

DATE: May 11, 2015

AGENDA ITEM # 3

TO: Environmental Commission
FROM: J. Logan, Staff Liaison
SUBJECT: Community Choice Energy (Aggregation)

RECOMMENDATION:

Receive report on Community Choice Energy

BACKGROUND

State and Local Mandates

State Assembly Bill 32, the Global Warming Solutions Act, was signed into law in 2006 and directed public agencies in California to support the state-wide target of reducing greenhouse gas (GHG) emissions to 1990 levels by 2020. In addition, California adopted ambitious energy and environmental policies to reduce state-wide greenhouse gas (GHG) emissions to 20% of 1990 levels by 2050 and, to provide 33% of electricity demands in 2020 from renewable resources utilizing clean energy technologies and environmental benefits.

To address the reduction of GHG emissions at the local level, the City Council adopted a Los Altos Climate Action Plan (CAP) on December 10, 2013. The CAP is a comprehensive strategy with goals and measurements to reduce GHG emissions within five focus areas: Transportation, Energy, Resource Conservation, Green Community and Municipal Operations. The CAP was adopted with a target of reducing the community's GHG emissions by at least 15% by 2020 and with an overarching plan for how the City can achieve up to a stretch-goal of 17% reduction in the GHG emissions by 2020.

Community Choice Aggregation

One method that has the potential to reduce the GHG emission associated with energy consumption is the establishment of Community Choice Energy (CCE), a system that allows cities, counties and Joint Power Authorities (JPA) to aggregate the purchasing power of an identified customer base within a defined area to secure alternative energy supply contracts with the goal of increasing the percentage of energy from renewable sources. The purchase of alternative energy supplies includes renewable sources such as hydroelectric, wind and geothermal as opposed to non-renewable fossil fuels such as coal, oil and natural gas. The consequences inherent in the use of fossil fuels to generate energy are particularly high carbon dioxide equivalents or GHG emissions which contribute to global warming. The ability to form CCEs has been adopted into law in California and a few other states.

In the 2005 Los Altos GHG Community Inventory baseline, residential and commercial electricity account for 18% of Los Altos community-wide GHG emissions. Reducing the GHG intensity of the electricity currently flowing through the PG&E grid by incorporating more energy from renewable sources is an effective way to directly reduce community GHG emissions. If by establishment of a CCE, Los Altos purchased electricity that was 25% cleaner than PG&E-provided grid electricity, the use of renewal-source energy could potentially reduce overall city emissions by up to 4.5%. If 100% renewable/clean energy were purchased, Los Altos emissions could be reduced by up to 18% and could attain the 2020 stretch goal of 17% reduction in GHG. As such, implementing a CCE has the potential to rapidly reduce community GHGs more so than any other measure currently identified in the Climate Action Plan.

It is noted that the GHG reductions by 2020 are only the first step in the State's GHG reduction goals. The state is proposing additional targets for 2030 and 2050. The initiative of establishing community choices to purchase energy produced by renewal sources is quickly becoming a viable option to achieve GHG reductions. Currently operating Community Choice Energy Programs can demonstrate savings to residents on energy bills and the attainment of sufficient GHG reductions to propel communities to reach short and long-term state goals for clean energy.

In July 2013, the City of Los Altos Environmental Commission explored the concept of GHG reductions that could be achieved by Community Choice Energy and is continuing to hear presentations on the topic and take action for recommendations to Council.

Current Actions

City Council convened a study session on Community Choice Aggregation on March 10, 2015 and directed the following action:

Action: Council members directed staff to submit an energy load data request to PG&E and directed the Environmental Commission to further investigate Community Choice Aggregation business models and specific goals to be achieved for the City through a Community Choice Aggregation alternative.

The energy load data request to PG&E along with the required and executed Non-Disclosure Agreement was emailed on March 11, 2015. Copies of the communications and documents were provided to City Council on April 8, 2015.

The full staff report and video of the Council CCE study session is posted on the City Website at http://los-altos.granicus.com/GeneratedAgendaViewer.php?view_id=4&clip_id=911

DISCUSSION

South Bay CCE Informational Session

On April 3, 2015 the City of Sunnyvale sent invitations to Santa Clara County cities to participate in the South Bay Technical Feasibility Study currently composed of and partnered by the Cities of Sunnyvale, Mountain View, Cupertino and Unincorporated Santa Clara County. This partnership is investigating the feasibility of a Community Choice Energy program for the South Bay which is planned to initiate this summer. Three staff members from the City of Los Altos attended the

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information session held on April 9, 2015 in the City of Sunnyvale. Also in attendance via phone webinar were Mayor Jan Pepper, and Environmental Commission CCE Subcommittee members Chair Gary Hedden and Commissioner Don Bray. The CCE Subcommittee provided an update on the CCE informational session they attended to the Environmental Commission.

CCE Subcommittee Activities

In accordance with direction given to the Environmental Commission by Council at the March 10, 2015 Study Session, the CCE Subcommittee convened meetings on March 12 and April 7, 2015 with Mayor Pepper and Staff Liaison J. Logan to formulate next steps to recommend at the April 13, 2015 Environmental Commission meeting and created a discussion document for the Environmental Commission to consider goals and the approach recommended by the CCE Subcommittee.

In addition, the CCE Subcommittee recommended: 1) joining the South Bay Technical Feasibility Study; 2) convening a community stakeholder committee to guide the recommended study and to frame the CCE Goals and Options; and 3) formulating recommendations to Council for the April 28, 2015 meeting. The CCE Subcommittee lead this discussion at the April 13, 2015 Environmental Commission meeting.

On April 28, 2015 Council received a staff report proposing CCE Goals and a Approach Plan to formulate and recommend a CCE business model. The April 13, 2015 Environmental Commission's direction and recommendations was incorporated into the staff report to Council.

The CCE Subcommittee met on May 7, 2015 to discuss the direction received from Council at its April 28, 2015 meeting. The Subcommittee will present a report and lead discussion at the May 7, 2015 Environmental Commission meeting.

Attachments

- A. Community Choice Energy Assessment – Discussion Document – Assessment Goals and Approach. revised

Community Choice Energy Study

Discussion Document – Study Goals and Approach

Los Altos Environmental Commission

April 2015

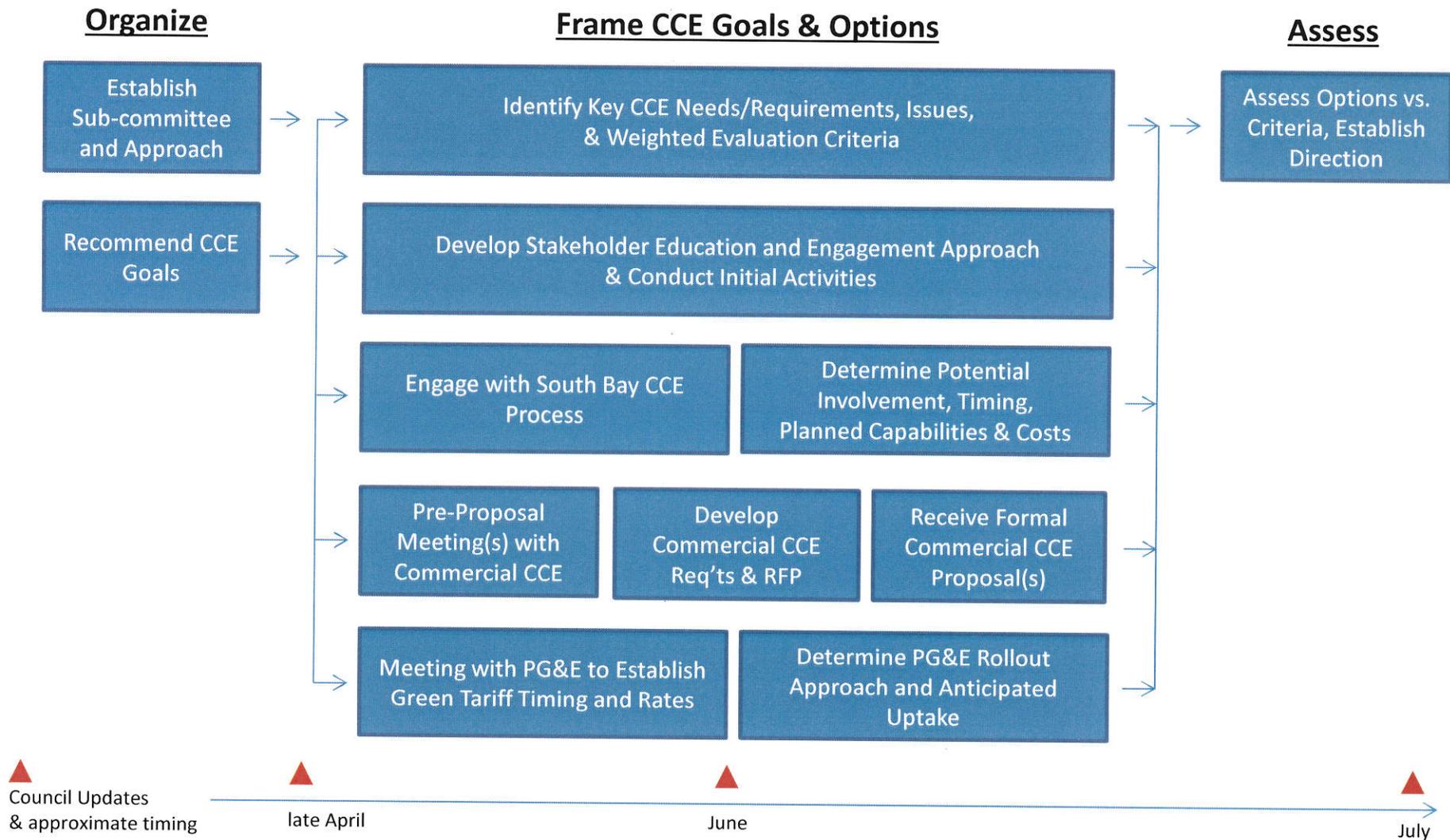
The Los Altos City Council has requested that the Environmental Commission study possible options for a Community Choice Energy program in Los Altos.

Study Objectives

- Clearly define and articulate City goals for a prospective Community Choice Energy (CCE) program
- Engage with energy experts and key stakeholders, facilitate CCE education, and identify key opportunities and issues to address
- Define possible options for implementing Community Choice Energy in Los Altos
 - join with South Bay CCE
 - contract with commercial provider of CCE services
 - advocate business/residential uptake of PG&E 'Green Tariff'
- Assess possible options relative to Los Altos CCE goals, and recommend a path forward
- Present context and rationale for continuing to pursue/not pursue Community Choice Energy in Los Altos

An effective assessment of Community Choice Energy options for Los Altos will require coordinated activity.

Recommended Study Approach



A critical part of the study process will be identification of goals and associated weighted evaluation criteria for Community Choice Energy in Los Altos.

Community Choice Energy – Recommended Goals

- 1. Increase Use of Grid-Based Renewable Energy at a Price Advantage:**
 - provide residents and businesses with universal access to the highest possible percentage of renewable electricity, at a price advantage relative to current utility rates
 - provide residents and businesses with a choice for 100% renewable electricity at a competitive rate
 - move quickly to evaluate and lock in access to renewable electricity while prices are favorable

- 2. Make Significant Progress on the CAP at a Low Burden to the City:**
 - achieve large-scale GHG reduction of 5,000–30,000 MTCO₂e (33-200% of CAP 2020 gap)
 - implement at low cost relative to other CAP measures, in terms of capital and staff resources
 - achieve predictable and quantifiable GHG reductions, and reduce/eliminate risk of not achieving 2020 CAP goal

- 3. Minimize CCE Financial and Operational Risks for the City**

- 4. Allow for City Influence/Control in Delivering Innovative Green Power Offerings:**
 - enable programs tailored to City's residential and commercial needs (e.g. community solar, feed-in tariff)
 - position Los Altos for a clean energy future, and demonstrate our community's leadership in achieving and potentially exceeding CAP 2020 goals

For each CCE option being studied, there are a number of key questions to address:

Community Choice Energy – Some Key Study Questions

- 1. Increase Use of Grid-Based Renewable Energy at a Price Advantage:**
 - what would 50% or 100% renewable power actually cost, under various CCE options?
 - does Los Altos have adequate scale/leverage to get good prices?
 - how can 'price sensitivity' to green power be established among residents and businesses?
 - can CCE-provided renewable power remain cost competitive vs PG&E over time?
 - what will be the cost of 100% renewable power from PG&E?

- 2. Make Significant Progress on the CAP at a Low Burden to the City:**
 - what would be the likely GHG reduction benefits of various CCE options?
 - what level of cost and staff time is required to implement and support CCE?
 - do we have the skills as a City to tackle this?

- 3. Minimize CCE Financial and Operational Risks for the City**
 - what are the risks to the City? what risks are assumed by the CCA entity?
 - are these risks manageable, and how?
 - have other cities tried CCE and failed - or had significant difficulty?

- 4. Allow for City Influence/Control in Delivering Innovative Green Power Offerings:**
 - how would residents and businesses be engaged in a CCE decision? implementation?
 - what level of control will the City have over CCE offerings?
 - can the City still earn community benefit funds, and how would residents like to see these used?