



CITY OF SANTA BARBARA
NEIGHBORHOOD ADVISORY COUNCIL AGENDA REPORT

AGENDA DATE: July 8, 2019

TO: Neighborhood Advisory Council

FROM: Matt Fore, Senior Assistant to the City Administrator

SUBJECT: City's Efforts to Evaluate Community Choice Energy in all or part of Santa Barbara County

RECOMMENDATION:

That the Neighborhood Advisory Council receive a presentation on the City's efforts to evaluate the feasibility of establishing Community Choice Energy in all or part of Santa Barbara County.

DISCUSSION:

Community Choice Aggregation, also known as Community Choice Energy (CCE), enables local governments to directly purchase energy or to generate power and to set the rates charged to customers. While a CCE would procure energy, the existing investor-owned utility (IOU) in our region, either Southern California Edison (SCE) or Pacific Gas and Electric (PG&E), would continue to deliver the electricity purchased by the CCE over the IOU's power lines. The IOUs would also provide metering, billing, and other related services.

In spring of 2018, the City of Santa Barbara, along with the County of Santa Barbara and the cities of Goleta and Carpinteria, commissioned Pacific Energy Advisors (PEA) to study the feasibility of establishing community choice energy (CCE) in all or part of Santa Barbara County. The study found that a countywide CCE entity offered the greatest potential to offer greater greenhouse gas-free energy while yielding customer rates that were competitive with the investor-owned utilities, Southern California Edison (SCE) and Pacific Gas and Electric (PG&E).

Shortly thereafter, uncertainty related to customer participation, regulatory oversight, and energy pricing emerged, which had the potential to alter the findings and conclusions of the May 2018 study. Therefore, the participating jurisdictions requested that PEA update the financial pro forma to account for: 1) lack of North County participation; 2) a new regulatory methodology for calculating and applying "departing load charges" that are

assessed to CCEs when they withdraw from an existing IOU service area; 3) wholesale energy prices; and, 4) accelerated State renewable and greenhouse gas-free electricity mandates.

PEA's report titled, *Community Choice Aggregation Technical Study Update*, evaluates the feasibility of establishing CCE in the unincorporated county and among the Cities of Goleta and Carpinteria¹. Under the scenario contemplated, the CCE would procure renewable energy content that was consistent with state law (50% renewable in 2020 increasing to 60% renewable by 2030), but would exceed SCE in the percentage of greenhouse gas-free energy procured.

The Study finds that under a scenario in which customer rates are set to be at parity with the investor-owned utilities, operating margins would turn positive in year three (2023), but would fail to meet industry-standard reserve targets. These smaller reserves would provide less financial security against unexpected variability in costs and revenues.

To mitigate this financial risk, PEA estimates that a customer rate increase of approximately 1.5% would fully recover costs and meet reserve targets. The Study also finds that a CCE serving only residential customers would result in a stronger pro forma with positive operating margin in year one and improved accumulation of reserves.

Besides the countywide study, the City of Santa Barbara separately commissioned PEA to conduct a similar study on the feasibility of a City-Only CCE model. This study, which will be publicly available shortly, evaluated a number of energy supply scenarios.

Staff is discussing the results and findings of these studies with the Community Choice Energy Ad-Hoc Council Committee; specifically, the risks, benefits, and opportunities associated with these options, their nexus and alignment to the forthcoming Strategic Energy Plan, and the potential to achieve broader City goals, including Council's 100 percent renewable energy goal and energy resiliency. CCE will be brought, along with the Strategic Energy Plan, to the full City Council in late July.

Timing of CCE Formation

There is a timing element associated with the formation of CCE. Based upon a recent ruling by the California Public Utilities Commission, a new CCE must file an implementation plan by December 31 in order to commence delivery of electricity in the next eligible service year. For example, to commence service in January 2021, the City would have to file an implementation plan by December 31, 2019. Similarly, should Council opt to join an existing CCE, an amended implementation plan would have to be filed by December 31, 2019.

¹ The Study is also available electronically at: <https://tinyurl.com/y45mvo8r>