



Staff Report Item 15

TO: East Bay Community Energy Board of Directors

FROM: Nicolas Chaset, Chief Executive Officer
Taj Ait-Laoussine, Vice President of Technology and Analysis

SUBJECT: Discuss EBCE Rate Options

DATE: January 17, 2018

Recommendation

Receive update and provide feedback on EBCE Rate Options

Background and Discussion

As EBCE moves towards launch, setting rates and a target discount to PG&E generation rates is a high priority. To assess what the right rate discount for EBCE to offer its customers at launch, we first have to assess how different levels of discount impact EBCEs revenues requirement. The revenue requirement includes all program expenses forecast for the upcoming year, such as power supply, administrative, debt service, and reserves. As a starting point, we look at how EBCEs 2018 revenue requirement compares to EBCE expected revenue at multiple discount rates to assess their financial impact on EBCE, our customers and our ability to allocate resources to invest in local development.

When considering the appropriate discount to offer customers, it is critical that EBCE weigh costs and benefits of 1) customer bill savings and the associated impact on opt-out, 2) EBCE ability to pay down debt and establish adequate financial reserves, and 3) EBCE ability to fund local development initiatives. The purpose of this presentation is to illustrate these trade-offs, seek feedback on near term priorities and prepare the Board to set EBCEs target discount at the February 7th 2018 Board Meeting.

Attachment:

A. Presentation EBCE Rate Discount Options

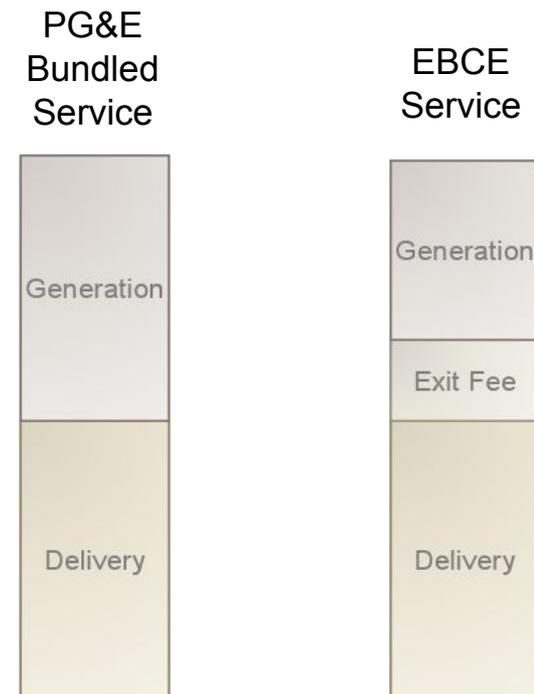
Ratesetting Overview: EBCE Authorities

- Customers enrolled in the EBCE program will pay a single electricity bill that includes EBCE generation charges and PG&E delivery charges – billing to be performed by PG&E.
- The EBCE Board of Directors is responsible for adopting EBCE generation rates.
- The California Public Utilities Commission is responsible for approving PG&E's generation and delivery rates.

Ratesetting Overview: EBCE/PG&E Rate Design Comparison

- All similarly situated customers will pay equivalent delivery charges whether taking service from EBCE or PG&E.
- The primary basis for rate comparison/competition will be focused on generation charges and the PCIA.

- Generation – Fuel and purchased power costs as well as capital, operations and maintenance for owned power plants.
- Exit Fees – Applicable to customers no longer receiving generation services from PG&E:
 - *Power Charge Indifference Adjustment (PCIA)*: Assessed by PG&E for costs related to energy purchased prior to customers departing bundled utility service.
 - *Franchise Fee Surcharge (FFS)*: Relatively small fee to ensure no reduction in the revenues dedicated to PG&E's franchise fee payments to local governments.



Ratesetting Overview: EBCE Rate Design

EBCE Customers will be offered rates that are functionally the same as their current PG&E rates but with the added benefit of a % discount

Residential	E1	E-1, EM (E1M), EM TOU (E1MX), ES (E1S), ESR, ET (E1T), E-6, ETOUA, ETOUB, EVA, EVB; Also differentiated by L (CARE).
Small Light and Power	A1	A-1, A-6, A-15, TC-1; Also differentiated by X (TOU) and L (CARE).
Medium Light and Power	A10	A-10 (differentiated by Transmission, Primary or Secondary service voltage: designated as T, P or S); Also differentiated by X (TOU) and L (CARE).
Medium General Demand	E19	E-19 (differentiated by Transmission, Primary or Secondary service voltage: designated as T, P or S); Also designated V (Voluntary less than 500 kW), and L (CARE)
Large Light and Power	E20	E-20 (Transmission, Primary or Secondary service voltage: designated as T, P or S)
Street Lights	LS	LS-1, LS-2, LS-3, OL-1
Standby	STOU	STOU (Transmission, Primary or Secondary service voltage: designated as T, P or S)
Agriculture	AG1	AG-1 (A, B), AG-4 (A, B, C), AG-5 (A, B, C) AG-R (A, B), AG-V (A, B).

Calculating EBCE's Rates =

PG&E Generation Rate * EBCE Discount - (PCIA + FFS)

Ratesetting Overview: Setting EBCE's Rate Discount

To assess what the right rate discount for EBCE to offer its customers at launch, we first have to assess how different levels of discount impact EBCEs revenue requirement

The revenue requirement includes all program expenses forecast for the upcoming year, such as power supply, administrative, debt service, and reserves

Cost of Operations (Energy + Services + Marketing + Staffing/Overhead)

Debt Service (AlCo start-up + Barclays working K)

Contribution to Energy Reserves (requirement in Energy Risk Management policy to establish reserves for energy market participation)

EBCE Rates (revenues) > EBCE Rev Req

Ratesetting Overview: Setting EBCE's Rate Discount

After ensuring that EBCE has adequate revenue to meet its revenue requirement, the next step is to prioritize the following:

- 1) **Customer bill savings (2%-3% discount):**
 - a) Avg Res: \$7-\$11 annual savings
 - b) Avg Sm Com: \$37-\$55 annual savings
 - c) Avg Lg Com: \$12,000-\$19,000 annual savings

- 2) **Reserves:** set aside additional levels of financial reserves to support faster pay down of debt, collateral for long-term renewables and 'rainy day' funds for changing energy market and regulatory environment

- 3) **Community Development:** setting aside funds for local development initiatives. A 10% surplus target for local development would net \$10m for Community Development annually

Ratesetting Overview: Conclusions and Next Steps

- For EBCE to achieve its goals it needs to find the right balance between offering a compelling value proposition to its customers, being able to build a strong balance sheet and delivering on the promise of local development
- At February 7th meeting, EBCE Staff will bring proposed target rate discount for C&I and Municipal customers



FOR MORE INFORMATION



EBCE.org



[/EastBayCommunityEnergy](https://www.facebook.com/EastBayCommunityEnergy)



[@PoweredbyEBCE](https://twitter.com/PoweredbyEBCE)



info@ebce.org