

REPORT TO THE CITY COUNCIL



DATE: November 21, 2017

TITLE: Joint Powers Agreement to Implement a Community Choice Aggregation Program

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RECOMMENDATION

Introduce for First Reading and read by title only, "An Ordinance of the City Council of the City of Desert Hot Springs authorizing implementation of a Community Choice Aggregation program and approving the Desert Community Energy Joint Powers Agreement."

SUMMARY

Community Choice Aggregation (CCA) allows cities and counties to pool or aggregate their buying power to purchase electricity on a region-wide basis, in order to offer competitive rates to their consumers with the option of purchasing power from greener sources. The Coachella Valley Association of Governments (CVAG) completed a feasibility study in 2016 finding the formation of a CCA in the Coachella Valley could provide electric power and other forms of energy to customers at competitive costs.

The CCA formation is now named Desert Community Energy (DCE) and works via a Joint Powers of Authority (JPA) agreement. The JPA establishes a governance structure for DCE and is made up of representatives from each of the participating cities (Palm Springs, Palm Desert, and Cathedral City). Although CVAG is assisting in the DCE launch, it is not the managing or governing body of DCE.

Under the Desert Community Energy plan, Southern California Edison will continue to provide transmission and distribution of electricity, as well as customer service. Prior to the program launch, all customers within the DCE jurisdiction will be sent a minimum of four opt-out notices explaining their choice between options. Each consumer makes an individual choice between joining the DCE or staying as a regular SCE customer.

City participation in the proposed JPA is cost-free and has the potential to yield cost saving benefits to constituents. Should the City Council decide to join the JPA, the City is not responsible for costs. The proposed JPA is written in a manner to protect City assets by separating them from the CCA. To participate, the City will need to adopt an ordinance authorizing implementation of a CCA and approving the Desert Cities Energy JPA agreement.

BACKGROUND

Often called Community Choice Energy, a CCA buys and/or develops power on behalf of the electricity users in its jurisdiction. A CCA provides choices to the consumer where none currently exists. Southern California Edison would continue to provide transmission and distribution of electricity, as well as maintenance and customer service. Areas served by a public utility, such as Imperial Irrigation District, are not eligible for CCA programs.

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 a powerful range of 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
- Stimulate and sustain the local economy by developing local jobs in renewable and conventional 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 would not require any upfront costs to participating jurisdictions. CCAs are revenue based, not government subsidized, and generate their revenue from selling power. Electricity rates that consumers used to pay to the local utility 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 (Exhibit 1). 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 (Exhibit 2) 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 "opts in" to withdraw for any reason before December 31, 2017.

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. A spring launch also avoids starting up during the hot summer months of high electricity bills. The Ad Hoc working group reviewed a schedule providing for launch of a CCA in May/June 2018.

To facilitate this launch schedule, CVAG staff has 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 (Exhibit 3).

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. On October 30th, 2017, Desert Community Energy (DCE) members authorized the negotiation of an agreement with The Energy Authority team to provide CCA launch, implementation, wholesale power procurement, and operational services.

FISCAL IMPACT

There is no cost to the City to participate in the Community Choice Aggregation program.

EXHIBIT(S)

- 1) Ordinance Authorizing a CCA
- 2) Desert Community Energy Joint Powers Agreement
- 3) CCA Frequently Asked Questions
- 4) Memorandum – Responses to Questions About Community Choice Aggregation