



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
County Manager's Office



Date: October 12, 2015
Board Meeting Date: October 20, 2015
Special Notice / Hearing: None
Vote Required: 4/5

To: Honorable Board of Supervisors

From: Jim Eggemeyer, Director, Office of Sustainability

Subject: Introduction of an Ordinance authorizing the implementation of a Community Choice Aggregation program in San Mateo County and resolution authorizing an Appropriation Transfer Request for the purpose of completing Phase 2 of a three-phased project to form a Community Choice Aggregation program in San Mateo County.

RECOMMENDATIONS:

1. Introduction of an ordinance authorizing the implementation of a Community Choice Aggregation program in San Mateo County and waive the reading of the ordinance in its entirety; and
2. Adopt a resolution authorizing an appropriation transfer request in the amount of \$800,000 from ERAF funds to the Office of Sustainability for the purpose of completing Phase 2 of a three-phased project to form a Community Choice Energy program in San Mateo County.

BACKGROUND:

On December 9, 2014, your Board directed the Office of Sustainability (OOS) to explore the feasibility of 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 a focused outreach effort to educate and engage staff, City Managers and City Councils about the program. Outreach efforts showed that there was interest among cities in the county for the creation of such a program.

On February 24, 2015, your Board allocated \$300,000 to fund Phase 1 of the CCA program, which included the following activities:

- Hiring a program consultant (LEAN Energy U.S.) to provide guidance and project management support;

- Commissioning a study to determine the economic and technical feasibility of starting a CCA program in San Mateo County, which was recently completed by Pacific Energy Advisors, Inc.;
- Hiring a creative services consultant to develop a website and related graphics for the program; and
- Creating and supporting an Advisory Committee co-chaired by Board President Carole Groom and Supervisor Dave Pine. The Committee is comprised of representatives from all the cities in the county, as well as relevant stakeholder organizations.

On October 6, 2015, at a Board of Supervisors public meeting study session, your Board directed staff to prepare the necessary documents to commence Phase 2 of the three-phase program and, in addition, the documents necessary to authorize an appropriation transfer request to the Office of Sustainability for the purpose of completing Phase 2.

DISCUSSION:

A. JPA Formation Documents

Section 366.2(c)(12)(B) of the Public Utilities Code expressly contemplates creation of a Joint Powers Authority so that a county and a city or cities can “participate as a group in a community choice aggregation program.” The County and each city can begin to take advantage of this option by doing two things: (1) entering into a Joint Powers Agreement forming a Joint Powers Authority under Section 6500, et seq. of the Government Code; and (2) adopting an Ordinance “elect[ing] to implement a community choice aggregation program within its jurisdiction” as required by Section 366.2(c)(12)(A).

Provided with this memorandum is an Ordinance that complies with the requirements of Section 366.2(c)(12)(A).

Adoption of an Ordinance requires two public meetings, the first meeting is to introduce the Ordinance, followed by a second public meeting adopting the Ordinance. If the Board introduces the Ordinance at this meeting, staff will present to the Board a Joint Powers Agreement that complies with Section 6500 at a subsequent meeting, as well as a Resolution authorizing the Board President to execute the Joint Powers Agreement. Staff is currently working on a draft of the JPA Agreement. Draft copies of the JPA Agreement and Resolution are available upon request.

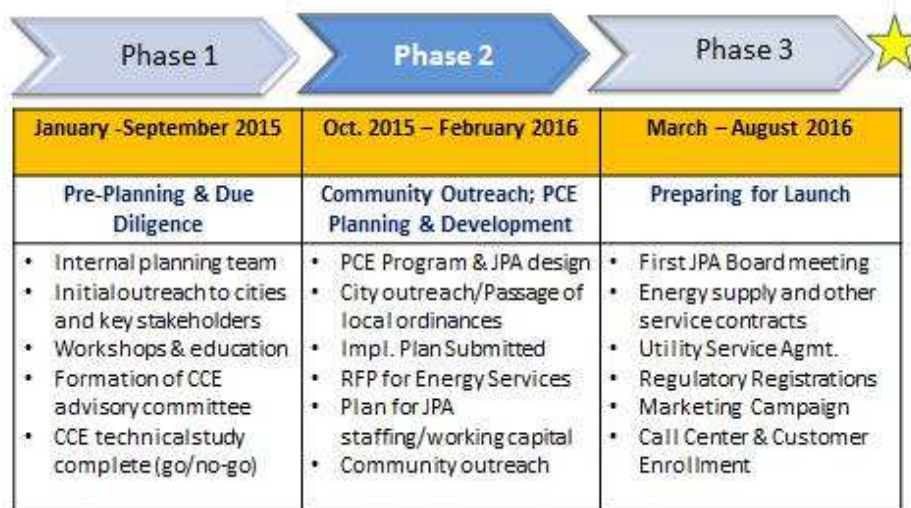
B. Workplan and Timeline

The County’s CCA workplan, based on successful program launches in the counties of Marin and Sonoma and the City of Lancaster, is divided into three planning phases as highlighted in the chart below. Phase 1 has been completed and, with the Board’s approval of the appropriation transfer request, Phase 2 will commence.

San Mateo County CCE Formation Timeline



San Mateo County proposes an August 2016 Launch.



With the successful completion of Phase 1, the program is now ready to transition from the pre-planning and feasibility stage to CCA program design, initial JPA formation and other aspects of program implementation. This phase is expected to last five months from October 2015 to the end of February 2016. The County's CCA program has been named "Peninsula Clean Energy."

Elements of Phase 2 include:

Peninsula Clean Energy (PCE) Authority – Agency and Program Design: With the results of the Technical Study now available, the County has sufficient market data to design a program and create energy products that will be both economically viable and environmentally beneficial. During Phase 2, County staff and the consultant planning team will investigate and recommend a range of energy products and supply portfolios that will be available to customers when PCE launches in the fall of 2016. This could include a default power product similar to MCE Clean Energy's "Light Green" or Sonoma Clean Power's "CleanStart" as well as a voluntary 100% green option such as MCE Clean Energy's "Dark Green" or Sonoma Clean Power's "Evergreen" products. In addition, PCE programs are likely to include net energy metering, community based solar, and/or feed-in-tariff programs to encourage local power development, among other energy services.

Another key component of Phase 2 is the initial formation of the new Joint Powers Agency that will contain Peninsula Clean Energy. During Phase 2, JPA-related work will focus on finalizing the terms of the JPA agreement, determining which municipalities will become founding members of PCE, preparing for governance and the new Board of Directors, and initial steps required for Agency administration and organizational

development. Given the current timeline, it is anticipated that the first official Board meeting of the new JPA will be in March 2016 (Phase 3).

A key focus of Phase 2 JPA work will be securing working capital and credit capacity to support the early operations of the Agency leading up to and in the years following launch. It is the intent of County staff to engage local banks to determine their interest and begin credit discussions with the idea that credit would become available once the Agency is legally formed, perhaps in the April/May 2016 time period.

Once budget and credit issues have been addressed, it is likely that Peninsula Clean Energy will be in a position to hire initial staff, perhaps two to three staff to start. Until such time, existing County staff and the consulting team will continue to serve in a project management role as PCE moves toward launch in August or September 2016, with the idea that the Agency will fully transition out of the County at that time.

City Outreach/Passage of Local Ordinances: Outreach to and informational support for San Mateo County cities is a central component of Phase 2 work. Briefings with city staff and city council study sessions are already underway. A packet of information will be provided to each city to aid in their decision-making process. This packet will include: Final JPA agreement and resolution, CCE ordinance, results of the technical study, workplan/timeline and a detailed public communications plan.

Assuming that the Board of Supervisors adopts the CCA ordinance and becomes the first member of the JPA, it is anticipated that the cities will follow in January and February 2016. At this time, it is unknown how many cities will adopt the required documents to join the JPA by the February 28, 2016 deadline, but based on informal feedback, staff believes there will be at least 5 cities and possibly as many as 10 cities that could join in the first round. Remaining cities will have a second opportunity to join Peninsula Clean Energy in the spring of 2017. Given these estimates, staff believes there will be more than enough 'critical mass' to be able to launch the program in the fall of 2016.

Technical Requirements: Building on the data contained in the technical study, the work will transition from feasibility analytics to power product design, development of PCE's Implementation Plan (which must be certified by the CA Public Utility Commission (CPUC)), and preparation of energy service request for proposal(s) (RFP) to initiate the process of power procurement, and back office support. These key program documents will be finalized in early March 2016, once the number of participating municipalities and their electric load size is known. In addition, work will begin with PG&E to ensure a smooth program launch and completion of the utility service agreement which codifies the business relationship between PG&E and PCE.

All of these key documents indicated above, and the planning meetings to inform PG&E will be completed in the first quarter of 2016 for release in March 2016.

External Affairs/Community Engagement: Beginning in 2016 the work of community engagement, which has to date focused primarily on local government and key stakeholder groups will expand to include a much greater emphasis on *public* education, PCE brand and program awareness. In Phase 2 County staff will be working on a RFP for marketing and communications that will include elements such as social and print media, increased outreach to the press, public workshops, event tabling, and a more consumer-focused website. All of this work will build upon the extensive outreach of Phase 1 and will also prepare PCE for the more intensive marketing in Phase 3, which includes customer enrollment, direct mail and establishment of a customer call center.

Phase 1 of the CCA project has proceeded 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 approximately \$250,000 include LEAN Energy US (program design and implementation support), Circlepoint (program branding, website development) and Pacific Energy Advisors (technical study).

C. Budget

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

	Phase I	Phase II	Phase III	TOTALS:
Internal Planning / CCA / JPA Development	\$60,000	\$220,000	\$100,000	\$370,000
External Affairs / Community Engagement	\$75,000	\$350,000	\$210,000	\$635,000
Technical / Energy Services	\$150,000-\$160,000	\$220,000	\$80,000	\$470,000
Financing Partner(s)	\$5,000	\$10,000	\$10,000	\$25,000
TOTALS	\$300,000	\$800,000	\$400,000	\$1.5M¹

Finally, this budget includes only those costs associated with program design and start up and do not include longer term credit and working capital needed to hire staff, posting a \$100,000 (approximately) bond required with the California Public Utilities Commission (CPUC) for launch, and executing an energy services contract. It is

¹ Includes ~\$200,000 in contingency funding

anticipated that those costs, which are estimated at about \$20M will be provided through a lender line of credit. The OOS and consulting team will be able to provide more specifics on Agency financing and credit requirements once we have a better sense of program size, customer enrollment phasing, and proposed credit terms, likely in the April/May 2016 timeframe.

Environmental Review

The adoption of this ordinance 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 (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 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 assume the maintenance restoration, enhancement or protection of the environment (14 Cal Code Regs. § 15308(a)). The Director of the Office of Sustainability will file a Notice of Exemption with the County Clerk.

County Counsel has reviewed and approved the Ordinance as to form.

SHARED VISION 2025:

Implementing a CCA program in San Mateo County contributes to the Shared Vision 2025 outcome of an Environmental Conscious Community by reducing countywide Greenhouse Gas (GHG) emissions through cleaner power options. It also contributes to the 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.

FISCAL IMPACT:

Approval of the Appropriation Transfer Request will result in the transfer of funds in the amount of \$800,000.00 to the Office of Sustainability. This Appropriation Transfer will provide funding to implement Phase 2 (Community Outreach, JPA/CCA Planning & Development) as outlined above. Funding for this appropriation is from ERAF funds.

Attachment:

A. Proposed Workplan, Budget and Phasing document