

## EAST BAY MUNICIPAL UTILITY DISTRICT

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DATE: November 8, 2012

MEMO TO: Board of Directors

THROUGH: Alexander R. Coate, General Manager *me*

FROM: Michael J. Wallis, Director of Operations and Maintenance *mu*

SUBJECT: Community Choice Aggregation Update

### INTRODUCTION

In 2011, Senate Bill 790 was passed by the California Legislature and expanded the authorization of a Community Choice Aggregation (CCA) program to include agencies such as the District. This memo provides an update on the District's investigation into forming a CCA and local agencies' CCA activities. Staff will provide an update on its CCA efforts at the November 13<sup>th</sup> Sustainability/Energy Committee.

### SUMMARY

Since the June 26, 2012 Sustainability/Energy Committee, staff have met with the cities of Albany, Berkeley and Oakland to update them on the District's CCA activities. In addition, staff met with the Local Clean Energy Alliance to understand their goals with respect to a District-led CCA and tracked other CCA activities in California. Staff are preparing a preliminary CCA analysis report which will be presented to the full Board in December 2012. Attachment 1 is an outline of the CCA report.

### DISCUSSION

Responses to questions raised during the June 26, 2012 Sustainability/Energy Committee meeting presentation on the CCA research, a summary of meetings with the cities of Albany, Berkeley and Oakland, and updates on CCA activities are provided below.

#### **Sustainability/Energy Committee Questions**

Below are responses to questions asked at the June 26<sup>th</sup> Sustainability/Energy Committee meeting during the CCA update presentation:

*Can Marin Energy Authority (MEA) customers receive both MEA rebates and PG&E rebates?*  
MEA electric customers are eligible for some PG&E rebate programs. The guidelines to determine which programs are available are being developed at the California Public

Utilities Commission (CPUC), and the CCAs and PG&E are waiting for the CPUC's direction to resolve this matter.

*What is the fiscal impact of District electric services in the City of Richmond being served by MEA and is this consistent with existing District policies?*

The District has 29 electric services within the City of Richmond totaling over 5 million KWh of use and approximately \$680,000 in cost annually. Under MEA's light green (50% renewable) and dark green (100% renewable) programs, the annual cost would increase by approximately \$20,000 to \$55,000 per year. District Policy 7.07, Renewable Energy, encourages the cost-effective use and generation of renewable energy but does not specifically address the purchase of renewable energy at a cost greater than utility-supplied electricity.

*Can PG&E bid on CCA's Requests for Proposals seeking an energy service provider?*

PG&E is allowed to submit a proposal in response to a CCA Request for Proposals. However, PG&E did not submit a proposal when both MEA and CleanPowerSF were seeking an energy service provider. PG&E offers other services to CCAs including customer notifications, metering, billing, and account assistance published in their electrical schedule for CCAs.

*Is Shell Energy North America a subsidiary of Shell Oil?*

Shell North America is wholly-owned by Royal Dutch Shell.

*Why did CleanPowerSF choose to offer only a 100% green product?*

CleanPowerSF hired the public opinion research firm FM3 to survey San Francisco ratepayers on the CCA program and their interest in participating in a CCA program. However, it is not clear why CleanPowerSF chose to only offer a 100% green product to its residents.

## **Meetings with Cities**

The District received letters from several cities including the cities of Oakland, Berkeley, Richmond, Emeryville, and Albany expressing their interest in a District CCA. District staff met with representatives from the cities on a number of occasions, and most recently, met with representatives from the cities of Albany, Oakland, and Berkeley on August 21, 2012. During the meeting, the District provided an overview of its current exploration in a CCA, described the District's plan to evaluate the formation of a CCA by the end of 2012, and explained that the evaluation will address public benefit, costs, risks, interest level, and institutional issues.

Below is a summary of each city's interest level.

- The City of Albany expressed interest in forming a CCA and wanted to understand how a CCA would help the city meet their sustainability goals in their Climate Action

Plan. Although Albany does not have any staff dedicated to evaluating a CCA, they are interested in the District's evaluation. Albany staff indicated they will request electric load data from PG&E.

- The City of Berkeley has a strong interest in the District forming a CCA and provided a draft copy of issues and questions that the Berkeley Energy Commission would like the District to consider. Berkeley staff requested and received electric load data from PG&E and provided the data to the District. Berkeley staff expressed a major concern with the form of governance of the CCA and funding. They stated that the funding for the CCA is a critical issue that needs to be addressed.
- The City of Oakland attended the meeting to listen and report back to city management. Oakland's policy direction from its draft Energy and Climate Action Plan is to monitor the feasibility and utility of implementing CCA in Oakland. Their staff are observing the CCA activities of Marin, San Francisco and EBMUD.
- The City of Emeryville was invited to the meeting but did not attend.

The representatives from the cities agreed that funding is a threshold issue to forming a CCA and discussed the importance of identifying the implementation costs. At this time, none of the cities have money or resources allocated for forming a CCA.

Copies of the June 26, 2012 Sustainability/Energy Committee materials were provided to the City of El Cerrito and the City of San Leandro in response to their request for information about the District's CCA efforts.

### **Berkeley Energy Commission**

On July 25, 2012, staff attended a meeting of the Berkeley Energy Commission (BEC). The purpose of the meeting was to review questions and concerns that the BEC had with a District-formed CCA. Staff were provided a copy of the questions and concerns from the BEC (see Attachment 2). Their questions and concerns will be addressed in the District's preliminary CCA analysis report and covered a wide-range of topics including CCA organizational structure, financing, costs, implementation, and decision making. Subsequently, the Berkeley Energy Commission recommended that the Berkeley City Council ask the District to consider the list of issues and questions in its CCA report. At their October 2, 2012 meeting, the City Council approved the Commission's recommendation to have the District consider these issues in its CCA assessment.

### **CCA Activities in California**

#### Sonoma County

In October 2011, the Sonoma County Water Agency Board (SCWA) accepted the CCA feasibility study prepared by Dalessi Consulting. In April 2012, SCWA's Board directed staff to prepare an implementation plan and approved the goals for Sonoma Clean Power. These goals

include reducing greenhouse gas emissions, remaining cost competitive, developing local jobs in renewable energy, and developing long-term rate stability and energy reliability for Sonoma County residents through local control. Staff were also asked to pursue creation of a Joint Powers Authority, identify possible funding sources for start-up costs, and conduct public outreach to determine value and price sensitivity of business customers.

#### Marin Clean Energy/Richmond CCA

MCE's service area includes all of Marin County and they currently have approximately 93,000 customers. The CPUC recently approved MEA's energy efficiency plan for 2012 and the amended implementation plan adding the City of Richmond. MCE is offering voluntary enrollment to all electric customers in Richmond for their 100 percent renewable power product (Deep Green). All products will be available to the small and medium sized electric accounts in Richmond as early as July 2013, providing customers with a choice of Light Green (50 percent renewable) or Deep Green options. The large electric accounts will be offered the Light Green product in late 2013 or early 2014.

#### CleanPowerSF

On September 18, 2012, the San Francisco Board of Supervisors appropriated \$19.5 million from their Hetch Hetchy fund to finance the CleanPowerSF CCA and approved a five year contract with Shell Energy North America to provide CleanPowerSF customers with 100% renewable power. The launch of the CleanPowerSF program will not proceed until a number of conditions are met including the San Francisco Public Utilities Commission's determination that adopted CleanPowerSF rates are sufficient to cover the costs of power and services provided by Shell and customer care and billing services provided by Noble Americas.

Phase I of CleanPowerSF will include approximately 90,000 residents. Customers will have five months to opt out of the program at no cost. Following the five month period, opting out will cost \$5. The average customer is expected to pay approximately \$18 per month more on their electric bill than they would pay for PG&E service. Under the Shell contract, the City guarantees an average enrollment load of 30 MW (approximately 90,000 residential customers). If the City fails to meet this goal, the City is liable for up to \$15 million in actual losses incurred by Shell. The \$19.5 million includes \$500,000 for start up costs and \$6 million to fund the first two years of the CCA Sustainability Services including GoSolarSF, CCA-owned generation and energy generation, and conservation programs.

ARC:MJW:ss

# ATTACHMENT 1

## EBMUD CCA Preliminary Analysis Report Draft Outline

- **Executive Summary**
- **Introduction**
  - Summary
  - Policy 4.10
- **Public Policy Issues**
- **CCA Background**
  - Enabling Statute and Regulatory Decisions
  - Statutory Requirements for Formation of a CCA
  - R.W. Beck Report
  - Policy Issues
  - Navigant Consulting CCA Demonstration Project
  - CCA Activity in California
- **CCA Meetings**
  - City Meetings
  - Local Clean Energy Alliance Meeting
  - Berkeley Energy Commission
- **Institutional Options**
  - MUD Act
  - Joint Powers Authority
- **Organization Requirements**
  - Finance
  - Rate Setting
  - Operations
  - Customer Service
- **East Bay CCA**
  - Service Area
  - Electric Accounts by PG&E Customer Classes
  - Load
- **Financial Analysis**
  - Customers
  - Startup Costs
  - Energy Supply Portfolio
  - Energy Supply Requirements
  - Operating Costs
  - Financing
  - Other Costs

- **Customer Rate Analysis**
  - Rate Comparison and Ratepayer Impacts
  - Termination and Exit Fees
  - PG&E Green Option Comparison and Issues
  - CARE program
- **Benefits**
  - Greenhouse Gas Reduction
  - Potential Job Creation
  - Local Energy Program Development
  - Feed-in Tariffs
  - Residential Renewable Energy and Energy Efficiency Rebates
  - Energy Efficiency Program Plan
  - Potential Greater Local Control Over Power Supply Decisions and Rate Setting
- **Risks**
  - Renewable Portfolio Standards
  - Emissions Performance Standard
  - Procurement Risks
  - Regulatory and Policy Risks
  - Customer Cost Risks
  - Electric Customers Potential Risks
  - CleanPowerSF Considerations and Risks

**Berkeley Energy Commission  
EBMUD CCA Analysis  
Draft Issues and Questions  
July 17, 2012**

- I. Objectives
  - a. How many products does EBMUD intend to offer? <sup>1</sup>
  - b. Are there specific objectives regarding the characteristics of renewable energy? For example, will EBMUD try to procure a certain share from local sources? If so, how does EBMUD define "local" (e.g. within its service territory or within a maximum distance from its service territory)? Will renewable energy used for any shares above the RPS minimum requirements be sourced from RPS-eligible sources (i.e. will large hydro or out of state sources that commenced operation prior to 2005 be eligible)?
  - c. What is EBMUD's customer phase-in strategy?
  - d. Does EBMUD intend to apply to the CPUC for its share of energy efficiency surcharges and run its own energy efficiency programs? If so, how will EBMUD's energy efficiency programs differ from PG&E's?
  - e. Will EBMUD have any local hiring preferences for renewable energy and energy efficiency projects? If so, will such preferences have any effect on the cost of meeting the CCA's renewable energy and efficiency goals?
  - f. Will all functions be staffed in-house or will EBMUD outsource some functions?
- II. Financial Impacts
  - a. Start up costs and their sources
  - b. Working capital costs and their sources
  - c. Ensure payments to City in lieu of franchise fees
  - d. Risks of responsibility for stranded assets and other debts to local governments and EBMUD due to large-scale opt-outs or other causes
- III. Rate Impacts
  - a. What are the projected average generation rates for the different products EBMUD intends to offer? How do those rates compare to PG&E's rates? <sup>2</sup>
  - b. What effect will departing load charges and the CPUC's bonding requirements have on the CCA's rates?

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<sup>1</sup> The Berkeley Energy Commission recommends that EBMUD consider three products: a 100% renewable option, a 50% renewable option, and a "rate parity" option with the objective of having the highest share of renewable energy possible while matching PG&E's rates.

<sup>2</sup> The Berkeley Energy Commission recommends that EBMUD estimate the CCA's and PG&E's rates under multiple scenarios such as high/med/low natural gas prices and high/med/low renewable energy prices.

- c. How will EBMUD allocate generation revenue requirements to the various customer classes (e.g., residential, commercial & industrial) and how do the CCA's rates compare to PG&E's rates by customer class?
  - d. Customer opt-out fees
  - e. CARE customer impacts
- IV. CO2 Impacts
  - a. For the products that are offered, what are the projected greenhouse gas emission rates? What effect will these emission rates have on local jurisdictions' climate goals?<sup>3</sup>
  - b. What are the external impacts on statewide emissions under reasonable opt-out assumptions? Under the state's cap and trade regulation, will higher shares of renewable energy have any effect on greenhouse gas emissions (e.g., will the Air Resources Board's voluntary renewable energy set-aside be sufficient to guarantee allowance retirements on behalf of the EBMUD CCA)?
- V. Governance
  - a. How will cities be represented, directly or through the full board? If directly, will representation be weighted by population, the electric load within the CCA, or some other metric?
  - b. Role of local councils in ratemaking, portfolio and other policy matters

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<sup>3</sup> The Berkeley Energy Commission notes that PG&E retains its nuclear and large hydro generation for the use of its bundled customers. When CCA customers depart, this has the effect of reducing market purchases (generally gas-fired power) for PG&E and thus lowering PG&E's emission rate. Assuming that a CCA meets the entire non-renewable share of its portfolio with gas-fired power from the market, a CCA may have a higher emission rate than PG&E despite having a larger share of renewable energy. However, this does not imply that overall emissions increase. In fact, the **combined** emissions a CCA with a higher share of renewable energy (assuming the CCA does not attain a higher share of renewable energy by simply purchasing it from existing sources) and PG&E will be lower than they would have been otherwise. Nonetheless, for end-user reporting purposes, the CCA's emission rate will be higher unless it can find enough zero-GHG electricity to match PG&E's share of zero-GHG electricity.