

**REPORT TO THE
CITY COUNCIL**
City of Salinas, California

DATE: February 21, 2017

FROM: Gary Petersen, Public Works Director

SUBJECT: UPDATE ON CITY'S INTENT TO PARTICIPATE IN GOVERNANCE AND FINANCING DISCUSSIONS FOR THE PROPOSED MONTEREY BAY COMMUNITY POWER (MBCP) JOINT POWERS AUTHORITY (JPA)

RECOMMENDATION:

Receive an informational report updating the City's intent to participate in governance and finance discussions associated with the development of a Joint Powers Authority (JPA) to form a community choice aggregation program to purchase, supply, and aggregate the electrical load of their municipal, residential and commercial customer accounts.

DISCUSSION:

Beginning in 2013, Monterey Bay Community Power (MBCP) was formed as a region-wide collaborative partnership comprised of all 21 local governments within the greater Monterey Bay area, including the Counties of Santa Cruz, Monterey, and San Benito and all 18 cities located within those counties. This collaborative was created to examine the potential for a community choice energy (CCE) program in the Monterey Bay region.

The goals of MBCP are to reduce greenhouse gas emissions, provide electric power and other forms of energy to customers at competitive prices in the Monterey, Santa Cruz and San Benito County region. In addition, the program seeks to reduce energy consumption, stimulate the local economy by creating local jobs and promote long-term electric rate stability and reliability for the residents of the tri-county area.

A Project Development Advisory Committee (PDAC) comprised of multiple jurisdictions and stakeholders was formed in early 2014 to provide guidance and make key recommendations in the early planning phases of the CCE initiative. Between 2014 and 2016, twenty-six meetings were held by the PDAC allowing for the exchange of ideas and input from participating jurisdictions, stakeholder groups, and interested citizens. In 2014, \$404,846 was raised by the Santa Cruz County Project Team to conduct a Phase I Technical Feasibility Study which analyzed the benefits and risks associated with creating a local CCE program. A full copy of the report can be found at www.montereybaycca.com. In summary, the study found that "MBCP would be operationally viable under a relatively broad range of resource planning scenarios, demonstrating the potential for customer savings as well as reduced electric sector GHG emissions throughout the region."

On October 18, 2016, the City Council approved a Resolution of Intent to join a JPA that would have jurisdiction over Monterey Bay Community Power. The conditions of the proposed JPA governance model are as follows:

PROPOSED GOVERNANCE STRUCTURE OF MBCP:

The Monterey Bay Community Power JPA will be composed of jurisdictions within the Monterey, Santa Cruz and San Benito counties who have passed a JPA resolution and the CCE ordinance considered and adopted by February 28, 2017. The JPA will be formed in April 2017 and will begin providing electrical service to customers in Spring 2018. The governing board structure will include a Policy Board composed of elected officials who will provide guidance/approval in the areas of strategic planning and goal setting, passage of the Agency budget and customer rates, and large capital expenditures outside the typical power procurement required to provide electrical service. It will also include a separate Operations Board composed of senior executive staff who will provide oversight and support to the Chief Executive Officer on matters pertaining to the provision of electrical service to customers in the region, focusing on the routine, day-to-day operations of the Agency.

The JPA governing Board will consist of 11 seats, allocated by population size as outlined below. Shared board seats will be determined through the Mayors and Councilmembers' city selection process in their respective counties, with a term of two years. Directors may be reappointed and serve multiple terms.

Five jurisdictions with 50,000+ population will have a permanent seat on the Board. Pending passage of aforementioned JPA resolution and CCE ordinance, these are: 1) Santa Cruz County, 2) Monterey County, and the cities of 3) Salinas, 4) Watsonville and 5) Santa Cruz. Additionally, the County of San Benito will have a permanent seat on the Board in recognition of the large geographical area it represents.

The remaining five shared/rotating seats will be allocated as follows:

- 1 seat for Santa Cruz County small cities (Scotts Valley and Capitola)
- 3 seats for Monterey County small cities, shared within each region:
 - Peninsula Cities (Monterey, Carmel, Pacific Grove);
 - Coastal Cities (Marina, Sand City, Del Rey Oaks, Seaside);
 - Salinas Valley Cities (Gonzales, Greenfield, King City, Soledad);
- 1 seat for San Benito County small cities (San Juan Bautista and Hollister)

Since that time a number of conversations have occurred challenging the proposed voting structure. Most recently the County of Monterey at their February 14, 2017 board meeting voted to change the voting structure to increase votes for the top three largest entities.

Specifically, the City of Salinas, Monterey County, and Santa Cruz County would all have two votes rather than one. The rationale behind this recommendation is that these three entities separately represent the majority of potential users and have a significantly greater population than other jurisdictions.

Santa Cruz County cities and other potential members have consistently stated that this structure is not acceptable to them and that they are unwilling to change. In fact, some of those cities have already approved the JPA with the voting structure that was initially proposed.

One option that is being proposed by proponents of MCBE is that the JPA be formed under the existing structure and that amendments to the JPA regarding the voting structure be made at the initial meetings. The County has indicated that his approach is not acceptable to them and that it is their intent to only approve the JPA if language is included that changes the voting structure.

NEXT STEPS:

The County will be revisiting this issue at their March 7th meeting, determining if they will approve the JPA or not with the changed language. It is expected that between now and that meeting that numerous conversations will be held with interested parties to determine if an agreement on voting structure can be reached.

ISSUE:

What direction does the City Council have for staff relative to the potential JPA?

FISCAL IMPACT:

There is no immediate fiscal impact associated with this report.

TIME CONSIDERATIONS:

Decisions associated with the JPA will need to be made by the end of March.

ALTERNATIVES/IMPLICATIONS:

The Council may choose to advance the JPA as a city, or wait until more information is known about proposed changes to the voting structure.

CITY COUNCIL GOALS:

The proposal is consistent with one of the City Council 2013-2016 Five Strategic Goals and Objectives associated with Economic Diversity and Prosperity.

CONCLUSIONS:

At its February 21, 2017 meeting, the City Council is being provided information associated with its potential membership in MBC. No actions are required at this time.