

From: [Alicia Race](#)
Cc: [Nicole Capretz](#)
Subject: Climate Action Campaign Comments on Technical Study
Date: Friday, September 08, 2017 8:22:25 AM
Attachments: [CAC Comments on Technical Study.pdf](#)

Good Morning.

Please find attached the Climate Action Campaign's comments on the Technical Study for Community Choice Energy. We are looking forward to breaking the utility monopoly and offering families the freedom of choice. We appreciate the thoughtful analysis, careful consideration and due diligence performed by the city in carrying out the technical study and ensuring that all risks and benefits were considered.

Now that we know Community Choice is feasible under all reasonable scenarios and that it will add value to San Diego families and businesses -- while growing our local clean energy economy and creating middle class jobs -- it is time to allow the innovation economy to spearhead us into a cleaner, healthier and more climate friendly future with the freedom of energy choice.

Also, please see the list of all the Community Choice supporters:

Rosemont Community Council
Encanto Planning Group
Carmel Valley Planning Group
Ocean Beach Planning Group
Pacific Beach Planning Board
La Jolla Planning Association
Del Mar Mesa Planning Group
Greater Golden Hill Community Development Corporation
Eastern Area Planning Group
San Ysidro Planning Board
Serra Mesa Planning Group
Normal Heights Planning Group
Greater Skyline Hills Town Council
Mira Mesa Community Planning Group
Linda Vista Planning Group
Oak Park Community Council
Bishop George McKinney, St. Stephen's Cathedral Church of God in Christ
Rev. J. Lee Hill, Christian Fellowship Congregational Church
Main Street Alliance (representing over 250 small businesses in San Diego)
Modern Times Beer
Impact Investors
CalPine Energy Solutions
Renovate America
Sullivan Solar Power
Lumeo
Stellar Solar
Keyes & Fox LLP
ASI Hastings

San Diego County Democrats for Environmental Action
San Diego Coastkeeper
Environmental Center of San Diego
Coastal Environmental Rights Foundation
League of Conservation Voters
League of Women Voters
San Diego 350
Climate Action Campaign
Surfrider Foundation
Raise Progress
Councilmember David Alvarez
Councilmember Chris Ward
Councilmember Barbara Bry
Councilmember Georgette Gomez
Assemblymember Todd Gloria

Thank you,

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September 7, 2017

Cody Hooven
Chief Sustainability Officer
City of San Diego

RE: Community Choice Energy Technical Study Comments

We are excited that the City of San Diego is one step closer to breaking up the monopoly utility and allowing families to enjoy the freedom of choice. In order to achieve a 100% clean energy future, we must embrace innovation and expand opportunities.

We are strong supporters of allowing local cities and counties the opportunity and freedom to offer energy choice, local control and economic opportunity in California through Community Choice Energy (CCE). The foundation of Community Choice Energy is rooted in the finest American economic traditions of a fair and transparent market that encourages choice, competition, opportunity and innovation to benefit consumers, families and businesses.

There are currently eight operational CCE programs in California that are successfully serving electric customers at competitive rates and exceeding State climate goals, with many more scheduled to launch in 2018. The City of San Diego and many other cities have identified CCE as a key strategy to reach climate goals and to offer financial benefits to families and businesses. Community Choice is designed as an elegant partnership between the public and private sector that results in a win for all—families, businesses, cities, and the utilities.

We have done over forty presentations to the community and have received strong support from all corners of the community. Here is all of the support from the community for Community Choice Energy:

- Rosemont Community Council
- Encanto Planning Group
- Carmel Valley Planning Group
- Ocean Beach Planning Group
- Pacific Beach Planning Board
- La Jolla Planning Association
- Del Mar Mesa Planning Group
- Greater Golden Hill Community Development Corporation
- Eastern Area Planning Group
- San Ysidro Planning Board
- Serra Mesa Planning Group
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- San Diego Coastkeeper
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- Coastal Environmental Rights Foundation
- League of Conservation Voters
- League of Women Voters

- San Diego 350
- Climate Action Campaign
- Surfrider Foundation
- Raise Progress

- Councilmember David Alvarez
- Councilmember Chris Ward
- Councilmember Barbara Bry
- Councilmember Georgette Gomez
- Assemblymember Todd Gloria

We are also encouraged by the independent, peer-reviewed technical study which concluded community choice energy (CCE) is feasible and will:

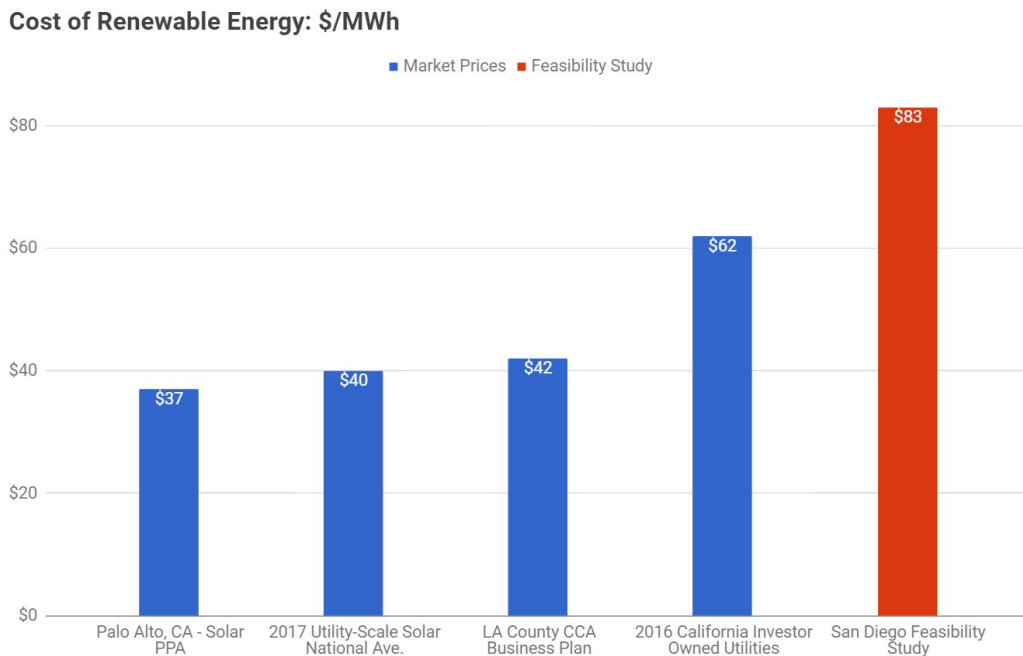
- Allow the city to meet its 100% renewable energy goal
- Offer competitive rates with SDG&E - usually lower rates
- Be reliably solvent and financially viable
- Have positive economic impact for local disposable income and local jobs
- Will generate enough funds to substantially invest in increasing local clean energy and energy-efficiency

To make the study even more effective, we encourage the city to bolster the analysis in the following ways:

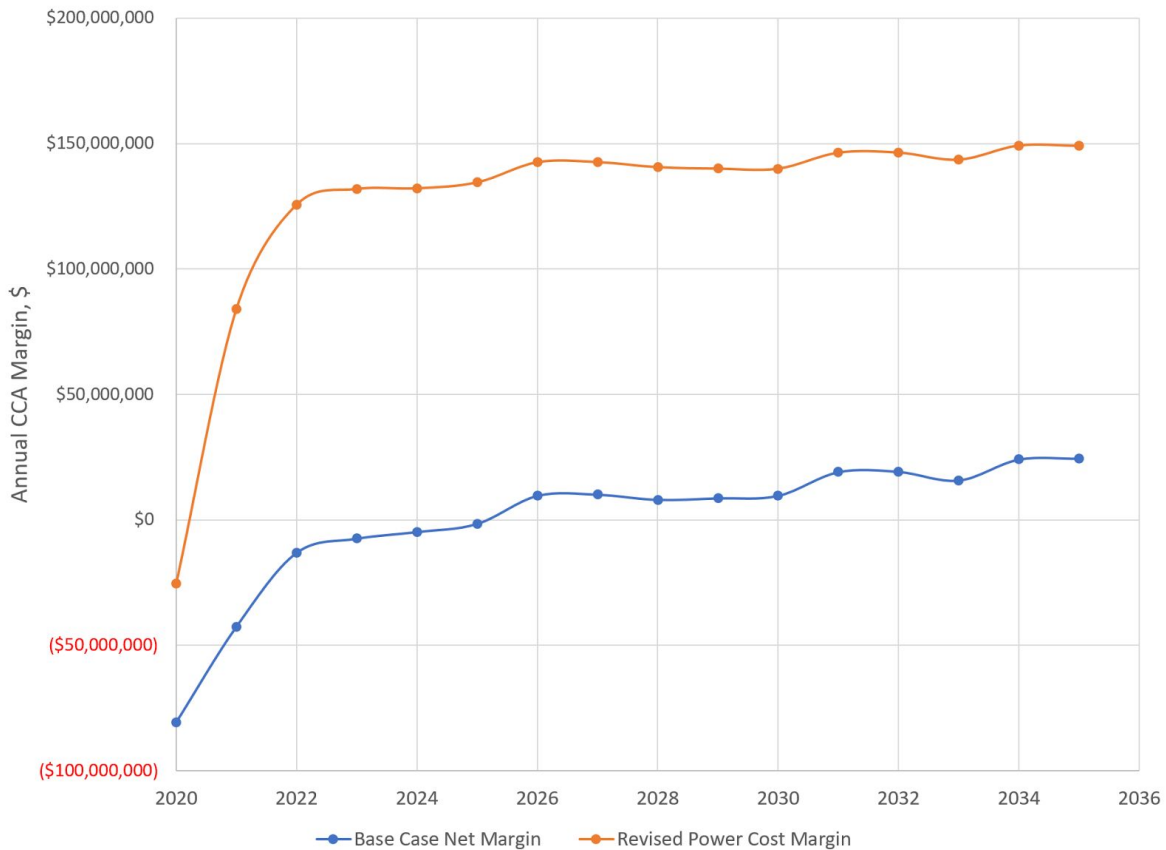
- Conduct a sensitivity analysis using the market rate price of renewables
- Analyze local buildout and the creation of local jobs with local hire
- Clarify the sensitivity analysis using a “10%” increase in the PCIA
- Clarify that the base case uses the 15% increase in PCIA over 20 years

1. Conduct a sensitivity analysis using the market rate price of renewables

The study assumes very conservative costs for the renewable power the CCE program will purchase/produce. The chart below shows the market prices (actual signed contracts) for renewable energy versus the price assumed for renewable energy in the feasibility study, making the conservatism of the study quite clear.



It is clear from the chart above that renewable power may cost as much as 50% less than the Study assumed in 2020 (especially looking at LA County's CCA Business Plan). The next graph shows a 50% reduction in renewable power costs applied to the Base Case pro forma. The results are shown in the graph below.



As can be seen, the cost of power is a highly sensitive variable in the CCA program’s pro forma. The 50% reduction in power cost results in \$130 million to \$150 million in annual net margin and a \$2 billion increase in NPV. In fact, given the trend in renewable power cost, it may be possible that the city’s CCA program could launch in 2020 with 100% renewable power and with lower rates than SDG&E provides.

By our estimations it is clear that using the market price of renewables dramatically changes the financial performance of the CCE program and indicates the program would be profitable in year one. We ask that the city conducts a sensitivity analysis using the market rate of renewables using Willdan’s own proprietary algorithms to verify that using the market price of renewables positively affects the financial performance of CCE.

2. Analyze local buildout and the creation of local jobs

Upon completing a sensitivity analysis using the market price of renewables the city should use the results in an an analysis on local buildout and local jobs.

We request that an additional analysis on local clean energy buildout scenarios and attendant jobs/economic development be pursued as soon as possible, with an emphasis on development of new renewable resources from proven developers in San Diego and adjacent counties as well as the potential from energy efficiency and demand-side measures.

We ask that this analysis include how this local buildout scenario could prioritize investments, programs and policies that benefit communities of concern identified in the top 25 percent of CalEnviroScreen’s ranking for San Diego region communities. Finally, we know this study will take time, and it is not our intent to slow down the process of review and adoption of a plan to achieve 100% clean energy in the city.

3. Clarify the sensitivity analysis using a “10%” increase in the PCIA

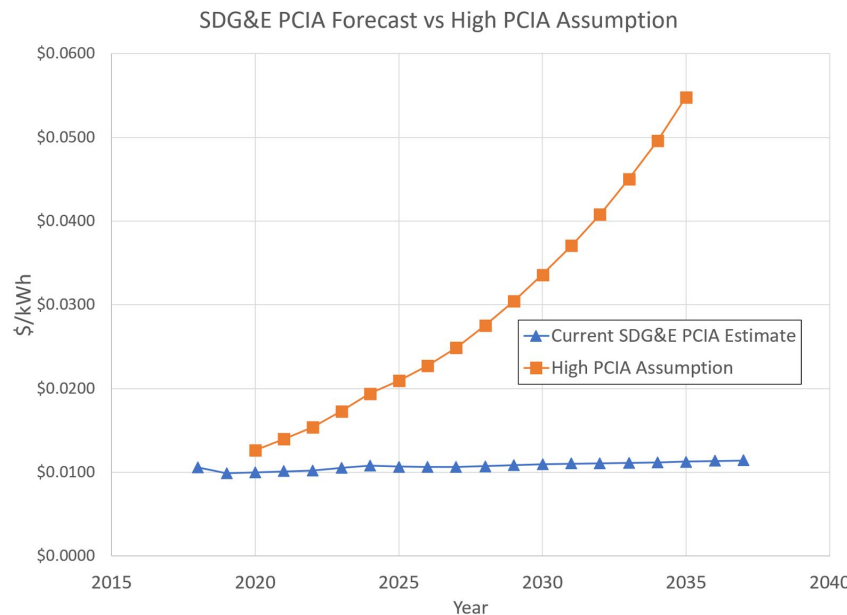
The technical study claims to use a 10% increase in the Power Charge Indifference Adjustment (PCIA) in Sensitivity Analysis 3. The PCIA was not increased by only 10% - it was increased 10% **each successive**

year over 15 years. This produces a PCIA fee in 2035 that is 386% higher than [SDG&E's PCIA prediction](#). The technical study must clarify that the sensitivity is not a simple 10% increase and accurately describe the compounded increase in PCIA whenever it is discussed in the study.

4. Clarify that the base case uses the 15% increase in PCIA over 20 years

We request that the consultants provide better clarification that the base case in the study uses SDG&E's own projections of a 15% increase in PCIA over 20 years, and concludes CCE is feasible. The utility knows what amount it needs to be "made whole" and ensure there is ratepayer indifference, and they possess data for their RPS and other legacy contracts. It is more realistic to assume that community choice energy will be feasible based on these predictions.

The chart below demonstrates how far the Study's High PCIA Sensitivity varied from SDG&E's current prediction. By 2035, the PCIA alone is almost double the current price for renewable energy.



Again, we appreciate the thoughtful analysis, careful consideration and due diligence performed by the city in carrying out the technical study and ensuring that all risks and benefits were considered. We are ready to offer families the freedom of choice and expand our clean tech economy with local jobs and local hire to build a more robust middle class economy. It is time to allow the innovation economy to spearhead us into a cleaner, healthier and more climate friendly future with the freedom of choice.

Thank you,

Nicole Capretz
Executive Director
Climate Action Campaign