COUNTY OF SAN DIEGO
BOARD OF SUPERVISORS
TUESDAY, AUGUST 31, 2021

MINUTE ORDER NO. 10

SUBJECT: FULL VETTING OF THE BENEFITS, POTENTIAL RATE PAYER COST INCREASES AND LIABILITIES ASSOCIATED WITH COMMUNITY CHOICE AGGREGATION (DISTRICTS: ALL)

OVERVIEW

The County of San Diego is considering joining one of the two Community Choice Energy (CCE) programs currently operating in the San Diego region: San Diego Community Power and the Clean Energy Alliance. However, recent events related to the Western Community Energy bankruptcy, combined with unaccounted for cost factors related to long duration energy storage puts the Board of Supervisors in the position of being asked to make a decision based on incomplete information. Further, the County's unincorporated area residents, who are not as affluent on average as coastal residents, face far greater average summer temperatures than those cities already participating in San Diego's two CCEs. And they are also more reliant on electricity for heating. To address these issues, this resolution directs staff to come back with an updated feasibility study that incorporates the unaccounted-for risk and cost factors of joining a CCE and identifies the differences that exist between San Diego County's unincorporated area residents and residents residing in incorporated cities and coastal areas.

To date, the Board and County staff have largely relied upon a detailed feasibility study conducted by EES Consulting, Inc. that was delivered to the Board of Supervisors on August 29, 2019. This study contains useful information, but like many other CCA studies conducted by other jurisdictions, it overlooks a critical cost driver necessary to deliver reliable renewables-based energy. And it does not address the differenced in demographics and energy use profile that exists between resident in cities and coastal areas and San Diego unincorporated area residents.

This overlooked cost driver consists of billions of dollars of long duration energy storage systems (LDES) that will have to be built to meet our energy needs via renewables. Without investing billions of dollars to deploy LDES systems into the grid, meeting 100 percent of our energy needs via renewables such as solar and wind is not possible. A December 2020 study sponsored by Energy Action Fund found that meeting existing 2030 statewide goals for renewables will require an additional 2 to 11 GW of operational long duration energy storage (LDES) and that achieving 100 percent renewable energy for the state will require 45 to 55 GW of LDES. This represents 150 times the storage currently in operation and 12 times the storage planned to be built or in operation. The updated feasibility study needs to incorporate the impact this unaddressed cost will have on unincorporated area residents.

None of the long-term energy storage costs have been incorporated into San Diego County's feasibility analysis. Without these costs, the study cannot accurately estimate the costs to which unincorporated area resident may be subject. Further, while the feasibility study does give us a matrix of risks, it did not address the risk that resulted in Western Community Energy (Riverside County's CCA) going bankrupt. Neither does it explain why Marin Clean Energy's rates are 7 to 10 percent greater than those of PG&E, despite a similar feasibility study that had project cost saving of 1 to 14 percent versus those of PG&E. The updated feasibility needs to come back with the reasons for the discrepancy between promised saving and actual lack of savings. This will also result in a more compete risk matrix.

The current feasibility study does not take into account the differences in demographics and energy needs of unincorporated area residents and the residents in the San Diego County's two existing CCAs. The updated more complete feasibility study needs to address this data and analysis deficit.

Additionally, the existing feasibility study does not address the risks associated with partnering with a CCE that is dominated by San Diego City or joining a CCE that will be controlled by three coastal cities who regularly work together on other issues. Each of the CCE's governing structures puts San Diego's unincorporated area residents' energy future under the control of jurisdictions whose demographics and energy needs are on average significantly different than those of unincorporated area residents. Regardless of how well intentioned potential CCE partners may be, there is a chance that divergent interests between the more urban residents and more rural residents could result in energy policy that does not treat San Diego County's unincorporated area residents fairly.

More specifically, San Diego County's unincorporated area residents face significantly hotter summers while being more reliant on electricity to provide heating for colder nights and colder winters. The updated feasibility study needs to address this.

Finally, the feasibility study does not provide the Board of Supervisor with any guidance as how to go about extracting the County from a CCA should circumstances dictate doing so.

RECOMMENDATION(S)
SUPERVISOR JOEL ANDERSON

1. Direct the Chief Administrative Officer to go back to EES Consulting, Inc. or another consulting firm to get the feasibility study updated to include:
    a. Revised cost estimates that incorporate the impact on cost to ratepayer from the investment in long duration storage that will be required over the next two decades to achieve a grid that truly can deliver 100 percent of its energy from renewables.

    b. An updated risk and benefits analysis in the feasibility study that incorporates the significant demographic and energy need differences of San Diego unincorporated area residents from those of San Diego area residents living along the coast and in incorporated areas.

2. Direct the Chief Administrative Officer to have the updated feasibility study compare rates that California's CCEs in business for more than two years are charging, versus the rates of the incumbent public utility.

3. Direct the Chief Administrative Officer to have the updated feasibility include a section on an exit strategy for San Diego County from a CCA should circumstances arise that doing so makes sense for San Diego County's unincorporated area residents.

EQUITY IMPACT STATEMENT
San Diego County's unincorporated area residents rely upon the San Diego County Board of Supervisors to represent them much as residents living in cities rely upon their city council members to represent them. San Diego's unincorporated area includes some of county's most disadvantaged residents living in areas that have lower per capita incomes with much higher average temperatures than San Diego County's more coastal residents. Energy reliability can be a life and death matter for vulnerable residents living in areas of San Diego County that regularly experience life threatening temperatures. Consequently, any policy that has the potential to substantially raise their utility bills and or impact reliability must be carefully and completely analyzed.

FISCAL IMPACT
The cost to incorporate the costs of long-duration energy storage into the existing feasibility study should be significantly less than the original cost. County staff will come back with those cost estimates.

BUSINESS IMPACT STATEMENT
Reliable, affordable energy is critical to ensuring that San Diego businesses can continue to compete and provide jobs. Significant energy cost increases will damage San Diego's economy, leading to job losses.

ACTION:
A motion was made by Supervisor Anderson, seconded by Supervisor Desmond, for the Board of Supervisors to take action as recommended.

AYES: Anderson, Desmond
NOES: Vargas, Lawson-Remer, Fletcher

(Motion failed due to lack of majority vote.)

State of California)
County of San Diego)

I hereby certify that the foregoing is a full, true and correct copy of the Original entered in the Minutes of the Board of Supervisors.

ANDREW POTTER
Clerk of the Board of Supervisors

Signed by Andrew Potter