



**COUNTY OF SAN LUIS OBISPO
BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Planning and Building		(2) MEETING DATE 1/23/2018		(3) CONTACT/PHONE Chris Read, Senior Planner / (850) 781-1172	
(4) SUBJECT Receive and file reports on the technical feasibility of Community Choice Aggregation for the Central Coast and request to provide staff direction on preferred next steps for Community Choice Aggregation. All Districts.					
(5) RECOMMENDED ACTION It is recommended that the Board: <ol style="list-style-type: none"> 1. Receive and file a staff presentation on the technical feasibility studies of Community Choice Aggregation for the Central Coast. 2. Provide staff direction on preferred next steps for Community Choice Aggregation. 					
(6) FUNDING SOURCE(S) General Fund		(7) CURRENT YEAR FINANCIAL IMPACT \$0.00		(8) ANNUAL FINANCIAL IMPACT \$0.00	
(9) BUDGETED? Yes					
(10) AGENDA PLACEMENT <input type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. _____) <input checked="" type="checkbox"/> Board Business (Time Est. 60 min)					
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input checked="" type="checkbox"/> N/A					
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A				(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP N/A		(15) BUSINESS IMPACT STATEMENT? No		(16) AGENDA ITEM HISTORY <input type="checkbox"/> N/A Date 10/6/2015	
(17) ADMINISTRATIVE OFFICE REVIEW Lisa M. Howe					
(18) SUPERVISOR DISTRICT(S) All Districts					



COUNTY OF SAN LUIS OBISPO

TO: Board of Supervisors

FROM: Planning and Building / Chris Read, Senior Planner

VIA: Rob Fitzroy, Deputy Director

DATE: 1/23/2018

SUBJECT: Receive and file reports on the technical feasibility of Community Choice Aggregation for the Central Coast and request to provide staff direction on preferred next steps for Community Choice Aggregation. All Districts.

RECOMMENDATION

It is recommended that the Board:

1. Receive and file a staff presentation on the technical feasibility studies of Community Choice Aggregation for the Central Coast.
2. Provide staff direction on preferred next steps for Community Choice Aggregation.

DISCUSSION

On October 6, 2015, the County of San Luis Obispo Board of Supervisors directed staff to participate in a tri-county feasibility study for a Community Choice Aggregation (CCA, also referred to as Community Choice Energy or CCE) for the counties of San Luis Obispo, Santa Barbara and Ventura.

Specifically, your Board contributed \$50,000 to the Technical Feasibility Study on Community Choice Aggregation for the Central Coast project and directed staff to participate in the project's Advisory Working Group. Your Board also directed staff to pursue the *pro bono* pre-feasibility study conducted by Pilot Power Group for the County of San Luis Obispo and the City of San Luis Obispo.

This section provides an overview of Community Choice Aggregation programs, a discussion of study findings, a discussion of actions taken by regional communities following the study's release, and a description of a new

opportunity to participate in an existing CCA program (Monterey Bay Community Power). This section concludes with a summary of options for Board consideration.

Community Choice Aggregation Programs

California Assembly Bill 117, passed in 2002, gives Cities and Counties the ability to purchase and sell electricity by aggregating customer loads. Through the establishment of a CCA program, the respective jurisdiction acts as an energy provider to all those within its boundaries.

CCA enables local governments to leverage the purchasing power of their residents, businesses, and governments to purchase or generate power for their communities. When a CCA program is formed, the CCA provider purchases the electricity—which typically includes a higher percentage of electricity from renewable resources like wind and solar—and sets the rates charged to customers. The existing investor-owned utility (IOU) continues to deliver the electricity purchased by the CCA provider over its power lines and provide metering, billing, and other customer services.

Currently, there are nine CCA programs in operation throughout California: five in the San Francisco Bay Area, one in Humboldt County, and three in the Los Angeles area. Eight additional CCAs are expected to launch in 2018 and more than 20 jurisdictions are actively studying or developing CCA programs. The longest-standing CCA program is Marin Clean Energy, which began operations in Marin County in 2010 and has since grown to also include parts of Napa and Contra Costa Counties. All the operational and in-development CCA programs conducted feasibility studies that suggested CCA was financially viable for their communities and all operational CCAs have reached or are on track to reach their operating reserve targets and pay back their start-up loans, many within the first year or two of operation. Some of the longer-standing CCAs have built up sufficient reserves to begin reinvesting in their communities in the form of new local renewable energy projects, energy efficiency programs, and electric vehicle incentives. For example, Silicon Valley Clean Energy provides residential rates that are 1 percent cheaper than the incumbent utility, while providing 100 percent carbon free electricity, and attractive Net Energy Metering rates that make it easier for residents to benefit directly from solar energy systems on their homes.

Tri County Feasibility Study Findings

In 2016, the County of Santa Barbara, with funding from ten other jurisdictions and the Community Environmental Council, commissioned Willdan Financial Services (Willdan) to complete the CCA feasibility study. County of San Luis Obispo staff has been participating in an Advisory Working Group to help guide and oversee the feasibility analysis, provide outreach support, and monitor policy and program developments related to CCA. The Advisory Working Group selected Willdan to conduct the feasibility study, in part, due to its commitment to providing an impartial assessment and willingness to forego future CCA work in the region so as to not bias the outcome of the study.

The feasibility study evaluates the feasibility of forming a new CCA program run by one or multiple local governments in the Tri-County Region (Ventura, Santa Barbara, and San Luis Obispo Counties). The study assessed financial feasibility in terms of the ability of a local/regional CCA program to provide competitive electricity rates while meeting policy goals and covering substantial CCA program formation costs and ongoing operating expenses

over a ten-year study period (2020-2030). The Advisory Working Group selected eight participation scenarios to explore the feasibility of different sizes and configurations for the CCA program and the potential effect of customer demographics. The study did not consider the viability of one or more jurisdictions joining an existing CCA program.

Evaluating the feasibility of forming a new CCA is a complex undertaking involving numerous variables and assumptions that are predicated on long-term forecasts of conditions and costs within a dynamic energy procurement and regulatory landscape. Given the complexities, the Advisory Working Group took the additional prudent steps of (1) contacting existing CCA program staff to gather additional data related to the costs of operating a CCA program and (2) commissioning MRW & Associates (MRW) to conduct a third-party review of the Willdan draft study. The purpose of the peer review was to evaluate the assumptions and conclusions of the Willdan draft study.

The feasibility study and subsequent peer review suggests that a newly created tri-county CCA program spanning San Luis Obispo, Santa Barbara, and Ventura Counties is likely not a feasible venture in terms of the CCA program's ability to provide competitive rates and generate the revenue required to meet policy objectives. Key drivers for this outcome include the very large size of the region leading to expensive and risky debt issues, Willdan's significantly higher than expected future power cost projections, and complications arising from potentially operating in two utility service territories (Pacific Gas and Electric (PG&E) and Southern California Edison (SCE)). SCE's relatively cheaper rates also contributed to the infeasibility finding.

The results of the peer review study, however, indicate that it may be feasible for a CCA program operating within PG&E territory, including all of San Luis Obispo County, to offer competitive rates while meeting policy objectives. Key drivers for this outcome include smaller up-front debt requirements, MRW's lower future power cost projections based on existing CCA procurement contracts, and by operating in a single utility (PG&E) service territory. PG&E's relatively more expensive rates also contributed to the feasibility finding.

Staff summarized the report in a memo to the Board of Supervisors on September 6, 2017. The memo is provided as Attachment 2 to this document. Attachment 3 provides a cover letter to the full report from the Advisory Working Group, Attachment 4 provides the full Technical Feasibility Study on Community Choice Aggregation for the Central Coast, and Attachment 5 provides the report's technical appendices.

County of San Luis Obispo and City of San Luis Obispo Prefeasibility Study Findings

On July 14, 2015, the City of San Luis Obispo invited the County to participate in an inter-jurisdictional prefeasibility study for a CCA program within the County of San Luis Obispo. Each of the other six incorporated cities in the county were invited to participate; none chose to do so. The pre-feasibility study was offered at no cost and has been completed by Pilot Power Group using an analysis of regional energy use data from PG&E. The final report is provided as Attachment 6.

The pre-feasibility study assesses the likelihood that a new CCA in San Luis Obispo County would be able to maintain rate competitiveness and generate revenue in excess of program costs. The study includes three participation scenarios (County of San Luis Obispo only, City of San Luis Obispo only, and combined County and City

of San Luis Obispo). In all three participation scenarios, the study finds with high probability that a new CCA program would be able to cover its costs, generate net revenue, and maintain rate competitiveness.

In finding that conditions are favorable to create a CCA program in San Luis Obispo County, the pre-feasibility study findings are in contrast to the primary report authored by Willdan, but generally confirm the findings of the MRW peer review of the technical Feasibility Study on Community Choice Aggregation for the Central Coast. It is important to note, though, that given the *pro bono* nature of the prefeasibility study, and the associated limits on its scope, these findings should only be used to indicate success to be confirmed with further study, and are not sufficient on their own for deciding whether or not to create a new CCA.

Regional Jurisdiction Actions

Following the release of the Tri County Feasibility Study, many regional jurisdictions have identified next steps. Table 1 provides an overview of known actions. A tri-county area jurisdiction’s absence from Table 1 indicates that their current status is unknown. Of local note, the City of San Luis Obispo’s City Council held a special study session on CCA on December 5, 2017. At that session, the City Council voted to pursue the creation of a new CCA program in the tri-county area served by PG&E, an area of which includes San Luis Obispo County and northern Santa Barbara County.

Table 1 - Regional Jurisdiction CCA Action

Jurisdiction	Action
County of Santa Barbara	Working with a consultant to conduct additional assessment and pursue creation of a new CCA program
County of Ventura	Joining Los Angeles County Clean Energy (LACCE)
City of San Luis Obispo	Assessing feasibility and pursuing creation of new regional (San Luis Obispo County and northern Santa Barbara County) CCA program
City of Santa Barbara	Conducting additional assessment with County of Santa Barbara
City of Carpinteria	Conducting additional assessment with County of Santa Barbara
City of Goleta	Conducting additional assessment with County of Santa Barbara
City of Oxnard	Considering joining LACCE
City of Thousand Oaks	Joining LACCE
City of Ojai	Considering joining LACCE
City of Port Heuneme	Considering joining LACCE

Monterey Bay Community Power Opportunity

During preparation of the feasibility study, staff was informed that Monterey Bay Community Power (MBCP) will be accepting additional jurisdictions to participate in their CCA program. MBCP is an existing CCA and consists of the Counties of Monterey, Santa Cruz, and San Benito. MBCP has obtained all the financing and funding needed to operate and is projecting approximately \$39 million in net revenue in its first year of operation (2018, partial year), and approximately \$40-50 million in net revenue in its first full year of operation (2019). MBCP has stated that its

rates will be identical to PG&E rates with 3 percent savings issued annually or quarterly depending upon customer class. Should the Board wish to gather further information about joining MBCP, staff will meet with MBCP leadership to gather information about costs, benefits, and next steps.

Community Choice Aggregation Options

The attached studies, information in this staff report, and accompanying Board presentation completes work related to the Board's direction to return with information on Community Choice Aggregation. Staff requests direction on next steps. Staff has identified the following options:

- 1. Take no further action.** This direction would formally end the County's inquiry into CCA.
- 2. Further assess the opportunity to participate in the existing Monterey Bay Community Power Community Choice Aggregation Program.** This option would provide staff direction to continue engaging with Monterey Bay Community Power management and initiate conversations with the program's Policy Board members to address specific questions related to local economic benefit and economic development opportunities. The amount of staff resources and/or funding needed to pursue this option is not fully known at this time; however, staff could return to your Board with more information on this option.
- 3. Assess local collaborative opportunity to create a new CCA in San Luis Obispo and Northern Santa Barbara County.** This option would provide staff direction to coordinate with the City of San Luis Obispo and other regional jurisdictions on creating a new regional CCA. The amount of staff resources and/or funding needed to pursue this option is not fully known at this time; however, staff could return to your Board with more information on this option.

OTHER AGENCY INVOLVEMENT/IMPACT

Should the Board direct staff to cease work on CCA (Option 1), no outside agency involvement would be required. Should staff receive direction to further assess the MBCP opportunity (Option 2), staff would work closely with MBCP's staff and Policy Board to answer any questions the County of San Luis Obispo Board of Supervisors or Administrator's Office may have. Should staff receive direction to further assess a local CCA (Option 3), staff would work with the City of San Luis Obispo and other local agencies to answer any questions the County of San Luis Obispo Board of Supervisor's or Administrator's Office may have.

FINANCIAL CONSIDERATIONS

Due to efficient work, the County is receiving an approximately \$5,500 reimbursement for unspent funds on the tri-county feasibility effort. Should the Board direct staff to no longer pursue CCA (Option 1), no additional staff resources would be utilized for CCA. Should the Board direct staff to pursue Option 2 or 3, staff would return to your Board with more information about staff time and/or any funding that may be required.

RESULTS

Should the Board direct staff to no longer pursue CCA (Option 1), no additional staff resources would be utilized for CCA. Should the Board direct staff to further assess Options 2 or 3, staff would research the topics further and return to your Board with more information.

The options presented above are consistent with the County's goal of promoting livable and prosperous communities.

ATTACHMENTS

1. Attachment 1 – CCA BOS PowerPoint Presentation
2. Attachment 2 - Community Choice Feasibility Study Results Memo
3. Attachment 3 - Feasibility Study Cover Letter
4. Attachment 4 - Technical Feasibility Study on Community Choice Aggregation
5. Attachment 5 - Technical Feasibility Study on Community Choice Aggregation Appendices
6. Attachment 6 - Pilot Power San Luis Obispo County and City Prefeasibility Study