



Contra
Costa
County

To: Board of Supervisors
From: INTERNAL OPERATIONS COMMITTEE
Date: January 17, 2017

Subject: REVIEW OF DRAFT TECHNICAL STUDY OF COMMUNITY CHOICE ENERGY OPTIONS

RECOMMENDATION(S):

1. ACCEPT this report and, following conclusion of the comment period on January 31, DIRECT County staff to work with MRW and Associates to finalize the technical study for presentation to the Board of Supervisors and the City Councils in March and April 2017 for further action, and potentially for direction to implement one of the Community Choice Energy (CCE) options considered in the study.

2. DIRECT County staff to request, on behalf of the County, the terms of membership in East Bay Community Energy (EBCE) from the EBCE Board of Directors.

FISCAL IMPACT:

There is no fiscal impact associated with today's recommendations. Although financial considerations were not the primary focus of the analysis, the Draft Technical Study (**Attachment A**) briefly describes the financial implications of the options evaluated. These financial implications are summarized as follows:

| | |
|---|---|
| <input checked="" type="checkbox"/> APPROVE | <input type="checkbox"/> OTHER |
| <input type="checkbox"/> RECOMMENDATION OF CNTY ADMINISTRATOR | <input checked="" type="checkbox"/> RECOMMENDATION OF BOARD COMMITTEE |

Action of Board On: **01/17/2017** APPROVED AS RECOMMENDED OTHER

Clerks Notes:

VOTE OF SUPERVISORS

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: January 17, 2017

Contact: Jason Crapo,
925-674-7722

, County Administrator and Clerk of the Board of Supervisors

By: , Deputy

cc:

Contra Costa Joint Powers Authority (JPA) Option

Creating a new CCE JPA comprising the County and those cities solely within Contra Costa County that are not already participating in a CCE would require the County and participating cities to identify a funding source to support approximately \$2 million in additional start-up costs and secure a source of credit, or “working capital,” on

FISCAL IMPACT: (CONT'D)

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the order of \$20 million to bridge the new JPA to the point where it generates sufficient revenue from customer electricity accounts to become self-supporting. Out-of-pocket expenses incurred by these jurisdictions would be reimbursable by the newly created JPA.

The most likely source of funding for the estimated \$2 million in additional start-up costs for a Contra Costa JPA option would be a loan from the County to the JPA, which could be repaid to the County by the JPA, potentially with interest, within the first year or two after the JPA is established.

The County and/or the other member jurisdictions of the JPA would also likely be required to provide a credit guarantee for all or a portion of the “working capital” line of credit (estimated at \$20 million) which would be used to secure power purchase contracts and other necessary expenses prior to the JPA becoming financially self-sufficient.

A budget for the various start-up activities associated with the implementation of a new Contra Costa JPA for the purpose of CCE are outlined in more detail in Attachment B to this report, which was prepared by the County’s CCE consultant, LEAN Energy, based on LEAN’s direct experience with start-up costs for recently created CCE JPAs in neighboring Bay Area counties.

MCE, EBCE and PG&E Options

The options of joining MCE (formerly known as "Marin Clean Energy") or EBCE, or remaining with existing PG&E service, are all likely to involve little or no additional direct costs to the County or cities within the County that decide to implement one of these options. However, under these options it is unlikely the County and Contra Costa cities will be reimbursed for any of the consulting expenses and County staff costs already incurred to evaluate CCE options, which so far total approximately \$400,000.

MCE has recently provided clarification of its membership process, known as its Open Inclusion Period, to the County and cities within the county that are not currently MCE members (see Attachment C). This process involves no direct cost to the County, but does require the County or other interested jurisdictions within the county to adopt a resolution, an ordinance, and execute a memorandum of understanding with MCE, among other actions.

The costs associated with joining EBCE are not currently defined, but are expected to be low or none. EBCE has only recently formed its JPA, with the first meeting of the JPA Board of Directors now scheduled for January 30, 2017. Alameda County has funded the start-up costs for EBCE, and cities in Alameda County have not been required to pay any costs to join EBCE. Based on this experience to date, Alameda County staff anticipate that Contra Costa jurisdictions seeking to join EBCE are likely to be granted membership

at no cost or at a very low cost. However, the terms of membership for jurisdictions outside of Alameda County seeking to join EBCE will ultimately need to be decided by the EBCE Board of Directors, once it is seated.

If the Board of Supervisors is interested in giving consideration to joining EBCE, the Internal Operations Committee recommends that the Board direct staff to request clarification on the terms of membership in EBCE from the EBCE Board of Directors.

Regarding continuation of current PG&E service, the financial implications are very transparent. No expense or action of any kind from the County or other Contra Costa jurisdictions is required.

BACKGROUND:

On March 15, 2016, the Board of Supervisors directed staff to work with interested cities in Contra Costa County to obtain electrical load data from PG&E and conduct a technical study of the following three CCE alternatives:

- Form a new joint powers authority of the County and interested cities within Contra Costa County for the purpose of implementing Community Choice Energy
- Join MCE
- Form a new joint powers authority with Alameda County and the interested group of cities in the two-county region

The Board directed County staff to request that each participating city contribute financially towards the cost of the technical study in an amount proportional to the size of that city's population.

During the spring of 2016, County staff negotiated a memorandum of understanding (MOU) with the 14 cities within the County that are currently not members of a CCE program (five cities within the County are members of the CCE program initiated in Marin County known as MCE). On April 12, the Board approved a non-disclosure agreement with PG&E to obtain electrical load data within Contra Costa County to inform the study; and on June 21, the Board approved an MOU with participating cities to initiate a technical study. The MOU was executed by 13 of the 14 cities named in the MOU (the City of Orinda did not execute the MOU).

Nine of the cities that are parties to the MOU are designated in the MOU as Funding

Cities and have agreed to contribute financially towards the cost of the technical study in an amount proportional to their population size. As described in the MOU, these Funding Cities will reimburse the County for their share of cost following completion of the technical study. The nine cities contributing financially towards the cost of the technical study are Brentwood, Clayton, Concord, Danville, Martinez, Moraga, Pittsburg, Pleasant Hill and San Ramon. The 5 cities that contributed data but decided to not contribute funding for the technical study are Antioch, Hercules, Oakley, Orinda and Pinole.

MRW was selected as the consultant to perform the technical study through a competitive process following the release of a Request for Proposals (RFP) that was administered by the County Department of Conservation and Development and the County's Purchasing Division in the Public Works Department. As specified in the MOU, responses to the RFP were reviewed by an Evaluation Committee comprised of representatives from the County Department of Conservation and Development, the County Administrator's Office, and the cities of Brentwood, Danville and Pittsburg. The Evaluation Committee was unanimous in its selection of MRW as the most qualified of the responsive firms to perform the technical study.

Following the selection of MRW by the Evaluation Committee, the County negotiated a contract with MRW to perform the technical study. This contract was approved by the Board of Supervisors on August 16, 2016. Attached is the draft of the CCE technical study and its findings (Attachment A).

Community Choice Energy (CCE) is described in State law as Community Choice Aggregation. CCE involves cities, counties, or a joint powers authority (JPA) comprised of cities and/or counties, pooling ("aggregating") retail electricity customers for the purpose of procuring and selling electricity. Under a CCE program, the CCE entity would become the default electricity provider to all electricity customers within the service area. Customers would have the ability to opt out of service from the CCE program and return to service from the incumbent electrical utility. In Contra Costa County, the incumbent electrical utility is Pacific Gas and Electric (PG&E).

Following the launch of CCE programs in Marin County in 2010 and Sonoma County in 2014, most other counties in the Bay Area and many counties throughout California are now in the process of studying or implementing CCE programs. Napa County joined the CCE program initiated in Marin County, MCE, in early 2016. The City and County of San Francisco launched a CCE program in May 2016, and San Mateo County launched its program in October 2016. Alameda County and Santa Clara County are both establishing JPAs for this purpose, with the intent to launch programs in 2017.

Scope of the Technical Study

Consistent with direction County staff received from the Board of Supervisors when the Board authorized the technical study on March 15, 2016, the scope of the technical study includes a comparison of three different CCE program alternatives that could be

implemented by participating jurisdictions in Contra Costa County to the fourth option of remaining with existing service from PG&E. The three CCE alternatives considered in the study are:

1. Form a new joint powers authority (JPA) of the County and interested cities within Contra Costa County for the purpose of implementing Community Choice Energy;
2. Join MCE Clean Energy (MCE) by seeking to become a members of its JPA;
3. Join the new JPA known as East Bay Community Energy (EBCE), along with Alameda County and the interested group of cities in the two-county East Bay region, for the purpose of CCE.

The technical study analyzes electrical load data that the County has requested and obtained from PG&E for the unincorporated area and the 14 participating cities. The technical study projects the electricity rates that might be charged by a new CCE program in Contra Costa County to its customers under several energy procurement scenarios and compares these projected rates to PG&E's projected rates. The study assesses the potential for a CCE program to lower greenhouse gas emissions generated from energy use within the participating jurisdictions compared to current PG&E service, and the extent to which a CCE program could stimulate economic activity within the County through reduced electricity rates and construction of local renewable energy generation facilities. Finally, the study includes a comparison among the three CCE program alternatives considered and the option of continuing with existing PG&E service, and presents the tradeoffs associated with each of these four options.

Main Findings of the Draft Technical Study

The main findings of the Draft Technical Study (found in its Executive Summary) are as follows:

1. Jurisdictions in Contra Costa County studied in the Draft Technical Study have several options for implementing a CCE program that would likely result in lower GHG emissions, increased local renewable energy generation, and increased local job creation compared to remaining with current electricity service from the PG&E.
2. The electricity rates charged under various CCE scenarios available to the jurisdictions covered in the Draft Technical Study would likely be similar or less than the rates charged by PG&E for comparable service. The degree to which CCE rates are reduced below comparable PG&E rates depends in large part on the extent to which the CCE pursues policy objectives other than rate minimization in its energy procurement practices. Competing policy objectives may include increasing the supply of locally generated renewable energy, promoting energy efficiency, and maximizing local employment generated from a CCE program.
3. The Draft Technical Study finds that Contra Costa County includes enough technically feasible locations to meet a significant proportion of electricity demand for the area studied through locally generated renewable energy. Forty percent of

the technically feasible sites fall within the Northern Waterfront Economic Development Initiative area.

4. The implementation of a CCE program within the studied area is projected to create between 530 and 680 new jobs within Contra Costa County compared to remaining with current PG&E service, depending on the CCE option implemented.
5. The Draft Technical Study compares three CCE program alternatives to current PG&E service and identifies the tradeoffs associated with these four alternatives. The decision of which program alternative to implement will require policy makers to balance costs and potential risks and benefits of each option.

The Draft Technical Study was presented to the Internal Operations Committee on December 12 and has been distributed to the participating cities and the general public for comment. Comments received as of January 11, along with an analysis of a recent community survey on CCE, are attached to this report as **Attachments E - H**. At the direction of the Internal Operations Committee and in response to comments received thus far, the staff presentation summarizing the Draft Technical Study (**Attachment D**) has been modified and expanded to better communicate the information in the study. However, no modifications will be made to the actual Draft Technical Study prior to the closure of the comment period on January 31, 2017.

Seven of the participating cities have so far requested presentations of the Draft Technical Study at upcoming City Council meetings in early 2017. Several community groups have also expressed interest in receiving presentations of the Draft Study results.

ATTACHMENTS

Attachment A_Draft Community Choice Energy Technical Study

Attachment B_Draft CCE Implementation Budget

Attachment C_MCE Membership Requirements_11-8-16

Attachment D: Powerpoint Presentation Community Choice Energy DRAFT Technical Study

Attachment E: Community Survey Analysis as of 1/6/17

Attachment F: Public Comment_MCE

Attachment G: Public Comment_IBEW

Attachment H: Public Comment_Jim Moita