February 9, 2021

Hon. Councilmember Thai Viet Phan
City Manager Kristine Ridge
Executive Director Nabil Saba
Project Manager Christy Kindig

On behalf of Santa Ana residents, businesses, and the environmental community at-large, thank you for your leadership, Honorable Council Member Hernandez. Included in the following documents are informational items for your consideration regarding Community Choice Energy in Santa Ana.

According to the Notre Dame Global Adaptation Initiative\(^1\), the City of Santa Ana was rated as the least prepared and most at-risk from threats of climate change, including heat events and flooding. Climate-related damages could result in the loss of hundreds of thousands of dollars per resident according to the interactive map feature. The data was reported by Grist\(^2\), and used by Clever Real Estate for future estimated property valuation.

(Comparative Table of Major U.S. Cities by Climate Risk and Readiness Scores)

\(^1\) https://gain-uaa.nd.edu/1600000US0669000/city_profile/
\(^2\) https://grist.org/article/the-climate-change-tipping-point-has-already-arrived-for-these-70-u-s-counties/
It is clear that Santa Ana must Act on Climate. And one of the greatest tools to accelerate climate action at the local level, while providing good jobs, cleaner energy, and greater resiliency is Community Choice.

Community Choice Aggregation, also known as Community Choice Energy (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 Community Choice energy.

Potential benefits include:

- **FREEDOM OF CHOICE**: Santa Ana families want and 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. The Validation study confirms that CCE rate savings will range between 0.5-2%. Rate savings expected to increase starting 2026-2030, according to the study.

- **CLEANER ENERGY**: CCE programs provide a higher mix of clean energy, helping to clean our air and make us climate safe. Expansion of the renewable energy portfolios.

- **COMMUNITY CONTROL**: Orange County Power Authority puts Santa Ana families in charge of our energy future through local decision-making on rates, programs, and policies.

- **COMMUNITY BENEFIT**: CCE is a not-for-profit public agency 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**: We want Santa Ana to be a regional leader and maximize economies of scale. The economies of scale for community choice energy in California are very important, and it’s important for Santa Ana to lead that effort in a JPA.

Community choice aggregation energy programs have proliferated throughout California as a tool for public municipalities to aggregate their communities’ electricity demand and procure electricity for themselves. Through their community choice aggregation programs, communities have reduced their electricity-related greenhouse gas emissions in order to combat climate change. In this Article, we will attempt to demonstrate that community choice aggregators in California have been used as an effective tool to further the Principles of Environmental Justice through community engagement, renewable energy development, and programs for low-income, marginalized, or vulnerable communities that are informed by local input.
Community Choice programs are **opt-out** programs, meaning that once a local government votes to form a Community Choice agency, the constituents of that local government are automatically enrolled, and may opt out if they wish.

Community Choice is only involved in the electrical generation decision-making and has no involvement with transmission and distribution. The electrical utility also continues the metering and the billing for customers. The Community Choice agency replaces the line item on the electric bill for “generation.”

Santa Ana may choose to create their own single-jurisdiction CCE or join an existing Joint Powers Authority CCE program like Orange County Power Authority. If the City of Santa Ana joins the Orange County Power Authority, rather than form their own CCE program within the Public Works Department, the opportunities to maximize economies of scale and bring discretionary funding back to Santa Ana families, businesses and energy users are limitless. See Table 7\(^3\) from the EES Pro Forma Feasibility Study published in November 2020. These are the revenue projections should ten (10) cities in total join the Orange County Power Authority, including the City of Santa Ana. Not only does a larger entity accelerate the timeline for available discretionary funding for local energy projects and programs, but it also allows the cities to work together and combine their collective negotiating power for better deals on wholesale energy prices.

According to the peer reviewed study, both EES and MRW agree that the revenue projections for Orange County Power Authority are sound and financially conservative. Santa Ana could be a key player in advocating for ~$5 million dollars in discretionary funding to return to families and businesses by 2025, ~$43.9 million dollars in 2026, and ~$106 million in 2030.

(Below: Table 7. SCENARIO 3 OC CCA PROFORMA, ACCRUAL BASIS **PRELIMINARY**)
More information can be found at Orange County Power Authority's website: ocpower.org, the California Public Utilities Commission www.CPUC.ca.gov, and additional resources may be found at: www.CAL-CCA.org, www.cleanpowerexchange.org, and www.occleanpower.org.

Thank you for your consideration. Myself as well as my team at Climate Action Campaign are available to assist you in any way.

Sincerely,

Jose Trinidad Castaneda III
Orange County Policy Manager

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Summary of Key Findings in Irvine CCE Feasibility Study

The Irvine CCE Feasibility Study consists of information across 119 pages. Due to the length of the study, we have provided key takeaways in bullet form.

- 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, GHG 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**.

The following is a chart of participation rates across all CCEs in the State of California. Data provided by https://cal-cca.org/cca-impact/

<table>
<thead>
<tr>
<th>CalCCA Members</th>
<th>Customer Accounts</th>
<th>Est Peak Load (MW)</th>
<th>Participation Rate</th>
<th>Minimum RPS</th>
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<tr>
<td>Apple Valley Choice Energy</td>
<td>25,000</td>
<td>100</td>
<td>89%</td>
<td>37%</td>
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<td>CleanPowerSF</td>
<td>376,000</td>
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<td>Clean Power Alliance</td>
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<td>MCE</td>
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<td>86%</td>
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<td>Monterey Bay Community Power</td>
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<td>Peninsula Clean Energy</td>
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<td>Pico Rivera Innovative Municipal Energy</td>
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<td>Sonoma Clean Power</td>
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<td>Valley Clean Energy</td>
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<tr>
<td><strong>CalCCA Member Totals</strong></td>
<td><strong>4,073,600</strong></td>
<td><strong>10,760</strong></td>
<td><strong>94%</strong></td>
<td><strong>43%</strong></td>
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