

Date: June 30, 2020

To: Thomas B. Modica, City Manager



From: Robert Dowell, Director, Energy Resources
Christopher J. Garner, General Manager, Long Beach Water Department



For: Mayor and Members of the City Council

Subject: **Long Beach Community Choice Aggregation Feasibility Study Update**

On August 7, 2020, staff transmitted a report to the City Council that evaluated the feasibility of the City of Long Beach (City) forming a Community Choice Aggregation (CCA) entity whereby the City would assume the responsibility of being the default buyer of the electricity commodity for residents and businesses in Long Beach. In that meeting, at the recommendation of staff, the City Council deferred a decision on whether to participate in a CCA for one year or possibly sooner and directed the City Manager to perform several follow-up tasks.

The follow-up tasks included: (1) performing a study that analyzes CCA governance options; (2) monitoring CCAs within current and emerging energy markets and related regulations and report back to the City Council no later than August 2021; (3) continuing work in partnership with Southern California Edison (SCE) on improving awareness of existing and emerging programs focusing on increased energy efficiency and greater utilization of renewable energy sources; and, (4) undertaking community outreach regarding the CCA concept along with potential risks and benefits to customers. Staff will present its full report to the City Council on or about August 2021. This memorandum presents a brief status update on the follow-up tasks listed here.

Governance Options Study

Staff have continued to engage MRW & Associates (who completed the original City CCA Feasibility Study in November 2019) to conduct a study to analyze CCA governance options available to the City and prepare a Governance Options Report (Report). The City Council outlined the following CCA governance options for evaluation:

- (1) A stand-alone enterprise, where the City is the sole government agency responsible for the CCA's creation and operation;
- (2) Joining the Clean Power Alliance (CPA), the CCA serving unincorporated Los Angeles and Ventura Counties along with many municipalities within those counties; or,
- (3) Creating a new Joint Powers Authority (JPA), where multiple agencies share oversight responsibilities for the new agency.

MRW & Associates is actively working with City staff on the report. The Report provides a detailed analysis that examines benefits and risks related to each governance option, a comparison between governance options, and an in-depth overview of the financial issues associated with each governance option. The Report further presents detailed start-up schedules and milestones per the California Public Utility Commission (CPUC) requirements and recommended start-up schedules. A final Report from MRW & Associates is anticipated to be completed in July 2021.

Ultimately, the Report will provide a data driven recommendation for a CCA governance structure for the City based on the latest information available. It is important to note that while this Report will recommend a governance structure that is best for the City, both City staff and MRW continue to recommend that the City not form a CCA at this time and, more information be provided to examine specific risks of CCA formation and launch during certain future time frames.

Monitoring CCA and Energy Market Performance and Related Regulation

Staff continues to actively track the status of regional CCA formation and commodity rate performance and will present general comparative analysis of Southern California CCAs in its August 2021 report to the City Council. However, given the City's specific consideration for Clean Power Alliance (CPA), the primary CCA that serves much of Los Angeles and Ventura counties, staff has particularly focused on its performance and commodity rates.

For example, in August 2020, City staff cautioned any commitment due to foreseeable risks including the declining margin of customer cost savings projected for a CCA in comparison with status quo commodity rates available from Southern California Edison (SCE) for comparable renewable power content.

At the August 2020 City Council meeting, the commodity rate comparison showed that the expected customer rate savings with CPA, at that time, was roughly a 1 to 2 percent savings compared with SCE for the base commodity rates that most Long Beach residents paid. At that same time, going with CPA's 100 percent renewable option would have cost Long Beach residents a commodity premium of roughly 8 percent when compared with those same SCE base commodity rates.

Since that time, the commodity rate savings margin has not only declined, but has largely disappeared. In fact, CPA's residential customers are now all paying higher monthly electric bills compared with SCE's rates for comparable renewable power content. If the City were today an active member of CPA, all typical Long Beach residents would be paying 2 to 10 percent higher electric commodity rates in their monthly electric bills than they would as customers of SCE, depending upon the level of renewable power content selected. Similarly, Long Beach's typical qualified low-income residential customers would be paying 3 to 14 percent higher monthly electric commodity rates than they would as customers of SCE, depending upon the level of renewable power content selected.

Staff analysis shows that the drivers behind this higher pricing, including a rate surcharge known as the Power Charge Indifference Adjustment (PCIA), are complex, volatile and, as of now, unresolved. Yet, the status remains that current CPA charges across most commodity rate classes exceed those of SCE and may remain so for an unknown period. Staff will continue to closely track this data and provide full accounting in its August 2021 report to the City Council.

Clean Energy Pathways Partnership with SCE

In November 2020, City staff began meeting with key members of the SCE strategic planning team to create a Clean Energy Pathways Partnership. The objective of this partnership is to implement a framework that identifies, prioritizes, and efficiently executes, sustainable, affordable, and reliable energy improvement opportunities using existing and future resources of the City and SCE organizations. To date, these strategic sessions have made rapid progress in five specific strategic objective areas: (1) raising awareness of sustainability goals and programs; (2) expanding transportation electrification (TE) efforts to achieve sustainability goals; (3) improving the energy efficiency of City facilities, businesses and residences; (4) improving acceptance and implementation of emerging technologies; and, (5) enhancing emerging energy market career opportunities for Long Beach residents.

Implementation of such efforts are already underway. For example:

1. SCE Green Rate – a joint campaign advising the Long Beach community of SCE’s Green Rate program, and implementation of a rebate as an incentive for those customers who sign up.
2. Charge Ready Round 2 – a program to provide electric vehicle charger rebates to businesses and multifamily properties in disadvantaged communities.
3. Communication planning to harness City and SCE platforms in educating our community on City and SCE programs aimed to reduce the energy usage, increase a greener power mix, and save on utility costs.

Climate Action and Adaptation Plan (CAAP)

The City’s CAAP greenhouse gas (GHG) Reduction Target Pathway includes incorporation of (1) SCE’s commitment to supply 80 percent carbon-free electricity by 2030, and (2) electricity users in Long Beach reaching a 10 percent participation level in SCE’s 100 percent Green Rate program, also by 2030. These actions account for over 98 percent of the 192,649 MT CO₂e reductions needed for the City to reach the 2030 State target (40 percent below 1990 level emissions by 2030). Additionally, the City has adopted a carbon neutrality goal by 2045, consistent with SCE’s Pathway to 2045 plan, which provides for a goal of 100 percent carbon-free electricity by 2045.

City staff are working closely with SCE to ensure the City’s CAAP goals are supported through concurrent SCE efforts and pathways to 2030 and 2045. In the absence of the City forming or joining a CCA and/or another major GHG reduction effort by the City, it is important to note that the City’s ability to reach its 2030 CAAP GHG Reduction Target depends almost entirely on

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SCE meeting its goal of 80 percent carbon-free electricity supply by 2030 (from 51 percent in 2019).

City staff are moving forward to harness the relationship with SCE to bring tangible benefits to the community, further its sustainability efforts, and reduce costs to ratepayers.

CCA Concept Community Outreach

Due to the COVID-19 pandemic restrictions on gathering, outreach is presently deferred. Staff plans to initiate outreach efforts now that gatherings are again allowed.

Staff looks forward to presenting its full report to the City Council in August 2021. In the interim, staff is available to address any questions or concerns.

If you have any questions, please contact Bob Dowell, Energy Resources Director, at (562) 570-2001 or Chris Garner, Water Department General Manager, at (562) 570-2318.

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