



Beverly Hills City Council Liaison / Public Works Commission Committee will conduct a Special Meeting, at the following time and place, and will address the agenda listed below:

**CITY HALL
455 North Rexford Drive
4th Floor Conference Room A
Beverly Hills, CA 90210**

**Friday, October 13, 2017
3:00 PM**

AGENDA

- 1) Public Comment**
 - a. Members of the public will be given the opportunity to directly address the Committee on any item listed on the agenda.
- 2) Update on Los Angeles Community Choice Energy (LACCE) Community Choice Aggregation Program**
- 3) Adjournment**

A handwritten signature in black ink, appearing to read "Byron Pope", written over a horizontal line.

Byron Pope, City Clerk

Posted: October 11, 2017

A DETAILED LIAISON AGENDA PACKET IS AVAILABLE FOR REVIEW IN THE LIBRARY AND CITY CLERK'S OFFICE.



In accordance with the Americans with Disabilities Act, Conference Room A is wheelchair accessible. If you need special assistance to attend this meeting, please call the City Manager's Office at (310) 285-1014 or TTY (310) 285-6881. Please notify the City Manager's Office at least twenty-four (24) hours prior to the meeting if you require captioning service so that reasonable arrangements can be made.



STAFF REPORT

Meeting Date: October 13, 2017
To: Public Works Liaison
From: Josette Descalzo, Environmental Programs & Sustainability Manager
Caitlin Sims, Senior Management Analyst
Subject: Update on Los Angeles Community Choice Energy (LACCE) Community Choice Aggregation Program
Attachment: 1. 9/14/2017 Public Works Commission Report

Staff presented an update on the Los Angeles Community Choice Energy (LACCE) community choice aggregation (CCA) program to the City Council at its June 29, 2017, Study Session. At that time, the Council asked several questions regarding LACCE and directed staff to return with responses in the next three to four months, prior to the end of LACCE's six-month open enrollment period. Staff researched these questions and presented the responses at the September 14, 2017, Public Works Commission meeting. Staff also requested a recommendation from the Public Works Commission as to whether the City Council should join LACCE. The Report to the Public Works Commission is included as Attachment 1.

A motion was made at the Public Works Commission Meeting to recommend that the City Council join LACCE. The motion failed on a 2-2 vote, with one commissioner absent from the meeting.

Staff will present the responses to these questions at the October 13, 2017, Public Works Liaison Meeting for feedback on next steps.

Shana Epstein
Approved By



CITY OF BEVERLY HILLS
PUBLIC WORKS DEPARTMENT
MEMORANDUM

TO: Public Works Commission
FROM: Caitlin Sims, Senior Management Analyst
DATE: September 14, 2017
SUBJECT: Community Choice Aggregation

RECOMMENDATION

Staff is providing additional information on the Los Angeles Community Choice Energy (LACCE) program to assist the Public Works Commission's decision-making process as to whether to recommend joining LACCE.

INTRODUCTION

Staff provided an update on the County of Los Angeles's progress to develop a joint powers agreement to form a community choice aggregation (CCA) program for the County to the City Council at its Study Session on June 29, 2017. As a reminder, community choice aggregation (CCA) is a program through which local jurisdictions and/or special districts can pool their electricity needs and purchase electricity on behalf of residents, businesses, and municipal agencies. The existing utility—in this case Southern California Edison (SCE)—continues to manage the transmission and distribution of the power purchased by the CCA through the existing power grid and power lines and also continues to provide customer billing and customer service. Customers can also choose to remain with the existing utility—in this case Southern California Edison ("SCE")—if they so choose. The goal of the CCA is to provide customers with the option to purchase electricity that is less expensive and/or greener.

At the June 29, 2017, Study Session, staff reported that the Los Angeles Community Choice Energy (LACCE) joint powers authority (JPA) had officially been formed because more than 2 entities had passed the joint powers agreement. This triggered the six-month "open enrollment" period during which cities can join LACCE at no cost. The six-month open enrollment period ends at the end of December 2017. At this time, the County of Los Angeles and the cities of Calabasas, Rolling Hills Estates, South Pasadena and West Hollywood have joined the JPA.

When the item was presented in June, the City Council posed a number of questions regarding LACCE and directed staff to conduct additional analysis of CCAs over the coming months and return to the Public Works Commission and the City Council for a determination as to whether the City should join LACCE. The City Council directed staff to return within three to four months to ensure that there was sufficient time for the City Council to make a decision prior to the end of the six month open enrollment period. While the Council did agree with the sustainability goals of a CCA, they did have several questions and concerns related to the administration and roll-out of the CCA to be addressed prior to the City's participation. They directed staff to look closely at existing CCAs for comparison and also directed staff to answer specific questions and concerns, as listed below:

1. How to ensure that Beverly Hills residents and businesses are not burdened during a transition to a CCA;
2. How to ensure that LACCE is competitive in the power market with SCE;
3. Does joining LACCE create more or less flexibility?
4. How to ensure that the City had adequate governance power;
5. What will be lost if the City does not join immediately;
6. What are the risks to the City in joining at this time;
7. Are there are other alternatives for a CCA that the City could consider?

The City Council directed staff to return in three to four months with answers to these questions, in order to give the Council adequate time to review the findings and make a determination.

DISCUSSION

As mentioned above, the City Council raised several questions and concerns relating to the City's adoption of the LACCE joint powers agreement. The sections below will address each of the questions raised by the City Council.

Ensuring Beverly Hills Residents are not Burdened during a Transition to a CCA

The Council raised a number of concerns relating the burden on residents to opt-out of LACCE, select a renewable power level, and move easily from LACCE to SCE and back again if they chose.

The California Public Utilities Commission (CPUC) requires that a CCA make it easy for customers to opt-out of a program. A CCA is required to send opt-out notices to all customers 60 days prior to program launch, 30 days prior to program launch, 30 days after program launch, and 60 days after program launch. City staff could also conduct additional separate outreach to residents and customers to ensure they were aware of the program launch and how to opt-out.

In addition, in the LACCE program, each individual participating city would be able to decide its own "base" level of power—i.e. power that meets the minimum renewable portfolio standard (RPS) requirement, power that is 50% renewable, and power that is 100% renewable. All customers within the City, would automatically be enrolled at that base level determined by the City but would have the option to move to a power level of their own choice. Again, City staff could also conduct additional separate outreach to ensure that customers were aware of the base level and of their opportunity to modify their own power level selection.

Finally, customers are typically able to move back and forth between the CCA and the existing utility; however, either party may impose requirements and limitations on the transition between the two entities. For example, in northern California, Pacific Gas & Electric (PG&E) has imposed a six-month waiting period for a customer departing to a CCA to return to PG&E and a \$1.50 fee. Likewise, Marin Clean Energy (MCE) has adopted a \$5 termination fee for residential customers that opt-out following the initial sixty-day enrollment period.

Ensuring LACCE is Competitive in Power Market with SCE

Another concern expressed by the City Council was ensuring that, in the complex power purchasing market, LACCE would have the expertise necessary to be successful in the market. LACCE hired Bill Carnahan, former director of the Southern California Public Power Authority (SCPPA), as its interim Executive Director. In addition, LACCE has released a request for proposals (RFP) for Power Supply and an RFP for a Scheduling Coordinator, as well as for Legal Services and Website Design and Program Branding, in order to obtain the greatest expertise possible for important roles.

Flexibility for the City in Joining LACCE

Another concern expressed by the City Council was regarding whether joining LACCE would provide sufficient flexibility for the City. The LACCE joint powers agreement would allow the City—with an affirmative vote of the City Council—to withdraw its membership from LACCE, effective as of the beginning of the fiscal year, with no less than 180 days advance notice. However, the City would still be responsible for continuing liabilities. Such liabilities could include costs incurred for power contracts that LACCE executed to ensure adequate power was provided to the City’s customers. If the City withdrew its membership and LACCE could not unload these power contracts, the City could be liable to ensure that there was no burden to LACCE as a result of the City’s withdrawal.

Another point discussed at the City Council was how the City can be best prepared to deploy new technologies—i.e. development of smart grids and distributed energy resources—as they’re developed. LACCE and the LACCE Governing Board would have the ability to develop its own programs and resources that could encourage the advancement of new technologies.

Ensuring the City has Adequate Governance Power

Another concern expressed by the City Council was how to ensure that the City had an adequate role in the governance of LACCE. The LACCE joint powers agreement allows that the City—as well as each jurisdiction in LACCE—can appoint one Director to represent the agency on the LACCE Governing Board, and each director has one vote. Most matters will be decided by a majority vote. The LACCE agreement also allows that after an affirmative majority vote, three or more directors may request a “voting shares” vote, which would be based on the electric load of each participating jurisdiction. In order for the motion to be successful, more than 50% of the voting shares would also have to vote in the affirmative. If a single jurisdiction represented more than 50% of the voting shares, another director would be required to vote in the negative in order for the matter to fail.

82 cities are eligible to join LACCE. The entity with the largest electric load is the County of Los Angeles, followed by the cities of Long Beach, Torrance, Carson, and Santa Clarita. Beverly Hills has the twelfth highest electric load of all eligible cities. Among the cities that have joined to date, Beverly Hills would have the second highest electric load, behind the County of Los Angeles.

Considering the Potential Downfalls of Not Joining Immediately

Another question raised by the City Council was the potential downfalls of not joining LACCE immediately. LACCE held its first Governing Board meeting in August 2017, and some decisions will likely be made relatively quickly by the existing Board. As mentioned above, LACCE staff has already released RFPs for Power Supply (for Phase 1), a Scheduling Coordinator (for Phase 1), Legal Services, and Website Design and Program Branding. Because The LACCE Governing Board will likely make decisions on these RFPs in the coming months, and the City would not be involved with those decisions if it does not join within that time. However, there will be other important power supply and scheduling coordinator service decisions to be made in the future for Phases 2 and 3.

Risks to the City of Joining

One of the biggest questions expressed by the City Council was whether LACCE will be successful financially and what the risks to the City would be. Before the actual operation of LACCE, it is difficult to assess this question. Looking at existing CCAs in the State does provide an example of what LACCE can accomplish.

Staff reviewed the rates and general financial performance of the two longest-running CCAs in

northern California: Marin Clean Energy (MCE) and Sonoma Clean Power (SCP). Both of these CCAs have provided power to customers for more than four years and both have been able to maintain consistent rates that are below those of Pacific Gas & Electric (PG&E), the investor-owned utility (IOU) in northern California, and have been able to decrease rates in some instances. Table 1 (below) provide an overview of rates for MCE for three different customer class—residential, small commercial and medium commercial—over a five-year period. Please note that these rates are only for generation and do not include the additional charges imposed by PG&E. One of the principles that MCE uses to develop their annual rates is to ensure that rates are always below those of PG&E, and the agency is able to obtain that goal while still reducing rates in recent years.

Table 1. Marin Clean Energy Generation Rates FY 2014-2018.

Marin Clean Energy Rates					
Cents per Kilowatt Hour - For Generation					
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Residential (Res-1)	0.074	0.079	0.082	0.072	0.068
Small Commercial (Com-1)					
Summer	0.089	0.095	0.098	0.093	0.092
Winter	0.059	0.063	0.065	0.062	0.057
Medium Commercial (Com-10)					
Summer	0.087	0.093	0.096	0.087	0.081
Winter	0.063	0.067	0.069	0.062	0.058

Table 2 (below) shows the rates for SCP for three customer classes—residential, small commercial, and medium commercial—for FY 2015 through FY 2018, showing the SCP generation rates including the PG&E surcharges compared to the PG&E rates.

Table 2. Sonoma Clean Power Rates FY 2015-2018

Sonoma Clean Power Rates								
Cents per Kilowatt Hour								
	FY 2015		FY 2016		FY 2017		FY 2018	
	SCP	PG&E	SCP	PG&E	SCP	PG&E	SCP	PG&E
	With PG&E Surcharge		With PG&E Surcharge		With PG&E Surcharge		With PG&E Surcharge	
Residential (E-1)	0.0826	0.08652	0.08334	0.09745	0.0932	0.09684	0.09655	0.09838
Commercial (A-1)								
Summer	0.10427	0.11015	0.105	0.12473	0.10915	0.114	0.11274	0.11518
Winter	0.06727	0.07134	0.068	0.07817	0.07468	0.07843	0.07735	0.07924
Medium Commercial (A-10)								
Summer	0.09511	0.09992	0.09521	0.11235	0.10055	0.10375	0.10327	0.10492
Winter	0.07411	0.07788	0.07421	0.0878	0.07719	0.07965	0.07927	0.08055

As the tables show, both of these CCAs have been able to maintain constant or even decreasing rates throughout their history. Both programs have also been able to increase their program offerings while maintaining their financial stability and improving their financial position.

A major concern for the financial success of CCAs into the future is the calculation of charges levied on CCA customers by the investor-owned utilities. Departing IOU customers are charged administrative costs to ensure that IOUs can recover the sunken costs—i.e. the costs of long-term power contracts when customers depart—to ensure that remaining utility customers’ bills do not increase with the departure of CCA customers. The IOUs work with the CPUC to develop this calculation. LACCE’s financial model did account for these costs; however, the CPUC is evaluating new ways to calculate these sunken costs that could increase the fees for CCA customers, making it more difficult for CCAs to maintain rates lower than those of the IOUs. There will likely not be a final decision by the CPUC on this matter for more than a year.

Alternatives

The City does have two other alternatives to pursue the development of a CCA: form a CCA only for the City of Beverly Hills or work with other cities within the region to form a smaller regional CCA.

In 2006 – 2007, the City completed a study assessing the feasibility of forming a Beverly Hills CCA and of forming a CCA with Beverly Hills and West Hollywood. The feasibility study determined that it was feasible for Beverly Hills to form a CCA. The next step in that process would have been to complete an Implementation Plan and form a CCA with the California Public Utilities Commission (CPUC). However, the City Council decided to not move forward at that time.

Since April 2015, the City has also been involved with South Bay Clean Power (SBCP), a South Bay-based non-profit committed to reducing the region’s greenhouse gas (GHG) emissions and increasing local energy deployment and job development. Participating cities have included the cities of Culver City, Santa Monica, and West Hollywood, as well as a number of cities in the South Bay region. SBCP has completed its own feasibility study, using funding from the electrical workers’ union, that similarly found that it would be feasible to form a SBCP CCA using a “JPA of JPAs” model in which regions would create their own CCA JPAs whose services could be provided through an umbrella JPA that each of the JPAs joins. At this time, no other regions are considering the formation of a regional JPA. In addition, a city would need to lead the administrative work required to form a regional CCA. No city has taken the lead to do that at this time. Staff remains in communication with all of the West Side cities, as well as many South Bay cities that have participated in SBCP, to determine if there is interest in pursuing a regional CCA.

CONCLUSION

As mentioned above, the City Council has requested that staff return with answers to their questions in October 2017 to provide sufficient time for the Council to review the information and make a determination as to whether to join LACCE within the six-month open enrollment window. Staff seeks a recommendation from the Public Works Commission based on the information provided in the report.

The alternatives for the Public Works Commission to consider are as follows:

1. Recommend the City Council join LACCE at this time;
2. Recommend the City Council not join LACCE at this time;

The Commission could also identify additional pieces of information that could be important in making a recommendation.