



COUNTY OF SAN DIEGO

AGENDA ITEM

BOARD OF SUPERVISORS

NORA VARGAS
First District

JOEL ANDERSON
Second District

TERRA LAWSON-REMER
Third District

NATHAN FLETCHER
Fourth District

JIM DESMOND
Fifth District

DATE: April 26, 2022

24

TO: Board of Supervisors

SUBJECT

AUTHORIZATION TO ADVERTISE COMPETITIVE SOLICITATION FOR RENEWAL OF COUNTY DIRECT ACCESS CONTRACTS (DISTRICTS: ALL)

OVERVIEW

California regulated utilities like SDG&E provide service by acquiring or generating energy, transmitting it through major power lines and piping, and then distributing it to individual businesses and residents. Direct Access (DA) service allows customers to purchase electricity or natural gas from a competitive provider called an Electric Service Provider (ESP), instead of from a regulated utility. The utility continues to deliver the electricity or natural gas that the customer purchases from the ESP over its distribution system and provides billing. The Direct Access program was initially established in California in 1996 and is regulated by the California Public Utilities Commission (CPUC). DA is currently fully prescribed, meaning no additional capacity is available, and is also not available to residential accounts.

Since as early as 2001, County of San Diego facilities have participated in DA and added capacity over time such that now approximately 90% of the County's total electricity and 100% of its natural gas is procured through a Direct Access contract. Using Direct Access has allowed the County to take advantage of savings opportunities as well as manage price risk by purchasing power when pricing is favorable and securing power several years into the future. In the past 20 years, DA has saved the County more than \$25 million from costs it would have paid if the same power was purchased from SDG&E. County facility DA contracts for electricity and natural gas procurement, currently awarded to Calpine Energy Solutions, are up for renewal in 2025.

On August 31, 2021 (11), the County Board of Supervisors voted for the unincorporated County to join San Diego Community Power (SDCP) which is one of two local Community Choice Aggregation (CCA) Joint Powers Authorities. At that time, it was not planned that County facility accounts were to migrate to this CCA when County unincorporated accounts launch in 2023, but instead would remain on DA. CCAs across California including SDCP, do not include DA accounts in their lists of service accounts as it is understood that DA offers better choice and individualized service than a CCA can provide. Additionally, CCAs do not provide natural gas service so there is no option for County gas accounts to take this path. While many CCAs offer 2-5% savings from the incumbent utility, County accounts have enjoyed annual savings as high as

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29% under DA. Additionally, DA provides for a more flexible one-on-one service partnership, ensuring the best value for County taxpayers.

Direct Access also allows County facility accounts to easily transition to greater percentages of carbon-free electricity in alignment with the County's Climate Action Plan, Zero Carbon Plan for Operations, and CCA Guiding Principles established by the Board. Approval of this request to renew DA contracts for another 10 years provides for a smooth transition of County electricity accounts to reach 100% renewable power by 2030 or earlier, at the best pricing available.

The Board of Supervisors is requested to authorize the solicitation of a new Direct Access contract or contracts for the procurement of the County's electric and gas commodities and related services.

RECOMMENDATION(S)

CHIEF ADMINISTRATIVE OFFICER

1. Find that the proposed actions are not a project under the California Environmental Quality Act (CEQA) and are exempt from CEQA pursuant to CEQA Guidelines 15378(b)(5), 15060(c)(2), (3), 15061(b)(3).
2. In accordance with Section 401, Article XXIII of the County Administrative Code, authorize the Director, Department of Purchasing and Contracting to issue a competitive solicitation for electricity and natural gas Direct Access services, and upon successful negotiations and determination of a fair and reasonable price, award one or more contracts for a term of up to 10 years, and to amend the contracts as needed to reflect changes to services and funding.

ENVIRONMENTAL STATEMENT

The actions being considered by the Board are not subject to the California Environmental Quality Act (CEQA) because they will not result in a direct or reasonably foreseeable indirect physical change in the environment and are also not a "project" under Section 15378(b)(5) of the CEQA Guidelines. The actions involve organizational or administrative activities of government that will not result in the direct or indirect physical change in the environment. The administrative contact to purchase electric and gas commodities through Direct Access would not result in a direct or indirect physical change in the environment. Therefore, pursuant to Sections 15060(c)(2) and (3) of the CEQA Guidelines, the activity is not subject to CEQA.

Furthermore, the actions are exempt under CEQA Guidelines Section 15061(b)(3) because there is no possibility that they would have a significant effect on the environment, and under CEQA Guidelines Section 15308, which exempts from environmental review actions taken by a regulatory agency to assure the maintenance, restoration, enhancement, or protection of the environment.

EQUITY IMPACT STATEMENT

Approval of the request to advertise and award contracts to continue the County's Direct Access program for electricity and natural gas embodies the concepts of equity, justice and community. This action will allow the continuation of local choice for County operations energy, resulting in

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continued cost savings for County taxpayers and increasing renewable content helping to cut emissions for the region.

FISCAL IMPACT

There is no fiscal impact as a result of today’s recommended action. If approved, the advertisement, negotiation, and award of favorable procurement contracts for electricity and/or gas are anticipated to result in continued future energy cost savings to the County.

BUSINESS IMPACT STATEMENT

NA

ADVISORY BOARD STATEMENT

NA

BACKGROUND

California regulated utilities like SDG&E provide service by acquiring or generating energy, transmitting it through major power lines and piping, and then distributing it to individual businesses and residents. Direct Access (DA) service is retail electric or gas service where customers purchase electricity or natural gas from a competitive provider called an Electric Service Provider (ESP), instead of from a regulated utility. The utility continues to deliver the electricity or natural gas that the customer purchases from the ESP over its distribution system and provides billing. The Direct Access program was initially established in California back in 1996 and is regulated by the California Public Utilities Commission (CPUC). DA is currently fully prescribed, meaning no additional capacity is available, and is also not available to residential accounts.

Annually, the County of San Diego pays approximately \$20 million for electricity and natural gas services at its facilities. This cost is broken into two key parts – the commodity (the actual electricity or gas purchased) which accounts for approximately 40% of the bill, and the transmission and distribution cost (the cost for delivering the power to each site) which accounts for the remaining 60%. Direct Access, similar to a CCA, allows the County to separately purchase the commodity part instead of using SDG&E. The County’s DA contracts for electricity and natural gas procurement, currently managed by Calpine Energy Solutions, are up for renewal in 2025.

Since as early as 2001, County of San Diego facilities have participated in DA for electricity and added capacity over time such that now approximately 90% of the County’s total electricity is procured through a Direct Access contract. In 2015, the County also began procuring natural gas for all its accounts. Using Direct Access has allowed the County to take advantage of savings opportunities as well as manage price risk by purchasing power when pricing is favorable and securing power several years into the future. This helps the County avoid price fluctuations that occur throughout the year and can drastically impact costs. In the past 20 years, DA has saved the County more than \$25 million from costs it would have paid if the same power was purchased from SDG&E. In 2021 alone, electricity cost savings were nearly \$2.5 million, with another approximately \$91,000 savings on natural gas.

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Direct Access also allows the County to easily transition to greater percentages of carbon-free electricity in alignment with the County's Climate Action Plan, Zero Carbon Plan for Operations, and CCA Guiding Principles established by the Board. Approval of this request to renew DA contracts for another 10 years provides for a smooth transition of County electricity accounts to reach 100% renewable power by 2030 or earlier, at the best pricing available.

The Board of Supervisors is requested to authorize the advertisement and award of new Direct Access contracts for the County's electric and gas commodities and related services. If approved, solicitation will commence with a new contract or contracts expected to be in place prior to the end of 2022 allowing for long term energy purchases to continue without interruption.

LINKAGE TO THE COUNTY OF SAN DIEGO STRATEGIC PLAN

This action supports the County of San Diego's 2022-2027 Strategic Plan Initiative of Sustainability by aligning the utility function of County operations with the principles of sustainability (i.e., economy, climate, environment and resiliency) as outlined in the Strategic Initiative, with a vision of a just, sustainable, and resilient future for all.

Respectfully submitted,



HELEN N. ROBBINS-MEYER
Chief Administrative Officer

ATTACHMENT(S)

None