MEMORANDUM

Date: March 4, 2014
To: SEA Board CAP Working Group Members (J. Anderson, J. Yunker, M. Ellis)
From: Jay Powell, CAP Working Group and CCA Task Group liaison member

RE: Comments on CCA aspects and recommendations in the City of SD Climate Action Plan

Jay Powell annotations to Matt Ellis comments are in *italics identified with initials "JP".*

JP General comment: The CAP is a"programmatic" document; as such it may not provide the level of detail for some aspects identified. However, considerable backup is provided in Appendix C (http://www.sandiego.gov/planning/genplan/cap/pdf/sd_working_cap_appendices_020714.pdf).

1. Policy Background and Business as Usual (BAU) Analysis:

• SB 2 expanded California's Renewables Portfolio Standard (RPS) to require investor owned utilities (IOU), electric service providers (ESP), and community choice aggregators (CCA) to achieve a renewable energy mix of 33% or greater by 2020. [2]

• For the City of San Diego (the "City") to use CCA as a mechanism to achieve a renewable energy mix superior to BAU [3], CCA must procure energy from renewable resources (a) faster, (b) in excess, or (c) both "a" and "b" relative to the its (sic) existing IOU energy procurement model.

JP: The "existing IOU energy procurement model" is dependent on authorizations by the PUC either in response to SDGE proposals or direction from the legislature. A City of San Diego CCA has ability to proactively pursue renewable energy and energy efficiency measures, contracts, projects and/or strategies that will achieve the CAP stated objectives.

The existing IOU (SDGE) energy proposals for renewable generation do not appear to dissociate the amounts of GHG reduction for each proposal, but are only held to the 33% of total mix by 2020. It is conceivable that proposals for gas fired power plants could adversely affect the achievement of the GHG reductions in spite of an overall 33% renewable generation achievement.

a. Acceleration is highly unlikely given political and technical realities of implementing CCA within the next 6 years.

JP: The CAP shows for Action 2.1 at page 35, GHG reductions for 2035 vs. 2020 in recognition of the ramp up time for a CCA. If the City funds the CCA Feasibility study and adopts the recommendations in 2015, there is sufficient time to establish a CCA which would be set up to achieve the objectives outlined in the CAP. The other CAP energy related actions in Strategy 1 and Strategy 2 are complementary to a CCA which could and should accelerate the implementation of renewable generation after it is established.

b. Growing the energy mix beyond 33% is possible post-2020, but not guaranteed given unknowns around IOU's post-2020 mix and rate structure.

• CAP calls for CCA to achieve 100% renewables by 2035 - a potentially superior mix versus what the existing IOU structure may deliver but, because 2035 IOU energy mix and rate-payer implications are (sic) cannot be anticipated, the 2035 CCA target is not compelling in and of itself.

JP: There appears to be a typo/error on the "Local Implementation Actions" chart on page 29 for Strategy 2:Clean and Renewable Energy for the second item. To comport with Target for Action 2.1 on page 35 it should say :
*"GHG REDUCTION POTENTIAL BY 2035 (**not** "2020") = 2,874,565 MT CO2e/YEAR"*

If a CCA is implemented by 2020 "the unknowns around IOU's post 2020-mix and rate structure" would be irrelevant, since the predominant if not exclusive provider of energy to current IOU customers would be through the CCA with delivery via transmission and distribution facilities operated by SDGE.

The recommendation to establish a CCA is set forth precisely to provide a greater degree of control by the City as the responsible agency over the achievement of the outlined GHG reduction objectives which are proposed as measures which will be monitored and will be enforced in order to fulfill the mandated state requirements.

The GHG reductions attributed to CCA are significant and the rationale and backup for those assumptions is provided in Appendix C. The target is just that -- a target that helps San Diego to achieve its required GHG reductions. If they are not a achieved by benchmark dates, other measures and potential consequences can accrue. What is not clear is what additional level of GHG reduction beyond the BAU scenario would occur with continued dependence on IOU resource plan after 2035.

The efficacy of CCA in relation to costs and benefits environmentally and economically are aspects which the EESTF may have discussed with City staff and consultants in providing the draft recommendations and will be subject to CEQA and other City departmental and public review.

2. Analysis of CCA Supporting Actions: 4
• Feasibility Study is a pre-requisite to CCA but CAP does not indicate timeline for delivery, allocation for cost, or post-study pathway towards enabling legislation.

- Per Sustainable Energy Advisory Board (SEAB) discussions on 2.11.2014, a third party feasibility study is underway, but not coordinated with or tied directly to City's proposed study.

JP: These are both important points to have clarified—what are the scopes and products of the currently authorized study and those which could/should be incorporated in the City sponsored study. Cost estimates for various ranges of study were provided to the NR and C Committee and some amount is purportedly included in the draft FY 2015 budget proposed by the Interim Mayor. SEA Board staff may be able to provide that information. The current feasibility study paid for by a third party non profit is proceeding under contract with the City and the scopes of work are defined.

- City "support for SB 43" is listed as a "supporting action" to CCA, but there is no clear policy mechanism by which the City will actively or passively influence SB 43.

JP: For purposes of the CAP, "supporting actions" are separated out precisely because the City does not have control of that measure. The list of "supporting actions" appears to relate to both of the Goals and Actions listed on page 35. The supporting action for State's implementation of SB 43 (Green Tariff Shared Renewable Program) may be intended primarily to support Action 2.2. that helps achieve the Goal to "Increase installed photovoltaics". How SB 43 could or should support CCA actions should be clarified perhaps as part of the City's Feasibility study.

The City Council is charged by the Charter to make policy and a policy that is being recommended is to support the implementation of SB 43. This is directive to the City staff through the Mayor. This is something the SEA Board should be briefed on by staff, since it appears that it would allow customers who may not be able to install photovoltaics on their property to participate in photovoltaic investment and benefits or participate directly in investments in other renewable energy facilities off site (ie, not located on their property or for renters, leasees, not located on their rented home or business).

- REC's (Renewable Energy Credits) are proposed as an alternative action path to increase City's renewable energy mix to 100% by 2035 in lieu of successful implementation of a CCA program, though cost and derivate benefits (e.g. green jobs, local investment, cost advantages of competitive procurement) are undefined.

JP: It appears that RECs are proposed at page 35, Action 2.1 as a fall back/recourse if CCA is not implemented so that the City would be able to deliver on its CAP renewable energy objectives even if they have to buy the credits.

• Conclusion:

• CCA is one of a number of strategic initiatives with the CAP designed to increase the City's mix of renewable energy, with an ultimate goal of 100% renewables by 2035.

JP: As noted previously, the action measures in both Strategy 1 and Strategy 2 that relate to energy should be complementary. One of the scopes of the City Feasibility study could be to lay out the results of various levels of CCA programs and how those might be phased in and the cost/benefit implications. The type of renewables and energy efficiency measures pursued by a CCA on which sectors of customers and within the City versus outside the City and on developed or developing properties versus undeveloped lands would be important issues to evaluate.

• The CAP does not adequately address how CCA will be superior to BAU scenario in terms of energy mix, cost, or ancillary benefits such as workforce development.

JP: These are issues and aspects that we could recommend be included in the City CCA Feasibility study. A city-wide CCA run by the City will give City the authority to implement programs and measures to help achieve the goal of 100% renewables by 2035.

• Some CAP supporting mechanisms are not within City's control (SB 43), do not take into account current CAP-related activities (Feasibility Study), and/or fail to adequately demonstrate a cost-benefit relative to BAU.

JP: As previously noted, the City can advocate and support policy measures at the State. The cost benefit aspects could be part of a feasibility study analysis to demonstrate that the rates would be competitive and then outline the other economic benefits. The feasibility studies will provide necessary cost analyses and/or data to conduct these analyses.

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[1] Mentions of CCA appear on pages 22, 28, 30 and 35 of the the City of San Diego's (the "City") Climate Action Plan (CAP).

[2] From eligible resources e.g. solar, wind, geothermal.

[3] "Superior to BAU" defined by SB 2 as >33% renewables by 2020.

[4] As described on pg. 35 of CAP.