



Staff Report Item 13

TO: East Bay Community Energy Board of Directors
FROM: Nick Chaset, Chief Executive Officer
SUBJECT: Phase 2 Rates and Discount (Action Item)
DATE: May 16, 2018

Recommendation

Adopt the following Phase II rates:

- Bright Choice = 1.5% less than PG&E (same as Phase 1)
- Brilliant 100 = equal to PG&E (same as Phase 1)
- 100% Renewable = \$0.01 per kilowatt hour premium above PG&E

Staff's recommendation for Phase 2 is to make no change to EBCE's rates, except for the addition of the 100% Renewable rate. As illustrated in the previous discussion on budget, the current rates provide adequate revenue to recover all operating expenses, meet reserves and make initial investments in Local Development. Given current uncertainty surrounding energy procurement costs, staff does not recommend increasing discounts at this time.

Consider policy to prioritize use of surplus revenues to provide an annual bill credit to CARE, FERA, and Medical Baseline customers.

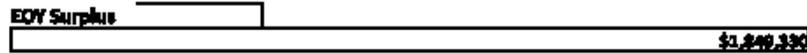
If the Board is interested in considering additional customer discounts, staff's recommendation is to adopt a policy to prioritize the use of surplus revenues at the end of the year to provide additional bill credits to low-income customers.

Discussion

Staff's recommendation for Phase 2 is to make no change to EBCE's rates, except for the addition of the 100% Renewable rate. As illustrated in the previous discussion on budget, the current rates provide adequate revenue to recover all operating expenses, meet reserves, and make initial investments in local development. Given current uncertainty surrounding energy procurement costs, staff does not recommend increasing discounts at this time.

If EBCE's financial performance exceeds these forecasts, then there may be additional room for increasing discounts, though these surplus funds could also be allocated to things such as local development, debt repayment, or increasing EBCE's renewable energy content.

Figure 1 - Forecast End of Year Surplus and Options for Use of Funds



EBCE expects to end the year with a revenue surplus after making contributions to its reserves, paying off debts to Alameda County, making its scheduled Barclay's debt service payments and investing in Local Development.

The Board need not set policies or provide guidance on how to use surplus at this time. Staff would like to take the time to discuss a number of options that should be brought back during the next budgeting cycle.

- Low Income Bill Credit:** \$1.5m could pay for an annual credit of \$15 for all CARE customers
- Local Development Reserve:** \$1m in a Local Development reserve could support building a MW of local solar.
- Debt Repayment:** \$1m early repayment of debt could decrease interest expense by over \$100k
- Increased Renewable Energy Procurement:** \$1m investment in incremental renewable procurement would be the equivalent of over 5,000 homes being powered by 100% renewable energy for a year
- Customer Dividend:** \$2m in customer dividends could almost double the average residential discount

Any additional discount or bill credit for Phase 2 at this point in the fiscal cycle would require a reduction in one or more expense line-items. As a reference, EBCE staff has analyzed the fiscal impact of adding just the Phase 2 bill credit. In one scenario, staff evaluated a bill credit for all residential customers set at \$10. In a second scenario, staff evaluated a tiered bill credit with general residential customers receiving \$7.50 and CARE/FERA/Medical Baseline receiving a \$15 bill credit. In a third scenario, staff evaluated only adding a \$15 bill credit for CARE/FERA/Medical Baseline customers. In each scenario, the bill credit would be applied once at the end of the year.

Table 1 - Fiscal Impact of Increased Phase 2 Discount

	Total Annual Bill Credit	Total Customer Bill Savings (including 1.5% rate discount)
Fixed: \$10 annual bill credit	\$4,794,796	3.9%
Tiered: \$7.50 annual for residential, \$15 for CARE	\$4,315,316	3.3%/5.2%
Limited: \$15 annual for CARE/FERA/Medical Baseline	\$1,438,439	5.2%

Of the three scenarios, only the increased discount for CARE/FERA/Medical Baseline customers could be paid for out of the current budget without making an adjustment to Reserves or Local Development.

If the Board is interested in considering additional customer discounts, staff recommends the Board adopt a policy to prioritize the use of surplus revenues at the end of the year to provide additional bill credits to low-income customers.

RESOLUTION NO. ____

A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE EAST BAY COMMUNITY ENERGY AUTHORITY
APPROVING RATES FOR BRIGHT CHOICE AND BRILLIANT 100 PRODUCTS
AND A 100% RENEWABLE ENERGY PRODUCT

THE BOARD OF DIRECTORS OF THE EAST BAY COMMUNITY ENERGY AUTHORITY DOES HEREBY FIND, RESOLVE AND ORDER AS FOLLOWS:

Section 1. The East Bay Community Energy Authority (“EBCE”) was formed on December 1, 2016, under the Joint Exercise of Power Act, California Government Code sections 6500 *et seq.*, among the County of Alameda, and the Cities of Albany, Berkeley, Dublin, Emeryville, Fremont, Hayward, Livermore, Piedmont, Oakland, San Leandro, and Union City to study, promote, develop, conduct, operate, and manage energy and energy-related climate change programs in all of the member jurisdictions.

Section 2. At the February 7, 2018 Board of Directors regular meeting, the Board established the initial energy products to be provided by EBCE namely Bright Choice containing 85% greenhouse gas free content and Brilliant 100 containing 100% greenhouse gas free content.

Section 3. At the February 7, 2018 Board of Directors regular meeting, the Board also set a framework for establishing rates by benchmarking the rates off PG&E rates such that Bright Choice rates will be set at 1.5% below PG&E’s 2018 rates and Brilliant 100 rates will match PG&E’s 2018 rates.

Section 4. At the March 21, 2018 Board of Directors regular meeting, the Board adopted the rates sheets establishing the rates for the Bright Choice and Brilliant 100 products.

Section 5. At the April 18, 2018 Board of Directors regular meeting, the Board approved offering a third energy product consisting of 100% renewable energy to be offered concurrently with the Phase II customer launch.

Section 6. At the April 18, 2018 Board of Directors regular meeting, the Board approved a framework for the 100% renewable product rates whereby the 100% renewable product will cost an additional fee per kilowatt-hour above the PG&E base rate, which is the equivalent to the difference between the cost of Bright Choice and the 100% renewable energy product.

Section 7. Based on the rates framework and PG&E’s 2018 rates, which were effective on March 1, 2018, the Board hereby adopts the rates for Bright Choice and Brilliant 100 as adopted by the Board of Directors by Resolution on March 21, 2018 for the Phase 2 residential launch, and sets the rates for the 100% renewable product at \$0.01 per kilowatt-hour above the PG&E base rate, which is the equivalent of a \$0.01 per kilowatt above EBCE’s Brilliant 100 rate.

Section 8. The Board reserves the right to modify the rates from time to time to stay competitive with PG&E rates and maintain the rates consistent with the previous framework or adopt a new framework. Any rates adjustment shall be made at a noticed public meeting.

ADOPTED AND APPROVED this day of 16th day of May, 2018.

Scott Haggerty, Chair

ATTEST:

Stephanie Cabrera, Clerk of the Board