THE CITY OF BENICIA CALIFORNIA

BENICIA CITY COUNCIL
SPECIAL MEETING AGENDA

City Council Chambers
September 09, 2014
6:00 PM

Times set forth for the agenda items are estimates.
Items may be heard before or after the times designated.

Please Note:
Regardless of whether there is a Closed Session scheduled, the open session will begin at 6:00 PM

I. CALL TO ORDER (6:00 PM):

II. CONVENE OPEN SESSION (6:00 PM):

A. ROLL CALL.

B. PLEDGE OF ALLEGIANCE.

C. REFERENCE TO THE FUNDAMENTAL RIGHTS OF THE PUBLIC: A plaque stating the fundamental rights of each member of the public is posted at the entrance to this meeting room per section 4.04.030 of the City of Benicia's Open Government Ordinance.

III. ADOPTION OF AGENDA:

IV. OPPORTUNITY FOR PUBLIC COMMENT:

This portion of the meeting is reserved for persons wishing to address the Council on any matter not on the agenda that is within the subject matter jurisdiction of the City Council. State law prohibits the City Council from responding to or acting upon matters not listed on the agenda. Each speaker has a maximum of five minutes for public comment. If others have already expressed your position, you may simply indicate that you agree with a previous speaker. If appropriate, a spokesperson may present the views of your entire group. Speakers may not make personal attacks on council members, staff or members of the public, or make comments which are slanderous or which may invade an individual's personal privacy.

A. WRITTEN COMMENT.

B. PUBLIC COMMENT.

V. BUSINESS ITEMS (6:15 PM):

A public hearing should not exceed one hour in length. To maximize public participation, the council requests that speakers be concise and avoid repetition of the remarks of prior speakers. Instead, please simply state whether you agree with prior speakers.

A. COMMUNITY CHOICE AGGREGATION (CCA) - STUDY SESSION. (Interim Community Development Director)

On June 17, 2014, the City Council approved the allocation of $18,000 from the Valero Good Neighbor Steering Committee Settlement Agreement unallocated funds to cover the cost of a Marin Clean Energy (MCE) technical study that assesses the City's electrical load and determines whether MCE can provide cost-effective service to the City, accelerate the reduction of greenhouse gas (GHG) emissions, and increase the amount of renewable energy generation in California. During the discussion of that item, council members requested, a Council study session so that the Council and the public could have a meaningful dialogue with experts and the public about CCA. CCA agencies purchase and/or develop renewable electricity on behalf of residents, businesses, and municipal accounts in member jurisdictions. CCA is an energy supply model that works in partnership with Pacific Gas & Electric (PG&E) that delivers renewable electricity, maintains the energy grid (transmission lines, distribution systems, etc.), and provides customer service and billing. As part of the Council approved CAP Coordinator Work Plan 14-15, the CAP Coordinator researched CCA programs and potential funding sources to complete a MCE required technical study (described above). This session will not discuss the results of that study but it will provide an opportunity for the City Council and the public to ask questions of panelists and learn more about CCA.

Recommendation:
Receive presentations from panelists regarding Community Choice Aggregation (CCA), energy generation, transmission and distribution, and California energy policies and regulations, and take questions and comments from the public. Obtain information that may be necessary to make a future decision on whether the City should join Marin Clean Energy (MCE).

VI. <u>CLOSED SESSION (8:00 PM)</u>

A. CONFERENCE WITH LABOR NEGOTIATOR
(Government Code Section 54957.6 (a))
Agency negotiators: City Manager, Assistant City Manager and Senior Human Resources Analyst
Employee organization: Benicia Firefighters Association (BFA)

VII. <u>ADJOURNMENT (8:30 PM):</u>

Public Participation

The Benicia City Council welcomes public participation.

Pursuant to the Brown Act, each public agency must provide the public with an opportunity to speak on any matter within the subject matter jurisdiction of the agency and which is not on the agency's agenda for that meeting. The City Council allows speakers to speak on non-agendized matters under public comment, and on agendized items at the time the agenda item is addressed at the meeting. Comments are limited to no more than five minutes per speaker. By law, no action may be taken on any item raised during the public comment period although informational answers to questions may be given and matters may be referred to staff for placement on a future agenda of the City Council.

Should you have material you wish to enter into the record, please submit it to the City Manager.

Disabled Access or Special Needs

In compliance with the Americans with Disabilities Act (ADA) and to accommodate any special needs, if you need special assistance to participate in this meeting, please contact Anne Cardwell, the ADA Coordinator, at (707) 746-4211. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to the meeting.

Meeting Procedures

All items listed on this agenda are for Council discussion and/or action. In accordance with the Brown Act, each item is listed and includes, where appropriate, further description of the item and/or a recommended action. The posting of a recommended action does not limit, or necessarily indicate, what action may be taken by the City Council.

Pursuant to Government Code Section 65009, if you challenge a decision of the City Council in court, you may be limited to raising only those issues you or someone else raised at the public hearing described in this notice, or in written correspondence delivered to the City Council at, or prior to, the public hearing. You may also be limited by the ninety (90) day statute of limitations in which to challenge in court certain administrative decisions and orders (Code of Civil Procedure 1094.6) to file and serve a petition for administrative writ of mandate challenging any final City decisions regarding planning or zoning.

The decision of the City Council is final as of the date of its decision unless judicial review is initiated pursuant to California Code of Civil Procedures Section 1094.5. Any such petition for judicial review is subject to the provisions of California Code of Civil Procedure Section 1094.6.

Public Records

The agenda packet for this meeting is available at the City Manager's Office and the Benicia Public Library during regular working hours. To the extent feasible, the packet is also available on the City's web page at www.ci.benicia.ca.us under the heading "Agendas and Minutes." Public records related to an open session agenda item that are distributed after the agenda packet is prepared are available before the meeting at the City Manager's Office located at 250 East L Street, Benicia, or at the meeting held in the Council Chambers. If you wish to submit written information on an agenda item, please submit to the City Clerk as soon as possible so that it may be distributed to the City Council. A complete proceeding of each meeting is also recorded and available through the City Clerk’s Office.

AGENDA ITEM
CITY COUNCIL MEETING DATE - SEPTEMBER 9, 2014
BUSINESS ITEMS

DATE : September 3, 2014

TO : City Manager

FROM : Interim Community Development Director

SUBJECT : **COMMUNITY CHOICE AGGREGATION (CCA) - STUDY SESSION**

RECOMMENDATION:
Receive presentations from panelists regarding Community Choice Aggregation (CCA), energy generation, transmission and distribution, and California energy policies and regulations, and take questions and comments from the public. Obtain information that may be necessary to make a future decision on whether the City should join Marin Clean Energy (MCE).

EXECUTIVE SUMMARY:
On June 17, 2014, the City Council approved the allocation of $18,000 from the Valero Good Neighbor Steering Committee Settlement Agreement unallocated funds to cover the cost of a Marin Clean Energy (MCE) technical study that assesses the City's electrical load and determines whether MCE can provide cost-effective service to the City, accelerate the reduction of greenhouse gas (GHG) emissions, and increase the amount of renewable energy generation in California. During the discussion of that item, council members requested, a Council study session so that the Council and the public could have a meaningful dialogue with experts and the public about CCA. CCA agencies purchase and/or develop renewable electricity on behalf of residents, businesses, and municipal accounts in member jurisdictions. CCA is an energy supply model that works in partnership with Pacific Gas & Electric (PG&E) that delivers renewable electricity, maintains the energy grid (transmission lines, distribution systems, etc.), and provides customer service and billing. As part of the Council approved CAP Coordinator Work Plan 14-15, the CAP Coordinator researched CCA programs and potential funding sources to complete a MCE required technical study (described above). This session will not discuss the results of that study but it will provide an opportunity for the City Council and the public to ask questions of panelists and learn more about CCA.

BUDGET INFORMATION:
This study session has no financial impact on the City. Most panelists have agreed to participate as a service to the City. MCE's time is covered under the Technical Study contract approved by the City Council on June 17, 2014. There

may be additional costs if the City Council decides to hire a third party to conduct risk, legal, or financial analyses.

ENVIRONMENTAL REVIEW:
State CEQA Guidelines Section 15378(b) (5) states that a project does not include "Organization or administrative activities of governments that will not result in direct or indirect physical changes in the environment." Under CEQA, there cannot be a project unless the proposed action will result in "either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment." Conducting a CCA Study Session is not a project and therefore CEQA is not applicable.

GENERAL PLAN:
The project supports the overarching Sustainability Goal of the General Plan.

STRATEGIC PLAN:
Relevant Strategic Plan Issues and Strategies:

- Strategic Issue #2: Protecting and Enhancing the Environment
  - Strategy #1: Reduce greenhouse gas emissions and energy consumption
  - Strategy #3: Pursue and adopt sustainable practices

CLIMATE ACTION PLAN:
Relevant Climate Action Plan Issues and Strategies:

- Strategy E-2.6. Community Choice Aggregation Feasibility Assessment

BACKGROUND:
Community Choice Aggregation (CCA) agencies purchase and/or develop renewable energy (electricity only) on behalf of residents, businesses, and municipal accounts in member jurisdictions. CCA is an energy supply model that works in partnership with Pacific Gas & Electric (PG&E). CCA programs generate and procure their own clean electricity and rely on PG&E to deliver electricity through its transmission and distribution system. PG&E continues to provide meter reading, billing, maintenance, and outage response services to customers within its territory.

<u>Existing CCAs</u>
As part of the Council approved CAP Coordinator Work Plan 14-15, the CAP Coordinator researched California CCA programs. Within PG&E's territory there are two active CCAs: Marin Clean Energy (MCE) and Sonoma Clean Power. Currently, MCE is the only CCA that Benicia can join since Sonoma Clean Power is only offering service to customers in Sonoma County. MCE was launched in 2010 as California's first CCA and is a Joint Powers Authority (JPA) consisting of all

jurisdictions in Marin County and the City of Richmond. Currently, MCE's rates are slightly less than PG&E and it provides at least 51% renewable electricity to Light Green Customers and 100% renewable electricity to Deep Green customers as compared to PG&E's 22% renewable energy. PG&E expects to offer a Green Option to its customers in the first half of 2015 pending California Public Utilities Commission (CPUC) approval (expected in 2014). Customers can enroll and pay a surcharge (amount to be set by the CPUC) for 100% renewable electricity.

<u>Power Mix in California</u>
PG&E and MCE procure enough electricity to meet their customers' electricity use needs. They may get this electricity from a number of different sources including renewable energy sources and non-renewable sources (see explanation below). In 2002, the State of California made a commitment to increasing the amount of renewable energy generated in the state and passed the California Renewable Portfolio Standard (RPS) that requires investor owned utility companies (i.e. PG&E), electric service providers, and CCAs (i.e. MCE) to increase electricity procurement from "eligible renewable energy sources" to 33% of total procurement by 2020. The following are considered eligible renewable energy sources:

- Biomass & Biowaste
- Geothermal
- Eligible hydroelectric
- Solar electric
- Wind

Other sources of energy include:

- Coal
- Large hydroelectric
- Natural gas
- Nuclear
- Unspecified sources of power.
  Unspecified means electricity from transactions that are not traceable to specific generation sources.

Each year, both MCE and PG&E are required to report their electric power content, including percentage of renewable energy, to the California Energy Commission (CEC) and the CPUC. The 2013 Power Mix Comparison is attached to this report.

Delivering Renewable Electricity

Both MCE and PG&E procure renewable electricity by entering into short and long term contracts with a variety of power suppliers to meet the needs of their customers. To ensure that each entity is actually procuring the amount of renewable electricity they claim to be, the CPUC and CEC require annually reporting so that they may verify the amount of renewable energy procured for customers.

MCE uses Green-e Energy, an independent third-party, to verify its procurement and MCE's Deep Green 100% renewable energy supply to ensure that it meets the minimum environmental and consumer protection standards established by the non-profit Center for Resource Solutions.

The renewable electricity procured by both MCE and PG&E is generated and then distributed via the electricity grid; it does not go directly to any one customer's home. However, by procuring additional renewable electricity, less dirty, non-renewable resources are used to satisfy customers' electricity needs.

Joining MCE

Should the City Council conclude that it would like the City of Benicia to become an MCE member, the following steps need to be taken:

1. City Council authorizes MCE to conduct a required Technical Study ($18,000) assessing the ability of MCE to provide cost-effective electrical service to Benicia and its existing customers, financial impacts, and environmental benefits such as greenhouse gas (GHG) reductions(in progress). This is already underway and MCE estimates it will be completed by mid-September. Because CCA is new concept for the public and for the Council, the City Council requested that Staff organize a study session prior to the completion of the study and any formal request for Council action to join MCE.
2. If Technical Study results indicate that service can be provided to Benicia and MCE membership criteria has been met, the City Council must vote to join MCE and pass an ordinance authorizing CCA service through MCE. City Council must also execute a Joint Power Agreement as a new Party.
3. After the second reading of the ordinance, the MCE Board must adopt its own resolution authorizing membership of the additional municipality and then submit an updated Implementation Plan to the CPUC.
4. MCE will then begin to procure enough renewable electricity to meet the demand in Benicia and it and the City will begin additional community outreach and education and provide customers an opportunity to opt out of MCE.

Opt out process

According to current California law, customers are automatically enrolled in a CCA once their jurisdiction creates a CCA or joins an existing CCA. CCAs are legally required to fully inform all prospective customers of enrollment with four (4) CCA notifications. The notifications must inform the customer:

- Of the terms and conditions of CCA service;
- That they are to be automatically enrolled; and
- That they have the right to opt out by calling a toll free number or completing an online form indicating you want to stay with PG&E without any penalty.
    - If a customer opts out of MCE after 60 days of service, PG&E prohibits you from rejoining MCE for one year.
    - You can rejoin PG&E after 60 days of service, by providing 6 months advance notice or you can rejoin immediately, but will be subject to PG&E's Transitional Bundled Commodity Cost rate program for 6 months; this rate fluctuates each month.
- That if they fail to opt out during the opt out period, they can still opt out at a later date at a cost of $5/residential account and $25/commercial account.

Timeline

Below is an overview of next steps needed to join MCE and a possible timeline, should the Council request the process to move forward:

- Presentation of Technical Study to City Council, request to join MCE – October 28
- Second reading of ordinance – November 18
- MCE Board Meeting – December 4
- Begin Community Outreach, opt-out notices – Spring 2015
- Enroll customers in MCE and provide MCE service – Fall 2015

The City may delay the above time line if additional independent analysis is needed prior to staff making a recommendation to City Council on whether to join MCE. For example, the City of Richmond hired MRW & Associates to conduct a risk assessment of participation in MCE. Although this analysis was completed in 2011, the executive summary (attached) provides an excellent overview of some of the potential risks that a community may face if it joins MCE. This report was prepared for the City of Richmond and so the magnitude or importance of the risk to customers listed may or may not be the same for Benicia. In addition, MRW highlights the potential impact to low-income households; this impact is no longer of concern for new members since that discount has been shifted to the transmission/distribution side of a customer's bill, services that PG&E provides and bills for regardless of participation in MCE.

Potential Impacts of AB 2145

On June 3, 2014, the City Council approved sending a letter opposing AB 2145 (Bradford) to the Senate Energy, Utilities, and Communications Committee. This letter indicated that AB 2145 would adversely impact the Community Choice Aggregation (CCA) procedures established by the enabling legislation (AB 117). AB 117 allows cities and counties to aggregate on an "opt out" basis, rather than an "opt in" basis; this approach gives customers full choice but provides greater certainty in the market and helps level the playing field for small CCAs trying to compete in a competitive market.

As of August 30, 2014, AB 2145 died, failing to make it to the Senate floor before close of the legislative session. MCE expects that the bill will be reintroduced when the 2015 legislation sessions begins in December. The original enabling legislation (AB 117) passed in 2002 and amended in 2011 (SB 790[1]) remain in effect and would allow Benicia to join MCE provided it satisfies MCE's membership criteria and the City Council votes to join as a new member.

Attachments:

- CSC Community Choice Aggregation Report
- MCE Affiliate Membership Criteria
- PG&E and MCE 2013 Power Mix Comparison
- MRW & Associates, Risk Assessment of Participation in MCE, 2011

[1] SB 790 bans utility companies from using ratepayer funds for negative publicity campaigns against local community utilities (i.e. CCAs). Utility companies are required to file the details of any anti-CCA marketing with the CPUC.

Community Choice Aggregation (CCA)
Prepared by Alex Porteshawver, Consulting CAP Coordinator
May 12, 2014

I. Introduction

Community Choice Aggregation (CCA) allows local governments to purchase and/or develop clean power on behalf of their residents, businesses, and municipal accounts. CCA is an energy supply model that works in partnership with Pacific Gas & Electric (PG&E) to deliver renewable energy, maintain the energy grid, and provide customer service and billing. As part of the Council approved CAP Coordinator Work Plan 14-15, the CAP Coordinator researched CCA programs and potential funding sources to complete a Marin Clean Energy (MCE)[1] required technical study that assesses the City's electrical load and determines whether MCE can provide cost-effective service to the City. Below is an overview of that research and recommendations for future action.

II. CCA Overview

CCA programs generate and procure their own clean energy and rely on PG&E to deliver electricity through its transmission and distribution system. PG&E would continue to provide meter reading, billing, maintenance, and outage response services. Within PG&E's territory there are two active CCAs: Marin Clean Energy (MCE) and Sonoma Clean Power. CCAs procure renewable power either by contracting with a third party to procure that power or by generating it themselves. According to California law, customers are automatically enrolled in a CCA once their jurisdiction creates a CCA or opts in to an existing CCA. Residents are provided opportunities to "opt out" of the program and continue to receive power generated by PG&E.

III. Marin Clean Energy (MCE)

Currently, MCE is the only California CCA that Benicia may be able to join. The MCE Board of Directors determines the source and price of generation. MCE began serving the generation needs of customers within Marin County in 2010. In 2013, MCE expanded to the City of Richmond and is now seeking additional jurisdictions to join the CCA.

[1] MCE is a Community Choice Aggregator (CCA) located in Marin County offering services to Marin County and City of Richmond residents. Its purpose is "to address climate change by reducing energy related greenhouse gas emissions and securing energy supply, price stability, energy efficiencies and local economic and workforce benefits." More information about MCE can be found at http://marincleanenergy.org/.

A. Rates
MCEcharges customers for generation, but PG&E bills for all the above services (see Section II.),a "Power Charge Indifference Adjustment" (PCIA) fee and a franchise fee.

- PCIA is the portion of the bill intended to ensure that customers who receive their electric supply from third-party providers, such as a CCA, pay their share of costs for energy that was acquired by PG&E, to serve them prior to their departure.

Customers who receive their electric supply from a third-party provider are also billed a franchise fee surcharge (FFS). PG&E normally collects the FFS directly from customers in the "Total Bundled Rate."[2] The money collected through the FFS is paid to municipalities for the purpose of supporting vital local services such as police and fire protection, education, public health and environmental services. MCE does not bill customers for the FFS. Instead, PG&E collects the FFS to ensure that local governments continue to receive these important revenues.

As of May 2014, the average residential PG&E bill for power generation is $46.74 per month. The MCE Light Green product, which is 50 percent renewable, is $40.13 per month. The Deep Green 100 percent renewable MCE product is $45.21 per month.[3] Both PG&E and MCE charge $32.26 per month for transmission services and MCE customers must pay an additional charge (required by PG&E) to compensate it for generation contracts PG&E has already entered assuming its customers would not join MCE. This is $5.89/month; even with that extra charge MCE Light Green customers pay approximately $0.75 less than PG&E and Deep Green customers pay roughly $5.00 more per month. MCE is attempting to phase out this charge over the next three years.

B. Procurement of Renewable Energy
MCE contracted with Shell Energy North America to procure generation contracts in WA, OR, and CA and is able to offer customers between 50-100%

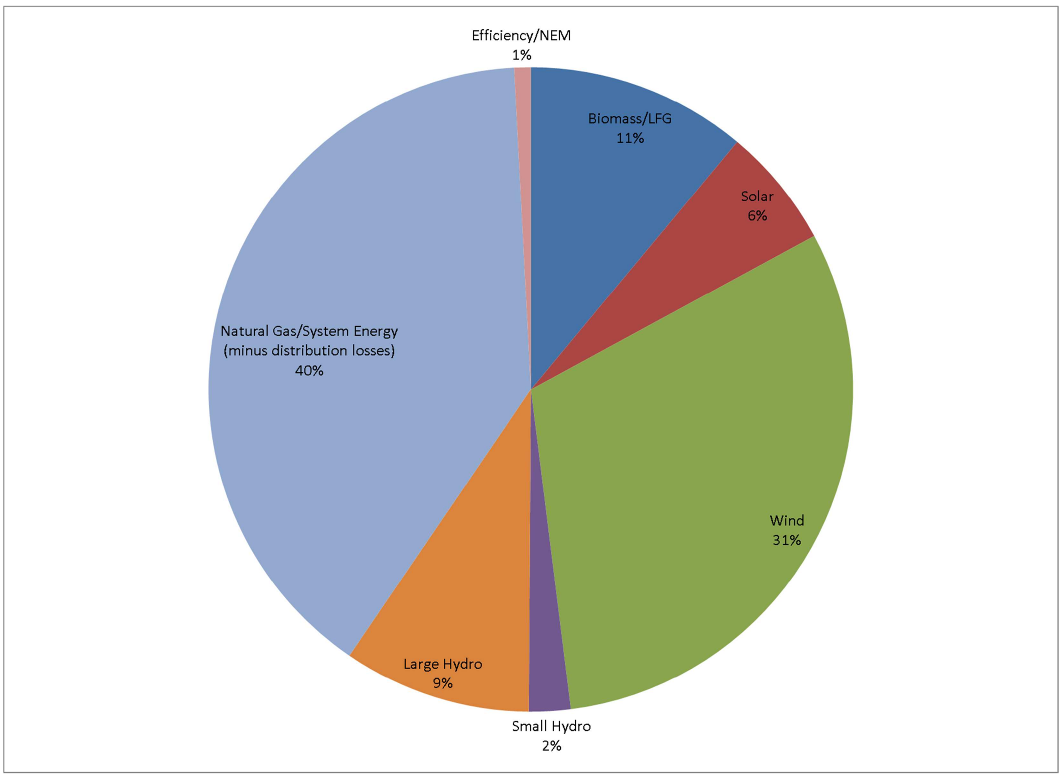
[2] Total bundled rates include charges for the following: generation, transmission, distribution, and other taxes/fees. See http://www.pge.com/tariffs/tm2/pdf/ELEC_SCHEDS_E-1.pdf for more information.
[3] These numbers are constantly changing based on fluctuations in MCE and PG&E rates.

renewable energy. MCE also supports development of local energy generation projects to help meet its load requirements.

- Pending a CPUC decision expected in mid-2014, PG&E will soon offer customers a Green Option (100% renewable power) in the first half of 2015. MCE is an "opt out" program where PG&E's program is an "opt in" program and requires customer to pay a surcharge for program administration and other costs related to solar energy generation.[4]

The pie charts below show the *estimated* power resource mix for MCE and PG&E; actual power resources can only be measured after they are used since available base load (biogas) and intermittent (wind and solar) resources may decrease or increase, i.e. more wind energy is generated than originally estimated.

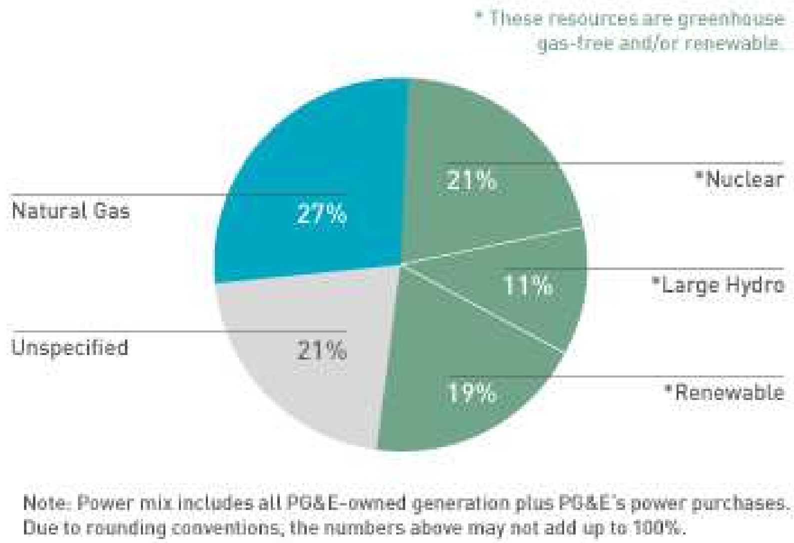
Figure 1. MCE Estimated 2012 Resource Mix[5]



[4] For more information visit: http://www.pge.com/greenoption/.

[5] Provided by MCE on 5/1/2014. The section labeled "Natural Gas/System Energy (minus distribution losses) represents MCE's "unspecified" sources for 2012. If you add up PG&E's Natural Gas and Unspecified sources you get 48% compared to MCE's 40%.

Figure 2. PG&E 2012 Electric Power Mix Delivered to Retail Customers[6]



PG&E and MCE agreed to use 2012 data to report resource mixes so that customers could compare the following:

	Percent of Total Retail Sales (kWh)		
Specific Sources	PG&E	MCE Light Green	MCE Deep Green
Renewable	19%	53%	100%
• Biomass & Biowaste	4%	12%	0%
• Geothermal	5%	0%	0%
• Hydroelectric	2%	2%	0%
• Solar electric	2%	1%	0%
• Wind	6%	38%	100%
Coal	0%	0%	0%
Large Hydroelectric	11%	7%	0%
Natural gas	27%	0%	0%
Nuclear	21%	0%	0%
Other	0%	0%	0%
Unspecified Power	21%	40%	0%

[6] Taken from: http://www.pge.com/myhome/edusafety/systemworks/electric/energymix/.

TOTAL	100%	100%	0%

C. Enrollment

All customers in a jurisdiction are automatically enrolled in the CCA per California law and have four months to opt out.

- Customers who opt out of MCE before or within the first 60 days after the start of service with MCE can return to MCE at any time. Customers who opt out after the first 60 days of service with MCE will be prohibited by PG&E from returning to MCE for one year. If a customer opts out after 60 days, there is a small fee to rejoin: $5 for residential customers and $25 for commercial customers.
- Customers are automatically enrolled in Light Green (50% renewable energy), but can choose Deep Green (100%) at any time.

D. Support for Local Projects

MCE designates half (50%) of all Deep Green revenues for local renewable energy projects. For example, a portion of these funds are being used to install a 1 MW solar installation at the Port of Richmond. The Deep Green Fund is designed to help pay for the pre-development costs of local renewable projects (i.e., within MCE service area) that are separately developed from MCE's Feed-in Tariff (see Section F).

In 2012, the MCE Deep Green program generated revenues of $103,073. MCE Staff allocated approximately 50% of the 2012 Deep Green program revenues, totaling $52,000, to provide for the estimated budget needed to cover pre-development costs for a local renewable development by MCE.

Pre-development costs associated with local renewable energy project development would include, but are not limited to:

Pre-development Task	**Estimated Cost**
Environmental review	$5,000 - $ 15,000
Securing site control	TBD
Permitting	$5,000 - $ 15,000
Design & Engineering	$5,000 - $ 15,000

Interconnection application	$500

MCE commented that the Deep Green Program revenue will be available on a 'first come, first served' basis.

E. Net Energy Metering (NEM) for Renewable Energy Projects

NEM is a program that PG&E and MCE offer to customers who have solar or other small renewable energy generation systems. A special meter tracks the net difference between the amount of electricity produced and the amount of electricity you use during each billing period. When you generate more electricity than you use, you get credited for that excess electricity.

Customers who switch to MCE and are currently enrolled in PG&E's net energy metering program will automatically be enrolled in MCE's net energy metering program. PG&E and MCE will perform a settlement of your account's net charges and credits (known as a "true-up") when your energy provider changes either to MCE or back to PG&E. This settlement will result in a balance due for any usage charges owed to-date, or alternatively will result in a forfeiture of any excess credits on your account at that time.

MCE offers the following NEM rates:

- Premium rates for excess electricity, crediting customers at an extra $0.01/kWh compared to PG&E;
- Excess credits roll over month after month and never zero out;
- Excess credits over $100 can be cashed out annually for their full retail value, rather than PG&E's wholesale[7] compensation rate; and
- MCE bills NEM customers monthly so you do not end up with a year's worth of charges at your true-up.

F. Feed in Tariff (FIT) Program for Renewable Energy Projects

As part of its efforts to promote local renewable energy projects, MCE has a standard-offer contract, called a Feed-In Tariff, available to anyone in the MCE service area (Marin County and Richmond) wishing to sell the power

[7] PG&E purchases large amounts of power on the wholesale market at cheaper rates than what the retail customer is ultimately charged; MCE credits customers at the higher retail rate.

output from small-scale renewable energy projects. The Feed-In Tariff limits individual project size to 1 MW. However, there is capacity under the program for a total of 10 MW (can be spread among many different projects). The program offers a long-term 20-year contract, ensuring a stable power supply for MCE customers, with pricing varying by energy type. MCE's FIT program is designed to support renewable energy projects that have been developed with the primary purpose of exporting (and selling) the significant majority of all power production to MCE. By contrast, MCE's NEM program has been designed to support customer-sited renewable generating projects that have been developed for the primary purpose of offsetting some or all of the customer-generator's typical energy use on their electric bill.[8]

G. SolShares

MCE is now offering a new power choice so that anyone in MCE territory can purchase 100% solar energy from a local solar farm located in its service area. The initial launch is limited to approximately 200 participants, depending on electricity usage. Planning is already underway for solar projects in Novato and Richmond. The cost is about 25% more than MCE's Light Green rate.

This is similar to a program developed by and submitted to the CPUC by PG&E. Under SB 43, utility companies were directed to develop shared solar programs that allow utility customers to buy a "share" of solar energy, even if the solar system is located elsewhere and in turn would receive a credit on their bill for using renewable energy. The rule-making process is on-going; the CPUC is set to release a final decision in July 2014.

IV. Process for Benicia to Join MCE

Joining MCE would be a multi-step process for the City. To become an affiliate member, a jurisdiction must take the following steps:

<u>Step 1) Letter requesting consideration</u>

To begin the process, a community's governing body (council or board) sends a letter requesting consideration for membership. Without this, MCE cannot prepare the necessary study.

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[8] Information taken from: https://mcecleanenergy.com/fit (April 23, 2014).

Step 2) Contract with MCE for the economic feasibility study

The second step is to draft a contract with MCE for the feasibility study. This would cost an amount not to exceed $18,000.

- A load analysis and associated economic analysis ($10,000) is needed to verify MCE's ability to provide cost-effective service to the community considering membership, while continuing to do so for our existing communities/customers.
- Another $8,000 (approximately) covers MCE staff time and PG&E load data fees. This includes community outreach, communications, and additional and/or follow-up analysis, if needed.

Step 3: Request submitted to MCE Board to consider adherence to criteria D, E, F and G below, and to authorize initiation of membership analysis.

Step 4: Following MCE Board approval, staff executes contract with governing body of new jurisdiction to fund costs of membership analysis (MCE's cost).

Staff undertakes and completes analysis, with primary focus on quantitative criteria A, B, and C below.

Step 5: Results of membership analysis presented to governing body of new community and to MCE Board.

- If quantitative affiliate membership criteria are met, community is automatically authorized to complete affiliate membership process.
- If qualitative criteria are not met but other compelling criteria are present, Board may consider approval of an affiliate membership for Benicia.

Step 6: Governing body of new jurisdiction approves resolution requesting membership, ordinance authorizing community choice aggregation service through MCE and signs Joint Power Authority Agreement as an Affiliate Party.

Step 7: MCE Board adopts resolution authorizing membership of the additional incorporated municipality and submits an updated Implementation Plan to CPUC.

Affiliate Membership Criteria:

A. Allowing for MCE service in new community will result in a projected net rate reduction for existing customer base.

B. Offering service in new community will enhance the strength of local programs, including an increase in distributed generation, and will accelerate greenhouse gas reductions on a larger scale.

C. Including new community in MCE service will increase the amount of renewable energy being used in California's energy market.

D. There will be an increase in opportunities to launch and operate MCE energy efficiency programs to reduce energy consumption and reliance on fossil fuels.

E. New opportunities are available to deploy local solar and other distributed renewable generation through the MCE Net Energy Metering Tariff and Feed in Tariff Program.

F. Greater demand for jobs and economic activity is likely to result from service in new community.

H. The addition of the new community is likely to create a stronger voice for MCE at the State and regulatory level.

V. Opposition to CCA

On February 20, 2014, Assembly Member Bradford introduced AB 2145 – Monopoly Protection Bill, which would change the way CCAs are established. Under existing law, a CCA must provide each customer an opportunity to opt out of its CCA program; positive written declaration for participation is not needed, but each customer shall be informed of his or her right to opt out of the program. If no negative declaration is made by the customer regarding participation, the customer shall be served by the community choice aggregation program.

AB 2145 would require a positive declaration from a customer for participation in the community choice aggregation program and that each customer is informed of his or her right to opt in to the program (as of January 1, 2015). The bill would provide that a customer shall be served by the CCA program if an affirmative declaration is made. This could hamper the ability of an aggregator to make an impact in the City, i.e. enroll enough residences to make its model cost effective and beneficial for the environment (GHG reduction potential).

On April 28, the Committee on Utilities and Commerce passed a motion re-referring the bill to the Committee on Appropriations. On April 29, City Council authorized the City Manager to submit a letter opposing AB 2145. As discussed below, quick action to initiate joining MCE would help the City avoid any issues with AB2145 since if passed, it would not go into effect until January 1, 2015.

VI. Recommendations

Identify funding and request Council approval to enter into contract with MCE to conduct technical study.

CCA gives Benicia residents a choice to purchase renewable energy and reduce greenhouse gas (GHG) emissions. Entering into a contract with MCE and conducting a technical study will allow the City to consider the economic and environmental benefits of joining MCE. It will also allow MCE to officially consider the study results and determine whether Benicia meets the membership criteria discussed above. If the City Council approves submission of a letter requesting consideration and the contract for the membership analysis by June, Benicia can most likely be included in the procurement process for Napa County (begins in June). If the contract is not completed in June, procurement for Benicia may have to wait until the 2015 procurement cycle (after April 2015).

However, before Council can approve and authorize submission of the letter, the City needs to identify $18,000 to cover the costs of the study. The CAP Coordinator recognizes that the CSC submitted a grant application to cover the costs described above. If awarded that grant on June 17, the CAP Coordinator could initiate the process described in Section IV.

Finally, if MCE determines that it can accept Benicia as an affiliate member, the City will need to:

- Pass an ordinance authorizing CCA service through MCE and
- Sign the JPA Agreement as an affiliate party.

Both of these actions will require Council approval.

VII. Conclusion

CCA offers customers options – they can continue to purchase energy generated by PG&E (19% renewables) or they can instead opt to purchase 50% or 100% renewable energy from MCE. By offering a cleaner energy option, residents and business owners can choose to reduce additional GHG emissions and help the City meets its 2020 GHG reduction goals.

V.A.18

MCE Affiliate Membership Process

<u>Step 1:</u> Governing body submits letter to MEA from new community jurisdiction, requesting consideration as a member.

<u>Step 2:</u> Staff evaluates request timing to determine if internal resources are available to consider request, and to ensure no impact to core agency functions.

<u>Step 3:</u> Request submitted to MEA Board to consider adherence to criteria D, E, F and G below, and to authorize initiation of membership analysis.

<u>Step 4:</u> Following MEA Board approval, staff executes contract with governing body of new jurisdiction to fund costs of membership analysis. Staff undertakes and completes analysis, with primary focus on quantitative criteria A, B and C below.

<u>Step 5:</u> Results of membership analysis presented to governing body of new community and to MEA Board. 1). If quantitative affiliate membership criteria are met, community is automatically authorized to complete affiliate membership process. 2). If qualitative criteria are not met but other compelling criteria are present, Board may consider approval of affiliate membership.

<u>Step 6:</u> Governing body of new jurisdiction approves resolution requesting membership, ordinance authorizing community choice aggregation service through MCE and signs JPA Agreement as an Affiliate Party.

<u>Step 7:</u> MEA Board adopts resolution authorizing membership of the additional incorporated municipality and submits updated Implementation Plan to CPUC.

Affiliate Membership Criteria:

A. Allowing for MCE service in new community will result in a projected net rate reduction for existing customer base.
B. Offering service in new community will enhance the strength of local programs, including an increase in distributed generation, and will accelerate greenhouse gas reductions on a larger scale.
C. Including new community in MCE service will increase the amount of renewable energy being used in California's energy market.
D. There will be an increase in opportunities to launch and operate MCE energy efficiency programs to reduce energy consumption and reliance on fossil fuels.
E. New opportunities are available to deploy local solar and other distributed renewable generation through the MCE Net Energy Metering Tariff and Feed in Tariff.
F. Greater demand for jobs and economic activity is likely to result from service in new community.
G. The addition of the new community is likely to create a stronger voice for MCE at the State and regulatory level.

V.A.20

PG&E – MCE Comparison

2013 Electric Power Generation Mix*

Specific Purchases	Percent of Total Retail Sales (kWh)		
	PG&E	**MCE Light Green**	**MCE Deep Green**
Renewable	**22%**	**51%**	**100%**
• Biomass & Biowaste	4%	6%	0%
• Geothermal	5%	0%	0%
• Eligible hydroelectric	2%	12%	0%
• Solar electric	5%	<1%	0%
• Wind	6%	33%	100%
Coal	**0%**	**0%**	**0%**
Large hydroelectric	**10%**	**10%**	**0%**
Natural gas	**28%**	**0%**	**0%**
Nuclear	**22%**	**0%**	**0%**
Other	**0%**	**0%**	**0%**
Unspecified sources of power	**18%**	**39%**	**0%**
Total	**100%**	**100%**	**100%**

* 2013 data is from the “Annual Report to the California Energy Commission: Power Source Disclosure Program”. PG&E data is subject to an independent audit and verification that will not be completed until October 1, 2014.

2012 Total CO_2 Emissions from Electricity Sales per Megawatt-Hour**

PG&E	MCE Light Green	MCE Deep Green
445 pounds	380 pounds	0 pounds

** The CO_2 emission rates reflect the emissions associated with PG&E’s and MCE’s respective energy supplies in 2012. For the purpose of this chart, renewable energy, hydroelectric and nuclear resources have been considered GHG free.

V.A.21

Risk Assessment of Participation in the Marin Clean Energy Community Choice Aggregation Program

On Behalf of the City of Richmond

MRW & Associates, LLC
1814 Franklin Street, Suite 720
Oakland, CA 94612

October 20, 2011

V.A.23

Executive Summary

The Marin Energy Authority (MEA) is a Joint Powers Authority (JPA) consisting of the County of Marin, City of Belvedere, Town of Fairfax, City of Mill Valley, Town of San Anselmo, City of San Rafael, City of Sausalito, and Town of Tiburon. MEA is considering allowing the City of Richmond to become a member of the JPA and participate in the Marin Clean Energy (MCE) Community Choice Aggregation (CCA) program. MCE provides commodity electric service to citizens and businesses throughout Marin.

Richmond retained MRW & Associates, LLC to examine the risks associated with joining MEA, participating in MCE, and review the load studies that Richmond commissioned as part of its due diligence related to participation in MEA and MCE. MRW's scope of work consists of four tasks:

- Assess potential risks and benefits to City residents and businesses if Richmond joins the MEA, in particular, the rate risk to the community.
- Assess potential risks and benefits to the City itself if it chooses to join the MEA.
- Provide comments on the Dalessi Management Consulting load and resource requirement analysis.
- Provide qualitative comments on any materials MEA provides to Richmond.

Participation in MCE does not come without risks. However, remaining a customer of PG&E also involves risks, although those risks may be less easily identifiable. It is up to the policymakers of Richmond to determine if the benefits associated with participation in MCE justify the risks. If Richmond joins MEA, it would allow its citizens and businesses the opportunity to take commodity electric service from MCE. If a customer does not take the conscious choice to opt out from the program and remain with PG&E for commodity electricity service, then they would, by default, become a customer of MCE. The opt-out requirement effectively means that despite the many opt-out notices that MCE is required to send out, some customers could become MCE customers without necessarily intending to do so. This could be a problem because different stakeholders have different values and risk preferences. For example, one customer might be extremely price-sensitive and would not tolerate higher rates for electric service, while another customer might be willing to pay more for electric service in order to obtain power from renewable energy sources.

According to MCE, participation in MCE can provide the citizens and businesses of Richmond with certain benefits. These include:

- Greater levels of power supply from renewable energy sources than offered by PG&E at competitive costs
- Reduced greenhouse gas emissions as a result of participation in MCE
- Alternative power supply opportunities for MCE customers, including self-generation of renewable energy through MCE-sponsored feed-in tariffs

- Development of local renewable resources to supply power to MCE
- Economic development benefits resulting in more jobs and tax revenues
- Rebates to encourage investments in energy efficiency improvements in homes and businesses
- Greater local control over power supply decisions and rate setting.

Given the scope of work for this assignment, MRW has not attempted to quantify or evaluate the relative magnitude of these benefits.

MRW has identified a wide range of potential risks that the City of Richmond, its residents and businesses (if they do not opt out of service from MCE) would face were it to join MEA. Some of these risks are significant while others are less important. The types of risks fall into several broad categories:

- Procurement Risks: This broad category of risks relates to the ability of MCE to procure power at reasonable costs, to avoid significant under- or over-procurement, and the future success of MCE at renewing power supply agreements.
- Regulatory Risks: These risks consist of uncertainty in regulatory decisions by the California Public Utilities Commission that could adversely affect the costs that customers have to pay to take service from MCE, such as exit fees paid by customers and bonding requirements for MCE.
- MEA Policy Risks: While all JPA members have a voice on the MEA Board, no single city can control policy. Thus, given Richmond's differing demographic, economic, and business composition relative to Marin County, Richmond might find that the interests of its citizens and businesses are not well served by decisions of the MEA Board.
- Customer Cost Risks: These risks consist of the uncertainty in exit fees, whether MCE can continue to "meet or beat" PG&E's costs of service, how MCE will handle adding different tranches of customers in the future, and the uncertainty in costs that are passed through directly from the CCA's power supplier to customers. This also includes the risk that MCE may not be willing, or able, to provide low-income customers rates that will be no higher than PG&E's.
- City-Specific Risks: These risks relate to risks that Richmond might bear simply by becoming a member of MEA, separate and apart from any risks that it might bear as a customer purchasing power from MCE.

The following table summarizes the risks discussed in greater detail in the body of the report. The table categorizes the risks based on the type of risk (e.g., procurement, customer costs), the entity that bears the risk (citizens or the City) as well as the relative importance of the risk in terms of the impact that it might have on customer costs or viability of the CCA.

Description of Risk	Magnitude or Importance of Risk
Procurement Risks	
Volume Risk: Uncertainty in load can cause under- or over-procurement	Medium
Future Price Risk: MCE cannot procure power for incremental customers at competitive costs	High
Expansion of CCA: Can current contract accommodate all new customers?	Medium
Contract Renewal: MCE cannot procure power at competitive prices at end of current agreement	High
Regulatory and Policy Risks	
Adverse CPUC Decisions: Exit Fees and bonding costs may be higher than expected	High
MEA's lack of Low-Income ratepayer policy	Very High
Full details of requirements of new MEA members not set	Low
Richmond's interests may not always align with that of other JPA members	Medium
Customer Cost Risks	
PG&E Exit Fees: Who bears risk of changes in exit fees?	High
Uncertainty in Departing Load Fees: How much must customer pay to exit CCA after opt-out period ends?	Medium
MCE Pricing Commitment: Will MCE meet or beat PG&E rate?	High
MCE Pricing Commitment: Will MCE hold CARE customers harmless?	Very High
City-Specific Risks	
Supplier Guarantees: City must provide guarantees to power suppliers	Medium
New Generation Guarantees: City must provide support to obtain financing for new generation	Low
Loss of Participation Fee: City departs CCA	Low

MRW believes the most significant risk is whether MCE will ultimately be able to provide long-term power supplies at costs that are less than PG&E could provide. Thus, if the City's customers are highly price sensitive, then this risk may be of great concern and would indicate that the City should place a premium on ensuring the its citizens and businesses are fully informed about the opt-out requirements of MCE. The City should also delve deeper into the likely future rates for MCE and PG&E, especially for the City's most price-sensitive customers.

This is particularly true for low-income households who currently take service under the California Alternate Rates for Energy (CARE) program offered by PG&E. MCE does not provide any guarantee that these customers would not be financially harmed by participation in MCE. In other words, customers currently taking service from PG&E under the CARE program could (and, given MCE's current policy and rates, would) experience higher electricity bills with MCE than with PG&E. Under current (2011) rates, a typical CARE household taking service from MCE would pay roughly $100 a year more for electricity than it would taking service from PG&E, although given anticipated rate changes, this value is expected to drop to approximately $30-40 in 2012.