

August 31, 2017

**TO: Members of the Sustainable Energy Advisory Board and City Staff Leads**

**RE: September 14 Sustainable Energy Advisory Board Meeting**

Dear colleagues,

Since I am unable to join the Board for the September meeting, I am providing this letter to contribute to our ongoing review of the *City of San Diego Feasibility Study for a Community Choice Aggregate*.

During our August 10 meeting, members of the Board discussed the need to identify key considerations the Board would like address in the findings and recommendations it provides to the City by November. It was also suggested that the Board structure its discussion and questions using the over-arching categories identified in Table 35 (p.122). Based on this information, I have provided an initial list of key considerations drawn from our meetings and the findings in the study. I hope to see these items noted in our deliverable document:

#### **Overview**

- **SEAB is committed to helping the City achieve its CAP goals, including attainment of a 100% renewable energy supply by 2035.**
  - o The City's Climate Action Plan (CAP) requires that the City meet the goal of 100% renewable electricity by 2035. In addition, the CAP also seeks to further San Diego's leadership in clean tech, create jobs, and increase resiliency for the City.
  - o In pursuit of its duty to advise and help the City in meeting these goals, each member of SEAB is reviewing the Study and engaging with its authors and City staff to better understand the assumptions, models, and findings provided.
  - o Working from the CAP requirements, SEAB developed performance criteria for a plan to reach the City's 100% renewable energy goal. These criteria are environmental, financial, and economic performance. SEAB provides its comments working from these criteria.
  - o Overall, the study finds that it is feasible that a CCA will be able to meet the SEAB's minimum performance criteria for all areas included in the scope of the Study: greenhouse gas (GHG) reductions, financial viability, and local economic benefits (page 121 – 125).

## **Environment**

- **Environmental benefits can be derived through higher renewable energy content and reinvestment of surplus funds in local demand-side management programs.**
  - A primary goal in reaching 100% renewable energy is reducing GHG emissions. The feasibility study shows that with its increasing renewable energy supply toward 100%, a CCA could reduce carbon emissions by an additional 11 million metrics tons, a 48% reduction over the 50% SB 350 target.
  - Although the study notes the potential for a CCA to create local programs using surplus funds, it does not address the specific job, GHG, resiliency, or reinvestment impacts of these programs. The study does identify an initial list of six potential program areas including net energy metering, feed-in tariffs, electric vehicle and charging station programs, low-income programs, local generation development, and GHG-reducing economic development initiatives. Should the city move ahead with a CCA, this is an area that deserves additional attention to identify potential projects and priorities for local programs.

## **Economic Benefits**

- **Local economic benefits are a priority for SEAB.**
  - The study's economic development analysis looks at two areas: disposable income based on lower electric bills and local investment in renewable energy. The analysis shows how reduced customer bills (5% average savings) leads to community reinvestment in growing businesses and creating new jobs. The modeled savings show that reduced electricity rates could generate \$59.2 million in increased regional economic activity during 2026–35.
  - The City is encouraged to explore the full range of economic development pathways identified on page 125 of the study and, should it proceed with CCA, create a plan for how local economic benefits would be evaluated in procurement decisions at different phases of launch and implementation.

## **Financial Stability**

- **Active engagement is the best strategy to mitigate risks associated with the PCIA.**
  - The study addresses the Power Charge Indifference Adjustment (PCIA) with a conservative analysis based on the best available information. The CPUC recently opened a [rulemaking](#) (R. 17-06-026) on the PCIA that may cover improved transparency of the current methodology, changes to improve stability and certainty of the

methodology and its results, and alternatives to the current PCIA. No timeline for a decision has been provided, and it is anticipated that these conversations will evolve over a period of years, especially given the CPUC's many complex and competing proceedings. As the City moves ahead to reach its 100% renewable energy goal, it is recommended that the City become actively engaged in the PCIA proceeding so that our local needs are considered and addressed by the CPUC through this process. This is consistent with the Study recommendations on page 124.

- **Recognize that although the Study finds that a CCA is feasible, there are risks.**
  - o Choosing to launch a CCA is a serious financial commitment that should not be taken lightly. There are financial risks associated with procuring energy and operating a CCA. Should the city proceed with a CCA, the report strongly encourages the development of business plans and risk mitigation strategies with the assistance of expert legal and financial advisers.
  - o A feasibility study is the first in a many-step process to developing a Community Choice program. A formal business plan and implementation strategy, which generally follow a decision to proceed with CCA development, are the appropriate venues to dig into the specifics of financing, customer rollout, and programming requirements.
  - o To meet the City's commitment to 100% renewable energy by 2035 – through a CCA or any other means—the Council and Mayor must take proactive steps today without the full details of how energy markets will change in eight years. Risk mitigation strategies should be developed for any route the city pursues to reach its Climate Action Plan goals.

I hope this initial list is a helpful contribution to today's discussion. I expect this list will grow and look forward to working with you all to shape our recommendations. Thank you for your continued commitment to this collaborative process.

Respectfully,



Hanna Grene, LEED AP+  
Associate Director, Government Affairs  
Center for Sustainable Energy®