



**DATE:** March 6, 2018

**TO:** Mayor and City Council

**FROM:** Director of Utilities & Environmental Services

**SUBJECT:** Resolutions Authorizing the City Manager to Purchase Brilliant 100 Electricity from East Bay Community Energy (EBCE) for City Facilities and to Request that EBCE Set Brilliant 100 as the Default Product for all Hayward Customers Served by EBCE

## **RECOMMENDATION**

That Council reviews and comments on this report and considers adoption of the two attached draft resolutions.

## **SUMMARY**

East Bay Community Energy (EBCE) will be serving non-residential customers beginning in June 2018. The EBCE Board of Directors recently voted to offer two products for its first phase of customers in June. The products will be Bright Choice, which will be a minimum of 85% carbon free electricity and Brilliant 100, which will be 100% carbon free. Bright Choice is intended to be the default product for all customers in the community, but some cities may want to choose Brilliant 100 instead to be the default product. The deadline for cities to make this choice is March 5, 2018. In addition, cities can choose Brilliant 100 for municipal facilities. This decision can be made at any time.

## **BACKGROUND**

In December 2016, Hayward joined ten other cities in Alameda County and the County of Alameda to establish a joint powers authority to form EBCE. The cities of Newark and Pleasanton did not join and the City of Alameda is served by its own electric utility. The EBCE Board of Directors meets regularly and meeting packets are available at <http://ebce.org/archive/>. The last report was presented to Council on January 16, 2018, when EBCE's CEO Nick Chaset presented an update on overall program activities and the anticipated timeline for the rest of 2018. All previous Council and Sustainability Committee reports regarding EBCE are available at <http://www.hayward-ca.gov/cce>.

The joint powers agreement for EBCE includes several Recitals including guiding principles stating that EBCE seeks to:

- Provide electricity rates that are lower or competitive with those offered by PG&E for similar products; and
- Develop an electric supply portfolio with a lower greenhouse gas (GHG) intensity than PG&E, and one that supports the achievement of the parties' greenhouse gas reduction goals and the comparable goals of all participating jurisdictions.

All electric utilities, including Pacific Gas and Electric (PG&E), are increasing the percentage of electricity coming from renewable sources. California's renewable portfolio standard (RPS) requires utilities to provide 33% renewable energy by 2020. SB 350, signed into law in October 2015, increases the RPS requirement to 50% by 2030. Under RPS rules, solar, wind, geothermal and small hydroelectric facilities qualify as eligible renewable energy resources. Power from large hydroelectric does not qualify as an eligible resource due to impacts to fisheries and watershed hydrology, but many community choice energy (CCE) programs use it because it is a carbon-free and often a lower cost energy source. In this report, the term "renewable" means renewable energy that meets the state's criteria for an eligible renewable energy resource. The terms "carbon free" and "GHG free" are used interchangeably.

## **DISCUSSION**

The choice of the EBCE default product for Hayward was going to be presented to the City Council Sustainability Committee on March 12, but on Friday, February 23, EBCE announced that a decision must be made by March 5, 2018. Because March 6 was the soonest staff could present this item to Council, staff requested a two-day extension.

All CCE programs in California offer at least two products. Primarily due to cost considerations, the default product typically ranges from 40% to 55% renewable energy and the other product is 100% renewable energy. When a CCA launches and mails opt-out notices, customers have a choice of opting out, doing nothing to automatically enroll in the default product, or opting up to 100% renewable energy for those willing to pay a bit more. One jurisdiction in California, Portola Valley in Peninsula Clean Energy, chose to select 100% renewable energy as their default product and customers had the opportunity to opt down to 50% renewable energy or opt out completely. Portola Valley, a very affluent community and not representative of Alameda County, is the only city to choose 100% renewable energy as the default to date. Portola Valley experienced a 6% opt out rate; 4% of customers opted down to the 50% product, and 90% remain enrolled in Peninsula Clean Energy's "Eco 100" product. Most CCEs that have launched in the last few years have experienced opt out rates of 2 to 3%.

The Bay Area Air Quality Management District (BAAQMD) funded a study to consider the feasibility of using 100% renewable energy as the default product for jurisdictions within EBCE. Tom Kelly, part of the initial consultant team that helped form EBCE, and Ben Foster authored the study. When the study was initiated, it was assumed that EBCE would offer a

100% renewable product at the time of the program’s initial launch. The study set out to determine whether or not a 100% renewable energy default product would achieve individual cities’ climate action goals and how the pricing of such a default product might affect opt out rates.

On February 7, 2018, the EBCE Board of Directors decided to offer customers a default product called Bright Choice that will be sourced from 38% renewable and 47% hydro for a total of 85% GHG free or carbon free electricity. EBCE has indicated that Bright Choice will be offered at rates that are 1.5% less<sup>1</sup> than PG&E rates. The Board decided that the second product, called Brilliant 100, will be 40% renewable and 60% hydro for a total of 100% GHG free electricity and it will be offered at the same price as PG&E rates. EBCE staff has offered that additional products, with higher percentages of renewables may be offered in the future, but not with Phase 1, which will include non-residential accounts starting in June 2018.

One objective of the Kelly and Foster study was to address the concern that a 100% renewable product as a possible default may be too expensive and may be a burden on lower income households. However, because Brilliant 100 will match PG&E rates, Council could decide to make Brilliant 100 the default for all customers in Hayward. Separately, Council may want to consider purchasing Brilliant 100 just for municipal facilities.

The following table is an excerpt from information provided by Tom Kelly and Ben Foster. It shows how Bright Choice and Brilliant 100 compare to the default products of other CCEs.

**Table 1. Comparison of CCE Programs**

	2016							2018		
	PG&E	MCE (Marin Clean Energy)	SCP (Sonoma Clean Power)	PCE (Peninsula Clean Energy)	CPSF (Clean Power San Francisco)	SVCE (Silicon Valley Clean Energy)	RCEA (Redwood Coast Energy Authority)	PG&E*	EBCE Bright Choice	EBCE Brilliant 100
Renewable Content (default product)	33%	55%	42%	50%	40%	50%	42%	42%	38%	40%
Carbon Free (default product)	69%	68%	91%	80%	78%	100%	82%	88%	85%	100%
Residential Rate compared to PG&E	-	-1%	+2%	-5%	+4%	-1%	-3%	-	-1.5%	equal
Non-Residential Rate compared to PG&E	-	+0.5%	+2%	-5%	+2.4%	-1%	-3%	-	-1.5%	equal

\* PG&E Forecast from November 2017 RPS report using statewide IOU average and calculations for carbon free based on PG&E testimony filed on 12/6/2017 for its Energy Resource Recovery Account (ERRA).

<sup>1</sup> The 1.5% discount only applies to the “generation” line item on the PG&E bill. Depending on a customer’s electricity usage, the generation charge may only be approximately half of the total electric charges, so the total savings will be less than 1.5%.

In a February 7 staff report to the Board, EBCE staff presented a recommended power mix for each product and referenced PG&E's power content label from 2016, which shows that PG&E's electricity was 69% carbon free; however, as noted in the table above, PG&E's 2018 power content is forecast to be 88% GHG free. The 38% renewable energy for Bright Choice is the minimum that would be guaranteed and EBCE staff intends to exceed the minimum, but it is possible that EBCE's Bright Choice may have a higher carbon content than PG&E.

One of the key reasons why Hayward joined EBCE was to reduce GHG emissions and meet the goals of the Climate Action Plan. As noted in the 2015 Greenhouse Gas Inventory [report](#) presented to the Council Sustainability Committee on September 11, 2017, Hayward, like almost all other Bay Area cities, is unlikely to meet its 2020 reduction target unless the entire community is enrolled in 100% carbon free energy. Depending on the actual carbon free energy content of Bright Choice and if Council decides on Bright Choice as the default product for the community, it is possible that EBCE will not result in a near term GHG reduction for Hayward.

Each city has the opportunity to choose whether or not to make Brilliant 100 the default for their community; however, EBCE staff have started marketing the program and informing commercial customers that they will see savings on their bills. The first opt-out notices for commercial accounts are scheduled to arrive in mailboxes during the first week of April. Brilliant 100 would eliminate all the GHGs associated with electricity, but it relies on 60% hydro which will most likely come from existing energy facilities and would not result in the development of new renewable sources. If Council chooses Brilliant 100 as the default for all commercial customers, they would have the choice to opt down to Bright Choice or opt out.

The discount relative to PG&E does not appear to be a significant factor in a program's opt out rate. For example, EBCE staff have noted that PCE (with a 5% discount) and SVCE (with a 1% discount) both have similar opt out rates. If Brilliant 100, which is forecasted to have rates equal to PG&E, is chosen as the default for Hayward, we do not know if the opt out rate would be similar to those experienced by other communities.

In addition to Hayward, the EBCE member jurisdictions of Berkeley, Albany, Piedmont, Emeryville, San Leandro, and Oakland are exploring the idea of 100% carbon free as the city-wide default product.

Several jurisdictions, including Corte Madera, El Cerrito, Larkspur, Mill Valley, Napa, Novato, Richmond, Ross, San Rafael, Campbell, Cupertino, Morgan Hill, Mountain View, Saratoga, Sunnyvale, Los Altos, Los Gatos, Gilroy, Los Altos Hills, and the Counties of Marin and Napa have chosen 100% renewable energy from their CCEs for municipal operations. During the Council work session on January 16, 2018, Council members expressed support for purchasing Brilliant 100 for City facilities with the caveat that cost would be a determinant.

## **STRATEGIC INITIATIVES**

This agenda item does not relate to one of Council's three Strategic Initiatives.

## **ECONOMIC IMPACT**

If Bright Choice is chosen as the default for Hayward, residents and businesses would see some savings on their electric bills. As noted above, the 1.5% discount for Bright Choice only applies to the generation charge, which is only a portion of the electric charges on a utility bill. While the typical household would see savings of less than a few dollars each month, large businesses could see much more substantial savings, but still the same 1.5%. If Brilliant 100 is chosen as the default for Hayward, residents and businesses will see no change in their cost of electricity unless they choose to opt down to Bright Choice.

## **FISCAL IMPACT**

The City of Hayward currently spends approximately \$2.2 million on electricity each year. The City uses the Renewable Energy Self-generation Bill Credit Transfer (RES-BCT) tariff, which allows the transfer of excess credits from the Water Pollution Control Facility (WPCF) to other City facilities. EBCE intends to develop a tariff similar to RES-BCT, but not in time for the Phase 1 launch in June. In addition to the WPCF account, there are approximately 45 "benefiting accounts" that cannot be enrolled in EBCE in Phase 1. There are approximately 4,900 other accounts for City facilities including traffic signals and irrigation controllers that will be enrolled in EBCE in June. If Council chooses to enroll the City's eligible accounts in Bright Choice, the City may see a savings of approximately \$10,000 to \$15,000 per year. If Council elects to purchase Brilliant 100, there would be no financial impact to the City and it would be a significant step toward meeting the City's GHG reduction goals.

## **SUSTAINABILITY FEATURES**

Community choice energy was identified in the City's Climate Action Plan as a program with the greatest potential to reduce community-wide GHG emissions. As noted above, if the entire community is enrolled in Brilliant 100, and assuming that opt outs are kept to a minimum, then Hayward could come close to meeting its 2020 reduction target. If large accounts that currently have direct access to wholesale power switch over to EBCE using Brilliant 100, then Hayward could meet its 2020 reduction target. Actual GHG savings resulting from EBCE remain to be seen. It is possible that the Bright Choice product will not offer GHG savings compared to PG&E. Even if GHG reductions are modest at first, the program is expected to provide cleaner electricity over time and develop local renewable energy projects that benefit the local economy.

## NEXT STEPS

The first opt-out notices for commercial accounts are scheduled to arrive in mailboxes during the first week of April. If Council adopts the attached resolutions, staff will inform EBCE in writing. Regardless of Council's decision, staff will work with EBCE to perform outreach to Hayward customers to minimize opt-outs.

*Prepared by:* Erik Pearson, Environmental Services Manager

*Recommended by:* Alex Ameri, Director of Utilities & Environmental Services

Approved by:

A handwritten signature in black ink, appearing to read 'K. McAdoo', is positioned above a horizontal line.

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Kelly McAdoo, City Manager