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1855 First Avenue #201, San Diego, CA 92101
(619) 234-6423 • info@sdcta.org • www.sdcta.org

VOTE ON CCA OR ALTERNATIVES IN THE CITY OF SAN DIEGO

November 17, 2017

SDCTA Position:

OPPOSE A VOTE AT THIS TIME

Rationale for Position:

SDCTA OPPOSES a City Council vote on implementing CCA or alternatives until the City conducts comparative cost-benefit analyses of the options for achieving the goals set out in its Climate Action Plan per the requirements of its Climate Action Plan. Conducting those analyses requires at least knowledge of the PCIA rate, which has not yet been determined. In order for the Association to support any potential climate action-related implementation strategy, the strategy should be evaluated through our official endorsement process and demonstrate a commitment to its underlying principles, adopted by the Association on July 24, 2017.

Title: Community Choice Aggregation in the City of San Diego

Jurisdiction: City of San Diego

Type: City Council Consideration

Vote: Simple Majority

Status: San Diego City Council to vote whether to implement in 2018

Issue: Community Choice Aggregation

Description: Implementation of a Community Choice Aggregation program in the City of San Diego to assist the City in reaching its goal of 100% renewable energy by 2035.

Fiscal Impact: The fiscal impact of implementing CCA in the City is unknown, as many details of implementation are yet to be determined. Estimates provided in the feasibility study conducted by the City of San Diego range from a net positive margin of \$166 million and a net negative margin of \$2.8 billion through 2035.

Issue Background

Originating in 2002, Community Choice Aggregation (CCA) programs serve as an alternate method of energy procurement for municipal agencies. A jurisdiction that elects to implement CCA gains the ability to generate and/or purchase energy for the customers living or working in its boundaries. The regional utility continues to deliver energy to customers in the CCA program through its infrastructure. Customers can choose to opt out of the CCA program and continue receiving energy procurement services from the regional utility.

Cities and counties often implement CCA in order to control energy rates, achieve lower rates, stimulate the economy, or increase renewable energy use.¹ Renewable energy sources include solar, wind, and hydro power—all sustainable sources that have less of an impact on the environment than fossil fuels. The City of San Diego has stated that it is considering CCA in order to meet its Climate Action Plan goal of 100% renewable energy by 2035. In July 2017, the city released a draft feasibility study to explore the possibility of a CCA program to begin in 2020. The City would still need to develop a business plan for implementation and operation before it decides whether to move forward with this option.

Fiscal Impact

The fiscal impact of implementing CCA in the City is unknown, as many details of implementation are yet to be determined. Estimates provided in the feasibility study conducted by the City of San Diego range from a net present value of surplus funds for investment of \$257 million and a net present value of net margin of negative \$2.8 billion through 2035.

Power Charge Indifference Adjustment

This wide range of potential costs is largely dependent on the Power Charge Indifference Adjustment (PCIA) set by the California Public Utilities Commission (CPUC) as a type of “exit fee.” Public utilities purchased long-term energy contracts to grow investment in renewable energy generation under expectations they would continue supplying a specific quantity of customers. San Diego CCA customers would need to pay the PCIA, or have it included in their new rates, to ensure rates remain “indifferent” and offset the costs of these departing energy customers. If such an exit fee were not paid by San Diego CCA customers, San Diego Gas & Electric (SDG&E) customers in surrounding areas would face high costs to reimburse the utilities for revenue lost from CCA customers leaving. The CPUC is expected to set the PCIA by the end of 2018, and should San Diego’s CCA program go forward, the PCIA will likely increase. A high PCIA could increase the cost of a CCA significantly, a scenario demonstrated in Sensitivity Analysis 3 in the feasibility study. The following timeline demonstrates by when the CPUC expects to set the PCIA.²

Joint status update regarding the need for evidentiary hearings	<i>December 1, 2017</i>
Ruling regarding schedule for testimony and hearings, if necessary	<i>December 8, 2017</i>
Testimony served and submitted to Supporting Documents	<i>March 12, 2018</i>

¹ Willdan Financial Services and EnerNex. “Feasibility Study for a Community Choice Aggregate.” *City of San Diego*. July 2017. P. 1.
https://www.sandiego.gov/sites/default/files/san_diego_cca_feasibility_study_final_draft_main_report_7-11-17.pdf

² “Order Instituting Rulemaking to Review, Revise, and Consider Alternatives to the Power Charge Indifference Adjustment.” *Public Utilities Commission of the State of California*. September 25, 2017.
<http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M196/K148/196148190.PDF>.



Concurrent rebuttal testimony served	<i>April 2, 2018</i>
Evidentiary Hearings, if necessary Commission Courtroom 505 Van Ness Avenue San Francisco, California	<i>April 16-20, 2018</i>
Concurrent opening briefs filed and served	<i>May 11, 2018</i>
Request for Final Oral Argument filed and served	<i>Concurrent with opening briefs</i>
Concurrent reply briefs filed and served	<i>May 25, 2018</i>
Proposed Decision mailed for comment	<i>July, 2018</i>

The City of San Diego currently makes up about 50% of San Diego Gas & Electric (SDG&E) energy sales. Of note, all other CCAs have consisted of a much smaller total portion of the regional utility's power sales. As such, it is not possible to estimate the impact that such a large shift in customers will have on SDG&E procurement operations.³

³ "Feasibility Study for a Community Choice Aggregate." p. 103.