

April 30, 2021

Hon. Mayor Tiffany Ackley
Hon. Mayor Pro Tem Ross Chun
Hon. Council Member Dave Harrington
Hon. Council Member Richard Hurt
Hon. Council Member Mike Munzing

Re: Community Choice Energy for Aliso Viejo

Dear Mayor Ackley, Mayor Pro Tem Chun, Council Member Harrington, Council Member Hurt, and Council Member Munzing,

Thank you for considering Community Choice Energy, an important tool to bring freedom of choice, competition, local control and cleaner energy to Aliso Viejo residents and businesses.

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, which will begin serving the cities of Irvine, Huntington Beach, Fullerton and Buena Park next year.

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:** Aliso Viejo families and businesses deserve a choice of energy providers. It's the American way.
- **COMPETITION AND STABLE RATES:** Southern California Edison (SCE) bills increased 66% for most OC residents between 2014 and 2021, and are projected to increase another 45% between now and 2030. San Diego Gas & Electric bills increased 82% for most OC residents between 2014 and 2021, and are projected to increase another 34% between now and 2030. CCE creates competition in the energy marketplace that encourages greater innovation and improved pricing. Orange County Power Authority (OCPA) projects a 2% savings off SCE rates when it launches in 2022, continuing through 2031.
- **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 Aliso Viejo 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 the OCPA would enable Aliso Viejo to benefit from those economies of scale

FREEDOM OF CHOICE

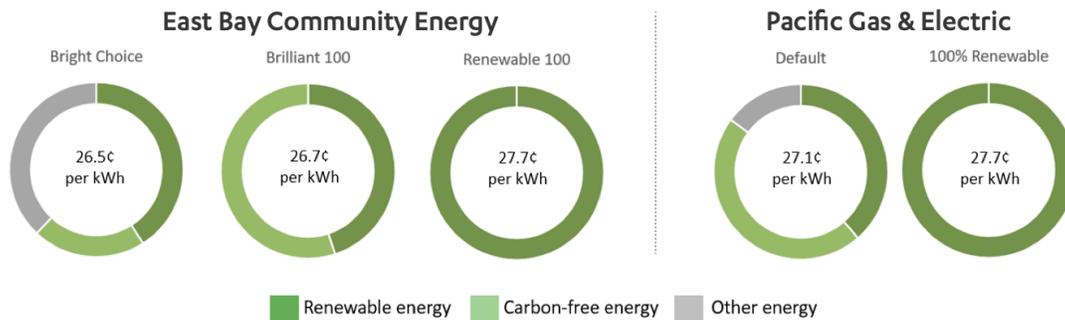
Community Choice programs are **opt-out** programs, meaning that after a local government votes to form a CCE, the constituents of that local government are automatically enrolled, and may opt out at any time if they wish.

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):

Example City: Albany

Albany is a member city of East Bay Community Energy, a CCA in Northern California. Albany has selected the "Brilliant 100," which has 100% clean energy, as the default product for its customers. A customer living in Albany can choose to:

- Opt up to the "Renewable 100" product
- Opt down to the "Bright Choice" product
- Opt out and return to the affiliate IOU, Pacific Gas & Electric



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".

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 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/>

CalCCA Members	Customer Accounts	Participation Rate	Annual Load 2016 (GWh)	Annual Load 2017 (GWh)	Annual Load 2018 (GWh)	Annual Load 2019 (GWh)	Annual Load 2020 (GWh)	Annual Load 2021 (GWh)*
Apple Valley Choice Energy	25,000	89%	N/A	235	235	260	235	235
Central Coast Community Energy	296,000	97%	N/A	N/A	2,100	2,992	3,327	4,507
Clean Power Alliance	1,002,000	91%	N/A	N/A	877	8,975	11,159	11,113
CleanPowerSF	380,000	96%	241	572	1,242	2,706	3,116	3,083
Desert Community Energy	40,000	92%	N/A	N/A	N/A	N/A	271	1433
East Bay Community Energy	613,263	96%	N/A	N/A	2,287	5,819	5,845	5,951
Lancaster Choice Energy	50,000	93%	590	590	590	600	551	551
MCE	470,000	86%	2,102	2,900	4,722	5,275	5,498	5,879
Peninsula Clean Energy	296,000	97%	277	2,861	3,514	3,569	3,374	3,290
Pico Rivera Innovative Municipal Energy	17,600	96%	N/A	35	174	220	242	243
Pioneer Community Energy	95,300	88%	N/A	N/A	982	1,154	1,167	1,187
Rancho Mirage Energy Authority	14,500	99%	N/A	N/A	185	300	265	266
Redwood Coast Energy Authority	62,700	93%	N/A	413	642	636	638	631
San Jacinto Power	14,500	92%	N/A	N/A	130	170	160	160
San Jose Clean Energy	334,000	98%	N/A	N/A	41	3,667	4,511	4,462
Silicon Valley Clean Energy	270,000	97%	N/A	2123	3,660	3,984	4,061	3,991
Solana Energy Alliance	7,300	91%	N/A	N/A	37	65	60	60
Sonoma Clean Power	227,000	87%	2,187	2,381	2,406	2,502	2,397	2,335
Valley Clean Energy	62,000	90%	N/A	N/A	439	682	691	737
Western Community Energy	110,000	93%	N/A	N/A	N/A	N/A	1,285	1,575
CalCCA Member Totals	4,387,163	93%	5,397	12,110	24,263	43,576	48,853	52,098

Note: Table provides a snapshot of CCA accounts/load as of December 2020. Figures for 2021 are projections. Baldwin Park Resident Owned Utility District and Pomona Choice Energy numbers are pending.

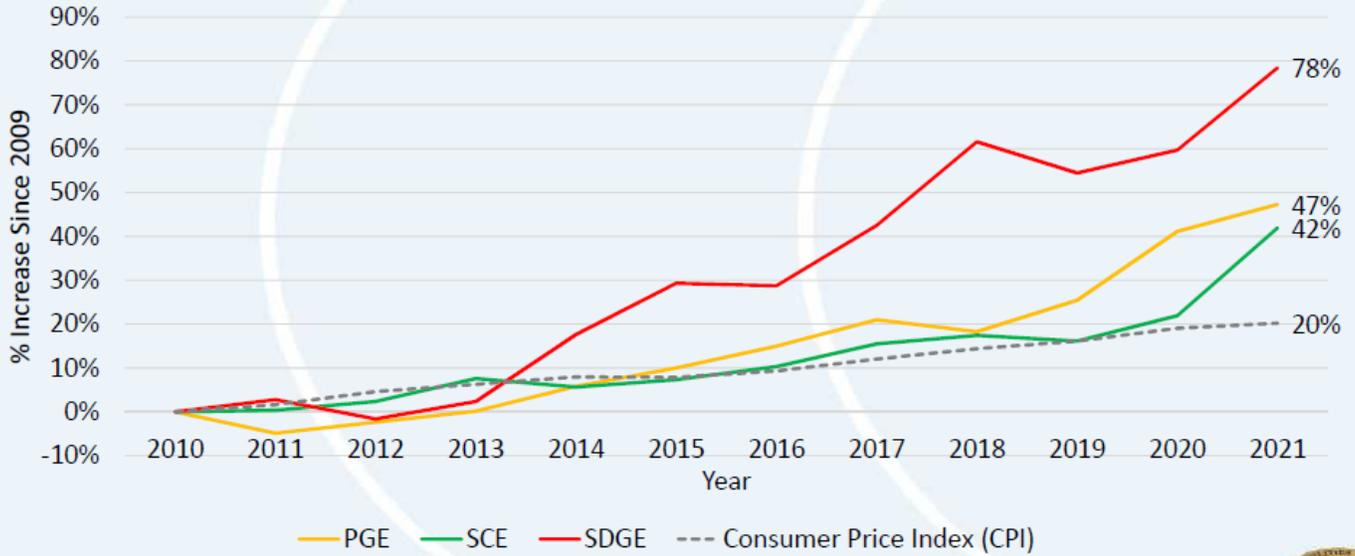
COMPETITION AND STABLE RATES

According to the following charts, presented by the California Public Utilities Commission (CPUC) in February, **SCE bills increased 66% for most OC residents between 2014 and 2021, and are projected to increase another 45% between now and 2030.**

SDG&E bills increased 82% for most OC residents between 2014 and 2021, and are projected to increase another 34% between now and 2030 (Source: CPUC, [“Increasing Rates Threaten California’s Equity and Environmental Goals,”](#) Feb. 2021).

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

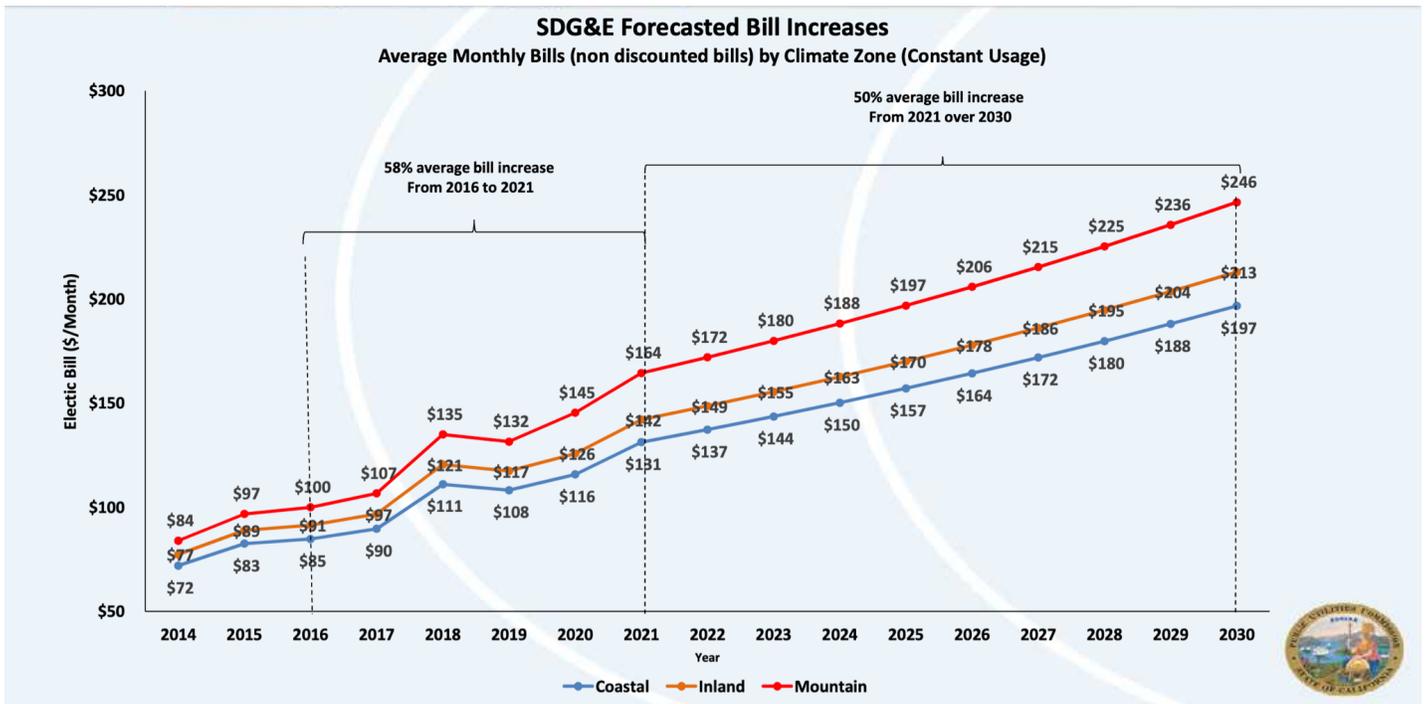
Rate Increase Since 2010 Compared to Inflation by Utility



SCE Forecasted Bill Increases

Average Monthly Bills (non-discounted bills) by Climate Zone (Constant Usage)





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 Aliso Viejo 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.

Credit Issuer (link to announcement)	CCE	Rating issued	Credit Rating	Outlook	Customer accounts	Year CCE launched
Moody’s	CleanPowerSF	Dec. 2020	A2	Stable	378,000	2016
Standard & Poor’s	Central Coast Community Energy (formerly Monterey Bay Community Energy)	Oct. 2020	A	Stable	277,000	2018
Fitch	Marin Clean Energy	Aug. 2020	BBB+	Stable	470,000	2010
Fitch	Peninsula Clean Energy	Apr. 2020	BBB+	Stable	293,000	2016
Moody’s	Silicon Valley Clean Energy	Jul. 2020	Baa2	Stable	270,000	2017

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

Aliso Viejo 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 Aliso Viejo due to Irvine's agreement to pay and provide financing for all OCPA start up costs.
- **No risk to the Aliso Viejo general fund.**
- **Little to no effort for Aliso Viejo staff.**
- Provides maximum economies of scale when negotiating power purchase agreements.
- **Economies of scale bring more discretionary program funding** for Aliso Viejo 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 10, 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, Aliso Viejo 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.

Of note, 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 Aliso Viejo. Good news - OCPA has stated unequivocally that OCPA is ready and eager to add south OC cities regardless of how many IOUs serve the city. Central Coast Community Energy - a CCE in Central California - has successfully incorporated multiple IOU cities, so there is precedent for this model.

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 11 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, 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. I and my team at Climate Action Campaign are available to assist you in any way.

Sincerely,

Ayn Craciun
Orange County Policy Advocate



Climate Action Campaign
949-400-9682
ayn@climateactioncampaign.org

cc: City Manager David Doyle
Public Works Director Shaun Pelletier

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 agendaize and vote on approval of Implementation Plan

08-2020 Estimated period of final approval of proposed Implementation Plan

12-31-2020 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

04-2022 Service to non-residential Irvine, Fullerton, Huntington Beach and Buena Park customers begins.

10-2022 Service to residential Irvine, Fullerton, Huntington Beach and Buena Park customers begins.

2023 Service to OCPA cities that join in 2021 begins.