SIERRA CLUB
Santa Barbara Group

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October 1, 2017

Santa Barbara County Board of Supervisors
105 East Anapamu Street, 4th Floor
Santa Barbara, CA 93101
Attn: Clerk of the Board, sbcob@co.santa-barbara.ca.us

RE: Central Coast Power Technical Feasibility Study

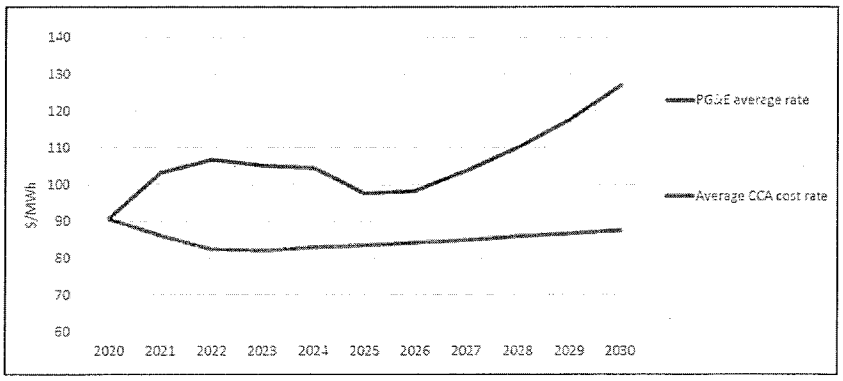
Dear Santa Barbara County Supervisors,

With nine active Community Choice programs (CCAs) in California, ten more about to launch and at least seventeen in the planning stages, it should be noted that in every single, real world case, CCAs are feasible. They are charging rates competitive with utilities and are viable enterprises. Every day they offer new and creative programs to their local customers and job opportunities in their local communities. The existing CCAs provide a counterpoint to the conclusions of this outlier study. If a hypothetical model runs counter to real world observations, we should question the model.

Furthermore, CCAs in California will cover 25% of the population this year and 85% by the end of this decade.[1] If Santa Barbara County opts not to pursue a CCA, it would be one of the few areas without competition in the energy sector. Why should our area be the only one subject to the whims of monopoly utilities, without any way to generate local economic growth and provide customers with energy choice?

In its peer review, MRW identified many problems with the assumptions used by Willdan such as the real-world and updated price of renewable contracts, the incorrect inclusion of franchise fees, and on-going contributions to a reserve fund which only needs to reach and maintain at a certain size and not to grow indefinitely. Combined this leads to 23.2% lower CCA costs. MRW then plugs these changes into the model which shows a CCA is competitive and lower than PG&E rates from day one.

Figure 3. Comparison of Average CCA Cost (Rate) and PG&E Average Rate, AWG Middle of the Road Scenario



[1] California Energy Commission, Tracking Progress, pg 14
http://www.energy.ca.gov/renewables/tracking_progress/documents/renewable.pdf

What's more, this still compares apples to oranges. The MRW revision shown above only includes the "middle of the road" scenario, which is a 50% renewable portfolio standard (RPS), significantly higher than the utilities' RPS. That puts the CCA at a disadvantage – and yet it still outperforms PG&E!

If you were to do this same analysis for the "RPS Equivalent" scenario so you truly compare apples to apples, then the rates would also be competitive in SCE territory as well. This means that it could be feasible to launch a CCA in SCE territory with a renewable portfolio standard that matches that of SCE. You could then increase the RPS gradually as you reduce upfront costs.

Instead of taking the peer review seriously, Willdan leveled an ad hominem accusation of bias at MRW that's demonstrably untrue. If MRW was only including favorable information, they wouldn't have included the lengthy information about increasing natural gas prices and used it in their adjusted model assumptions. The inclusion of this information demonstrates the objectivity of MRW's peer review.

Willdan bases their renewable price of around $80/MWh on prices that the utilities are paying, but that includes purchase agreements made when prices are higher. You couldn't make a power purchase agreement at that price now if you tried. If anything, MRW's $60/MWh for renewables is also still too high. A new, just released September 2017 report from Lawrence Berkeley National Laboratory on utility solar cites PPA pricing in the $30-$50/MWh range and nothing over that.[2] While Willdan says, "the team stands by the forecasts presented *as of the time of the Study*," that is an academic point. We should consider the study in light of the most recently available information, including lower prices for renewable energy. Of course, Willdan didn't have information from reports issued after their study, but that information should certainly inform our consideration of the study now.

Willdan cites an article in the LA Times[3] about California's solar over-capacity to claim "additional solar generation capacity is not needed," but that article concludes that the problem is over-building of natural gas plants (not solar). Solar is still being built and storage costs are decreasing as well. Even the president of SCE believes that solar plus storage is replacing natural gas faster than expected.[4]

This is good news for Santa Barbara County. A CCA could help us build out renewable energy and storage (known as distributed resources or DERs) which would help mitigate the risks of power outages that come from being at the end of the power grid. DERs are considered an essential part of grid modernization, and because they are considered grid improvements, qualify for types of financing and advantages that can help make a CCA more viable, as well as provide a boon for the local economy.

While MRW tweaked some of the inputs into the Willdan model, it is noteworthy that MRW doesn't recommend the model itself. They say, "Please note that MRW conducted this analysis using a tool which it did not design and *an analytical approach which MRW does not typically take...*" This is a nice way of saying that MRW considers the model itself flawed. MRW's reviewers aren't the only ones that feel this way.

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[2] Berkeley Lab's "Utility-Scale Solar 2016" Finds Solar Power Increasingly Competitive, http://www.theenergycollective.com/berkeleylabemp/2413243/berkeley-labs-utility-scale-solar-2016-finds-solar-power-increasingly-competitive

[3] LA Times, http://www.latimes.com/projects/la-fi-electricity-solar/

[4] ESNA 2017: How storage enables SCE to avoid siting new gas plants, http://www.utilitydive com/news/esna-2017-how-storage-enables-sce-to-avoid-siting-new-gas-plants/449068/

Community Choice Partners suggest using a bottom-up "fundamental" model instead of Willdan's high-level "trend" approach.

Another way to start a CCA while reducing risk is with a "single RFP for all services" that contracts for a full team of operational experts, but starts with no upfront cost for the financial projections. That's what Redwood Coast did, which hired The Energy Authority[5], a non-profit public power portfolio management company. They received an industry-leading forecast and launched in record-setting time. Solana Beach is going this route, and Davis's Valley Clean Energy Alliance selected SMUD to launch their CCA.[6] The other advantages are financing and less burden on county staff. We need partners who know what they are doing. Energy portfolio managers and municipal utilities know their stuff.

Sierra Club recommends the following next steps:

1. Have MRW produce a "RPS Equivalent" scenario so you truly compare apples to apples using their revised assumptions, and let them use their own analytical approach. In other communities, MRW has also produced jobs forecast. For instance, they found a CCA in Alameda county would produce 2300 new jobs![7]

2. Invite CCA experts to a public workshop to respond to the study and weigh in on how a CCA is or could be made feasible for Santa Barbara County. Given the investment in the study, let's gather all of the information and response we can.

3. Increase transparency. Share the data already collected with CCA experts like Community Choice Partners and others who have alternative models and are willing to share their expertise. Share data with cities and counties in the region that want to do their own studies. Some municipalities may also investigate joining other existing CCAs. However, note that other CCA options in SCE territory, such as Lancaster and LA County, may not allow sufficient local control and input.

4. Direct staff to talk to Redwood Coast and others mentioned above and then consider the "single RFP for all services" approach. There is low risk to Santa Barbara County. You can stipulate you want to see accurate financial projections at no upfront cost, and decide to proceed only if the business plan pencils out.

We hope that Santa Barbara County continues to pursue a CCA and/or encourages other municipalities in the region to do so. Like the rest of Californians, our residents have the right to cleaner energy, local control, competition and choice, resiliency and jobs that come from being part of a CCA.

Regards,

Katie Davis
Chair, Sierra Club, Santa Barbara Group

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[5] TEA, The Energy Authority, http://www3.teainc.org/
[6] Valley Clean Energy Alliance selects SMUD to provide energy services, https://www.smud.org/en/about-smud/news-media/news-releases/2017/2017-09-01-Valley-Clean-Energy-Alliance.htm
[7] Technical Study for Community Choice Aggregation Program in Alameda County, https://www.acgov.org/cda/planning/cca/documents/Feas-TechAnalysisDRAFT5312016.pdf