

# Community Choice Energy

## Summary of Key Findings

This summary provides an overview of the key findings included in the Community Choice Energy (CCE) Feasibility Study and Technical Assessment (Study) conducted by EES Consulting, Inc. In addition to the key findings, a snapshot of the potential revenue and expenses estimated for an Irvine CCE program are included. Lastly, an exhibit to highlight the net revenue from other CCE programs is included for reference.

### Overview of Key Study Findings

#### **CCE Program Costs**

- \$600,000 – City funded upfront cost to prepare to launch a CCE program.
    - Tasks include: CPUC and SCE bonds, staff and consultant costs to manage the development of the Implementation Plan.
  - \$10.05 million – Working capital costs to launch a CCE. EES recommends financing these start-up costs.
    - Costs projected to be fully recovered within the first three years of operation.
  - Power supply costs make up 90 percent of the CCE's operating budget.
- **Risks**
    - The Study includes a Sensitivity and Risk Analysis section that assumes a worst case scenario in which the CCE's rates may exceed SCE's rates.
      - Fluctuations in the Power Charge Indifference Allowance (PCIA) could eliminate the CCE's competitive electricity rate.
      - Changes in SCE rate (e.g. generation rates and non-bypassable charges).
      - Power supply costs increase leading CCE rates to exceed SCE rates.
      - High customer opt-out rate reduces CCE competitiveness.
      - Regulations that compromise CCE competitiveness and/or independence.
- **Risk Mitigation**
    - Actions to manage the risks include:
      - Conservative power procurement strategies employing market risk management policies.
      - Developing a cash reserve fund from annual net revenues.
      - Engaging in regulatory and legislative issues related to CCE development.
- **Electricity Cost Savings**
    - Assuming PCIA fees are manageable, EES estimates that a CCE in Irvine could potentially offer a two percent rate discount compared to SCE's current rates. This results in a projected:
      - \$7.7 million per year in citywide electricity cost savings for Irvine residents and businesses.
      - \$112,000 per year for the City's municipal electricity costs.

- **Revenue Potential**
  - Estimated annual net revenue is \$10.6 million.
  - \$3.4 million can fund local programs once the start-up loan is reimbursed.
  
- **Benefits**
  - Reduced electricity rates for residents and businesses, which could encourage economic growth and new jobs.
  - Increased availability of renewable energy for the community.
  - Revenues generated can fund incentive programs to encourage energy efficiency (e.g. LED lighting retrofit, EV charging stations).
  - Local control over power procurement for the community.
  
- **Governance Options**
  - City forms an individual CCE: the Study concluded this option is viable for the City. The caveat of this option is the risk to the General Fund, which could be liable for any costs not recovered. Staff is confirming with City Attorney on any risks to the General Fund.
  - Irvine leads formation of a Joint Power Authority (JPA) with other Orange County jurisdictions joining Irvine’s CCE program.
  - City joins an existing CCE program.
  - City joins a JPA of individual CCEs, or creates an Orange County region JPA of individual CCEs. This would be similar to the CalChoice model started by the City of Lancaster and City of San Jacinto.

Average Annual Revenue and Expenses for an Irvine CCE Program

<b>Average Annual Revenues and Expenses 2021-2030*</b>	
<b>\$Millions</b>	
<b>Revenues</b>	<b>\$141.1</b>
<b>Expenses</b>	
Power Supply	\$124.4
Operation and Maintenance	\$3.0
Administration	\$2.0
Debt Service	\$1.1
<b>Total</b>	<b>\$130.5</b>
<b>Net Income</b>	<b>\$10.6</b>

*\*2021 is a partial year April-December*

### Revenue from Other CCE Programs

For reference, the average annual electricity consumption in Irvine is 1,910 Gigawatt hours (GWh), and average annual net revenue is estimated at \$10.6 million. The sample CCE programs listed below vary in size compared to the potential Irvine program. The annual revenues presented below reflect this difference. To note, 2016 data for Sonoma Clean Power was unavailable, and the Pioneer Community Energy program launched in 2017-18.

<b>Operating CCE Annual Net Revenue</b>				
<b>\$Millions</b>				
	<b>GWH</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
CleanPowerSF	3,135	\$33.4	\$65.6	\$25.7
Sonoma Clean Power	2,502	\$16.9	\$19.4	----
Pioneer Community Energy	1,030	\$5.9	N/A	N/A
Redwood Coast Energy Authority	699	\$1.7	\$1.1	\$0.8

Local programs that have recently launched in Southern California include:

- Solana Energy Alliance (June 2018)
- Clean Power Alliance (February 2019)
- California Clean Choice Energy Authority (CalChoice) includes Lancaster, San Jacinto Power, Pico Rivera, Apple Valley, and Rancho Mirage. Each city operates its own CCE.

Since many of these CCA programs are new, financial data may not be publicly available. Staff is working to obtain details on these programs.