From: Rosia, Ashley
To: Rosia, Ashley
Subject: My thoughts on Community Choice Aggregation
Date: Friday, September 15, 2017 11:59:55 AM
Attachments: CCA-letter to Hon. Faulconer.pdf
Waring-Nelson op-ed.pdf
image001.png

From: Bob Nelson [mailto:bnelson@BNACOMMUNICATIONS.COM]
Sent: Tuesday, September 12, 2017 9:45 AM
To: Mayor Kevin Faulconer <KevinFaulconer@sandiego.gov>
Cc: Faucett, Aimee <AFaucett@sandiego.gov>; SDAT City Attorney <CityAttorney@sandiego.gov>; Tevlin, Andrea <ATevlin@sandiego.gov>; Chadwick, Scott <SChadwick@sandiego.gov>; Hansen, Mike <MHansen@sandiego.gov>; Straw, Jack <JTStraw@sandiego.gov>; Caldwell, Erik <ECaldwell@sandiego.gov>; Hooven, Cody <CHooven@sandiego.gov>; Awbrey, Matt <MAwbrey@sandiego.gov>
Subject: My thoughts on Community Choice Aggregation

September 12, 2017

Honorable Mayor Kevin Faulconer
City of San Diego
202 C St. 11th Floor
San Diego, CA 92101

RE: Community Choice Aggregation

Dear Mayor Faulconer:

Sincere thanks to you and our City Council for embracing the goal of a city 100% powered by renewable resources. There has never been a more important time to think globally and act locally. These comments are offered after several years observing and considering the evolution of Community Choice Aggregation in my service on behalf of the City of San Diego.

I continue to support the Climate Action Campaign's push for 100% renewable energy. However, a San Diego CCA under the current circumstances could harm, not help, the cause of Climate Action across our state. Committing the City of San Diego as a Community Choice Aggregator would be an unwise – perhaps reckless – policy choice.

As with existing California CCAs, the proposed San Diego CCA would rely significantly on “fake green energy” because CCAs buy short-term energy contracts with existing resources that are already reducing GHG emissions. A San Diego CCA would collide with our best public interest: the growth of new California-based renewable energy resources.

If we’re not building new renewable energy resources, then we’re not reducing GHG emissions and we’re not creating clean technology jobs.

The City’s CCA Feasibility Study scenarios assume only a 10 percent annual increase to the CCA Power Charge Indifference Adjustment (PCIA) commonly referred to as “Exit Fees”. Unfortunately, history belies this theory: Pacific Gas & Electric (PG&E) has increased Exit Fees by 400% in the past five years. Similar growth in Exit Fees in San Diego would have serious cost implications for consumers and could be a setback for the statewide momentum behind total clean energy.

Even with a Joint Powers Agreement with other jurisdictions, only the City of San Diego’s pledge of its tax revenues, real property, or both would render a CCA creditworthy for long-term energy contracts. Pledging City assets to underwrite energy contracts would shift the risk burden for energy costs away from SDG&E’s shareholders and onto San Diego taxpayers.

Two of the three scenarios that were modeled in the CCA Feasibility Study ignore the City’s goal of 100% renewable energy, thus predictably fail to achieve the City’s goal. The third scenario concludes that the cost of energy through a CCA would exceed the cost of obtaining energy from SDG&E, thus assuring mass flight from the CCA and debilitating the City’s clean energy goal. Nothing modeled achieves the City’s Climate Action Plan goal of 100% renewable energy. The authors of the study will not disclose either their formula or the data inputs for their calculations. This lack of transparency is troubling and moving forward with a CCA under these circumstances would be terrible public policy unworthy of your lifelong commitment to the public trust.

Roughly 30 jurisdictions are currently establishing or considering CCAs. Each of these will have governing bodies, executives and technical staff. This would create an unprecedented expansion of government or ratepayer costs with no assurance of offsetting public benefit. A multitude of local CCAs would be far more expensive for ratepayers statewide than costs now incurred by three regulated utilities and a dozen public entities.

History suggests that relying on elected laypersons for complex long-term investment decisions may not be the wisest way to serve the public interest. Based on predicted future market conditions, County of Orange investments resulted in the largest municipal bankruptcy in U.S. history. San Diego's ticket guarantee for the Chargers and Pension Fund investments are not the only mistakes made based on expert advice: SANDAG's botched interest rate swaps will lose $40 to $100 million and a Poway schools $100 million loan will cost taxpayers more than $900 million. All of these mistakes were made by honest elected officials based on the advice of experts and are similar to the kinds of decisions made when considering long-term power contracts.

I urge you and the Council to suspend study of a City CCA and instead commit resources to multiple tracks as soon as possible:

1. Use all means at your disposal to urge the State Legislature to enact SB100 (De Leon), The 100 Percent Clean Energy Act of 2017, which declares the policy of the state to be that "eligible renewable energy resources and zero-carbon resources supply all electricity procured to serve California end-use customers and the State Water Project no later than December 31, 2045" and urge Governor Brown to sign it.

2. Convene a discussion among all San Diego and Orange County mayors within the SDG&E service territory and members of the San Diego County and Orange County Boards of Supervisors to explore the feasibility of a regional CCA coterminous with the SDG&E service area.

3. Expand the conversation to include transportation, which produces more GHG emissions than generating electricity. As examples, let's incentivize residents and visitors to drive electric vehicles, use mass transit, ride sharing and bicycles, and meet our housing needs in a way that minimizes road miles.

If you would like further information about my concerns, thoughts about the need for a regional CCA or SB100, please let me know.

Thank you for your attention to this important matter, Bob Nelson

Bob Nelson

PS: Accompanying this letter is a recent *Union-Tribune* op-ed on this topic authored by clean energy pioneer Jim Waring and me.

Bob Nelson
[redacted]

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Bob Nelson

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PS: Accompanying this letter is a recent *Union-Tribune* op-ed on this topic authored by clean energy pioneer Jim Waring and me.

Cc: Hon. Mara W. Elliott, City Attorney
Ms. Aimee Faucett, Chief of Staff
Ms. Cody Hooven, Chief Sustainability Officer
Ms. Andrea Tevlin, Independent Budget Analyst
Mr. Scott Chadwick, Chief Operating Officer
Mr. Mike Hansen, Deputy Chief of Staff & Chief of Policy
Mr. Matt Awbrey, Deputy Chief of Staff & Chief of Communications
Mr. Jack Straw, Director of Land Use & Economic Development Policy
Mr. Erik Caldwell, Economic Development Director

The San Diego Union-Tribune

Commentary | Power of Choice - Size matters in energy business

A parking structure at the University of California San Diego uses solar trees to collect renewable energy from the sun in this 2011 file photo. (Reuters file photo)

By JIM WARING & BOB NELSON

AUGUST 25, 2017, 4:00 PM

Is it too late to stop global warming? We're not sure, but this is not a drill. Our climate and our planet are too important for us to simply stand by as atmospheric warming poses ever-greater risks.

We need a carbon-free future sustained by clean and renewable energy from solar, wind and geothermal farms — not coal mines and oil wells — to fuel our cars, trucks, homes and businesses. So we enthusiastically embrace new ways to minimize and eliminate fossil fuel consumption.

California is home to 12 percent of America's population and the sixth largest economy on the planet, so reducing our greenhouse gas emissions is a big deal. California leads America in the attack on greenhouse gas. In 2002, our state set a goal of 331/3 percent renewable energy by 2020, subsequently increased to 50 percent by 2030. As we write, legislation is pending in Sacramento that seeks to increase renewable electricity usage even further across the state.

Meanwhile, local governments are considering — and some are implementing — Community Choice Aggregation (CCA) programs. The noble reason for a city or county to create a CCA is to make clean energy a greater part of the community electricity supply. In a nutshell, a new city department guided by the mayor and city council would bypass the traditional utility, entering the energy marketplace to directly purchase the electricity required by residents and businesses.

A CCA proposal is working its way through San Diego City Hall, with hearings set this fall and a possible decision early next year. The vital question city government leaders face is whether switching from SDG&E to a CCA operating within a political system is a smart choice.

In California, there are three investor-owned utilities, plus a handful of public providers. All providers coordinate daily with the California Independent System Operator to balance energy loads and assure a dependable power supply.

If all the currently proposed California CCAs are formed, there will soon be another 30-plus, mostly small, local government entities operating within the energy purchase marketplace. The creation of these new bureaucracies strikes us as a costly and inefficient way to manage the greening of California power. Our instincts say statewide or regional co-ops would be better than multiple lone rangers. Despite our enthusiasm for a carbon-free future, we are not convinced that multiple CCAs are a safe and clear-cut improvement over the status quo — especially considering the pending clean energy bill pending in Sacramento.

In the power business, size does matter. Large utilities have greater leverage to bargain and, more importantly, pledge their huge balance sheets to support the power purchase agreements that allow large-scale and very expensive solar, wind and other renewable projects to be built in California, creating jobs and reducing emissions. CCAs must demonstrate they can generate more renewable projects. How could this happen without our city pledging its balance sheet in support of a 25-year power purchase agreement?

CCA advocates assert that government would deliver clean energy cheaper than utility companies; that a CCA could purchase 100 percent renewable energy while utilities remain partially tied to carbon technologies; and that local control would result in greater locally generated supply, stimulating local job growth.

Some industry and labor leaders have a different view. They believe CCAs would stimulate out-of-state energy production and increase consumer costs. In San Diego, costs could be a significant factor. The California Public Utilities Commission may take 18 months to decide on an exit fee structure that could cost San Diego well over $1 billion if it implements CCA.

It’s also worth noting that local governments, despite best intentions, do not have an exemplary track record when they stray from core competencies.

Our goal here is not to judge the facts, or even the suitability of a San Diego CCA. Our purpose, rather, is to encourage everyone to become aware and participate in the discussion and debate.

Electricity is an essential part of our lives, something we each use every day. Before making any decisions concerning this critical commodity, the possible risks and rewards must be fully debated.

We hope that everyone — especially San Diego’s City Council and mayor — will proceed with caution before they make decisions about becoming an electrical energy supplier.

Waring *is a co-founder of CleanTech San Diego and is former deputy chief operating officer of the city of San Diego.* ***Nelson*** *served on the City of San Diego Public Utilities Advisory Commission and is a former chairman of the San Diego Unified Port District.*