



Berkeley Energy Commission

ACTION CALENDAR  
November 13, 2012

To: Honorable Mayor and Members of the City Council  
From: Berkeley Energy Commission  
Submitted by: Sean Gallagher, Chairperson, Berkeley Energy Commission  
Subject: Community Choice Aggregation

RECOMMENDATION

Send two letters to the East Bay Municipal Utility District (EBMUD) Board of Directors: 1) presenting the City's recommended basic principles regarding an East Bay community choice aggregation (CCA); and 2) identifying questions and issues that EBMUD should consider in its analysis of CCA.

FISCAL IMPACTS OF RECOMMENDATION

There are no direct costs to the City as a result of this recommendation. EBMUD is conducting a prefeasibility study at no charge to the City. However, if the City wishes to proceed there would be costs that are not known at this time. Some existing staff time will be dedicated to working with EBMUD on the study.

CURRENT SITUATION AND ITS EFFECTS

On January 17, 2012, Council authorized a resolution stating its intent to explore forming a CCA with EBMUD and other jurisdictions. EBMUD invited Berkeley to participate in a prefeasibility study of CCA, potentially including Oakland, Emeryville and Albany. The report is expected to be completed by the end of the year. The City requested electricity load data from PG&E for this analysis.

BACKGROUND

On October 19, 2010 Council received a CCA report from the Energy Commission and a staff report recommending that Council postpone a decision on whether to participate in a CCA program for the time being to observe the implementation of CCA in Marin and other jurisdictions and receive periodic updates from the Berkeley Energy Commission on the implementation of CCA in other jurisdictions.

Since then, the Marin Energy Authority started CCA operations, Richmond voted to become a member of Marin's program and State law was amended to enable certain regional districts, including EBMUD, to create CCAs.

The September 11, 2012 Council agenda included an item from the Berkeley Energy Commission recommending that the City transmit a set of questions and issues to

EBMUD. This item was held over to October 2, 2012, as was a correspondence from the Community Choice Working Group, Berkeley Climate Action Coalition (BCAC) on this subject.

The Commission met on September 25 to discuss the BCAC correspondence but, in the short time available, was unable provide a specific recommendation to Council on the BCAC recommendations.

Council discussed the issue on October 2, referred it to the Commission and asked for the Commission's recommendations on November 13.

The October 24 Commission packet included drafts of two letters – a statement of principles and a set of questions and issues. BCAC representatives expressed no concerns about the questions and issues. The Commission approved the document (Attachment 2). Motion - Chamberlain; second - Lee; ayes -- Brown, Constantine, Chamberlain, Gallagher, Grimes, Lee, Murtishaw, Schlachter; nays -- none.

The Commission eventually approved a letter on principles (Attachment 1) after hearing comments from the representatives of the BCAC, EBMUD Director Katz and a lengthy discussion. Motion – Murtishaw; second - Brown; ayes -- Brown, Constantine, Chamberlain, Gallagher, Grimes, Lee, Murtishaw; nays – none; abstentions -- Schlachter. The document, which was based on the BCAC original draft principles, differed only slightly from a BCAC mark up of the draft that was in the Commission packet, with a few notable exceptions.

The Commission's recommendation does not include a statement of preference for the development of local resources. BCAC representatives argued that local resources will result in local ownership and economic development. Some Commissioners were concerned that this is not necessarily so and that an emphasis on local resources needs to be balanced against other issues, such as financial viability. The Commissioners were evenly split on this issue, with four in favor of a statement emphasizing local resources and four opposed.

Another difference is that the Commission's recommendation does not include a statement that the greenhouse gas (GHG) content of the CCA's power be lower than PG&E's. This issue is complex – a CCA could reduce overall system GHG emissions while having a higher GHG content than PG&E's power after the CCA load is removed from the system. Please see footnote two of Attachment 2 for a discussion of this issue. Rather than unnecessarily constraining the CCA with this principle, the Commission felt that the third principle regarding clean sources of power sufficiently addressed the need for GHG reductions.

The Commission authorized staff to modify a draft of this report to include a discussion of the issues above. Motion - Grimes; second - Murtishaw; ayes -- Brown, Constantine, Chamberlain, Gallagher, Grimes, Lee, Murtishaw, Schlachter; nays -- none.

RATIONALE FOR RECOMMENDATION

The existing business plan for CCA in Berkeley, Oakland and Emeryville is out of date. EBMUD's prefeasibility study may help the City decide whether or not it should pursue CCA. The letters will help guide the EBMUD analysis and inform the Board regarding Berkeley's goals.

ALTERNATIVE ACTIONS CONSIDERED

None.

CITY MANAGER

The City Manager concurs with this recommendation.

CONTACT PERSON

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Sean Gallagher, Chairperson, Berkeley Energy Commission

Attachment:

- 1: Draft Letter to EBMUD Board of Directors Regarding Principles
- 2: Draft Letter to EBMUD Board of Directors Regarding Questions and Issues

**DRAFT Letter from Berkeley City Council to EBMUD Board of Directors  
Regarding CCA Principles**

The City of Berkeley appreciates EBMUD's interest in creating a community choice aggregation (CCA) program to serve communities in the East Bay. We understand that EBMUD staff and consultants plan to prepare an assessment of a CCA serving cities that have expressed an interest, including Berkeley, Albany, Oakland and Emeryville. The City of Berkeley recommends that EBMUD consider the following principles as it studies the feasibility of an East Bay CCA. If EBMUD ultimately decides to implement a CCA program, these principles should also guide the design of the program; however, the Berkeley City Council may add to or modify these principles at such time that EBMUD commits to moving forward with CCA implementation.

1. The governance structure should be representative of participating cities and stakeholder communities.
2. The CCA should offer service to all customer classes and strive to achieve a market share equivalent to at least one half of the residential load electric of the communities, in part by offering a product(s) that is reasonably competitive with PG&E's product(s).
3. The CCA should transition to a fossil fuel-free and nuclear-free energy portfolio as soon as practicable by procuring renewable electricity from California RPS-eligible sources, with an emphasis on energy from new renewable facilities that did not exist before the CCA commenced operations.
4. The CCA should strive to procure electricity from renewable energy facilities having minimal impacts on wildlife, land, and water resources, taking into account any new transmission and distribution infrastructure needed to deliver the facilities' generation.
5. The CCA should maximize the use of energy efficiency, demand response and demand reduction to lower electricity bills by reducing consumption; programs should be offered to all customer classes.
6. The CCA should facilitate workforce development opportunities for local communities, targeting the most disadvantaged populations.
7. The CCA should strive to provide electricity to low-income CARE customers at the same rate provided by PG&E. To the extent that the CCA rates may be higher than PG&E rates, the CCA should strive to provide additional discounts to CARE customers to minimize financial impacts to this population.
8. The City's General Fund should not be at risk for any liabilities other than specific amounts authorized by Council.

**DRAFT Letter from Berkeley City Council to EBMUD Board of Directors  
Regarding CCA Questions and Issues**

The City of Berkeley appreciates EBMUD's interest in creating a community choice aggregation (CCA) program to serve communities in the East Bay. We understand that EBMUD staff and consultants plan to prepare an assessment of a CCA serving cities that have expressed an interest, including Berkeley, Oakland and Emeryville. Regarding this assessment and any subsequent analyses of an East Bay CCA, the City recommends that EBMUD examine the issues below.

1. What level of commitment, both in terms of financial and staff contributions and actions of the elected bodies is necessary from participating jurisdictions for each phase of the project, i.e., a full feasibility study, an implementation plan, start up, and ongoing operations?
2. Would the CCA offer one product or multiple products? The City of Berkeley recommends that EBMUD examine the following three product options: a 100% renewable option, a 50% renewable option, and a "rate parity" option with the objective of having the highest share of renewable energy possible while matching PG&E's rates.
3. What would be the projected average generation rates for the different products? How would those rates compare to PG&E's rates?<sup>1</sup>
4. For each product, what would be the projected greenhouse gas emission rates? What effect will these emission rates have on local jurisdictions' climate goals?<sup>2</sup>
5. Under reasonable assumptions regarding the number of opt-outs and CCA product selection (if more than one product is offered) what are the projected total GHG reductions achieved? Under the state's cap and trade regulation, will higher shares of renewable energy have any effect on greenhouse gas emissions (e.g., will the Air Resources Board's voluntary renewable energy set-aside be sufficient to guarantee allowance retirements on behalf of the EBMUD CCA)?
6. How might the program's energy efficiency programs differ from PG&E's?
7. What effect would local hiring preferences for renewable energy and energy efficiency projects have on the cost of meeting the CCA's renewable energy and efficiency goals?

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<sup>1</sup> The City of Berkeley recommends that EBMUD estimate the CCA's and PG&E's rates under multiple supply cost scenarios such as high/med/low natural gas prices, high/med/low renewable energy prices, and high/med/low carbon prices.

<sup>2</sup> The City of Berkeley notes that PG&E retains its nuclear and large hydro generation for the use of its bundled customers. When CCA customers depart, this has the effect of reducing market purchases (generally gas-fired power) for PG&E and thus lowering PG&E's emission rate. Assuming that a CCA meets the entire non-renewable share of its portfolio with gas-fired power from the market, a CCA may have a higher emission rate than PG&E despite having a larger share of renewable energy. However, this does not imply that overall emissions increase. In fact, the **combined** emissions a CCA with a higher share of renewable energy (assuming the CCA does not attain a higher share of renewable energy by simply purchasing it from existing sources) and PG&E will be lower than they would have been otherwise. Nonetheless, for end-user reporting purposes, the CCA's emission rate will be higher unless it can find enough zero-GHG electricity to match PG&E's share of zero-GHG electricity.

## Attachment 2

8. What effect would a preference for relying on renewable energy facilities located in EBMUD's service territory have on the CCA's rates compared to a location-neutral approach, factoring in any additional costs due to transmission charges and line losses?
9. How should the program be phased in?
10. Would all functions be staffed in-house or will EBMUD outsource some functions?
11. What are the anticipated start up costs and their sources?
12. What are the anticipated working capital costs and their sources?
13. The analysis should assume that payments are made to each city in lieu of franchise fee payments that would have been payable by PG&E.
14. What are the risks of responsibility for stranded assets and other debts to local governments and EBMUD due to large-scale opt-outs or other causes?
15. What effect would departing load charges and the CPUC's bonding requirements have on the CCA's rates?
16. How would the CCA allocate generation revenue requirements to the various customer classes (e.g., residential, commercial & industrial) and how would the CCA's rates compare to PG&E's rates by customer class?
17. Would the CCA need to impose customer opt-out fees, and if so, how high would they be?
18. How will cities be represented, directly or through the full board? If directly, will representation be weighted by population, the electric load within the CCA, or some other metric?
19. What would be the role of local councils in ratemaking, portfolio and other policy matters?