

REPORT TO THE CITY COUNCIL



DATE: March 3, 2020

TITLE: Community Choice Aggregation (CCA) Feasibility Study

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RECOMMENDATION

Authorize the City Manager to execute an Agreement between the City of Desert Hot Springs and the California Choice Energy Authority for an amount not to exceed \$73,000 to provide a Community Choice Aggregation feasibility study.

BACKGROUND

Community Choice Aggregation (CCA) allows cities to pool or aggregate their buying capacity to purchase power on behalf of customers within their jurisdiction. California Choice Energy Authority (CalChoice) is a Joint Powers Authority of agencies operating CCA programs in California as enterprise fund activities of their respective city.

CalChoice is unique in that each CCA program maintains its autonomy in rate setting, program branding, renewable energy content policies and revenue control. CalChoice provides the opportunity for programs to share administrative, regulatory and procurement activities to minimize costs and maximize efficiencies.

The CalChoice model allows standalone CCAs to join together and use a common set of consultants for power procurement, regulatory and legislative advocacy and regulatory reporting. Current operational members are the cities of Lancaster (2015), Pico Rivera (2017), Apple Valley (2018), Rancho Mirage (2018), and San Jacinto (2018). New members include Pomona (2020), Palmdale (2020), Baldwin Park (2020), Santa Barbara (2021) and Commerce (2021). By standalone CCA's joining together, CalChoice is able to reduce costs for each City's CCA through the benefits of economy of scale in these back-office functions.

DISCUSSION

Forming a CCA through CalChoice is organized in three phases, (1) Technical Study and Implementation Plan, (2) CCA Implementation, and (3) CCA On-going Support.

At this time, Staff is only seeking approval for the feasibility study in phase (1), which will provide data to support a decision on whether or not the City will proceed with forming a CCA. The feasibility portion of the Consultant Service Agreement will cost the City forty-five thousand dollars (\$45,000) (Exhibit 1). The feasibility results will be brought back to the City Council for a decision, prior to proceeding with an implementation plan and continuing with phases (2) and (3). Action approving the feasibility study does not commit Desert Hot Springs to joining CalChoice or operating a CCA.

It is anticipated the technical study will be completed and available for City Council review in July of this year. Pursuant to California Public Utilities Commission regulations and procedures, Desert Hot Springs would need to have an Implementation Plan completed, adopted and filed before December 31, 2020 to be eligible to start its CCA in calendar year 2022.

If the results of the technical study are favorable, and the City Council authorizes the Implementation Plan phase (2), the decision whether to join CalChoice would come to the City Council for consideration in early 2021. Should the City decide to join CalChoice, Desert Hot

Springs will collaborate with an experienced team and gain access to qualified consultants who have relevant experience with CCA operations. The City would also benefit via economy of scale in power procurement and regulatory reporting like in traditional JPAs, while maintaining local control. Maintaining local control allows the City to focus on specific goals that benefit Desert Hot Springs residents. For example, the City could make a primary goal to lower monthly costs for residents. As additional CCAs join CalChoice, a further reduction in fees is anticipated due to costs being spread among additional members.

FISCAL IMPACT

The feasibility study will be billed over a period of 5 months at \$9,000 per month plus travel expenses. For the last 3 months of Fiscal Year 2019-20, the amount billed will be \$27,000 plus an estimated \$5,000 in travel expenses. The \$32,000 will be appropriated in account 001-41-12-4320 Contract Services which will be included in the Fiscal Year 2019-20 Mid-Year Budget Adjustments that is being brought to Council. The balance of the cost will be included in the Fiscal Year 2020-21 Budget.

EXHIBIT(S)

1) Community Choice Aggregation (CCA) Feasibility Study Agreement