



THE CITY OF SAN DIEGO

MEMORANDUM

DATE: November 17, 2017

TO: Honorable Council President Myrtle Cole and Members of the City Council

FROM: Erik Caldwell, Director, Economic Development Department
via David Graham, Deputy Chief Operating Officer, Neighborhood Services

SUBJECT: 100% Renewable Energy – Moving Forward on Next Steps

A handwritten signature in blue ink, likely belonging to Erik Caldwell, located to the right of the 'FROM' field.

In 2015, the City of San Diego (City) adopted one of the most ambitious climate action plans (CAP) in the country which includes the goal to achieve 100% renewable energy city-wide by 2035. Our bold renewable energy goal also has a bold target date to “present to the City Council for consideration a Community Choice Aggregation (CCA) or another program that increases the renewable energy supply” between January 1, 2018 and December 31, 2020 (Phase 2 of the CAP). The City is currently on track to meet this target date. We are currently in the process of conducting substantial research and review of the pathways or options available to achieve the City’s 100% renewable energy goal. As described in Action 2.1 of the City’s Climate Action Plan, we have made significant headway in our efforts to ascertain the feasibility of Community Choice Aggregation (CCA) and another program as pathways for the City to meet its 100% renewable energy goal. Below is an overview of what we have accomplished to date:

Draft CCA Feasibility Study Completed: The City issued a Request for Proposals (RFP) in Q4 2016 for a consultant to conduct a feasibility study of implementing a CCA. Willdan Financial Services was selected and began the study in Q1 2017. The study was completed over a seven-month period which included several rounds of staff review to ensure report clarity. The final draft of the study was published on the City’s web site in July 2017 after undergoing extensive analysis and a 3rd party peer review. The study’s primary conclusions states that “the CCA program would be reliably solvent and financially feasible” and that “risks are associated with many aspects of the CCA program and would need to be evaluated”. Recommendations of the study include engaging additional financial and energy professionals to further vet the results. This vetting is typically done through a business plan.

Exploration of Other Programs: The City issued a Request for Information (September 2016) and a Request for Statement of Qualifications (June 2017) in order to gather research from the energy sector on other programs available to the City to increase renewable energy. Many firms’ submitted concepts and programs for generating renewable energy for the City, yet all viable options required utilizing San Diego Gas & Electric’s (SDG&E) grid as delivery mechanism. Based on this information, the City issued a Request for Proposals (RFP) in September 2017. The RFP was issued to SDG&E as the only entity with access to the grid and the legal ability to sell electricity to retail

customers. SDG&E proposed a City of San Diego-specific program that also allows an increase in renewable energy content over time to reach 100% renewable for program participants. We will be concluding the final administrative steps of the procurement process in the next several days and believe the program outlined by SDG&E is potentially viable. The proposal should and will be subjected to the same type of rigorous analysis and due diligence applied to the CCA feasibility study earlier this year.

Although we have identified two potentially viable pathways for the City to meet its 100% renewable energy goal, we also recognize that this action is one of the most significant actions in the CAP which will impact the lives of every San Diegan. As such, we have engaged in more than 50 public outreach discussions to discuss the CCA feasibility study which has resulted in meaningful feedback. A consistent theme among the feedback received are requests for additional information or detailed research about cost. For example, how will start-up costs be funded, what are the financial benefits and risks to San Diegans, or how will residents and businesses who choose not to participate be impacted? Other feedback has focused the ongoing proceedings at the California Public Utilities Commission (CPUC) related to the Power Charge Indifference Adjustment (PCIA), also known as exit fees. The City is a party to this proceeding and is actively engaged.

Significant changes in how PCIA fees are calculated could impact the viability of either pathway. The CPUC has indicated a desire to reach a tentative decision regarding the future of PCIA fees by July of next year. Given the impact PCIA fees could have on our implementation efforts, we do not recommend adopting one pathway over another without first better understanding whether the PCIA methodology or fees will change. However, if we wish to meet our 2020 date to present an item to the City Council pursuant the CAP, we cannot sit idle while we wait for the CPUC decision. We will continue moving forward with business planning for a CCA. We will also continue due diligence for the SDG&E proposal. This will provide for the same level of rigorous evaluation of both pathways. Any regulatory changes will be incorporated as they become available. Due diligence and business planning will provide the Mayor and Council with more detailed information regarding the costs, the financial benefits and risks to San Diegans, and the impact of proposed programs on residents and businesses. Therefore, we are moving forward with the following next steps:

- Select a consultant to develop a CCA business plan.
- Conclude the procurement process and conduct a 3rd party review of the SDG&E proposal.
- If 3rd party review, continued discussions with SDG&E on feasibility, and staff analysis determine the proposal is viable, use the review to inform the scope of work for a business plan on SDG&E's proposal.
- Present an update to the Environment Committee on information for both pathways in early 2018 and offer briefings to Councilmembers.
- Staff continue to participate in the CPUC's current proceeding on a PCIA, or exit fees. As additional information becomes available, it will be incorporated into both pathways.
- Continue regular community outreach on both pathways, including new data and research as it becomes available.
- Present all information on pathways to the Mayor and City Council in 2018 for direction.

Overall, this strategy allows us to stay on track, conduct thorough research, and provide the Mayor and City Council the most detailed due diligence on such a significant decision. Information is posted on the City's website as it becomes available to ensure stakeholders have access to all relevant information. (www.sandiego.gov/sustainability/clean-and-renewable-energy)

Please contact Cody Hooven, Chief Sustainability Officer, with any questions at chooven@sandiego.gov or (619) 236-6563.



Erik Caldwell
Director, Economic Development Department

EC/kh

cc: Aimee Faucett, Chief of Staff, Office of the Mayor
Scott Chadwick, Chief Operating Officer
Stacey LoMedico, Assistant Chief Operating Officer
Mike Hansen, Deputy Chief of Staff/Policy Advisor, Office of the Mayor
Matt Awbrey, Deputy Chief of Staff & Chief of Communications, Office of the Mayor
Marshall Anderson, Director of Council Affairs, Office of the Mayor
Jack Straw, Director of Land Use and Economic Development, Office of the Mayor
Andrea Tevlin, Independent Budget Analyst
Rolando Charvel, Chief Financial Officer
Paz Gomez, Deputy Chief Operating Officer, Infrastructure/Public Works
Ronald H. Villa, Deputy Chief Operating Officer, Internal Operations
Kris Michell, Deputy Chief Operating Officer, Special Projects
Mario Sierra, Director, Environmental Services
Jack Clark, Deputy Director, Environmental Services
Cody Hooven, Chief Sustainability Officer, Economic Development