



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
County Manager's Office



Date: February 6, 2015

Board Meeting Date: February 24, 2015

Special Notice / Hearing: None

Vote Required: Majority

To: Honorable Board of Supervisors

From: Jim Eggemeyer, Director, Office of Sustainability

Subject: Resolution authorizing an Appropriation Transfer Request for the purpose of completing the first phase of a three-phase project to form a Community Choice Aggregation program in San Mateo County

RECOMMENDATION:

Adopt a resolution authorizing an appropriation transfer request in the amount of \$300,000 from Measure A funds to the Office of Sustainability for the purpose of completing Phase I of a three-phased project to form a Community Choice Aggregation program in San Mateo County.

BACKGROUND:

On December 9, 2014 your Board authorized the Office of Sustainability (OOS) to explore the feasibility of Community Choice Aggregation (CCA) in San Mateo County. Your Board directed staff to conduct a focused outreach effort to educate and engage staff, City Managers and City Councils about CCA. In addition, your Board directed staff to prepare a workplan, timeline and budget for your consideration at a future meeting. Following your Board's decision, the OOS has worked with LEAN Energy U.S. – the county's CCA consultant – to conduct focused outreach, hold workshops, and develop a workplan, budget, and timeline for CCA development in the county.

DISCUSSION:

A. Outreach

In order to assess the potential for CCA in San Mateo County, the OOS conducted focused outreach to educate policy makers and stakeholders on CCA and gauge their interest in participating in the CCA exploration process. In addition to education and outreach, the goal of these efforts was to request a resolution of support or pro-forma letter from each city authorizing the county to obtain its electricity load data from Pacific Gas and Electric (PG&E). The load data information is required as part of a technical study (Phase I) to further assess the feasibility of CCA for the county.

OOS staff has worked with LEAN Energy U.S. to conduct a series of presentations to policy makers to provide an overview of CCA and how it's working throughout the state. These presentations were given on January 8, 2015 to the City/County Association of Governments, January 16, 2015 to the City Manager's Association meeting, and January 30, 2015 to the Council of Cities.

Additionally, on January 28, 2015, the county held two half-day workshops to provide a more detailed discussion of CCA for policy makers, stakeholders, and community organizations. Topics covered in these workshops included: introduction to CCA, case studies and results from the current CCA programs in Marin and Sonoma counties, the CCA formation process, potential benefits/risks of CCA, and next steps for exploring CCA in the county. See Attachment A for a copy of the workshop agenda. The morning workshop was held in South San Francisco and the other in Redwood City; the content of each workshop was identical. In total, the workshops had 71 attendees with representatives from 14 cities, 12 community organizations, and a number of other stakeholder groups. There were also several county residents in attendance. Evaluation forms from the workshop indicated that nearly all attendees felt that the level of information and overall workshop content were "excellent" and that the workshops were very helpful in better understanding the nuts and bolts of CCA and how it works in California. Workshop materials and additional resources on CCA have been posted on the OOS website.

OOS staff recorded questions and comments from attendees at the CCA presentations and workshops. These questions have been compiled into a CCA Frequently Asked Questions (FAQ) document, drafted by OOS and LEAN Energy U.S. staff. See Attachment B for a copy of the CCA FAQ. Many participants were interested in learning more about the reasons residents in CCAs choose to opt-out of the program, the feed-in tariff for residential, commercial, and municipal solar, and the cost and timeline for implementing a CCA.

In addition to our outreach efforts, OOS staff is developing a comprehensive contact list for CCA communication and future CCA efforts. This list, which currently has over a 100 contacts, includes elected officials and city staff as well as representatives from community groups, non-profit organizations, and other stakeholder groups. This list will continue to grow as the project moves forward.

B. Workplan

The county's CCA workplan, based on successful program launches in Marin, Sonoma, and soon the City of Lancaster, is divided into three planning and development phases: 1) Pre-Planning and Due Diligence, 2) CCA Program and JPA Development, and 3) Preparing for Launch. Each phase has a distinct timeline and set of activities that, for the purposes of San Mateo County's investigation and possible implementation, is organized around the following task categories.

Internal Planning and Operations: This task area encompasses all the internal planning and organizational development associated with formation of a joint powers agency and the nuts and bolts of CCA program design and implementation. This task will be led by a core organizing team of county staff, consultants and necessary legal support which will oversee overall project management and the daily tasks associated with implementing a multi-faceted initiative of this scope.

External Affairs/Community Engagement: This task area includes various outreach and communications functions such as community stakeholder mapping/database development, educational briefings and workshops, public surveys and polling, a CCA website, press relations, social media, local advertising, and in phase III customer call center and enrollment. Because CCA is by statute an “opt-out” program whereby customers are automatically enrolled, the marketing and community engagement aspects of CCA implementation are critically important throughout all phases of the project, moving from a focus on local governments, business, and civic groups in Phase I to a broader county-wide public education campaign in Phase II and customer enrollment in Phase III.

Technical Support Services: This task area includes all the activities and documents that require a technical and regulatory level of expertise including load data analysis, forecasting, rate design, energy services planning/procurement, resource adequacy, registrations and reporting, etc. While not required, both Marin and Sonoma hired their technical consultants early in Phase I to conduct the CCA Technical Study and, upon deciding to move forward, retained the same firm through project launch to avoid project disruption and ensure analytical consistency. This category also includes any necessary data management services engaged during Phase III.

Financial Considerations/Partners: To date, Marin and Sonoma CCA programs have approached their start-up financing differently, using a combination of county funds, private funding, and grants to support their CCA implementation. Because all of the start-up expenses associated with CCA implementation can be repaid through early rate-payer revenue, the easiest and recommended approach is a single source of funding provided by the county and tracked through a chart of accounts established early in Phase I. This was the approach taken by both the Sonoma County and the City of Lancaster. Although there are other start-up options emerging in the private sector, a county sponsored “pay as you go” approach offers maximum transparency and cost effectiveness assuming the county does not charge interest on its start-up funding. Once the JPA is formed, it will enter into a local banking relationship to provide working capital and credit for the initial power supply contract. Typically, the bank relationship and specific terms and conditions are finalized in Phase II/III and the JPA can separate from the county prior to launch, with start-up repayments beginning soon after first revenues.

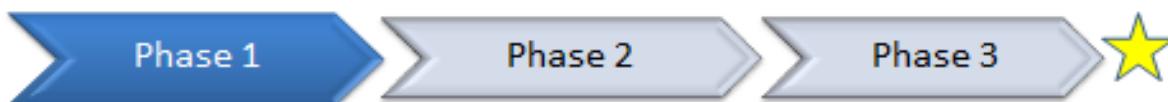
C. Timeline

Now that CCA in California is supported by “proof of concept,” less utility opposition, and a higher degree of process standardization, a CCA program can be formed much

faster than the five years it took in Marin or the three years it took in Sonoma. In terms of basic mechanics and statutory requirements, a CCA program could technically be implemented in a year, perhaps less. But such accelerated timing does not account for other realities and influencing factors such as local politics, coordinating with multiple cities, necessary coalition building and a robust public outreach program. Given that early indications from San Mateo County's local governments are positive and local advocacy groups are already beginning to organize, county staff believes that a CCA program in San Mateo County could realistically be launched within 20 months, targeting initial roll-out sometime in the fall or early winter of 2016. The following chart provides an overview of the planning and development phases and timing of each.

Overview of CCA Formation Timeline

*With political alignment and local leadership,
San Mateo County could launch a CCA by Q3 2016.*



January -August 2015	Sept. 2015 - April 2016	May – September 2016
Pre-Planning & Due Diligence	Community Outreach; JPA/CCA Planning & Development	Preparing for Launch
Initial Outreach/Education; CCA Technical Study; Steering Committee	JPA Formation; Community Education/Marketing; Local Ordinances; Implementation Plan; RFP for Energy Services Provider; Working Capital	Finalize Financing; Execute Energy Svcs/Vendor Contracts; Utility Service Agreement; Call Center; Customer Enrollment

D. Budget

As noted above, several of the key formation documents and steps in the CCA process are achieving a level of standardization with two CCA programs operational and one nearing launch. Although some additional budget factoring is required for a county, the size of San Mateo County (especially with respect to community engagement and public outreach), the basic start-up requirements carry fixed costs regardless of program size. The most recent and analogous example of a successful CCA launch was in Sonoma County which spent \$1.7 M to launch its program. The City of Lancaster will likely come in much lower (~\$1.2 M) but it should be noted that Lancaster has a population of 120,000 and is a single jurisdiction, thus reducing its public outreach costs and mitigating the need for an inter-jurisdictional JPA with all the requisite coordination. The

County of Alameda recently approved its first allocation of \$1.3 M within a total start-up authorization of \$3.2M over 2.5 years.

County Staff, with the assistance of LEAN Energy U.S., and budget feedback from Marin, Sonoma and Lancaster, prepared a pro-forma budget of \$1.5 M which should comfortably cover all development phases with some cushion for unforeseen contingencies that can arise in a project of this scope and complexity. This budget projection assumes the current level of OOS staff support and the use of County Counsel for much of the legal work associated with the formation of the JPA.

Attachment C provides more detail, but the basic cost breakdown by function and phase is as follows:

	Phase I	Phase II	Phase III	TOTALS:
Internal Planning / CCA / JPA Development	\$60,000	\$220,000	\$100,000	\$370,000
External Affairs / Community Engagement	\$75,000	\$350,000	\$210,000	\$635,000
Technical / Energy Services	\$150,000-\$160,000	\$220,000	\$80,000	\$470,000
Financing Partner(s)	\$5,000	\$10,000	\$10,000	\$25,000
TOTALS	\$300,000	\$800,000	\$400,000	\$1.5M¹

E. Next Steps

The next step for CCA in San Mateo County is to conduct a technical study, which is a significant aspect of Phase I due diligence. While this study is not required for the formation of a CCA program, it is an important step in assessing whether a CCA would be technically and financially feasible for the county. The goal of the technical study is to answer the following questions about a potential CCA in San Mateo County:

- 1) Can the program be cost competitive while delivering a greater percentage of renewable energy?
- 2) Can it achieve greater greenhouse gas reductions than PG&E?
- 3) What is the potential customer base in terms of number of accounts and type (residential, commercial, industrial, et al)?
- 4) What are the revenue and local economic implications?
- 5) What are the potential risks and other benefits of forming a CCA?

¹ Includes ~\$200,000 in contingency funding

The technical study would answer these questions, in part, by using residential, commercial, and municipal electricity load data from each city jurisdiction interested in participating in the study. In order to access this data, the county must have a letter or resolution of support from the interested cities and towns. It is our goal to commission a comprehensive Countywide study, but that is not required if some cities/towns choose not to participate.

As of today, more than half of the cities in the county have passed a resolution of support or sent in a letter authorizing the county to access their electricity load data and expressing their willingness to be part of a technical CCA study. In addition, five cities have CCA as an agenda item on an upcoming council meeting in the coming few weeks. At this time, we have not received any declinations or indication of opposition to the CCA concept or study.

The study would be prepared by a technical consultant, under contract with the OOS, who has expertise in developing these types of reports and analyzing relevant load data, along with historical utility data and future rate forecasting. This consultant would be different than LEAN Energy U.S., who works with the county on CCA outreach, program development, and project management. The OOS would oversee the hiring process for the technical consultant and coordinate with them to provide all the necessary data for the study.

If a technical study is completed, the final report would be available to all study participants and used as a guiding document to determine whether to move forward with forming a CCA in San Mateo County. Based on the timeline above, OOS would prepare a staff memo and recommendation for Phase II (and include the technical feasibility study prepared by the consultant), for your Board's consideration at a public hearing in late summer 2015 (August 2015).

County Counsel has reviewed and approved the resolution as to form.

SHARED VISION 2025:

Studying the feasibility of a CCA contributes to the Share Vision 2025 outcome of a Collaborative Community by fostering relationships with all cities in the county, facilitating a regional solution to local energy needs, and expanding the available power procurement options for county residents. It also contributes to the outcome of an Environmental Conscious Community by exploring options to reduce county-wide carbon emissions.

FISCAL IMPACT:

Approval of this Appropriation Transfer Request will result in the transfer of funds in the amount of \$300,000.00 to the Office of Sustainability. This Appropriation Transfer will provide funding to implement Phase I (Pre-Planning and Due Diligence) as outlined above. Funding for this appropriation is from Measure A funds. Should the project continue beyond Phase I, future requests for funding Phases II and III are estimated to be \$800,000 and \$400,000 respectively.

Attachments:

- A. Copy of CCA Information Workshop and Agenda 1/28/15
- B. CCA FAQ Sheet
- C. Proposed Workplan, Budget and Phasing