



CITY COUNCIL AGENDA STATEMENT



August 13, 2019

File ID: 19-0369

TITLE

Report and Request for City Council Direction Regarding Preferred Governance Option for the Implementation of Community Choice Aggregation (CCA)

RECOMMENDED ACTION

Council provide staff with direction as it deems appropriate.

SUMMARY

The Community Choice Aggregation (CCA) feasibility study (study) was completed by EES Consulting, Inc. (EES) and accepted by the City Council at the July 23, 2019 City Council meeting. The City Council directed staff to return to further discuss two governance options: 1) the potential of either partnering with the City of San Diego through a “Regional JPA” model or 2) creating an “Enterprise JPA” model. These two governance options were evaluated based on their relevant risks, benefits, potential startup costs, ability to protect the City’s general fund, greenhouse gas reductions, ability for local control, and to provide a rate discount to users. Based on the information provided in the report, staff recommends pursuing the Regional JPA option because of the ability to minimize City resource requirement and liability while providing greenhouse gas reductions and increased local control.

ENVIRONMENTAL REVIEW

The proposed activity has been reviewed for compliance with the California Environmental Quality Act (CEQA) and it has been determined that the activity is not a “Project” as defined under Section 15378 of the state CEQA Guidelines because it will not result in a physical change in the environment; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines, the activity is not subject to CEQA. Notwithstanding the foregoing, it has also been determined that the activity qualifies for an Exemption pursuant to Section 15061(b)(3) of the California Environmental Quality Act State Guidelines. Thus, no environmental review is required.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

On August 12, 2019 the Sustainability Commission will receive a presentation on CCA Governance Options and their recommendation will be incorporated into staff’s August 13, 2019 presentation to City Council.

DISCUSSION

Background

As part of the 2017 Climate Action Plan, the City of Chula Vista identified several actions that should be taken to provide more grid-delivered clean energy to help reach the City’s goal of offering our community 100% clean, renewable energy by 2035. One of the implementation actions with the largest potential to increase clean energy on the grid was conducting a feasibility study to identify costs and benefits of pursuing a CCA program for Chula Vista. In October of 2018, a Request for Proposal (RFP) was issued seeking a consultant to conduct a CCA feasibility report. In December, staff selected EES Consulting, Inc. (EES) and the contract was approved by City Council in February 2019. Two CCA community workshops were held in Chula Vista in May 2019 to inform interested residents on the basics of CCAs and what issues would be covered in the feasibility study. City Council unanimously accepted the CCA Feasibility Report on July 23, 2019 and directed staff to return to further discuss the potential of either partnering with the City of San Diego through the “Regional JPA” governance option or creating an enterprise CCA and partnering with other enterprise CCAs through the “Enterprise JPA” governance option.

CCA’s in California

There are currently 19 CCA programs operating in California that collectively serve more than 4 million accounts, see table below for full list.

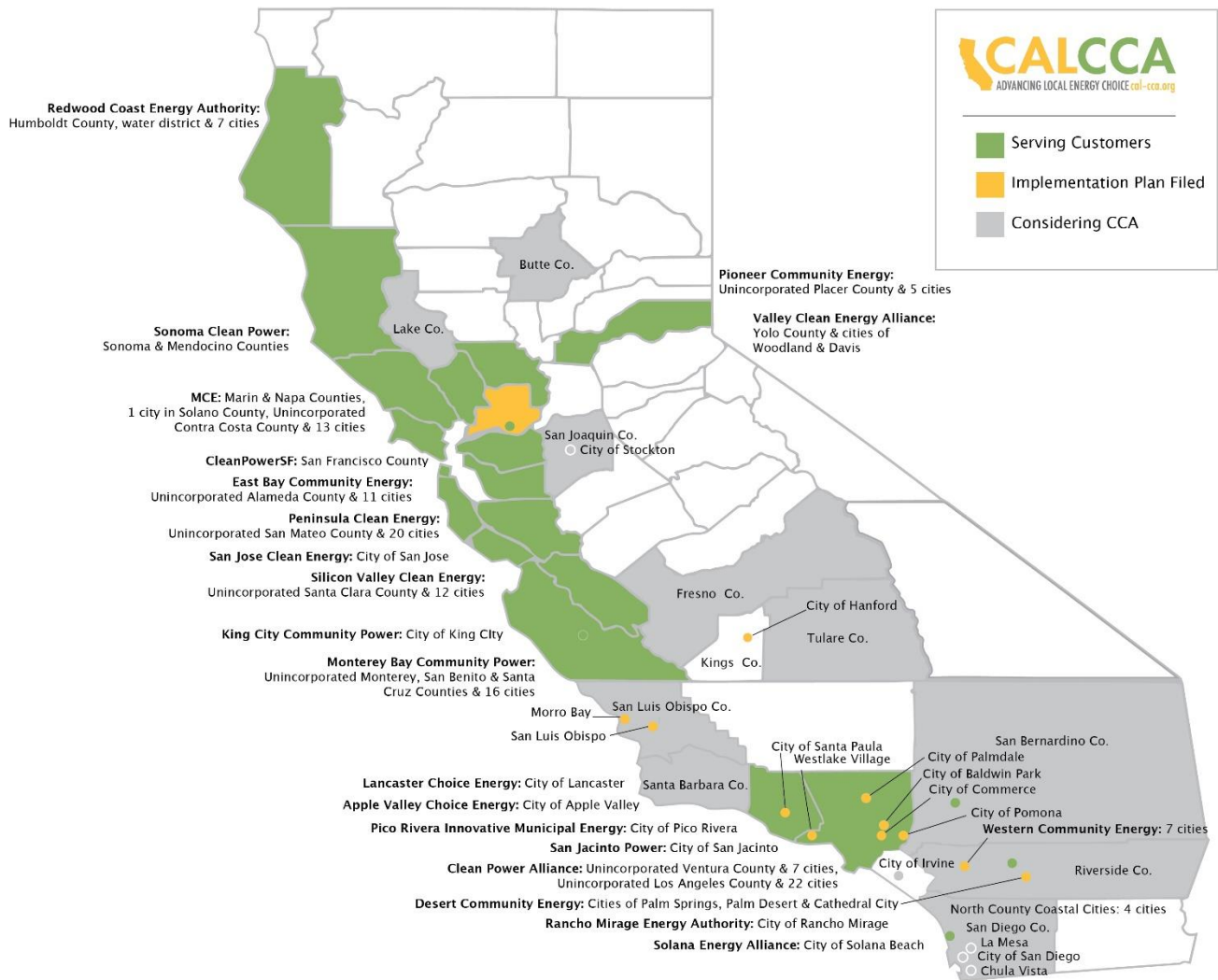
**Table 1
Existing CCA Programs in California**

CCA	Customer Accounts	Governance	CCA	Customer Accounts	Governance
Solana Energy Alliance	7,300	Enterprise	Sonoma Clean Power	225,000	JPA
Rancho Mirage Energy Authority *	14,500	Enterprise JPA	Silicon Valley Clean Energy	270,000	JPA
San Jacinto Power*	14,500	Enterprise JPA	Monterey Bay Community Power	277,000	JPA
Pico Rivera Innovative Municipal Energy*	17,600	Enterprise JPA	San Jose Clean Energy	332,500	Enterprise
Apple Valley Choice Energy*	25,000	Enterprise JPA	Peninsula Clean Energy	293,000	JPA
Lancaster Choice Energy*	50,000	Enterprise JPA	CleanPowerSF	376,000	Enterprise

Valley Clean Energy	54,200	JPA	MCE	470,000	JPA
Redwood Coast Energy Authority	62,000	JPA	East Bay Community Energy	533,000	JPA
Pioneer Community Energy	79,500	JPA	Clean Power Alliance	972,000	JPA
King City Community Power	NA	Enterprise			

* Also members in CalChoice

Additionally, the map provided by CalCCA, below, indicates another 12 jurisdictions have filled their implementation plan with the CPUC and more jurisdictions are considering launching a CCA program.



In San Diego County, Solana Beach is the only jurisdiction with a CCA program. Their program, the Solana Energy Alliance (SEA), launched in 2018 and serves more than 7,000 households. The City of

San Diego is leading an effort to create a Regional CCA JPA and many local jurisdictions are evaluating the opportunity to join, including the City of Chula Vista.

CCA Governance Options

EES’s feasibility report substantiated that the three main governance options for a CCA are as follows:

1. *Independent CCA*: a model that does not require partnering with other jurisdictions;
2. *Regional JPA*: a model in which the City working with other jurisdictions, including the City of San Diego, would jointly create and operate a CCA that serves all members of the participating jurisdictions; and
3. *Enterprise JPA*: a model that would require the City forms its own CCA program and joins or forms a JPA with other enterprise (independent) CCA jurisdictions.

Under all governance options, residents reserve the right to opt out if so desired.

At the July 23, 2019 City Council meeting, staff was directed to return with a comparison of the differences of pursuing a Regional JPA and Enterprise JPA.

	Regional CCA	Enterprise JPA
Description	The City working with other jurisdictions, including the City of San Diego, to jointly create and operate a CCA that serves all members of the participating jurisdictions.	The City forms its own CCA program and at the same time, or later, joins a JPA formed with other enterprise CCAs.
Benefit	<ul style="list-style-type: none"> • Increased economies of scale • Ability to spread overhead costs • Greater economy of scale for procurement • Could provide an additional 0.8% rate reduction • Provides a clear separation between the CCA and the City’s general fund 	<ul style="list-style-type: none"> • Increased economies of scale • Increased local control of rates • Ability to spread overhead costs • Potential to partner to procure power if power purchases are aligned
Risk to City’s General Fund	As a member agency of a JPA, the City would be afforded some insulation from risk because the JPA would constitute a separate entity which would be responsible for the associated debts and liabilities, and the would likely be required to defend and indemnify the member agencies under the terms of the JPA agreement.	The City would likely have less protection from risk in this option. A JPA would afford the same risk mitigation discussed in the Regional CCA analysis, however, in this scenario, the JPA would only cover certain aspects of the program (such as, shared administrative costs). The City would

		typically be responsible for CCA financial obligations.
Startup Costs To City	<ul style="list-style-type: none"> • Pre-Launch Costs - \$0* (requires participation prior to October 1, 2019) • Start-Up/Capital (Financed) - \$0* (provided by City of San Diego) 	<ul style="list-style-type: none"> • Pre-Launch Costs - \$600,000-\$800,000 • Start-Up/Capital (Financed) \$5m
Risk to Local Control	<ul style="list-style-type: none"> • A majority of actions would be a vote of the members of the JPA on a one member one vote structure with limited ability to call a weighted vote. 	<ul style="list-style-type: none"> • Most actions would be a vote of the City Council but services that leverage the JPA structure, mainly for non-power supply services, would need to be voted on by all JPA members.
Rates	<ul style="list-style-type: none"> • Estimated 2% rate reduction. • An additional .8% rate reduction is possible based on savings accrued by the economies of scale. 	<ul style="list-style-type: none"> • Estimated 2% rate reduction
Timeline	<ul style="list-style-type: none"> • Earliest Launch 2021 	<ul style="list-style-type: none"> • Earliest launch 2022

* Regional CCA startup costs would be provided by the City of San Diego and most would be repaid to the City of San Diego by CCA ratepayers as agreed by CCA board members.

Billing and Customer Service

Some elements of CCA operations, like billing, transmission, distribution and metering will continue to be conducted by SDG&E, including the customer service related to those services. Any customer service related inquires and issues regarding rates would be provided by the CCA.

Currently, the City of San Diego is pursuing a CCA by utilizing a JPA and Chula Vista and other cities have participated in ongoing conversations around the formation of a Regional JPA. If Chula Vista committed their participation with the City of San Diego by October 1, 2019 the start-up costs for CCA implementation would be waived for Chula Vista. In addition, the purchasing power and ability to negotiate better procurement contracts would be enhanced by partnering with San Diego because of the large number of customers in a Regional JPA with the cities of San Diego and Chula Vista participating. If the Council desires to implement CCA, staff recommends the Regional JPA governance option because of the ability to minimize City resource requirements and liability while providing greenhouse gas reductions and increased local control.

Next Steps

Based on City Council direction, staff will return to City Council with relevant implementation documents.

Regional JPA

To participate in the Regional JPA, staff will return to City Council in September with a JPA agreement and CCA resolution. Should the City agree to become a member of the Regional JPA, Regional JPA CCA staff would file the Implementation Plan with the CPUC before the end of the calendar year. Estimated launch date would be in 2021.

Enterprise JPA

To participate in the Enterprise JPA, staff will conduct a Request for Proposal (RFP) for a consultant to assist in the formation of the Enterprise CCA and creation of the Enterprise JPA consisting of the individual city CCAs. Staff would then work with the consultant and interested cities (if any) and return to City Council with relevant Enterprise CCA and JPA documents for an estimated launch date of 2022.

DECISION-MAKER CONFLICT

Staff has reviewed the decision contemplated by this action and has determined that it is not site-specific and consequently, the real property holdings of the City Council members do not create a disqualifying real property-related financial conflict of interest under the Political Reform Act (Cal. Gov't Code § 87100, et seq.).

Staff is not independently aware of and has not been informed by any City Council member, of any other fact that may constitute a basis for a decision-maker conflict of interest in this matter.

CURRENT-YEAR FISCAL IMPACT

Joining the Regional JPA CCA would be done using existing departmental funds resulting in no new fiscal impact in the current year.

ONGOING FISCAL IMPACT

Joining the Regional JPA CCA would be done using existing departmental funds resulting in no ongoing fiscal impacts additionally, after repaying costs associated with CCA formation Chula Vista ratepayers are expected to generate \$5.4 million in excess annual revenue that can be reinvested in the community through CCA activities.

ATTACHMENTS

Staff Contact: Cory Downs