

**CITY OF OAKLAND**  
**AGENDA REPORT**

FILED  
OFFICE OF THE CITY CLERK  
OAKLAND

2005 MAY 12 AM 11:51

TO: Office of the City Administrator  
ATTN: Deborah Edgerly  
FROM: Mayor's Office, Sustainability Programs  
DATE: May 24, 2005

**RE: A REPORT ON THE RESULTS OF A FEASIBILITY ANALYSIS OF COMMUNITY CHOICE AGGREGATION FOR THE CITY OF OAKLAND. COMMUNITY CHOICE AGGREGATION REFERS TO THE ABILITY OF THE CITY TO AGGREGATE THE ELECTRIC LOADS OF ELECTRIC CUSTOMERS WITHIN CITY BOUNDARIES TO FACILITATE THE PURCHASE AND SALE OF ELECTRICITY.**

**A RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR TO: 1) APPROVE AND SEND A LETTER OF INTENT TO THE CALIFORNIA PUBLIC UTILITIES COMMISSION (CPUC) STATING OAKLAND'S INTENT TO BECOME A COMMUNITY CHOICE AGGREGATOR PENDING FINAL RESULTS OF THE IMPLEMENTATION PLAN; AND 2) NEGOTIATE JOINT CCA EFFORTS WITH OTHER BAY AREA CITIES**

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**SUMMARY**

This report summarizes the feasibility of Community Choice Aggregation (CCA) for the City of Oakland, as documented by the Base Case Feasibility Report developed by Navigant Consulting, Inc (NCI). Community Choice Aggregation refers to the ability of local governments to implement a program to aggregate the electric loads of electric service customers within their jurisdictional boundaries to facilitate the purchase and sale of electricity. The local government would become a Community Choice Aggregator (Aggregator) to procure electric energy for residents and businesses within their community.

The feasibility analysis finds that by developing a CCA program, the City of Oakland could achieve annual electricity cost savings of \$17.9 million, thereby reducing rates for Oakland ratepayers, or generating income for the City, or a combination of both. The report also finds that by aggregating Oakland's electric load, the use of renewable energy in Oakland could increase to 50% by 2017, more than doubling the renewable energy content that PG&E would provide during the same time period.

The attached resolution recommends that the City Council approve and submit a letter of intent from the City to the California Public Utilities Commission (CPUC) stating Oakland's intent to become an aggregator pending final results and recommendations of the Implementation Plan. PG&E will soon be making procurement decisions based on their forecasted electricity loads, so Oakland needs to signal that we may be aggregating to avoid excessive Cost Responsibility Surcharges (exit fees) that PG&E may impose if they do not receive notice in due time. For purposes of capturing economies of scale, the resolution also authorizes staff to pursue even greater CCA economic benefits by negotiating with other Bay Area communities about the

Item: \_\_\_\_\_  
Public Works Committee  
May 24, 2005

feasibility of partnering with Oakland in this endeavor. Such a partnership may include the development of a common Implementation Plan and the formation of a Joint Powers Agency.

With the completion of the feasibility analysis, the next step for Oakland's continued investigation of CCA is the development of a CCA Implementation Plan. On May 5, 2005, the Council authorized a contract with Navigant Consulting, Inc. (NCI) to develop this plan. This plan will essentially be a CCA business plan for Oakland and will address detailed and fundamental issues including but not limited to: 1) identification of energy suppliers, 2) development of a "roadmap" for achieving the City's renewable energy goals, including the potential for financing energy generation facilities, and 3) preparation of a final evaluation to support a go/no go decision by the City to implement the CCA program.

The Oakland City Council will review this draft Implementation Plan prior to its submittal to the CPUC, probably at their September 2005 Council meeting. At that time, Council members will have an opportunity to ask questions and make changes to the Plan. This will also be the opportunity for the Council to determine if moving forward with a CCA plan is in the City's best interest, and thereby authorize, delay or forbid the submittal of the Plan to the CPUC. If the decision is made to move forward with a CCA plan, development of enabling legislation via a CCA ordinance will need to be initiated at this time.

### **FISCAL IMPACT**

Approval of the attached resolution authorizes a "letter of intent" to the CPUC, which will have no *immediate* fiscal impact. This letter merely indicates that Oakland is considering becoming an aggregator pending the results and recommendations from the Implementation Plan.

However, once the Implementation Plan is complete in Fall 2005, the Council will have to decide if developing and implementing a CCA program is in the best interests of the City. If the decision is made to move forward on the development of a CCA program, the fiscal implications will be substantial and will include some or all of the following: organizational start-up costs, staffing or contract costs for performance of operations; electricity supply contracts; and financing for capital investments in generation sources. A more complete listing of the types and numbers of tasks that will be required to initiate a CCA program can be found on pages 137-142 of the attached CCA Base Case Feasibility Evaluation report.

### **BACKGROUND**

AB 117, the State's Community Choice Aggregation law, was adopted as California state law in 2002. The law permits Cities, Counties, or City and County Joint Power Authorities to aggregate residential, commercial, industrial, municipal and institutional electric loads and purchase and sell electricity to those customers. CCA relates to the purchase and sale of electric generation services only. PG&E will continue to deliver the supplies to customers, maintain their infrastructure, and provide metering and billing and customer support for their services. If the

City of Oakland becomes a CCA, all PG&E customers in Oakland will have an opportunity to buy their electricity supplies from the City of Oakland, or to opt out of the program.

The Oakland City Council publicly declared its support for municipal aggregation on November 2, 1999 in Resolution No. 75314 C.M.S. and again in October 2002 through Resolution No. 77464 C.M.S., which thanked then-Governor Gray Davis for signing AB 117.

Through Resolution 78708 (July 2004), Council authorized the City of Oakland to become a participant in the Bay Area CCA Demonstration Project, and authorized \$24,500 for a professional services agreement with NCI to evaluate the feasibility, costs and benefits to Oakland of becoming an aggregator. NCI is the sole technical consultant to this Project, which is administered by the Local Government Commission (LGC) and subsidized by the California Energy Commission (CEC) and the United States Department of Energy to assist local governments in evaluating and implementing Community Choice Aggregation.

NCI recommended a two-phased approach for investigating the CCA. Resolution 78708 authorized NCI to proceed in Phase 1, including the development of a base case feasibility analysis of the opportunities and risks to Oakland of CCA. That analysis, attached, is summarized in this report.

After considering the costs and benefits of aggregating, communities that wish to proceed in forming a CCA program must complete Phase 2 of the project--development of a CCA Implementation Plan. AB 117 requires submittal of that plan to the CPUC prior to commencing CCA operations. NCI recommends that the Implementation Plan be submitted to the CPUC by August or early September 2005 to avoid the likelihood of imposition of greater exit fees than aggregators are already obligated to pay for leaving PG&E.

The conclusions and recommendations of the attached base case feasibility analysis reflect substantial involvement of City staff and Councilmember Nancy Nadel, both individually and through a series of discussions with other local governments participating in the project. Various options were evaluated relative to the mix (portfolio) of energy resources (wind, geothermal, etc.) that would supply Oakland's CCA program. A primary criterion in selecting the portfolio of potential energy resources was their effectiveness in meeting Oakland's stated objectives and interests relative to the increased use of renewable energy. Following detailed review of the options, a preferred portfolio option was jointly developed with staff that would best satisfy the stated objectives and interests of the City.

The preferred portfolio option, highlighted as the Base Case Scenario on page 60 of the attached report, would result in a savings of \$340.5 million from 2005-2024 (the study period) with annual cost savings averaging \$17.9 million, while at the same time increasing Oakland's use of renewable energy to 50% by 2017.

Using this option, Oakland's CCA program would be supplied energy from a diverse portfolio of resources designed to achieve the City's 50% renewable energy objective. The City would

initially match the renewable content of PG&E's portfolio, and incrementally increase the renewable component to achieve a mix of 50% by 2017. The portfolio also includes power purchases through five-year contracts and spot market purchases to supplement the production of the City's generation resources.

### **KEY ISSUES AND IMPACTS**

This report highlights NCI's evaluation of the feasibility for the City of Oakland to form a CCA program. NCI's full feasibility report is attached as Appendix A.

This report and supporting analysis show that it would be feasible and economically viable for the City to implement a CCA program as early as 2006. The City will be able to obtain services from a variety of large, experienced suppliers to help manage the program. It would therefore be able to manage energy procurement risks at least as effectively as does PG&E. The detailed analysis performed for the City suggests that by forming a CCA program, backed by investments in generation resources, the City could:

- **Save Money:** Nominal electricity cost savings averaging over \$17.9 million per year, equivalent to approximately 5% of total electricity bills, could be achieved;
- **Increase Renewables:** Through aggregation, Oakland could meet 50% of its electricity needs from renewable sources by 2017, more than doubling the renewable energy content that PG&E would provide over the same time period
- **Stabilize Rates:** Obtaining greater control over electric generation costs could provide a higher level of rate stability for local residents and businesses;

These benefits are possible due to the following:

- 1) A locally administered CCA program would be overseen by a nonprofit public agency of elected officials with an eye toward the public good and providing value (savings) to the local community rather than value (profits) to shareholders. A local CCA program has no need for a profit margin on power supply, whereas Investor Owned Utilities (IOUs) are allowed by the CPUC to include a profit margin in the rates charged to their customers. The nonprofit status of the City or the JPA will result in cost savings for CCA partners and customers.
- 2) The above noted competitive advantage over an IOU is further enhanced by the fact that the City, as a public agency, can qualify for tax-exempt bonds for financing power generation facilities at an effective cost of capital that is about one half of PG&E's. These lower borrowing costs can also translate into cost savings for CCA partners and ratepayers.
- 3) The CCA will not be required to pay federal income taxes.

## PROGRAM DESCRIPTION

CCA limits the City's role to the purchase and sale of electric generation services; delivery of the electric power would continue to be provided over PG&E transmission and distribution facilities at rates regulated by the California Public Utilities Commission (CPUC) and under the same terms and conditions that apply today. Customer billing would continue to be provided by PG&E, and all PG&E customers within the City would have the option of buying electricity from the City or remaining as generation customers of PG&E by exercising their rights to opt-out of the program.

Although the City could implement a CCA program without investing in generation resources, such a strategy is unlikely to yield sustainable electricity cost savings, according to NCI calculations. NCI recommends a phased approach to implementation that includes initially purchasing all of the program's electric supply requirements on the open market and transitioning to a strategy of generating the bulk of the program's resource needs through CCA-owned generation. Major considerations for a successful CCA program in Oakland follow.

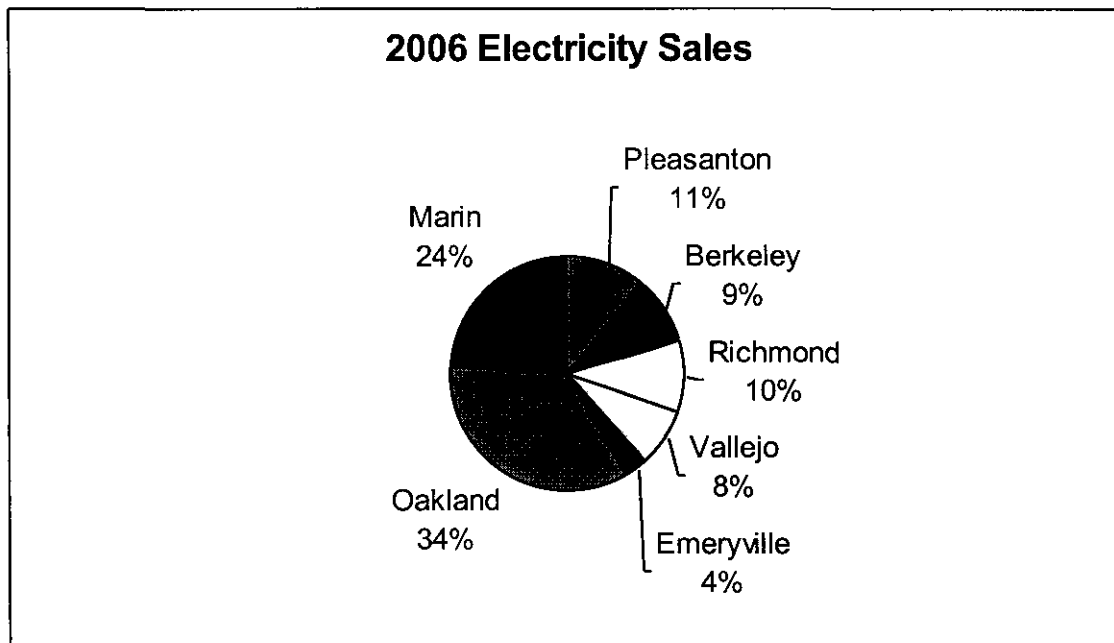
**Customer Base:** The potential customer base for the CCA program is all of the electric customers in the City. However, customers have the option to opt-out of the CCA program and continue to receive their electric service from PG&E. Some customers may choose opt-out during the 60-day opt-out period, and some direct access customers may be prevented from joining the program until their direct access contracts expire. The number of customer opt-outs will depend on a number of factors, not the least of which is how the City's electric rates compare to those of PG&E. Other factors that will influence customers' opt-out decisions include whether the City provides non-price features important to customers such as increased renewable energy purchases or expanded energy efficiency programs and customer loyalty to PG&E. Many of these factors are directly dependent on the details of the Implementation plan.

**Maintaining Relations with PG&E:** PG&E supported AB 117 and has publicly supported communities that are examining this option. Most recently, a PG&E representative spoke at the April 5<sup>th</sup>, 2005 Marin County Board of Supervisors meeting and expressed support for CCA. PG&E will continue to have a franchise agreement with the City, and will be responsible for operations and maintenance of the distribution facilities (lines, poles, meters, substations) within the City. PG&E would provide a credit on customer bills to remove its costs related to generation and procurement of electricity. A line item would then be added for the electricity generated and purchased through the Oakland CCA program.

**Reliability of Delivery of Electricity:** Developing a CCA program will not adversely impact the delivery of electricity in Oakland. Before a CCA program can begin, an Implementation Plan must be approved by the CPUC and that Implementation Plan will describe how the electricity will be purchased, and who will schedule its delivery. The CCA will procure and schedule electricity delivery via a scheduling coordinator (a professional energy company) just like PG&E purchases and schedules energy.

**Economies of Scale from Combined CCA Operations:** NCI recommends that the City implement its CCA program by forming a Joint Powers Agency (JPA) with other local governments in Northern California to capture significant economies of scale benefits. Operational cost savings can be captured through common program administration and energy procurement activities. In addition, due to variations in the ratio of commercial energy use versus residential energy use, each community has different peak energy loads that change with time of day and season. Combining these diverse electric loads lowers overall electricity procurement costs for all members of a JPA because participants can share peak capacity reserves. In other words, the flatter load shape of a combined CCA program reduces the costs of serving the load, thereby increasing the benefits available to each of the participating communities.

NCI performed a financial assessment of combining the seven Bay Area communities participating in the CCA demonstration project for purposes of a common CCA operation. A combined operation would yield over \$317 million in additional financial benefits during the study period (2005-2024) for members of the JPA, compared to the benefits achievable through individual CCA operations--a 34% improvement in financial benefits from joint operations. The efficiency gain could be apportioned such that each member participating in the joint operation would achieve a 34% improvement in financial benefits relative to their operating a program independently. Bay Area participants in the CCA Demonstration Project are listed below along with their shares of 2006 electricity sales.



*Electricity shares of Bay Area participants in the CCA Demonstration Project*

**BENEFITS OF COMMUNITY CHOICE AGGREGATION –A SUMMARY**

There are numerous benefits offered by CCA, summarized below. A complete analysis of these benefits can be found beginning on page 23 in Section 3 of the attached report.

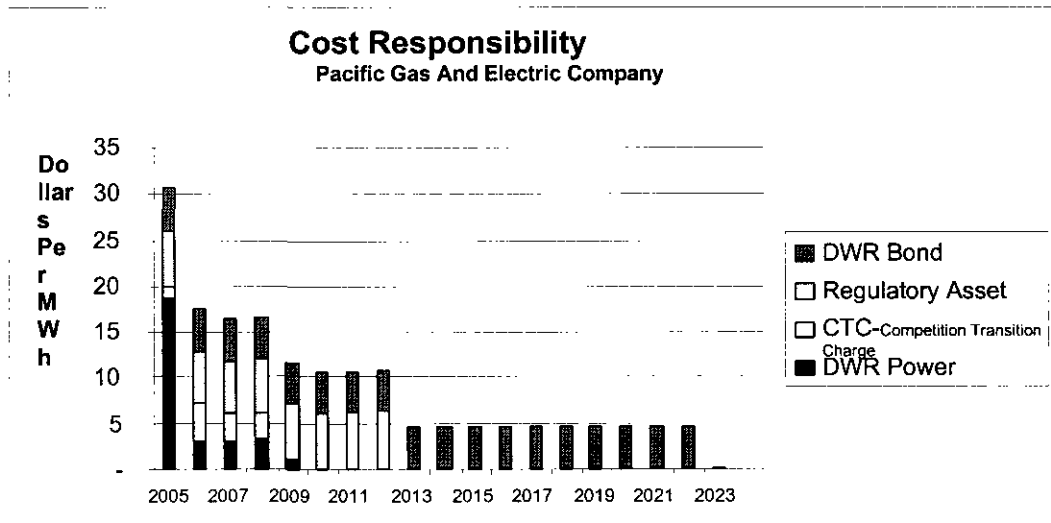
The primary benefits offered by CCA are local control over the energy resources used by the community, the ability to generate significant revenue for City of Oakland programs, provide electricity to customers at a lower overall cost, and ensure a far greater use of renewable energy to supply Oakland's energy needs.

**1. Cost Savings (and their counterweight in the form of Exit Fees or Cost Responsibility Surcharges):** To the extent the City can obtain electricity at a lower cost than charged by PG&E, the margin can be used in a number of ways including lower rates for CCA customers, contributions to reserve or contingency funds, or augmentation of the City's revenues for public services to its constituents such as funding additional energy efficiency or renewable energy activities. For example, the City could invest 25% of the savings into the general fund, 25% into the reserve fund, 25% into energy efficiency programs and 25% into additional renewable energy projects for the community.

A comparison of PG&E's rates to current market prices for electricity indicates that the City could procure electricity up to 2.0 cents per kWh cheaper than PG&E. A portion of this savings will be offset in the early years of a CCA program by the imposition of Cost Responsibility Surcharges (CRS), otherwise known as "exit fees." AB 117 authorized PG&E to impose these surcharges on customers of the CCA to protect remaining PG&E customers from the costs of customers migrating to the CCA. These charges are anticipated to be significant in 2005 and 2006, decline sharply after 2006, and nearing zero in 2012 when only the relatively small Department of Water Resources (DWR) bond charge will remain. Therefore, the cost savings of a CCA program will increase dramatically after the first few years of the program.

The CRS is calculated as if the City served a mix of customers identical to the mix of customers on PG&E's system. However, the actual customer mix within the City is more heavily weighted towards commercial and industrial customers, which subsidize the residential customer class under PG&E's current rate structure. The average generation rates paid to PG&E by customers within the City are approximately 5% higher than the average of all customers within PG&E's service territory, improving the financial feasibility of implementing a CCA program in Oakland.

The following chart shows the components of the CRS for PG&E over the study period.



With the exception of the Department of Water Resources (DWR) bond charge, the CRS is expected to become zero by 2012.

The imposition of the CRS on CCA customers means the City must obtain electricity supplies at below market prices if it is to generate electricity cost savings during the time period that the CRS applies. There are two ways the City could obtain below-market electricity prices: 1) the City could negotiate for low-cost electric supplies from third party providers who are willing to offer discounted prices in order to gain market share and position their firms for sales of other value added services; or 2) the City could utilize its ability to issue low cost municipal bonds to develop or contract for generation resources.

As a public agency, the City can finance generation projects at an effective cost of capital about one half of the typical merchant generation developer’s. The municipal financing advantage is particularly well suited to development of renewable generation projects, with their relatively high capital costs and low operating costs. By financing generation resources or providing capital to prepay for electricity purchases, the City can obtain electricity at below market costs.

**2. Fuel Efficiency, Renewables, and Environmental Benefits:** By implementing a CCA program, the City can cause new generation to be developed by offering purchase contracts to suppliers or by developing new resources. Development of new generation, whether renewable or fossil fueled, will displace production from old, inefficient generation sources, thereby significantly reducing environmental impacts of electricity production. A benefit important to some communities, including Oakland, is the ability to promote use of renewable energy resources and significantly exceed the renewable energy standards applicable to PG&E. The State mandates 20% renewable energy by 2017. Through CCA, Oakland can meet 50% of the City’s energy needs from renewables in the same time period.

**3. Rate Stability:** CCA enables the City to lock in electricity prices and provide multi-year



rate stability to its customers. Business customers place high value on predictability of energy costs to aid in business planning. Rate stability can be an attractive feature to attract new businesses into the community or retain those that may be considering leaving. CCA allows the community to negotiate for long-term, fixed priced electric supplies from a variety of suppliers. Likewise, increased reliance on renewable energy technologies reduces exposure to the volatile natural gas market, which in turn is a primary driver of electricity price volatility. Sun, wind, tidal, and geothermal sources of power are not subject to fossil fuel price fluctuations.

The City would possess autonomy over its electricity procurement decisions and would have more control over its costs and greater flexibility in its rate structures than PG&E is allowed under CPUC regulation, enhancing the City's ability to provide rate stability to its customers.

New generation is needed to serve California's increasing population and to replace thousands of aging power plants that will be retired in the next few years. The addition of new utility-owned generation may place upward pressure on PG&E's rates, contributing to future rate instability. By assuming the responsibility for developing the infrastructure needed to serve the City's constituents, the City can shield its constituents from future rate increases caused by PG&E generation investments.

**4. Energy Security:** The majority of new power plants in the United States are fueled by natural gas, making the nation increasingly dependent upon imported natural gas as domestic supplies are exhausted. Many are concerned that during the next decade or so, the U.S. will become as dependent on natural gas imports as it currently is on imported oil. Such dependence raises a host of political, environmental and security issues that potentially threaten the nation's vital interests. By implementing a CCA program that relies more heavily on local renewable energy resources, the City can reduce its contribution to the problems associated with increased dependence on imported natural gas.

**5. Customer Choice:** CCA is currently the only mechanism that allows customers to buy electricity from an entity other than PG&E. All customers can benefit from opportunities for choice and the positive effects of competition on PG&E's service.

**6. Demand Side Energy Efficiency:** A CCA program would provide an organizational structure to support energy efficiency programs. The City's rates can provide the revenue bonding capacity to finance public benefits programs such as installation of rooftop photovoltaic systems and energy efficiency investments, with debt service provided via monthly customer bills. The City can use its knowledge of the community to focus energy efficiency investments on projects with the highest leverage for energy savings or that address the greatest need.

Investor-owned utilities such as PG&E face a potential conflict of interest in administering energy efficiency programs because the success of their programs reduces the utilities' sales growth and potentially their profitability. As an Aggregator, the City would be motivated to reduce overall energy costs, both on the supply and demand side. An integrated approach to

supply planning, energy efficiency and demand response, which reflects the specific circumstances of the community, should translate into greater energy savings.

**7. Self-Generation And Wheeling:** A CCA program would provide a legal mechanism to transmit excess power from generation located “behind-the-meter” to other loads within the City. Excess production from a cogeneration or solar facility could be used to serve other facilities rather than being sold to PG&E or lost to the system as uncompensated excess generation.

**8. Regional Economic Competitiveness:** The City could use its ratemaking authority to establish economic development and business attraction rates to attract desirable businesses and jobs to the community with the benefit of lower rates. Competitive electric rates can also be a factor in retaining businesses that might otherwise leave the community.

**9. Creation of Strategic/Asset Value:** Formation of a CCA program creates strategic value arising from the creation of assets, infrastructure and annual cash flows. The City would be developing expertise in energy matters, building infrastructure, and positioning itself for an expanded energy services role if future circumstances warrant such an expanded role.

**10. Opportunities For Innovation:** A CCA program presents opportunities for the City to provide innovative energy services to customers. The City could develop programs that respond to the local concerns, needs, and values of their community members. One example would be formation of “green pricing” programs that provide customers the option of choosing to use more renewable energy. Customers that value renewable energy would be able to voluntarily pay for any additional costs of increasing the renewable energy mix, without significantly affecting the costs paid by more price sensitive customers. Other innovative services could include special rates for population subgroups (e.g., low income, government facilities, enterprise zones, etc.), program-financed distributed generation, or a host of other value-added services.

## **RISKS OF COMMUNITY CHOICE AGGREGATION – A SUMMARY**

In addition to the benefits associated with CCA, there are risks, summarized below. A complete analysis of these risks can be found beginning on page 33 in section 4 of the attached report.

The major risk associated with forming a CCA program is the possibility that the rates of the program exceed the comparable rates charged by PG&E, causing customers to become dissatisfied with the program or attempt to return to PG&E service. The City’s ratemaking authority and ability to raise rates if necessary would protect the City from the financial impacts of unanticipated program cost increases. Further, pending the development of switching protocols in Phase 2 of the CCA rulemaking, the City could terminate the program, if necessary, and return customers to PG&E service. The program can set aside financial reserves to cover any reentry fees that may be applicable in the case of program termination.

**1. Implementation Plan Stage Risks:** The primary risk at the Implementation Plan stage is political, especially if PG&E changes their position and directly or indirectly opposes the CCA

program. Whereas PG&E has publicly supported CCA, there are always caveats that in practice might cause them to oppose a specific implementation effort as it progresses towards an Implementation Plan. In the extreme case, the utility might sponsor community organizations to oppose the program. While such strong opposition to a potential CCA program is unlikely, the City should be realistic and not expect complete support from the utility for its efforts.

There is also the regulatory risk that the CPUC will adopt or modify implementation rules to the detriment of the CCA program or in a way that requires modifications to the Implementation Plan. Elected leaders that were early supporters of implementing a CCA program may finish their terms before the program can be implemented, and newly elected leaders may desire to reconsider the decision to proceed with CCA implementation. Turnover of key staff could also jeopardize timely program implementation.

**2. Operations Stage Risks:** Primary risks inherent in the CCA operations are that unanticipated events cause the City's costs to increase or PG&E rates to decrease, in which case rates charged by the City could exceed PG&E's, leaving customers dissatisfied with the program. If many customers leave the program, the City could face stranded costs and higher rates prompting additional customers to leave the program. Appropriate program rules limiting customer switching or imposing exit fees will mitigate the risk of losing customers. Cost of service variables and risks that might impact the City's operations cost are as follows:

A) The Cost Responsibility Surcharge (CRS) will vary year-to-year. The CRS is inversely related to the prevailing market price of electricity; if market prices fall, the CRS will increase. To the extent the CRS increases and the City has locked in electricity prices through long-term electricity or fuel contracts, the CCA customers' total rates will increase.

B) The City could unfavorably hedge its exposure to electricity and/or natural gas price volatility, and adverse price movements could cause rate increases for its customers. Similarly, the City could over-rely on long-term contracts with fixed prices and find itself holding a high cost portfolio if market prices subsequently fall.

C) The City could fail to properly secure its customer base, making debt financing via the capital markets impossible to obtain and exposing the City to stranded costs if many customers opt-out. Even with appropriate switching rules, large customers may go out of business or leave the area and leave behind costs that must be paid by remaining program customers.

D) The City's energy suppliers could default on supply contracts (credit risk) at times when energy spot markets are high, forcing the City to purchase energy at excessively high prices. Customers could fail to pay the City's charges, and the City's credit policies and customer deposits may be insufficient to recover the non-collectible bills.

E) PG&E could make changes to its rate designs that reduce the cost of generation services and increase the costs of delivery services or shifts costs among customer classes in a manner that disadvantages the customer mix served by the City.

Other regulatory risks associated with changes in the rules and tariffs administered by the CPUC or in the wholesale markets regulated by the Federal Energy Regulatory Commission (FERC) could increase the City's cost of providing service.

**Risk Mitigation:** Although these risks cannot be completely eliminated, the City can structure its program to minimize the risks through mitigation strategies. Electricity supply contracts can be structured to transfer many of the risks to the program's suppliers. The following table describes basic risk management techniques for each of the primary risks associated with operating a CCA program.

Risk	Mitigation
Cost Responsibility Surcharge Volatility	Utilizing shorter duration supply contracts to a greater extent than would otherwise be indicated would offset the CRS risk. If market prices decrease, the City's supply portfolio costs will also decrease, offsetting the increase in the customer's CRS payments to PG&E.
Commodity Price Volatility	Diversify supply portfolio with contracts of various terms and with multiple suppliers, renewable energy, and conventional generation. Layoff commodity price risks to energy suppliers through fixed priced contracts or guaranteed discount pricing structures
Customer Attrition	Establish exit fees following free opt-out period. Negotiate term contracts with large customers.
Credit Risk	Periodic credit and exposure monitoring; supplier diversity; collateral and surety instruments. Require deposits from high-risk customers and return to utility for failure to pay bills.
Utility Rate Changes and Other Regulatory Risks	Participate in CPUC process to prevent shifting of costs to program customers

**Risk Mitigation Through Phased Implementation:** Another important way to limit risks associated with program startup is for the City to implement a CCA program in phases. An example could be to initially offer the program to non-residential customers for a six-month pilot and then open the program to all customers after the pilot phase is completed. By starting with non-residential customers, the number of transactions (account transfers, coordination with

PG&E's monthly billing process, etc.) that must be completed would be a small fraction of what would be required to serve the entire community at one time. In addition, non-residential customers are higher margin customers so the initial phase-in period would provide greater margins for the program to help cover program startup costs.

The City must comply with the legal requirements of AB 117 that requires equitable treatment of all customer classes and the offering of service to all residential customers. The Implementation Plan should describe the phasing approach, if any, that the City intends to utilize and how that approach complies with the law.

### **SUSTAINABLE OPPORTUNITIES**

**Economic:** The positive economic opportunities of CCA are profound and include annual electricity cost savings of up to \$17.9 million per year. These saved revenues could be used to lower rates for CCA customers, contribute to reserve or contingency funds, augment the City's revenues for provision of public services, or a combination of all three.

**Environmental:** Increased energy efficiency and use of renewable energy has a profound and positive environmental impact on the reduction of greenhouse gas and other toxic emissions.

**Social Equity:** A growing body of research documents a positive correlation between alternative energy production and energy efficiency initiatives with job creation. It is therefore anticipated that employment will be created through the promotion of alternative energy and improved energy efficiency, and within renewable energy and energy efficiency businesses. Furthermore, reduction in fixed energy costs is especially helpful to lower income families.

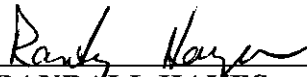
### **DISABILITY AND SENIOR CITIZEN ACCESS**

This report and resolution will not have an effect on disability and senior citizen access.

### **RECOMMENDATION**

Staff recommends that the Council receive this report on the feasibility of Community Choice Aggregation for Oakland; approve and submit a letter of intent from the City to the California Public Utilities Commission (CPUC) stating Oakland's intent to become an aggregator pending final results and recommendations of the Implementation Plan; and authorize staff to negotiate with other Bay Area communities about the feasibility and benefits of forming a JPA for the purposes of developing and implementing a CCA program in Oakland.

Respectfully submitted,

  
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**RANDALL HAYES**  
Sustainability Director  
Mayor's Office

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Public Works Agency

APPROVED AND FORWARDED TO THE  
PUBLIC WORKS COMMITTEE

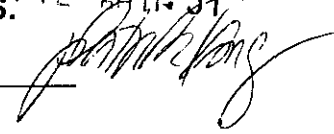
  
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# CITY OF OAKLAND

OFFICE OF THE CITY CLERK  
OAKLAND

RESOLUTION NO. \_\_\_\_\_

2005 MAY 12 AM 11:51  
C. M. S.



INTRODUCED BY COUNCILMEMBER: \_\_\_\_\_

**A RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR TO: 1) APPROVE AND SEND A LETTER OF INTENT TO THE CALIFORNIA PUBLIC UTILITIES COMMISSION (CPUC) STATING OAKLAND'S INTENT TO BECOME A COMMUNITY CHOICE AGGREGATOR PENDING FINAL RESULTS OF THE CITY'S IMPLEMENTATION PLAN; AND 2) NEGOTIATE JOINT CCA EFFORTS WITH OTHER BAY AREA CITIES**

**WHEREAS**, AB 117, adopted as California state law in 2002, permits cities, counties, or city and county Joint Power Authorities to aggregate residential, commercial, industrial, municipal and institutional electric loads through Community Choice Aggregation (CCA); and,

**WHEREAS**, The Oakland City Council is on record in support of this legislation; and,

**WHEREAS**, There are numerous potential benefits for cities that aggregate including: 1) More stable and reliable power supplies; 2) An expectation of lower electricity rates for residents, businesses and municipal operations compared to the rates of Pacific Gas & Electric Company (PG&E); 3) Opportunity for general fund revenue; 4) Greater use of renewable energy resources than are planned by PG&E; 5) Ratepayer access to a democratically elected governing body (the Oakland City Council); and,

**WHEREAS**, Oakland is a participant in the Bay Area CCA demonstration project, managed by the Local Government Commission and funded by the California Energy Commission, the Department of Energy and participating municipalities, which is examining these issues on behalf of participating communities; and,

**WHEREAS**, In July 2004 the Council, through Resolution 78708, authorized \$24,500 for a professional services agreement with Navigant Consulting Inc. ("NCI"), to evaluate the feasibility for Oakland to become an aggregator; and

**WHEREAS**, NCI has completed a CCA base-case feasibility study for Oakland, and a final report that evaluates the City's ability to capitalize on the opportunities and mitigate the risks of CCA; and,

**WHEREAS**, the completed feasibility analysis shows that it would be feasible and economically viable for the City to implement a CCA program as early as 2006; and

**WHEREAS**, communities that wish to proceed in forming a CCA program must complete the development of a CCA Implementation Plan and submit that plan to the CPUC prior to commencing CCA operations; and

**WHEREAS**, the development of a CCA Implementation Plan was authorized by the Duke Settlement Resolution on May 3, 2005, and is a continuation of Oakland's participation in the CCA Demonstration Project; and

**WHEREAS**, the CPUC and PG&E will be better able to accommodate Oakland's CCA activities with as much advance notice as possible; and

**WHEREAS**, the cost for CCA implementation and operation to Oakland will be lower and economic benefits higher if Oakland participates with other cities on CCA; now therefore be it

**RESOLVED:** That the Council approves and authorizes the submittal of a letter of intent to the CPUC stating that the City of Oakland intends to become a Community Choice Aggregator pending final results of the Implementation Plan; and be it

**FURTHER RESOLVED**, That the City Administrator is directed to negotiate with other Bay Area cities to jointly develop Implementation Plans that capture economies of scale for shared activities of CCAs.

IN COUNCIL, OAKLAND, CALIFORNIA \_\_\_\_\_,

**PASSED BY THE FOLLOWING VOTE:**

AYES-

NOES-

ABSENT-

ABSTENTION-

ATTEST: \_\_\_\_\_

LATONDA SIMMONS  
Interim City Clerk and Clerk of the Council  
of the City of Oakland, California