

San José Community Energy



Date: January 29, 2016

To: Transportation & Environment Committee, City of San José

From: San José Community Energy and the Center for Climate Protection

Subject: Support for proceeding with Community Choice Energy

We write to commend the Transportation & Environment Committee for studying Community Choice Energy (formally known as Community Choice Aggregation); to support the recommendations that staff made in their memo dated January 20, 2016; and to offer suggestions in support of the City of San José's process to move forward with Community Choice.

Introduction

San José Community Energy is a group of San José residents that formed in 2015 with the aim of supporting the City in implementing a Community Choice Energy program. The Center for Climate Protection, based in Santa Rosa, CA, is a non-profit organization founded in 2001 that works statewide to advance Community Choice Energy in California.

We Commend the Committee's and staff's steps toward Community Choice

In taking steps toward establishing a Community Choice Energy program for San José, the City can look forward to offering its businesses, residents, and its own operations, the benefits that are likely to result from such a program:

- Choice and competition in the energy market
- Local economic development including job creation
- Competitive and often lower electricity rates than offered by the existing utility
- The most effective means for the City to lower greenhouse gas emissions
- Local control over energy decisions
- Local renewable energy development
- A platform for energy innovation

Our conservative estimate of the amount that San José pays in electrical generation payments to PG&E each year is about \$350 to \$400 million. This figure is based on our estimate that San José's electrical load¹ is about 6,300 gigawatt-hours per year, more than twice Sonoma County's load.² Prior to establishing Sonoma Clean Power, about \$200 million left Sonoma County every year in the form of payments from businesses, residents, and governmental accounts to PG&E for electrical generation. So as a rough estimate for San José, we double Sonoma County's \$200 million to project the amount that would be put under San Jose's control with a Community Choice Energy program.

In the case of Sonoma Clean Power (SCP), since their launch, they have increased the percentage of overall spending in Sonoma County from an estimated 3% of dollars by PG&E prior to SCP launch, to over 25% today by SCP, and this percentage is expected to increase over time. SCP has already

¹ *Load* refers to the quantity of electricity used by a given facility or population.

² How electricity is measured: http://www.ucsusa.org/clean_energy/our-energy-choices/how-is-electricity-measured.html#.VpRoDJMrKRs

achieved \$50 million in direct customer savings plus over \$35 million in shifted spending back into the county.³ This demonstrates that although it is important to offer competitive rates at launch, the decision-making control over millions of dollars over time – the products, projects, and programs the agency is able to develop – is more important than the snapshot of the rates and power mix at launch.

Favorable timing

It is an excellent time to pursue Community Choice. Conventional power prices are at historic lows and Congress has just extended the Investment Tax Credit for renewable energy such as solar. Successfully balancing competitive rates and high renewable content includes beginning opt-out service programs with a power mix that includes low cost conventional energy sources. This strategy has been followed successfully by California's three existing Community Choice programs.

Suggestions

Acknowledging that some or all of the following might already be happening, we respectfully suggest:

1. Provide clarity in the direction to staff for what they will bring back to the Council in the fall:
 - Staff's recommendation for the schedule of steps leading to the City's Community Choice Energy formation and operation
 - Staff's recommendation for the governance structure for operating the Community Choice program
 - Staff's recommendation for the specific entity "to develop, finance, launch, and operate a Community Choice Aggregation program in San José" as an outcome of the Request for Proposals process
2. Add to the six objectives listed in staff's memo, a seventh that explicitly states the objective of reducing greenhouse gas emissions
3. Specify the target month in fall 2016 when staff should to return to Council
4. Order electricity load data right away. Bidders on the proposed RFP will probably be able to provide more specific bids if they have San José's current, detailed electricity load data. The estimated time for PG&E to deliver a city's load data is about 3 to 6 months, and the estimated cost is about \$1,500.

We offer to support the City of San José in its pursuit of a Community Choice Energy program. Please count on us to assist you.

Lastly, we invite everyone to the Business of Local Energy Symposium, a forum to exchange ideas about Community Choice, in San José on March 4: <http://climateprotection.org/symposium-2016/> at which Mayor Sam Liccardo is speaking.



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³ Email correspondence with Sonoma Clean Power CEO Geof Syphers, 1/10/16