



CITY COUNCIL AGENDA REPORT

MEETING DATE: 12/15/2020

DEPARTMENT: City Manager

SUBJECT:

COMMUNITY CHOICE AGGREGATION

RECOMMENDED ACTION(S):

Exercise City Council Discretion

EXECUTIVE SUMMARY:

The City of Irvine (“Irvine”) has initiated the process of forming a Community Choice Energy (“CCE”)¹ program and has invited Orange County cities that procure energy solely through Southern California Edison (“SCE”), to join. Last month, the Cities of Fullerton and Irvine established the Orange County (“OC”) Power Authority JPA. The process and conditions for joining the OC Power Authority include entering a Joint Powers Authority (“JPA”) agreement, adopting an ordinance, resolution, and initiating an analysis of energy usage in the city. To participate, the City must first make a commitment to join the JPA before proceeding with the energy analysis which will inform the Implementation Plan to be submitted to the California Public Utilities Commission (“CPUC”) by December 31, 2020.

Should the City Council desire to join this effort, the City Council must join imminently to meet required deadlines to offer energy to businesses and residents through the OC Power Authority in 2022. The City Council may also: receive and file this report; direct staff to monitor the OC Power Authority and provide a six-month update; or hire an independent consultant to review Lake Forest’s load data to advise staff on next steps to achieve City Council’s desired outcomes. Any decision regarding CCA is at the discretion of the City Council.

BACKGROUND:

Community Choice Aggregation or Aggregators (“CCAs”) enable local jurisdictions to form a separate public agency that purchases energy directly from power suppliers rather than Investor-Owned Utilities (“IOU”) such as Southern California Edison (“SCE”). Generally, the CCA purchases energy from the

¹Community Choice Energy (“CCE”) is used interchangeably with Community Choice Aggregation (“CCA”) by the City of Irvine.

marketplace at a competitive rate, generates revenue from the sale of the energy, and utilizes revenues in excess of expenditures to reduce rates, fund special programs (e.g., rebates for solar panels), or allow for a combination of consumer savings and programming. Depending on the local policy preferences of the CCA, these programs are used to meet renewable energy and climate change policies or to incentivize local economic growth. CCAs can be managed by individual counties or cities, as part of a Joint Powers Authority, or under a hybrid approach where one community is the lead agency and other communities subsequently join the CCA.

There are various opportunities such as enhanced local control and potentially reduced energy costs to encourage the establishment of CCAs. Concurrently, constraints such as the unpredictability of energy prices, start-up costs, current and future State mandates, and potentially significant exit fees imposed by the IOU can create risk for CCAs. Notwithstanding these issues, multiple cities across California and some in Orange County are exploring the potential of forming CCAs.

On November 2, 2020, the City of Fullerton City Council voted 4-1 to join the Irvine-initiated CCE JPA, authorizing the City Manager to continue negotiations regarding Irvine's draft JPA. On November 10, 2020, the City of Irvine voted to unanimously to establish the amended the draft JPA agreement and conduct a first reading of the ordinance. On Monday, November 20, 2020, the City of Fullerton signed the JPA agreement. In doing so, the Cities of Fullerton and Irvine established the OC Power Authority JPA.

DISCUSSION:

At the December 1, 2020 City Council meeting, staff, in conjunction with representatives from City of Irvine and EES Consulting, the City of Irvine's CCA Consultant, presented updates to the JPA, and draft pro forma analyses containing SCE load data (Attachment 1). Overall, the draft pro forma analyses showed rate savings of 2% across all scenarios provided 93% of accounts participate in the CCE. At that meeting, the City Council voted to agendize a CCA discussion at the December 15, 2020, City Council meeting (Attachment 2).

As noted, there are both opportunities and constraints associated with CCAs. In addition, the governance model has broad implications for the operation of the program. For example, while a JPA structure mitigates risks it also requires coordination with other jurisdictions regarding energy policy and rates which may not be consistent across multiple cities. Conversely, a CCA that only includes Lake Forest may not be financially feasible or may not generate sufficient economics of scale to create significant consumer savings.

If the City Council determines it would like to join the OC Power Authority JPA, the City Council would need to formally execute the JPA Agreement (Attachment 3), Introduce for first reading the Model CCE Ordinance (Attachment 4), and adopt a resolution of intent to join the JPA (Attachment 5). Additionally, the City Council would need to appoint one regular board member and one alternate member to act on behalf of the City of Lake Forest on the OC Power Authority Board. The initial Board meeting of the OC Power Authority will take place on Wednesday, December 16 at 10 a.m. A second meeting is scheduled for Tuesday, December 22 at 10 a.m. Both meetings will be held over Zoom and are necessary due to the number of CCA implementation items needed by the JPA, including development and submission of the Implementation Plan to the CPUC by December 31, 2020 for a 2022 launch as required by state law.

Given the considerations noted above, staff is requesting further direction regarding the City Council's interest in joining the Orange County Power Authority JPA. Due to staff's lack of expertise in this area, staff would recommend the City Council hire an independent consultant to advise the City during the first year of the OC Power Authority operations should the City become a member. Alternatively, the City Council could direct staff to:

- 1. Receive and File this Report.*
- 2. Monitor the Orange County Power Authority and provide a six-month update.*
- 3. Hire an independent consultant to review Lake Forest's SCE load data and advise staff on next steps to achieve City Council's desired outcomes, including potentially creating an independent CCA, joining an established JPA such as the OC JPA, or forming a new JPA.*

If the City Council desires to advance this process, the feasibility study would provide the City with an economic analysis of the community's electric usage, a comparison of SCE rates to current market prices, and an estimate of community-wide savings when compared to current market prices. The completed feasibility study and consultant would inform the City Council and assist in determining next steps.

FISCAL IMPACT:

The fiscal impact associated with this item is dependent upon City Council direction. There is no immediate fiscal impact associated with joining the OC Powers Authority JPA. The cost for an independent consultant to conduct a feasibility study may range from \$49,000 to \$115,000 based upon a 2018 Request for Proposal process conducted by staff.

ATTACHMENTS:

1. December 1, 2020, City Council Agenda Report on Community Choice Aggregation
2. Minute Excerpt – December 1, 2020 City Council Meeting
3. Orange County Power Authority JPA
4. Model CCE Ordinance
5. Resolution No. 2020-XX

Initiated By: Adrian Grijalva, Acting Senior Management Analyst

Submitted By: Keith Neves, Assistant City Manager

Approved By: Debra Rose, City Manager