of a CCA partnership among the cities and the County, representing the unincorporated areas;
   - partnering with Alameda County to form a CCA program; or
   - joining the existing Marin Clean Energy (MCE) CCA program.

2. Report back to Internal Operations Committee regarding the feedback from this outreach effort, including a suggested scope and cost estimate for an RFP (Request for Proposals) and eventual contract for a load/feasibility study.

FISCAL IMPACT:

DCD estimates an initial staff commitment of 230 hours (57.5 hours/month for four months)

☑ APPROVE ☐ OTHER

☐ RECOMMENDATION OF CNTY ADMINISTRATOR ☑ RECOMMENDATION OF BOARD COMMITTEE

Action of Board On: **10/13/2015** ☑ APPROVED AS RECOMMENDED ☑ OTHER

Clerks Notes:

VOTE OF SUPERVISORS

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: October 13, 2015

, County Administrator and Clerk of the Board of Supervisors

By: , Deputy

Contact: Julie DiMaggio Enea 925.335.1077

cc: DCD Director, County Building Official, County Finance Director, IOC Staff plus clerical support to conduct outreach and education to Contra Costa cities on CCA. This commitment of staff equates to approximately $32,000 in terms of billable direct costs. These costs may be recoverable if the County ultimately decides to implement a CCA program.

FISCAL IMPACT: (CONT'D)

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If the Board decides to further study forming a Contra Costa CCA or joint Alameda-Contra Costa CCA, based on the experience of San Mateo and Santa Clara Counties, the costs to solicit and obtain services for a CCA feasibility study and procedural consultant might be in the range of $100,000 to $150,000. The formation of a CCA agency would also involve other start-up costs, which are described in the *Costs and Risks* section of this report.

BACKGROUND:

On August 18, 2015, the Board of Supervisors referred to the Internal Operations Committee (IOC) the topic of Community Choice Aggregation. Community Choice Aggregation (CCA) is the practice of aggregating consumer electricity demand within a jurisdiction or region for purposes of procuring energy. The existing energy utility remains responsible for transmission and distribution. The most common reason for jurisdictions pursuing CCA is to promote electricity generation from renewable energy sources and offer consumers choice in purchasing electricity with potential opportunities for cost savings.

The IOC took up CCA at its regular September 14 meeting, which was attended by many individuals who spoke in support of the concept. In particular, we received testimony from the Community Affairs Representative for Marin Clean Energy, and the Co-Chair of the Community Choice Energy Working Group of the Berkeley Climate Action Coalition. We also heard from local businesses that might be able to provide energy to a CCA and who wish to benefit from potentially lower energy costs through a CCA.

A thorough explanation of Community Choice Aggregation is provided below. In summary, there are three possible CCA options for the Board to eventually consider:

- forming a CCA partnership among the cities and the County, representing the unincorporated areas;
- partnering with Alameda County (and its cities) to form a CCA program; or
- joining the existing Marin Clean Energy program (which currently provides energy to three Contra Costa cities – Richmond, San Pablo and El Cerrito).

Assuming public outreach identifies a sufficient level of interest within the County and among cities, a technical feasibility study would need to be conducted by qualified consultants to analyze the projected customer base for a CCA agency, and the projected electricity rates for CCA customers. Following a feasibility study, interested jurisdictions would need to evaluate the findings of the study and decide whether or not to proceed in forming a CCA agency, or potentially a JPA if two or more jurisdictions are interested in participating.

Another area of possible investigation would be to further explore the potential for the County to join Marin Clean Energy (MCE), or for the County to partner with Alameda County in forming a new CCA agency. Alameda County is currently studying whether to become a CCA energy provider. Such partnerships could reduce the cost to the County of participating in CCA, but would require negotiation of agreements with partnering agencies concerning cost sharing and governance.

Should the Board of Supervisors wish to explore the potential to implement CCA in our county either by establishing a County CCA program, partnering with another county such as Alameda, or joining an existing CCA program such as MCE, staff should be directed to develop a plan for outreach and associated staffing and budget requirements. Implementation of a new CCA agency, either by Contra Costa County alone or in partnership with another county, would include public outreach and consultation with Contra Costa cities to determine the level of interest in CCA within the county. Assessment of public interest and identification of partnering cities would be essential to proceeding with CCA implementation.

Community Choice Aggregation: What is it?

CCA agencies exist in several states, including Illinois, Massachusetts, Ohio and California. CCA in California was authorized by AB 117 in 2002, which allows cities and counties to become electricity providers, or form a Joint Powers Authority (JPA) for this purpose. CCA agencies are subject to regulation by the California Public Utilities Commission (CPUC), and require certification by the CPUC.

In 2010, Marin Clean Energy became the first CCA agency certified in California. Sonoma Clean Power was the second, in 2014. Both Marin Clean Energy (MCE) and Sonoma Clean Power are JPAs composed of the host county and various cities. During 2013 and 2014, the cities of Richmond, San Pablo and El Cerrito took actions to join MCE and residents of those cities are now served by MCE. The cities of Walnut Creek and Lafayette have submitted letters of intent to join MCE in recent months, and MCE intends to consider granting membership to these cities this fall. The City of Walnut Creek has also written a letter to Contra Costa County asking the county to study the formation of a Contra Costa CCA. Others members of MCE outside Marin County include the City of Benicia and unincorporated Napa County. A number cities and counties in California are currently in the process of implementing or studying the formation of CCA agencies, including the counties of Alameda, Santa Clara, San Mateo, Santa Barbara, San Diego, Los Angeles and the City and County of San Francisco. San Francisco has obtained certification of its CCA Implementation Plan from the CPUC.

Formation of a CCA agency in Contra Costa County could involve the creation of a JPA between the County and cities within the County that are interested in participating. Under such a scenario, the CCA agency would be a separate entity from the County, with an independent governing Board. It is also possible for a CCA agency to span multiple counties. MCE already includes jurisdictions in Marin, Napa, Solano and Contra Costa counties, and Contra Costa County could investigate the possibility of including the unincorporated area of the County in MCE's service area (as stated above, Richmond, El Cerrito and San Pablo have joined MCE, and Walnut Creek and Lafayette expressed interest in doing so). Another alternative is that Contra Costa County could investigate the possibility of partnering with Alameda County to form a CCA agency serving the two-county East Bay region.

There are tradeoffs associated with a multi-county organizational structure. A larger service area and customer base can achieve economies of scale in operating a CCA agency and purchasing power. However, increasing the number of jurisdictions participating in such an agency adds complexity to decision-making and governance.

Benefits of CCA

There are numerous potential benefits associated with local government participation in CCA. The following is a partial list of such benefits:

- *Increased Energy Production from Renewable Sources*: The main benefit typically associated with CCA in California is increasing the supply of electricity derived from renewable sources, such as wind and solar. The investor-owned utilities (IOUs), such as Pacific Gas and Electric (PG&E), are required to supply a portion of their electricity from renewable sources. CCAs can increase the amount of energy generated from renewable sources by offering customers electricity that is derived from 100% renewable sources, or is derived from a supply portfolio that contains a greater proportion of renewable energy than required of the IOUs.
- *Local Control*: Nearly all residents and businesses in Contra Costa County receive electricity from PG&E, which is a large privately-owned company with a service area covering over half of California. CCA would give residents of the County the option of receiving electricity from a local public agency governed by officials who would be responsive to the interests of the local community.
- *Increased Competition and Consumer Choice*: PG&E is a regulated monopoly. CCA would introduce competition into the electricity market in Contra Costa County, creating additional consumer choices and creating market pressure for improved service by all electricity providers. CCA could also create opportunities for lower electricity rates for consumers.
- *Local Economic Benefits*: A CCA agency may choose to procure power from local renewable energy sources, such a local wind and solar energy generation facilities. The CAA agency could do so by constructing and owning such facilities, or by purchasing renewable energy from privately owned local facilities. Procurement of renewable energy from local sources would create construction jobs and ongoing revenue streams to the local economy.

Costs and Risks of CCA

There are costs and risks associated with CCA. The main risk is that the CCA agency will not compete effectively with the incumbent IOU (PG&E) and will therefore not be financially sustainable. This scenario could occur if the CCA agency does not offer electricity to consumers at a price that is competitive with the price offered by the IOU. The price of electricity that could be offered through CCA in Contra Costa County would depend on a number of variables, including the mix of energy sources included in the CCA agency's electricity supply portfolio and the size of the CCA agency's estimated customer base. These considerations would need to be evaluated in greater detail by consultants with expertise in energy markets prior to a decision to form a CCA agency within the County.

The formation of a CCA agency in Contra Costa County would also involve significant start-up costs. Prior to the formation of a CCA agency, start-up costs would be incurred by the County and potentially shared by partnering cities. Additional start-up costs would be required after CCA agency formation and prior to any revenues being generated from power sold to customers. Should Contra Costa County seek to implement a new CCA agency, preliminary estimates suggest total CCA start-up costs would be approximately $1.5 million. These costs are described in greater detail below:

Pre-Agency Formation Start-Up Costs

CCA start-up costs prior to the formation of a new CCA agency would include the following categories of expenses:

- Community outreach and public meetings to determine the level of public interest and preferences associated with CCA;
- Collection of billing and electricity load data from PG&E;
- Hiring consultants to study the feasibility of forming a CCA agency within the County;
- Legal expenses associated with negotiating contracts and a joint powers agreement between the County and cities that are interested in jointly forming a CCA JPA;
- County and city staff time associated with managing these activities.

Post-Agency Formation Start-Up Costs

Following the formation of Joint Powers Authority or designation of other CCA agency, additional start-up costs would be necessary before the CCA agency could begin to provide electricity and receive associated revenues from customers. Start-up costs following CCA agency formation would include the following:

- Hiring CCA staff;
- Preparation of an Implementation Plan and other required filings to the CPUC;
- Payment of fixed costs to PG&E as may be mandated by the CPUC;

- Negotiation and execution of a contract with PG&E for necessary services not provided by the CCA agency, such as customer billing, transmission and distribution;
- Negotiation and execution of energy purchase contracts with energy suppliers;
- Potential capital expenses associated with constructing renewable energy generation facilities.

Based on preliminary research and the experience of San Mateo and Santa Clara Counties, staff estimates the cost of start-up activities to be approximately $1.5 million. The source of funding for these expenses is yet to be determined, and could include revenues from the sponsoring entities, such as the County and partnering cities, or from borrowing. Much of these costs could eventually be reimbursed to the County and partnering cities from the CCA agency, once it is formed and operating. The extent of cost recovery and the period of time required for cost recovery remains to be determined and would be based on the projected ability of the CCA agency to generate revenues that exceed operating expenses over time. Repayment of such expenses to the funding sources would be contingent on the successful and sustained operations of the CCA agency.

CONSEQUENCE OF NEGATIVE ACTION:

Should the Board choose not to explore CCA, there would be no detrimental impact and exploration costs would be avoided. However, the potential benefits of County CCA program or partnership would remain unidentified and any opportunity to enjoy benefits from a CCA would be lost.

CLERK'S ADDENDUM

Speakers: Carol Weed, Contra Costa Clean Energy Alliance; Judith Schmumacher-Jennings, Sustainable Rossmoor; Kook Huber, resident of Richmond; Margaret Hanlon-Gradie, Contra Costa AFL-CIO (handout attached); Harry Thurston, Contra Costa Green Energy Alliance (handout attached); Lynette Robinson, resident of San Pablo; Pello Walker; Wendy Lack. Written comments were provided by Arvind Goel, resident of San Ramon (attached).

Supervisor Andersen requested that staff investigate whether area Community Choice Aggregates have a fixed cost as PG& E does, or whether they require businesses to reduce energy consumption at particular times, such as peak usage hours, in order to receive a particular rate structure. She also requested more information on the usage of certificates versus true cleaner energy.

Supervisor Mitchoff requested staff generate a letter seeking placement regarding this matter on the Public Managers Association agenda as soon as possible. By unanimous vote of the Supervisors present: DIRECTED the Conservation and Development Director to reach out to Contra Costa mayors and city managers to explain the concept and gauge their interest in studying Community Choice Aggregation (CCA) options; and DIRECTED staff to bring a board order to the next meeting to authorize $25,000 to hire an expert consultant to assist the department with studying the issue and provide possible options.

ATTACHMENTS

Ltr_Walnut Creek CCA

Ltr_Walnut Creek CCA 2

CC Clean Energy Alliance Brochure