



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 Initiative¹, 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 Grist², 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 7³ 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**)

³ <http://ftp.costamesaca.gov/costamesaca/council/agenda/2020/2020-11-17/PH-2-Attach-4.pdf>



TABLE 7
SCENARIO 3 OC CCA PROFORMA, ACCRUAL BASIS **PRELIMINARY**

Scenario 3: Irvine, Huntington Beach, Santa Ana, Fullerton, Costa Mesa, Lake Forest, Tustin, Yorba Linda, Villa Park, Laguna Woods	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Revenues from Operations (\$)											
Electric Sales Revenues for CCE	\$0	\$190,066,626	\$359,950,302	\$374,424,791	\$378,341,790	\$392,691,531	\$409,978,682	\$429,244,639	\$450,012,842	\$471,057,977	\$493,729,495
Less Uncollected Accounts	\$0	\$950,838	\$1,799,752	\$1,872,124	\$1,891,709	\$1,963,458	\$2,049,893	\$2,146,223	\$2,250,084	\$2,355,290	\$2,468,647
Total Revenues for CCA	\$0	\$189,116,293	\$358,150,551	\$372,552,667	\$376,450,081	\$390,728,073	\$407,928,789	\$427,098,416	\$447,762,778	\$468,702,687	\$491,260,848
Cost of Operations (\$)											
Block Energy Purchases		\$104,581,763	\$174,095,443	\$171,995,225	\$159,592,847	\$154,584,581	\$141,285,689	\$135,636,472	\$129,832,905	\$125,552,907	\$125,729,266
RPS Adders and Long-Term Energy		\$19,589,435	\$48,373,802	\$50,594,685	\$58,035,254	\$65,582,036	\$70,790,477	\$76,454,011	\$81,903,132	\$86,069,055	\$86,603,988
Resource Adequacy		\$43,513,752	\$84,787,603	\$89,426,198	\$94,643,909	\$99,993,743	\$105,645,982	\$111,617,718	\$117,927,012	\$124,592,945	\$131,635,676
Everything Else		\$6,415,108	\$11,204,422	\$11,192,301	\$11,289,147	\$11,210,092	\$12,577,612	\$13,416,545	\$14,197,129	\$14,919,214	\$15,492,797
Total Cost of Power Supply	\$0	\$174,100,057	\$318,461,270	\$323,208,409	\$323,561,157	\$331,370,453	\$330,299,759	\$337,124,746	\$343,860,178	\$351,134,120	\$359,461,728
Operating & Administrative											
Data Management	\$0	\$1,266,665	\$6,451,506	\$6,621,435	\$6,810,633	\$6,990,021	\$7,174,135	\$7,363,097	\$7,557,038	\$7,756,086	\$7,960,377
Scheduling Coordinator	\$0	\$340,000	\$516,800	\$527,136	\$538,563	\$549,334	\$560,321	\$571,527	\$582,958	\$594,617	\$606,509
SCE Fees (includes billing)	\$0	\$12,175	\$40,894	\$61,273	\$61,686	\$62,069	\$62,455	\$62,843	\$63,234	\$63,627	\$64,022
Consulting Services	\$586,500	\$993,582	\$923,251	\$941,716	\$960,550	\$979,761	\$999,357	\$1,019,344	\$1,039,731	\$1,060,525	\$1,081,736
Staffing	\$656,370	\$1,248,010	\$2,103,498	\$2,166,460	\$2,213,406	\$2,257,674	\$2,302,828	\$2,348,884	\$2,395,862	\$2,443,779	\$2,492,655
General & Administrative expenses	\$24,480	\$302,548	\$207,682	\$244,446	\$249,743	\$254,738	\$259,833	\$265,029	\$270,330	\$275,737	\$281,251
Debt Service Payment on Financing	\$0	\$3,174,722	\$3,809,666	\$3,809,666	\$4,338,787	\$4,338,787	\$1,164,065	\$529,120	\$529,120	\$0	\$0
Total O&A Costs	\$1,267,350	\$7,337,702	\$14,073,297	\$14,372,133	\$15,173,368	\$15,432,385	\$16,152,992	\$16,438,272	\$16,733,424	\$17,038,491	\$17,353,685
Total Cost of Operations	\$1,267,350	\$181,437,759	\$332,534,567	\$337,580,541	\$338,734,525	\$346,802,838	\$349,442,751	\$349,282,592	\$356,298,450	\$363,328,491	\$371,948,278
Net Income	(\$1,267,350)	\$7,678,535	\$25,615,984	\$34,972,126	\$37,715,556	\$43,925,235	\$65,106,038	\$77,813,824	\$91,464,328	\$105,374,197	\$119,312,570
Cash From Operations and Financing											
Net Income from Operations	(\$1,267,350)	\$7,678,535	\$25,615,984	\$34,972,126	\$37,715,556	\$43,925,235	\$65,106,038	\$77,813,824	\$91,464,328	\$105,374,197	\$119,312,570
Cash from Financing	\$2,500,000	\$18,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Cash Available	\$1,232,650	\$25,678,535	\$25,615,984	\$34,972,126	\$37,715,556	\$43,925,235	\$65,106,038	\$77,813,824	\$91,464,328	\$105,374,197	\$119,312,570
Net Income Allocation											
Reserve Fund Contribution	\$416,663	\$25,678,535	\$25,615,984	\$34,972,126	\$32,767,155	\$0	\$0	\$0	\$0	\$0	\$2,833,903
Money Available for Discretionary Programs	\$475,987	\$0	\$0	\$0	\$4,948,401	\$43,925,235	\$65,106,038	\$77,813,824	\$91,464,328	\$105,374,197	\$116,478,667
Total Cash Outlays	\$1,232,650	\$0	\$0	\$0	\$4,948,401	\$43,925,235	\$65,106,038	\$77,813,824	\$91,464,328	\$105,374,197	\$116,478,667
Rate Stabilization Reserve Balance	\$416,663	\$26,095,198	\$51,711,182	\$86,683,308	\$119,450,463	\$119,450,463	\$119,450,463	\$119,450,463	\$119,450,463	\$119,450,463	\$122,284,365
Reserve Balance Target	\$416,663	\$59,650,770	\$109,326,433	\$110,985,383	\$111,364,775	\$114,017,371	\$112,708,850	\$114,833,291	\$117,139,216	\$119,450,463	\$122,284,365
CCA Total Bill		\$563,438,742	\$1,140,515,913	\$1,175,550,082	\$1,200,568,293	\$1,236,575,040	\$1,276,089,631	\$1,314,800,151	\$1,355,504,140	\$1,396,989,095	\$1,440,617,611
SCE Total Bill		\$573,249,711	\$1,159,135,546	\$1,194,993,608	\$1,220,535,037	\$1,258,289,952	\$1,297,243,403	\$1,337,434,389	\$1,378,903,205	\$1,421,691,488	\$1,465,842,264
Difference		\$9,810,969	\$18,619,633	\$19,443,526	\$19,966,743	\$21,714,912	\$21,153,772	\$22,634,238	\$23,399,065	\$24,702,393	\$25,224,652
Total Bill Savings		2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Generation Rate Discount		4%	4%	4%	4%	4%	4%	4%	4%	4%	4%

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,
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 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/>

CalCCA Members	Customer Accounts	Est Peak Load (MW)	Participation Rate	Minimum RPS
Apple Valley Choice Energy	25,000	100	89%	37%
CleanPowerSF	376,000	510	97%	40%
Clean Power Alliance	972,500	3,600	95%	36%
East Bay Community Energy	533,000	984	97%	38%
Lancaster Choice Energy	50,000	200	93%	36%
MCE	470,000	1,050	86%	60%
Monterey Bay Community Power	277,000	505	97%	31%
Peninsula Clean Energy	293,000	644	97%	50%
Pico Rivera Innovative Municipal Energy	17,600	60	96%	57%
Pioneer Community Energy	79,500	250	89%	33%
Rancho Mirage Energy Authority	14,500	100	99%	35%
Redwood Coast Energy Authority	62,000	125	93%	40%
San Jacinto Power	14,500	65	92%	41%
San Jose Clean Energy	332,500	1,081	99%	45%
Silicon Valley Clean Energy	270,000	800	97%	50%
Solana Energy Alliance	7,300	13	91%	50%
Sonoma Clean Power	225,000	450	87%	48%
Valley Clean Energy	54,200	219	93%	42%
CalCCA Member Totals	4,073,600	10,760	94%	43%