

**CITY OF SANTA PAULA
MEMORANDUM**

To: Honorable Mayor and Members of the City Council

From: Jonathan Royas, Management Analyst

Subject: SELECTION OF CLEAN POWER ALLIANCE (CPA) RATES

Date: June 7, 2023

Agenda Item: 11.A

RECOMMENDATION:

Staff recommends the City Council:

1. Discuss and provide direction to staff on the community's energy default rate product and authorize the City Manager to notify the CPA Board of such selection.
2. Discuss and provide direction to staff on the City's energy rate product selection for identified City accounts and authorize the City Manager to notify the CPA Board of such selection(s).

Presented By: Jonathan Royas, Management Analyst

BACKGROUND:

Community choice energy (CCE) programs, established under AB 117 (Migden, 2002), allow government agencies to buy and generate clean electricity for their residents and businesses by creating a partnership between the municipality and the existing utility provider.

The Clean Power Alliance (CPA) of Southern California is a nonprofit entity and a CCE program, formed through a Joint Powers Authority (JPA). CPA is the largest Community Choice Aggregator (CCA) in California, covering 32 agencies in Los Angeles and Ventura counties. As a member of the JPA, each member agency has a representative on the Board of Directors, of which the City of Santa Paula's representative, Councilmember Crosswhite, was selected by Council on February 1, 2023. The Board of Directors determines the programs, rates, and policies of the JPA with guidance from Clean Power Alliance staff.

Current CPA program offerings include: solar plus clean backup power for critical member agency facilities; rebates for publicly accessible electric vehicle chargers; demand response incentives for residential and commercial smart technologies; and community solar for customers in disadvantaged communities. While CPA handles all customer billing and administration for its members, each member's governing board determines its agency's default renewable energy tier relating to customer rates. CPA currently offers three energy tier options: Lean Power (which is 40 percent clean energy, similar to SCE's base product), Clean

Power (which is 50 percent clean energy), and 100 percent Green Power (100 percent renewable energy).

CPA purchases and sells clean power to customers, while Southern California Edison (SCE) is responsible for delivery, billing, and resolving any electricity service issues. CPA customers have the option to purchase up to 100% renewable carbon-free electricity – such as solar, wind, bioenergy, geothermal, and small hydroelectric – at competitive rates, which helps communities achieve their climate action goals and reduce greenhouse gas (GHG) emissions.

On June 1, 2022, the City Council received a presentation from staff and Ted Bardacke, Executive Director for Clean Power Alliance (CPA), in an effort to determine if the City of Santa Paula would be interested in joining the CPA. At that time, Council directed staff to further investigate the risks and impacts to the City and residents in joining the CPA and to determine a funding source for a required feasibility study to support the City's inclusion in CPA.

On August 3, 2022, after receiving a report from staff and the CPA, related to the potential risks and impact to the City, Council authorized staff to move forward with the feasibility study.

On November 2, 2022, Council adopted Ordinance No. 1324, authorizing the JPA for CPA and authorizing implementation of CCE.

ANALYSIS:

At this time, staff is requesting Council select a default energy product rate for Santa Paula customers and the City. The default rate is the rate Santa Paula customers would be automatically enrolled in when CPA service begins. To avoid automatic enrollment at the default rate, customers must choose a different CPA rate or decide to opt-out of CPA service altogether and purchase their electricity from Southern California Edison instead. Over the course of the remainder of 2023, CPA staff will work with City staff to educate the community about the impending change in their default electricity provider and make residents and businesses aware of their new options and the benefits of being a customer of CPA. It is anticipated service will begin in early 2024.

Default Product Rate Tier Selection

CPA currently has three rates which come with different levels of renewable energy content and at different price points. Over 99% of CPA's customers are served through CPA's residential and small/medium business rates. The rate comparison targets shown below illustrate the total bill differentials to SCE's rates as of March 1, 2023, in percentage and monthly dollars terms under the proposed rates.

Bill comparisons for residential and small business customers (more than 99% of CPA customers overall) will be similar to or slightly better than where they were when the CPA Board set rates a year ago. Specifically, 100% Green Power rates will be at a 3% premium to SCE rates, Clean Power will be at a 1% discount to SCE, and Lean Power will be at a 2% discount to SCE. Last year, 100% Green Power was at a 3% premium, Clean Power was at parity, and Lean Power was at a 1% discount to SCE. The Board is unlikely to adopt rates that would result in higher premiums, and may adopt rates that are lower.

Large commercial, pumping and agricultural, and streetlighting rates (“subset” rates, which apply to less 1% of CPA customers) will continue to be outside of these comparison ranges based on the cost of service for these accounts. However, the comparisons for these rate schedules have steadily improved. Based on the the CPA's Board recommended FY23/24 rate approach, most customers in these categories would see a 5-10% premium to SCE for 100% Green Power and a -1% discount to a 4% premium for Lean Power. Streetlighting continues to be an outlier, with premiums expected to range from 16% to 23%.

The two tables below demonstrate the average monthly bill impacts that typical residential and business customers can anticipate under the three default rate products.

Current 2023/2024 Average Customer Bill Comparison to SCE (% Discount or Premium)

Customer Class	Lean Power	Clean Power	100% Green Power
Residential	-2.0%	-1.0%	3.0%
Residential - CARE	-3.0%	-1.5%	-1.5%
Small/Medium Business	-2.0%	-1.0%	3.0%

CPA 2023/2024 Average Customer Bill Comparison to SCE (% Discount or Premium) assuming an SCE \$100 utility bill

Customer Class	Lean Power	Clean Power	100% Green Power
Residential	\$98	\$99	\$103
Residential - CARE	\$97	\$98.50	\$98.50
Small/Medium Business	\$98	\$99	\$103

Individual customers and the City both have the option of choosing lower clean energy content or opting out of the CPA program altogether and returning to paying SCE for both generation and delivery costs.

The percentages and monthly estimated dollar amounts above are examples of what the rates would look like based on the FY 23/24 rates CPA recently approved. The three options are explained below:

Option 1 - Should Council decide to select the CPA Lean Power option, rates for residents and City accounts would be on average 2.0% lower than SCE's current rates. The Lean Power option provides 40% carbon-free content and access to local programs. Lean power is the most affordable way to reliable, clean power.

Option 2 - Should Council decide to select the CPA Clean Power option, rates for residents and City accounts would be on average 1.0% lower than SCE's current rates. The Clean Power option supports building a cleaner future with 50% clean power (40% renewable content and 10% hydroelectricity) and receives competitively priced green energy.

Option 3 - Should Council decide to select the CPA Green Power option, rates for residents and City accounts would be on average 3.0% higher than SCE's current rates. This option would provide 100% renewable content from wind, solar and geothermal sources. One benefit to selecting this option is that all customers currently on SCE-CARE would not see a 3.0% rate increase and would receive 100% Green power at the Clean Power rate or -1.5% decrease to their monthly bills. All other customers, including the City's accounts, would see a roughly 3% increase in energy costs. This option would have fiscal impacts to the City which staff will elaborate on below based on our current energy usage.

The table below shows the current selections of Ventura County CPA agencies for reference:

Lean Power	Clean Power	100% Green Power
Simi Valley	Moorpark	Camarillo
		Ojai
		Thousand Oaks
		Ventura
		County of Ventura

City Energy Costs and Options to Opt-Out

As reported earlier, individual customers and the City both have the option of choosing lower clean energy content or opting out of the CPA program altogether and returning to paying SCE for both generation and delivery costs. An example of this opt out ability, and one the City would most likely take advantage of, would be the special street light rate the City currently receives from Southern California Edison (SCE). In staff's conversation's with CPA, and as evidenced in Exhibit A, CPA will not be able to match the special rate we receive from SCE for street lights, similar to those received by other municipalities in Ventura County. Should Council choose, the City would simply opt-out of those accounts which service City street lights resulting in no additional financial impact to the City beyond our current costs. The same holds true for additional variations of opting-out City accounts as evidenced in the Exhibit A tables.

It should be noted, the data obtained in Exhibit A was provided by CPA based on 2022 SCE data provided by staff. All numbers represented for future costs are estimates.

Table 1 - If the Council does not elect to opt-out of any of the CPA tiers and selects a respective energy option (Lean, Clean or 100% Green), the estimated effect to the budget for electricity costs for FY2023-2024 is as follows:

Lean - 1.7% increase or \$21,128 dollars in estimated costs across all funds
Clean - 3.0% increase or \$36,615 dollars in estimated costs across all funds
100% Green - 7.8% increase or \$95,413 in estimated costs across all funds

Table 2 - If the Council elects to opt-out the street lighting accounts only, the estimated effect to the budget for electricity costs for FY2023-2024 is as follows based on the selected energy option:

Lean - 1.6% increase or \$19,978 dollars in estimated costs across all funds
Clean - 2.9% increase or \$35,191 dollars in estimated costs across all funds
100% Green - 7.5% increase or \$92,846 in estimated costs across all funds

Table 3 - If the Council elects to opt-out the street lighting accounts and water pumping accounts, the estimated effect to the budget for electricity costs for FY2023-2024 is as follows based on the selected energy option:

Lean - 0.1% decrease or \$893 dollars saved in estimated costs across all funds
Clean - 0.1% increase or \$1,141 dollars in estimated costs across all funds
100% Green - 0.6% increase or \$7,833 in estimated costs across all funds

Reliability

Resource Adequacy (RA) is a program of the California Public Utilities Commission (CPUC) to ensure reliable electric service in California. This program requires Clean Power Alliance and other electricity providers to purchase enough power to meet customers' anticipated needs, plus reserves that can be called upon if they are needed in an emergency. Clean Power Alliance is required to meet the same resource adequacy and reliability standards as investor-owned utilities such as SCE.

In addition, CPA is also regulated by the California Independent System Operator (CAISO), one of the largest independent system operators in the world, delivering 300 million megawatt-hours of electricity each year and managing about 80% of California's electric flow. The California Legislature created the CAISO in 1998 as part of the state restructuring of electricity markets. The legislature was responding to Federal Energy Regulatory Commission (FERC) recommendations following the passage of the federal Energy Policy Act of 1992, which removed barriers to competition in the wholesale generation of electricity business. FERC regulates the CAISO because interstate transmission lines fall under the jurisdiction of federal commerce laws.

Lower Risk

The JPA format relieves the member agencies from any liability to their general funds. The Board of Directors determines the programs, rates, and policies of the JPA with guidance from Clean Power Alliance staff. CPA handles all customer billing and administration for its members though each member's governing board determines its agency's default renewable energy rates.

Next Steps

Once City Council selects the community's product rate, City staff will notify CPA. As part of this process, CPA will follow CPA Board Policy, which is to notify residential and commercial customers of the City's change in utility provider and customer options to opt down or opt out of CPA. CPA will work with City staff to develop and disseminate the two required customer notices regarding the City's default rate selection and engage in other community outreach efforts to inform customers of their choices. The majority of outreach to the community and customers will be done by Clean Power Alliance itself with a goal of opting in all customers citywide in 2024.

It should be noted, the City Council has the option to re-evaluate the default product rate on a yearly basis for Santa Paula customers.

STRATEGIC PLAN:

This item is not a goal or objective in City Council's two-year Strategic Plan, however, it does support Section F. Community Vitality, with a goal of providing the residents of Santa Paula with sustainable resources and programs to make this a great place to live and grow.

FISCAL IMPACTS:

The budget impact will depend upon the default rate selected by the City Council as demonstrated in this report. Staff will then take Council's selection into account during the budget process for FY2023/2024 and FY 2024/2025. Just as residents may opt out, the City may also choose to opt out accounts.

Based on the data presented, on the high end, the selection of 100% Green Energy across all City accounts would cause an estimated 7.8% increase or \$95,413 in estimated costs across all funds. Conversely, opting out some of our accounts could result in a small savings across all funds.

OPTIONS:

City Council has the following option available:

1. Direct staff to perform additional research and return to Council.

ATTACHMENTS:

[Exhibit A - City of Santa Paula Estimated Electricity Costs.pdf](#)