



# Butte County Board of Supervisors Agenda Transmittal

Clerk of the Board Use Only

Agenda Item:

4.07

**Subject:** Authorization to Issue a Request for Proposal for a Technical Study Related to Community Choice Aggregation

**Department:** County Administration

**Meeting Date Requested:** June 14, 2016

**Contact:** Jennifer Macarthy

**Phone:** 530-538-2554

**Regular Agenda**

**Consent Agenda**

**Department Summary:** *(Information provided in this section will be included on the agenda. Attach explanatory memorandum and other background information as necessary).*

In response to concerns voiced by several Butte County businesses, and per one of the action items in the Butte County Regional Economic Development Strategy, County staff has been researching opportunities to assist both businesses and residents through alternative energy projects and programs. One such program is Community Choice Aggregation (CCA). CCA allows local governments to become an energy purveyor and to purchase electrical energy on the wholesale market from any source. A CCA chooses the source of electrical power for the community and sets its own rates. A CCA only provides electricity and does not own poles or wires; electricity would continue to be delivered using PG&E transmission and distribution lines.

On August 31, 2015 the Board of Supervisors directed staff to further research CCA including: outreach to business, identification of formation tasks and associated costs, and identification of potential risks and benefits. Due to a fee change from the California Public Utility Commission in December 2015, CCA seemed to no longer make financial sense. However, with decreases in the cost of electricity, CCA has become a viable option again for many communities. The first step in the CCA pre-formation process is the completion of a technical study to determine the feasibility of CCA in the Butte County region.

**Fiscal Impact:**

No initial financial impact. Prior to issuing a contract for the completion of a Technical Study, staff would return to the Board of Supervisors with the detailed scope and cost. Technical Study's are estimated at \$50,000-\$100,000.

**Personnel Impact:**

Does not apply.

**Action Requested:**

Authorize staff to issue a Request for Proposal for a technical study related to the formation of CCA in Butte County.

**Administrative Office Review:** Shari McCracken, Deputy Chief Administrative Officer



**Butte County Administration** Paul Hahn, Chief Administrative Officer

25 County Center Drive, Suite 200  
Oroville, California 95965

T: 530.538.7631  
F: 530.538.7120

[buttecountv.net/administration](http://buttecountv.net/administration)

## MEMORANDUM

DATE: June 14, 2016

TO: Board of Supervisors

FROM: Jennifer Macarthy, Deputy Administrative Officer - Economic Development

RE: Authorization to Issue a Request for Proposal (RFP) for a Technical Study related to the Formation of Community Choice Aggregation in Butte County

---

### BACKGROUND

Energy costs can be a deciding factor for business as they consider expansion of an existing company, or the location of a new development. To address this, the Butte County Regional Economic Development Strategy, which was approved by the Board of Supervisors in February 2014, included an action item to “Explore opportunities related to increased energy savings for business and residential users, including both projects and programs related to energy efficiency and energy generation”.

In addition, over the past couple of years, several businesses and business groups within the County of Butte have been discussing the need to evaluate alternative energy opportunities to reduce energy costs for business, in order to encourage business expansion and business recruitment. One such opportunity is the option of Community Choice Aggregation (CCA). The concept of CCA was introduced to the Board of Supervisors on August 31, 2015.

CCA is available in seven states throughout the United States. CCA became an option in California in 2002 with the passing of State Assembly Bill 117. This bill gave California cities and counties the ability to aggregate the electric loads of residents, business, and public facilities to facilitate the purchase and sale of electrical energy in a more competitive market. CCA allows local governments to become an energy purveyor and to purchase electrical energy on the wholesale market from any source. All Investor Owned Utility (IOU) customers within the area defined as the CCA would be included in the CCA unless they chose to opt out of the CCA and remain customers of the IOU.

Although the IOU, such as PG&E, would no longer be responsible for the purchase and supply of energy in the CCA model, the IOU would still own the poles and wires, and electricity would continue to be delivered using the IOU’s transmission and distribution lines. IOU’s are obligated to continue to deliver electricity to the CCA customers under the same terms and conditions as their own customers, perform billing duties and provide customer service. Because the CCA purchases the power, and is responsible for setting the energy rates, the CCA customers pay a potentially lower cost for the electricity itself.

## **CCA FORMATION CONSIDERATION**

In August 2015, County staff provided the Board of Supervisors with information on the concept of CCA, and received direction to move forward with community outreach and additional research on the program. Staff completed such outreach and research, and was prepared to come back to the Board of Supervisors with a recommendation to move forward with CCA formation. In December 2015, the California Public Utility Commission (CPUC) approved a large increase in the Power Charge Indifference Adjustment (PCIA) fee. As a result, the existing CCA's in California noted that their cost competitiveness with PG&E would be greatly diminished. Therefore, County staff circulated an update to the Board of Supervisors and the CCA Steering Committee (Exhibit A) recommending that the formation of CCA in Butte County be put on hold.

### **CCA Formation in California**

Currently, there are four operational CCA programs in California. Marin Clean Energy ([www.mcecleanenergy.org](http://www.mcecleanenergy.org)), Sonoma Clean Power ([www.sonomacleanpower.org](http://www.sonomacleanpower.org)), Lancaster Choice Energy ([www.lancasterchoiceenergy.com](http://www.lancasterchoiceenergy.com)), and CleanPowerSF ([www.sfwater.org](http://www.sfwater.org)). In addition, there are at least seven other CCAs in various stages of formation throughout California.

Based on the recent number of new CCAs under formation, County staff began to look into how these communities were addressing the issue of the rising PCIA fee, while still maintaining a situation that provides businesses and residents an opportunity to save money on their energy bill. In all cases, the answer is the current cost of energy. The cost of energy has fallen significantly since other CCAs such as Marin Clean Energy and Sonoma Clean Power were formed. CCAs entering into power contracts now, have the opportunity to lock into lower cost, long term contracts for power.

### **Technical Analysis**

Prior to moving forward with CCA formation, communities complete a technical study. This study typically examines the financial viability of the CCA in the community or region, details the implementation options, and provides a risk assessment and risk mitigation plan. More recent technical studies, such as the study completed by the City of Davis and County of Yolo, have determined that the current low cost of energy more than offsets the increase in PCIA fee, creating a situation where residents are estimated to realize a cost savings through the CCA versus the IOU. Yolo County, for example, anticipates their residents will realize an 8.7% lower rate than PG&E.

Until a technical study is done for the Butte County area (including the unincorporated area of the County and the communities of Chico, Paradise, and Oroville), it is uncertain whether or not local residents could potentially experience a savings through the participation in CCA. The cities of Biggs and Gridley would not be included in the technical study due to the fact that they operate a municipal utility for their communities, and are therefore ineligible to participate in CCA. The technical study is part of the first phase of the establishment of CCA. The process for the establishment of the CCA involves the following:

**Phase I – Feasibility Evaluation.** This phase addresses the feasibility of creating a CCA, including a careful consideration of potential benefits and risks. This process includes the definition of objectives and evaluation of the economic feasibility of achieving those objectives given local circumstances, including financial, political, administrative, and regulatory considerations. This phase includes outreach to other jurisdictions potentially interested in joining the CCA, forming a steering committee, load data procurement, hiring consultant services to help manage and

prepare the feasibility study, preparation of the feasibility study, public outreach, and development of initial implementation plans.

Phase II – Adoption of Resolution Proclaiming Intention to Form CCA. If the feasibility analysis results in a decision to pursue CCA formation, the next step is to pass a resolution by the local government(s) proclaiming its intention to form the CCA, and prepare the Implementation Plan for submittal to and for consideration by the CPUC. The Implementation Plan proposes how the CCA will be set up and how it will function. Important issues to be addressed include the operational structure, a detailed discussion of source(s) of electricity, rate setting, participation with other local jurisdictions (e.g. JPA), rights and responsibilities of program participants, and a Statement of Intent. The Statement of Intent addresses the issues of universal access, reliability, customer class equity, and other requirements.

Phase III – Enrollment. Once the CCA becomes operational, all customers in the service area are automatically enrolled. However, customers have the ability to opt out of the CCA without penalties during a specified enrollment period. During this time period, all applicable accounts of new CCA customers are transferred to the new supplier.

## **SUMMARY**

Given the current cost of energy, and the potential for energy cost savings in Butte County for business and residents if a CCA is formed, staff recommends moving forward with an RFP for a local technical study. The study would examine the financial viability of the establishment of CCA in Butte County, provide a risk assessment and risk mitigation plan, and advise on the potential formation structure. This would not obligate the County to form a CCA, but rather provide additional details as to whether or not a CCA in the Butte County region would make financial sense. If the Board directs staff to move forward with an RFP for the technical study, staff will return to the Board prior to initiating a contract to provide the Board with specific detail on the scope and associated cost of the study.

## **ACTION REQUESTED**

Authorize staff to issue a Request for Proposal for a technical study related to the formation of CCA in Butte County.

## **Exhibit A**

### **Butte County Community Choice Aggregation – Steering Committee Update #1**

Based on direction provided by the Butte County Board of Supervisors on August 31, 2015, County staff has been looking at opportunities through Community Choice Aggregation (CCA) for both residents and businesses to realize energy cost savings. The following provides an overview of the progress to date.

#### **Community Outreach:**

- August 25, 2015 - Butte County Board of Supervisors – Presentation
- August 28, 2015 - Chico City Manager, Paradise Town Manager, Oroville Interim City Administrator, Biggs City Manager, Gridley City Manager – Presentation
- September 22, 2015 - Manufacturing Support Readiness Team (MSRT) - Presentation
- November 11, 2015 - Paradise Citizens Alliance – Presentation
- November 10, 2015 - Paradise Town Council – Presentation
- September 17, 2015 – November 17, 2015 - Various large businesses within the City of Chico – Meetings with business and City Manager

#### **Research completed:**

- Identification of CCA formation tasks
- Estimate of CCA formation costs
- Identification of CCA consultants
- Participation in various CCA webinars
- Site visit to Sonoma Clean Power (meeting notes attached)
- Conference call with Marin Clean Energy (conference call notes attached)
- Identification of CCA potential benefits
- Identification of current CCA constraints

#### **Next Steps:**

County staff had planned on taking an agenda item to the Board of Supervisors in late February detailing the work that had been done to date. The report would have included: information received during community outreach, the benefits/risks of CCA, the formation tasks and associated costs, along with a plan for staging the consideration of the formation of CCA within Butte County, with staffs' understanding that CCA was an opportunity for local residents and businesses to realize energy costs savings. However, a recent significant increase in the Power Cost Indifference Adjustment (PCIA) fee, which is proposed by PG&E and adopted by the California Public Utility Commission, will limit CCA's ability to compete on a cost basis with PG&E in 2016, therefore County staff is recommending that a decision on moving forward with CCA be put on hold until such time as the PCIA fee is either changed, or there is a modification to the calculation methodology.

#### **What is the Power Charge Indifference Adjustment (PCIA)?**

PG&E imposes exit fees on CCA customers called the Power Charge Indifference Adjustment (PCIA). This fee is billed monthly and is intended to cover any losses incurred by PG&E from customers departing their system after PG&E had already entered into power contracts to cover its power needs.

The intent behind the Power Charge Indifference Adjustment is to ensure that PG&E customers do not experience any increase in their rates due to the fact that some customers have departed as new

community choice customers, making the PG&E customers “indifferent” to the fact that a new community choice program has launched. The premise is that PG&E has made long-term power purchases on behalf of the community choice customers who are no longer full customers of PG&E.

### **PCIA Increase and the impact to CCAs**

In a rate application proceeding in December 2015, the California Public Utility Commission (CPUC), adopted PG&E’s proposal to increase the PCIA exit fee by an estimated **100%** from 2015 to 2016. PG&E’s current PCIA methodology most heavily impacts residential customers.

Based on conversations with Sonoma Clean Power (SCP) and Marin Clean Energy (MCE), the PCIA increase will significantly impact their ability to offer cost savings over PG&E. Sonoma Clean Power is still currently analyzing their numbers, but they estimate that the PCIA will increase their rates by 7%, creating a situation where some SCP customers will pay only 1% less than PG&E customers, and other SCP customers will potentially see an increase over PG&E rates. MCE estimates that for those customers with the 50% renewable portfolio, residential costs on average will be \$4 more than PG&E. For those MCE residential customers with a 100% renewable portfolio, they will pay on average \$9 more per month than PG&E customers. The commercial rate for MCE will be on par with PG&E’s commercial rate.

### **Summary**

Although CCA has historically proven to be an excellent tool to provide both residential customers and commercial customers lower energy costs as compared to PG&E, with the 2016 increase of the PCIA fee, CCAs will have a difficult time providing competitive rates. Until such time as the PCIA fee is decreased, CCA formation in Butte County will be put on hold. Due to the variety of benefits a CCA offers its communities, if CCA’s can again become cost competitive with PG&E, Butte County will continue its consideration of formation.