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# CITY OF POMONA COUNCIL REPORT

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April 1, 2019

To: Honorable Mayor and Members of the City Council

From: Linda Lowry, City Manager

Submitted By: Darron Poulsen, Water Resources Director

**SUBJECT: ADOPT RESOLUTION NO. 2019-37 TO APPROVE MEMBERSHIP IN THE CALIFORNIA CHOICE ENERGY AUTHORITY, AGREEMENTS WITH SOUTHERN CALIFORNIA EDISON AND RIVER CITY BANK, AND, A \$100,000 INITIAL BOND PAYMENT TO THE CALIFORNIA PUBLIC UTILITIES COMMISSION**

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## **RECOMMENDATION:**

It is recommended that the City Council adopt the following resolution:

**RESOLUTION NO. 2019-37 – A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF POMONA, CALIFORNIA, TO APPROVE MEMBERSHIP IN THE CALIFORNIA CHOICE ENERGY AUTHORITY, AGREEMENTS WITH SOUTHERN CALIFORNIA EDISON AND RIVER CITY BANK; AND A BOND PAYMENT TO THE CALIFORNIA PUBLIC UTILITIES COMMISSION**

## **EXECUTIVE SUMMARY:**

On February 28, 2019, the Pomona Community Choice Aggregation Program Implementation Plan (“Plan”) and Statement of Intent was approved by the California Public Utilities Commission (CPUC). This is the next step in the process to establish a City community choice aggregate (CCA). These steps include, joining the California Choice Energy Authority (Authority) for operational and administrative support; approve agreements with River City Bank authorizing them to act as the City’s CCA collateral agent for administration of collecting and allocating funds received; approve the payment (bond) of the Pomona CCA to the CPUC; and approve a SCE Service Agreement. All said agreements are part of the attached resolution, Attachment No. 1 – Resolution No. 2019-37.

## **FISCAL IMPACT:**

To implement the City CCA, the estimated initial 2019-2020 start-up costs is \$701,000, with \$260,000 being spent in FY2018-19, and the remainder balance of approximately \$400,000 being spent in FY2019-2020. Funds will be borrowed from the Water Fund to cover cash flow shortages in years 1 and 3, which is estimated to be ~\$400,000, and is fully repaid with interest in years 2 and 4.

After implementation, City residents and businesses will save over a 10 year term approximately \$14.89 million; additionally, the City will generate over \$20.5 million, which can be used to fund, among other things, City projects relating to water and energy conservation, and other environmental projects.

The CPUC Bond requirement of \$100,000 will be funded in FY 2018-2019. Funds will be borrowed from the Water Fund (Account No. 571-8122-52285-51331). The bond amount given is the current CPUC provided amount and is expected to increase to \$147,000 upon final implementation.

#### **PREVIOUS RELATED ACTION:**

On March 4, 2019, the City Council Adopted Ordinance No. 4256 to establish a CCA.

On February 25, 2019, the City Council awarded an agreement with Authority in the amount not to exceed \$160,000 to provide CCA implementation.

On October 15, 2018, the City Council Adopted Resolution 2018-147 approving the CCA Plan and Statement of Intent as required by Public Utilities Code and directed staff to submit the Plan to the CPUC for review and certification.

On April 23, 2018, City Council approved an agreement with Authority in the amount of \$63,000 for the preparation of the CCA Feasibility Study and Plan.

On February 5, 2018, City Council directed staff to execute a professional services agreement with Authority to perform an initial pro-forma, and prepare a Plan, Ordinance, and Statement of Intent to be submitted before December 31, 2018, to CPUC.

On December 18, 2017, City Council voted not to join the Los Angeles Community Choice Energy Authority. On December 4, 2017, City Council directed Staff to bring back more information on the Los Angeles Community Choice Energy Authority.

#### **DISCUSSION:**

##### CCA Implementation

As the timeline above indicates, the City has been working towards establishing a CCA since early 2018. The CCA will allow the City to purchase power on the open market for the City's SCE customers, and in so doing will reduce rates to customers. Having obtained approval by the CPUC to establish a CCA, staff is seeking approval to join the Authority, to enter agreements with SCE, River City Bank, and approval to provide a payment (bond) to the CPUC.

The Authority is a joint powers authority consisting of agencies operating CCA programs in California. The Authority is unique in that each CCA maintains its autonomy in energy supply rate setting, program branding, selection of energy sources, and control of revenues generated based on the source of power purchased. The Authority provides the opportunity for members to share administrative, regulatory, and procurement activities thereby maximizing efficiencies for members. Current members include Lancaster (Lancaster Choice Energy), San Jacinto (San Jacinto Power), Pico Rivera (Pico Rivera Innovative Municipal Energy), Rancho Mirage (Rancho Mirage Energy Authority) and Apple Valley (Apple Valley Choice Energy). Cities considering joining the Authority include Baldwin Park, Commerce, Pomona, Hanford and Santa Paula. Members maintain all control of decision making for their respective CCA programs, including revenue control, rate setting, policy decision making and program development. Authority bylaws require a prospective member to adopt a resolution authorizing entry into a joint exercise of powers agreement. The attached resolution meets the requirements to join Authority.

#### Resolution and Associated Agreements

There are several agreements attached to the Resolution 2019-37. Below is a brief description of these agreements.

The Administrative Service Agreement is the guiding document that establishes the working relationship between the City and Authority. Fees for services are estimates and do not begin to be accrued until the Pomona CCA is operational. Estimates were based on the City being the 6th agency to join Authority, however, there are five additional agencies considering joining, which will lower the operational costs as a portion of the fees are shared. Updated estimates will be provided prior to the 2020 commencement date.

The Security Agreement, Intercreditor and Collateral Agency Agreement, and the Account Control Agreement provide that the revenues generated by the CCA are deposited into a separate bank account, the “Lockbox”; funds collected are pledged for energy purchases, and establishes River City Bank as the collateral agent and will be administering, collecting and allocating funds received.

Included within the attached resolution is an agreement with SCE. Services to be provided include meter reading, billing and collection services. The terms and conditions of these services are approved for use by the CPUC.

CPUC Resolution E-4907 requires a prospective CCA program submit a bond to cover expenses should City decide to revert to the preexisting service SCE provides. Currently set at an interim amount of \$100,000, it is anticipated the bond amount will increase to \$147,000 once the final calculations are completed by the CPUC in the summer of 2019. Once the final calculations are completed, City will be required to make payment to the CPUC for any difference in the bond amount.

#### Next Steps

If approved, City staff will submit the resolution and the associated documents and bond to the CPUC. To be started this month is the call center set-up and SCE testing. Starting in spring of 2020 public outreach will commence with an anticipated CCA start date in fall 2020.

Prepared by:

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Julie Carver  
Environmental Programs Supervisor

**ATTACHMENT:**

Attachment No. 1 – Resolution No. 2019-37 with Exhibits A-H