



City of Chula Vista

Staff Report

File#: 16-0167, **Item#:** 7

RESOLUTION NO. 2016-114 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 THE PURCHASES

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, which are similar to last year's and approximately 30% lower than historical commodity prices. This approval would allow for continuation of the electricity commodity purchases for up to 3 (three) years.

ENVIRONMENTAL REVIEW

Environmental Notice

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.

Environmental Determination

The Director of Development Services has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has 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. Thus, no environmental review is required.

BOARD/COMMISSION 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 \$224,569.

DECISION-MAKER CONFLICT

Staff has reviewed the decision contemplated by this action and has determined that it is not site-specific and consequently, the 500-foot rule found in California Code of Regulations Title 2, section 18702.2(a)(11), is not applicable to this decision for purposes of determining 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 council member, of any other fact that may constitute a basis for a decision maker conflict of interest in this matter.

LINK TO STRATEGIC GOALS

The City's Strategic Plan has five major goals: Operational Excellence, Economic Vitality, Healthy Community, Strong and Secure Neighborhoods and a Connected Community. Direct Access allows the City to potentially negotiate better electricity commodity rates or great renewable energy power mixes from the open market, which support Economic Vitality.

CURRENT YEAR FISCAL IMPACT

Because the new Confirmation Letter and its associated electricity procurement rates would not be effective until July 1, 2016, there would be no impact during the current Fiscal Year 2015-16.

ONGOING FISCAL IMPACT

The new electricity procurement rates are very similar to current commodity prices so it is expected that there will be no additional impact from the City's new Direct Access agreement with Shell Energy.

ATTACHMENTS

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

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