



Legislation Text

File #: 20-0790, **Version:** 3

Recommendation to Receive and file a report on the feasibility of a Long Beach Community Choice Aggregation (CCA);

Defer for two years any decision whether to participate in a CCA, or possibly sooner if new information becomes available solidifying benefits, to allow for increased stability in the California electricity market and reduce potential risk to residents and businesses;

Direct City Manager to perform community outreach regarding the CCA concept along with potential benefits and risks to customers, as well as to gain feedback on how supportive the community might be of a Long Beach CCA;

Direct City Manager to prepare a study that analyzes CCA governance options including forming a stand-alone City enterprise, creating a new Joint Powers Authority (JPA) with another interested public agency, or joining an existing JPA;

Direct City Manager to continue to monitor the energy market and related regulations and report to the City Council annually or sooner if substantial market changes occur; and

Direct City Manager to continue the City's partnership with Southern California Edison to raise awareness of existing programs that provide Long Beach residents and businesses with various options to purchase a greater mix of renewables and utilize energy more efficiently. (Citywide)

In December 2019, at the request of the City Council, staff brought a report to the City Council that evaluated the feasibility of the City of Long Beach (City) forming a Community Choice Aggregation (CCA) entity (Attachment A). A City CCA would replace Southern California Edison's (SCE) power procurement role by assuming the role and responsibility for purchasing the electrical power for Long Beach residents and businesses. SCE would continue to provide transmission and maintenance services; residents and businesses who were provided the power by a City CCA would continue to pay SCE at SCE rates for power transmission services.

At that December meeting, the City Council voted to lay over the subject of a CCA without a staff report and to bring the matter back in 2020. The City Council indicated that this layover was to allow Councilmembers more time to digest the content of the staff report and the extensive report prepared by a respected industry expert.

Since that time, staff has continued to monitor the evolving status of CCAs in California

including tracking regulatory and power market changes. Recently, staff reengaged with the industry expert, MRW, to provide to the City an update (Attachment B) on the interim substantive changes impacting CCAs. The changes since the December 2019 report in the retail electricity market, in power procurement market conditions, and in regulatory decisions are discussed in Attachment B. These changes continue to support staff's original recommendation to the City Council to defer the decision to establish or participate in a City CCA. Those recommendations are reaffirmed in this agenda item.

The new information continues to suggest that the situation is very uncertain and indicates risk to Long Beach residents and businesses if the City moved at this time to form or join a CCA. At present, it appears a CCA for Long Beach residents and businesses has substantial economic uncertainties and could adversely impact both the public and the City. In addition, the overall environmental benefits are currently unclear and a CCA may not provide the environmental benefits that are desired or expected. These issues may become clearer in the future. In addition, there does not appear to be compelling reason to make a decision now as to whether to join or form a CCA until better information is available. Staff believes a CCA is a well-intentioned vehicle to reduce emissions, but it appears to have significant economic risk and unclear or limited benefits based on the information available as it applies to Long Beach. A brief summary of the key information follows:

Start-up costs

- Start-up costs to the City could possibly be as high as \$15 million (depending upon governance model).

Customer Rates

- Under a CCA, current expectations are that, at best, a typical Long Beach resident would save no more than 1 percent on their monthly electric bill (about \$1 per month) and may pay more.
- Uncertainties in market conditions and regulatory actions make it impossible to provide firm assurances to Long Beach residents and businesses that CCA rates will not exceed those of the status quo with SCE.
- Declining margins of some long-established California CCAs have resulted in CCA residential customers paying higher rates than those charged by the incumbent utility.
- Costs to the City for street lighting could increase by more than 50 percent.

Environmental Benefits

- Actual environmental benefits provided by CCAs can be less than what is provided by the incumbent private utility, considering greenhouse gas (GHG) emission reductions.
- The State's Renewables Portfolio Standard applies equally to both SCE and CCAs,

requiring each to meet a minimum of 60 percent renewables by 2030.

- Long Beach residents have environmental options available today with SCE to opt for more renewable power, at 67.5 percent or 100 percent renewable levels.

Job Creation

- 10 to 27 jobs are expected to be directly created by forming a Long Beach CCA, with the local economic impact similar to that of any small company.

Governance

- Governance associated with joining the regional CCA would provide Long Beach no more voting weight than much smaller partner cities such as Hawaiian Gardens, Paramount, and Norwalk, with limited ability to influence procurement policies or CCA investment or programs. Forming a new CCA would give the City full authority and control, but would cost more and would not allow the spread of risk.

Public Outreach

- A CCA would potentially affect all residents and businesses with both short- and long-term financial implications to them. Staff recommend that before any decisions are made on a CCA, there should be outreach to the public with a balanced view of the pros and cons of a CCA.

In summary, staff believe that it would be prudent to pursue local environmental benefits for both the City and its residents and businesses by working with the incumbent electric utility, SCE. Unlike a CCA, there would be no risk. As the City works with SCE, staff will also continue to monitor the CCA environment for possible City participation when the CCA regulatory and market conditions are more stabilized and favorable.

This matter was reviewed by Deputy City Attorney Richard F. Anthony and Finance Director John Gross on August 5, 2020.

This item is presented in response to City Council's request for a CCA feasibility study.

Implementation of these recommendations is expected to cost approximately \$60,000, with most of the cost associated with outreach to the public, the preparation of a report on governance options, monitoring the energy market and regulatory activity, and preparing updated reports. Significant time for high-level staff would be required to implement the recommendations, mostly associated with the public outreach and would have moderate adverse impact on existing City Council priorities. Funding is expected to come from the Gas Fund Group in the Energy Resources Department, as a continuation of the original Gas Funding for the feasibility study.

Any actual CCA start-up would likely be funded from the General Fund, which currently does not have readily available resources. There is expected to be significant time required for high-level staff to implement a start-up and it would likely have some adverse impact upon existing City Council priorities and staff's ability to address them in a timely manner. Additionally, joining a CCA at the 100 percent green energy level would result in an additional cost of approximately \$2.4 million more per year and would need to be factored into the City's deficit projections. An immediate request to make it a high priority to join or consider joining a CCA would have substantial adverse impact on current City Council priorities because of the level of effort required. There is no local job impact associated with this recommendation.

Approve recommendation.

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