Energy choice program launches in North County

Clean Energy Alliance to serve Del Mar, Carlsbad, Solana Beach customers

Under a community choice aggregation, or CCA, energy model, the role of purchasing electrical power sources belongs to local governments instead of utilities such as San Diego Gas & Electric. (Getty Images)

BY ROB NIKOLEWSKI

A new community choice energy programencompassing three North County cities — Carlsbad, Del Mar and Solana Beach — begins enrolling the first of about 58,000 customers today, offering an alternative to San Diego Gas & Electric when it comes to purchasing sources of energy.

Called the Clean Energy Alliance, the community choice aggregation, or CCA, program promises to offer residential and commercial customers cleaner power than SDG&E. But at least for now, customers will see only a tiny reduction in their monthly bills in comparison to the incumbent utility. And in the case of customers in Solana Beach, rates will be slightly higher than SDG&E's.

About 48,000 customers in the three coastal cities will be enrolled in May, and nearly 10,000 will get folded into the program in June.

"We are very excited that after years of work, (the Clean Energy Alliance) will be bringing cleaner energy and choice to Carlsbad and Del Mar and continuing the same cleaner energy mix for Solana Beach," Kristi Becker, the chair of the alliance and Solana Beach's deputy mayor, said in an email.

What CCAs do and how they work

For decades, utilities have done it all when it comes to electricity. They have put up poles and wires, purchased the power (natural gas, wind, solar, etc.), delivered it through transmission lines and handled customer service and billing issues.

But in the wake of the rolling blackouts seen during the California energy crisis of 2000 and 2001, state policymakers gave local governments the ability to make their own choices when it comes to buying electricity. All the other responsibilities are still shouldered by the traditional utility in a given area, so the power companies do not go away.

Instead of investor-owned utilities deciding which power contracts to purchase, the decisions in a CCA model are ultimately made by representatives of local governments, which hire energy professionals to help run the programs.

Since the first CCA was launched in Marin County in 2010, the programs have grown across the state. The Clean Energy Alliance will be California's 25th CCA, as many municipalities see community choice energy as essential to meet their respective climate action goals.

Earlier this year, another CCA called San Diego Community Power made up of five cities — San Diego, Chula Vista, La Mesa, Encinitas and Imperial Beach — also launched. Though it will be much larger than the Clean Energy Alliance, San Diego Community Power won't enroll the bulk of its estimated 767,700 customers until early next year.

As per state rules, when municipalities join a CCA, residents are automatically enrolled. Customers of the Clean Energy Alliance who want to remain with SDG&E can do so for free, provided they notify the alliance within 60 days. After that, a changeover fee of $1.12 will be assessed by SDG&E.

So far, 779 customers in the three cities have opted to stay with SDG&E, which equates to a participation rate of 98.6 percent.

"I think it speaks to the community support of cleaner energy and supporting the program, so we're very encouraged," said Barbara Boswell, the alliance's interim CEO. "We had assumed an opt-out rate of 7 percent, so we are well within that margin."

Residential customers make up 85 percent of the Clean Energy Alliance's expected enrollment, with commercial customers constituting about 15 percent.

Customers enrolled in discount programs such as California Alternate Rates for Energy, or CARE, and the Family Electric Rates Assistance, or FERA, programs will have their accounts automatically transferred and will not lose service in the transition. Neither will Medical Baseline customers, who are dependent on electrical equipment for health reasons.

The North County CCA also offers a Net Energy Metering program for rooftop solar customers. When a system produces more electricity than a customer uses over a 12-month period, the alliance will set a compensation rate of 6 cents per kilowatt-hour. SDG&E's rate in 2020 fluctuated between 1 cent to just over 4 cents per kilowatt-hour.

What's offered and how much it costs

The respective city councils of each municipality chose a default energy product that customers will automatically be enrolled in. It's called Clean Impact Plus, which offers power from 50 percent renewable energy sources and 75 percent from carbon-free sources.

However, customers can elect to opt into aslightly less expensive program called Clean Impact, which is 50 percent renewable power but without the 75 percent carbon-free content.

If customers want to move up to a product that pencils out to 100 percent renewable sources, they can choose Green Impact, which is a bit more expensive.

As of April 28, 18 customers have opted into Green Impact, and none have gone with Clean Impact.

As for the cost breakdown, while the generation-related cost of the least expensive Clean Impact product came in 2.2 percent cheaper than SDG&E, when all fees and delivery charges are taken into account, the average residential customer in Carlsbad and Del Mar using 353 kilowatt-hours of electricity per month will save just 0.9 percent, or 96 cents, on their bill.

Using the default Clean Impact Plus product, the overall savings compared to SDG&E for an average residential Carlsbad and Del Mar customer is just 0.6 percent, or 61 cents, on a monthly bill.

For the 100 percent renewable Green Impact product, an average residential customer in Carlsbad and Del Mar would pay 1.5 percent, or $1.69, more per month compared with SDG&E.

It's complicated, but the price impacts are different for customers in Solana Beach. That's due to the varying exit fees all CCA customers pay each month to the incumbent utility — in this case, SDG&E.

The fees offset the costs the utility has spent over the years on things like building power plants and developing renewable energy projects — all done with the approval and/or direction of the California Public Utilities Commission. In a decision CCAs complained about, the commission in late 2018 increased the exit fees.

Those exit fees will decline over the coming years as the contracts purchased by the utilities expire.

Solana Beach formed its own one-city, stand-alone CCA in June 2018, and its exit fees are higher than what customers in Carlsbad and Del Mar will pay.

The Clean Energy Alliance estimates thatan average Solana Beach residential customer will pay more in comparison to SDG&E in all three scenarios.

Under the Clean Impact product, the monthly bill is 1 percent, or $1.05 higher. Using the default Clean Impact Plus product, it's 1.3 percent, or $1.40 higher; and with Green Impact the monthly bill is 3.4 percent, or $3.70 higher.

"The trade-off is that we are buying greener energy, so we're providing customers with cleaner electricity," Boswell said. "I think it's pretty commendable that Clean Energy Alliance has been able to hit that No. 1 goal of a minimum 50 percent renewable and save some money."

In 2019, SDG&E's default program consisted of 39 percent renewable sources.

Looking back and going forward

Carlsbad Mayor Matt Hall had a hand in forming the three-city alliance and is disappointed that average bills won't be at least 2 percent lower at the outset. He worries that "for a period of time, perhaps as long as eight to 10 years, people will be paying as much as or more than what the current SDG&E rate is."

Hall doesn't have any second thoughts about forming the CCA because SDG&E has expressed a desire to get out of the business of purchasing power — something that would require the approval of a potentially skeptical Public Utilities Commission — but in retrospect, he said maybe the alliance should have been bigger.

"Going into business, I think you need to walk before you run," Hall said. "When we first started to analyze this, we were looking at El Cajon, Santee, Poway, Escondido, San Marcos, Vista, Oceanside and all the coastal cities to try and come together as a region. And the more people in the system, obviously the more affordable it is.

"So the fact that we've launched with just three cities, to do it all over again, I would have probably waited until we had at least five so we could have spread the costs more."

The Clean Energy Alliance is looking to add members. Last month, the San Diego County Board of Supervisors voted to direct its staff to start discussions on having the county's unincorporated areas join either the Clean Energy Alliance or San Diego Community Power.

"We hope that what we offer them meets their goals and we can work out an arrangement," said Boswell, the alliance CEO.

Two weeks ago, the city of Montebello pulled the plug on forming its own stand-alone CCA, over concerns that rates could be 2 percent to 4 percent higher than Southern California Edison's. Montebello's City Council voted 3-2 to put the plan on the shelf, according to the Whittier Daily News. "I'm not OK with raising rates 4 percent during a pandemic," Mayor Kimberly Cobos-Cawhthorne said.

Last year, some residents in Palm Springs complained about rates charged by Desert Community Energy's 100 percent carbon-free default product that came in about 10 percent higher than Edison's.

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