

CITY OF NORCO STAFF REPORT

TO: Honorable Mayor and Members of the City Council

FROM: Andy Okoro, City Manager

DATE: August 7, 2019

SUBJECT: Western Community Energy Update

RECOMMENDATION: Receive and File

SUMMARY: On August 15, 2018, the City of Norco City Council voted to join six other jurisdictions creating the Western Community Energy (WCE), a Joint Powers Authority (JPA). WCE is a Community Choice Aggregation (CCA) program modeled after similar existing programs in California pursuant to state law (AB 117, 2002). CCAs provide many benefits to residents and businesses in their jurisdiction including choice of electricity provider; ability to set energy rates locally; ability of customers to choose their mix of energy; competitive rates; and retention of existing special rates and programs. The initial jurisdictions that comprise WCE including the cities of Eastvale, Hemet, Jurupa Valley, Norco, Perris, and Wildomar are looking to launch in 2020. WCE had originally intended to begin providing service to its member jurisdictions in April 2020. Recently, however, Southern California Edison (SCE) announced that because of implementation of a new billing system, it could not support the April 2020 launch; SCE has been working with WCE to agree on an alternate date which as of this writing appears to be during the summer of 2020.

Before WCE can begin to provide services, it must first procure Resource Adequacy from SCE to ensure sufficient electric generation is available to meet WCE's peak demands during the summer months. Procuring the required Resource Adequacy triggers Section 5.2 and obligates the City for the terms of the agreement on its behalf in the event the City withdraws from the JPA after execution of the agreement.

BACKGROUND: On August 15, 2018, the City of Norco City Council joined six other jurisdictions creating the Western Community Energy (WCE), a joint powers authority. WCE is a Community Choice Aggregation (CCA) program modeled after similar existing programs in California pursuant to state law (AB 117, 2002). Community Choice Aggregation allows for communities to join together to purchase electricity on behalf of its community members. Community Choice Programs are administered by local governments with a mission to provide competitive alternatives to investor-owned utility sources, such as Southern California Edison (SCE). CCA programs have a track record of delivering savings on customers' electric bills while providing clean power to the grid.

CCAs such as WCE are not new to California, or even to Riverside County. Currently there are 152 jurisdictions being served by 19 CCA programs throughout the state, and many more are pursuing the formation of CCAs. It is estimated that jurisdictions representing nearly 70% of SCE's population served are looking to implement a CCA over the next few years.

In the Southern California Edison (SCE) territory, there are several active CCAs including:

1. San Jacinto Power
2. Pico Rivera
3. Town of Apple Valley
4. Rancho Mirage
5. Clean Power Alliance (32 jurisdictions in Los Angeles and Ventura Counties)
6. Lancaster

In SCE's service territory, the following jurisdictions are scheduled to launch in 2020:

1. Commerce
2. West Lake Village
3. Hanford
4. Baldwin Park
5. Desert Community Energy (Palm Springs, Palm Desert, and Cathedral City)
6. Santa Paula
7. Pomona
8. Palmdale
9. Western Community Energy (Eastvale, Hemet, Jurupa Valley, Norco, Perris, and Wildomar)

The initial jurisdictions that comprise Western Community Energy are looking to launch in 2020 include the cities of Eastvale, Hemet, Jurupa Valley, Norco, Perris, and Wildomar.

The City of Norco elected to join WCE due to a number of benefits that existing CCA's in California experience, including the following:

CCAs provide choices for residents and businesses when none currently exist:

Electricity consumers in most of Western Riverside County have but one choice (SCE) of where they get their electricity from. With the introduction of WCE in the community, residents and businesses will have the ability to choose from new rates and power sources (often with more renewable energy). The City of Norco's participation in WCE opens the door for their constituents to have options about where their energy comes from. And participation in WCE is completely optional for residents and businesses; it's up to them. Prior to launch of WCE – and even once it is established – every resident and business in the community will be provided with information to help them choose which energy source (WCE or SCE) will be best for them. What's better, constituents will have the option to switch back and forth between WCE and SCE if they wish based on their annual review of which energy provider is best for them.

Participation in WCE is a voluntary program. Residents and businesses that do not want to participate and want to stay with SCE's selection energy choices will be able to easily opt-out. By the City participating, it is simply providing its residents and businesses the ability to choose what best suits their needs. If the City does not participate, the residents have no choice.

WCE will allow for energy rates to be set locally, with local input: WCE provides its member jurisdictions the ability to control, locally, something that they currently have no authority over. Currently, electricity rates are set by the California Public Utilities Commission (CPUC), a state agency, at meetings held in San Francisco. For WCE, decisions are made locally – by locally elected City councilmembers including the City of Norco. Rates and programs are designed and implemented at the local level, at local public meetings, where members of the public can easily attend rather than having to travel to San Francisco to have their voice heard.

With WCE, customers can choose the energy mix that is best for them: WCE will offer residents and businesses its “Choice Plan”, which is a 35% renewable content. Customers that want for a 100% renewable energy product will be able to opt up to the “Choice+ Plan.”

WCE will offer competitive / lower rates compared to the status quo: Over the past 12 months, WCE consultants have continued to re-examine all the data inputs to its financials projects; the analysis continues to conclude that WCE could still provide overall bill cost-savings to customers of approximately 2 percent. For the City of Norco, allowing your community to participate in WCE if they choose could save them approximately \$560,000 per year.

WCE customers will still get existing special rates and programs: In addition to new programs that will be offered by WCE, customers will still be able to participate in SCE's special programs, such as CARE, FERA, Medial Baseline, Level Pay, or Summer Discounts. There is no special enrollment that needs to occur.

CCAs are economic drivers: For businesses that are just moderate users of electricity, utility savings can affect the bottom line and potentially impact decisions on where to locate. Local governments that operate their own utilities have known that for years; now CCAs like WCE are positioning themselves to improve their economic standing and ability to compete for business.

WCE Implementation Update

During, the past twelve months, since the inaugural meeting of WCE on August 23, 2018, the City of Norco has been actively participating in the development of WCE's policies and implementation plans, including the submittal to and subsequent acceptance by the California Public Utilities Commission (CPUC) of WCE's Implementation Plan, the document that provides details regarding WCE's operations and intent to implement its CCA program.

Voter survey conducted: Recently, WCE hired Probolsky Research to conduct a live interviewer telephone and online surveys among voters in the member WCE cities, including the City of Norco. The survey included 16 specific questions regarding participation in WCE and the community's desires to have options when it comes to energy purchases. A total of 318 voters (176 by telephone and 142 online) were surveyed for the full survey, with an additional 300 voters per city surveyed for specific WCE participation question. A survey of this size yields a margin of error of +/-5.8%, with a confidence level of 95%.

Survey Results: Some of the overall survey's major findings (among all respondents) include:

1. Overall, **58.5%** say they support participating in WCE (After subsequent information about WCE and its potential benefits, support increased to 64%)
2. Overall, **68.6%** agree that they are in favor of saving any amount on their SCE
3. Overall, **64.8%** prefer options other than SCE
4. Overall, **61%** prefer energy rates set by local elected officials at public meetings
5. Overall, the main reason voters want to participate in WCE is for more options and competition

For the City of Norco, the major findings include:

- **53%** say they support participating in WCE
- **52.4%** agree that they are in favor of saving any amount on their SCE
- **47.6%** prefer options other than SCE
- **42.9%** prefer energy rates set by local elected officials at public meetings
- Overall, the main reason voters want to participate in WCE is for to have more options and competition, followed by experiencing cost savings.

Where are we now in the process? WCE had originally intended to begin providing service to its member jurisdictions in April 2020. Recently, however, Southern California Edison (SCE) announced that because of implementation of a new billing system, it could not support the April 2020 launch; SCE has been working with WCE to agree on an alternate date which as of this writing appears to be during the summer of 2020.

WCE is currently negotiating an agreement with SCE to secure WCE's launch date and procure Resource Adequacy from the utility. Resource Adequacy is energy purchased by all load serving entities (i.e., IOUs, Direct Access, CCAs) to ensure sufficient electric generation is available to meet their peak demands during the summer months.

Since the upcoming agreement with SCE will involve payment for Resource Adequacy, Section 5.2 of the WCE JPA agreement will be triggered as WCE will be procuring power on behalf of its members for its forthcoming 2020 launch. Upon WCE execution of SCE agreement, a WCE member agency will be obligated for the terms of the agreement on its behalf in the event the member withdraws from the JPA after execution of the agreement. This aligns with information presented to WCE Board of Directors and various City Council presentations as WCE was being developed.

Based on current market conditions and estimated energy loads needed for member jurisdictions, the **proforma still shows a 2% savings to WCE customers**, while meeting the reserve goals set by the WCE Board of Directors.

Once launched, a member jurisdiction continues to have the ability to withdraw from WCE, if it so desires. If a member withdraws after WCE launches and energy has been purchased for its members, the City would have two options as follows:

1. Provide notice to WCE that it intends to withdraw, direct that no future energy be purchased on behalf of that jurisdiction's constituents and businesses, and then simply allow the contracts to term out for their community. This option carries no financial liability.
2. Notify WCE of its intent to immediately withdraw. In this event WCE would look to sell the energy previously purchased on behalf of the withdrawing jurisdiction. WCE would then sell the excess energy and in a scenario where WCE was unable to sell the energy for the price it paid, the City would be liable for the difference. These contracts have a monetary value and WCE would work diligently to sell the contracts at the appropriate time to limit any liabilities to the withdrawing agency. With the current trends of the markets, it is more likely than not that the energy sold would be sold at a higher market value than what it was originally purchased for. Again, individual residents and business will continue to have the opportunity to opt-out at any time without financial penalty to themselves or the member agency they reside within.

FISCAL IMPACT: If the City decides to withdraw from WCE after the execution of energy contracts, WCE would look to sell the energy previously purchased on behalf of the City and if WCE is unable to sell the energy for the price it paid, the City will be liable for the difference. The amount of any potential loss to the City cannot be determined at this time.

RELATIONSHIP TO STRATEGIC PLAN: Participating in the WCE CCA Program is consistent with Community Outreach Strategy Priority.