SUSTAINABILITY COMMISSION REPORT
TO THE SAUSALITO CITY COUNCIL

AGENDA TITLE
Recommendation for City Council approval to join with Marin County and other Marin cities to form a Joint Powers Authority to implement Community Choice Aggregation (CCA).

RECOMMENDED MOTION
The Sustainability Commission recommends that the City Council immediately commence public outreach efforts to acquaint citizens with Community Choice Aggregation project (CCA) so that the City Council will have sufficient input to make a decision within the next several months to join in the formation of the Marin County CCA.

SUMMARY
At the request of several City Council Members, Sustainability Commissioner Richard Fortmann along with City Council Members and Staff have been attending a series of meetings on evaluating the formation of a Marin County CCA to purchase green energy on behalf of the citizens of Sausalito and Marin County. The Sustainability Commission has received Rich Fortmann's report and unanimously recommends that the City Council move forward with a public outreach program to acquaint the citizens with the benefits of a CCA. The County will be looking for City Council resolutions to join the CCA within the next several months.

BACKGROUND
In 2002, the State Legislature passed AB 117 providing for the formation of CCA in California, a mechanism for cities and counties to purchase their own electric generation resources and set their own rates for that power. The CCA will allow Marin County to purchase a higher percentage of renewable power than is currently available from PG&E. Since 2004, Marin County, in conjunction with all eleven cities in Marin County, has been studying the viability of a Marin County-wide CCA.

Under the CCA program, electricity would be procured in bulk for resale to customers within the jurisdictional boundaries. PG&E would deliver the electricity to end users and PG&E would continue to read electric meters and issue monthly bills to customers enrolled in the CCA program. Customers would have the choice of being automatically enrolled in the program following a notification process or remaining with PG&E by following an opt-out process.

A business plan was prepared to show how a Marin CCA would be organized, funded and operated (available online at: http://www.co.marin.ca.us/depts/CD/Main/comdev/advance/Sustainability/Energy/cca/pdf/DRAFT_BUSINESS_PLAN-MARIN_COMMUNITIES_1-30-2008_v2.pdf). The

CCA would offer programs with 50% to 100% renewable energy by 2013. This compares with a 20% renewable energy mix from PG&E. The goal is for energy costs to be at or below PG&E's rates for the 50% renewable mix and only slightly above PG&E's rate for the 100% renewable mix.

Much of the business plan was based on the experiences of the San Joaquin Valley Power Authority (SJVPA) which formed a CCA comprised of a consortium of cities and counties in the central San Joaquin Valley. Their CCA went active in 2007.

PROS AND CONS OF A CCA

Major advantages of the CCA are reduced greenhouse gas emissions, affordable renewable energy, greater price stability for electric rates, local accountability, public financing of renewable generation and the possibility for local distributed generation. By 2017, the CCA could cause a reduction of 175,000 to 300,000 tons of greenhouse gas emissions per year based on the renewable resources displacing natural gas fueled power.

The CCA should be able to procure renewable energy at an attractive rate based on the responses to the RFP by the SJVPA. Some renewable resources are now coming off contract and are available for purchase. Some smaller generators of renewable power have indicated a preference to work with smaller entities than PG&E. Since Marin County's power needs are much smaller than PG&E's, the County and cities in Marin can achieve a 50% mix of renewable energy much easier than PG&E. Most renewable power generators using wind, solar or geothermal have fixed costs once the power project is constructed. This contrasts to PG&E where most of their incremental power is expected to come from natural gas fired plants. PG&E's electric generation rates have increased in the past at 3.5% to 4.5% per year.

Through the use of tax-free revenue bonds, the CCA could finance the development or purchase of renewable resources at an attractive rate with no recourse to cities and the county general funds. Purchase of such facilities is attractive for long-term price stability. Although the business plan includes the cost of employees to run the CCA, it is quite possible that Marin County would follow the lead of SJVPA and use a third party to dispatch the power and administer the CCA for a fixed price without the need for any employees.

There are certainly risks associated with the CCA, but most if not all can be managed. One risk is that the anticipated cost savings would not be available. This would be known early when the RFP for power supplies is complete and the CCA could be disbanded at that time if responses were unfavorable. The CCA could also find it difficult to identify renewable projects to invest in, though the results of the SJVPA do not indicate this challenge.

Another risk is that PG&E would somehow lower its rates thus removing the price attraction to the CCA. While this is possible, it is not likely considering PG&E's source of incremental electricity is natural gas fired plants. Also, it could be difficult to identify and contract with third party administrators to manage the scheduling and purchase of power. Again, this would be known early-on and the CCA could discontinue operations

at little cost. Finally, if several of the large cities in Marin County elect not to join the CCA, it would not be of sufficient size to be viable.

The opt-out option has received attention in the press with some in favor of an opt-in option instead. AB117 as written does not provide for an opt-in option. With sufficient notice, every customer should be aware of the options and can elect as they choose. Further, customers can opt-out after the CCA is active though possibly at a small cost penalty.

Extensive discussions of these topics and copies of the business plan and evaluation of renewable resources in Marin County are available online at the Marin County website: http://www.co.marin.ca.us/depts/CD/main/comdev/advance/Sustainability/Energy/cca/CCA.cfm

FISCAL IMPACT
Assuming that the Joint Powers Authority of the CCA elect to use revenue bonds to finance the CCA operations, the City and County should be able to adequately firewall their general funds.

RECOMMENDATIONS FOR COUNCIL ACTION
The Sustainability Commission recommends that the City Council immediately commence an education outreach program for the citizens of Sausalito to acquaint the citizens with the proposed CCA. While recognizing the City Council is in preliminary discussions of the CCA, the Commission is currently supportive of approving a joint powers agreement to form the JPA to oversee the CCA. The steps necessary to do so would be to pass a City ordinance, as required by AB117, declaring the City's intent to file a CCA Implementation Plan through the JPA. Sustainability Commissioners would like to continue to make themselves available to respond to Council questions on the CCA and further investigate and inform the Council in their decision to join in the formation of the Marin County CCA.

PREPARED BY:

Richard Fortmann
Sustainability Commissioner

REVIEWED BY:

Sierra Russell
Associate Planner

SUBMITTED BY:

Adam Politzer
City Manager