Agenda Item C.2
DISCUSSION/ACTION ITEM
Meeting Date: December 5, 2017

TO: Mayor and Councilmembers

FROM: Peter Imhof, Planning & Environmental Review Director

CONTACT: Cindy Moore, Sustainability Coordinator

SUBJECT: Adoption of Renewable Energy Goals and Authorization to Participate in Additional Energy Assessments

RECOMMENDATION:

1. Adopt Resolution 17-, entitled, "A Resolution of the City Council of the City of Goleta, California, Adopting a Goal of 100 Percent Renewable Electricity Use by Municipal Facilities and 100 Percent Renewable Electricity Supply for the Community by 2030";

2. Authorize staff to participate in additional actions to support achievement of the 100 Percent Renewable Electricity Goal, as follows:

    a. Approve a budget appropriation of $7,500 from the General Fund Unassigned Fund Balance to account 101-5-4500-500 for participation in an Additional Feasibility Assessment of regional Community Choice Energy with Santa Barbara County; and

    b. Direct staff to participate in a solicitation process with the County of Santa Barbara to engage a strategic energy consultant to identify opportunities for participation in the Southern California Edison Goleta Area Request for Offers and conduct a study on Renewable Energy/Distributed Energy Resources Potential.

    c. Direct staff to explore options for assessing feasibility of a City-wide Community Choice Energy Program, such as that offered by Pilot Power Group, and return with more information at a later date.

BACKGROUND:

The recommended actions listed above correspond to distinct, but related efforts to support a more sustainable and resilient local energy supply in line with broader goals

set forth in the City's Strategic Plan, General Plan, Climate Action Plan, and Economic Development Strategic Plan.

1. Recommendation to Establish Renewable Energy Goals

At the May 8, 2017 City Council Energy and Green Issues Standing Committee meeting, the Community Environmental Council (CEC) provided a presentation on a movement by cities around the country to adopt a 100% Renewable Energy goal. The presentation included a request by CEC and the Santa Barbara Chapter of the Sierra Club for an item to be placed on a future City Council agenda adopting goals for both city facilities and for the community. Specifically, these goals would seek to transition:

- City facilities to 50% renewable energy by 2020 and to 100% renewable energy by 2030; and
- Communitywide to 100% renewable energy by 2030.

It should be noted that the CEC and Sierra Club request was specifically for adoption of the goal only at this time. Development of a work plan on how to reach the goal would follow at a later date, although Community Choice Energy (CCE) was identified as one of the primary tools to help reach the goal. The Standing Committee members supported both the goal and bringing the item forward to the City Council, but wanted to hear the results of the Community Choice Energy feasibility study first, at that time expected summer 2017.

Due to a delay in the release of the CCE feasibility study results, the Standing Committee considered the item once more at the August 30, 2017 meeting and again supported the goal and directed staff to place the item on a future City Council agenda. The results of the CCE feasibility study were released in September and, at the October 19, 2017 Standing Committee meeting, Santa Barbara County staff provided a presentation on the details. The results of the feasibility study and peer review indicate that a new regional CCE program spanning Santa Barbara, San Luis Obispo, and Ventura Counties, under the assumptions used in the feasibility study and peer review, is not likely to be able to offer competitive rates in SCE territory and remain a solvent organization. Notwithstanding this information, the Standing Committee members reiterated their unanimous support for setting a renewable energy goal and scheduling the item for consideration at a future City Council meeting.

2. Additional Energy Assessments

a. Community Choice Energy Feasibility Study

Community choice energy, also known as community choice aggregation (CCA), enables local governments to leverage the purchasing power of their residents, businesses, and governmental entities to purchase or generate power for their communities. When a CCE program is formed, the CCE provider purchases the electricity and sets the rates charged to customers. The CCE model puts energy purchasing and pricing options into the hands of local decision-makers and allows the

community to determine what type of energy mix is offered to customers. For example, a CCE may choose to purchase more renewable energy to meet local climate action goals.

Because a CCE is a non-profit, CCE revenues can be reinvested in the community in the form of clean energy projects and incentive programs, both of which can spur local economic opportunities. In our area, Southern California Edison (SCE) would continue to deliver the electricity purchased by the CCE provider over its power lines and provide metering, billing, and other customer service.

On June 9, 2015, the Santa Barbara County Board of Supervisors approved $400,000 to fund the initial phase of evaluating the formation of a CCE program in the County and requested contributions towards the study from other jurisdictions. On July 15, 2015, the County of Santa Barbara submitted a letter to the City of Goleta requesting a response regarding participation and, if interested, a $15,000 funding contribution towards the study. This request was discussed at the September 1, 2015, City Council meeting. While the Council unanimously voted to participate in the Santa Barbara County led effort, no action was taken on the request for a $15,000 contribution. At the November 17, 2015 City Council meeting, Mayor Perotte, with support from Councilmember Farr, requested the question of funding be brought back for consideration. At the December 1, 2015 meeting, the City Council denied provision of the financial contribution to the County, although it authorized acquisition of applicable electricity load data.

Ultimately, ten jurisdictions and the Community Environmental Council joined the County of Santa Barbara in creating Central Coast Power, a consortium to fund a feasibility study to help determine whether CCE is a good fit for the Tri-County Region (Santa Barbara, Ventura and San Luis Obispo). The County formed an Advisory Working Group composed of representatives from the contributing cities and counties to help guide and oversee the feasibility analysis, provide outreach support, and monitor policy and program developments related to CCE. As a non-contributing City, Goleta did not participate in the Advisory Working Group.

The County commissioned the feasibility study in 2016. The feasibility study and subsequent peer review results recently released suggest that a newly created regional CCE program spanning Santa Barbara, San Luis Obispo, and Ventura Counties is likely not a viable venture in terms of the CCE program's ability to provide competitive rates and remain a solvent organization. Given that evaluating the feasibility of CCE is a difficult and complex task, and in consideration of public input regarding various assumptions utilized in the analysis, the County Board of Supervisors at its October 3, 2017 meeting, directed staff to conduct additional due diligence on the largest drivers of CCE infeasibility. A detailed description of the CCE feasibility study results is provided by the County of Santa Barbara in a Board of Supervisors staff report, dated October 3, 2017 (Attachment 2).

b. Study of Renewable Energy/Distributed Energy Resources Potential

At the October 3, 2017 meeting regarding the CCE feasibility study results, the County Board of Supervisors directed County staff to issue a Request for Qualifications for an energy strategy consultant to identify opportunities for sustainable energy development in Santa Barbara County in preparation for the anticipated restart of Southern California Edison's Goleta Area Request for Offers (SCE RFO). The SCE RFO is expected to seek local Distributed Energy Resource (DER) projects—such as solar coupled with battery storage, fuel cells, and demand response opportunities—that will protect the South Coast region from electricity outages in the event of an emergency, such as a wildfire, earthquake or other catastrophic event.

Because our region is exposed to a potentially prolonged electrical outage should the two high-voltage 220/66kV transmission lines coming into the area experience a simultaneous outage, SCE released the subject RFO on March 3, 2017. As stated above, the intent was to acquire a portfolio of distributed energy resources within the Santa Barbara/Goleta area to increase the electrical resiliency of the service area and help reduce the impact of customer outages from such a transmission outage. As part of this plan, SCE intended to maintain the Ellwood gas-fired peaker plant (Ellwood), identifying it as a key component in enabling the safe and reliable operation of the locally sited DERs.

On April 27, 2017, SCE suspended the RFO when the California Public Utilities Commission (CPUC) issued a proposed decision rejecting SCE's refurbishment contract for Ellwood. On September 28, 2017, the CPUC confirmed this decision, stating that it provides the CPUC an opportunity to explore a more complete portfolio of resources to meet any identified need in the Santa Barbara/Goleta area. It further directed SCE to determine whether the need can be met in a manner more consistent with the Commission's goal of reducing GHG emissions and reliance on fossil fuels.

c. Explore Options for Assessing Feasibility of a City-wide Community Choice Energy Program

Recently, staff received a presentation on Pilot Power Group (Pilot), an energy service provider specializing in energy procurement strategies. One of the services Pilot provides is development of CCE programs for municipalities. During the presentation, Pilot described its services and shared its proposal under its phased "full service option" to (1) prepare an abbreviated technical feasibility review to assess the potential of forming the City's own CCE program, (2) prepare a full technical feasibility study, if the abbreviated study indicates potential feasibility, and (3) assist the City in launching a CCE, if supported by the full feasibility study.

Pilot provides this full service option to smaller and midsized communities with populations of approximately 50,000 or fewer, and has worked with California communities including the City of San Luis Obispo and King City. Under the first phase, preparation of an abbreviated technical feasibility review would involve no upfront cost,

but the City could incur a contingent fee of $10,000, if the abbreviated study indicates that a CCE is feasible and the City elects not to issue a RFP to pursue a full feasibility study.

Given the initial results of the regional CCE feasibility study, it may be advantageous for the City to undertake a feasibility study of forming its own CCE. Because staff became aware of the possibility of a City-wide CCE only recently through the meeting with Pilot Power Group, staff has not had time to investigate other, similar vendors and options fully. Staff nevertheless thought it important to alert the Council to this possibility as part of this discussion. Staff is requesting Council to direct staff to explore options for assessing feasibility of a city-wide CCE. Such direction would include further investigation of options and available services, such as those provided by Pilot Power Group and other similar advisors.

DISCUSSION:

1. Recommendation to Establish Renewable Energy Goals

Establishing a renewable energy goal would allow Goleta to showcase its environmental leadership and demonstrate efforts to create a sustainable community in line with the larger goals of the Strategic Plan, General Plan, Climate Action Plan, and Economic Development Strategic Plan. Goleta would also join communities across the U.S. that have prioritized addressing climate change by committing to clean energy.

Nationally, 47 cities, four counties and one state have already adopted ambitious 100% clean energy goals, according to the Sierra Club. Specifically, the majority of these jurisdictions have committed to achieving 100% renewable electricity by 2030 or 2035, and a few have committed to 100% renewable energy in all sectors by a later date, such as 2050.

SCE's current power mix indicates that 28% of the electricity provided to the City comes from renewable sources, including wind, solar, geothermal, small hydroelectric, biomass, and waste. This percentage will increase to 50% by 2030 as SCE increases its procurement of renewable energy in compliance with the State Renewable Portfolio Standard. The remaining energy components are comprised of natural gas, transportation fuels and non-renewable electricity. There are difficulties associated with regulating transportation fuels locally and with compelling the replacement of natural gas equipment with electric-powered alternatives for existing home heating. Therefore, it is recommended that the City begin by establishing a renewable energy goal for the electricity sector, with goals to transition all energy sectors, including heating and cooling, and transportation to follow. This would be consistent with the majority of other municipalities which have adopted similar goals. Specifically, the following renewable energy goals are recommended for both municipal facilities and for the City at large:

- 100% of electricity use by municipal facilities from renewable sources by 2030, including at least 50% of electricity use from renewable sources by 2025; and

- 100% of electricity for the City's community electricity supply from renewable sources by 2030.

Although the specific steps the City would take to achieve a 100% renewable energy goal are unknown at this time, the role of establishing the goal would catalyze work in that direction. Once the goal is adopted, staff would develop a work plan to achieve the goal for Council's consideration by July 1, 2019. The work plan would identify specific steps for future implementation, including options, methods, and financial resources needed and an associated timeline with identified milestones. It is likely that Goleta would need to pursue a mix of options, particularly in light of the initial CCE feasibility study results. Provided below is a list of possible tools that could be further analyzed in the work plan for feasibility in helping to reach the goal:

Energy Conservation/Efficiency	emPower, PACE Zero Net Energy Roadmap – SCEEP City incentives, permitting assistance & requirements
Utility Programs	SCE Green Rate Program & Community Renewables Program, RES-BCT
Resource Development	Direct investment or PPAs
CCE	New program or join other existing CCEs
Legislative Remedy	State Renewable Portfolio Standard

2. Additional Energy Assessments

a. Community Choice Energy Feasibility Study

A brief summary of the CCE feasibility study results is provided here. A detailed description of the scope, assumptions, and results is provided by the County of Santa Barbara in a Board of Supervisors staff report, dated October 3, 2017 included as Attachment 2.

Scope

The CCE feasibility study evaluates the feasibility of forming a new CCE program run by one or multiple local governments in the Tri-County Region starting in 2020. All 27 eligible local governments in the Tri-County Region were included in the study, which analyzed a variety of different combinations of cities and counties, which might participate—eight in total, as well as three different possibilities for how much renewable energy could be provided to CCE customers:

1. The first is the status quo scenario where it was assumed the CCE program would meet the state mandate for renewable energy, starting at 33% renewable content in 2020 and increasing to 50% renewable content by 2030.

2. The second scenario is 50% renewable energy starting in 2020.

3. The third scenario is 75% renewable energy starting in 2020.

Summary of Results

A CCE feasibility study looks at financial feasibility in terms of the ability of a CCE program to provide electricity rates that are competitive with the existing utility while meeting policy goals and covering CCE program formation costs and ongoing operating expenses over a defined time period. According to the feasibility study consultant, none of the 24 scenarios considered are viable in terms of rate competitiveness or financial stability. Upon launch in 2020, a CCE program for the unincorporated county offering 50% renewable electricity is expected to raise residential customer electricity bills an average of approximately $20 per month, which is about a quarter of the typical residential bill in the county ($80/month is average for Central Coast).

Because of the unexpected results of the feasibility study and the complexities of a regional CCE program spanning two utility service areas, the County commissioned a peer review of the original feasibility study to confirm the accuracy and robustness of the findings. The consultant suggested revisions to the study inputs, resulting in some adjustments. However, it concurred with the original consultant's results for jurisdictions within SCE territory.

Drivers of Infeasibility

A few reasons are credited with findings that differ from other feasibility studies in other areas of the state with more favorable results, including:

- **The County splits two investor owned utility service areas** – PG&E serves all of San Luis Obispo County and the northern part of Santa Barbara County. SCE serves all of Ventura County and the southern part of Santa Barbara County. This split-service area causes complications in harmonizing rates across PG&E and SCE territories, especially in light of SCE's low generation rates.

- **The region studied is large** – providing such a large amount of electricity to a large number of customers means that upfront capital costs would be too large for a bank to finance, requiring a bond issuance which altered the economics.

- **The utilities have had time to adjust** - between 2014 and 2017, SCE's residential generation charge—against which a CCE program must compete—has decreased 13%, while the delivery charge that all CCE and non-CCE customers pay has increased 89%. Coupled with the legislative and regulatory activity the utilities have undertaken to try to make it harder for CCE programs to compete, it appears to be a riskier time to launch a new CCE program.

Evaluating the feasibility of CCE is a difficult, complex, and time-consuming exercise involving numerous variables and assumptions that are predicated on long-term forecasts of conditions and costs within a dynamic energy procurement and regulatory landscape. While the existence of nine CCE programs throughout California provides

some verification of feasibility and proof of concept, procurement and scheduling of energy by municipalities remains a complicated and multi-faceted venture.

Board of Supervisors Direction

Based on these results, the Board of Supervisors directed County staff to perform an additional feasibility assessment. This assessment will address creating a new CCE program for the following geographic participation scenarios: (1) unincorporated county, (2) City of Santa Barbara, and (3) full county inclusive of all the cities.

Authorization for Financial Contribution

When forming the Advisory Working Group (AWG) in 2015, the County originally structured the cost to participate in the AWG and CCE evaluation based on jurisdiction population size. Pursuant to the AWG Operating Guidelines, Goleta fell within the $15,000 category, the amount other jurisdictions of a similar size paid.

The County has decided to include all the cities along with the unincorporated county in the additional assessment. However, it would welcome a $7,500 contribution (half of the original $15,000 ask based on population size), as a good faith showing. With the contribution, City staff would be included in such items as pre-study release discussions about project scope and presentation of the results, etc. Without a financial contribution, the County would update the City after the results are available, as it did with the first feasibility study, rather than include the City as a participant.

The City's Climate Action Plan includes Measure No. CCA-1, which describes working with other agencies to create a framework for a CCE program, consistent with the County's request. If the financial contribution is authorized, staff will work with the County and remaining funding partners on the additional feasibility assessment process.

b. Study of Renewable Energy/Distributed Energy Resources Potential

As previously indicated, on October 3, 2017, the Board of Supervisors directed County staff to evaluate options for pursuing renewable energy and other distributed energy resources (DER) development in the county, specifically in preparation for an anticipated request for offers from Southern California Edison. County staff is preparing a solicitation to engage a strategic energy consultant to conduct the following activities:

1. Identify opportunities for the County and interested jurisdictions to participate in the SCE RFO; and

2. Conduct a renewable energy potential study to identify public and private properties throughout the county that are well suited to renewable energy development. The results of the potential study can then be used to provide a roadmap for participating local governments to develop renewable energy projects on their publicly owned assets and identify policy options—such as zoning and permitting modifications, financial incentives, or the creation of

microgrid districts—to facilitate development of DER projects on private properties. The results of the study can also be used to position participating local governments to secure future funding opportunities to implement identified renewable energy projects.

This action by the County presents an important opportunity for the City to take a proactive approach to the SCE RFO in the near term, and be prepared with identified projects to respond to potential grants or other opportunities brought to the City by third parties in the longer term.

If Goleta would like to be included in the renewable energy/DER potential study, the County requests that Goleta staff be authorized to participate in the solicitation process. The cost of the two-phase study is unknown until responses are received, although County staff estimates that the entirety may cost upwards of $200K. Goleta staff would return to the City Council at a later date for direction and a funding authorization request for the City's contribution based on the responses received to the solicitation.

c. Explore Options for Assessing Feasibility of a City-wide Community Choice Energy Program

As mentioned previously, Pilot Power Group is one company that provides CCE feasibility analysis and development for individual cities. Pilot's full service option consists of a phased, 3-part approach. During the first phase, Pilot would prepare an abbreviated technical feasibility review. The purpose of this review would be to establish a baseline scenario that would assist the City to determine whether it should move forward with a full service option request for proposals (RFP) to develop a more in depth technical feasibility study.

The baseline scenario represents CCE service that is essentially equivalent to existing SCE service. Where the feasibility review indicates a baseline scenario that would result in a high likelihood of excess CCE revenues, such excess revenues could be used to improve upon SCE service by providing various CCE benefits, such as rate stabilization funding, rate reductions, increased renewable energy, and/or rebates. By contrast, where baseline scenario modeling shows a high likelihood of revenue neutrality or shortfall, a CCE program would likely not be feasible.

The fee structure for Pilot's services varies based on the results of the feasibility study and subsequent City actions. Pilot's summary of its phased approach and fee structure is summarized in Attachment 3.

If the Council so directs, staff will explore options for assessing feasibility of a city-wide CCE further, including services offered by Pilot Power Group and other similar advisors, and return to Council with more information and a review of options for assessing the possibility of a city-specific CCE at a later date.

GOLETA STRATEGIC PLAN:

The recommended items in this report relate to the following 2017-19 Strategic Plan strategies, goals, and objectives:

City-Wide Strategy: Support Environmental Vitality
Strategic Goal: Adopt best practices in sustainability

The recommendation to participate in the County's additional feasibility assessment of Community Choice Energy directly relates to the following objective:

Objective: Participate in the Central Coast Power consortium of local governments to explore the feasibility of Community Choice Energy

FISCAL IMPACTS:

No immediate fiscal impact will result from adoption of the renewable energy goal, direction to participate in the RFQ process for an energy consultant or exploring options for assessing feasibility of a city-wide community choice energy program. However, future implementation of the renewable energy goal will involve staff time and potentially consultant costs, as well as resources to either develop the City's own renewable projects or pay tariffs through energy providers. If adopted, the goal affords the City with an opportunity to pursue and receive grant funding for future implementation actions to potentially offset these costs.

The requested appropriation of $7,500 is a "one-time" request to fund the additional regional CCE feasibility study with Santa Barbara County, coming from the General Fund Unassigned Fund Balance, which has an estimated balance of $1,590,821. The additional appropriation of $7,500 is included in the First Quarter Financial Report.

CCE Additional Feasibility Study, FY 17/18					
Fund	**GL Account**	**FY 17/18 Amended Budget**	**FY 17/18 YTD Actuals + Enc.**	**Recommended Appropriation**	**Total Available Budget**
General Fund	101-5-4500-500	$13,499	$13,438	$7,500	$7,561

ALTERNATIVES:

The City Council could elect to adopt the renewable energy goal with revisions or decide not to adopt it. The City Council could elect not to authorize a contribution toward the County's additional CCE feasibility study. However, without a contribution, the City would not actively participate in this portion of the study. The City Council could elect not to direct staff to participate in the solicitation process for a strategic energy consultant and instead engage its own consultant or take a reactive approach to analysis and respond to requests or other opportunities as they arise. The City Council could elect not to explore options for assessing feasibility of a city-wide community

choice energy program or could proceed immediately to engage Pilot Power Group without investigation of other, similar vendors and options.

The City Council is not obligated to adopt a renewable energy goal, contribute funds to an additional CCE feasibility study or direct staff to participate in the solicitation phase of engaging an energy consultant. However, setting a visionary target to transition to clean energy in the form of the renewable energy goal, and participation in efforts to address energy security, show good faith cooperation locally as well as a strategic commitment to creating a more resilient community in the face of vulnerabilities in the regional electricity grid.

Reviewed By:	**Legal Review By:**	**Approved By:**
Carmen Nichols	Michael Jenkins	Michelle Greene
Deputy City Manager	Interim City Attorney	City Manager

ATTACHMENTS:

1. Resolution No. 17-__ entitled, "A Resolution of the City Council of the City of Goleta, California, Adopting a Goal of 100 Percent Renewable Electricity Use by Municipal Facilities and 100 Percent Renewable Electricity Supply for the Community by 2030"
2. County of Santa Barbara Staff Report Regarding Community Choice Energy Feasibility Study Results
3. Pilot Power Group Community Choice Aggregation Full Service Option Handout

ATTACHMENT 1

Resolution No. 17-__ entitled, "A Resolution of the City Council of the City of Goleta, California, Adopting a Goal of 100 Percent Renewable Electricity Use by Municipal Facilities and 100 Percent Renewable Electricity Supply for the Community by 2030"

RESOLUTION NO. 17-__

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GOLETA, CALIFORNIA, ADOPTING A GOAL OF 100 PERCENT RENEWABLE ELECTRICITY USE BY MUNICIPAL FACILITIES AND 100 PERCENT RENEWABLE ELECTRICITY SUPPLY FOR THE COMMUNITY BY 2030

WHEREAS, the City's General Plan sets forth an objective under Policy CE 13 Energy Conservation, "to promote energy efficiency in future land use and development within Goleta, encourage use of renewable energy sources, and reduce reliance upon fossil fuels"; and

WHEREAS, consistent with the City's legislative platform, in 2017 Mayor Perotte joined the Climate Mayors organization (aka the Mayors National Climate Action Agenda), pledging to work together with other U.S. mayors to strengthen local efforts for reducing greenhouse gas emissions; and

WHEREAS, there is scientific consensus regarding the reality of climate change and the connection between human activity, especially the combustion of fossil fuels that create greenhouse gases, and warming of the planet; and

WHEREAS, the combustion of fossil fuels, through direct emissions and through secondary climate change impacts, poses a threat to human and environmental health globally through increased air and water pollution, sea level rise, climate-driven drought and extreme weather events, and accelerated loss of species and habitats; and

WHEREAS, replacing fossil fuel-derived energy with renewable energy sources for both municipal facilities and throughout the community is critical to achieving the greenhouse gas emission reduction goals set forth in the City's Climate Action Plan adopted by the City Council on July 15, 2014, and

WHEREAS, the City of Goleta is already taking action to promote energy reduction and efficiency, including light emitting diode (LED) retrofits of lighting in municipal buildings, acquisition and LED retrofit of the streetlight system, and led by example with adoption of policy requirements and incentives such as the "Reach Code" and Green Building Program; and

WHEREAS, the City desires to identify and evaluate additional opportunities to augment its use of renewable energy; and

WHEREAS, on May 8, 2017, the City Council Energy and Green Issues Standing Committee received a presentation on, and supported the adoption of a 100% renewable energy goal; and

WHEREAS, on August 30, and October 19, 2017, the City Council Energy and Green Issues Standing Committee again considered and supported the adoption of a 100% renewal energy goal and requested the goal be brought forward to the City Council; and

WHEREAS, the transition to 100% renewable energy can provide a range of benefits including improved air quality, enhanced public health, increased energy security, and local green jobs;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF GOLETA, AS FOLLOWS:

SECTION 1.
The City establishes the following renewable energy goals for both municipal facilities and for the Goleta community:

i. 100% of electricity use by municipal facilities from renewable sources by 2030, including at least 50% of electricity use from renewable sources by 2025; and
ii. 100% of electricity for the City's community electricity supply from renewable sources by 2030.

SECTION 2.
By July 1, 2019, the City will develop a workplan, including options, methods, and financial resources needed and an associated timeline and milestones to achieve these renewable energy goals.

SECTION 3.
The City Clerk shall certify to the passage and adoption of this resolution and enter it into the book of original resolutions.

PASSED, APPROVED AND ADOPTED this 5th day of December, 2017.

_____
PAULA PEROTTE, MAYOR

ATTEST:

_____
DEBORAH S. LOPEZ
CITY CLERK

APPROVED AS TO FORM:

_____
MICHAEL JENKINS
INTERIM CITY ATTORNEY

STATE OF CALIFORNIA)
COUNTY OF SANTA BARBARA) ss.
CITY OF GOLETA)

I, DEBORAH S. LOPEZ, City Clerk of the City of Goleta, California, DO HEREBY CERTIFY that the foregoing Resolution No. 17-__ was duly adopted by the City Council of the City of Goleta at a regular meeting held on the 5th day of December, 2017 by the following vote of the Council:

AYES:

NOES:

ABSENT:

(SEAL)

_____
DEBORAH S. LOPEZ
CITY CLERK

ATTACHMENT 2

County of Santa Barbara Staff Report Regarding Community Choice Energy Feasibility Study Results

BOARD OF SUPERVISORS
AGENDA LETTER

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Agenda Number:

Department Name:	Community Services Department
Department No.:	057
For Agenda Of:	October 3, 2017
Placement:	Departmental
Estimated Time:	2 hours 30 minutes
Continued Item:	No
If Yes, date from:	N/A
Vote Required:	Majority

TO: Board of Supervisors

FROM: Department Director(s): George Chapjian, Community Services Director (805) 568-2467

Contact Info: Jen Cregar, Project Supervisor, Energy & Sustainability Initiatives (805) 568-3506

SUBJECT: **Community Choice Energy Feasibility Study Results**

County Counsel Concurrence
As to form: Yes

Auditor-Controller Concurrence
As to form: Yes

Other Concurrence: Risk Management
As to form: Yes

Recommended Actions:

That the Board of Supervisors:

A. Receive and file a Technical Feasibility Study on Community Choice Aggregation for the Central Coast Region (Attachment A; report and study appendices also may be downloaded at http://www.centralcoastpower.org/resources.nrg);

B. Receive and file a Comparison Matrix of Community Choice Energy Programs (Attachment C);

C. Provide staff with direction regarding community choice energy options as follows:

1. Option 1. Join two existing CCE programs;
2. Option 2. Form a new CCE program;
3. Option 3. Not implement a CCE program at this time and continue to explore additional CCE-related options for later consideration; or
4. Option 4. Not implement a CCE program at this time and discontinue the County's evaluation of CCE.; and

D. Determine that the above recommended actions do not constitute a project subject to environmental review under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15262, as the actions involve only feasibility or planning studies for possible future actions which the Board has not approved, adopted, or funded and does not have a legally binding effect on later activities, and direct staff to file a Notice of Exemption (NOE) (Attachment B); or

E. Provide other direction to staff.

Summary Text:

Staff, in collaboration with ten other jurisdictions across the Tri-County Region, has been evaluating the feasibility of a regional community choice energy (CCE) program for Santa Barbara, San Luis Obispo, and Ventura Counties. The County of Santa Barbara ("County") commissioned a feasibility study (Attachment A) in 2016 to determine whether CCE is a good fit for Santa Barbara County and the Tri-County Region. The feasibility study and subsequent peer review suggest that a newly created regional CCE program spanning Santa Barbara, San Luis Obispo, and Ventura Counties is likely not a viable venture in terms of the CCE program's ability to provide competitive rates and remain a solvent organization. The feasibility study similarly found that a stand-alone CCE program for the unincorporated area of Santa Barbara County also would not produce competitive rates or a long-term financially viable organization.

The results of the peer review, however, indicate that it may be possible for a local or regional CCE program operating within Pacific Gas and Electric Company (PG&E) territory, including northern Santa Barbara County, to offer competitive rates while covering its costs. However, a jurisdiction that offers CCE service to one residential customer must offer CCE service to all residential customers. This means that the County cannot operate a CCE program solely within PG&E territory in the northern unincorporated area of Santa Barbara County. The County must also offer CCE service in the southern unincorporated area of Santa Barbara County, which is served by Southern California Edison (SCE), which has lower electricity generation rates than PG&E. The feasibility study and peer review indicate that a new regional CCE program, under the assumptions used in the feasibility study and peer review, is not likely to be able to offer competitive rates in SCE territory.

Staff is requesting that the Board consider the following options and provide direction on how to proceed with CCE:

- Option 1. Join two existing CCE programs;
- Option 2. Form a new CCE program;
- Option 3. Not implement a CCE program at this time and continue to explore additional CCE-related options for later consideration; or
- Option 4. Not implement a CCE program at this time and discontinue the County's evaluation of CCE.

No additional funding or changes in staffing levels are requested at this time.

Background:

About Community Choice Energy

CCE, also known as community choice aggregation (CCA), enables local governments to leverage the purchasing power of their residents, businesses, and governments to purchase or generate power for their communities. When a CCE program is formed, the CCE provider purchases the electricity—which typically includes a higher percentage of electricity from renewable resources like wind and solar—and sets the rates charged to customers. The existing investor-owned utility (IOU)—in our region, PG&E and SCE—continues to deliver the electricity purchased by the CCE provider over the IOU's power lines and provide metering, billing, and other customer service.

Currently, there are nine CCE programs in operation throughout California: five in the San Francisco Bay Area, one in Humboldt County, and three in the Los Angeles area. The longest-standing CCE program is MCE Clean Energy, which began operations in Marin County in 2010 and has since grown to also include parts of Napa, Solano, and Contra Costa Counties. More than 20 jurisdictions are actively studying or developing CCE programs, with several programs expected to launch in 2018. Attachment C includes a matrix that compares a potential Central Coast Power regional CCE program with the nine operational CCE programs and three in-development CCE programs that would share some similarities to a regional Central Coast Power CCE program. All of the operational and in-development CCE programs conducted feasibility studies that suggested CCE could be economically viable for their communities.

Board Action Related to CCE

On May 5, 2015, the Board provided direction to staff to solicit participation from area local governments in a regional CCE feasibility study and to prepare information on the costs of CCE exploration. On June 9, 2015, the Board appropriated funds to the Community Services Department to conduct the initial phase of evaluating the formation of a CCE program ("Phase 1"). Per Board direction, staff contacted all 27 eligible jurisdictions[1] throughout the Tri-County Region in late 2015 to invite them to participate in a regional CCE feasibility study. Ten jurisdictions, plus the Community Environmental Council, joined the County to fund the study, the results of which are presented herein. Staff formed an Advisory Working Group, composed of the contributing counties and cities,[2] to help guide and oversee the feasibility analysis, provide outreach support, and monitor policy and program developments related to CCE.

The County, with input from the Advisory Working Group, commissioned Willdan Financial Services ("Willdan") to complete the CCE feasibility study. The contract with Willdan was approved by the Board on May 10, 2016, and subsequently extended to allow for the completion of the study presented herein. The Advisory Working Group selected Willdan to conduct the study, in part, due to its commitment to providing an impartial assessment and willingness to forego future CCE work in the region so as to not bias the outcome of the study. Willdan has also completed similar feasibility studies for the Cities of Lancaster and San Diego. MRW and Associates ("MRW"), who was later hired to conduct a peer review of Willdan's feasibility study, also has agreed to the same commitment to

[1] Lompoc operates its own municipally owned electric utility and therefore is not eligible to participate in a CCE program. All other cities and counties in the Tri-County Region are included in the study.
[2] For a list of Advisory Working Group members, visit http://centralcoastpower.org/about.nrg#leadership.

impartiality and has performed similar CCE technical evaluations for other local governments, including Alameda County and the City of San Diego.

Our regional CCE exploration effort is sometimes referred to as "Central Coast Power." Staff, with input from the Advisory Working Group, created a website (www.CentralCoastPower.org) to share information about our local CCE progress.

Feasibility Study Scope

The feasibility study evaluates the feasibility of forming a new CCE program run by one or multiple local governments in the Tri-County Region. The study did not consider the viability of one or more jurisdictions joining an existing CCE program.

The study assessed financial feasibility in terms of the ability of a local/regional CCE program to provide competitive electricity rates while meeting policy goals and covering substantial CCE program formation costs and ongoing operating expenses over an eleven-year study period (2020-2030).

The Advisory Working Group selected eight participation scenarios to explore the feasibility of different sizes and configurations for the CCE program and the potential effects of customer demographics. The eight participation scenarios included in the study are:

1. All Tri-County Region, including all 27 eligible jurisdictions throughout San Luis Obispo, Santa Barbara, and Ventura Counties
2. Advisory Working Group Jurisdictions, including the 11 jurisdictions that funded the feasibility study
3. All San Luis Obispo County, including the unincorporated area of the county and its cities
4. Unincorporated San Luis Obispo County
5. All Santa Barbara County, including the unincorporated area of the county and its cities
6. Unincorporated Santa Barbara County
7. All Ventura County, including the unincorporated area of the county and its cities
8. City of Santa Barbara

In addition to the eight participation scenarios, three renewable energy content scenarios were considered for each participation scenario:

1. Renewable Portfolio Standard (RPS) Equivalent: This scenario assumes that the CCE program would offer its base electricity product to all customers starting at 33% renewable energy content in 2020 and ramping up to 50% renewable energy content by 2030 in alignment with the California RPS.[3]
2. Middle of the Road: This scenario assumes that the CCE program would offer its base electricity product to all customers using 50% renewable energy content for the entire study period.
3. Aggressive: This scenario assumes that the CCE program would offer its base electricity product to all customers using 75% renewable energy content for the entire study period.

[3] http://www.cpuc.ca.gov/RPS_Homepage/

For each of the renewable energy content scenarios, 2% of customers were assumed to voluntarily opt up to a premium 100% renewable energy product. In total, 24 different scenarios were considered (8 participation x 3 renewable energy content scenarios). Twelve of the 24 scenarios include the unincorporated area of Santa Barbara County. The results for the Advisory Working Group participation scenario under all three renewable energy content scenarios are presented in the body of the feasibility study report and in greater detail in Appendix D of the feasibility study report. Results for the remaining scenarios are included in Appendices C and E-J. Appendix E includes the results for the Unincorporated Santa Barbara County Scenario. The report and appendices are available at: http://www.centralcoastpower.org/resources.nrg.

Feasibility Study Peer Review

Evaluating the feasibility of CCE is a difficult, complex, and time-consuming exercise involving numerous variables and assumptions that are predicated on long-term forecasts of conditions and costs within a dynamic energy procurement and regulatory landscape. While the existence of nine CCE programs throughout California provides some verification of proof of concept, the procurement and management of energy by local governments remains a complicated and multi-faceted venture. Two IOUs currently serve Santa Barbara County: PG&E in North County and SCE in South County. While this split IOU situation does not apply to other local governments in the region, each of the eight participation scenarios that include the unincorporated area of Santa Barbara County is affected by the presence of both IOUs. There are no other operational CCE programs that span multiple utility service areas, and there is no way to offer a CCE program for the unincorporated area of Santa Barbara County without operating in both IOU territories. PG&E and SCE have differing rate structures and actual customer rates, which present some unique challenges to the CCE program that would need to be considered when setting electricity rates.

In addition, a potential regional CCE program would be substantially larger in terms of customers served, the amount of electricity provided, and geographic reach than any of the existing CCE programs when they launched. While some of the existing CCE programs have grown over time, the absence of a similar sized start-up CCE model proved to be challenging when conducting a feasibility assessment for our region.

Willdan completed its preliminary draft feasibility study in May 2017. Given the complexities described above, staff, with input from the Advisory Working Group, took the additional prudent steps of (1) contacting existing CCE program staff to gather additional data related to the costs of operating a CCE program and (2) commissioning MRW to conduct a third-party review of the Willdan draft study.

The purpose of the peer review was to evaluate the assumptions and conclusions of the Willdan draft study. MRW suggested several revisions to the Willdan draft study and the pro forma upon which the financial assessment was built to, in the opinion of MRW, improve the reasonableness and efficacy of the assumptions that underpinned the Willdan draft feasibility study. MRW's findings and recommendations along with Willdan's response to the MRW analysis are included in Appendix L of the feasibility study report.

Three variables had the largest influence on the Willdan feasibility study and MRW peer review:

1. **Cost of Renewable Energy**: To forecast renewable energy costs, Willdan relied on the average prices that PG&E & SCE have paid for renewable energy to comply with the State RPS. Some of this pricing is based on long-term contracts that the IOUs executed more than a decade ago. By contrast, MRW relied on renewable energy prices from contracts executed in 2016, which it believes is more reflective of the marketplace in which the CCE program would procure renewable energy. MRW's assumed renewable energy costs were approximately 30 percent lower than those assumed by Willdan and in line with pricing reported by operational CCE programs. Willdan also did some sensitivity testing of lower renewable energy prices.

2. **Escalation of PG&E and SCE Rates:** Electricity rates include two primary components: the charges assessed for the cost of (1) the electricity provided to the customer ("generation charge") and (2) the delivery of the electricity over the IOUs' power lines and related infrastructure ("delivery charge"). The delivery charge is the same for CCE and non-CCE customers; whereas, the generation charge can vary between IOUs and CCE providers. Therefore, the rate competitiveness of a CCE program is dependent, in part, on the behavior of future PG&E and SCE generation rates against which the CCE generation rates must compete.

   Willdan and MRW take different approaches in forecasting future IOU generation rates. Willdan adjusts PG&E's and SCE's rates by 0% – 0.5% annually based on current IOU rates that have already been approved by the California Public Utilities Commission (CPUC) and market prices for renewable energy. By contrast, MRW, citing pending rate cases before the CPUC and accounting for factors other than renewable energy prices, forecasts more robust growth rates for the IOUs' generation rates over the study period.

3. **Financing**: Willdan assumed that the CCE program's start-up costs (e.g., staff, office, and consultant costs prior to program launch); working capital equal to five months of operating expenses; and contributions to a rate stabilization and contingency fund would be financed through a 30-year bond issuance. According to Willdan, the sheer size of a potential CCE program serving the Tri-County Region precludes the cost-effective use of other, more traditional financing models (e.g., General Fund or bank loans) commonly used by smaller existing CCE programs. MRW noted the use of long-term bond financing was unusual and the amount financed was high relative to other CCE programs. MRW suggested that it is atypical to include a fully funded rate stabilization/contingency fund in initial financing. MRW also highlighted the more common practice by other CCE programs to finance three—rather than five—months of working capital.

Although not as large of a driver of the feasibility outcome as the items cited above, the Power Cost Indifference Adjustment (PCIA) exit fee charged to CCE customers by the IOUs affects the competitiveness of the CCE program's rates relative to the IOUs' rates.[4] The PCIA fluctuates based on

[4] The PCIA is designed to keep remaining IOU customers who do not join a CCE program from having to bear the sunk cost of contracts the IOUs already signed for customers who no longer will receive electricity bought for them by the IOUs. The PCIA is intended to not penalize (or reward) remaining IOU customers when CCE customers depart. However, it puts CCE rates at a disadvantage due to the added charge. Both IOUs and the CCE providers are unhappy with the current PCIA model, which is under review by the CPUC as part of R.17-06-026 to Review, Revise and Consider Alternatives to the Power Charge Indifference Adjustment.

current renewable energy market prices and is in part based on confidential pricing paid by the IOUs for historical power purchases. The market fluctuations and confidential nature of the data make it hard for CCE programs to predict the impact of the PCIA on CCE rate competitiveness year to year.

Feasibility Study Findings

CCE program feasibility is typically assessed based on (1) the competitiveness of CCE rates against the existing IOU rates and (2) the long-term financial viability of the enterprise. According to Willdan's analysis, none of the 24 scenarios studied—including the County operating its own CCE program in the unincorporated area of Santa Barbara County—shows a feasible outcome, meaning the CCE rates were higher than PG&E and/or SCE rates, and the CCE program is predicted to have negative net margins in most study years (2020-2030). Given the underperformance of the CCE program in terms of being rate competitive, consistently having negative net margins, and failing to meet the target for working capital, the CCE program under the assumptions used in Willdan's analysis is neither reliably solvent nor financially feasible.

A summary of Willdan's assessment of how electricity rates, the overall electricity bill, and greenhouse gas emissions would change for a typical residential customer under the CCE program or existing IOU for each of the 12 scenarios that include the unincorporated area of Santa Barbara County is shown in Table 1 below. The rate comparison is for the generation component of the overall electricity rates only; the delivery rates would stay the same regardless of whether the customer is a CCE or non-CCE customer. **For the Advisory Working Group Middle of the Road (50% Renewable) Scenario, a typical CCE residential customer in PG&E territory (northern Santa Barbara and San Luis Obispo Counties) would, on average, experience nearly 30% higher generation rates, resulting in an extra $16 charge on the customer's monthly electricity bill. A CCE residential customer in SCE territory (southern Santa Barbara and Ventura Counties) would, on average, experience 50% higher generation rates, resulting in an extra $20 on its monthly bill.** The rate and bill impact is even higher (more costly) under the Advisory Working Group Aggressive (75% Renewable) Scenario.

Similarly, the rate and bill delta would be larger for the unincorporated area of Santa Barbara County for all three renewable energy content scenarios than for the equivalent Advisory Working Group scenarios. A CCE program serving solely the unincorporated area of Santa Barbara County would see higher rates because it would have fewer customers over which to spread fixed costs for common CCE functions such as power procurement and scheduling, legal/regulatory support, and billing coordination with the IOUs, despite having somewhat lower expenses due to smaller staff size and lower power costs.

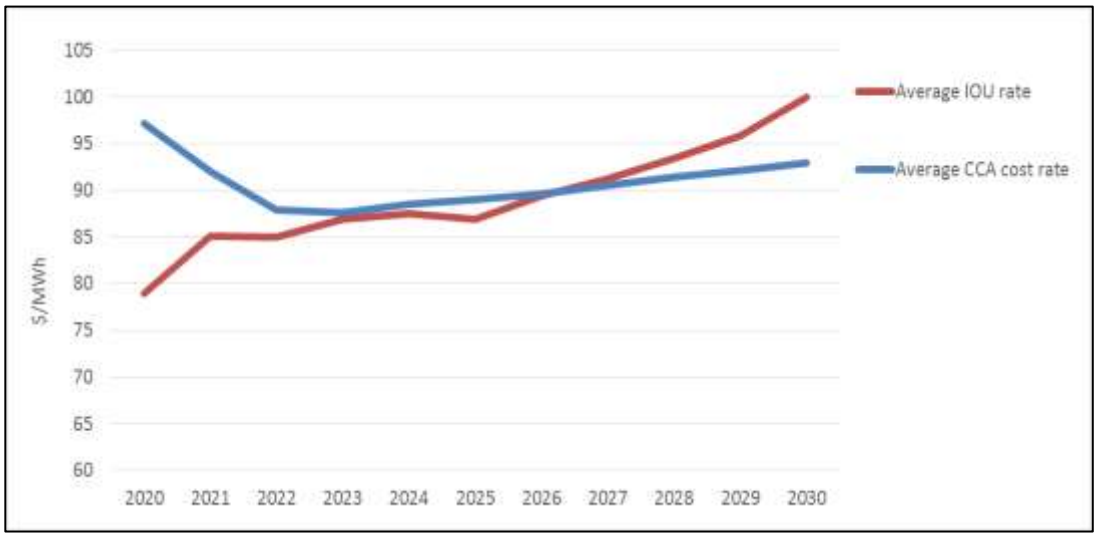
While the CCE Middle of the Road (50% Renewable) and Aggressive (75% Renewable) Scenarios would lower greenhouse gas emissions relative to PG&E's and SCE's electricity portfolios, the RPS Equivalent Scenario would *increase* greenhouse gas emissions for all CCE participation scenarios. The emissions increase is because PG&E and SCE currently have more greenhouse gas-free renewable energy in their electricity supply portfolios than required by the State RPS, and based on renewable energy contracts already signed, the IOUs are expected to continue to exceed the RPS requirement until at least 2020. If the CCE program were to merely meet—rather than exceed—the RPS, the CCE program would create more greenhouse gas emissions than either IOU in 2020.

Table 1. Willdan Summary of Forecasted Outcomes for a Typical Residential Customer in 2020

Participation Scenario	Included Jurisdictions	Renewable Energy Content	Pacific Gas & Electric		Southern California Edison		Proportional GHG Comparison
			Generation Rate Comparison (% Increase/ Decrease for CCA Customers)	Bill Comparison ($ Increase/ Decrease for CCA Customers)	Generation Rate Comparison (% Increase/ Decrease for CCA Customers)	Bill Comparison ($ Increase/ Decrease for CCA Customers)	
All Tri-County Region	All San Luis Obispo County All Santa Barbara County All Ventura County	RPS Equivalent	22%	$11.25	41%	$14.55	6%
		50%	29%	$14.62	51%	$17.93	-9%
		75%	43%	$21.72	71%	$25.05	-55%
Advisory Working Group Jurisdictions	San Luis Obispo County Santa Barbara County Carpinteria Santa Barbara Ventura County Camarillo Moorpark Ojai Simi Valley Thousand Oaks Ventura	RPS Equivalent	22%	$12.21	41%	$16.08	6%
		50%	29%	$15.92	50%	$19.79	-9%
		75%	43%	$23.68	70%	$27.64	-55%
All Santa Barbara County	Buellton Carpinteria Goleta Guadalupe Santa Barbara Santa Maria Solvang Unincorporated Santa Barbara County	RPS Equivalent	24%	$11.15	45%	$14.53	7%
		50%	31%	$14.27	55%	$17.69	-9%
		75%	45%	$20.78	75%	$24.22	-55%
Unincorporated Santa Barbara County	Unincorporated Santa Barbara County	RPS Equivalent	26%	$15.08	47%	$19.29	7%
		50%	33%	$18.97	56%	$23.23	-9%
		75%	47%	$27.11	76%	$31.44	-54%

In its peer review, MRW analyzed the feasibility of a CCE program under the Advisory Working Group Middle of the Road (50% Renewable) Scenario. MRW's analysis generally assumed lower CCE program costs and higher IOU rates against which the CCE program would compete, resulting in MRW showing a smaller delta between the CCE and IOU rates (as compared to Willdan). For the Advisory Working Group Middle of the Road (50% Renewable) Scenario, MRW's analysis shows the CCE program's rates being higher than the weighted average of the IOUs' rates for at least the first five or six years of the CCE program's operation, as shown in Figure 2.

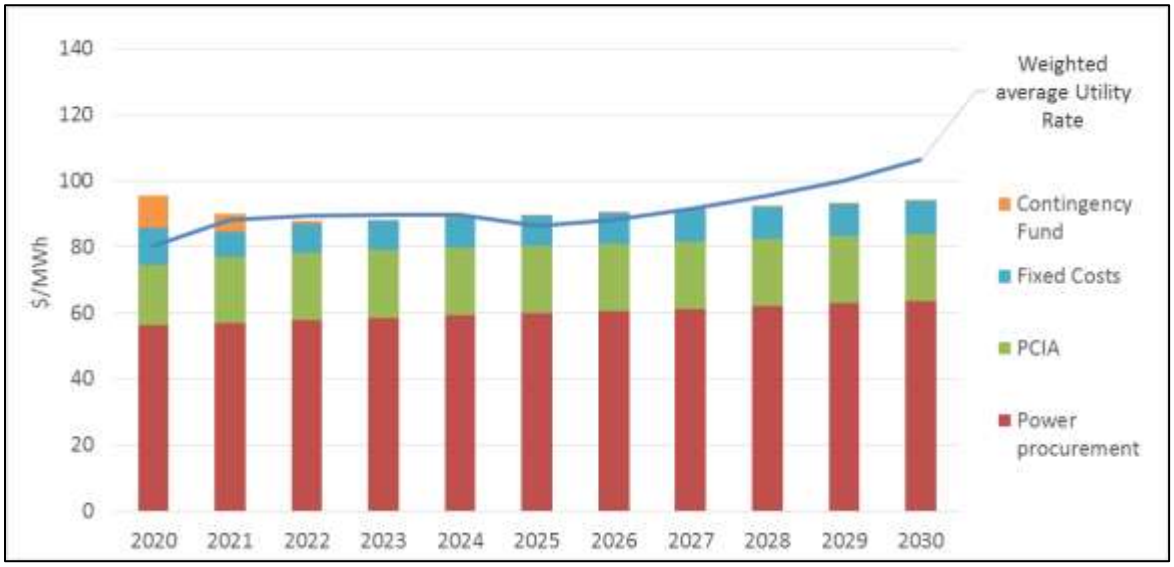
Figure 2. CCE versus Weighted Average IOU Rate Comparison, Advisory Working Group Middle of the Road (50% Renewable) Scenario



Because of the complications of trying to set CCE rates that can compete in PG&E and SCE territory, MRW concludes—consistent with Willdan's findings—that a regional CCE program is not likely to be able to offer rates that are competitive with SCE for CCE customers located in SCE territory. MRW suggests, however, that a CCE program may be able to offer competitive rates for CCE customers located in PG&E territory. To illustrate the potential rate competitiveness in PG&E territory, MRW did a rate comparison for the unincorporated area of Santa Barbara County.

Figure 3 shows the CCE program's expected rates (as shown by the stacked bar charts illustrating CCE costs) compared to the applicable IOU rates (blue line) for the unincorporated area of Santa Barbara County. After the first year, the CCE rates for the unincorporated area of Santa Barbara County are projected to be generally comparable to the weighted average of the SCE and PG&E rates. This is because the unincorporated area of Santa Barbara County has more PG&E than SCE customers; the PG&E customers consume more electricity than the SCE customers; and PG&E's generation rates are higher than SCE's rates, meaning the CCE rates do not have to be as low to compete with PG&E versus SCE rates.

Figure 3. CCE versus Weighted Average IOU Rate Comparison, Unincorporated Santa Barbara County Middle of the Road (50% Renewable) Scenario



Options for Board Consideration

At best, the feasibility study and peer review results suggest a regional CCE program could offer customers electricity with a higher renewable energy content (at either 50% or 75%) than either PG&E (43%) or SCE (41%) are expected to offer in 2020, but at higher rates (29% to 70% higher according to Willdan). At worst, the CCE program could charge higher rates and dissolve within a matter of a few years due to an inability to cover costs and maintain adequate working capital. In short, the results of the feasibility study and peer review do not support the creation of a regional CCE program at this time due to the:

- difficulty of maintaining rates that can be competitive, in particular with SCE's low generation rates;
- uncertainty of a shifting market and policy landscape, especially in light of the California Public Utilities Commission (CPUC) open proceeding to consider modifications to the PCIA;[5] and
- IOUs' historical trends of shifting generation-related costs to the fixed delivery charge paid by CCE and non-CCE customers, which makes it harder for CCE programs to compete with decreasing IOU generation rates.[6]

Thus, staff recommends the County not pursue a regional CCE program at this time.

MRW's peer review, however, preliminarily suggests that a CCE program may be able to offer competitive rates for CCE customers located in PG&E territory, including northern Santa Barbara

[5] R.17-06-026, Rulemaking to Review, Revise and Consider Alternatives to the Power Charge Indifference Adjustment

[6] Analysis conducted by Willdan shows that SCE's delivery charge (which is the same for CCE and non-CCE customers) for residential customers from 2014 to 2017 has increased 89%, while the residential generation charge (against which CCE programs compete) has decreased 13%. Similar trends hold for non-residential customers. Although comparable data is not available to do as thorough of an analysis for PG&E, according to Willdan, statewide IOU rate trends suggest PG&E has also shifted costs from the generation charge, against which CCE programs compete, to the delivery charge paid by all customers. Lancaster Choice Energy also recently filed a protest with the CPUC because of its concerns about SCE's generation and delivery charges and the impact on Lancaster Choice Energy's customers.

County. However, the statute that enables local governments to pursue CCE programs requires that a jurisdiction that offers CCE service to one residential customer must offer CCE service to all residential customers.[7] This means that the County cannot operate a CCE program solely within PG&E territory in northern Santa Barbara County. The County must also offer CCE service in southern Santa Barbara County, which is served by SCE.

Staff presents the following options for your Board's consideration:

Option 1. Join two existing CCE programs. The feasibility study and peer review did not consider the viability of the County joining an existing CCE program. County staff has spoken with staff at other operational and in-development CCE programs to gauge their interest in having Santa Barbara County join their programs. As mentioned previously, all existing CCE programs have experience with either PG&E or SCE, but not both. PG&E and SCE have different billing systems, rate structures, and approaches to coordinating with CCE programs. Therefore, it would be difficult for an existing CCE program operating (or soon to be operating) in a single IOU territory to absorb Santa Barbara County, spanning two IOUs. Furthermore, the existing CCAs that staff spoke with prefer to add local governments that are contiguous (or near contiguous) with their boundaries to maintain a cohesive community feel.

With these constraints in mind, it may be possible for the County to join two CCE programs: potentially Monterey Bay Community Power (MBCP)[8] for the northern unincorporated part of Santa Barbara County and, for the southern part, one of the in-development LA area CCE programs, such as Los Angeles Community Choice Energy (LACCE),[9] South Bay Clean Power (SBCP),[10] or California Choice Energy Authority (CCEA).[11] Three of the programs (MBCP, LACCE, and CCEA) use a joint powers authority (JPA) structure; SBCP has not yet been created, and it is not clear if the program will launch. Both MBCP and LACCE plan to launch in early 2018.

California Choice Energy Authority is operating and offers a new service model created by the City of Lancaster in which CCEA provides back-office functions, such as power procurement, billing coordination with SCE, and legal/regulatory support, for a fee to smaller stand-alone CCE programs. Each of the CCEA member CCE programs are responsible for their own rate-setting, marketing and outreach, program offerings, and financial and risk management. This fee-for-service model is similar to the "JPA of JPAs" model supported by SBCP. However, staff does not feel CCEA or related "JPA of JPA" models are a good fit for the County because the County would continue to be exposed to SCE's low generation rates and the ongoing uncertainty of the PCIA and other market/regulatory factors.

A significant complication with joining two existing CCE programs is that Public Utilities Code Section 366.2 (b) requires that a local government that offers CCE to its community must serve 100% of residential customers. While joining two CCE programs could serve all of the County's residents, there may be questions about program timing, such as whether both CCE programs would be required to start serving all Santa Barbara County residents on the same day and how all residential customers would

[7] Public Utilities Code Section 366.2 (b). http://codes.findlaw.com/ca/public-utilities-code/puc-sect-366-2.html. This equal service provision does not apply to non-residential customers.
[8] http://montereybaycca.org/
[9] http://green.lacounty.gov/wps/portal/green/lacce
[10] https://southbaycleanpower.org/
[11] https://californiachoiceenergyauthority.com/

continue to be offered a CCE choice if one or both programs are discontinued. Staff has spoken with CPUC staff, who have indicated a split-CCE approach like this would require further review with no guarantees that the CPUC would accept this approach. There is some precedent for how the CPUC may handle a split-IOU approach under a single CCE program, as Placer County is pursuing a phased launch across two IOU service areas: PG&E and Liberty Utilities.[12] Further study would be needed to determine whether existing CCE programs would be willing and able to add the County and the logistical considerations and costs of joining an existing program(s).

Joining other CCE programs would also likely mean joining existing JPAs, the structure and operating rules of which have already been established. Participating in such a JPA would limit the County's control and decision-making authority related to, for example, rates and program design, but could reduce the County's costs and risk exposure.

Option 2. Form a new CCE program. Although staff does not recommend it based on the feasibility study and peer review results, the County could establish a new CCE program. There are two sub-options for consideration further described below.

- **Option 2a. Create a CCE program for the unincorporated parts of Santa Barbara County.** If the County were to form a new CCE program serving only the unincorporated areas, the County would fund the CCE program using an enterprise fund and could house the program within an existing or new department or division. This would allow the County to retain more control over program design, costs, and rate-setting than forming a JPA, but it also would mean the County must fully fund the start-up program and carry all the risk. The County would still face the hurdle of rate-competitiveness in SCE territory and potentially PG&E territory. If market and policy dynamics change in the future in support of a regional CCE program, the County could later pursue a JPA structure to add other interested jurisdictions.

- **Option 2b. Create a CCE program with one or more jurisdictions.** If your Board is interested in continuing to pursue a regional CCE program and other jurisdictions are also interested, a new JPA could be formed to administer the regional CCE program.

Option 3. Not implement a CCE program at this time and continue to explore additional CCE-related options for later consideration. The electricity market and policy environment are rapidly transforming. While CCE programs have enjoyed tremendous growth over the past couple of years, both in terms of the number of programs and expansions of existing programs to serve more customers, the IOUs have had time to adjust to a more competitive market in a way that poses a greater risk to new CCE program formation. Similarly, the CPUC is grappling with how to manage the growth of CCE and level the playing field for all types of electricity providers. Significant regulatory and potential legislative changes are expected in the next couple of years for CCE programs. It may benefit the County to take a "wait and see" approach to let the market stabilize before further considering CCE.

If your Board chooses not to proceed with CCE at this time, staff is prepared—with ongoing funding to be determined based on your direction for which option to pursue—to continue to work with the Advisory Working Group and others to pursue other local renewable energy generation (e.g.,

[12] The San Joaquin Valley Power Authority pursued CCE across two IOU territories in the mid-2000s, but ultimately the CCE program did not launch.

aggregation of government accounts); green job creation; and greenhouse gas reduction strategies in support of the County's economic and sustainability goals, including its commitment to reduce countywide greenhouse gas emissions to 15% below 2007 levels by 2020, as called for by the County's Energy and Climate Action Plan. Staff can also further study different CCE options, such as limiting CCE service to residential and government customers or the CCE program providing electricity produced by its own renewable energy generation projects from the start. Staff could also pursue legislative options for allowing the County to offer a CCE program for a portion of the unincorporated county, for example, PG&E's service area where CCE may be more financially feasible.

Option 4. Not implement a CCE program at this time and discontinue the County's evaluation of CCE. Your board may direct staff to discontinue implementation or further exploration of CCE.

Table 2 summarizes the potential benefits and risks of each option.

Table 2. Potential Benefits and Risks of CCE Options

Options	Benefits	Risks
1. Join 2 Existing CCE Programs	• May ameliorate the negative impact of SCE's lower generation rates on CCE rates for North County • May be less time-consuming than creating a new program • May lower rates due to lower start-up and operational costs • May not require as large of a financial investment • May allow programs and electricity products to be better tailored to North and South County	• Carries greater risk of CPUC rejecting program • May not find willing host for both parts of the county • Dilutes local control • May require more complex logistical coordination • May create customer/brand confusion

2. Form a New CCE Program	• Increases local control (especially Option 2a) and may increase accessibility of customers to decision-makers • Simplifies and streamlines decision-making process • (Option 2a) May be less time-consuming than forming a JPA	• Increases County's financial risk exposure • May increase rates and provide less financial stability due to smaller, less diverse customer base, reduced purchasing power, and possibly less advantageous credit terms • Presents fewer resources due to smaller size
3. Not implement a CCE program at this time and continue to explore additional CCE-related options for later consideration	• May identify other more cost-effective options for achieving similar policy goals • May avoid significant market and policy risk and cost	• May miss opportunity to offer CCE to community
4. Not implement a CCE program at this time and discontinue the County's evaluation of CCE.	• May avoid significant market and policy risk and cost • Can reallocate funding to other policy priorities	• May miss opportunity to offer CCE to community

Performance Measure:

N/A

Contract Renewals and Performance Outcomes:

N/A

Fiscal and Facilities Impacts:

Budgeted: Yes

Fiscal Analysis:

The Board has authorized ongoing annual funding of $165,000 towards salaries and benefits expenses for CCE and related programs in the Energy and Sustainability Initiatives Division of the Community Services Department. In addition, in FY2015-16, the Board authorized $235,000 towards the costs of the Phase I CCE exploration, including the feasibility study presented today. Approximately $160,000 of the $235,000 remains.

The County also received $327,500 from outside entities to help fund the Phase I costs. Additionally, over the past two fiscal years, the Board has conditionally appropriated $275,000 and $300,000 for anticipated Phase 2 and Phase 3 costs, respectively, should your Board direct staff to continue CCE implementation.

Key Contract Risks:

N/A

Staffing Impacts:

No additional staffing requests are being made at this time. However, depending on Board direction, staff may request additional resources to pursue next steps.

Special Instructions:

Please send one copy of the minute order to Jennifer Cregar.

Attachments:

Attachment A: Technical Feasibility Study on Community Choice Aggregation for the Central Coast Region (report and study appendices also may be downloaded at http://www.centralcoastpower.org/resources.nrg)
Attachment B: CEQA NOE
Attachment C: Comparison Matrix of Community Choice Energy Programs

Authored by:

Jennifer Cregar, Project Supervisor, Energy and Sustainability Initiatives

ATTACHMENT 3

Pilot Power Group Community Choice Aggregation Full Service Option Handout

Community Choice Aggregation
Full Service Option ("FSO")

Bigger Isn't Always Better – An Independent CCA Provides:

- 100% Community-Specific Oversight and Decision Making.
- Customized and Targeted Community-Specific Benefits.
- Marginally Higher Per MWh Overhead Than Larger CCA, But Less Bulk Power Risk.

Full Service Option

- Minimize Upfront Costs.
- Competitive Process.
- Phased Approached.

Phase 0

- Pilot Performs Abbreviated Technical Feasibility Review.
- If CCA Found Not Feasible, No Charge To Community.
- If CCA Found Feasible, No Charge to Community *If Community Issues FSO RFP And Pilot Is Not Barred From Submitting A Responsive Proposal.*
- If CCA Found Feasible, $10,000 Fee If Community Does Not Issue FSO RFP.

Community Choice Aggregation
Full Service Option ("FSO"), cont'd

Phase 1 (If Pilot FSO Proposal Is Selected)

- Pilot Performs Full Technical Feasibility Study.
- If CCA Found Not Feasible, No Charge To Community.
- If Full Technical Feasibility Study Materially Fails Peer Review, No Charge to Community. Pilot Provides Bridge Funding For Peer Reviewer Independently Selected By Community.
- If CCA Found Feasible And Full Technical Feasibility Study Passes Peer Review But Community Does Not Move To Phase 2: 1) $25,000 Fee, 2) Repayment Of Peer Review Bridge Funding, and 3) Community May Not Contract for FSO CCA Services for 24 Months. Community Can Still Join JPA or Other Regional Effort.

Phase 2 (CCA Launches With Pilot FSO)

- Pilot Funds All Upfront CCA Costs For Recovery From Future CCA Revenue.
- Pilot Provides Complete CCA Services.
- Community Provides Liaison Staff Person and CCA Decision Making And Municipal Oversight .