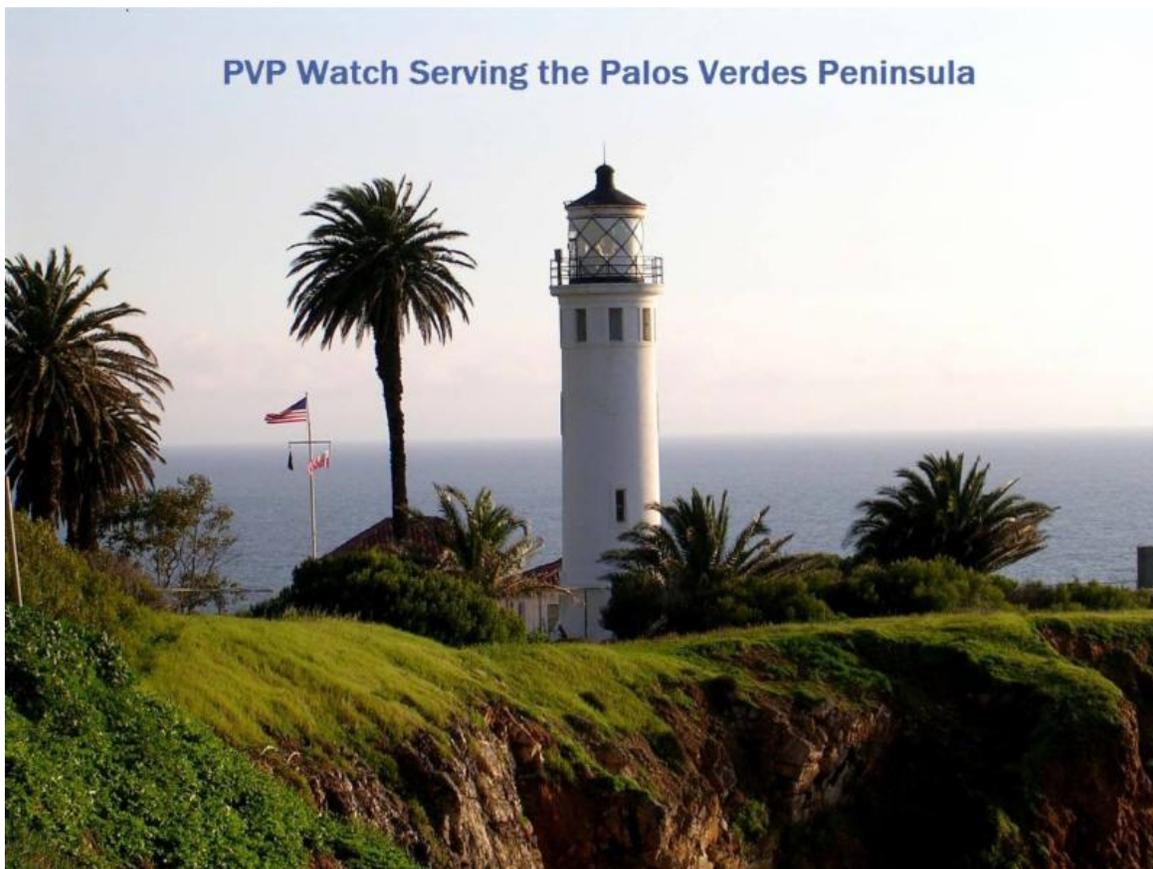


## PVP Watch Newsletter – July 2020

PVP Watch Serving the Palos Verdes Peninsula



July 13, 2020

### **SOUTHERN CALIFORNIA EDISON V. CLEAN POWER ALLIANCE**

Soon the Rancho Palos Verdes (RPV) City Council will make a decision affecting who the citizens of RPV will be purchasing their electric power from. Since we all depend upon this necessity in our homes and businesses PVP Watch feels this is an issue that should be brought to the attention of all RPV residents. **PVP Watch advises the city council to reject any change. And here are the reasons why.**

Southern California Edison (SCE) has been delivering electrons (electricity) through their transmission lines to RPV since the city was incorporated on September 7, 1973. SCE is an investor owned regulated utility incorporated in 1909 with over 5,000,000 accounts

that serve 15,000,000 people throughout Southern California.

During its June 2, 2020, meeting the city council heard a presentation and discussed at length discontinuing its relationship with SCE for a new power provider, the Clean Power Alliance (CPA).

In 2002 California enacted a law allowing the creation of Community Choice Aggregators (CCA). This was done to encourage companies to form and then undercut electric utility rates being charged by the traditional utility companies such as SCE. CCAs subsequently claimed that they could also offer products with less greenhouse gas emissions. As a result, CPA was formed in 2018. CPA will buy power and then sell it to RPV residents and businesses while using SCE transmission lines and SCE will continue to bill the customer. CPA generation charges to the customer will be shown on the SCE bill and SCE will forward these funds to the CPA.

The goals of CCAs appear to have merit, however, looks can be deceiving and PVP Watch believes this is the case here. Perhaps its name, Clean Power Alliance, is even a misnomer.

## **RATES**

As far as rates are concerned, Ted Bardacke the executive director of the CPA and Megan Barnes a senior administrative analyst for RPV, the point person on this issue for the city, agree that CPA rates can be more, less or the same as SCE. Rates are determined by the pending and future electricity generation contracts each company has. A utility consultant recently was shown a monthly SCE bill for a 2,100 square foot RPV home with two residents and the consultant advised if CPA was the utility company the bill would have been 71 cents less.

## **ENVIRONMENT**

Regarding the environmental impact, 48% of the electricity that SCE currently provides comes from carbon-free resources, including solar and wind. This percentage will reportedly continue to increase becoming 80% in 2030 and 100% by 2045. These are energy percentages monitored and audited by the California Energy Commission (CEC). Also, SCE has a program where any RPV customer can, at any time, opt into their green program. SCE's green rate literature indicates that to have 100% carbon-free resources and

your monthly bill is now \$100 it will increase about \$6 monthly. To determine your personal increase in cost multiply kilowatt hours, found on your SCE bill under generation charges, by .0126.

CPA in contrast has three tiers a customer can choose from which are Lean with a 36% renewable energy portfolio; Clean that has a 50% renewable energy portfolio; and Green that has a 100% renewable energy portfolio. The problem is that these renewable energy figures are not audited by state regulators or any other independent agency. These are figures simply provided by the CPA.

## **LIABILITY**

PVP Watch feels there are serious issues that come with CPA membership. Perhaps the most odious is that once RPV joins it assumes a liability that is unknown at the time it joins. This is because all members of the CPA are liable for their share of power purchase contracts made while that entity is a member of the CPA until the contract expires. These multi-million-dollar contracts can be as long as 20 years. Therefore, an entity is exposed to a potentially expensive exit charge if it decides the CPA is not a good fit.

## **EMINENT DOMAIN**

Another troubling aspect is that RPV will be mandated to sign a Joint Power Agreement (JPA), the governing document for CCAs, which gives the CPA the power of eminent domain in our city. This means that a new governmental agency will have the right to seize private property for its use. This is not something any city should regard lightly.

## **CCAs IN CALIFORNIA**

Bardacke claims that no entity that has joined the CPA has ever left. Perhaps, but the company is only two years old. What he does not mention is:

1. The Foothills Tax Payers Association (FTPA) on April 6, 2017, reported that the San Bernardino Council of Governments (SBCOG), after a staff recommendation to move forward with a CCA for San Bernardino County, rejected the idea. There was a motion to accept by the chairman of the board, but when there was not a second to the

motion the issue died. Bear in mind there are at least 25 members on the SBCOG board who could have seconded it. The FTPA found the consultant's report to be "fatally flawed". Dan Titus, identified in the FTPA article as being affiliated with the American Coalition for Sustainable Communities (ACSC), remarked that joining the CCA and saving 5% on consumer electric bills did not merit the millions of dollars of startup costs associated with the plan. Also, he felt that people should not be automatically enrolled in a new government agency; rather, consumers should take action to proactively join the program if that is what they choose to do.

2. The Lamorinda Weekly on May 31, 2017, reported that the Orinda City Council refused to consider joining a CCA. A motion was made by one council member to put joining Marin Clean Energy (MCE) on its agenda, which was never seconded, and the motion died. In 2016 the council declined to fund a study costing \$10,000 regarding MCE citing lack of community interest and the need to direct funding to other priorities. The mayor noted the large amount of time needed for her and the city staff whenever dealing with a JPA. Other council members cited wanting to be good stewards of city finances, the possible future impact on ratepayers, opt-out provisions and long-term liabilities.

3. The Murrieta City Council meeting minutes for August 27, 2018, reflect that after a presentation, public comment and discussion the council voted to decline the opportunity to develop a CCA program.

4. The Menifee City Council meeting notes for August 15, 2018, reflect that after a presentation, public comment and discussion the council agreed that due to uncertainties about the program it would decline pursuing joining Western Community Energy, a CCA.

5. The Ventura County Star published stories in their June 24 and June 25, 2019, editions reporting that cities across Ventura County were moving some energy accounts back to SCE from the CPA to avoid paying higher energy bills, which can amount to many thousands of dollars annually. These increases were apparently due to the vagaries of energy contracts. Examples cited were Oxnard saving \$206,000 per year by moving its street lighting account back to

SCE; Moorpark City Council voted to move impacted accounts to save roughly \$62,000; Camarillo moved some of its accounts to save \$232,000; Thousand Oaks moved its street lighting account to save \$70,000; and Simi Valley was contemplating moving back to SCE to save \$325,000.

6. In a letter dated June 27, 2019, from the mayor of Rocklin to the chairman of Pioneer Community Energy (PCE), Rocklin's CCA, the mayor complained about a PCE rate increase. He advised it will cost his city and taxpayers about \$60,000, which will impact city services provided by Rocklin.

These are some of the CCA cases found throughout the state the RPV City Council needs to be aware of.

### **PALOS VERDES ESTATES**

On June 9, 2020, the CPA made a presentation to the Palos Verdes Estates (PVE) city council. Councilman Kenneth Kao made a motion that PVE proceed with, and pay for, a study conducted by the CPA, which is a requirement to joining the CPA. The motion did not receive a second and the issue died. Several citizens voiced opposition to joining citing amongst other things eminent domain, contract liability, miniscule representation on the CPA board, no CPA emission oversight and pressing problems facing PVE that need council attention more than this. One citizen Jim Phelps, a retired power engineer who tracks CCAs and helped implement California Energy Commission's AB 1110 energy legislation, opined the CPA spewed one billion pounds of greenhouse gas emissions from energy into the atmosphere which CPA claimed as clean. This was done through their purchase of renewable energy credits. Council members did not support the study due to its cost, exposure to expensive long term energy contracts, the large amount of staff time necessary to administer a JPA and that there are several major issues facing the city more important than this.

### **RANCHO PALOS VERDES CITY COUNCIL MEETING**

And so, what happened at the RPV city council meeting on June 2<sup>nd</sup>? Bardacke made his presentation and there were comments by city staff, council members, SCE and the public. Then councilor Eric

Alegria made a motion to proceed with a CPA study at a cost to RPV taxpayers of \$15,000. Initially there was not a second to the motion, but Mayor John Cruikshank began another discussion on the subject and was joined by the other council members, the city attorney and the city manager. After 27 minutes of talk councilman David Bradley seconded the motion, which then passed on a 4-1 vote. Ken Dyda joined Bradley, Cruikshank and Alegria in voting yes while councilwoman Barbara Ferraro voted no. Ferraro is concerned that the CPA is not regulated by the California Public Utility Commission (CPUC), that the CPA figures are not audited by an independent agency, that the JPA exposes RPV to eminent domain by another governmental agency and that the CPA is using **their** consultant and paying him/her with **our** money.

## **GENERATION AND TRANSMISSION**

During the discussions Bardacke advised the consultant who will conduct the study to determine if RPV should join the CPA will be chosen by the CPA and paid for by RPV citizens. He made a point that if RPV joined the CPA that one of the council members will sit on the CPA board and therefore RPV will have local control. Not really. If RPV does join it will be one of 33 entities with members on the CPA board. A voice perhaps, but a very diluted voice. PVP Watch feels that RPV has five intelligent, civic minded members on our city council but is not aware of any of them having any expertise whatsoever in the generation and transmission of electric power. Therefore, it is questionable if he/she would be an asset to the board. That more than likely is the case of the rest of the board members who are all elected officials with no experience in an extraordinarily complex arena. An examination of Bardacke's resume indicates his last job was working for Los Angeles Mayor Eric Garcetti and nothing indicates he has experience in the electricity field. Somebody needs to make decisions regarding purchases of long- and short-term power contracts from various sources to keep the electrons coming to our homes and businesses. If the leadership has limited experience in making these decisions who is CPA hiring to guide it and how much is that costing are legitimate questions. In contrast SCE's president and chief executive officer has decades of experience in the industry as do

others on his leadership team. Their board of directors is populated with men and women who are accomplished in various businesses and other fields.

It is important to note that there is only one set of transmission lines bringing electrons to our city, neighborhood and homes. The electrons come from the same source no matter what rate you pay to the CPA or SCE. If one person pays the normal tier one rate at SCE and his neighbor pays the green rate for 100% renewable energy both receive the same electrons over the same lines. If SCE is the provider, the extra fee paid at the green rate goes into an account towards building facilities that produce renewable energy within the geographical area SCE serves. This is mandated by law and monitored by the CPUC and the CEC. If enough customers pay extra for greener energy it will lessen the time it takes for SCE to reach its goal of 100% renewables. That is not necessarily the case with CPA. They might, but are not obligated to, build renewable energy facilities. It can use the enhanced funds to simply purchase green energy from a producer in the western United States. This does not increase the amount of green energy, only the amount in the CPA portfolio, and thus no reduction in overall greenhouse gas emissions is achieved. Based on this it appears that SCE is the “cleaner” energy provider.

## **RECAP**

Neither SCE nor CPA can assure what rates will be in the future since those rates are determined by the electric power generation market. The amount of renewable energy being sold to tier one customers by SCE is 48% now, will be 100% by 2040 and any customer can be at the 100% level now if it is requested. These figures are audited by the CEC and CPUC. The CPA states percentages noted above, but these are not audited by any government agency.

If the CPA is chosen as our provider, the city must sign a JPA that exposes itself to many rules including the threat of eminent domain by another government agency and more staff time dedicated to the monitoring and enforcing provisions of the JPA.

There is no guarantee RPV will be a good fit in the CPA. If it is not and the city attempts to depart RPV will potentially be burdened with a great cost to leave. Contract liabilities will exist plus the CPA might in the future issue bonds which will expose its members to debt liabilities

as well.

Several municipalities throughout California have rejected the idea of joining CCAs for a variety of good reasons.

PVP Watch feels the city council has many challenges facing it including public safety; fire hazard monitoring and suppression; infrastructure needs; Ladera Linda; the Portuguese Bend slide; CalPers pension liability; COVID-19 effects on RPV; density issues; and many more. Going into the electric generation business has no upside and plenty of potential problems.

PVP Watch believes that the RPV city council is spending its time looking for a solution to a problem that does not exist.

Recipients of this newsletter are encouraged to contact RPV city councilors to express your opinions regarding this matter. One e-mail to [cc@rpvca.gov](mailto:cc@rpvca.gov) will reach the entire council as well as RPV staff managers.

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## **REEF RESTORATION**

The reef restoration project between Portuguese Bend and Point Fermin was mentioned in the last PVP Watch newsletter. The July 2020 issue of Peninsula Magazine reported that the Portuguese Bend landslide in 1956, and the Trump National Golf Course 18<sup>th</sup> hole landslide in 1999, plus the pollution from the White Point sewage outfall between 1937 and 1958 impacted the area. The \$6,490,000 to fund the project is coming from Montrose Chemical as it was found to be essentially responsible for the toxic chemicals in the surf and soil there. According to the Occidental College website the 70,300 tons of rock is being brought on barges from a quarry on Catalina Island. On May 8, 2020, the first rocks were dumped in the water to begin building the reef. On June 3<sup>rd</sup>, the contractor left to do work in San Onofre and will return in early September to finish construction of the reef by September 30. This restoration is being done to enhance the flora and fauna of the Palos Verdes Shelf.

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## **COVID-19**

As of July 10, 2020, there are 167 confirmed cases of COVID-19 in Rancho Palos Verdes, including 12 deaths; 60 in Palos Verdes

Estates; 29 in Rolling Hills Estates; three in Rolling Hills; and one in the unincorporated area of the Peninsula. PVP Watch extends its deepest condolences to all the residents of our community touched by this illness.

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## **FUTURE TOPICS AND SUGGESTIONS**

Future newsletter topics might include efforts by the state legislature to increase density in our community; looking at the candidates in our upcoming local elections; and how the lack of tax revenue due to COVID-19 will effect our cities and school district. PVP Watch is always interested in our readers' thoughts. Recipients of this newsletter are requested to e-mail PVP Watch at [info@pvpwatch.com](mailto:info@pvpwatch.com) with your comments and suggestions on what you would like to see us address.

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## **WHEN YOU EMAIL US**

Please include your name, email address and the name of the City where you live.

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*The Editorial Committee*