



DATE: November 15, 2023
TO: Honorable Mayor and City Councilmembers
FROM: Water Utilities Department
SUBJECT: **RESOLUTION SELECTING THE DEFAULT ENERGY SUPPLY OPTION FOR OCEANSIDE ELECTRICAL CUSTOMERS TO BE ENROLLED IN THE CLEAN ENERGY ALLIANCE**

SYNOPSIS

Staff recommends that the City Council adopt a resolution selecting “Clean Impact Plus” as the default energy supply option for City of Oceanside electrical customers to be enrolled in the Clean Energy Alliance community choice energy supplier in 2024.

BACKGROUND

The Clean Energy Alliance (CEA) is a community choice energy supplier that launched service in May 2021. CEA is one of two community choice energy suppliers in the San Diego region that provides customers an alternative power supply to the incumbent utility San Diego Gas & Electric (SDG&E). Current member cities of CEA include:

- Oceanside
- Escondido
- San Marcos
- Vista
- Carlsbad
- Solana Beach
- Del Mar

CEA functions as a Joint Powers Authority that purchases energy on behalf of the member cities to maximize renewable energy content at competitive rates.

As a community choice energy supplier, CEA provides local control over the source and quantity of renewable electricity delivered to customers. Energy purchased by CEA is delivered to customers via the existing transmission grid operated and maintained by SDG&E. When new cities are enrolled into CEA service, customers experience no change in their physical grid connection and billing services continue to be provided through SDG&E.

On June 8, 2022, the City Council adopted Resolution No. 22-R0372-1 authorizing the Oceanside’s membership in CEA by executing its Joint Powers Agreement. On June 22,

2022, the City Council adopted Ordinance No. 22-OR0396-1 establishing community choice aggregation in the City of Oceanside as required by State law. CEA anticipates launching service to Oceanside electrical customers in April 2024.

All existing SDG&E customers in Oceanside will be automatically enrolled following public outreach and four mail notifications begin no later than 60 days in advance of the commencement of service. With service to Oceanside anticipated in April 2024, the City Council must select the default energy supply option offered by CEA from which Oceanside customers will purchase electricity. At enrollment, customers will see a notice on their SDG&E bills indicating their electricity generation is now sourced through CEA. **Regardless of the Council's choice, customers retain the right to switch to other energy supply options offered by CEA, or to opt out of service altogether to continue receiving electricity procured by SDG&E.**

ANALYSIS

CEA currently offers three energy supply options based on renewable energy content that the City Council must choose from for the default enrollment of Oceanside customers in 2024:

- Clean Impact - 50% renewable, increasing to 100% by 2035
- Clean Impact Plus - 50% renewable, 75% carbon-free
- Green Impact - 100% renewable

Renewable energy includes power generated from naturally replenishing sources that are emission-free such as solar, wind, geothermal and biomass sources. Carbon-free energy includes power generated from emission-free sources that are not defined as "renewable," including large hydroelectric and nuclear sources. The City Council adopted a Final Climate Action Plan in 2019 that set a Renewable Energy Procurement goal that 75% of all local energy demand be generated from renewable sources by 2030. CEA procures renewable and carbon-free energy through various methods, including issuing requests for Power Purchase Agreements, responding to offers and bilateral negotiations with power suppliers. Each of the available enrollment options from CEA will help achieve this goal at varying timelines. Staff's recommendation helps meet this goal while retaining competitive customer rates to SDG&E.

CEA's Joint Powers Agreement specifies the base option "Clean Impact" must include a minimum of 50% renewable energy generation (e.g. wind, solar and geothermal), increasing to 100% renewable by 2035. The Agreement also requires CEA to provide alternative options ("Clean Impact Plus" and "Green Impact") that deliver a higher share of renewable and carbon-free electricity. The Agreement also includes a rate setting goal to achieve a minimum of 2% savings on electricity generation costs compared to SDG&E for the base option "Clean Impact".

To date, member cities of Carlsbad, Del Mar, Solana Beach, Escondido and San Marcos have all chosen "Clean Impact Plus" as their default enrollment. Collectively, CEA

has 148,000 accounts enrolled with a 95% customer participation rate. Oceanside and Vista are the two remaining cities preparing for enrollment in 2024. A rate comparison of the options available to Oceanside, using currently available rate information from CEA, is provided below.

FISCAL IMPACT

CEA has provided the City with rate comparisons between the three available options and SDG&E for Oceanside and Vista’s residential and small commercial customers in Table 1 and 2 below, respectively. These comparisons show average monthly electricity usage and are annualized to account for differences between winter and summer electricity rates. It is important to note these comparisons are provided for guidance and use 2023 rates. They do not reflect changes the CEA Board of Directors may make at the next rate setting meeting in 2024, nor potential changes to SDG&E rates and exit fees that will change in January 2024.

Table 1. Rate Comparison of CEA Energy Supply Options with SDG&E – 2023 rates, typical Oceanside Residential customers. (Data supplied by CEA)

2023 PCIA Vintage Oceanside and Vista Customers		Clean Impact 50% Renewable	Clean Impact Plus 50% Renewable + 75% Carbon-free	Green Impact 100% Renewable
Residential: TOU-DR1 ¹	SDG&E	CEA	CEA	CEA
Generation	\$ 51.20	\$ 49.86	\$ 49.86	\$ 49.86
75% Carbon Free/100% Renewable			\$ 0.32	\$ 2.43
SDG&E PCIA+FFS ²	\$ 14.23	\$ 14.23	\$ 14.23	\$ 14.23
SDG&E Delivery	\$ 80.94	\$ 80.94	\$ 80.94	\$ 80.94
Total Average Monthly Bill	\$ 146.37	\$ 145.03	\$ 145.35	\$ 147.46
usage: kWh 324				
\$ savings to SDG&E - Total Bill		\$ (1.34)	\$ (1.02)	\$ 1.09
% savings to SDG&E - Generation Costs		-2.62%	-1.99%	2.13%
% savings to SDG&E - Total Bill		-0.92%	-0.70%	0.74%

¹TOU-DR1 = SDG&E’s Time-of-Use Standard Residential electric service rate
²PCIA+FFS = Power Charge Indifference Adjustment (“exit fee”) and Franchise Fee Surcharge

Using current rates in Table 1, a typical Oceanside Residential customer could see total monthly electricity bill savings of approximately \$1.34 (0.9%) with “Clean Impact” and \$1.02 (0.7%) with “Clean Impact Plus” compared to SDG&E. Enrollment in the “Green Impact” option would result in a premium of 0.7% compared to SDG&E. When considering only the generation costs of electricity, the savings are even greater with “Clean Impact” and “Clean Impact Plus” as the total bill includes charges paid to SDG&E for delivery. These results are not guaranteed and will change in January 2024.

Table 2. Rate Comparison of CEA Energy Supply Options with SDG&E – 2023 rates, typical Oceanside Small Commercial customers. (Data supplied by CEA)

2023 PCIA Vintage Oceanside and Vista Customers		Clean Impact 50% Renewable	Clean Impact Plus 50% Renewable + 75% Carbon-free	Green Impact 100% Renewable
Small Commercial: TOU-AS ¹	SDG&E	CEA	CEA	CEA
Generation	\$ 154.91	\$ 150.58	\$ 150.58	\$ 150.58
75% Carbon Free/100% Renewable			\$ 1.22	\$ 9.17
SDG&E PCIA+FFS ²	\$ 53.71	\$ 53.71	\$ 53.71	\$ 53.71
SDG&E Delivery	\$ 305.52	\$ 305.52	\$ 305.52	\$ 305.52
Total Average Monthly Bill	\$ 514.14	\$ 509.81	\$ 511.03	\$ 518.98
usage: kWh 1,223				
\$ savings to SDG&E - Total Bill		\$ (4.33)	\$ (3.11)	\$ 4.84
% savings to SDG&E - Generation Costs		-2.79%	-2.01%	3.13%
% savings to SDG&E - Total Bill		-0.84%	-0.60%	0.94%

¹TOU-AS = SDG&E's Time-of-Use Standard Small Commercial electric service rate

²PCIA+FFS = Power Charge Indifference Adjustment ("exit fee") and Franchise Fee Surcharge

Using current rates in Table 2, a typical Oceanside Small Commercial customer could see total monthly electricity bill savings of approximately \$4.33 (0.8%) with "Clean Impact" and \$3.11 (0.6%) with "Clean Impact Plus" compared to SDG&E. Enrollment in the "Green Impact" option would result in a premium of 0.9% compared to SDG&E. Similar to Residential customers, when considering generation costs only, savings are higher by several percent. These results are not guaranteed and will change in January 2024.

The rate comparisons provided herein also include the Power Charge Indifference Adjustment (PCIA), also known as "exit fees." These fees are charged to customers by SDG&E based on energy use (kilowatt hour basis) to cover losses on energy supply contracts when customers move to another energy provider such as CEA. The fee is determined annually through SDG&E's rate-setting process and is applied to customers when they leave SDG&E service. Thus, each member city may have a different exit fee rate (or "vintage") for their customers dependent on when they began service with CEA. In developing their rates, CEA accounts for the exit fee and participates in SDG&E's rate-setting process to maximize customer savings.

Based on the available rate information from CEA, staff has examined the benefits and costs to the City and its customers for the available enrollment options:

1. Clean Impact – 50% Renewable, increasing to 100% by 2035
The base enrollment option provides a minimum of 50% renewable energy to customers with the lowest rates and greatest savings compared to SDG&E, while advancing the City's Climate Action Plan goal of 75% renewable energy by 2030.
2. Clean Impact Plus – 50% Renewable + 75% Carbon-free
Using currently available rate data from CEA, "**Clean Impact Plus**" is the **recommended enrollment option** as it provides the best combination of value to Oceanside customers while progressing the City's Climate Action Plan goal of 75% renewable energy procurement by 2030. CEA expects their energy portfolio for all

supply options to be 100% renewable by 2035. CEA's incremental addition of renewable energy contracts through 2030 increases the likelihood of meeting the Climate Action Plan goal. Additionally, the CEA Board of Directors may take future direction to increase procurements at a pace that would meet goals sooner.

Using current rates and average energy use, this option is \$0.002/kWh in addition to the base option and still provides a monthly savings to the average Oceanside electrical customer compared to SDG&E.

3. *Green Impact – 100% Renewable*

While this option provides the highest content of delivered renewable energy, CEA's 2023 rate comparison indicates the average customer will pay a premium over SDG&E. However, customers may choose to opt-up to this option following enrollment.

Considering the rate information provided by CEA, staff recommends the City Council choose "Clean Impact Plus" as the default enrollment energy supply option for Oceanside customers. The City Council, at its discretion, may also choose one of the other supply options for default enrollment of Oceanside's electrical customers in April 2024.

As stated earlier, regardless of the Council's decision, Oceanside customers will retain the right to enroll in one of CEA's alternative energy supply options or opt-out of service entirely by contacting the CEA call center or through their website. Details on this process will be provided to Oceanside customers in a robust public outreach campaign and through direct mailers in the months leading up to enrollment in April 2024.

COMMISSION OR COMMITTEE REPORT

The Utilities Commission approved staff's recommendation at its scheduled meeting on October 17, 2023.

INSURANCE REQUIREMENTS

Does not apply.

CITY ATTORNEY'S ANALYSIS

The referenced documents have been reviewed by the City Attorney and approved as to form.

RECOMMENDATION

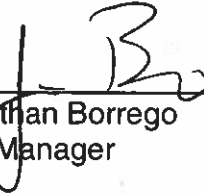
Staff recommends that the City Council adopt a resolution selecting "Clean Impact Plus" as the default energy supply option for City of Oceanside electrical customers to be enrolled in the Clean Energy Alliance community choice energy supplier in 2024.

PREPARED BY:



Justin Gamble
Environmental Officer

SUBMITTED BY:



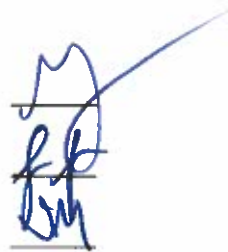
Jonathan Borrego
City Manager

REVIEWED BY:

Michael Gossman, Assistant City Manager

Lindsay Leahy, Water Utilities Director

Jill Moya, Financial Services Director



ATTACHMENTS

A: Resolution

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OCEANSIDE CALIFORNIA, SELECTING “CLEAN IMPACT PLUS” AS THE DEFAULT ENERGY SUPPLY PRODUCT FOR OCEANSIDE CUSTOMERS PURCHASING ELECTRIC ENERGY FROM THE CLEAN ENERGY ALLIANCE

WHEREAS, the City joined the Clean Energy Alliance (“CEA”) in 2022 by the adoption of Ordinance No. 22-OR0396-1 and Resolution No. 22-R0372-1; and

WHEREAS, the City’s membership in CEA advances the goals of the City’s Climate Action Plan adopted in 2019, including the goal of 75% electricity used in the City to be generated from renewable sources by 2030; and

WHEREAS, CEA is a Community Choice Aggregation (“CCA”) program created as a Joint Powers Authority (“JPA”) including the Cities of Escondido, San Marcos, Vista, Carlsbad, Del Mar and Solana Beach; and

WHEREAS, CEA allows its members to share resources and jointly provide economic and environmental benefits of a CCA program on a regional basis as an alternative to the incumbent Investor-owned Utility; and

WHEREAS, CEA has worked to secure a diverse portfolio of energy generation contracts to begin supplying electric energy to customers in Oceanside in 2024; and

WHEREAS, California Public Utilities Code Sec. 366.2(c)(15) states that participating customers are to be automatically enrolled in a CCA program following notifications no later

1 than 60 days in advance of commencement and the customer retains the right to opt out of CCA
2 service without penalty; and

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4 WHEREAS, CEA provides three energy supply options from which customers may
5 choose to purchase energy, with options varying by rates and proportion of renewable energy
6 supplies included in each; and

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8 WHEREAS, incoming CEA member cities must choose a default energy supply option
9 from three available supply profiles for all customers at enrollment, while individual customers
10 retain the right to choose a different supply option or opt out of CEA service entirely; and

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12 WHEREAS, the "Clean Impact Plus" energy supply option offered by CEA gives
13 Oceanside customers the best value for an energy mix with renewable power sources that
14 advances the City's Climate Action Plan goals for renewable energy procurement; and

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17 WHEREAS, this Resolution and the creation of the CEA is exempt from the
18 requirements of the California Environmental Quality Act ("CEQA"), as it involves
19 organizational and administrative activities of government that will not result in direct or
20 indirect physical changes on the environment, and therefore is not considered a "project." (14
21 Cal. Code Regs. § 15378(b)(5)).

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23
24 NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Oceanside,
25 California, as follows:

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27 1. That the above recitations are true.
28 2. The City Council selects "Clean Impact Plus" as the default energy supply option
for Oceanside customers to be enrolled in CEA once service commences in 2024.

1 PASSED AND ADOPTED by the City Council of the City of Oceanside, California,
2 this _____ day of _____, 2023, by the following vote:

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4 AYES:

5 NAYS:

6 ABSENT:

7 ABSTAIN:
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10 MAYOR OF THE CITY OF OCEANSIDE

11 ATTEST:

APPROVED AS TO FORM:

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13 _____
14 City Clerk

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City Attorney