



Staff Report

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**Honorable Mayor and Members of the Hermosa Beach City Council
Regular Meeting of October 25, 2022**

**CONSIDERATION OF THE DEFAULT RENEWABLE ENERGY
LEVEL FOR THE CLEAN POWER ALLIANCE AND
IMPLEMENTATION OF A COMMUNITY CHOICE AGGREGATION PROGRAM**
(Environmental Programs Manager Doug Krauss)

Recommended Action:

Staff recommends City Council consider a recommendation by Mayor Pro Tem Jackson to reconsider the default renewable energy level set by the jurisdiction as it joins the Clean Power Alliance of Southern California.

Executive Summary:

The City has a long history of addressing greenhouse gas (GHG) emissions, both to achieve sustainability and to lower City operational costs. PLAN Hermosa identifies the goal of reducing emissions from both municipal and communitywide operations and suggests community choice aggregation as a key strategy to help achieve these goals.

At its September 27, 2022 meeting, City Council approved a joint powers agreement to join the Clean Power Alliance of Southern California (CPA) and selected a default renewable energy level of 100 percent (Green Power). At its October 11, 2022 meeting, Mayor Pro Tem Jackson requested, and Mayor Detoy supported, staff return to its next regular meeting with an item to revisit and reconsider the default energy level.

Background:

In 2006, the City of Hermosa Beach endorsed the U.S. Mayors Climate Protection Agreement (the "Cool Cities Program"), committing itself to aligning with the greenhouse gas emissions reductions spelled out in the Kyoto Protocol. This heralded a series of actions by the City Council to address GHG emissions reduction. These actions included development of a Sustainability Plan in 2011, and both a Carbon Neutral Scoping Plan and a Municipal Carbon Neutral Plan (**Attachment 1**) in 2015. PLAN Hermosa, completed in 2017, serves as the City's General Plan, as well as its Climate Action Plan (CAP). This plan incorporates many of these strategies and details a course of action the City should take to achieve its emission-reduction goals.

The State has set goals for reducing GHG emissions through AB 32 and Executive Order S-3-05 for

local governments to achieve a 15 percent reduction below 2005 levels by 2020. PLAN Hermosa outlined the following City goals:

1. A Community emissions reduction target of at least 66 percent reduction below 2005 levels by 2040; and
2. A Municipal emissions reduction target that meets or exceeds 80 percent below 2005 levels by 2030.

Municipal emissions result from City-owned facilities and operations, while community emissions result from all the privately-owned facilities and activities in the City including residential and commercial. The City has greater control over municipal emissions, while community emissions represent a much greater amount of emissions from a more complex mix of sources. PLAN Hermosa also requires the City evaluate its progress at five-year intervals and take corrective action as needed to stay on track to meet its municipal emissions reduction goals. Inventories of municipal and community emissions were performed in 2015 by the South Bay Cities Council of Governments (SBCCOG) comparing the years 2005 and 2012 (**Attachment 2**). These inventories show the following progress toward the City's goals:

- The community of Hermosa Beach decreased emissions 7.7 percent from 2005 to 2012, from 137,160 metric tons of carbon dioxide equivalent (MTCO₂e) to 126,611 MTCO₂e;
- Under the Adjusted Business-as-Usual (BAU) forecast, community emissions will be 111,690 MTCO₂e in 2020 and 94,162 MTCO₂e in 2035. These emissions levels are 19 percent lower in 2020 than 2005 and 31 percent lower than 2005 by 2035; and
- Municipal emissions have decreased 9 percent from 2005 to 2012, from 1,501 MTCO₂e to 1,372 MTCO₂e.

Since then, the City has implemented many additional emissions reductions measures. These measures include:

- Installation of additional electric vehicle chargers for both the public and for City fleet. The City now maintains 34 chargers citywide, 28 of which are for public use;
- Installation of a 99 kilowatt (kW) solar photovoltaic system on the Community Center. The installation cost the City approximately \$200,000, but has saved the City approximately \$70,000 in electricity costs to date while reducing energy use by more than half;
- Retrofit of over 900 streetlights from low-pressure sodium vapor bulbs to LED technology, reducing energy consumption by approximately 360,000 kilowatt hours (kWh) over the last three years; and
- The City revised its Clean Fleet policy in 2017 to align with the City's municipal carbon neutral plan and commit to a progressive transition to zero and low-emissions vehicles and

equipment.

Despite this progress, the City must do more to ensure achievement of the emissions reduction goals adopted in PLAN Hermosa. At its November 6, 2021 retreat, City Council focused on the topic of City emissions reductions goals and strategies. At that meeting, there was an extensive discussion of community choice aggregation (CCA) including a presentation from the Clean Power Alliance (CPA). As described in the Municipal Carbon Neutral Plan and in PLAN Hermosa, CCA is one of the most impactful options the City has in reducing greenhouse gas emissions. Below is a discussion of CCA, the options available to the City, and recommended next steps.

Community Choice Aggregation (CCA)

CCA was made possible in California in 2002 with the passing of AB117 (Migden). CCA provides public agencies, such as the City, the opportunity to procure their own energy for their customers-the residents and businesses in their jurisdiction. CCA can purchase power and sell it to its customers, utilizing the infrastructure (poles and wires) of the existing Investor-owned Utility (IOU). In Hermosa Beach, the IOU is Southern California Edison (SCE). This would result in customer bills that include both the IOU's delivery costs and the CCA's energy ("generation") costs. The IOU would continue to provide customer billing with a description of the CCA's charges included.

One of the biggest benefits a CCA offers is the ability to control the energy portfolio. This has been used most commonly to increase the percentage of renewable energy in the portfolio compared to that currently offered by the IOUs. Another important feature of a CCA is that once a public agency chooses to form or join a CCA, every customer within the agency's jurisdiction is automatically enrolled into the program. The agency sets a default initial renewable energy level for both its municipal accounts and all other community accounts. Customers then have the option of opting out of the CCA entirely and going back to their original IOU for energy. Customers also have the option of changing their individual renewable energy level or remaining at the original default level set by the jurisdiction. The public agency also has the option of changing its citywide default renewable energy level if necessary.

Hermosa Beach was one of the first cities in the South Bay to seriously consider the CCA model. As early as 2014, with its work on a Municipal Carbon Neutral Plan, the City identified CCA as a viable strategy for reducing the City's overall carbon emissions. At the time, the only established CCA in Southern California was Lancaster Choice Energy which was also the first to be formed as a standalone CCA. Most CCAs in California are formed as Joint Power Authorities (JPA) between multiple public agencies. A number of CCAs have been operating successfully in Northern California since 2010 including California's first CCA, Marin Clean Energy. CCAs now serve about one-third of California's electricity demand.

Since these early considerations of a CCA, the City has hosted study sessions on the topic and staff has produced reports concerning the topic of CCA. In June 2016, a draft technical feasibility study was completed and presented to City Council at a special study session. Following a discussion of the results, City Council directed staff to continue pursuing establishment of a City of Hermosa Beach

CCA-Hermosa Beach Choice Energy (HBCE). Council also requested information on the timing and costs associated with the Los Angeles County CCA Program.

Much of the discussion at the time centered on potential risk to the City of forming its own CCA and associated costs. Amidst this discussion, in September 2016, Council approved an Ordinance and associated Implementation Plan and Statement of Intent allowing the formation of a Hermosa Beach CCA. Though it was made clear by Council that this was not a commitment to form a CCA, the Implementation Plan was filed with the California Public Utilities Commission to allow the City the option to proceed with the process.

Ultimately, the City decided against forming or joining a CCA at the time. In 2017, Los Angeles County spearheaded the creation of a new JPA, Los Angeles Community Choice Energy, which was subsequently renamed Clean Power Alliance (CPA). CPA now has 32 member agencies across Los Angeles and Ventura Counties, including neighboring Manhattan Beach, Redondo Beach, Hawthorne, and Carson.

Clean Power Alliance's combination of low risk, with cooperative local control, has made it a popular option among local agencies in Los Angeles and Ventura Counties. Clean Power Alliance is now the State's largest CCA and is currently accepting new members.

In terms of default renewable energy levels, the City of Manhattan Beach started out at Clean Power (50 percent clean energy) in 2019 and changed its default energy level in 2021 to 100 percent Green Power. The City of Redondo Beach also started at Clean Power in 2019 and is in the process of changing its default level to 100 percent Green on October 1, 2022. Regardless of the default chosen, individual customers always have the option to choose a different CPA rate, or opt out of the program altogether, and pay SCE for both generation and delivery costs.

The Clean Power Alliance Board conducts an annual rate setting process, usually in June, for rates effective starting July 1. From 2018 through 2020, Clean Power Alliance's rates were 1-2 percent less expensive than SCE's for Lean Power, at parity with SCE for Clean Power, and 7-9 percent more expensive for 100 percent Green Power. In 2021, the Lean Power and Clean Power rates became more expensive than SCE due to an increase in the Power Charge Indifference Adjustment (PCIA) (commonly referred to as the "exit fee") and market conditions that forced CPA to purchase system power at historically high prices. The 100 percent Green Power rate remained around the nine percent premium as falling prices for renewable energy offset the rise in system power prices. Effective July 1, 2022, the CPA Board of Directors adopted rates that returned rate comparisons to levels similar to the 2018-2020 period for Lean and Clean and reduced the premium for 100 percent Green to 3 percent for most customers (**Attachment 3**). Low-income customers in 100 percent (Green Power) default communities receive 100 percent renewable energy at no extra charge.

Joining Clean Power Alliance is the most efficient and impactful strategy for further reducing the City's overall GHG emissions. Based on the City's most recent emissions inventories, community energy use (residential and commercial) contributes approximately 40 percent of the City's overall

GHG emissions. By switching to 100 percent renewable sources for energy (for comparison, currently SCE's default service uses approximately 36 percent renewable energy), the City could reduce its GHG emissions instantly by roughly 40 percent. This would help the City move significantly towards meeting both its municipal and community emissions goals simultaneously.

In Spring 2022, the City subscribed to SCE's 100 percent renewable option for its municipal accounts. This eliminated virtually all GHG emissions associated with energy consumption at City facilities. This option has increased the City's annual energy bill by approximately \$11,000. This SCE option is no longer available to other SCE customers in Hermosa Beach, as SCE has suspended new enrollments in their Green Rates.

The City also continues to explore other energy efficiency and emissions reductions strategies. These strategies include: more efficient HVAC systems; lighting retrofits; and more significant green construction practices during remodels and new builds of facilities. The City is currently working to incorporate electric appliances, solar panels, and battery storage in the upgrades planned for the Clark Building. As a member agency, Hermosa Beach may be able to partner with Clean Power Alliance on these, and other initiatives, leveraging Clean Power Alliance's technical expertise, industry relationships, and collective purchasing power.

Past Council Actions

Meeting Date	Description
November 18, 2014	Hosted Study Session and approved Feasibility Study to Explore formation of a CCA
February 24, 2015	Accepted Carbon Neutral Municipal Plan
August 22, 2017	Adopted Plan Hermosa
November 6, 2021	Hosted Council Retreat to discuss emissions reductions strategies and directed staff to return to Council with CCA options and recommendations
January 25, 2022	Approved funding a feasibility study with CPA and transitioned City facilities to SCE's 100 Green Rates
September 27, 2022	Introduced on first reading an ordinance approving Joint Powers Agreement with Clean Power Alliance and chose a default enrollment power level of 100 percent renewable energy (Green Power).
October 11, 2022	Waived full second reading and adopted by title an Ordinance approving the Joint Powers Agreement to join Clean Power Alliance

Discussion:

At its September 27, 2022 meeting, the City Council introduced on first reading an ordinance

approving Joint Powers Agreement with Clean Power Alliance (**Attachment 4**). At this meeting, Council also agreed to set the default renewable energy rate at 100 percent (Green Power).

PLAN Hermosa identified the importance of CCA and renewable energy in achieving emissions reduction goals. Setting a default of 100 percent renewable energy would be a major step towards this goal. Though originally joining at lower renewable energy rates, the City's neighboring agencies of Redondo Beach and Manhattan Beach have each since defaulted customers to the 100 percent renewable "Green" rate level. This default rate level results in monthly energy costs to most customers that are approximately 3 to 4 percent higher than the current default energy rates offered by SCE. Should they wish to do so, customers may opt out of the default level and chose another level or opt out of the program altogether. CPA commits to providing competitive rates and strives to offer an available rate that is less expensive than SCE.

At the October 11, 2022 City Council meeting, Mayor Pro Tem Raymond Jackson recommended Council reconsider this default renewable rate. Staff recommends Council consider Mayor Pro Tem Jackson's recommendation but maintain the previously approved default rate of 100 percent renewable energy. Choosing the 100 percent renewable energy level will help the City achieve its emissions reductions goals as mentioned above. Additionally, the ability to change individual renewable energy levels (or opt out altogether) allows customers to customize their own rates should cost or other factors be a concern including a renewable energy rate level (40% Lean Power) that is actually lower than current SCE rates.

General Plan Consistency:

This report and associated recommendations have been evaluated for their consistency with the City's General Plan. Relevant Policies are listed below:

Sustainability and Conservation Element

Goal 1. Hermosa Beach is a low-carbon municipal organization, reducing greenhouse gases at a rate that meets or exceeds 80% below 2005 levels by 2030.

Policy:

- ***Low-carbon municipality.*** Demonstrate environmental leadership and reduce greenhouse gas emissions from municipal facilities and operations by at least 80% below 2005 levels by 2030.

Goal 2. Hermosa Beach is a low-carbon community meeting State greenhouse gas reduction goals by 2040

Policy:

- ***2.1 State targets and goals.*** Reduce greenhouse gas emissions at a rate that meets long-term State targets and goals to reduce emissions by at least 66% below 2005 levels by 2040.

Fiscal Impact:

There is no cost to the City for joining the JPA. However, if the City were to remove itself from the JPA, it would be obligated to compensate the JPA for energy supplies reserved for Hermosa Beach customers. Though this amount is not able to be calculated at this time, it would be a significant and prohibitive amount.

Joining CPA will result in a change in annual Utility User Tax (UUT) revenue due to the change in overall energy rates paid by customers citywide. This change is estimated to range from a 1 percent decrease to a 3 percent increase in energy related UUT revenue depending on the City's default rate selection.

Attachments:

1. Hermosa Beach Municipal Carbon Neutral Plan 2015
2. GHG Inventory and EECAP 2015
3. Rate Comparison
4. Ordinance
5. Link to November 18, 2014 Study Session
6. Link to February 24, 2015 City Council Staff Report
7. Link to August 22, 2017 City Council Staff Report
8. Link to November 6, 2021 Study Session
9. Link to January 25, 2022 City Council Staff Report
10. Link to September 28, 2022 City Council Staff Report
11. Link to October 11, 2022 City Council Staff Report

Respectfully Submitted by: Doug Krauss, Environmental Programs Manager

Noted for Fiscal Impact: Viki Copeland, Finance Director

Legal Review: Mike Jenkins, City Attorney

Approved: Suja Lowenthal, City Manager