



Cathedral City

Legislation Text

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City Council

MEETING DATE: 7/26/2017

TITLE:

Joint Powers Agreement to Implement a Community Choice Aggregation Program

FROM:

Charlie McClendon, City Manager

RECOMMENDATION:

Staff recommends the City Council introduce and provide first reading by title only an ordinance authorizing implementation of a Community Choice Aggregation program and approving the Desert Cities Energy Choice Joint Powers Agreement.

BACKGROUND:

A Community Choice Aggregation (CCA) program enables city and/or county governments to pool the electricity demand of multiple communities for the purpose of supplying electricity. A CCA creates an economy of scale, buying and/or developing power on behalf of the residents, business, and government electricity users. Electricity continues to be distributed and delivered over existing electricity lines owned by a jurisdiction's investor-owned utility, in the case of Cathedral City, Southern California Edison. CCAs often result in competitive electrical generation rates, provide local control with respect to energy supply, and can promote increased provision of electricity from renewable sources and competition in the energy market, depending upon choices made. The Coachella Valley Association of Governments' (CVAG) Executive Committee considered this item on June 26, 2017. CVAG is now requesting that member cities consider the joint powers agreement that will establish a joint powers agency that will establish a CCA implemented and administered by the joint powers agency, "Desert Cities Energy Choice," whether by that name or an alternative name that emerges for the joint powers agency that will administer and implement the CCA program for the Coachella Valley. This agenda item provides the City Council the opportunity to take the action requested by CVAG.

The City Council has previously held two study sessions on November 30, 2016 and on June 14, 2017 to discuss Community Choice Aggregation. In addition, Councilmember Kaplan and City Manager McClendon have served on the CVAG task force studying CCAs over the past few months.

DISCUSSION:

In April 2016, the Coachella Valley Association of Governments (CVAG) Executive Committee provided direction to explore a Community Choice Aggregation program through completion of a feasibility study. The business plan/feasibility study was finalized in December 2016. It identified the feasibility of a community choice program with opportunities for rate savings for electricity customers. Through CCA, local governments and their constituents have the opportunity to achieve several objectives:

- Enhance local control of rate structure, and sources of power.
- Provide electric power and other forms of energy to customers at a competitive cost;
- Reduce greenhouse gas emissions related to the use of power and provide an electricity supply with a lower carbon footprint
- Carry out programs to reduce energy consumption and increase the use of renewable energy;
- Promote long-term electric rate stability, energy security and reliability for residents through local control of electric generation resources.

Participation in a Community Choice aggregation program as proposed by CVAG would not require any upfront costs to participating jurisdictions. CCAs are revenue based, not government subsidized, and generate their revenue from selling power. The portion of electricity rates that consumers currently pay to the local utility for the purchase of electricity are redirected to the CCA to support the group purchase of electricity. Once fully operational, a CCA is completely ratepayer funded and not subsidized by taxpayer dollars.

In March 2017, CVAG established an Ad Hoc working group including elected representatives and staff from cities served by Southern California Edison that are interested in participating in CVAG's CCA program. The cities of Cathedral City, Desert Hot Springs, Palm Springs, Palm Desert, Indian Wells and Blythe are included. The Ad Hoc working group has been meeting monthly to discuss governance structure and the establishment of a CCA Joint Powers Authority (JPA). They reviewed several options for governance structure including: 1) a new JPA/new agency; 2) working under CVAG's existing JPA; and 3) creating a new JPA, with CVAG providing staff during the start-up period. The Working Group recommended the "New JPA, CVAG provides staff" option. This option includes establishing a separate JPA from CVAG, with an agreement for CVAG to provide administrative services to get the CCA off the ground, for a period of up to five years. This arrangement is similar to the management services CVAG provides for the Coachella Valley Conservation Commission, a separate JPA.

To participate in the regional CCA, each participating jurisdiction will need to adopt an ordinance which includes approval of a JPA agreement, the ordinance is attached and the recommended action includes introduction of the ordinance tonight. A draft Joint Powers Agreement (JPA) was reviewed

by the Ad Hoc working group, and CVAG committees including the Energy & Environmental Resources Committee and Technical Advisory Committee. The draft agreement was also circulated among city staff, elected officials, and legal counsel for review; comments received were incorporated. The JPA agreement is also attached and follows a model for other existing CCAs in California and includes standard JPA provisions. Formation of a separate JPA provides protection for member agencies. The assets and liabilities of the CCA are separated from jurisdiction general funds, ensuring protection of municipal assets. The JPA agreement also includes a provision allowing any jurisdiction that joins to withdraw for any reason before December 31, 2017. The Palm Springs City Council approved first reading of an ordinance authorizing their participation in the JPA during their July 5 Council meeting. The Palm Springs Council report is attached.

Based on the recommendation from CVAG committees, at their June 26 meeting the CVAG Executive Committee approved moving forward with a CCA program and authorized the Executive Director to work with interested cities to form a Community Choice Joint Powers Authority. CVAG Executive Director and General Counsel are authorized to modify the JPA to address issues brought up by participating jurisdictions.

Benchmark Steps to CCA Formation

Based on the recommendations of existing CCAs and others, May is the best time to launch a CCA. Launch at this time of year offers opportunities to take advantage of lower power prices; bulk power prices are very favorable at the present time. The Ad Hoc working group reviewed a schedule providing for launch of a CCA in May/June 2018. To meet this aggressive schedule, the Ad Hoc members agreed to work with CVAG on scheduling outreach to participating jurisdiction staff and city councils during the summer to the extent possible. This includes consideration of the JPA agreement. The schedule is estimated and may be adjusted.

To facilitate this launch schedule, CVAG staff made presentations during the months of May and June to city councils interested in a regional CCA. A workshop for city managers and staff was held on June 26 with CVAG energy consultant Don Dame to address any questions or concerns. Some of the most commonly asked questions about CCA are addressed in the attached Frequently Asked Questions (FAQ).

Outreach to the communities and stakeholders is also planned.

Other actions to be completed include establishing financing for start-up costs, data testing with SCE, and selection of a vendor to provide power supply and data management services. The filing of an Implementation Plan with the California Public Utilities Commission and a notice of intent with Southern California Edison (SCE) are essential steps for the formation of a CCA.

Opt-out Options for Customers.

Prior to and after launch of a CCA, all SCE customers will be sent a minimum of four opt-out notices explain how a CCA works and their choices to join the CCA or stay with SCE. A new CCA is required

to send a total of four notices to customers as follows:

2 times prior to commencement of CCA service (CCA launch)

2 times during the 60-day period following commencement of CCA service

Customers who opt out before or within the first 60 days of CCA service may return to the CCA at any time. Customers who opt out after the first 60 days of service will not be eligible to return to the CCA for twelve months.

The start-up funding for a CCA can come from various sources, including local governments, banks, or other private financing. Some vendors who offer CCA services may provide some up-front funding or deferral of their costs until CCAs launch and receive revenues. The Ad Hoc working group has discussed potential financing options for start-up of a CCA. Again, there are no up-front costs for cities to participate. However, if they choose to do so, participating agencies could provide funding to the CCA for start-up costs, at a favorable interest rate. Start-up costs are estimated to range from \$1 million to \$2.5 million. CVAG is evaluating the potential to provide start-up funding. Funds invested by participating agencies would be paid back once the CCA is operational and sufficient revenues are generated.

In the initial stages of CCA development, CVAG anticipates using consultants to assist with the various tasks necessary for implementation and operation. CVAG has been collaborating with WRCOG on the early stages of CCA exploration, including the feasibility study. CVAG teamed with WRCOG on the release of a request for proposals (RFP) including a request for proposals for a CVAG CCA. Nine proposals were received and interviews of six of the proposers who submitted for all aspects of CCA implementation and operation were held in late May in collaboration with WRCOG. We were fortunate to have a representative of Marin Clean Energy, the first CCA program in the state, Public Financial Management (PFM), and City Manager Charles McClendon and Councilmember Shelley Kaplan from Cathedral City participate in the interviews along with CVAG staff, WRCOG staff, and consultant Don Dame. Selection of vendors to work with the CCA program is anticipated by September 2017.

FISCAL IMPACT:

There is no cost to the City to participate in the regional CCA. Individual customers in Cathedral City may see a savings in electricity rates according to the feasibility analysis, however actual rates cannot be guaranteed at this time and are dependent on energy markets.

ATTACHMENTS:

Palm Springs Council report
Joint Powers Agreement
Ordinance

CCA Frequently Asked Questions