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TO: City Councilmembers
FROM: Nancy J. Nadel, Council District 3
RE: Community Choice Aggregation

Dear Fellow Council Members:

After AB117 was passed in 2002, local jurisdictions had the legal means to form their own electricity purchasing programs through aggregation of electricity consumers. Oakland and other cities commenced the research required to see if this could be an attractive and viable alternative to relying on a privately owned utility (currently, Pacific Gas and Electric in Northern California). Community Choice Aggregation (CCA) is complex because while it offers local jurisdictions the opportunity to define their own goals in energy sources and consumer programs (such as renewable sources, conservation, labor standards, efficiency, and outreach), CCA formation introduces new challenges related to acquiring knowledge around energy sources and energy purchasing, establishing a new organization, and relevant regulations. While these are significant challenges, they are not insurmountable as demonstrated by the fact that San Joaquin Valley JPA has been approved by the CPUC, Marin County is in the JPA forming process, and San Francisco continues in active pursuit of a Community Choice program.

To date, Oakland has received a Feasibility Study and a Business Plan, both by Navigant Consulting, shedding light on what Community Choice could mean for the City. These reports indicate that electricity with a 50% renewable content is possible, and potentially within an acceptable price range for East Bay customers—within about 5% of the PG&E rate. They also suggest a number of uncertainties to consider before any decision making occurs: availability of green power (and its price in the short term), access to low interest loans for purchase of new green power sources (to hedge against continuing rise in cost of natural gas), the viability of an East Bay JPA with fewer (or more) municipal participants, and the future of the renewables market. Still, other local jurisdictions are moving ahead with CCA, and it would behoove Oakland to follow their developments closely. Marin's program, for example, will have a very high green content, and it plans to sell excess power and/ or credits to the electricity market.

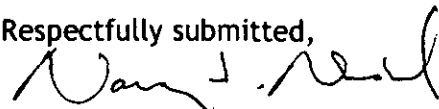
At this time, the Public Works Agency recommends that the City drop further investigations into CCA and transfer the \$390,000 allocated by City Council to implementation of the Energy and Climate Action Plan, which is now in an information gathering phase. I believe that this change in direction would be premature. Unfortunately, Public Works Agency staff reports are incomplete and in some instances contain incorrect information. In other instances highly speculative assertions are made suggesting a fiscal vulnerability that no experts in CCA have identified. In the December 16 Public Works Committee meeting, regulators from the California Public Utilities Commission pointed out some of these inaccuracies.

The statements below attempt to clarify inaccurate assertions made in the staff reports dated October 28 and December 16, 2008.

- Oakland's General Fund could be insulated from risk of JPA failure (see CPUC Decision 08-09-016 and Government Code Section 6508.1), contrary to what is suggested in the P.W. Staff reports
- CPUC does not have any authority over electric generation rates set and charged by a CCA to its customers. The CPUC, however, will regulate the distribution rate charged to CCA customers. In contrast, the CPUC has the authority over both the electric generation and distribution rates of the private electric utilities like PG&E.
- The potential cost of the state climate program (AB32) is uncertain but according to CPUC, it is unlikely that it will penalize new CCAs or utilities that have large renewable content (Staff report cites a carbon emissions cost which is substantially higher than any estimates used by CPUC)
- Staff reports leave out facts regarding PG&E conservation, efficiency, and other consumer programs. These programs are funded through monthly electricity consumer bills. PG&E is required to do these programs, and can earn profits when programs are successful. Cities (or CCAs) could apply for these funds themselves to use on comparable programs
- An electricity content of 50% renewables is an important electricity goal, and it is significantly above the 33% which will be required by the California Air Resources Board
- Other CCAs forming in the state are important sources of information, as are regulators, and should not be ignored

In Conclusion, it is imperative that City Council be fully informed before making important policy decisions regarding CCA. City Council should know the pros and the cons, but most importantly, the information should be based on facts not on fears. I continue to support a workshop, after the City's budget proceedings, where City Council can receive information from Marin, San Francisco, and San Joaquin Valley, and other public power purchasers, where relevant. Representatives from the California Public Utilities Commission have also agreed to participate in such a workshop and can provide information regarding the regulatory framework. I suggest that Public Works staff provide a more fact- based and balanced assessment of the Business Plan and other information at their disposal.

Respectfully submitted,



Nancy J. Nadel
City Councilmember, District 3