



# CITY COUNCIL AGENDA STATEMENT



June 18, 2019

File ID: 19-0279

## **TITLE**

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA APPROVING CONTINUATION OF THE ELECTRICITY COMMODITY PURCHASES FROM SHELL ENERGY AND AUTHORIZING THE CITY MANAGER TO EXECUTE ALL DOCUMENTS IN CONJUNCTION WITH UPDATING THE PURCHASE RATES

## **RECOMMENDED ACTION**

Council adopt the resolution.

## **SUMMARY**

In order to foster price competitiveness, the California Public Utilities Commission in 1998 began allowing certain energy customers to purchase electricity from third-party providers (in place of the local Investor-Owned Utility), known as Direct Access Service. The City of Chula Vista purchases electricity for four municipal buildings from Shell Energy under Direct Access Service. The City is now updating its electricity procurement rates with Shell Energy and is looking at various options. The option recommended by City staff allows for a renewable electricity mix equal to what San Diego Gas and Electric (SDG&E) currently offers (45% of its load) at a two-year cost savings of \$47,933 below the current SDG&E rates. Approval of this option would allow for continuation of electricity commodity purchases at a cheaper rate for up to 2 (two) years.

## **ENVIRONMENTAL REVIEW**

The activity is not a "Project" as defined under Section 15378 of the California Environmental Quality Act State Guidelines; therefore, pursuant to State Guidelines Section 15060(c)(3) no environmental review is required.

## **BOARD/COMMISSION/COMMITTEE RECOMMENDATION**

Not applicable.

## **DISCUSSION**

In 1998, the California Public Utilities Commission began implementation of Assembly Bill 1890 (The Electric Utility Restructuring Act) to make the generation of electricity more competitive in California. One of the key provisions was the creation of "Direct Access Service" options in which commercial, industrial and agricultural customers could select to purchase electricity from a third-party Electric Service Provider, instead of from the Investor-Owned Utility (such as San Diego Gas & Electric). Direct Access allows these

customers to potentially negotiate better electricity commodity rates or higher renewable energy power mixes from the open market. The local utility still provides the transmission and distribution services for Direct Access customers within their service territories.

During the energy crisis in 2001, the Department of Water Resources was required to issue revenue bonds and enter into long-term electric energy purchasing contracts on behalf of California ratepayers. As a result, the California Public Utilities Commission suspended Direct Access in order to create a stable customer base to help the Department of Water Resources recover its costs. However, existing Direct Access customers could continue to purchase their electricity from an Electric Service Provider. The City of Chula Vista has four electricity accounts that have been “grandfathered” under Direct Access Service - Civic Center Library, South Library, Public Services South (Building B), and Discovery Park. Over the last 12-months the electricity commodity purchase for the four accounts totaled approximately \$69,086.

The City is now updating its electricity procurement rates with Shell Energy and there are multiple options if the City wants to continue contracting with them for the four Direct Access accounts. The first option is to continue with the current plan which costs approximately 13% higher per MWh than last year due to less usage during the low-cost solar hours which brings up the average price per Megawatt hour. However, the rates are still approximately 15% lower than historical commodity prices through SDG&E. The mix of renewable energy in this current offering would average roughly 33%. The greenhouse gas emissions (GHG) factor associated with Shell’s 2017 retail sales was approximately 0.30 MTs CO<sub>2</sub>/MWh, slightly higher emissions when compared with SDG&E’s 2017 GHG emissions factor for 2017, which was 0.243 MTs CO<sub>2</sub>/MWh. This plan would save approximately \$ \$50,726 over the two years vs. SDG&E’s regular rates.

Another option is to purchase energy with the same renewable content that SDG&E currently offers, but through Shell’s Direct Access plan. This plan would have a cost-savings of approximately \$47,933 over the two-year contract period. The GHG emission rate would be similar to what SDG&E offers and would have the same renewable content as SDG&E at 45%. City staff recommends this option because it allows for cost-savings while also purchasing a higher renewable electricity blend.

#### **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, 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**

Because the new Confirmation Letter and its associated electricity procurement rates would not be effective until July 1, 2019, there will be no impact during the current Fiscal Year 2018-19.

### **ONGOING FISCAL IMPACT**

Approval of this action would continue the direct access contract for these four sites at a renewable energy rate of 45% for a cost savings of \$47,933 dollars over the two-year contract.

### **ATTACHMENTS**

1. Confirmation letter
2. Direct Access Energy Sales Agreement 2004
3. Direct Access First Amendment to Energy Sales Agreement

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