



**COUNTY OF SAN MATEO**  
Inter-Departmental Correspondence  
County Manager



**Date:** September 28, 2015  
**Board Meeting Date:** October 6, 2015  
**Special Notice / Hearing:** None  
**Vote Required:** Majority

**To:** Honorable Board of Supervisors

**From:** Jim Eggemeyer, Director, Office of Sustainability

**Subject:** Study Session: Community Choice Energy in San Mateo County – Peninsula Clean Energy

**RECOMMENDATION:**

Accept this informational report and provide staff with direction on the Community Choice Energy Program

**BACKGROUND:**

On December 9, 2014, your Board directed the Office of Sustainability (OOS) to begin exploring the possibility of developing a Community Choice Energy program in San Mateo County (the enabling legislation refers to these types of programs as Community Choice Aggregation (CCA)), including conducting outreach to all cities and relevant stakeholder groups. In addition, your Board directed staff to prepare a workplan, timeline, and budget for this program.

On February 24, 2015, your Board allocated \$300,000 to the OOS to fund Phase I of a three phased plan to implement a CCA program in the County. This included the funding of a study to analyze the technical and economic feasibility of a CCA program. On May 19, 2015, your Board authorized a contract with Pacific Energy Advisors, Inc., to complete the aforementioned technical feasibility study. A draft version of the study was released to the public on September 18, 2015.

**DISCUSSION:**

**A. Advisory Committee**

Led by the County, a CCA Advisory Committee was formed in May 2015 and continues to hold monthly meetings. The Advisory Committee provides a monthly forum for local governments, community stakeholders and the public to learn about, and provide feedback on, matters related to CCA in San Mateo County. It is an ad-hoc committee of

the County for the purpose of providing input and direction on CCA development and program design.

The Advisory Committee is comprised of one representative from each of the twenty incorporated cities, two members from the Board of Supervisors and representatives from fifteen local organizations representing a diversity of community and stakeholder interests, including environmental, social justice, business, labor, and special districts. The primary roles of the Committee members are to:

1. Represent the views of their respective constituents through their comments and decision-making;
2. Serve as an information-channel back to their colleagues and community, provide liaison reports, and/or opportunities for County reps to provide status reports and briefings; and
3. Assist the County in identifying issues of concern, along with opportunities to learn about a CCA program in San Mateo County.

In addition, all Advisory Committee meetings are open to the public to participate and provide commentary.

The inaugural Advisory Committee meeting was held on May 28, 2015. Thus far, the Committee has held five meetings. Agenda topics have included:

1. Presentation on “Energy 101—The Electricity Grid and Energy Regulation in California;”
2. Voting on a CCA name, logo, and branding themes (for outreach materials);
3. Panel discussion with staff from operational CCAs in the Bay Area;
4. Panel discussion with Board members from operational CCAs in the Bay Area;
5. Presentation and discussion on forming a Joint Powers Authority (JPA) from County Counsel’s office; and
6. Presentation and discussion on results of the Countywide CCA technical study.

Based on feedback from the Advisory Committee and the OOS’s outreach consultants, the County’s CCA efforts have been branded as “Peninsula Clean Energy” (PCE). The Advisory Committee also provided direction on PCE’s draft formation timeline, JPA structure and key provisions in the JPA agreement.

Meeting minutes, audio recordings of the meetings, presentation slides and all accompanying materials from the Advisory Committee meetings are posted on the Office of Sustainability website. The meeting agendas are also posted on the OOS website, as well as in kiosks for public notices. The OOS further promotes the meetings through the CCA list serve, posting on Nextdoor and working with local CCA advocacy groups.

## B. Outreach

In addition to the Advisory Committee, the OOS continues to conduct robust outreach on the CCA program throughout the County. The OOS’s communication strategies include: 1) Informational briefings and workshops; 2) community events and tabling; 3)

one-on-one meetings or presentations; 4) local press releases; and 5) website and emails. Thus far, the OOS has conducted presentations, informational briefings, meetings, or workshops on CCA to:

- 18 city councils, community councils, or government agencies
- 10 chambers of commerce or business groups
- 12 community organizations or other stakeholders in the County

Highlights of these outreach efforts include:

- Two half-day informational workshops for city staff and elected officials
- A business workshop co-hosted with the San Mateo County Economic Development Association and several local chambers of commerce
- Community workshop co-hosted with the Pacifica Climate Committee
- Workshop for city staff

In addition, the OOS have tabled at numerous community events, including six Earth Day/Week celebrations, the Sunset Magazine Celebration, and Electric Car Expo, and maintains a list serve of almost 500 individuals who receive frequent updates on the County's CCA efforts.

The OOS has also contracted with a consultant to develop outreach materials for the public on PCE. These materials include a tri-fold pamphlet, resource list, and frequently asked questions sheet that have been provided to city staff, County staff and local CCA advocates to pass out at community events. The OOS continues to work with the consultant to design a brand for the County's CCA materials and an interactive CCA website with information for the public.

### C. Technical Study

At the approval of your Board, the County contracted with Pacific Energy Advisors Inc. (PEA) in May 2015 to complete a CCA technical study. The draft Peninsula Clean Energy CCA Technical Study was released by email notification to Advisory Committee members and interested parties on Friday, September 18, 2015. The document is available on the Office of Sustainability's website at:

[http://green.smcgov.org/sites/green.smcgov.org/files/DRAFT\\_Peninsula\\_Clean\\_Energy\\_CCA\\_Technical\\_Study\\_9\\_18\\_2015.pdf](http://green.smcgov.org/sites/green.smcgov.org/files/DRAFT_Peninsula_Clean_Energy_CCA_Technical_Study_9_18_2015.pdf).

The CCA Technical Study ("Study") was prepared for purposes of describing the potential benefits and liabilities associated with forming a CCA program, which would provide electric generation service to residential and business customers located within (i) the twenty (20) municipalities in the County and (ii) the unincorporated areas of the County. The Study evaluated projected operations of such a CCA program (PCE) over a ten-year planning horizon, drawing from best available market intelligence and PEA's direct experience with each of California's operating CCA programs. This information was used to generate a set of anticipated base case assumptions for PCE operations as well as a variety of sensitivities, which were used to demonstrate how certain changes in the base case assumptions would influence anticipated operating results.

For purposes of the Study, PEA and County leadership identified three indicative supply scenarios, which were designed to test the viability of prospective CCA operations under a variety of energy resource compositions. In particular, the three supply scenarios were constructed with the following objectives in mind:

- Scenario 1: Maximize PCE rate/cost competitiveness relative to the incumbent investor-owned utility (“IOU”), Pacific Gas & Electric Company (“PG&E”), while ensuring compliance with applicable renewable energy procurement mandates.
- Scenario 2: Exceed renewable energy procurement mandates and promote reduced greenhouse gas emissions (“GHGs”) within the electric energy sector through the predominant use of non-polluting generating resources.
- Scenario 3: Deliver a 100% bundled renewable energy product to all PCE customers based on prevailing market prices.

If PCE decides to commence CCA service, it would not be limited to any particular scenario assessed in the Study and would have an opportunity to refine its desired resource mix, which may differ from the prospective scenarios reflected above and discussed in the Study.

Based on current market prices and various other operating assumptions, the Study indicates that PCE would be viable under a broad range of market conditions, demonstrating the potential for customer cost savings and significant GHG reductions. In particular, Scenarios 1 and 2 demonstrate the potential for customer cost savings ranging from 2% to 6%, relative to projected PG&E rates, over the ten-year study period. As expected, increased supply costs associated with Scenario 3, which specified the exclusive use of bundled renewable energy resources for the entirety of PCE’s electric supply, resulted in marginally higher customer costs throughout the study period with premiums ranging from 1% to 2% relative to PG&E.

CCA formation is not without risk and uncertainties. Any aspiring CCA program should be aware of such risks. These risks include, but are not limited to, the following:

- PG&E rate uncertainty (generation rates and exit fees)
- Length of current wholesale energy price trough
- Availability of large hydro resources to meet carbon-free content goals
- Opt-out rate uncertainty
- Future CCA specific legislation
- Regulatory changes around renewable and capacity mandates

Based on results of the Technical Study, PCE would be able to offer both competitive rates and significant environmental benefits (through the procurement of a significantly renewable and GHG-free resource mix) to both residential and business customers within San Mateo County.

The Executive Summary of the Study has been included as Attachment A.

#### D. Joint Powers Agreement

The Board must pass the CCA ordinance and Resolution to enter into a Joint Powers Agreement (JPA) with other Cities of the Peninsula for the purpose of forming Peninsula Clean Energy. The CCA ordinance and Resolution extoll the virtues of a CCA program, and the results from the technical study indicate that the CCA would provide multiple benefits to both the residents and business community of the unincorporated and incorporated areas of San Mateo County. The Joint Powers Agreement, a necessary tool that would form the Peninsula Clean Energy Authority, delineates the roles and responsibilities of each participating member. San Mateo County staff have made the following recommendations for formation of the Agency, such as: (1) That the Agency is formed solely for the purpose of Community Choice Aggregation and energy related programs; (2) That the Cities and Towns that join the JPA within the initial formation phase will be full members of the JPA; (3) That each participating entity will have a seat on the Governing Board; (4) That each participating entity will be represented by an elected official; (5) The JPA will primarily operate by a majority vote of the Board with an option to call for a weighted vote; (6) In the event that amendments to the JPA and/or removal of a JPA member are being considered, a two-thirds vote or “supermajority” would be required to affect such changes; and (7) That the County of San Mateo would be able to recover the costs of implementation of the CCA once the Agency is operational. A draft JPA and draft Ordinance have been prepared and have been sent to the Cities and Towns of the Peninsula for review. Once the JPA has been entered into by at least three entities, the Agency must file a Notice of Joint Powers Agreement with the Secretary of State’s Office.

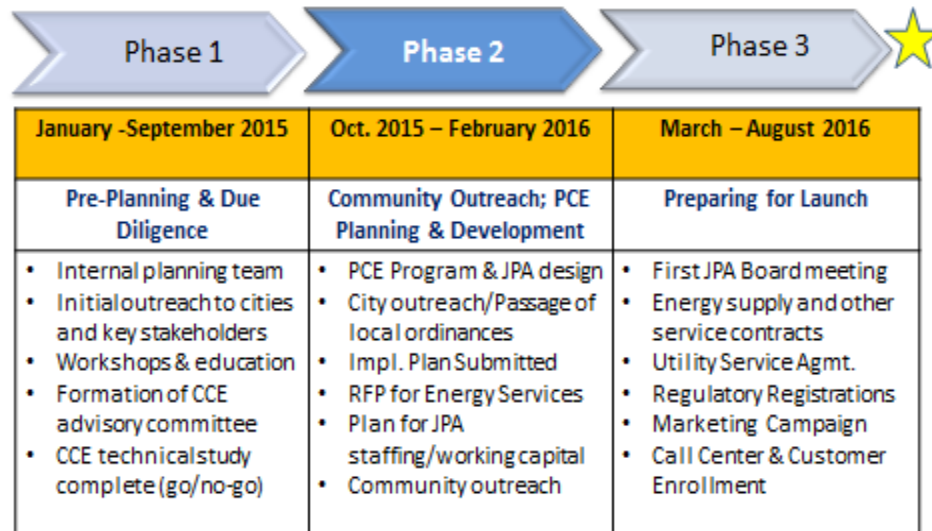
#### E. Phase II Workplan and Timeline

The County’s CCA workplan, based on successful program launches in Marin and Sonoma, is organized into three planning phases: Phase 1: Pre-Planning and Due Diligence, Phase 2: Community Outreach; PCE Planning and Development, and Phase 3: Preparing for Launch. Each phase has a distinct timeline and set of tasks to guide our team activities as the program moves toward implementation and launch. The following is a summary overview of each phase culminating in program launch and customer enrollment in the late summer or early fall of 2016.

## San Mateo County CCE Formation Timeline



*San Mateo County proposes an August 2016 Launch.*



We have now completed the core elements of Phase 1, and now ready to move into the Phase 2 activities, pending the Board's approval and funding authorization to support the work. The Phase 2 workplan moves from feasibility and analysis to a more intensive focus on program design and implementation in the following areas:

1. Joint Powers Agency - Organizational Development
  - a. Finalize parties to the JPA agreement and legal entity formation;
  - b. Plan for interim administration (provided by the current County team) transitioning to ongoing operations (e.g. staffing, bylaws and policies, Board development) at launch; and
  - c. Secure banking relationship and credit guarantees for program launch and Agency operations.
2. City Outreach/Participation
  - a. City outreach, including feedback on JPA and governance issues and CCA planning (ongoing);
  - b. Staff briefings and study sessions scheduled now through early December to support Council decision-making in January-February 2016 (The Advisory Committee has set a February 28, 2016 deadline for initial JPA membership with the understanding that there will be additional opportunities to join the JPA at a later time if some cities prefer to wait.);
  - c. Participating Cities authorize CCA ordinance for customer participation in Peninsula Clean Energy and a resolution for purposes of joining the JPA; and

- d. Packet of materials to each city, including: JPA agreement; CCA ordinance; project workplan/timeline; community outreach plan; and, other documents as may be requested.

### 3. Technical Elements

- a. Preparation of Peninsula Clean Energy Implementation Plan/certification by the CA Public Utilities Commission;
- b. CCA product design (i.e. power supply options)
- c. Preparation and issuance of energy service provider and data management RFPs; evaluation and selection of vendors;
- d. Budgeting and rate design (in consideration of proposed power supply costs);
- e. Development of initial complementary energy programs, such as Net Energy Metering and/or Feed-In Tariffs as well as voluntary green pricing programs; and
- f. Draft utility service agreement (end of phase 2, early phase 3).

### 4. Community Engagement

In Phase 2, community engagement expands beyond stakeholder organizations and local governments to include a greater focus on public education and awareness. Key activities in Phase 2 include:

- Expanded website and introduction of social media
- Increased press coverage/editorial board meetings
- Continued community meetings, workshops and event tabling
- Issuing a RFP for Phase 3 public marketing and advertising campaign

### F. Phase II Budget

Phase 1 of the CCE project has gone very smoothly with internal staff participation from the offices of Supervisors Pine and Groom, the Office of Sustainability, and the County Counsel's office. External project costs of \$250,000 include LEAN Energy US (program design and implementation support), Circlepoint (program branding, website) and Pacific Energy Advisors (technical study). It is anticipated that the OOS will come in under the original \$300,000 budget for Phase 1.

As per the chart below, which was included in the Board's February 24, 2015 staff report, we anticipate Phase 2 project costs not to exceed \$800,000. As in Phase 1, we anticipate maximizing the use of County resources and expertise where possible and spending conservatively. However, we are requesting the full budget amount to cover the costs of Agency start-up, continued technical work, and a ramp-up of public outreach activities. This will also provide adequate contingency to handle any additional expenses that may arise over the next six months.

	<b>Internal Planning / CCA / JPA Development</b>	<b>External Affairs / Community Engagement</b>	<b>Technical / Energy Services</b>	<b>Financing Partner(s)</b>	<b>TOTALS</b>
<b>Phase I</b>	\$60,000	\$75,000	\$150,000- \$160,000	\$5,000	\$300,000
<b>Phase II</b>	\$220,000	\$350,000	\$220,000	\$10,000	\$800,000
<b>Phase III</b>	\$100,000	\$210,000	\$80,000	\$10,000	\$400,000
<b>TOTALS:</b>	\$370,000	\$635,000	\$470,000	\$25,000	<b>\$1.5M<sup>1</sup></b>

#### G. Next Steps

Based on the information provided to your Board during the Study Session, if your Board finds this information satisfactory, staff is requesting your Board's direction to prepare a staff memo with the necessary documents for the formation of a JPA and approval to initiate Phase 2 of the County's CCA workplan, including funding for organizational development, community engagement, and technical document preparation for consideration at your next available scheduled public hearing.

County Counsel has reviewed and approved the draft JPA Agreement and CCA Ordinance documents as to form.

#### **SHARED VISION 2025:**

Studying the feasibility of a CCA contributes to the Share Vision 2025 outcome of a Collaborative Community by fostering relationships with all cities in the county, facilitating a regional solution to local energy needs, and expanding the available power procurement options for county residents. It also contributes to the outcome of an Environmental Conscious Community by exploring options to reduce countywide GHG emissions.

#### **FISCAL IMPACT:**

There is no Net County Cost associated with conducting this Study Session.

#### **ATTACHMENTS:**

- A. Technical Study Executive Summary
- B. Draft JPA Agreement
- C. Draft CCA Ordinance
- D. Draft Resolution
- E. Proposed Workplan, Budget, and Phasing

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<sup>1</sup> Includes ~\$200,000 contingency funding