



MEMORANDUM

To: Clean Power Alliance
City of Hermosa Beach

From: Mary Neal, Mark Fulmer

Subject: Feasibility Assessment of the City of Hermosa Beach Joining the Clean Power Alliance

Date: August 25, 2022

Clean Power Alliance (CPA) is a Community Choice Aggregator (CCA) serving selected communities in the Los Angeles and Ventura Counties, as well as the unincorporated areas of those counties. CPA retained MRW & Associates (MRW) to conduct feasibility studies to evaluate three potential new member cities in 2022. These studies considered the potential 2024 revenues that could be achieved by CPA and the associated costs to CPA of serving the potential new communities.

This study focuses on the potential financial and environmental impact of adding Hermosa Beach into CPA's system. MRW looked at three different scenarios in which Hermosa Beach customers were placed on each of CPA's rate products by default: Lean, Clean, or 100% Green. Using historical Southern California Edison (SCE) data and CPA current and forecasted customer electricity usage data, MRW estimated Hermosa Beach's customers, electric load, costs, revenues, and greenhouse emissions for these three scenarios.

I. Executive Summary

The general conclusions of this study are as follows:

1. Hermosa Beach's load is less than 1% of that of CPA. As such, the impact of adding Hermosa Beach on CPA's finances and emissions would be modest.
2. The analysis performed here suggests that adding Hermosa Beach to CPA in 2024 would reduce CPA's net revenue by \$740,000 to \$810,000 in the first year of service depending on the scenario modeled.¹ The effect on CPA's total projected annual revenue for the scenarios varies between negative 0.08% to negative 0.09%.

¹ The analysis was limited to 2024. The results in future years may be different.

3. This study uses 2021 historical data and current forward price curves to make decisions about 2024 market conditions. Considering the policy changes occurring at the Public Utilities Commission and the general uncertainty that comes with forecasting, the results of this study could change.

A. Loads and Customers

Electric load is a measure of the amount of energy used by customers. As this is the main service provided by CPA, the electric load plays a major part in both the financial and environmental impact calculations.

Table 1 below shows Hermosa Beach's estimated total annual electric load and customer accounts compared with CPA's total annual electric load and customer accounts. The Hermosa Beach values were calculated using a combination of 2021 SCE data and CPA forecast data. Hermosa Beach's load and customer base is small compared to CPA, which includes 32 local agencies across the Los Angeles and Ventura Counties.

Table 1. Estimated CCA Customers and Associated Load in 2024

Rate Group	Customers		Annual Sales (MWh)	
	CPA	Hermosa Beach	CPA	Hermosa Beach
Residential	853,400	9,370	5,191,000	47,000
Non-residential	124,300	1,394	5,899,000	28,300
TOTAL	977,700	10,764	11,090,000	75,300

B. Financial Impact

MRW used CPA's financial model and assumptions to calculate the additional revenues, costs, and the net revenue incurred from adding Hermosa Beach to CPA. These are shown in Table 2. MRW found that adding Hermosa Beach has a negative effect on the net revenue, which means CPA would not benefit from Hermosa Beach's inclusion. However, as noted in the previous section, Hermosa Beach is much smaller than CPA, so the net impact will be small.

Table 2: 2024 Forecasted Net Revenue Impact

	Lean Scenario	Clean Scenario	100% Green Scenario
Added Revenue	\$5.80 million	\$5.96 million	\$6.42 million
Added Revenue Requirement	\$6.54 million	\$6.77 million	\$7.22 million
Net Revenue (Cost)	(\$0.74 million)	(\$0.81 million)	(\$0.8 million)
% 2024 CPA Revenue Prior to Expansion	-0.08%	-0.09%	-0.09%

C. Greenhouse Gases

MRW also estimated greenhouse gas (GHG) emissions for each Scenario and compared them to SCE's GHG emissions profile. Table 3 below summarizes these results. Hermosa Beach would have lower emissions than SCE for all scenarios. Future emissions will vary depending on changes in the product content for each scenario.

Table 3. 2024 Greenhouse Gas Emissions (CO₂e US tons)

Rate Group	SCE Default	Lean Scenario	Clean Scenario	100% Green Scenario
Residential	13,300	13,000	9,700	0
Non-residential	8,000	7,900	5,800	0
TOTAL	21,300	20,900	15,500	0