



# City of Huntington Beach

**File #:** 20-1375

**MEETING DATE:** 2/3/2020

## REQUEST FOR CITY COUNCIL ACTION

**SUBMITTED TO:** Honorable Mayor and City Council Members

**SUBMITTED BY:** Oliver Chi, City Manager

**PREPARED BY:** Travis Hopkins, PE, Assistant City Manager

**Subject:**

**Review and consider the Community Choice Energy (CCE) Feasibility Study options**

**Statement of Issue:**

On August 5, 2019, the City Council directed that staff proceed with issuing a Request for Information (RFI) for qualified firms to complete a Community Choice Energy (CCE) Feasibility Study, and to conduct additional research related to possible ratepayer savings through CCE programs. Based on that direction, staff has completed the RFI process, and additionally, we have obtained information on electricity rate comparisons between SCE and a current the Clean Power Alliance, a CCE currently operating in LA County.

Additionally, the City recently received an invitation from the City of Irvine to explore participation in their proposed CCE Joint Powers Authority. This invitation was extended after Irvine completed their own CCE study and made the decision to move forward with forming a possible CCE program in partnership with other Orange County jurisdictions. As part of the City's possible CCE study, the City Council does have the option of exploring participation in Irvine's possible CCE program moving ahead.

**Financial Impact:**

If the City Council directs staff to complete a CCE Feasibility Study, the assessment will cost an amount not to exceed \$66,000. Funding for this initiative is available in the General Fund.

**Recommended Action:**

Consider moving forward with the proposed Community Choice Feasibility Study and provide staff with direction on the following options:

A) Direct staff to complete a CCE Feasibility Study and authorize the City Manager approve the required agreements with MRW & Associates for completion of the study for an amount not to exceed \$66,000.

Or

B) Direct staff not to move forward with the CCE Feasibility Study.

Or

C) Direct staff to move forward with the CCE Feasibility Study with MRW & Associates for an amount not to exceed \$66,000, and as part of that study, assess the feasibility of joining the City of Irvine's CCE program.

**Alternative Action(s):**

Provide staff with alternative direction.

**Analysis:**

Community Choice Energy (CCE), also known as Community Choice Aggregation, are entities that can be formed by local governments to purchase power, set rates, and collect revenue. CCE's serve as an alternate method for procuring power other than the traditional investor-owned utility. A CCE can give local governments the opportunity to control their energy procurement portfolio. Also of note, CCE's operate in partnership with the electric utility (Southern California Edison in Huntington Beach's case). In the CCE model, the utility continues to provide transmission and distribution services, power line maintenance, and customer billing services.

On August 5, 2019, Council Members Delgleize and Carr submitted a City Council agenda item requesting that the City move forward with conducting a study to determine the feasibility of establishing a CCE in Huntington Beach. Based on direction provided by the City Council, staff was ultimately directed to engage two work efforts. First, staff was directed to conduct research to demonstrate whether or not CCE's could result in electrical ratepayer savings. In addition, staff was directed to coordinate a RFI to identify a qualified firm to conduct a CCE feasibility study for Huntington Beach.

Regarding the feasibility study, the City released the RFI on September 20, 2019. Two firms submitted proposals, and a multi-department team reviewed the proposals. Both firms were deemed qualified, and both were interviewed on January 13, 2020, by a panel including the City Manager, Assistant City Manager, Acting Public Works Director and Finance Department representatives. Based on that interview, the panel identified MRW & Associates (see attached RFI response proposal) as the preferred company to coordinate the feasibility study, if City Council ultimately elects to move forward with the review.

In addition, staff researched and obtained comparable electrical power rates as offered through the Clean Power Alliance (CPA), which is a CCE that serves customers across 31 communities in Southern California with electrical services provided by SCE. CPA was established in 2017 with the Los Angeles County unincorporated areas, Rolling Hills Estates, and South Pasadena. Attachments 1 and 2 provide a rate comparison between electrical costs with the CPA CCE compared against rates offered by Southern California Edison for commercial / industrial and residential costs, respectively. The comparison tables show that the CCE offered slight cost savings when compared with SCE, with the calculated savings falling somewhere in the neighborhood of around 2% when comparing SCE standard rates to CPA's Lean Power Rate. Also of note, the CPA CCE is structured to provide their customers with three power options using three levels of renewable energy generation (36%, 50%, and 100%). For customers that choose the 100% renewable power option, there is a premium cost of between 7-9% above SCE's base rate.

Finally, in December of 2019, the City of Irvine elected to consider the formation of a CCE in partnership with other Orange County Cities. The City received a letter from Irvine Mayor Christina Shea recently (see Attachment 3), offering Huntington Beach the opportunity to participate in exploratory discussions regarding the formation of a CCE. If the City Council does elect to consider exploring participation with the Irvine CCE, the recommended consultant firm of MRW & Associates would be able to provide analysis and support for this effort within the not to exceed cost amount of \$66,000.

Both of the consulting firms who responded to the City's RFI shared that based on their experience, it would certainly be financially feasible for Huntington Beach to establish or join a CCE. As staff has further considered this overall matter, there are possible benefits and associated risks when forming a CCE, and among the items are the following:

- Setting up a CCE provides municipal entities with local control to identify their own electrical power sources, and associated opportunities to create local energy programs and economic development opportunities.
- CCE's have demonstrated the opportunity to save ratepayers around 1% - 5% off of electrical costs when compared with SCE-equivalent power programs.
- There are significant up-front costs associated with establishing a CCE. For instance, the City of Irvine's recently completed feasibility study, the start-up costs for establishing their CCE were identified to be \$10.05 million.
- Fluctuations in electrical power cost structures could reduce or eliminate any potential ratepayer savings, and increased power supply costs could lead CCE rates to exceed SCE rates.
- Future regulatory changes could diminish the competitiveness of CCE's when compared with SCE related costs.

The proposed feasibility study is intended to analyze the local Huntington Beach electrical power market, assess the benefits / risks associated with forming a CCE, and identify possible governance structures associated with a future CCE operation.

**Environmental Status:**

Not applicable

**Strategic Plan Goal:**

Enhance and maintain high quality City services

**Attachment(s):**

1. SCE and CPA Joint Rate Comparison - Commercial/Industrial.
2. SCE and CPA Joint Rate Comparison - Residential.

3. Irvine Letter - Invitation to Discuss Community Choice Energy
4. MRW Response to Request for Information for CCE Feasibility Study