



DATE: July 14, 2014

AGENDA ITEM # 2

**TO:** Environmental Commission

**FROM:** J. Logan, Staff Liaison

**SUBJECT:** Climate Action Plan and Community Choice Aggregation feasibility study

**RECOMMENDATION:**

Receive information regarding Community Choice Aggregation (CCA)

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**BACKGROUND**

On December 10, 2014, Council adopted the City of Los Altos Climate Action Plan (CAP) and set forth activities to reduce greenhouse gas (GHG) emissions, prepare an emissions inventory update, once data for 2013 is available, and to direct staff to provide a status update in mid-2014.

On July 8, 2013, the Environmental Commission received a special presentation by Gerald Glaser on the Community Choice Aggregation (CCA) as one of the methodology to reduce GHG emissions in accordance with the CAP.

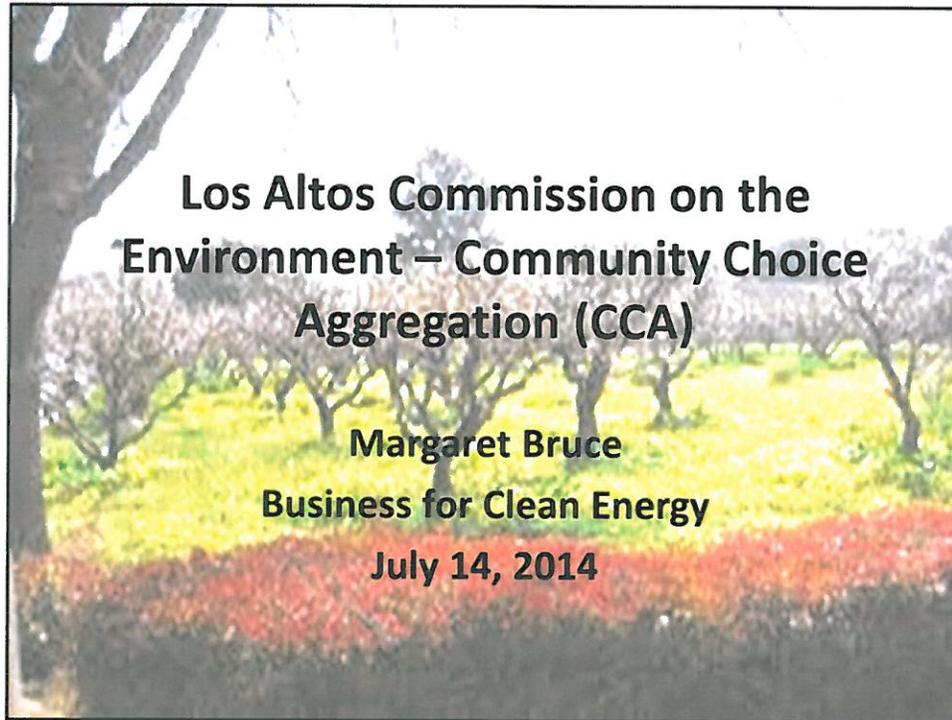
**DISCUSSION**

Commissioner Hedden spoke as a citizen at the Council meeting on May 27, 2014 and encouraged Council to look into the feasibility of joining local agencies, namely, the Cities of Mountain View and Sunnyvale that are forming a feasibility study to explore CCAs. Council noted the CCA item as a future agenda item. City staff is exploring information about the CCA feasibility study and has contacted other local agencies staff for updates.

At the June 9, 2014 Environmental Commission meeting, the Commission discussed the CCA feasibility study, and assigned the CCA subcommittee, composed of Commissioners Eyre, Bray and Chair Hedden, to engage in further study of the issue and to prepare a presentation for Council. The subcommittee arranged for Margaret Bruce, independent consultant with Business for Clean Energy, to give a presentation at the July 14, 2014 Environmental Commission meeting to provide an overview and information about CCAs and to answer questions.

**Attachment:**

- A. Community Choice Aggregation presentation and attachments



**What is “Community Choice?”  
A Hybrid Model**

Investor Owned Utility	Community Choice	Municipally Owned Utility
Energy Generation and Energy Efficiency	Energy Generation and Energy Efficiency	Energy Generation and Energy Efficiency
Energy Purchasing and Rate Setting	Energy Purchasing and Rate Setting	Energy Purchasing and Rate Setting
Own/Maintain Transmission Lines	Own/Maintain Transmission Lines	Own/Maintain Transmission Lines
Customer Service	Customer Service	Customer Service

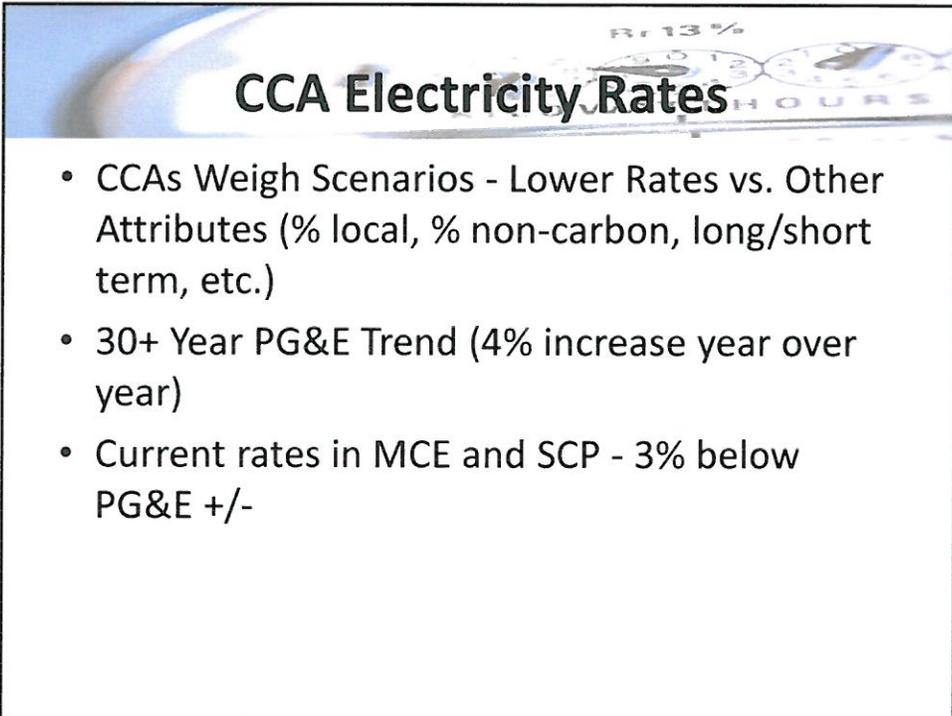
## Why are Communities Interested?

- ✓ Consumer Choice
- ✓ Competitive Rates
- ✓ Local Control/Local Decision-making
- ✓ Improved Environmental Performance (GHGs)
- ✓ Community Economic “Multipliers”
- ✓ Renewable Energy Market Drivers
- ✓ Potential “Dividend” – Positive Feedback Loops for Energy Projects



## CCA Electricity Rates

- CCAs Weigh Scenarios - Lower Rates vs. Other Attributes (% local, % non-carbon, long/short term, etc.)
- 30+ Year PG&E Trend (4% increase year over year)
- Current rates in MCE and SCP - 3% below PG&E +/-



## GHG Emissions

- Climate Action Plan Goals –
- This scenario > all other Los Altos CAP actions.

PG&E Emissions (2012) ("all power sources")	MCE Emissions (2012)	Los Altos Electricity Use (2005 Inventory)	Los Altos GHG via PG&E	Los Altos GHG at MCE emissions rate
445 lbs/MWh	373 lbs/MWh	148,965,459 kWh	33,042 metric tons CO2	25,226 metric tons CO2

**Δ 7,815**  
Metric Tons



- Establishing the JPA
  - Structure/Governance/Funding
  - Implementation Plan and CPUC Submittal

### Hypothetical Timeline with Sunnyvale leading the local effort

- Small group convened (now)
  - Preliminary Feasibility Study (Oct '14)
    - To SV Council in Jan '15
      - Begin Full Feasibility Study/Implementation Plan
      - Engage community stakeholders and other jurisdictions (Q1 – Q3 '15)
        - JPA formation, City Resolutions, Financing arrangements
          - RFP for Contract/s (Procurement service and Energy contracts (Q4 '15)
            - Q1 '16 Launch

# Community Choice

## A Game-Changing Innovation to Build the Energy System of the Future

A Community Choice energy program buys and generates electricity for businesses and residents. It introduces competition and choice to the electricity market and unleashes innovative businesses to create an Internet of energy. PG&E continues to provide transmission, distribution, billing, and maintenance. A local board oversees professional energy service providers that purchase power and offer innovative programs for local power needs.

### Independence

We are in the midst of an energy revolution. We no longer need to rely on power companies with a one size fits all approach approved by distant regulators. Communities can set their own energy priorities and design programs that work locally.

### Innovation

Monopoly utilities like PG&E cannot innovate at the pace needed. They are too regulated and too invested in outdated infrastructure. Community Choice is a versatile platform that favors smart buildings and local micro-grid development.

### Leadership

Silicon Valley is a world-renowned hub of innovation. Brilliant minds, economic power, and networked resources can create the energy system of the future. The new energy model pioneered here can be replicated throughout the world.

### Clean Power

Creative financing tools enable renewable energy to match the price of fossil fuels, and Community Choice programs are more willing and able to maximize energy efficiency. Centralized power plants and long distance power lines are no longer the cheapest approach.

### Economic Growth

Silicon Valley currently spends more than \$1 billion per year on electricity generation, nearly all of which leaves the Valley. This money can be steadily redirected toward local programs that keep energy dollars in the community.



# Community Choice: A Revolutionary Change

In 2001 PG&E went bankrupt. It was the third largest bankruptcy in U.S. history. This bankruptcy cost ratepayers, taxpayers, and shareholders over \$40 billion. In the aftermath, California lawmakers instituted reforms that opened up opportunities for competition. In 2002 they established Community Choice, a means by which competitors could enter the energy market. Lawmakers believed that such reforms were needed not only to prevent another energy meltdown, but also to enable the transition from fossil fuels to renewables.

California's first Community Choice program has been operating in Marin County for more than three years. A program in Sonoma County will go live in 2014. At least ten other California communities are now considering Community Choice. Five other states also have Community Choice programs.

Community Choice energy programs enable the creation of advanced energy systems much faster than traditional utilities. Having a power provider that is a willing partner in creating local power is a game changer for the entrepreneurs who are developing new energy technologies.

## Competitive advantages

A new local power provider is in a strong position to compete with large utilities. Many qualified energy professionals can be enlisted to oversee bids for electricity supply and manage energy programs. Hiring them locally is more efficient than relying on a remote, bureaucratic regulatory agency to make energy decisions.

Community Choice energy providers are non-profit entities with low overhead. They do not have to grow to satisfy shareholders and do not pay taxes.

## Cost-effective clean power

California's one operational Community Choice program, Marin Clean Energy, has competitive rates with PG&E while offering much greener power.

A lot of electricity is lost over long distance power lines. A local electricity provider focuses on small-scale power sources closer to consumers.

Energy efficiency and reducing consumption at peak demand times are the cheapest and cleanest energy options, and have never been pursued aggressively by traditional utilities. Community Choice programs can tap this potential and bundle it with new local generation, using inexpensive "negawatts" to fund more clean megawatts.



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## Community Choice – FAQ

### **What is Community Choice?**

Community Choice energy programs, formally known as Community Choice Aggregation (CCA) under California state law, is a local program that buys and generates electricity for residents and businesses and may also administer localized energy efficiency programs.

### **Why pursue CCA?**

CCA is a means of establishing local control over decision-making about how to spend millions of dollars of an existing revenue stream in any given jurisdiction. Currently most communities have limited ability to influence decision-making about electricity rates and policies. CCA brings that decision-making closer to home in a public arena accessible to businesses and residents.

**How can CCA help businesses to obtain competitive, stable energy costs?** By incentivizing customers with a customized, integrated suite of services including financing, energy efficiency, renewable energy generation, automated demand response, and smart grid technology, businesses can cut their energy use and costs.

**What are the business opportunities for growth under CCA?** Rooftops, parking lots, and other under-utilized spaces can be assets that generate energy and revenue as surplus power is sold into the grid, enabled by Community Choice.

**How does CCA enhance overall community economics including job creation?** Keeping the millions of dollars of electricity payments now leaving your community will stimulate the local economy and create much needed jobs, especially for building trades.

### **What are the potential benefits of CCA?**

CCA offers any number of benefits depending on a given community's values and reasons for launching a CCA. Benefits may include enhanced consumer choice, competitive rates, market competition, local economic benefits, private sector investment opportunities, opportunities for technology innovation, greenhouse gas reductions, and energy security.

### **What are the risks of CCA?**

The ultimate risk is that a CCA fails. Contingencies for that unlikely event are established in the original 2002 CCA law and further California Public Utilities Commission regulations that allow for a smooth transition back to full bundled service from the distribution utility without a disruption of service.

**For more information**, please contact Margaret Bruce:  
[margaret@manzanita-ca.com](mailto:margaret@manzanita-ca.com), 408-605-2761 (mobile).



## Community Choice – Background

### **What laws allow CCA?**

Assembly Bill 117 (2002) and Senate Bill 790 (2011) empower local governments to aggregate the ratepayers in their jurisdictions and provides a code of conduct that requires the distribution utility to cooperate with the CCA.

### **How does CCA work?**

In CCA, the distribution utility continues to own and maintain the transmission and distribution infrastructure and continues to handle metering and billing. CCA is a line item on the electric utility bill that replaces the "generation" line item.

### **Has CCA been done before?**

Yes. Six states have CCA laws including California. In California, Marin Clean Energy launched its program in 2010. About 80 percent of customers in the program have opted to keep getting renewable power from Marin Clean Energy even though they have the choice of switching to PG&E. CCAs have been operating successfully in Massachusetts and Ohio since the late 1990s.

### **Is CCA another big government bureaucracy?**

CCAs do not require large staffs. Across the country CCA staff sizes range from two to about fifteen.

### **How is CCA funded?**

No taxpayer funds are involved in CCAs. CCAs require seed money during the formation period, but ongoing funding is all ratepayer based. In most cases, reimbursement of seed funds for start-up is folded into the rate structure in the early years of the program.

### **Who sets rates?**

Under a CCA, after the public utilities commission has certified the CCA's implementation plan, the CCA takes on the role of setting rates and setting policies that incentivize energy resource development.

### **How are ratepayers protected?**

CCAs introduce a choice for consumers where none exists. It is only possible to establish CCAs in monopoly investor-owned utility service territories. As such, CCAs offer the best safeguard possible for ratepayers – competition. In addition, CCAs are public, not-for-profit entities, dedicated to serving the public interest.

### **Why does CCA use an "opt-out" choice structure?**

Under state law, residents and businesses are automatically enrolled when a CCA program begins in their area and have the option of opting back to the investor-owned utility. A critical mass of load is required at launch in order to establish a viable program. Because opt-in rates are known to be low even for programs that clearly benefit consumers, an opt-out system is necessary to achieve that critical mass.

## Useful Links and References

Sonoma Clean Power: Main website: <http://sonomacleanpower.org/>

Sonoma Clean Power: "About" page <http://sonomacleanpower.org/about-scp/> This page has links to:

- Joint Powers Agreement
- Final Implementation Plan
- Draft Implementation Plan Executive Summary
- CCA Feasibility Study
- Residential Survey
- Commercial Survey
- Residential focus group summary
- Commercial in-depth interviews

Marin Clean Energy: Main website: <http://www.mcecleanenergy.org/>

MCE's FAQ page: <http://www.mcecleanenergy.org/faq/>

California Public Utilities Commission, Community Choice Aggregation information - [http://www.cpuc.ca.gov/PUC/energy/Retail+Electric+Markets+and+Finance/070430\\_ccaggregation.htm](http://www.cpuc.ca.gov/PUC/energy/Retail+Electric+Markets+and+Finance/070430_ccaggregation.htm)