



CITY OF POMONA COUNCIL REPORT

October 15, 2018

To: Honorable Mayor and Members of the City Council

From: Linda Lowry, City Manager

Submitted by: Darron Poulsen, Water Resources Director

Subject: **Adoption of two Resolutions: 1) Approve the Implementation Plan and Statement of Intent Required By Public Utilities Code Section 366.2 (c)(3) to Establish a Community Choice Aggregation Program; and, 2) Amend the FY 2018-2019 General Fund Operating Budget by Appropriating \$47,250 from General Fund Reserve Balance to Account Number 101-0101-52285-51331**

OVERVIEW

Recommendation – That the City Council:

1. Adopt a Resolution amending the FY 2018-2019 General Fund Operating Budget by appropriating \$47,250 from General Fund Reserve Balance to Account Number 101-0101-52285-51331;
2. Adopt a Resolution to Approve the Implementation Plan and Statement of Intent required by Public Utilities Code Section 366.2 (c)(3); and
3. Authorize the City Manager to execute said Agreements and any related documents, subject to review by the City Attorney.

Fiscal Impact – A ten-year technical study was performed utilizing current energy market conditions, and Southern California Edison's (SCE) current rates, a City CCA program would capture sufficient savings to cover operating expenses and reserves, and generate a source of revenue that could be used to promote water and energy conservation, or any other environmental programs. The approved cost of the study was \$63,000 (see Previous Related Action below), and staff is requesting to amend the FY 2018-2019 General Fund Operating Budget by appropriating \$47,250 of General Fund Reserves because the study was not finished in the last fiscal year and needs to be re-appropriated in FY 2018-2019. The remaining \$15,750 is being covered by the Water Fund, as with a CCA program this fund will see a reduction in the cost of power to operate the water system.

Attachment 1 of this Agenda Report is a technical study of the proposed City CCA program and it includes a ten-year financial forecast. To implement this program in FY 2019-2020, the estimated start-up costs will be \$701,000. To fund projected cash flow shortages in years 1 and 3, it is anticipated that an interfund loan from the Water fund will be necessary to fund the start-up cost, which will be fully repaid with an interest rate of 2 percent in years 2 and 4.

After implementation, City residents will save over a 10 year term \$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.

Shown below are the estimated expenses to initiate the program. Additionally, a comprehensive table of the expenses and revenues is shown in Attachment 1.

Category	Services	Amount
Technical	Call Center Setup/SCE Testing	\$160,000
Public Outreach	CPUC Required Outreach to Customers	\$ 90,000
CASIO Fee	Required Registration	\$ 1,000
CPUC Bond	Required bonding if City decides to terminate Program	\$150,000
Cash Flow Reserve	Required reserve	\$300,000
Total		\$701,000

Previous Related Action – On February 5, 2018, City Council directed staff to execute a Professional Services Agreement with CCEA to perform an initial pro-forma, and prepare Implementation Plan, Ordinance, and Statement of Intent to be submitted before December 31, 2018 to CPUC. Council also authorized the cost of the Feasibility Study (\$63,000) to be paid from the Water Fund (\$15,750) and General Fund reserves (\$47,250.).

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.

EXECUTIVE SUMMARY

On February 5, 2018, City Council authorized and directed Staff to execute a Professional Services Agreement with California Choice Energy Authority (CCEA) to prepare a technical study of a proposed City of Pomona Community Choice Aggregation (CCA) Program and Implementation Plan. City Council directed staff to bring forth the recommendations from the technical study when completed. The approved cost of the study was \$63,000 and staff is requesting to amend the FY 2018-2019 General Fund Operating Budget by appropriating \$47,250 of General Fund Reserves. The remaining \$15,750 is being covered by the Water Fund as with a CCA program this fund will see a reduction in the cost of power to operate the water system.

DISCUSSION

California Choice Energy Authority is Joint Powers Authority of agencies operating community choice aggregation programs (CCA) in California. CCEA is unique in that each CCA maintains its autonomy in energy supply rate setting, program branding, use of renewable energy supplies, and control over revenues generated by the inherent savings in the cost of power procurement purchased. The CCA provides the opportunity for participants to share administrative, regulatory, and procurement activities to minimize costs and maximize efficiencies. Current members include Lancaster (Lancaster Choice Energy), San Jacinto (San Jacinto Power), Pico Rivera (Pico Rivera Innovative Municipal Energy), and Rancho Mirage (Rancho Mirage Energy Authority). Services

provided by CCEA are outsourced to consultants that have expertise in CCA operations.

The Council requested technical study was completed in September 2018 utilizing current city customer electricity usage information from Southern California Edison (SCE) and current power market conditions. The study concluded that Pomona can establish a CCA Program that meets the goals of:

- Local control of energy procurement and energy supply rate setting;
- Creating a revenue stream that could support the City's climate action plan goals and energy efficiency programs that meet the priorities as established by City Council;
- Sufficient revenues to cover costs and establish reserves; and
- Provide a rate savings to residents and businesses within the City.

The California Public Utilities Commission (CPUC) has established a very specific timeline for CCA implementations, in order to have the option to launch and operate a CCA in 2020, The City must submit an Implementation Plan by December 31, 2018. To effectuate this, staff is seeking Council approval of the attached.

Implementation Plan and Statement of Intent

Assembly Bill 117 provides the authorization for a city or county to pool its electricity load and supply that power to its community. One of the required steps for establishing a CCA program is to adopt an Ordinance setting the intent to establish a CCA, and to approve and Implementation Plan and Statement of Intent. There are very clear requirements established by the California Public Utilities Commission (CPUC) on what is to be included in the Implementation Plan (Plan). These plans are meant to lay out the general operating principles and goals for the CCA. Once adopted, the Plan is submitted to the CPUC for certification and they have 90 days to take action on the item.

The attached Plan has been developed to meet all the requirements while still giving flexibility to the City to develop a program that meets the needs of its community. The adoption does not commit the City to operating a CCA; it only allows the City to implement the program if Council chooses to do so at a later date.

Staff recommends that City Council approve the attached resolution allowing the establishment of a CCA Program. If approved by the CPUC staff will bring an ordinance to Council in early 2019 for its consideration.

Attachments: 1. CCA Technical Study: Summary of Results
2. Resolution for Implementation Plan
3. Resolution for Budget Amendment
4. CCA Implementation Plan and Statement of Intent

Prepared by: Julie Carver, Environmental Programs Supervisor