San Diego Regional Chamber
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October 11, 2017

Mayor Kevin Faulconer
City Administration Building
202 C Street, 11th Floor
San Diego, CA 92101

RE: 100 Percent Renewable Energy on the Grid

Dear Mayor Faulconer:

On behalf of the San Diego Regional Chamber of Commerce (Chamber), I am writing to express our continued support for the strategies to reduce greenhouse gas (GHG) emissions identified within the City of San Diego's 2015 Climate Action Plan including a fully-decarbonized grid by 2035, while recognizing the challenges that must be overcome.

With approximately 2,500 members representing an estimated 300,000 employees, the Chamber is the largest nonprofit advocate for regional businesses and is dedicated to growing commerce in the San Diego region.

Based on the results of the City of San Diego Community Choice Aggregation (CCA) Feasibility Study and the performance of existing CCAs, a CCA could - but is not guaranteed to - result in reduced GHG emissions beyond the status quo. The factors that will ultimately determine whether or not a CCA results in reduced GHG emissions include internal factors such as the priorities and decisions of a CCA's governance body, as well as external factors.

While the Feasibility Study addresses if it is possible to create a CCA, the analysis can be used to inform a larger policy decision: whether or not it is in the City's best interest, and the best interest of its residents to expand into the energy business. The Chamber recommends the City seriously consider if it is appropriate to assume the responsibility of procuring energy on behalf of its residents, and the likelihood that doing so would result in the City achieving its climate action and fiscal goals.

The most notable risk outside the control of the City of San Diego is the current California Public Utilities Commission (CPUC) proceedings considering substantial changes to the methodology for calculating the exit fee. How the exit fee is ultimately resolved will have a significant impact on the cost of a CCA to the City and to ratepayers. The sensitivity analysis performed within the Feasibility Study portrayed one scenario in which a “high” exit fee would result in an inability to meet obligations with assets deeming the CCA infeasible.

Additionally, there will be the ongoing “legislative risk” of the State continuing the trend of regularly increasing the Renewable Portfolio Standard (RPS) over time. This trend, should it continue, will decrease the benefit of going 100 percent renewable locally. For example, should the State RPS reach 100 percent by 2045, as was recently envisioned in SB 100, the GHG reductions attributable to the CCA would be substantially less than currently estimated. Should the State RPS reach 100 percent by 2035, the CCA may not ultimately be responsible for any GHG emission reductions, however the cost and risk associated with setting up a CCA would not change.

It is important for the City of San Diego to ensure it is ready to revise its Feasibility Study calculations as soon as results from the exit fee proceedings are released. This information and analysis is necessary information for ensuring an implementation strategy, should one be prepared, is based on relevant figures. The Chamber urges the City to wait until the conclusion of the PUC exit fee proceedings before it decides whether to study CCAs any further.

If you have any questions, please do not hesitate to contact Sean Karafin, Vice President of Policy and Economic Research, at (619) 544-1352 or skarafin@sdchamber.org.

Sincerely,

Jerry Sanders
President & CEO
San Diego Regional Chamber of Commerce

cc: Honorable City Councilmembers
City Clerk Elizabeth Maland