



CITY COUNCIL
Staff Report

Meeting Date: Oct. 15, 2019

To: Mayor and City Council

From: Scott Chadwick, City Manager

Staff Contact: Sheila Cobian, City Clerk Services Manager
sheila.cobian@carlsbadca.gov or 760-434-2917

Subject: Adoption of Ordinance No. CS-362, authorizing the implementation of a Community Choice Aggregation Program within the jurisdiction of the City of Carlsbad.

Recommended Action

Adopt Ordinance No. CS-362 authorizing the implementation of the Community Choice Aggregation Program within the jurisdiction of the City of Carlsbad.

Executive Summary /Discussion

Ordinance No. CS-362 was introduced and first read at the City Council meeting held on Oct. 8, 2019. On a motion by Mayor Pro Tem Bhat-Patel, seconded by Council Member Blackburn, the City Council voted 5/0 to introduce the Ordinance. The second reading allows the City Council to adopt the ordinance which will become effective thirty days after adoption.

Fiscal Analysis

In the CCE technical feasibility study, the startup costs for a four-city CCE program (Del Mar, Encinitas, Carlsbad and Oceanside) were estimated to be \$1.25 million. These non-power supply costs (which represent approximately 10% of a CCE program's overall budget) include staffing, administrative costs, consultant costs, San Diego Gas and Electric billing and metering costs, and associated financing.

The JPA's startup costs can be funded from the member cities' general funds, financed through a banking institution or covered by a contracted third-party CCA vendor. If the funds come from a city's general fund, they are subject to reimbursement by the JPA, Clean Energy Alliance, once Clean Energy Alliance begins generating discretionary revenue. Staff cannot predict the length of time necessary to reimburse any member agency because it is ultimately a JPA Board decision that would be influenced by the performance of the CCA program and external energy market factors. However, past experience from other operating CCAs seems to indicate that CCAs have been able to reimburse those CCA's startup costs within two to four years after launch of the CCA.

The Clean Energy Alliance JPA founding members will share the initial startup costs equally, with an explicit agreement that those costs be subject to reimbursement, as stipulated in Sections 7.3.2 and 7.3.3 of the JPA Agreement. Using the \$1.25 million figure from the technical feasibility study as an estimate, and assuming that all five potential partners join the Clean Energy Alliance, Carlsbad's portion of the initial startup costs would be approximately \$250,000. If one or more potential partners decides not to join the JPA as a

Founding Member, Carlsbad's share of the initial startup costs would increase to \$312,500 (four partner JPA) or \$416,600 (three partner JPA).

Staff's assessment of the estimated startup costs is that they are very conservative and represent the high-end range of what it would take to establish a robust organizational structure to support the CCA program. For example, based on recent discussions with the City of Solana Beach, which established its own CCA program in 2018, it is likely that a leaner and more streamlined CCA operating structure could be achieved by the parties at a lower initial startup cost.

Finally, once the CCA program is operational and governed by the JPA (anticipated in early 2021), there would be no ongoing financial commitments required of the City beyond its initial startup costs.

Based on this, for planning purposes, the City Council should anticipate a potential mid-year budget request from the General Fund in an amount as high as \$416,600 to fund the startup costs of the CCA program. A definitive figure will be provided in the future once the Clean Energy Alliance Board of Directors determines how it will seek to obtain the necessary startup funding,

Next Steps

The City Clerk will have the ordinance or a summary of the ordinances published in a newspaper of general circulation within fifteen days following adoption of the ordinance.

Environmental Evaluation (CEQA)

The action to create the Clean Energy Alliance is exempt from the requirements of the California Environmental Quality Act (CEQA), as it involves organizational and administrative activities of government that will not result in direct or indirect physical changes on the environment, and therefore is not considered a "project." (14 Cal. Code Regs. § 15378(b)(5).)

This ordinance is exempt from the requirements of CEQA pursuant to the California CEQA Guidelines, as it is not a "project" and has no potential to result in a direct or reasonably foreseeable indirect physical change to the environment. (14 Cal. Code Regs. § 15378(a).) The ordinance is also exempt from any CEQA requirements as there is no possibility that the ordinance or its implementation would have a significant negative effect on the environment. (14 Cal. Code Regs. § 15061(b)(3).) The ordinance is also categorically exempt because it is an action taken by a regulatory agency to assure the maintenance, restoration, enhancement or protection of the environment. (14 Cal. Code Regs. § 15308.)

To the extent necessary, the Director of Community and Economic Development shall cause a Notice of Exemption to be filed as authorized by CEQA and the State CEQA Guidelines.

Public Notification and Outreach

This item was noticed in accordance with the Ralph M. Brown Act and was available for viewing at least 72 hours prior to the meeting date.

Exhibits

1. Ordinance No. CS-362.

ORDINANCE NO. CS-362

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF
CARLSBAD AUTHORIZING THE IMPLEMENTATION OF A
COMMUNITY CHOICE AGGREGATION PROGRAM

WHEREAS, California Public Utilities Code (the "Act") Section 366.2 authorizes cities and counties to individually or jointly provide retail electric service to an aggregation of customers within their jurisdictions, which is referred to as community choice aggregation (CCA); and

WHEREAS, since 2017 the City has been actively investigating the feasibility of commencing CCA service for electric customers within the City, with the objective of addressing climate change by reducing energy-related greenhouse gas emissions, promoting electrical rate price stability and cost savings and fostering consumer choice and local economic benefits such as job creation, local energy programs and local renewable energy development; and

WHEREAS, the City completed a CCA feasibility study which determined that a CCA program could result in local benefits including the use of renewable energy at levels above the State Renewables Portfolio Standard, the provision of competitive rates to consumers, and economic opportunity for the City; and

WHEREAS, pursuant to Section 366.2 of the Act, if each entity adopts the ordinance required by Public Utilities Section 366.2(c)(12), two or more public entities authorized to be a community choice aggregator under Section 331.1 of the Act may participate jointly in a CCA program through a Joint Powers Authority established pursuant to Government Code Section 6500 et seq.; and

WHEREAS, the City wishes to implement a CCA program at this time through a Joint Powers Authority together with other Founding Members, which will be called the Clean Energy Alliance; and

WHEREAS, under section 366.2 of the Act, customers have the right to opt out of the CCA program and continue to receive bundled electric service from the incumbent utility; and

WHEREAS, 366.2(c)(12) of the Act provides that an entity which elects to implement a CCA program within its jurisdiction must do so by ordinance; and

WHEREAS, this ordinance is exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to the State CEQA Guidelines, as it is not a "project" and has no potential to result in a direct or reasonably foreseeable indirect physical change to the environment. (14 Cal. Code Regs. § 15378(a).) Further, the ordinance is exempt from CEQA as there is no possibility that the ordinance or its implementation would have a significant negative effect on the environment. (14 Cal. Code Regs. § 15061(b)(3).) The ordinance is also categorically exempt because it is an action taken by a regulatory agency to assure the maintenance, restoration, enhancement or protection of the environment. (14 Cal. Code Regs. § 15308.) To the extent necessary, the Director of Community and Economic Development shall cause a Notice of Exemption to be filed as authorized by CEQA and the State CEQA Guidelines.

NOW, THEREFORE, the City Council of the City of Carlsbad, California, ordains as follows:

1. The above recitations are true and correct.
2. In order to provide businesses and residents within the jurisdictional boundaries of the City with a choice of electric service providers and with the benefits described in the recitals above, the City Council hereby elects pursuant to Section 366.2(c)(12) of the Act to implement a

CCA program within the jurisdiction of the City of Carlsbad by participating in the CCA program of the Clean Energy Alliance, under the terms and conditions provided in its Joint Powers Agreement, on file with the City Clerk.

EFFECTIVE DATE: This ordinance shall take effect and be in force on the thirtieth day from and after its final passage.

INTRODUCED AND FIRST READ at a regular meeting of the Carlsbad City Council on the 8th day of October 2019, and thereafter

PASSED, APPROVED AND ADOPTED at a regular meeting of the City Council of the City of Carlsbad on the _____ day of _____ 2019, by the following vote, to wit:

AYES:

NAYS:

ABSENT:

APPROVED AS TO FORM AND LEGALITY:

CELIA A. BREWER, City Attorney

MATT HALL, Mayor

BARBARA ENGLESON, City Clerk

(SEAL)