



REPORT TO CITY COUNCIL

To: Honorable Mayor and Members of the City Council

From: Grant Yates, City Manager

Prepared by: Jason Simpson, Assistant City Manager

Date: June 12, 2018

Subject: Joint Powers Agreement with Western Community Energy

Recommendation

adopt A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAKE ELSINORE, CALIFORNIA, APPROVING MEMBERSHIP IN THE WESTERN COMMUNITY ENERGY JOINT POWERS AUTHORITY; and;

introduce by title only and waive further reading of AN ORDINANCE OF THE CITY COUNCIL OF LAKE ELSINORE, CALIFORNIA, AUTHORIZING THE IMPLEMENTATION OF A COMMUNITY CHOICE AGGREGATION PROGRAM

Background

In January 2016, Western Riverside Council of Governments (WRCOG) staff received direction from the Executive Committee to pursue a Feasibility Study (Study) for the potential formation of a Community Choice Aggregation (CCA) Program for interested member jurisdictions. Using conservative numbers and assumptions, the Study indicates forming a CCA would be favorable for the sub-region. The CCA, now named Western Community Energy (WCE), will be administered by WRCOG initially. As WCE establishes a joint power authority (JPA) and Governing Board, WCE anticipates to launch in late 2018 with several member jurisdictions. WRCOG will present information on WCE and respond to questions from the Council and members of the community.

CCA allows cities and counties to aggregate their buying power to secure electrical energy supply contracts on a region-wide basis. In California, CCA (Assembly Bill 117) was chaptered in September 2002 and allows for local jurisdictions to form a CCA for this purpose. Several local jurisdictions throughout California are pursuing formation of CCAs as a way to lower energy costs and/or provide “greener” energy supply. Careful creation and administration of a CCA can have many local benefits. A CCA provides consumer choice where none currently exists, and if past performance is any indicator, can also result in lower costs for electrical generation rates. Currently there are nine (9) operational CCAs in California, with eight (8) more coming on line in 2018. Within Riverside County, the City of San Jacinto, County of Riverside unincorporated, and Desert Community Energy anticipate serving load in 2018.

As of May 2015, three (3) CCAs were offering their customers twenty to fifty percent (20-50%) more renewable energy than the predecessor utility at prices that were competitive and even lower than the utility rates. Two of those CCAs were also procuring and co-developing in-State and local renewable resources and offering specialized energy programs designed for their local service areas.

Discussion

In CCAs, communities can increase the amount of electricity procured from sources such as solar, wind, and geothermal. They can also develop innovative energy programs tailored specifically to local preferences and support the development of green and clean tech energy and projects. Finally, through the competition that they can promote, CCAs can help drive costs down, stimulate new energy investments, and diversify power choices. Once a CCA is operational, it is completely ratepayer funded, and not subsidized by taxpayer dollars. One of the important features of the CCA is that while ratepayers can "opt out" of participation in the program, the default status of each ratepayer is participation. Ratepayer revenues for electrical generation that currently flow to the incumbent utility are re-directed to the CCA, which becomes the default provider of electrical generation services. A program's start-up funding can be provided by a municipal government, a local agency, a grant or a private service provider. All startup funding is recoverable through early program revenues. Lastly, a CCA provides significantly more local control over the energy procurement, rate setting, consumer programming, and other decision-making components as compared to the existing investor owned utility model.

The most common approach to administration of a CCA is an inter-agency "joint powers agency," sometimes referenced as a "joint powers authority" (JPA or "Authority") formed pursuant to the Joint Exercise of Powers Act codified at California Government Code Section 6500 et seq. In this instance, the JPA serves as a public, non-profit agency on behalf of the municipalities that choose to participate in the CCA program. A second option is for a single city or county to form and structure a CCA through an enterprise fund and manage the CCA "in-house." A third option involves commercial, third party firm. This model is new in California, so its risks and benefits are unknown at this time. Regardless of a CCA's administrative structure, the program's assets and liabilities remain separate from those of City general fund. Financial liability is mitigated by specific JPA organization or action, and vendor contract language that protects municipal assets. In the JPA model, surplus funds generated by the CCA may be reinvested back into the community in the form of new energy projects and programs that serve the entire service area. In the enterprise fund and privately managed models, a portion of revenues may be allocated to the general fund consistent with sound fiscal management practices and laws governing use of ratepayer funds.

Highlights from the JPA include:

- Board of Directors. The governing body of the Authority shall be a Board of Directors consisting of one director for each Member Agency appointed in accordance with Section 2.2.
- Appointment of Directors. The governing body of each Member Agency shall appoint and designate in writing one regular Director who shall be authorized to act for and on behalf of the Member Agency on matters within the powers of the Authority. The governing body of each Member Agency shall also appoint and designate in writing one alternate Director who may vote in matters when the regular Director is absent from a Board meeting. The persons appointed and designated as the regular Director and the alternate Director shall be a member of the governing body of the Member Agency.

- Voting by the Board of Directors. Each member of the Board or participating alternate shall be entitled to one vote. Action of the Board on all matters shall require an affirmative vote of a majority of all Directors present and qualified to vote constituting a quorum.
- Initial Funding of Authority. WRCOG has funded certain activities necessary to implement the CCA Program. If the program becomes operational, these initial costs shall be included in the customer charges for electric services to the extent permitted by law, and WRCOG shall be reimbursed from the payment of such charges by customers of the Authority pursuant to a reimbursement agreement between Authority and WRCOG. Prior to such reimbursement, WRCOG shall provide such documentation of costs paid as the Board may request. The Authority may establish a reasonable time period over which such costs are recovered. In the event the program does not become operational, WRCOG shall not be entitled to any reimbursement of the initial costs.
- Right to Withdraw Prior to Program Launch. After receiving bids from power suppliers, the Authority must provide to the Member Agencies the report from the electrical utility consultant retained by the Authority that compares the total estimated electrical rates that the Authority will be charging to customers as well as the estimated greenhouse gas emissions rate and the amount of estimated renewable energy used with that of the incumbent utility. If the report provides that the Authority is unable to provide total electrical rates, as part of its baseline offering, to the customers that are equal to or lower than the incumbent utility or to provide power in a manner that has a lower greenhouse gas emissions rate or uses more renewable energy than the incumbent utility, a Member Agency may immediately withdraw its membership in the Authority without any financial obligation, as long as the Member Agency provides written notice of its intent to withdraw to the Authority Board no more than thirty (30) days after receiving the report.

Fiscal Impact

None.

Exhibits

- A – Resolution
- B – Agreement
- C – Ordinance
- D – Bylaws for Western Community Energy