

Date of Hearing: May 4, 2011

ASSEMBLY COMMITTEE ON UTILITIES AND COMMERCE

Steven Bradford, Chair

AB 976 (Hall) – As amended: April 25, 2011

SUBJECT: Electricity: Community Choice Aggregation

SUMMARY: Prohibits consultants advising Community Choice Aggregators (CCA) from bidding on CCA contracts. Specifically, this bill:

- 1) Prohibits a CCA from purchasing electricity or energy services from an entity that provided analysis, advice, consulting, or other services to the CCA prior to the CCA notifying that CCA service will commence.

EXISTING LAW

- 1) Provides that electricity customers may elect to aggregated their electricity load and receive electricity service through a local CCA.
- 2) Provides that a CCA may solicit bids, broker, and contract for electricity and energy services for those customers. The CCA may enter into agreements for services to facilitate the sale and purchase of electricity and other related services.
- 3) State law currently prohibits an entity from who has been awarded a consulting services contract, from a State agency, from submitting a bid for, receiving an award for a contract for the provision of services, procurement of goods or supplies, or any other related action which is required, suggested, or otherwise deemed appropriate in the end product of the consulting services contract.

FISCAL EFFECT: Unknown

COMMENTS:

According to the author, firms hired by local governments to make recommendations to local governments on forming a CCA often seek contracts to implement their project recommendations. These firms can provide local government information on the potential costs and benefits of forming a CCA. The author points out that there is a conflict of interest that generally would benefit the consulting firm and that current law does not adequately protect the interests of the taxpayers or ratepayers affected.

Current law allows communities (cities, counties, special districts) to voluntarily elect to aggregate their electric loads and, if approved by those communities, form an arrangement (known as a CCA) to arrange contracts for electricity service for those communities.

In the process of developing California's most recent CCA, Marin County and Pacific Gas & Electric (PG&E) were at odds with regard to the Marin County's efforts to establish a CCA. Ultimately, Marin County established the Marin Energy Authority, which is currently providing electricity service to local Marin residents. Marin County formed its CCA and selected Shell Energy North America as its energy provider. There are other CCAs in varying stages of

evaluating and/or forming CCAs, including but not limited to San Francisco and Sonoma, Victorville, and Chula Vista.

PG&E received widespread criticism for its role as the major sole funder of Proposition 16 (June 2010), which would have required a 2/3 vote of local voters before a local government could use public funds to establish or expand local electricity service or implement a plan to become a local electricity aggregator. California voters rejected Proposition 16 with 52.8% voting against and 47.2% voting in favor.

Marin County retained the services of several consultants (Navigant, MRW Associates, Jody London Consulting) to provide consulting services regarding the formation of their CCA. In addition, Navigant was under contract with the California Energy Commission's Public Interest Energy Research (PIER) Program to provide developed a variety of analytical models, reports, and tools to assist other cities and counties in understanding and implementing Community Choice Aggregation.

State law currently exempts entities which have received less than 10% of the full monetary value of a consulting servicing contract from this prohibition.

According to the San Francisco Public Utilities Commission AB 976 would effectively ban a consulting services company from doing further business with the CCA program in perpetuity. They state that there are few companies with experience in the launch of CCA programs and this would discourage consultants from providing any services to a CCA prior to commencement of service. They state this would greatly curtail a local government's ability to exercise its right under state law to establish and operate a CCA program.

REGISTERED SUPPORT / OPPOSITION:

Support

Coalition of California Utility Employees (CUE) (Sponsor)

Opposition

Marin Energy Authority (MEA)
Sierra Club California

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