



STEERING COMMITTEE

Agenda Report

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File #: 2021-2032

Agenda Date: 12/15/2021

Agenda Item No: 2.

FROM: James D. Herberg, General Manager
Originator: Rob Thompson, Assistant General Manager

SUBJECT:

DIRECT ACCESS ENERGY PURCHASE PROGRAM

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION: Recommend to the Board of Directors to:

- A. Approve Orange County Sanitation District's participation in the Southern California Edison Direct Access Program;
- B. Authorize the General Manager to select an energy service provider and execute a Direct Access Purchase Contract with a registered vendor for the period of January 11, 2022 to June 30, 2022, in a form approved by General Counsel; and
- C. Direct staff to initiate the procurement of a long-term direct access purchase agreement for continuation of service, for Board approval by June 30, 2022.

BACKGROUND

In 2009, California Senate Bill 695 established the Direct Access (DA) program, a retail electric service that allows customers to purchase electricity from a competitive provider, called an Electric Service Provider (ESP), instead of from a regulated electric utility. The utility delivers the electricity that the customer purchases from the ESP over its distribution system and collects a fee for doing so.

An ESP is a non-utility entity that offers electric generation service to customers within the service territory of an electric utility. The California Public Utilities Commission (CPUC) currently lists 20 ESPs for the Southern California Edison service territory.

The CPUC sets limits on the number of kilowatt hours a utility is required to accept from other providers. Since 2013, utilities have used a lottery system every six months to allocate their available load to customers who apply for the DA program. If there are more applicants than can be included, the unsuccessful applicants are put on a wait list.

The Orange County Sanitation District (OC San) has applied for the DA program multiple times in the past but has never been successful. The most recent application in August was initially unsuccessful and OC San was again put on a wait list. OC San was notified on November 24th that we have the

opportunity to transfer to the DA program starting in January 2022. The decision to accept or decline the transfer must be made by December 17, 2021.

OC San has budgeted \$5,453,700 for purchased electricity for the treatment plants. The electricity costs for DA customers are market-based contracts which may be higher or lower than the costs from the regulated utility, but over time most participants save money with this arrangement. There are more tariff options available ranging from fixed-price arrangement to real-time market rates. Southern California Edison will also charge fees if OC San chooses to move to the DA program to cover the cost of their stranded assets and long-term energy purchase agreements.

An additional long-term benefit to OC San moving to the DA program is the ability for OC San to move into different energy supply strategies. The use of energy storage devices, microgrid solutions, and lower carbon portfolios are possible.

RELEVANT STANDARDS

- 24/7/365 treatment plan reliability
- Ensure the public's money is wisely spent

PROBLEM

Transferring to the DA program may provide an opportunity to reduce OC San's electricity purchase costs and provide energy supply flexibility. However, the decision must be made carefully, and OC San must act quickly.

PROPOSED SOLUTION

OC San is working with Aviva Energy to help with the transition to the DA program. Aviva Energy is a fiduciary that has helped the Orange County Water District, Irvine Ranch Water District, and many others through a similar transition.

Staff recommends that the Board of Directors approve the transition to the Southern California Edison Direct Access Program. The program is projected to provide long-term cost savings and make more innovative power wheeling and microgrid opportunities possible.

Due to the January 11, 2022 deadline, staff recommends that the Board of Directors delegate to the General Manager the authority to sign a Direct Access Energy Purchase Contract with one of the 20 approved ESPs for Southern California Edison. The Agreement would be a short-term bridge contract to allow for a longer-term procurement process in the spring.

Initial conversations with Aviva Energy have advised that OC San can expect to pay marginally high energy costs in the first six to 18 months due to various exit fees imposed by the CPUC to offset Southern California Edison long-term energy purchase contracts. The marginally higher costs depend on actual usage patterns. Staff will estimate these costs based on past usage patterns and vendor quotes and intends to present the information at the December 2021 Board of Directors meeting.

TIMING CONCERNS

OC San was notified by Southern California Edison of the opportunity to transition to the DA program on November 24, 2021. OC San must accept the offer by December 17, 2021, or lose the ability to participate. If OC San accepts participation by December 17, 2021, it must execute a Direct Access Energy Purchase Contract with a registered vendor by January 11, 2022. Not meeting the deadlines or renegeing on the decision to transfer to the DA program incurs severe financial penalties for the customer. Due to the critical time sensitive nature of this procurement, staff recommends proceeding with a contract award per Section 1.07.B of OC San's Purchasing Ordinance No. OC SAN-56.

RAMIFICATIONS OF NOT TAKING ACTION

Not switching to the DA program now will maintain Southern California Edison as OC San's electricity provider. There is no way to know when this opportunity will be available again.

PRIOR COMMITTEE/BOARD ACTIONS

N/A

ADDITIONAL INFORMATION

OC San's budget for electricity is \$6.7 million for FY 2021-22.

CEQA

N/A

FINANCIAL CONSIDERATIONS

This item has been budgeted. Staff anticipates marginally higher electrical unit rates for the rest of the fiscal year causing this line item to exceed the budgeted amount, but staff does not anticipate a significant impact to the overall operating budget. In the longer term, staff anticipates lower costs with DA program participation.

ATTACHMENT

The following attachment(s) may be viewed on-line at the OC San website (www.ocsan.gov) with the complete agenda package:

N/A