
ADMINISTRATIVE REPORT

Date: October 8, 2018

Agenda Item No.: 12A

Council Action Date: October 15, 2018

To: Honorable Mayor and City Council

From: Don Penman, Interim City Manager
Mary Joyce Ivers, Interim Public Works Director

Subject: Clean Power Alliance Rate Options

RECOMMENDATION

It is recommended that City Council adopt a 50 percent renewables default customer rate option offered by the Clean Power Alliance, as the default electricity rate for residential and business customers located in the city of Ventura.

PREVIOUS COUNCIL ACTION

February 26, 2018 - City Council voted to join the Clean Power Alliance (formerly the Los Angeles Community Choice Energy Authority).

SUMMARY

On February 26, 2018, City Council voted to join the Clean Power Alliance (CPA), a Joint Powers Authority of 31 local governments in Los Angeles and Ventura Counties. CPA procures power on behalf of electricity customers located in its member jurisdictions, while Southern California Edison (SCE) continues to deliver electricity over their transmission and distribution lines, maintain the power lines, and provide billing and customer service. In February 2019, CPA will phase in all residential customers in its service area with the remaining non-residential customers beginning service in May 2019. As a member jurisdiction, the City must select a default electricity rate that all residential and business customers will be placed in when CPA begins to provide electricity services. The three rate tiers available to CPA customers are based on the amount of renewable energy content of the power provided, including: 36 percent renewables, 50 percent renewables and 100 percent renewables. Staff recommends adoption of the 50 percent renewables rate as the default for CPA customers in the city because it would provide cost parity with SCE current standard rates and would provide a cleaner electricity mix – 50 percent renewable energy compared to 34 percent renewable energy for SCE’s standard rates.

DISCUSSION

On August 16, 2018, the CPA Board of Directors (Board) adopted its rate structure in advance of the February 2019 launch and adopted three rate tiers of renewable energy content for customers: 36 percent renewables, 50 percent renewables, and 100 percent renewables. Member jurisdictions that have not previously selected a default rate tier have until the end of October 2018 to make the selection for their community. Once CPA service launches, customers are automatically enrolled as CPA customers and will begin receiving their power from CPA by paying a line item on their SCE bill. Customers will have the choice of staying with the default rate, selecting a different rate, or opting out of the program and remaining with SCE for power procurement services. CPA will inform residential and commercial customers of their right to opt out of the program or change to a different rate. A total of four notices will be sent to customers: two notices prior to the services being switched to CPA and two notices after. The City will supplement this noticing using existing public outreach methods such as the City website, Facebook, Nextdoor, e-newsletter, etc.

Default Rate Selection Options

The 36 percent renewables rate offered by CPA exceeds the State’s mandated Renewable Portfolio Standard (RPS), which requires 33 percent of electricity from renewable sources by 2020 and 50 percent renewables sources by 2030. As a comparison, SCE is expected to be at 34 percent renewables in 2018. CPA estimates that customers electing the 36 percent renewables rate will see a cost savings of approximately 1 percent to 2 percent on their electricity bill (see Table 1 below). The 50 percent renewables rate provides a cleaner energy supply and meets the State’s 50 percent renewable standard 12 years early. CPA customers on this rate would break even or see a savings up to 1 percent on their electricity bills relative to SCE’s standard rates. The 100 percent renewables rate is free of all greenhouse gas emissions and would result in an increased cost to customers of approximately 7 percent to 9 percent over current SCE standard rates, but 5 percent less than SCE’s 100 percent renewables rate.

Table 1: CPA Default Rate Options

Rate Options	Cost Relative to SCE Rates
36% Renewable Energy Content	1%-2% overall bill discount to SCE base rate
50% Renewable Energy Content	0%-1% overall bill discount to SCE base rate
100% Renewable Energy Content	7%-9% overall bill premium to SCE base rate, but at least 5% overall bill discount to SCE 100% renewables rate option Parity with SCE base rate for CARE and other low-income customers

The bill discounts shown above are presented as a range until SCE submits an updated rate forecast to the California Public Utilities Commission on November 8, 2018, which includes an estimate of SCE's procurement cost, revenue requirement, and electricity sales for the coming year. In addition, CPA is still in the process of procuring energy for 2019, leaving some uncertainty around costs.

By the November 15, 2018, CPA Board meeting when residential rates will be set, these uncertainties will largely be resolved as SCE will have submitted an updated rate filing and CPA will have locked in much of its 2019 energy costs. With this added certainty, final decisions for the actual rates for each of the tiers and their financial impact on CPA and its customers will be made at the November 15, 2018, CPA Board meeting for residential customers, and at the February 7, 2019, CPA Board meeting for commercial customers.

Enrollment and Public Engagement Timeline

CPA is an opt-out program, meaning that all electricity customers are automatically enrolled as CPA customers at the default rate established by each jurisdiction, but may opt into one of the other CPA rates or return to SCE after the initial enrollment date. Customers receive a minimum of four opt-out notices from CPA over 120 days (two notices prior to enrollment and two notices after), as well as outreach from the City, and can return to SCE service any time.

CPA notices will be on the following timetable for residential customers:

- Early December 2018 - first residential customer enrollment notice sent 60 days prior to enrollment.
- January 2019 - second residential customer enrollment notice sent 30 days prior to enrollment.
- February 1, 2019 - all residential customers are enrolled in CPA service.

CPA notices will be on the following timetable for non-residential customers:

- Early March 2019 - first non-residential customer enrollment notice sent 60 days prior to enrollment.
- Early April 2019 - Second non-residential customer enrollment notice sent 30 days prior to enrollment.
- May 1, 2019 - all remaining non-residential customers are enrolled in CPA service.

IMPACTS

Fiscal Impacts:

City Council's decision to choose a default rate for electricity customers located in the city of Ventura will have no fiscal impacts on the City. However, once the program is rolled out to non-residential customers in May 2019, including City electricity accounts, the decision of which CPA renewables rate to choose will have an impact, either positive or negative, on the City's electricity costs. This impact is not quantifiable at this time.

ALTERNATIVES

City Council could choose either the 36 percent renewables or 100 percent renewables rate options instead of the 50 percent renewables rate option recommended by staff.

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Reviewed as to fiscal impacts



Mary Eckman
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FORWARDED TO THE CITY COUNCIL



Don Penman
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