

FOR THE COUNCIL MEETING OF MAY 21, 2019

**COUNCIL AGENDA REPORT**

**TO:** City Council

**FROM:** City Manager  
Prepared By: Assistant City Manager

**SUBJECT: APPROVAL TO JOIN MONTEREY BAY COMMUNITY POWER AUTHORITY**

**RECOMMENDATION:**

That the City Council:

1. Introduce an Ordinance for first reading, and continue to the next meeting for second reading and adoption, authorizing the implementation of a community choice aggregation program by participating in Monterey Bay Community Power Authority's community choice aggregation program; and
2. Adopt a Resolution requesting membership in the Monterey Bay Community Power (MBCP) joint powers authority.

**BACKGROUND:**

Community Choice Energy (CCE), authorized by Assembly Bill 117, is a State law that allows cities, counties, and other authorized entities to aggregate electricity demand within their jurisdictions to purchase and/or generate electricity supplies for residents and businesses within their jurisdiction, while maintaining the existing investor-owned utility provider for billing, physical transmission, and distribution services. CCEs are typically created to provide a higher percentage of renewable or carbon-free electricity, such as wind and solar, at competitive and lower rates than existing investor-owned utilities, while giving consumers local choices and promoting local economic development. Currently, there are 19 operational CCEs across the State of California serving close to 10 million customers. As of late 2018, there are 12 CCEs operating within PG&E's service territory, and the average customer participation is around 93 percent.

The CCE model is an opt-out program so all eligible PG&E customers are enrolled in the CCE's service upon the stated date in the implementation plan. CCEs are required by law to send out notices 60 days pre-enrollment, 30 days pre-enrollment, 30 days post-enrollment, and 60 days post-enrollment in an effort to inform each customer about the switch in electric service provider. CCEs do engage in a significant amount of community outreach and engagement through advertising, sponsorships, events, presentations, networking, and general marketing efforts in order to educate and inform customers about their options. Customers can opt-out at any time and return back to bundled service with PG&E, the investor-owned utility serving San Luis Obispo and Santa Barbara Counties.

PG&E still manages the billing and receives payments, and if there are any electrical issues with electrical service, customers still call and request service from PG&E.

### **Monterey Bay Community Power**

Monterey Bay Community Power (MBCP) is the first tri-county community choice energy program that began service in early 2018 and serves the counties of Santa Cruz, San Benito, and Monterey, as well as 16 incorporated cities therein. Most recently, the cities of Morro Bay and San Luis Obispo joined MBCP, and their residents and businesses will begin electric service in January 2020. Currently, MBCP has about 275,000 customers, and will increase to close to 305,000 in early 2020 once the Cities of Morro Bay and San Luis Obispo are enrolled. Key components of MBCP are:

1. **Rate Structure:** The basic product provided by MBCP is carbon-free provided at rates that are identical to the rates of the incumbent utility on a monthly basis. In FY 2017-2018, customers received a 3 percent rebate off their MBCP electric generation charges, 3.7 percent in FY 2018-2019, and expects to increase the rebate to 5 percent in FY 2019–2020. MBCP applies the customer rebate as a bill credit in the following schedule: December for residential customers, June and December for small to mid-size commercial customers, and quarterly for large industrial and agricultural customers. The rebate is strictly associated with the amount of electricity the customer uses. Customers may choose to opt-up to “MBprime,” which supports 100 percent California wind and solar. MBprime is set at 1 cent/kWh above MBCP default rates. Additional rebate options include “MBgreen+” and “MBshare” which allow customers to donate their rebate to local renewable generation projects or to regional non-profits that lower greenhouse gas emissions and support low income rate-payers. For homes and businesses with rooftop solar that generate power in excess of the premises’ needs on annual basis, MBCP offers a net-energy metering (NEM) rate that is more than double the standard PG&E rate. Additionally, customers who receive financial assistance through CARE/FERA, Medical Baseline, and LIHEAP do not need to re-apply and will continue to receive their electric discounts.
2. **Billing and Customer Service:** From a customer perspective, all billing and payments to PG&E stay the same. MBCP now assumes the role of electric generation supplier, and replaces the charges and cost of electricity supply from PG&E at a lower cost. Customers will see a new line-item on the front page of their bill for “Monterey Bay Community Power Electric Generation Charges.” Most importantly, customers will see a “Generation Credit” on the PG&E electric delivery page which credits customers back for the cost of electricity from PG&E. There will be a new page for Monterey Bay Community Power electric generation charges, which are replacement charges, not extra charges. Customers can call Monterey Bay Community Power’s call center to discuss all aspects of their bill, as well as learn about upcoming events and programs. Customers may also call PG&E to discuss their bill.

3. **Governance and Representation:** Of the 21 jurisdictions in MBCP, the three counties and three jurisdictions with population of 50,000 or greater, hold six Board seats. An additional six Board seats are shared by multiple jurisdictions based on geography. Shared seats rotate every two years within the representatives of those shared communities. MBCP has a Policy Board that meets quarterly, and is comprised of elected officials; and an Operations Board that meets eight times per year and is comprised of city managers and county administrative officers. MBCP also has a Community Advisory Council. Members of the Community Advisory Council are community members appointed at-large by the Policy Board.
4. **Energy Programs and Local Economic Benefits:** MBCP re-invests 2 percent of revenue into local energy programs focused on transportation electrification, building electrification, and distributed energy resources. MBCP currently offers an electric vehicle incentive program worth \$1.1 million dollars, as well as a \$100,000 solar effort to support low income customers. MBCP evaluates and deploys a suite of energy programs each year with considerable input from business and agricultural stakeholders, community members, and MBCP's three boards. To date, MBCP has rebated over \$4.4 million dollars to customers in calendar year 2018. Specifically, the commercial and agricultural sectors received \$2.4 million and \$800,000, respectively in bill savings. Residential customers received over \$850,000, but that was due to a partial year of service. MBCP estimates over \$8 million in bill savings in CY 2019.
5. **Energy Procurement:** MBCP procures carbon-free energy on the wholesale market through a variety of energy suppliers and contract lengths. MBCP's portfolio mix meets the state's renewable portfolio standard with the remaining sources coming from large hydro-electric suppliers. MBCP is committed to building innovative and California renewables. Recently, MBCP teamed with Silicon Valley Clean Energy to sign contracts for California's largest solar-plus-storage project, as well as a joint-procurement project from a 200-megawatt wind farm which will come online in 2021 and meet 20 percent of the current electrical demand. MBCP has annual RFPs for carbon free and renewable energy resources to help meet the necessary State mandates, but also to ensure price certainty and stability for the customer base. MBCP's energy procurement is supported by its energy risk management policy.
6. **Financial Health:** Due to good management, efficient staffing, and sound energy procurement, MBCP has been able to pay off initial debt and build reserves of approximately \$57 million as of February 28, 2019. MBCP estimates reaching its reserve target by late 2020 or early 2021 which allows for greater flexibility on rates, programs, as well as the potential of receiving a credit rating. Currently, MBCP financial policy for net revenues is to allocate 70 percent towards reserves and 30 percent for rebates in FY 2018-2019; and once the reserve target is met, 50 percent of reserves will be put towards energy programs and 50 percent will be put towards rebates. This policy will be subject to board approval and direction

once the reserves target is met. MBCP is one of the strongest financial CCEs in California.

The benefits of joining a large operational and financially sound community choice energy program are compelling. As mentioned above, an existing program has existing governance, staff, vendors and operations, credit and reserves, and has already covered initial startup costs. Joining MBCP provides the lowest cost, lowest risk path forward. Additionally, the size of MBCP allows it to be more resilient to fluctuations in the regulatory and market environments.

Should the City Council choose to join MBCP, the following steps would need to be accomplished:

The City Council would need to adopt a CCE ordinance authorizing the implementation of a community choice aggregation program by participating in Monterey Bay Community Power Authority's community choice aggregation program, and adopt a resolution joining MBCP and adopting its JPA Agreement.

MBCP is committed to unifying the Central Coast under one community choice energy program. MBCP has expressed a willingness to set up a satellite office within San Luis Obispo County to better serve south Monterey County as well as San Luis Obispo County and communities in north Santa Barbara County. MBCP also understands the regional landscape of the Central Coast, which is why MBCP is open to re-branding the agency to a more fitting title which includes Central Coast in it.

**Next Steps**

The following is an estimated outline of the project schedule through 2021:

Activity	Date
City of Santa Maria introduce and pass resolution to join MBCP and conduct first reading of the CCE ordinance.	May 21, 2019
Public hearing to conduct second reading of the CCE ordinance.	June 4, 2019
Submit required documents (resolution and ordinance) to MBCP	July 31, 2019
MBCP Policy Board Meeting to accept the City of Santa Maria as a member of the JPA.	September 2019
MBCP Policy Board Meeting to approve and submit the Implementation Plan to the CPUC.	November to December 2019
Program Implementation and Operations Preparation	Mid 2020 to Late 2020
Begin MBCP Service	Early 2021

MBCP is encouraging all interested communities to submit the required documentation by July 31<sup>st</sup> in order to effectively update the implementation plan and joint powers authority agreement to file with California Public Utilities Commission by December 2019.

**ENVIRONMENTAL REVIEW**

The establishment of a CCE is exempt from the requirements of the California Environmental Quality Act ("CEQA") pursuant to the CEQA Guidelines, as it is not a "project" as it has no potential to result in a direct or reasonably foreseeable indirect physical change to the environment because energy will be transported through existing infrastructure (14 Cal. Code Regs. § 15378(a)). Further, establishing a CCE is exempt from CEQA as there is no possibility that this it would have a significant effect on the environment (14 Cal. Code Regs. § 15061(b)(3)). Further, the establishment of a CCE is also categorically exempt because it is an action taken by a regulatory agency to assume the maintenance, restoration, enhancement, or protection of the environment (14 Cal. Code Regs. § 15308).

**FISCAL IMPACT**

MBCP estimates the financial obligation to amend the implementation plan and joint powers authority agreement to be about \$5,000 to \$7,500 per community that joins MBCP this year.



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