



CITY COUNCIL AGENDA REPORT
MEETING DATE: 1/19/2021
DEPARTMENT: City Manager

SUBJECT:

COMMUNITY CHOICE AGGREGATION

RECOMMENDED ACTION(S):

1. Receive a presentation from President of MRW & Associates; and
 2. Direct staff on further action regarding Community Choice Aggregation; and
 3. Direct staff to submit requests for clarification to the Orange County Power Authority Board of Directors as deemed appropriate by the City Council.
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EXECUTIVE SUMMARY:

At the December 15, 2020 City Council Meeting, the City Council voted to join the Orange County Power Authority (“OCPA”) Joint Powers Authority (“JPA”). As a condition of joining, the City Council directed staff to hire an independent consultant to assist with various Community Choice Aggregation (“CCA”) related items. Staff retained MRW & Associates (“MRW”) to provide a combination of a peer review of the OCPA JPA, a review of the CCA options available, and general advice on CCA benefits and risks. At this time, staff recommends the City Council receive a presentation from Mr. Fulmer, president of MRW, and provide direction on further action regarding CCA. Staff also recommends the City Council identify any information or clarification from the OCPA the Council may desire as part of its due diligence process. The City has the option of providing the JPA Board of Directors with 15 days advanced written notice before April 1, 2021, to withdraw from the JPA without penalty.

BACKGROUND:

On October 6, 2020, the City Council discussed CCAs. At that meeting, staff prepared a report summarizing past City Council CCA discussions, a rate comparison update between Marin Clean Energy CCA’s rates vs. the Investor-Owned Utility (“IOU”), and the City of Irvine’s efforts to establish a regional JPA. Staff is attaching the prior agenda report providing background information on this item (Attachment 1).

Generally, CCAs enable local jurisdictions to form a separate public agency that aggregates the purchase of energy directly from power suppliers. A common goal of CCAs is to obtain power at rates that are lower than the investor-owned utility such as Southern California Edison. Consequently, a CCA can potentially provide a means to reduce energy rates for residential and business customers. CCAs may use operational savings to fund sustainable energy programs or offset the cost of energy as a way to incentivize economic development. In the case of CCAs as an economic development tool, it is thought that the aggregated cost savings produced for residents and businesses will recirculate back into the local economy.

While CCAs may lower energy cost for residential and commercial users, potential constraints may influence the possible benefits of forming or joining CCA. These constraints include fluctuations in energy prices, upfront costs of establishing the agency, ongoing operating expenses, State mandates, and regulation by the California Public Utilities Commission. However, the chosen CCA governance structure, such as a joint powers authority or an enterprise fund, may act to mitigate possible issues.

The City can, without penalty, elect to leave the OCPA JPA by providing 15 days written notice to the JPA Board of Directors. The original early withdrawal date of March 1, 2021 was recently changed by a vote of the OCPA JPA Board of Directors at its meeting of December 22, 2020. The Board of Directors voted to move the early withdrawal date to April 1, 2021. Therefore, the City can provide the Board of Directors with 15 days advanced written notice before April 1, 2021, to withdraw without penalty.

DISCUSSION:

At the December 15, 2020 City Council Meeting, the City Council voted to join the OCPA JPA. As a condition of joining, the City Council directed staff to hire an independent consultant to review the City's Southern California Edison ("SCE") load data, review the OCPA JPA, and advise staff on next steps (Attachment 2). Staff prepared a draft scope of work and reached out to qualified consultants that could complete the work before the date to withdraw from the JPA without penalty.

This month, staff entered into an agreement with MRW to assist staff with CCA-related items. MRW provides energy consulting and rate forecasting services to California and other Western state agencies, cities, counties, businesses, trade organizations, and consumer advocates, since 1986. MRW has been working on CCA issues since they were authorized by the California State Legislature in 2002 and has prepared peer reviews of CCA feasibility studies and risk

assessments for over a dozen jurisdictions considering forming or joining a CCA (Attachment 3). Most recently, MRW conducted a review of the findings of the City of Irvine's Feasibility Study and Technical Assessment that was completed in early 2020.

Based on its proposal, MRW will complete the following tasks: (1) review the OCPA JPA; (2) review the JPA Implementation Plan; (3) conduct a CCA study session for the City Council; (4) outline the City's options regarding the formation of a CCA, or joining a JPA; (5) advise the board-appointed Director and Alternate on Board Meetings; (6) provide an opinion on whether this is the best JPA to accomplish rate savings; and (7) provide a financial feasibility study assessment of a stand-alone CCA that only serves the City of Lake Forest. MRW estimates the financial feasibility study assessment should be completed by February 5, 2021 and results would be shared at the February 16, 2021 City Council Meeting.

The City Manager requested a presentation by Mr. Fulmer to further discuss CCAs. Pursuant to this request, Mr. Mark Fulmer, President of MRW, will provide the City Council with an overview of CCAs and will be available to answer questions. Additionally, staff included the OCPA JPA as an attachment for the City Council's review (Attachment 4). If at the end of this presentation there are unresolved questions which require feedback from the OCPA, staff recommends the City Council direct staff to submit questions to the OCPA Board of Directors and/or its staff to provide enough time for the Board to respond. The next two OCPA Board Meetings are scheduled for January 26, 2021, and February 9, 2021.

Next Steps:

Based on this evening's presentation, options for the City Council include, but are not limited to:

- Receive and File this report.
- Schedule further discussion at the February 2 City Council Meeting.
- Direct staff to submit questions to the OCPA Board of Directors.
- Direct staff to provide the OCPA Board of Directors with advance notice of withdrawal.
- Direct staff to provide the OCPA Board of Directors with a letter confirming membership.

Inasmuch as the City Council requested this item to discuss CCAs, any further direction on this matter is at its sole discretion.

FISCAL IMPACT:

Fiscal impact is dependent upon City Council direction.

ATTACHMENTS:

1. October 6, 2020, City Council Agenda Report on Community Choice Aggregation
2. Meeting Excerpt – December 15, 2020 City Council Meeting
3. MRW Corporate Brochure
4. OCPA JPA

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