To: Honorable Mayor and Members of the City Council  
From: Jonathan Royas, Management Analyst  
Subject: CONSIDERATION OF COMMUNITY CHOICE AGGREGATION (CCA) ENERGY OPTIONS THROUGH CLEAN POWER ALLIANCE (CPA)  
Date: June 1, 2022  
Agenda Item: 11.A 

RECOMMENDATION: 
1. Discuss and provide staff direction regarding one or more Community Choice Aggregation (CCA) options. 

Presented by: Jonathan Royas, Management Analyst 

BACKGROUND: 
In 2018, City Council considered whether the City of Santa Paula should join California Choice Energy Authority (CalChoice) or the Los Angeles Community Choice Energy for Community Choice Aggregation (CCA) energy operations. After considering both options, City Council introduced Ordinance 1277 authorizing the implementation of a CCA program through CalChoice. 

CCA Program 
CCA operations were made possible in California in 2002 with the passing of AB117 (Migden). CCA provides public agencies, such as the City, the opportunity to procure their own energy for their customers—the residents and businesses in their jurisdiction. CCA can purchase power and sell it to its customers, utilizing the infrastructure (poles and wires) of the existing Investor-owned Utility (IOU). In Santa Paula, the IOU is Southern California Edison (SCE). This results in customer bills that include both the IOU’s delivery costs and the CCA’s energy (“generation”) costs. The IOU would typically continue to provide customer billing with a description of the CCA’s charges included. 

One of the biggest benefits a CCA offers is the ability to control the energy portfolio. This has been used most commonly to increase the percentage of renewable energy in the portfolio compared to that currently offered by the IOUs. Another important feature of a CCA is that once a public agency chooses to form or join a CCA, every customer within the agency’s jurisdiction is automatically enrolled into the program. The agency sets a default initial renewable energy level for both its municipal accounts and all other community accounts. Customers then have the option of opting out of the CCA entirely and going back to their
original IOU for energy. Customers also have the option of changing their individual renewable energy level or remaining at the original default level set by the jurisdiction. The public agency also has the option of changing its citywide default renewable energy level if necessary.

In almost all situations, cities looking to reduce greenhouse gas emissions or implement a Carbon Neutral Plan join a CCA to help bolster their efforts. Currently, Ventura County cities such as Ojai, Camarillo, Oxnard, Ventura, Thousand Oaks, Simi Valley and Moorpark are all part of a CCA in an attempt to lower their carbon footprint.

City of Santa Paula Former Implementation Plan

As noted above, in 2018, Council took steps to move Santa Paula forward in joining a CCA through CalChoice. On February 28, 2019, the California Public Utilities Commission’s Energy Division (Energy Division) reviewed the City of Santa Paula’s (City) Implementation Plan and Statement of Intent and approved the plan to begin CCA service effective May 2020. While the Plan indicated a target launch date of May 2020, the Plan also included language that stated the City may consider other phase-in options based on market conditions, statutory requirements and regulatory considerations as well as other factors potentially affecting the integration of additional customer accounts. As a result, due to fluctuations in market conditions and the COVID-19 pandemic, the City postponed the launch date twice, once in April 2019 and again in April 2020.

On March 17, 2021, staff revisited our Implementation Plan launch consistent with the March 30, 2021 deadline for a 2022 launch however, several factors raised concerns in staff moving forward at that time due to the following:

- effects of the coronavirus pandemic and other market fluctuations in the energy sector;
- potential for resident and commercial energy rate increases which would be much higher than established Southern California Edison rates at the time;
- inability to garner additional larger energy partners due to our small population size

As a result, Council authorized staff to move forward with steps to decertify the City from joining a CCA.

ANALYSIS:

Over a year later since the decertification process with CalChoice in March 2021, Clean Power Alliance (CPA), an alternative CCA and the largest in California, reached out to staff to join their Joint Powers Authority (JPA).

Potential CCA Options Available

Should Council wish to consider joining a CCA again, three CCA options are detailed below. Additionally, Council could decide that it is still not prudent to join a CCA at this time and continue to utilize Southern California Edison as our energy provider.

1. Form our own standalone CCA;
2. Join CalChoice, a hybrid CCA model affiliated with Lancaster Choice Energy; or
Standalone Santa Paula CCA

There would be significant administrative and financial burdens associated with formation of a new CCA. Though all the revenue of the CCA would go directly to the City of Santa Paula in this scenario, so would all potential risk. Though most likely operated by contractors and consultants, City staff would be required to oversee these operations and interface between Council and the CCA. This would require additional, specialized City staff to administer the program.

CalChoice

This option was the previous path Council and staff took in 2018 before we decertified from this process in 2021. CalChoice provides a hybrid CCA option in which the City would technically have our own CCA, but it would be overseen administratively by Lancaster Choice Energy. CalChoice has a team of consultants that handles administration and energy procurement for its members, and each member pays a fee for these services. The City would have minor voting power to control rate-setting, branding, billing and programs due to the size of Santa Paula and our energy consumption needs in totality. In fact, in March 2021, CalChoice personnel indicated over ongoing discussions that Santa Paula would likely not be a viable member for CalChoice due to our small size and CalChoice encouraged us to partner with another larger agency to make the move to CCA economically feasible. The City was unable to garner interest from other unserved communities, thereby negating most of the value associated with this option.

Clean Power Alliance (CPA)

CPA is the largest CCA in California, covering 32 agencies in Los Angeles and Ventura counties. CPA is a JPA and each member agency has a representative on the Board of Directors. 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 the 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. CPA handles all customer billing and administration for its members though each member’s governing board determines its agency’s default renewable energy rates. CPA currently offers three energy options: Lean Power (40 percent clean energy, similar to SCE’s base product), Clean Power (50 percent clean energy), and 100 percent Green Power (100 percent renewable energy).

Risks Associated with a CCA

The most likely risk associated with CCA is based on the potential for errors made in forecasting energy needs and costs. If Santa Paula had its own CCA with its own unique energy needs, forecasting and purchasing supplies would be critically important. In the CCA model, there is no real threat of outages due to underestimating energy loads, but there could be exorbitant costs associated with procuring energy in real-time in the event of an unexpected shortfall. Because the CCA would be connected to the General Fund, any potential shortfalls experienced in the standalone CCA model could impact the City’s overall budget.
Clean Power Alliance’s combination of low-risk with cooperative local control has made it a popular option among local agencies, including Ventura County cities such as Ojai, Camarillo, Oxnard, Ventura, Thousand Oaks, Simi Valley and Moorpark.

Individual customers have the option of choosing lower clean energy content or opting out of the program altogether and returning to paying SCE for both generation and delivery costs. From 2018 through 2020, Clean Power Alliance’s rates were 1-2 percent less expensive than SCE’s for Lean Power, at parity with SCE for Clean Power, and 7-9 percent more expensive for 100 percent Green Power. In 2021, the Lean Power and Clean Power rates became more expensive than SCE due to an increase in the Power Charge Indifference Adjustment (PCIA) (commonly referred to as the “exit fee”) and market conditions that forced CPA to purchase system power at historically high prices. The 100 percent Green Power rate remained around the nine percent premium as falling prices for renewable energy offset the rise in system power prices. Clean Power Alliance expects that in March 2022 all three Clean Power Alliance rate products will be less expensive than SCE if the PCIA goes down and SCE generation rates go up. The Clean Power Alliance Board conducts an annual rate setting process in June, at which time the rate comparisons will likely return to levels similar to the 2018-2020 period for Lean and Clean, with a 3-4 percent premium for 100 percent Green.

Possible Next Steps

Tonight, Ted Bardacke, Executive Director for CPA, will make a presentation to Council on the CPA to assist Council in determining whether to pursue a CCA option with CPA. Should Council wish to pursue joining CPA, a $10,000 one-time cost would be required to develop a feasibility study that would assess the City’s current and projected power needs and help determine what additional resources Clean Power Alliance would need to secure to accommodate Santa Paula customers.

Lastly, should this feasibility study support the City’s inclusion in the Clean Power Alliance, Clean Power Alliance would then discuss with the City its next steps. These would include the City Council officially declaring its interest in joining Clean Power Alliance in late 2022, adopting an ordinance to join the JPA, and then developing an outreach plan. The majority of outreach to the community and customers would be done by Clean Power Alliance itself with a goal of opting in all customers citywide in 2024.

Additionally, staff has attached as Exhibit A, a draft CPA Membership Application Letter which outlines potential next steps.

STRATEGIC PLAN:

This agenda item does not directly address the strategic goals within the City’s two-year adopted Strategic Plan.

FISCAL IMPACTS:

A $10,000, one-time cost, would be required to develop a feasibility study. Should Council direct staff to proceed in moving forward with these efforts, staff will return at a later time with a budget expenditure and revenue adjustment from the General Fund to cover this cost.
OPTIONS:

1. Direct staff to research forming our own standalone CCA;
2. Direct staff to pursue alternative energy options with CalChoice;
3. Direct staff not to pursue moving forward with a CCA at this time.

ATTACHMENTS:

CPA Draft.pdf
CPA Presentation - City of Santa Paula City Council 2022-06-01.pdf