



DATE: January 11, 2016

AGENDA ITEM #2

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

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 Energy

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.

Council Actions

City Council convened a study session on Community Choice Aggregation (Energy) 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 (Energy) 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 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 create a discussion document for the Environmental Commission to consider goals and the approach recommended by the CCE Subcommittee. 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 its April 28, 2015 meeting. The CCE Subcommittee lead this discussion at the April 13, 2015 Environmental Commission meeting and the Environmental Commission concurred with the recommendations.

At its April 28, 2015 meeting, Council received a staff report proposing CCE Goals and an Approach Plan to formulate and recommend a CCE business model. The April 13, 2015 Environmental Commission's direction and recommendations were incorporated into the staff report to Council. It was also recommended for the City to join the South Bay Technical Feasibility Study and a letter was sent on April 29, 2015 authorizing the use of electrical load data for the Study.

The Subcommittee met to review direction from the April 28, 2015 Council meeting and then presented a report to the Environmental Commission at its May 7, 2015 meeting. The Subcommittee received direction to move forward with the Study Approach Plan and report back to the Commission at its June 8, 2015 meeting.

Subcommittee activities in May and June

Between the May and July Environmental Commission meetings, the Subcommittee met weekly and convened phone conferences to discuss a list of predetermined questions and discussion points with: 1) the Mayor and the City Manager of Windsor, CA; 2) Peter Rumble, CEO California Clean Power; 3) Geof Syphers, CEO Sonoma Clean Power; Former Mayor of Cotati; and 4) met with two PG&E representatives regarding its green power and solar options. In addition, the Subcommittee convened many phone calls and sent emails to CCE resources and experts in order to better understand and define discussion points for interaction with speakers at its June 8, 2015 meeting. Peter Rumble, CEO California Clean Power, delivered a presentation at the June 8, 2015 Environmental Commission meeting. Members of the Subcommittee and the Staff Liaison attended the 2015 Energy Summit at Stanford University on June 25, 2015.

A Regular meeting of the Environmental Commission was held on July 13, 2015 and was immediately followed by a Study Session on CCE. Melody Tovar, Regulatory Programs Divisions Manager, City of Sunnyvale Environmental Services Department delivered a presentation on the Silicon Valley CCE Partnership (SVCCEP). Members of the community provided comments and discussion followed. Subsequently the Subcommittee met on July 24, 2015 to review the results of the Study Session and plan its report on CCE Goals, the Study Approach Plan and progress updates for the August 10, 2015 Environmental Commission meeting and for the CCE Interim Report to Council on August 25, 2015.

On August 25, 2015 the Environmental Commission presented a CCE Interim Report to Council and included an update on the progress of the Silicon Valley CCE Partnership. The CCE subcommittee held a phone conference with Melody Tovar, Regulatory Programs Divisions

Manager, City of Sunnyvale Environmental Services Department, on the current time-lines and status of the community outreach efforts, JPA formation and use of media and social networks to engage the community in CCE formation efforts. Time-lines are established for the formation of the JPA. Yet to be determine are the final JPA agreement language and the fees to the initial participant cities for joining the JPA.

SVCCEP formation timelines:

1. Business webinar – Nov. 4, 2015
2. Key stakeholder meeting – Nov. 17, 2015; Sunnyvale Community Center; 6-8:30 pm
3. Executive committee and elected officials meeting – Nov. 19, 2015
4. CCE formation packets to initial participant cities – received on Dec. 9, 2015
5. Los Altos time-line
 - a. CCE subcommittee final CCE report to the Commission – Jan. 11, 2016
 - b. West county community CCE meeting in Los Altos LAYC center – Jan. 13, 2016
 - c. Commission final CCE report to Council – Jan. 26, 2016

At its December 14, 2015 meeting, the Commission discussed and provided edits to the CCE subcommittee for the CCE Final Report to Council on January 26, 2016. The CCE subcommittee met in January to finalize the input from the Commission. The CCE Final Report will again be presented to the Commission for a final review and approval at its January 11, 2016 meeting (Attachment A).

The Environmental Commission took action on December 14, 2015, to approve, with edits, the CCE Informational Sheet titled, *Los Altos Among Local Communities Evaluating 'Community Choice Energy'* for use in community outreach and education and to encourage community participation at the January 13, 2016, CCE Community meeting.

The Environmental Commission is assisting with outreach efforts to promote the upcoming CCE Community meeting to be held at LAYC (Los Altos Youth Center) on January 13, 2016. The presentation will be on SVCCEP's efforts to form a group of agencies under a Joint Powers Authority to establish a CCE Program within Santa Clara County (Attachment B).

ATTACHMENTS:

- A. Draft Final Report on Community Choice Energy (distributed under separate cover)
- B. *City of Los Altos Hosts Community Informational Meeting on Community Choice Energy*




City of Los Altos Hosts Community Informational Meeting on Community Choice Energy

In early 2016, the Los Altos City Council will be considering whether to join a group of neighboring cities planning to form a Community Choice Energy agency here in Silicon Valley. To learn more, please attend an informational meeting being sponsored by the Silicon Valley Community Choice Energy Partnership on Thursday, January 13, 2016 at 6:00 p.m. at the Los Altos Youth Center, 1 N. San Antonio Rd., Los Altos.

What is Community Choice Energy (CCE)?

California state policy allows city and county governments to form a local non-profit 'Community Choice Energy' agency to pool electricity demand within and across their communities. The new CCE agency then competitively purchases energy on behalf of participating residents and businesses within these communities. Under Community Choice, the local investor-owned utility (PG&E in our case) continues to maintain responsibility for transmission and distribution of power, and for customer service and billing functions. Energy bills continue to come from PG&E, but list the CCE as the provider of electricity generation. See the CCE billing example below, from Sonoma Clean Power:

ENERGY STATEMENT		Account No: 1023456789-0
 www.pge.com/MyEnergy		Statement Date: 07/17/2014
		Due Date: 08/07/2014
Service For:	Your Account Summary	
Brenda Alvarez	Amount Due on Previous Statement	\$404.99
1234 Main Street	Payment(s) Received Since Last Statement	-404.99
Apt. 3C	Previous Unpaid Balance	\$0.00
Santa Rosa, CA 95404	Current PG&E Electric Delivery Charges	\$83.15
	Sonoma Clean Power (SCP) Electric Generation Charges	42.97
	Current Gas Charges	34.91
Questions about your bill?	Total Amount Due by 08/07/2014	
24 hours per day, 7 days per week		\$161.03
Phone: 1-866-743-0335 or		
www.pge.com/MyEnergy		

Note that customers in a jurisdiction with an established CCE agency can buy power through the CCE, or continue to buy power from the Investor Owned Utility (PG&E) if they wish. This offers customers a choice in selecting the provider and source of their electricity, where no choice exists today.

Where is CCE operating, and what are the potential benefits?

In California, CCE agencies in Marin County, Sonoma County, and the City of Lancaster are now providing hundreds of thousands of customers with cleaner, greener energy - at rates less than the commercial utility. They have increased the amount of electricity procured from renewable sources, such as solar, wind and geothermal. In addition, they are actively developing local sources of renewable energy in their communities, and offering specialized energy efficiency and solar feed-in tariff programs relevant to their customers. See this [animated video](#) for a five-minute primer on Community Choice from the Silicon Valley Community Choice Energy Partnership.

At least seven other regions in the State of California are considering formation of local CCE agencies, including all remaining counties in the San Francisco Bay Area. In addition, six other states have also adopted CCE enabling legislation.

Which Silicon Valley communities are evaluating participation in the CCE?

The Cities of Sunnyvale, Cupertino and Mountain View, and the County of Santa Clara (unincorporated areas) have formed the [Silicon Valley Community Choice Energy Partnership](#) to study formation of a local CCE agency. An initial [Assessment Report](#), completed in May 2015, assessed high-level risks and benefits of forming a local CCE, and determined that eight additional communities were also interested in participating: Campbell, Gilroy, Los Altos, Los Altos Hills, Los Gatos, Monte Sereno, Morgan Hill, and Saratoga.

In November of 2015, a detailed [Technical Feasibility Study](#) was completed which analyzed the energy needs of the service area (defined by the jurisdictions involved) and potential rate impacts. The 100-page study considers three energy sourcing scenarios, and concludes that a local Community Choice agency has the potential to offer significant economic and environmental benefits to the area.

What are the environmental advantages of CCE?

Electricity generated from fossil fuel sources such as coal or natural gas is a major source of greenhouse gas (GHG) emissions and generally considered a leading cause of climate change. CCEs in California are choosing to purchase and/or develop electricity from sources that are more heavily weighted towards renewable energy. Renewable energy can provide electricity with little or no GHG emissions.

How does this relate to the Los Altos Climate Action Plan?

The Los Altos Climate Action Plan has set a GHG emissions reduction target for the year 2020, and outlines a wide variety of measures that the City must take to meet this target. CCEs have helped communities reduce GHG emissions and meet local climate goals in a cost-effective fashion – with the potential to deliver ratepayer savings and encourage local investment in renewable energy. The Cities of Sunnyvale and Cupertino estimate that the single action of participating in a CCE would achieve at least 25-50% of their 2020 GHG reduction targets. Similar results would be anticipated for Los Altos.

What are the costs?

CCEs are established as a Joint Powers Authority (JPA) agency. Operational CCEs are completely funded through program (rate payer) revenues, and are not subsidized by taxpayer dollars. Start-up costs are shared by participating jurisdictions and subsequently reimbursed from program revenues. The CCE is staffed with full-time personnel responsible for ongoing operation. Time required from participating agencies is limited primarily to periodic Board of Directors meetings. While there is no guarantee that CCE rates will always be lower than PG&E rates, CCEs have cost advantages in that they are typically small and agile non-profit agencies, with low overhead and no shareholder dividends or income taxes.

What are the risks?

Risk to individual customers is low, as there is always the option to buy energy from PG&E instead of the CCE. Also, PG&E continues to maintain the distribution grid and provide the same delivery services regardless of whether a home or business is a CCE customer. CCEs are exposed to energy market, regulatory and operational risks, which must be managed by CCE staff. Participating jurisdictions are separated by the JPA structure from risks associated with the financial operation of the CCE.

If you have questions not answered by this information sheet, contact J. Logan, Assistant City Manager at 650-947-2610.