Attachment 1

ORANGE COUNTY POWER AUTHORITY
THE POWER OF COMMUNITY

Orange County Power Authority - Costa Mesa Feasibility Study

EXECUTIVE SUMMARY

In July 2024, the Orange County Power Authority (OCPA) presented to the Costa Mesa City Council. At that meeting, the Council authorized the City Manager to release the City's electric load data to OCPA for the purpose of conducting a feasibility study.

OCPA engaged Pacific Energy Advisors (PEA) to conduct an independent analysis evaluating the financial implications of the City joining OCPA. The results of the study were presented to Costa Mesa staff on May 21, 2025.

Based on the study's assumptions, the outlook for the City's potential membership is favorable. A prospective launch in March 2027 is projected to yield a net positive outcome for OCPA. The study anticipates that approximately 46,000 new customer accounts in Costa Mesa would be served by OCPA, with an estimated 90% enrolling in the Smart Choice rate plan—which offers approximately 76% renewable energy content at an added cost of 1.0 cent per kWh above the Basic Choice rate in 2025. The remaining 10% are expected to choose the 100% Renewable Choice plan, which provides full renewable content at an additional cost of 1.5 cents per kWh over the Basic Choice rate.

ANALYSIS

The Community Choice Aggregation (CCA) program has been available in California since 2002, following the passage of Assembly Bill 117. This program provides an alternative to the traditional Investor-Owned Utility (IOU) model by enabling local governments to manage their own energy procurement. Through CCA, participating agencies can purchase electricity, set generation rates, and reinvest revenue locally. As of today, there are 25 operational CCAs in California, including the Orange County Power Authority (OCPA), collectively serving over 14 million customers across more than 200 cities and counties.

To assess the financial viability of membership, OCPA engaged Pacific Energy Advisors (PEA) to conduct an independent feasibility study. The results of the study will be presented to the OCPA Board in September 2025. At that time, the Board will consider whether to formally invite the City to join OCPA and initiate collaboration on the necessary steps for membership integration.

PEA acquired and analyzed the City's 2024 historical annual load consumption data from SCE, which is the most up-to-date information available, to conduct the Study. As of August 2024, there are approximately 50,600 eligible customer accounts within the City, with energy consumption of 33% for residential and 67% for commercial customers.

The Study was based on several key assumptions:

- **Customer Enrollment Timeline**: Customer enrollment is projected to begin in March 2027, in alignment with California Public Utilities Commission (CPUC) regulations for CCA expansion. March was selected to allow adequate time for community outreach following the holiday season and to avoid the higher costs and volatility typically seen during the summer months (June through September).
- **Customer Participation**: The study assumes a 10% opt-out rate for eligible residential customers and a 5% opt-out rate for eligible commercial customers. Streetlight and traffic control accounts, which are primarily municipal, are expected to be fully enrolled.
- **Eligible Customer** Accounts and Load: After applying opt-out assumptions, approximately 46,000 customer accounts are projected to enroll in OCPA, contributing an estimated annual electric load of 600 GWh. This would represent a 27% increase in OCPA's existing customer load.
- **OCPA Rate Plan Enrollment**: It is assumed that 90% of enrolled customers will choose the OCPA Smart Choice rate plan, which provides approximately 76% renewable energy content and includes an additional charge of 1.0 cent per kWh over the Basic Choice rate (as of 2025). The remaining 10% are expected to opt for the 100% Renewable Choice plan, which adds 1.5 cents per kWh over the Basic Choice rate.
- **OCPA Incremental Revenues**: Revenue projections are based on cost-of-service rates, with the expectation that OCPA will annually adjust its rates to meet revenue requirements.
- **OCPA Incremental Costs**: The anticipated 27% increase in load will result in additional costs, including power procurement at prevailing market rates, SCE service fees, data management charges, and marketing and outreach expenses.

Estimated Incremental Revenues and Operating Margin

For the initial partial fiscal year (FY2026/27, covering October 2026 through June 2027), incremental revenue is projected to be approximately $19 million, with an estimated operating margin of $6.8 million. For the full fiscal years FY2027/28 through FY2029/30, average annual incremental revenue is projected at $77.1 million, with an average operating margin of $12.3 million.

It is important to note that these projections represent the estimated incremental impact of adding Costa Mesa customers to the OCPA service base. However, OCPA's financial model is based on a pooled, agency-wide approach, in which revenues and expenses from all participating jurisdictions are aggregated and managed collectively. As such, these incremental revenues and margins are not separately allocated or reserved for the City of Costa Mesa, nor are they treated as discrete financial gains for any individual member agency.
This shared structure supports rate stability, operational efficiency, and collective investment in programs that benefit all members. While the addition of Costa Mesa is expected to generate a net positive impact on OCPA's overall financial performance, the resulting margin will contribute to the agency's general fund and support the long-term sustainability of services across all member agencies.

A detailed overview of the fiscal impact—including projected incremental revenues, operating expenses, and operating margins for FY2026/27 through FY2029/30—is provided in Attachment 1. These projections, calculated on a load-weighted basis, account for energy procurement, staffing, marketing, outreach, SCE service fees, data management, reserves, and other operational costs.

Prospective Outlook

Based on the assumptions in the feasibility study, the outlook for the City of Costa Mesa joining OCPA is currently positive. A prospective launch in March 2027 is projected to result in a net financial benefit for OCPA.

However, OCPA staff emphasizes that California's energy markets are inherently volatile, with prices subject to rapid fluctuations. As a result, the study's projections may change depending on market conditions at the time of implementation.

Beyond the financial outlook, there are several strategic and environmental benefits to the City's potential participation. Joining OCPA would:

- Expand the agency's membership base,
- Support regional progress toward increased renewable energy adoption and reduced greenhouse gas emissions, and
- Enhance customer choice and local control over energy procurement and rate setting.

These benefits align with broader sustainability goals while offering Costa Mesa the opportunity to play an active role in shaping a cleaner, more resilient energy future.

OCPA Renewable Energy Content for OCPA Smart Choice Customers

In 2025, OCPA's Smart Choice plan offers 55% renewable energy plus 40% carbon free content, exceeding SCE's 2024 default basic product renewable energy content by 17%. OCPA's Basic Choice plan and 100% Renewable Choice plan offer 47% and 100% renewable energy content, respectively. SCE customers who wish to receive service with higher renewable content must opt into SCE's Green Tariff Shared Renewables program (Green Rate Program), which is currently closed to new customers. Out of approximately 5,000,000 accounts in the entire SCE service area, only about 3,000 accounts are currently enrolled in the SCE Green Rate Program.

Joining OCPA provides the City of Costa Mesa with a unique opportunity to take control of its energy choices while delivering substantial benefits to the community. As a public, community-driven agency, OCPA empowers customers to select their energy sources, including options that are more affordable or sustainable. For its existing member agencies, OCPA currently offers a 3% discount compared to SCE's equivalent generation rate on the Basic Choice plan, which customers have enjoyed approximately $2.6 million in on-bill savings since its inception. The exact savings for the City customers who choose to opt-down to Basic Choice will vary based on its rate classification and energy usage. Unlike traditional utilities, OCPA reinvests profits locally, supporting economic growth and funding programs that help reduce energy costs, lower consumption, and enhance reliability. By joining OCPA, the City can play a pivotal role in shaping a cleaner, more affordable energy future while advocating for local control at the state level.

OCPA Renewable Energy Content for Smart Choice Customers

In 2025, OCPA's Smart Choice plan offers a power mix consisting of 55% renewable energy and 40% carbon-free content, exceeding SCE's 2024 default product by 17% in clean energy content. OCPA also offers two additional rate plans:

- Basic Choice: 47% renewable content
- 100% Renewable Choice: 100% renewable content

By contrast, SCE customers seeking higher renewable content must enroll in the Green Tariff Shared Renewables program (Green Rate Program)—a limited opt-in offering that is currently closed to new participants. As of now, only approximately 3,000 out of 5 million SCE accounts are enrolled in this program.

Joining OCPA would provide the City of Costa Mesa with a unique opportunity to gain local control over energy choices while delivering meaningful benefits to its residents and businesses. As a public, community-focused agency, OCPA empowers customers to choose energy options that are more affordable, sustainable, or both.

For example, OCPA's Basic Choice plan currently offers an estimated 3% discount compared to SCE's equivalent generation rate. Since launch, customers across existing member agencies have realized approximately $2.6 million in on-bill savings. Actual savings for Costa Mesa customers who select Basic Choice will depend on rate classification and individual usage.

Unlike traditional investor-owned utilities, OCPA reinvests revenues locally, supporting economic development and funding programs that help reduce energy costs, promote energy efficiency, and improve system reliability.

By joining OCPA, the City of Costa Mesa can play a leading role in advancing a cleaner, more cost-effective, and locally governed energy future, while ensuring that its community has a voice in statewide energy policy decisions.

Next Steps

In accordance with the OCPA Joint Powers Agreement (JPA) and the California Public Utilities Code, the City of Costa Mesa must complete the following actions to formally join OCPA:

1. Adopt an ordinance authorizing implementation of OCPA's Community Choice Aggregation (CCA) program within City boundaries.
2. Adopt a resolution expressing the City's intent to join OCPA and approving the OCPA JPA Agreement.

Following these actions, OCPA staff will prepare an Amended Implementation Plan for consideration by the OCPA Board at a public hearing, anticipated to occur in November or December 2025 (see attached proposed onboarding timeline, Version 1 or 2). To remain on track for a 2027 launch, the amended plan must be submitted to the California Public Utilities Commission (CPUC) for certification no later than December 31, 2025.

As part of the membership process, OCPA is required to provide a minimum of 30 days' written notice to its current Member agencies, notifying them that the Board will be considering the City's membership. This notice must include all substantive materials necessary to support informed deliberation.

Finally, approval of the City's membership is subject to a two-thirds supermajority vote of the OCPA Board, as specified in the JPA Agreement.

APPENDIX

Figure 1 – Feasibility Projections

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	FYE 27	FYE 28	FYE 29	FYE 30
FY	**2027**	**2028**	**2029**	**2030**
Base Rate Revenue	$ 16,097,307	$ 68,760,582	$ 71,342,862	$ 71,963,959
Product 2 Premium	$ 2,516,662	$ 5,405,726	$ 5,446,810	$ 5,488,206
Product 3 Premium	$ 419,444	$ 900,954	$ 907,802	$ 914,701
Total Revenues	**$ 19,033,413**	**$ 75,067,263**	**$ 77,697,474**	**$ 78,366,866**
Cost of Load	$ 2,777,851	$ 29,525,691	$ 30,069,421	$ 30,522,993
RA	$ 2,146,041	$ 15,439,268	$ 15,556,606	$ 15,674,836
PCC1	$ 2,523,586	$ 10,811,566	$ 10,572,514	$ 10,809,899
PCC2	$ -	$ -	$ -	$ -
PCC3	$ 30,668	$ 136,705	$ 140,129	$ 143,591
CAISO Non-Energy	$ 271,733	$ 1,201,273	$ 1,210,402	$ 1,219,601
Total Power Supply Costs	**$ 7,749,878**	**$ 57,114,503**	**$ 57,549,071**	**$ 58,370,920**
Staff	$ 1,415,729	$ 1,415,729	$ 1,415,729	$ 1,415,729
Marketing and Customer Enrollment	$ 536,116	$ 536,116	$ 536,116	$ 536,116
Other Operating Expenses	$ 1,262,974	$ 1,262,974	$ 1,262,974	$ 1,262,974
Data Management	$ 262,851	$ 564,598	$ 568,889	$ 573,213
IOU Service Fees	$ 349,801	$ 704,918	$ 710,276	$ 715,674
Uncollectibles/Other	$ 247,434	$ 975,874	$ 1,010,067	$ 1,018,769
Reserve Requirement	$ 380,668	$ 1,501,345	$ 1,553,949	$ 1,567,337
Total Other Operating Costs	**$ 4,455,575**	**$ 6,961,556**	**$ 7,058,002**	**$ 7,089,813**
Total Cost	**$ 12,205,453**	**$ 64,076,059**	**$ 64,607,073**	**$ 65,460,733**
Net Operating Margin	**$ 6,827,960**	**$ 10,991,204**	**$ 13,090,401**	**$ 12,906,132**

FY	2027	2028	2029	2030
Rate Adjustment (to current 2025)	**17%**	**12%**	**16%**	**16%**
Pro Forma Margin (Omits Financing)	-17%	-12%	-16%	-16%
Basic Choice Enrollment	**0%**			
Smart Choice Enrollment	**90%**			
100% Renewable Enrollment	**10%**			
Product 2 Rev Premium	**$ 10.00**			
Product 3 Rev Premium	**$ 15.00**			
Data Management ($/MWh)	**$ 0.94**			
IOU Service Fees ($/Account/mo.)	**$ 1.25**			
Uncollectibles/Other (% of Rev)	**1.3%**			

Total Accounts	46,640	46,995	47,352	47,712	Total
Sales (MWh)	279,629	600,636	605,201	609,801	2,095,267
Avg. Rev ($/MWh	$ 68.07	$ 124.98	$ 128.38	$ 128.51	$ 119.40
Avg. Total Cost ($/MWh)	$ 43.65	$ 106.68	$ 106.75	$ 107.35	$ 98.48
Avg. Margin ($/MWh)	$ 24.42	$ 18.30	$ 21.63	$ 21.16	$ 20.91
	36%	**15%**	**17%**	**16%**	**18%**
Avg. Cost of Load ($/MWh)	$ 9.93	$ 49.16	$ 49.69	$ 50.05	
Avg. RA ($/MWh)	$ 7.67	$ 25.70	$ 25.70	$ 25.70	
Avg. RE ($/MWh)	$ 9.13	$ 18.23	$ 17.70	$ 17.96	
30% Power cost high	$ 2	$ 17	$ 17	$ 17	
30% Power cost low	$ 2	$ 17	$ 17	$ 17	
Op Margin	$ 6.83	$ 10.99	$ 13.09	$ 12.91	
Low margin	$ 4.58	$ (5.78)	$ (3.81)	$ (4.24)	
High Margin	$ 9.07	$ 27.77	$ 29.99	$ 30.05