

STAFF REPORT

City of Lancaster

NB 3
11/10/15
MVB

Date: November 10, 2015

To: Mayor Parris and City Council Members

From: Mark V. Bozigian, City Manager

Subject: **Agreement with the City of Hermosa Beach, to provide consulting services for the formation of the Hermosa Beach CCA.**

Recommendation:

Approve agreement with the City of Hermosa Beach, to provide consulting services for the formation of the Hermosa Beach CCA.

Fiscal Impact:

\$77,000 in revenue; the attached contract anticipates the cost for services provided by Lancaster City Staff to be \$77,000. Staff anticipates these funds will cover all necessary expenses.

Background:

Lancaster Mayor R. Rex Parris and the Lancaster City Council have led a comprehensive effort to implement renewable energy throughout the City of Lancaster in an effort to preserve the environment and protect local air quality, with the ultimate goal of becoming the nation's first net-zero electricity city. Following a long and steadily increasing series of successful renewable energy projects, ranging from residential rooftop solar programs and energy storage to utility-scale solar developments; Lancaster Choice Energy (LCE) is the most recent step in the City's quest to reach net-zero status. The mission to establish LCE officially began on May 13, 2014, when the Lancaster City Council approved the implementation plan which outlined the City's intent to establish a Community Choice Aggregator (CCA). A month later, the approved plan was submitted to the California Public Utilities Commission (CPUC) for review and certification, making LCE the first CCA in Southern California Edison (SCE) territory. In October of this year, Lancaster became the State's first fully operational City CCA. Having the experience and expertise to assist in energy programs, the City of Lancaster formed the California Clean Energy Authority (CCEA) to assist other Cities and Counties in local energy development and programs.

Three months ago, Lancaster was approached by Hermosa Beach to assist in the implementation and formation of their CCA. At that time staff explained that we were interested in helping but proposed a different model for formation than had been done in the past. To date, there have been two types of CCA's formed in California. The first type is Marin and Sonoma County models in which a regional entity took the initiative to organize a Joint Powers Authority (JPA) for the purpose of creating a regional CCA. The other is a stand-alone City CCA. In this case, the only operational City CCA in California is the City of Lancaster. Other models have been presented by private firms that look and act similar to a franchise system. In researching each of the JPA and CCA formation alternatives, it became apparent that first, one size does not fit all, and second, alternative JPA models can be created to mitigate the risk, share in experience, and allow member agencies to maintain control, and program revenues. As a result, staff has worked closely with the City of Hermosa Beach, to propose a turnkey alternative model to the formation and operation of a CCA.

In the proposed Hybrid model (see Attachment No. 1), an existing JPA was created in 2012 (California Clean Energy Authority) between the City of Lancaster and the City of San Jacinto, with the Lancaster City Council serving as the Board of Directors. The Board of Directors will serve as the legislative and operational oversight of the corresponding contractual relationships with associate member agencies. This structure will allow each member agency to benefit from the knowledge and experience Lancaster has gained without ceding control to the JPA. Under this scenario, Hermosa Beach will become an associate member of the JPA and that membership would be governed by a corresponding agreement which lays out each member's responsibilities, costs, and obligations. Each associate member contract will have unique qualities that allow each City to tailor their relationship to be most beneficial and most appropriate for that City.

Staff recommends that we conduct the Hermosa Beach CCA formation phase as a direct contract with Hermosa Beach rather than the JPA model as an exploratory phase. As the project matures, staff would recommend the inclusion of the implementation phase into the Hybrid JPA model. This will limit confusion, ease in the communication, and allow Hermosa Beach to focus directly on CCA formation.

Attachment:
Agreement