June 17, 2021

Hon. Council Member Sandi Rains

Re: Community Choice Energy for Laguna Niguel

On behalf of Laguna Niguel residents, businesses, and the community at-large, thank you for your leadership on local issues, and our discussion of Community Choice Energy - any city’s fastest path to 100% clean energy.

Climate Action Campaign is a leading nonprofit in the region whose mission is to end the climate crisis through local policy action. To that end, this letter provides information for your consideration regarding Community Choice Energy (CCE), and the Orange County Power Authority (OCPA), OC’s first CCE program.

We have spoken to Laguna Niguel residents and business owners who support CCE and hope that you will agendize a council discussion of CCE for your community soon.

In the past, there has been uncertainty whether a CCE could include cities that are served by multiple investor-owned utilities (IOUs), as is the case in Laguna Niguel. Good news - it’s already been accomplished in another CCE, Central Coast Community Energy (3CE), and is replicable in OCPA. Central Coast Community Energy has successfully incorporated multiple IOU cities across PG&E and SCE territories, so there is solid precedent for the model to take place in SDG&E and SCE territories. The professional team at OCPA have stated their willingness to work with both IOUs to craft a rate structure that would benefit residents and commercial customers in different territories.

Community Choice Energy, also known as Community Choice Aggregation (abbreviated CCA and CCE by various parties), is a local, not-for-profit governmental program that buys and may generate electrical power on behalf of its residents, businesses, and governmental entities. The agency administering the Community Choice program may also elect to administer energy efficiency programs and other greenhouse gas emission reducing activities. There are many reasons why a community might want to pursue CCE.

Potential benefits include the following, which are explored in more detail in the following pages:

- **FREEDOM OF CHOICE**: Laguna Niguel families and businesses deserve a choice of energy providers. It’s the American way.

- **COMPETITIVE RATES**: A CCE creates competition in the energy marketplace that encourages greater innovation and improved pricing. Orange County Power Authority (OCPA) projects a 2% savings off Southern California Edison (SCE) rates when it launches in 2022 and continuing through 2031. Meanwhile, San Diego Community Power (SDCP) recently launched and delivered savings for their commercial customers in SDG&E territory. For businesses with large energy needs, these savings can amount to tens of thousands of dollars every year.
● **CLEANER ENERGY:** Community Choice is one of the most important tools cities have to accelerate local climate action and reduce emissions while providing savings, cleaner air, economic development and greater resiliency.

● **COMMUNITY CONTROL:** OCPA can put Laguna Niguel families in charge of their energy future through local decision-making on rates, programs, and policies.

● **COMMUNITY BENEFIT:** CCEs are not-for-profit public agencies centered on doing what is in the public interest. CCE can advance important equitable and sustainable climate and clean energy goals that are community-focused and community-led.

● **MAXIMIZE ECONOMIES OF SCALE:** The economies of scale for CCE programs in California are very important, enabling them to negotiate lower rates for customers. Joining OCPA would enable Laguna Niguel to benefit from those economies of scale.

**FREEDOM OF CHOICE**

Community Choice programs are **opt-out** programs, meaning that after a local government votes to form a CCE, the constituents of that local government are automatically enrolled, and may opt out at any time if they wish.

Here is an example of customer choices in an existing CCE (Source: UCLA Luskin Center for Innovation, “The Role of Community Choice Aggregators in Advancing Clean Energy Transitions,” Oct. 2020):

![Customer Choices Diagram](image)

CCE is only involved in electrical generation decision-making and has no involvement with transmission and distribution. The IOU, such as SCE or San Diego Gas & Electric (SDG&E) also continues customer metering and billing. The CCE replaces the line item on the electric bill for “generation charges”.

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The customer has choices every step of the way with CCE. The customer can opt-out any time, and go back to the IOU and their higher rates. **OCPA customers will be able to choose among energy mixes of approximately 36% renewable, 50% renewable and 100% renewable energy or return to the IOU.**

Community Choice programs have proliferated throughout California. 11+ million Californians in 180+ cities and counties are currently served by Community Choice. **Approximately 93% of energy users choose to stay with CCE rather than switch back to the incumbent utility such as SoCal Edison or SDG&E.**

The following is a chart of participation rates for 20 CCEs in California. Source: [https://cal-cca.org/cca-impact/](https://cal-cca.org/cca-impact/)

### COMPETITIVE RATES

The OCPA projects a 0.5-2% savings off SCE rates when it launches in 2022 through 2031 (see Table 11 pro forma on page 6). For businesses with large energy needs, these savings can amount to tens of thousands of dollars every year.

The City of Irvine expects OCPA to bring **city-wide electricity cost savings of $7.7 million per year** for Irvine residents and businesses. Annual city municipal utility account cost savings are estimated at $112,000.

**Renewable energy is now cheaper than oil and gas,** as reported in this article from Forbes, “**Unsubsidized renewable energy is now the cheapest source of energy generation.**” CCE enables cities to benefit from these lower costs by purchasing more renewable power.

Also, as not-for-profits, CCEs are subject to lower tax rates than IOUs, which helps them provide energy at a lower cost.
CLEANER ENERGY

The California legislature and California Public Utilities Commission’s ambitious greenhouse gas emissions reduction targets within the state’s electric sector rely primarily on CCEs to procure the new clean energy resources the state needs over the next decade to meet its climate goals.

**CCEs purchase 10 times more renewable energy than IOUs.** According to a 2020 report by UCLA’s Luskin Center for Innovation, “Fourteen CCE communities chose 100% renewable energy as the default for all their customers. Over two-thirds of California CCA member communities — representing more than 6 million people — have a default electricity product with more than 90% carbon-free energy.”

In contrast, SCE’s standard offering currently includes 36% renewables. **SCE’s plan is to offer 80% renewables by 2045.**

Like several other CCEs, OCPA will offer three energy portfolios for cities and energy users to choose from -- 100% renewable, 50% renewable and 36% renewable. Each city will choose a default product for energy users in the city, with an option for customers to select different products for themselves if they choose.

The City of Irvine’s strategic energy plan calls for opting all Irvine residents into 100% renewables when OCPA launches in 2022. Irvine’s CCE feasibility study found that CCE will enable that city to achieve **100% clean energy economy-wide by 2035 at no additional cost to customers,** reducing greenhouse emissions in Irvine by 360,000 metric tons per year, roughly equivalent to taking 78,000 cars off the road.

COMMUNITY CONTROL

A CCE program is controlled locally by a board of directors composed of representatives of member cities, which ensures the CCE reflects local values and priorities. Local control also provides greater transparency and makes participation easier for residents, who are undoubtedly more familiar and comfortable with Laguna Niguel City Council meetings than California Public Utility Committee hearings.

This model of local control has proven successful with California’s 24 existing CCEs. In 2020, five CCEs earned stable outlooks and high ratings from the “big three” credit rating agencies - Standard & Poor’s, Fitch, and Moody’s, demonstrating the financial stability of the CCE model.

Credit agency ratings quantify the viability of investments relative to the likelihood of default using a letter system; for example, a company rated AAA is very high quality with reliable cash flows, while a company rated D has already defaulted.

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<th>Credit Issuer (link to announcement)</th>
<th>CCE</th>
<th>Rating issued</th>
<th>Credit Rating</th>
<th>Outlook</th>
<th>Customer accounts</th>
<th>Year CCE launched</th>
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COMMUNITY BENEFITS

With CCE, net revenue is reinvested in the local community, not distributed to IOU shareholders. In this way, CCE is a tool for communities to establish local energy resources and programs such as solar+storage for resilience, low-income solar, EV vehicle and infrastructure incentives, feed-in-tariff, net energy metering (NEM), energy efficiency, demand response, and more.

CCEs can also fund development of new renewable energy projects and other programs that meet the needs of the local community. Read more about the hundreds of community programs currently offered by California’s 24 CCEs here - https://cal-cca.org/cca-programs/.

CCE customer savings drive additional local economic development benefits. OCPA’s economic impact for Fullerton, Huntington Beach, Buena Park and Irvine is expected to be $25 million/year in new local spending and 500-750 new local jobs.

MAXIMIZE ECONOMIES OF SCALE

Laguna Niguel could create its own single-jurisdiction CCE or join an existing Joint Powers Authority CCE program such as OCPA.

Joining OCPA would bring several advantages:

- **Participation is free** and requires no start-up funding or capital from Laguna Niguel due to Irvine’s agreement to pay and provide financing for all OCPA start up costs.
- **No risk to the Laguna Niguel general fund.**
- **Little to no effort for Laguna Niguel staff.**
- Provides maximum economies of scale when negotiating power purchase agreements.
- **Economies of scale bring more discretionary program funding** for Laguna Niguel families, businesses and energy users.

Creating a larger CCE through a Joint Powers Authority (JPA) allows the cities to work together and combine their collective bargaining power for better deals on wholesale energy prices, thereby accelerating the timeline for available discretionary funding for local energy projects and programs.
See Table 7 below on page 7, which appears in the EES pro forma feasibility study published in November 2020. These revenue projections assume 10 cities participate in the Orange County Power Authority.

According to Irvine’s original CCE study by EES Consulting and the peer review of that study by MRW & Associates, the revenue projections for OCPA are sound and financially conservative.

**By joining OCPA, Laguna Niguel could benefit from ~$5 million dollars in discretionary program funding for families and businesses by 2025, ~$43.9 million dollars in 2026, and ~$106 million in 2030.**

Loan Repayment: The updated pro forma shows that OCPA’s projected net revenue and loan repayment schedule are contingent on the number of cities that join over time.

Table 11 on page 8 shows pro forma analysis for OCPA assuming the four current member city participants - Irvine, Fullerton, Huntington Beach and Buena Park, and appears on page 34 of the OCPA Implementation Plan.

Also on the following pages are key takeaways from Irvine’s CCE feasibility study and a timeline of CCE events in Orange County.

More information can be found at Orange County Power Authority’s website: [ocpower.org](http://ocpower.org), the California Public Utilities Commission [www.CPUC.ca.gov](http://www.CPUC.ca.gov), and additional resources may be found at: [www.CAL-CCA.org](http://www.CAL-CCA.org), [www.cleanpowerexchange.org](http://www.cleanpowerexchange.org), and [www.occleanpower.org](http://www.occleanpower.org).

Thank you for your consideration. Climate Action Campaign are available to assist you in any way.

**Ayn Craciun**  
*Orange County Policy Advocate*

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<thead>
<tr>
<th>Scenario 3</th>
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Summary of Key Findings in the Irvine CCE Feasibility Study

The Irvine CCE feasibility study is 105 pages long. For your convenience, here are some key takeaways:

- Local control and allocation of ratepayer revenues and building program reserves
- Opportunities for long-term procurement to balance/hedge short-term procurement
- Responsiveness to local environmental, social and economic goals
- Funding opportunities for local energy programs and new power generation
- Creating economic opportunities through local jobs, greenhouse gas reductions, local renewable developments, supplier diversity, and environmental justice initiatives
- Lower risk profile

The following information is pulled directly from the study.

- Electric retail rates are predicted to be at least 2% lower than current SCE rates using extremely conservative modelling parameters and assuming participation rates for residential customers of 95% and non-residential customer participation rates of 90%. These assumptions of customer participation are conservative compared with recent CCE program participation.

- City-wide electricity cost savings are estimated to average about $7.7 million per year for Irvine residents and businesses. Annual city municipal utility account cost savings are estimated at $112,000.

- CCE start-up and working capital costs (estimated at $10.05 million, and assumed to be financed) could be fully recovered within the first three years of CCE operations while still achieving a 2% rate discount compared to SCE’s current rates. The city could also choose to recoup costs associated with the Study development and Implementation Plan.

- The study analyzed CCE rate results under scenarios with high and low participation rates, high and low market power costs, and high and low stranded costs. The findings identify key risks with regard to stranded cost recovery via SCE and power supply. The Study’s section on Risks and Sensitivity Analysis describes the magnitude of those risks and measures for mitigating risks.

- The CCE is estimated to have an average, annual $3.4 million revenue stream after start-up and working capital are repaid, as well as financial reserves being met, that can be used for electric customer-related programs.

- The savings to customers under the CCE’s rates would drive additional local economic development benefits, such as 85 new jobs and a total of $10 million in annual economic output.
Orange County Power Authority Startup Timeline

Interest in CCE is Born (2017-2018)

05-16-2017 Irvine Green Ribbon Committee - approved committee work plan, including Climate Action Plan and CCE
09-12-2017 Irvine City Council approved the Green Ribbon Committee’s recommendation to issue Request for Proposals (RFP) for two studies. After review, City Staff recommended EES Consulting complete the CCE feasibility study ($77,470). The Green Ribbon Committee confirmed staff recommendations and voted to send favorable recommendations to the Finance Commission and City Council.
05-15-2018 Irvine Green Ribbon Committee - CCE discussion following SCE presentation on pathway to 80% clean, renewable energy by 2030
06-27-2018 OC businesses HOAG Health and Edwards LifeSciences announce support of CCE
09-04-2018 Irvine Finance Commission voted to send Staff recommendations to City Council with a favorable approval. Moved by Commissioner Reyno, seconded by Vice Chair Dressler
09-25-2018 Irvine City Council - Votes to approve funding for feasibility study
12-10-2018 Irvine Green Ribbon Committee - Request for review of feasibility study

CCE Studies Completed (2019)

06-18-2019 Final draft of Irvine feasibility study released
06-24-2019 Irvine Green Ribbon Committee - Unanimous vote in favor to recommend feasibility study to Council
08-18-2019 Huntington Beach City Council votes to direct staff to post RFI for feasibility study
08-19-2019 Irvine Finance Commission - feasibility study review, and vote to recommend JPA formation and submit an Implementation Plan to CPUC by December 2020 for operation by 2022. Moved by Chair Shute and second by Commissioner Young
10-18-2019 Huntington Beach RFI bid closes with bid from MRW & Associations for $66,000 and EES Consulting for $52,150
12-10-2019 City Council Study Session on CCE
- Motion to direct staff to conduct additional analysis internally per staff recommendation, conduct outreach to secure CCE JPA partner cities, including but not limited to Huntington Beach, Costa Mesa, and Yorba Linda, and ask staff to return with recommendations of partner cities and preliminary JPA formation documents no later than May 2020 in preparation to submit a CCE Implementation Plan to CPUC by December 2020.

CCE Business Plan & Agency Formation (2020)

01-10-2020 Irvine Sustainability Staff Sona Coffee begins outreach efforts & JPA invitations to jurisdictions. Letters to all City Council members in all 34 cities are sent.
01-14-2020 Irvine Mayor Protem Michael Carroll CCE Stakeholder Advisory Committee meets to discuss implementation timeline
02-09-2020 Deadline for City response to Irvine request for Letters of Intent to be returned.
05-2020 Staff to draft Implementation Plan for City Council approval
06-2020 Partner cities to agendize and vote on approval of Implementation Plan
08-2020 Estimated period of final approval of proposed Implementation Plan
Deadline to submit CCE Implementation Plan to California Public Utilities Commission

**Procurement and Delivery (2021-2023)**

- **01-2021** CCE Implementation Plan approved by the California Public Utilities Commission.
- **01-2021** CCE Agency formed, Board members approved, staffing begins
- **02-2021** Solicitation and selection of initial primary power supplier
- **02-2021** Procurement plan developed and power supplier portfolio expanded
- **03-2021** CPUC approves Implementation Plan
- **10-2021** Notice to customers

**Fall 2022** Service to non-residential Irvine, Fullerton, Huntington Beach and Buena Park customers begins.

**2022-2023** Service to residential Irvine, Fullerton, Huntington Beach and Buena Park customers begins.

**2023-2024** Service to OCPA cities that join in 2021 begins.