



CITY OF HAYWARD

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Staff Report

File #: RPT 15-061

DATE: December 10, 2015

TO: Council Sustainability Committee

FROM: Director of Utilities and Environmental Services

SUBJECT

Update on East Bay Community Energy

RECOMMENDATION

That the Committee reviews and comments on this report.

BACKGROUND

In June 2014, the Alameda County Board of Supervisors, allocated \$1.3 million to exploring the possibility of establishing a community choice aggregation (CCA) program, which is being called East Bay Community Energy (EBCE). If established, EBCE would be a joint powers authority that aggregates electricity demand within participating Alameda County jurisdictions in order to procure electricity for its customers. Pacific Gas & Electric Company would continue to provide customer billing, transmission, and distribution services. Staff's most recent update was provided to the Committee on June 18, 2015.

A Steering Committee made up of approximately 40 representatives from cities, businesses, labor, and nonprofits was established in May, had its first meeting in June, and has been meeting monthly since June this year. The Steering Committee reviewed and revised a request for proposals (RFP) for the preparation of a technical study in July and the RFP was released on August 10, 2015. The County received three proposals and a subcommittee of the Steering Committee reviewed the proposals and interviewed all three firms.

DISCUSSION

On December 8, 2015, the Board of Supervisors is scheduled to consider authorization of a contract with MRW for preparation of the technical study, which will include analysis of possible energy portfolio scenarios, related greenhouse gas emissions and projected rates. The study will be used as the basis for a Board decision in early 2016 whether or not to proceed with formation of EBCE.

During the November 4, 2015 Steering Committee meeting, the County's consultants presented a draft technical study for San Mateo County, whose effort is being called Peninsula

Clean Energy. Peninsula Clean Energy anticipates a launch in October 2016. Following are some key points from the presentation:

- Three possible energy scenarios were evaluated
 1. Minimum 35% renewable content, scaling up to 50% by 2030
 2. Minimum 50% renewable content, scaling up to 75% by 2030
 3. 100% renewable energy content
- San Mateo County will likely select Scenario 2 because the study shows that it would result in rates lower than PG&E and with fewer GHGs
- Scenario 1 has a higher GHG content than PG&E
- Scenario 2 would include large hydroelectric power above and beyond the 75% renewable energy content
- Scenario 3 assumes a higher opt out rate because rates would be higher than PG&E
- The use of unbundled Renewable Energy Credits (RECs) was not considered
- Study assumed that no direct-access customers would enroll in the CCA (they can opt in)
- San Mateo County's complete study is available at <http://www.peninsulacleanenergy.com/>

The RFP for Alameda County's technical study calls for evaluation of three scenarios very similar to San Mateo County's. Alameda County's study will consider 33% and 50% renewable options for default service and a 100% renewable content option in which customers may "opt-up" and voluntarily participate.

Also during the November 4, 2015 Steering Committee meeting, County staff presented the results of a survey (Attachment I) that was sent to Steering Committee members in late October. Following are key findings from the survey:

- Twenty-nine members (75% of the committee) responded to the survey.
- Renewable energy content is a higher priority than GHG reduction (see questions 2 and 3 on the first page of the results). This could potentially result in higher rates. For example, if the Committee chooses to forgo hydroelectric power, which does not meet the state's definition of "renewable", but instead chooses to pursue solar photovoltaic power, which might be more expensive, then the program would have higher rates.
- Committee members are very interested in exploring opportunities for local power development.

As mentioned above, Peninsula Clean Energy assumes a higher opt out rate for one of the scenarios because its electricity rates would be higher than PG&E. It is important to note that due to different factors, in time the cost competitiveness of any scenario may change and be different than it is today.

The Sunday, November 29 edition of the San Jose Mercury News included a front page article titled, *Bay Area Communities Gearing Up to Create Their Own Power Systems* (see Attachment II). In it, there is a reference to an exit fee that PG&E is charging its customers who leave PG&E to join a CCA. The current monthly exit fee for Marin Clean Energy (MCE) customers is \$6.70. However, in January, PG&E will raise that fee to \$13 per month. This increase means that MCE "customers for the first time will pay a higher monthly rate for electricity than they would to PG&E." Similarly, it would be prudent to assume that as new CCAs are formed and existing CCAs increase their portfolio of clean energy, PG&E would consider increasing its own portfolio in order to remain competitive.

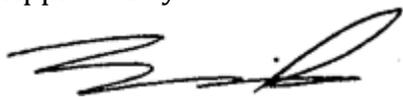
NEXT STEPS

There will not be a Steering Committee meeting in December 2015. County staff has offered to coordinate presentations to city councils after the technical study is released. If the Committee agrees, staff will contact the County to indicate interest in a presentation to the full Council upon completion of the technical study.

Prepared by: Erik Pearson, Environmental Services Manager

Recommended by: Alex Ameri, Director of Utilities and Environmental Services

Approved by:



Fran David, City Manager

Attachments:

Attachment I
Attachment II

Results from Steering Committee Survey
Article titled *Bay Area Communities Gearing Up to Create Their Own Power Systems*

The following is a list of CCA program goals as articulated in various planning documents. We understand that all these goals are important to a CCA program, but we want to better understand the committee's priorities relative to initial program design and areas of focus. Please finish the following sentence, "East Bay Community Energy should offer..." and give each answer a ranking using the four options below:

Immediate/ Imperative
 Very Important
 I'm Neutral
 Important, But Later

1. Overall rates and customer bills that are lower than or competitive with those offered by PG&E

2. An electric supply portfolio with a lower greenhouse gas (GHG) intensity than PG&E

3. An electric supply portfolio that has a higher renewable energy content than is offered by PG&E and also meets or exceeds the State's renewable portfolio standard

4. An electric supply portfolio and CCE program offerings that support the achievement of city and county Climate Action Plan goals

5. An integrated energy portfolio that results in new, in-state renewable power development as well as the development of local, distributed energy resources

6. An energy portfolio that minimizes the use of unbundled renewable energy certificates

7. A program that offers a range of power supply options for the purpose of customer choice

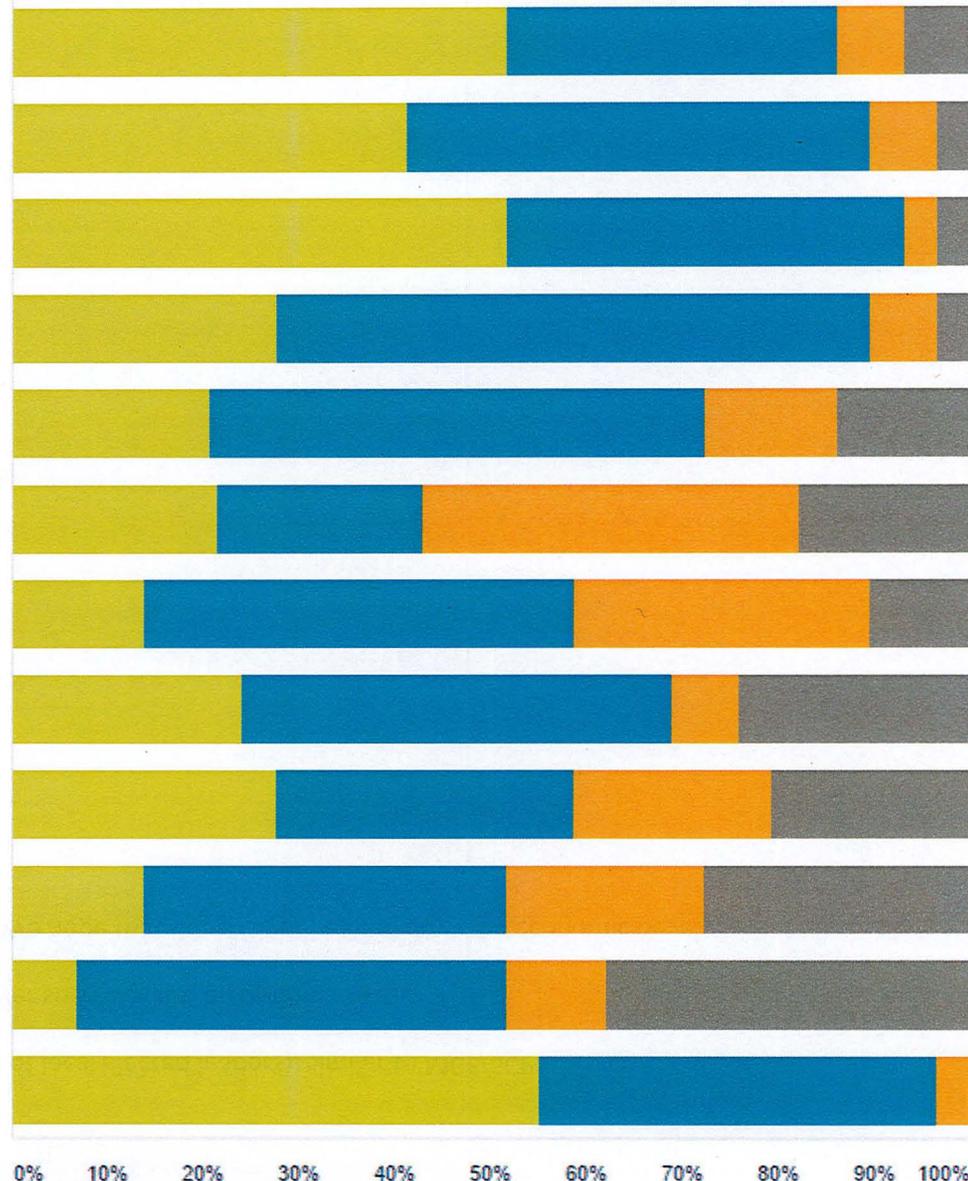
8. A program that has aggressive energy conservation goals and incorporates energy efficiency and demand response programs

9. A program that demonstrates quantifiable economic benefits and jobs to the region (e.g. union and prevailing wage jobs, local workforce development)

10. A program that promotes personal and community ownership of renewable resources, spurring equitable economic development and increased resilience, especially in low income and communities of color

11. A program that seeks to integrate innovative clean technology (e.g. battery storage, EV infrastructure) at the residential and commercial levels

12. An administering Agency that is financially sustainable, responsive to County and regional priorities, and well managed



Comments to Question 1:

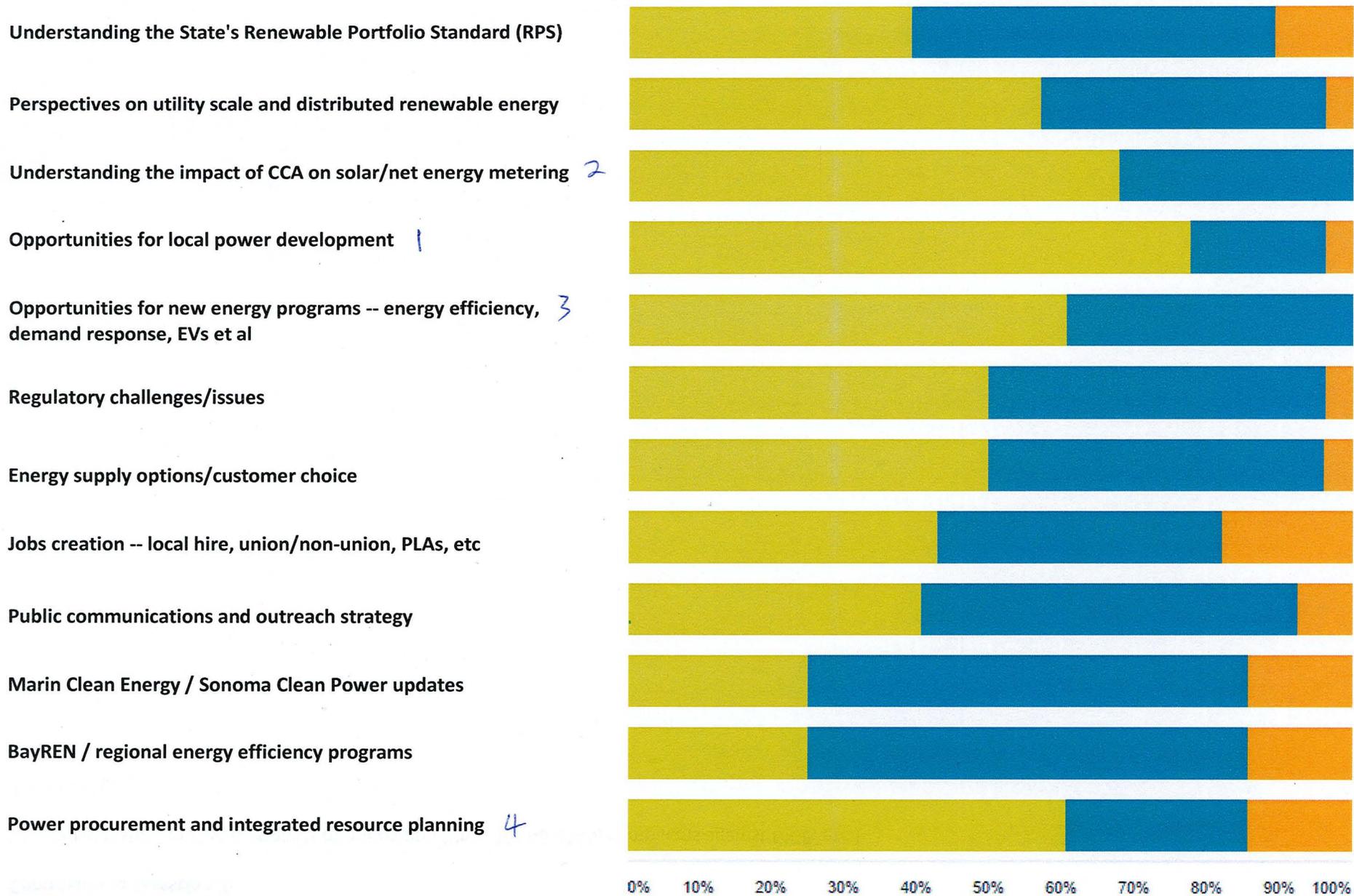
Democratic governance structure (i.e., a Board of Directors composed of local elected leaders), similar to MCE/SCP

Some of the items are not important to me in establishing a CCE, however such was not an option.

GHG reductions are the most important to the community I represent. We hope that doesn't get bogged down by economic development discussions.

Please indicate your level of interest in future topics for committee discussion:

Very Interested Somewhat Interested Not Interested



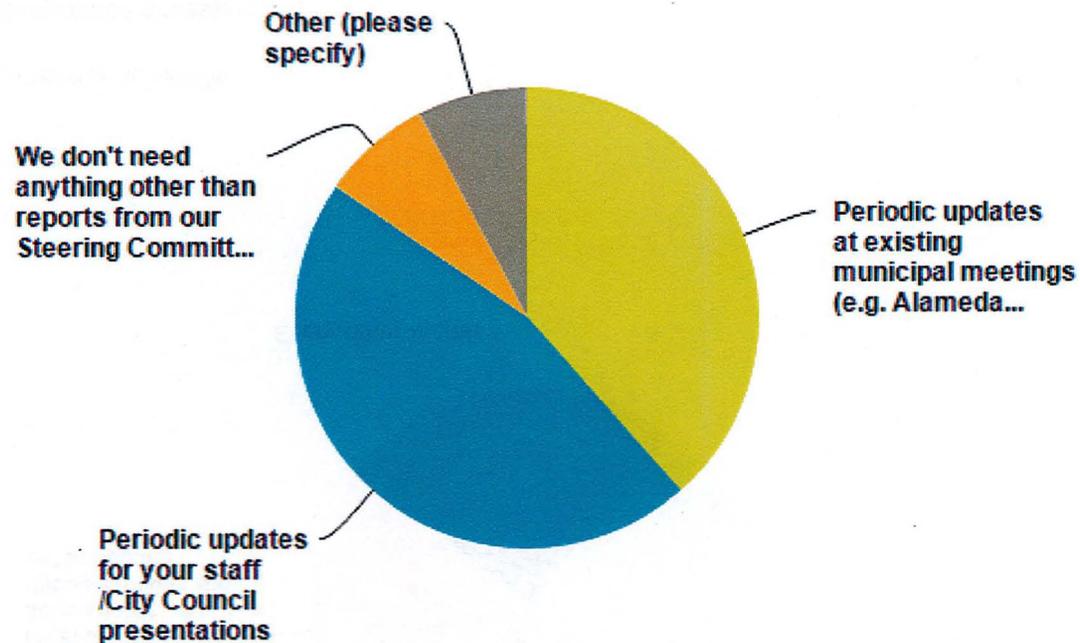
Comments to Question 2:

Legislative history of CCA & analysis of opposition (Prop 16; AB 2145; campaigns against MCE; etc.)

Wind energy

For City representatives: What is the best way to keep your municipal colleagues informed about this initiative?

Answered: 13 Skipped: 16

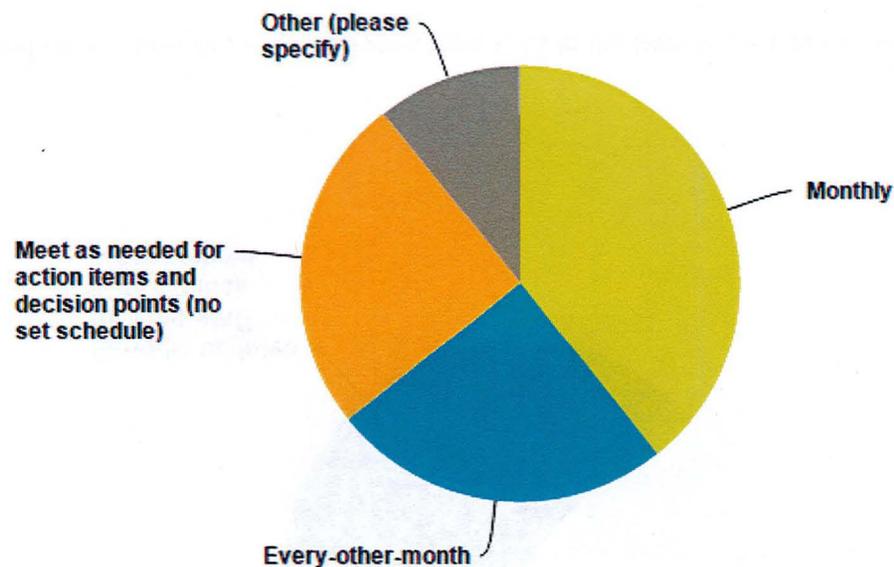


Other (please specify) response:

Written updates that can be distributed via e-mail until such time as this topic rises to the level of an actual Council presentation

Meeting frequency: What is your preference?

Answered: 28 Skipped: 1



Other (please specify) responses:

Monthly; unless we can launch EBCE ahead of schedule

Every-other-month, with added meetings when necessary.

Meet every other month except monthly when needed for action items. "Off" months might be useful for non-action informational briefings and structured informal discussion topics.

Please use this space for any suggestions, questions, or comments related to the steering committee, project pacing, and/or CCA in Alameda County more generally

- Answered: 11
- Skipped: 18

This entire process needs to be reality based. If all we're going to do is create another government agency, bloated and full of bureaucracy that doesn't create renewable energy sources that are less expensive than PG&E, we're just wasting taxpayer money. 11/3/2015 11:33 AM

Please consider creating a publicly observable, online message board that will allow Steering Committee members to freely communicate on their own time (i.e., apart from formal meetings). This could also function as a platform for sharing a variety of media and information online (e.g. articles; videos; reports; etc.). This would be especially important if the SC meets less frequently. The discourse that occurs among SC members is a rare and essential opportunity for local leaders and industry experts to engage each other--and the public--on the topic of local energy policies. If there are divergent opinions and perspectives, the public will benefit by being able to observe and evaluate the different points of view. Robust debate on the direction of the East Bay's energy future should be nurtured, publicized, and prioritized. This will help empower ratepayers with context and information that is largely absent today. Thank you, County Staff, for all you're doing for our communities! 11/3/2015 9:00 AM

While I appreciate being included in the process of developing an RFP and possibly selecting a consultant, I believe that having County staff undertake these tasks would be much more productive than using the Steering Committee. The Committee should be used to direct on high level policy issues and setting of goals, objectives and plans. Also, there appear to be many Committee members with certain biases, which makes it difficult to keep an open mind through this process. 11/2/2015 10:06 PM

Thanks for keeping this going! The thing we want is for this to move faster, but we know you're trying your best and the timeline has already been extended because of Committee discussion on the RFP. Also, thank you for changing the meeting date based on committee requests. 11/2/2015 3:07 PM

CV library meeting venue has bad acoustics, had difficulty hearing the discussion last time 11/2/2015 1:30 PM

Would like to see the meetings end no later than 8:30 PM. 10/31/2015 4:46 PM

Please don't go to an erratic, action item/decision based meeting schedule. The first few months have already been chaotic enough. It will make it hard for many municipal representatives to participate if a standing monthly meeting date isn't kept. Good idea to do this survey. The results will probably reflect the composition of the CSC fairly predictably, but there may be some surprising areas of consensus. 10/29/2015 8:36 AM

If any further committees need to be formed, I hope they are not formed by the different interest groups. In the case of environment, for example we don't all know each other. It would be good if there were a social half hour before, after or during a break. Members could be invited to help with snacks and drinks. I'd like to get to know my fellow members of the committee better. I don't know if informal happy hours could be formed without violating the Brown Act. Perhaps when there is no business to conduct in a given month something informal could be planned. PS I'm OK with extra meetings if need be, but I prefer a set schedule so I can protect the dates. 10/28/2015 6:34 PM

A high priority has to be structuring meetings to allow for the tough/controversial issues in a meaningful/productive manner. 10/28/2015 5:59 PM

ATTACHMENT I

So far public participation at steering committee meetings has been very limited. I would like to see more time given to public comments on each agenda item, and rotation of meeting locations throughout the county, with public transit option always available. I think it is more important to take the time to design a program that will respond to the interests of communities than to rush to launch. 10/28/2015 3:00 PM

Integration of EE into the program is particularly important. We might consider subcommittees related to developing specific topics, but it's important to have the whole group keeping up with each other. Another approach would be scheduling spaces for topical discussion, as suggested for "off" months. 10/28/2015 2:29 PM

Bay Area communities gearing up to create their own power systems

By Tracy Seipel

tseipel@mercurynews.com

Posted: 11/29/2015 04:35:56 AM PST [33 Comments](#) | Updated: a day ago

From Silicon Valley to the East Bay to the Central Coast, a "people's power" movement is sweeping through California that will give local residents a choice to ditch PG&E and buy cleaner -- and possibly cheaper -- energy from the cities and counties where they live.

To its proponents, the idea is a no-brainer. But to its critics, it's just a lot of hype -- a feel-good solution that will lead to unstable prices, empty promises and -- at least for the time being -- no additional green energy.

Overseen by a team of energy experts and a board of elected officials, new community-run utilities are buying power from the grid, procuring a higher percentage of renewable energy -- think solar and wind, as well as methane from dairy cows -- than PG&E, while aiming for a price around or even below the giant utility's rates. The new power systems also are charged with developing more local renewable energy.

Palo Alto's utility control center monitors electricity service to city residents. (2001 file photograph)

Elected officials in Silicon Valley -- representing an alliance of Santa Clara County and most of its cities -- are poised to decide in March whether to take the key steps necessary to develop a new electricity system that they say could be lighting homes by early 2017. And San Jose, the region's largest city, is considering creating its own system.

Similar alliances are moving forward in San Mateo, Alameda, Contra Costa, Santa Cruz and Monterey counties. San Francisco's power system is set to launch next year.

Whenever these plans are adopted, customers in the cities and counties are automatically enrolled, though they can opt out of the program at any time.

Advertisement

California's pioneer of "community choice" utilities was Marin County, which launched Marin Clean Energy in 2010. Sonoma County followed in 2014. The only other system now operating in California is in Lancaster, in Los Angeles County.

From 2010-13, Marin Clean Energy claims, its customers reduced cumulative greenhouse gas by 63,482 metric tons, equivalent to removing 13,365 cars from the roads each year. And the system says it will save customers an estimated \$10 million in 2015. Sonoma Clean Power has reported similar results.

"It's the single most significant thing that cities can do in order to reduce carbon emissions," said Rick Kitson, a spokesman for the city of Cupertino.

Critics, however, say the figures are misleading because the new companies are simply buying power from the



grid that would have been purchased by giant utilities like PG&E anyway. And until the new utilities begin generating their own power, critics say, "community choice" power is essentially a paper transaction.

The groundwork for the California movement began two decades ago, largely related to the failure of energy deregulation that led to rolling blackouts several years later. That prompted the 2002 passage of state legislation, Assembly Bill 117, directing California's Public Utilities Commission to facilitate the creation of "community choice" power.

California's landmark 2006 climate legislation -- which requires utilities to buy 33 percent of their electricity from renewable sources by 2020 -- further spurred the trend. That led to cities and counties developing "climate action plans," which included exploring "community choice" systems.

This year, the Legislature dialed up the number with Senate Bill 350, which requires utilities to buy 50 percent of their electricity from renewable energy resources by 2030.

Today, 27 percent of PG&E's power comes from renewable energy. By comparison, Marin Clean Energy's renewable energy portfolio is at least 50 percent, and Sonoma's is 36 percent.

Even with the creation of the new utilities, PG&E continues to deliver the electricity, maintain power lines, send bills and provide customer services. But since these new local utilities are able to buy electricity now -- with wholesale energy prices historically low -- they are able to sell it to their customers at lower rates than PG&E, which locked up its energy contracts years ago when prices were higher.

That's why PG&E also gets to charge customers who bolt a monthly exit fee, which helps PG&E make up for the energy contracts it purchased years ago to cover areas such as Marin and Sonoma that now have their own power systems.

While energy experts say the exit fee will disappear over time, until that happens the cost of the fee will fluctuate, reflecting the difference between the market price of energy when PG&E signed its contracts compared with the price of energy today.

After Marin Clean Energy went live five years ago, its 175,000 residential and business accounts have watched their exit fee bounce up and down -- though customers this year still paid 3 percent less for their energy than PG&E's rates, said company spokeswoman Jamie Tuckey.

But in January, she said, they will see the highest exit fee spike so far: from \$6.70 per month now to around \$13. That means Marin customers for the first time will pay a higher monthly rate for electricity than they would to PG&E.

"It's outrageous," said Shawn Marshall, co-founder and executive director of Local Energy Aggregation Network U.S., a Mill Valley-based nonprofit that supports expanding these systems around the country.

"You don't have this level of exit fee anywhere else in the country," said Marshall, whose group is working with Silicon Valley and other parts of the Bay Area to establish more.

PG&E maintains that it is neutral about the new systems.

"We respect the energy choices that are available to our customers and work cooperatively with those communities that are interested in exploring" this option, PG&E spokeswoman Nicole Liebelt said.

But in 2010, the same year Marin Clean Energy was preparing to launch, the San Francisco-based utility spent \$46 million trying to pass Proposition 16, which would have limited the ability of local governments to enter the electricity business and compete with investor-owned utilities such as PG&E. Voters soundly rejected the measure. Last year, PG&E also failed to weaken AB 117 through a legislative maneuver.

Experts say that unless more renewable energy sources are developed, the competition for those sources will increase as utilities strive to achieve their 50 percent goal by 2030.

Marin Clean Energy is making a start by committing to invest \$516 million in new projects, including \$24 million to build a 10.5-megawatt solar project in Richmond. And Sonoma Clean Power has contracted to develop 86 megawatts of new solar power.

"We don't think there is an advantage to simply competing on the open market for a limited amount of renewable energy," said Mark Toney, executive director of The Utility Reform Network, a San Francisco-based consumer advocacy group. "The net benefit is developing new renewable energy sources."

UPCOMING COMMUNITY MEETINGS

NOVEMBER

Cupertino Monday, 6 p.m. to 8 p.m., at the Cupertino Senior Center, 21251 Stevens Creek Blvd.

DECEMBER

Morgan Hill Dec. 7, 6 p.m. to 8 p.m., in the council chamber at City Hall, 17555 Peak Ave. Sunnyvale

Dec. 9, 7 p.m. to 8:30 p.m. at the Sunnyvale Community Center, 550 E. Remington Drive Mountain View

Dec. 10, 6 p.m. to 8 p.m., in the council chamber at City Hall, 500 Castro St. Santa Clara County

Dec. 14, 6 p.m. to 8 p.m., at Alum Rock Branch Library, 3090 Alum Rock Ave., San Jose

JANUARY

Los Altos Jan. 13, 6 p.m. to 8 p.m., Los Altos Youth Center, 1 N. San Antonio Road.

Source: Silicon Valley CCE Partnership

'COMMUNITY CHOICE' SYSTEMS IN BAY AREA Marin Clean Energy launched in 2010 in unincorporated Marin County and the cities of Belvedere, Corte Madera, Fairfax, Larkspur, Mill Valley, Novato, Ross, San Anselmo, San Rafael, Sausalito and Tiburon. It later added unincorporated Napa County, Solano County city of Benicia and the Contra Costa County cities of El Cerrito, San Pablo and Richmond.

Sonoma Clean Power launched in 2014 in unincorporated Sonoma County and the cities of Cloverdale, Cotati, Petaluma, Rohnert Park, Santa Rosa, Sebastopol, Sonoma and Windsor. Healdsburg runs its own municipal electricity system.

Alameda, Contra Costa, Santa Clara, San Mateo, Santa Cruz and Monterey counties and many of their cities are currently studying "community choice" energy systems.

Source: Marin Clean Energy, Sonoma Clean Power, Bay Area News Group reporting

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