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# CITY OF POMONA COUNCIL REPORT

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February 5, 2018

To: Honorable Mayor and Members of the City Council

From: Linda Lowry, City Manager

Submitted by: Darron Poulsen, Water Resources Director

Subject: **Presentation, Discussion, and Direction on California Choice Energy Authority (CCEA) Program As An Alternate Electric Service Option to Southern California Edison**

## OVERVIEW

**Recommendation** – That the City Council:

1. Receive and file a Presentation on the California Choice Energy Authority (CCEA) Program; and
2. Provide direction on whether to move forward to perform an initial feasibility study.

**Fiscal Impact** – The CCEA Program has the potential to provide cost savings to residents, businesses, and city facilities by providing lower utility rates. If City Council opts to further evaluate the program, prior to moving forward, an initial feasibility study would be completed by the City. The study would highlight the financial benefits of the program and probable costs to serve the City's residents. The study generally takes 9-12 months to complete. If City Council gives direction to move forward with the feasibility study, staff will engage in a request for proposal process to hire a firm to conduct the study. It is estimated that the approximate cost to complete the technical study and financial proforma is \$63,000. Once staff has selected a firm to conduct the study, negotiated the cost of the study, and identified a funding source, staff will return to Council for approval.

**Previous Related Action** – On December 4, 2017, the City Council directed Staff to continue the Los Angeles Community Choice Energy (LACCE) Program discussion to a future City Council meeting and bring forth an ordinance.

On December 18, 2017, the City Council voted to not move forward with the Los Angeles Community Choice Energy (LACCE) Program, and directed Staff to continue researching Community Choice Aggregation programs.

## **EXECUTIVE SUMMARY**

At the direction of the City Council, Staff reached out to surrounding cities participating in Community Choice Aggregation (CCA) program. The California Choice Energy Authority (CCEA) calls its program a hybrid Joint Powers Agreement (JPA) model with its governance structure being a little different from the full JPA structure found in the Los Angeles Community Choice Energy Program presented in December 2017 (Attachment 1). Furthermore, participation in a CCA is in line with the City's Green Plan. Staff recommends, in order for City Council to make a decision, a complete technical study and financial proforma be conducted to determine if this is the in the best interest of the City to participate in a CCA.

## **DISCUSSION**

The CCA Program is authorized in California under Assembly Bill 117 (2002) and Senate Bill 790 (2011) which allow local governments to purchase electricity directly, in the wholesale power market, for the purpose of selling it to its residents and businesses. The program provides Cities an alternative to purchasing electricity provided by an investor owned utility (IOU) such as Southern California Edison (SCE). The CCA Program does not act as a municipal utility, as the current IOU, SCE, will continue to provide transmission and distribution, power line maintenance, and customer billing services.

### *California Choice Energy Authority (CCEA)*

CCEA currently serves the cities of Lancaster, San Jacinto, and Pico Rivera. Lancaster was the first city in California to create a stand-alone CCA in 2015, and the first in SCE's service area. Today, Lancaster provides electric services to nearly 95% of its residents through its own utility service, Lancaster Choice Energy (LCE). The utility has entered into long-term buying agreements with local and regional solar and wind companies. In its first program year, LCE reports their customers saved one million dollars, and estimates double the savings at the close of 2017.

CCEA's JPA model is a hybrid approach. In traditional JPA structure, a separate Board of Directors would make decisions based on votes from other agencies. The member agencies of the hybrid JPA share risks and costs on issues of common benefits, yet maintain control over program. The model gives member agencies control over certain decisions, such as rate setting, renewable energy portfolio, full program control, and revenue control, unlike the other JPA models. The City Councils of each CCEA makes the decisions for their city customers.

The CCEA is governed by the Lancaster City Council, with each City joining as an associate member of the JPA. Associate membership means each city that joins does not receive a seat on the CCEA board. The City Council of each city would set rates, and purchase the energy through a consultant. The consultant is paid through the rates, and the remainder of the revenue would stay with the City. The City would be able to use the additional revenue for programs that would be set aside for Pomona customers. Staff will not know the direct impact of the City's participation until the technical study is completed. If City Council approves this action, Staff will bring back to City Council the results of the study with appropriate recommendations for Council consideration.

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Attachment: Council Reports from December 4<sup>th</sup> and 18<sup>th</sup> on LACCE

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