



City of Culver City

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Staff Report

File #: 18-0828, Version: 1

Item #: A-4.

CC - (1) Consider the Various Renewable Energy Tiers Offered by the Clean Power Alliance of Southern California; and (2) Establish the Default Renewable Energy Tier for the Procurement of Electricity for (A) all City-Owned Facilities and (B) the Culver City Community.

Meeting Date: February 26, 2018

Contact Person/Dept: Joe Susca/Public Works-Administration

Phone Number: 310-253-5636

Fiscal Impact: Yes No

General Fund: Yes No

Public Hearing: **Action Item:** **Attachments:**

Commission Action Required: Yes No **Date:**

Public Notification: (E-Mail) Meetings and Agendas - City Council (02/20/2018); (E-Mail) Gary Gero, Chief Sustainability Officer of the County of Los Angeles (02/09/2018); (E-Mail) Damon Hannaman and Diane Forte of SCE (02/09/2018); (E-Mail) The Culver City Chamber of Commerce (02/09/2018); (E-Mail) members of the public who pulled speaker cards or submitted written comments during the May 8, 2017, November 6, 2017, November 13, 2017, and December 11, 2017 meetings on this topic (02/09/2018); (E-Mail) GovDelivery List Subscribers of Sustainability Subcommittee of the City Council, Sustainability / Environmental Issues including Oil Drilling/Fracking, and Public Notifications (02/09/2018); Facebook and Next Door post (02/12/2018).

Department Approval: Charles D. Herbertson (02/16/18)

RECOMMENDATION

Staff recommends the City Council (1) consider the various renewable energy generation tiers offered by the Clean Power Alliance of Southern California; and (2) establish the default renewable tier for the procurement of electricity for (A) all City-owned facilities; and (B) the Culver City community.

BACKGROUND

Current Electricity Market in California:

Investor Owned Utilities (IOUs), such as Southern California Edison (SCE), are regulated by the California Public Utilities Commission (CPUC). By 2020, IOU's are required to have 33% of their electricity be produced by renewable sources, known in the industry as the Renewable Portfolio Standard ("Renewable"). Currently, SCE operates at a Renewable level of 34%. Passage of California Senate Bill 350 (*The Clean Energy and Pollution Reduction Act*) increased the Renewable requirement to 50% by 2030. If California Senate Bill 100 passes (*The 100% Clean Energy Act*), it will move up the 50% Renewable deadline from 2030 to 2026, require 60% Renewable by 2030 and 100% Renewable by 2045 using zero net carbon sources of energy production.

In addition to their 34% Renewable base tier, SCE also offers their business and residential customers a Green Rate tier program comprised of 50% Renewable and 100% Renewable at an increased cost of 3.2 to 6 cents more per kilowatt hour (kWh). The increase for the average single family home using 870 kWh per month (\$150) would be \$16 more per month for the 50% Renewable tier and \$32 more per month for the 100% Renewable tier. The overwhelming majority of SCE customers are currently enrolled in their 34% Renewable base tier.

California Assembly Bill 117, which passed in 2002 established the ability for local governments to form a non-profit Community Choice Aggregation (CCA) organization to purchase electricity on behalf of their constituents. A CCA negotiates wholesale rates for electricity through contracts with energy producers, sets customer rates, and develops energy programs to achieve their objectives.

After evaluating various CCA options, on December 11, 2017 the City Council adopted an ordinance to implement a CCA and approved a Joint Powers Agreement to join the Los Angeles Community Choice Energy CCA [subsequently renamed the Clean Power Alliance of Southern California ("Alliance")]. The City Council also appointed Council Member Meghan Sahli-Wells to serve on the Alliance Board with Council Member Göran Eriksson as the first alternate and the Public Works Director / City Engineer or his/her designee as the second alternate.

The Alliance is committed to:

- Offering its customers electricity from sources with a higher Renewable content at rates that are lower than SCE.
- Decreasing the effects of climate change by reducing GHG emissions from the production of electricity.
- Creating local jobs such as the generation of energy locally that is distributed through microgrids.
- Adopting energy programs that incentivize installation of rooftop solar panels and battery supply systems.
- Incentivizing the use of electric vehicles.
- Implementing programs that increase energy efficiency.
- Forming a Community Advisory Committee to guide the Alliance Board on policy decisions and operational matters.

Since it's July, 2017 launch with three member cities, the Alliance has grown to include 26 cities in Los Angeles and Ventura Counties representing 2.4 million residents, with more lined up to join. In all, the Alliance anticipates having more than 1 million residential accounts and a quarter million commercial accounts by the end of 2018, which it anticipates will decrease GHG emissions by up to

9% across the region.

The Alliance is made up of geographically and socioeconomically diverse cities and unincorporated county areas across Southern California, including the counties of Los Angeles and Ventura, and the cities of Agoura Hills, Arcadia, Alhambra, Beverly Hills, Calabasas, Camarillo, Carson, Claremont, Culver City, Downey, Hawaiian Gardens, Hawthorne, Malibu, Manhattan Beach, Moorpark, Ojai, Paramount, Santa Monica, Sierra Madre, Simi Valley, Temple City, Thousand Oaks, West Hollywood, and Whittier.

The Alliance remains on target to roll out its energy service as follows:

Phase 1 Launch (County facilities only):	February 1, 2018 (now active)
Phase 2 Launch (City municipal facilities and commercial/industrial):	July 2018
Phase 3 Launch (residential):	January 2019

DISCUSSION

During the Phase 2 and 3 rollouts outlined above, each SCE customer will receive two letters (one initial and one reminder) over a 60 day timeframe that explains what a CCA is, that the City has joined the Alliance and now, they have a choice when it comes to the procurement of energy on their behalf. The letter will instruct the SCE customer to notify the Alliance by U.S. Post, phone call, or by visiting their website whether they prefer to remain with SCE or to join the Alliance (and if yes, to indicate which Renewable tier they desire). Regardless of which option the customer selects however, SCE will continue to meter their use of electricity, generate invoices, and maintain the transmission and distribution infrastructure necessary to provide the energy to Alliance customers.

Per State law, in the event that a SCE customer fails to respond within the 60 day timeframe (on average, 95% do not respond), they will be automatically enrolled as an Alliance customer at a pre-determined Renewable tier that is established by the governing body of their local government.

Following are the Alliance’s Renewable tiers they offer and how their rates compare to SCE:

<u>Alliance:</u>	<u>When Compared to SCE 34% Renewable:</u>	<u>When Compared to SCE Equivalent (if offered):</u>
36% Renewable	4% less than SCE	Not offered (SCE is 34%)
50% Renewable	3% less than SCE	12% less than SCE
100% Renewable	7% more than SCE	10% less than SCE

If a customer has solar panels on their roof and is enrolled in SCE’s net energy metering rate, the Alliance will offer them the same or a better rate than currently offered by SCE.

During their Board meeting of February 1, 2018, the Alliance requested each city/county member determine what the default Renewable tier will be for their jurisdiction by March 1, 2018. The Alliance anticipates that each city/county member will be asked to determine their default Renewable tiers the first quarter of each year. (For more detailed information about the Alliance request and to view

answers to frequently asked questions surrounding this topic, see Attachment No. 1 -- February 5, 2018 Alliance Memo.)

Sufficient Renewable energy currently exists in the market for all 26 member cities/counties (and all of their 1.25 million customers) to select the 100% Renewable tier (without having to generate additional Renewable energy from new sources).

Regardless, if a customer chooses to enroll into the Alliance (by not opting out), they have the ability to select another Renewable tier offered by the Alliance or to return to SCE at any time. If a customer is automatically enrolled into the Alliance as a result of their not responding to the two letters, they have 60 days to notify the Alliance that they wish to switch back to SCE (or to change the Alliance Renewable tier selected on their behalf) at no charge. After 60 days or at any time thereafter however, they may be charged a small transaction fee to change their provider.

Becoming a customer of the Alliance will not affect the City's ability to continue to fully participate in SCE's Energy Leadership Partnership Program and to receive various incentives and rebates offered for qualified energy efficiency projects and programs.

FISCAL ANALYSIS

Citywide Utility User Taxes:

The Alliance will not affect the collection or customer payment of Utility Users Taxes (UUT). However, to the extent that customer rates are reduced, so too will the amount of UUT remitted to the City's General Fund. For example, based on the current UUT rate of 11% and \$6,216,521 projected UUT revenues for FY 2016/17, a 3% reduction in customer rates would result in a UUT decrease of \$186,496. (This is the reduced amount of UUT remittances that will occur if the City Council selects the 50% Renewable tier offered by the Alliance).

City-Owned Facilities:

The City is currently enrolled in SCE's 34% Renewable energy tier and pays approximately \$1,666,000 annually for electricity to all its City-owned facilities. If the City Council selects the 36% Renewable tier, the City's electricity costs would be reduced by 4% or (-)\$66,640 annually. At the 50% Renewable tier, the City's electricity costs would be reduced by 3% or (-)\$49,980. At the 100% Renewable tier, the City's electricity costs would increase by 7% or (+)\$116,620. Regardless of which tier is selected by the City Council, staff will adjust the FY 2018/19 budget for electricity accordingly.

ATTACHMENTS

February 5, 2018 Alliance Memo

MOTION

That the City Council:

1. Consider the various renewable energy tiers offered by the Clean Power Alliance of Southern California; and
 - a. Select the following Renewable energy tier for the procurement of electricity at all City-owned facilities:
 - i. 36% Renewable at a savings of \$66,640 annually; or
 - ii. 50% Renewable at a savings of \$49,980 annually; or
 - iii. 100% Renewable at an additional cost of \$116,620 annually; and
 - b. Establish the following default Renewable energy tier for the procurement of electricity on behalf of those former SCE customers who are automatically enrolled into the Clean Power Alliance of Southern California:
 - i. 36% Renewable at a customer savings of 4% when compared to SCE's 34% Renewable tier; or
 - ii. 50% Renewable at a customer savings of 3% when compared to SCE's 34% Renewable tier; or
 - iii. 100% Renewable at a customer increase in cost of 7% when compared to SCE's 34% Renewable tier.