



**DATE:** July 13, 2020

**TO:** Council Sustainability Committee

**FROM:** Director of Public Works

**SUBJECT:** Review and Comment on a Potential Rate Increase for Electricity from East Bay Community Energy and Provide Direction to Staff

## **RECOMMENDATION**

That the Council Sustainability Committee reviews and comments on this report and provides direction to staff.

## **SUMMARY**

Most Hayward customers currently receive Brilliant 100 (100% carbon free electricity) from East Bay Community Energy (EBCE). EBCE will most likely phase out Brilliant 100 by the end of calendar year 2021. A formal decision by the EBCE Board of Directors is expected this fall. This report presents options and the impacts of each for Council to consider, including changing Hayward's default electricity product effective January 1, 2021. In addition, most of Hayward's municipal facilities receive Brilliant 100. This report also presents the fiscal impacts of changing the municipal facilities to another electricity product. This same report will be presented to Council on July 14, 2020.

## **BACKGROUND**

EBCE formed in 2016 as a joint powers authority to provide cleaner, greener energy at lower rates to Alameda County customers. EBCE started providing electricity to commercial and municipal accounts in June 2018 and to residential customers in November 2018. Information about EBCE is available on their website<sup>1</sup>. Staff has provided many reports about EBCE to the Council Sustainability Committee and Council, all of which are available on the City's website<sup>2</sup>.

Hayward's original Climate Action Plan (CAP) was adopted in 2009. When the CAP was incorporated into the General Plan in 2014, the following greenhouse gas (GHG) emission reduction goals for both the community and municipal operations were included:

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<sup>1</sup> <https://ebce.org/>

<sup>2</sup> <https://www.hayward-ca.gov/your-government/departments/utilities-environmental-services/east-bay-community-energy>

- reduce emissions by 20% below 2005 baseline levels by 2020
- strive to reduce emissions by 61.7% by 2040
- strive to reduce emissions 82.5% by 2050

On June 16, 2020<sup>3</sup>, Council introduced and on June 23, 2020<sup>4</sup>, Council adopted an ordinance amending the General Plan to include the following goals:

- reduce emissions by 20% below 2005 levels by 2020
- reduce emissions by 30% below 2005 levels by 2025
- reduce emissions by 55% below 2005 levels by 2030
- work with the community to develop a plan that may result in the reduction of community-based GHG emissions to achieve carbon neutrality by 2045

When EBCE launched in 2018, three electricity products were offered:

- Bright Choice – The default for most communities. Cleaner electricity (38% renewable) and 1.5% lower rates than PG&E.
- Brilliant 100 – 100% carbon free electricity (40% renewable and 60% large hydro-electric) at rates equal to PG&E.
- Renewable 100 – 100% renewable electricity for one penny per kWh more than PG&E rates.

On March 6, 2018, Council voted to designate Brilliant 100 as the default product for nonresidential customers in Hayward. Council also chose to select Brilliant 100 for all municipal facilities. Non-residential accounts and municipal accounts began receiving EBCE service in June 2018. On May 22, 2018, Council adopted a resolution designating Brilliant 100 as the default electricity product for Hayward’s residential customers. Residential accounts began receiving EBCE service in November 2018. Council chose Brilliant 100 as the default because it would help Hayward meet its GHG emissions reduction goals and because Hayward customers would experience no change in the cost of their electricity.

There are approximately 48,000 residential accounts in Hayward, including approximately 14,000 California Alternate Rates for Energy (CARE) customers and 500 Family Electric Rate Assistance (FERA) customers. The CARE and FERA programs offer discounts to income-qualified customers. Also, approximately 4% of customers in the EBCE territory are Medical Baseline customers. They pay special rates due to equipment or heating/cooling needs related to medical conditions. All EBCE customers who were enrolled in CARE, FERA, or Medical Baseline have remained enrolled in these discount programs after the switch to EBCE. Also, customers in the discount programs and have been enrolled in Bright Choice.

<sup>3</sup> <https://hayward.legistar.com/LegislationDetail.aspx?ID=4568609&GUID=46FF5863-9294-4217-9119-9631D7A2BB6F&Options=&Search=>

<sup>4</sup> <https://hayward.legistar.com/LegislationDetail.aspx?ID=4576651&GUID=4E2F5527-D216-4472-BB79-5D9A37A41AE8&Options=&Search=>

## DISCUSSION

Hayward's participation in EBCE and the Council's selection of Brilliant 100 as the default product have contributed significantly to the community's overall reductions in GHG emissions. Staff recently received Hayward's GHG emission inventory for 2018 and it shows that total emissions fell 21.6% from 2005 to 2018. As noted above, Hayward's goal is to reduce emissions 20% by 2020, so the goal was met two years early. Hayward's 2019 emissions are expected to be even lower because EBCE started midway through 2018 and 2019 will include a full year of EBCE service with Brilliant 100. A detailed report on the 2018 inventory will be provided to the Sustainability Committee this fall.

Since EBCE's inception, it has been fiscally constrained by its promise to maintain rates that are competitive with PG&E. In late 2018 and early 2019 staff was working with EBCE on a potential partnership that would allow the City to sell excess electricity from the solar project at the Water Pollution Control Facility, however EBCE was not able to offer a rate that would make the City's project feasible.

In the last several months, EBCE has faced increasing financial pressures that have made it more difficult to remain competitive with PG&E. The financial challenges have included:

- PG&E has increased rates primarily by increasing the transmission component of the rate while decreasing the generation component. PG&E's generation rate decreased by 8% on May 1, 2020. EBCE competes with PG&E only on generation. The transmission rate is the same for both PG&E customers and EBCE customers.
- The Power Charge Indifference Adjustment (PCIA) increased by 30% as of May 1, 2020. EBCE. The PCIA is sometimes referred to as an "exit fee". It is intended to ensure that customers who switch to EBCE pay for energy that was contracted by PG&E to serve them prior to their switch. Because EBCE maintains rates competitive with PG&E, when the PCIA increases, it reduces EBCE's margin. EBCE and other community choice energy programs throughout California are working with the California Public Utilities Commission to reduce the PCIA.
- Unpaid bills or "uncollectables" are estimated to increase from 0.5% to 2.5% in anticipation of COVID recessionary impacts.
- Procurement costs for Brilliant 100 have been higher than expected. While the difference in rates between Bright Choice and Brilliant 100 is 1.5%, the costs of providing Brilliant 100 exceeds 1.5% higher. As a result, according to EBCE, Brilliant 100 is currently being subsidized by Bright Choice.

On April 22, 2020, the EBCE Board declined to accept an allocation of nuclear energy attributes from PG&E, which would have saved EBCE approximately \$7 million during 2020 and 2021. Also on April 22, 2020, the EBCE Board voted to establish a power content procurement floor so that renewable energy content is now the benchmark for comparing EBCE's power content to that of PG&E. Prior to this, EBCE was comparing its non-renewable (large hydro) carbon free power to PG&E's non-renewable carbon free power, which includes both large hydro and nuclear. These two decisions have made it more difficult for Brilliant 100 to remain competitive with PG&E.

During the EBCE Board meeting on May 20, 2020, EBCE staff presented an informational item about the 2020/2021 budget with a proposal to set the rate for Brilliant 100 at a 3% premium

above PG&E rates and to decrease the discount for Bright Choice. It was noted that every 0.5% of the discount for Bright Choice equals \$2.7million in incremental revenue and that every 1% in Brilliant 100 premium equals \$1million in revenue (assuming no change to enrolled load).

During the staff presentation at the June 17, 2020, Board meeting EBCE staff noted that if the rate structure remains unchanged, the LDBP budget would need to be reduced by \$2.7 million for the coming year. At the Board meeting, EBCE staff recommended:

- No changes to the Brilliant 100 value proposition (i.e. maintain rate parity with PG&E) for the balance of 2020
- Close Brilliant 100 to new accounts and opt-ups effective July 1, 2020.
- Present 2021 Brilliant 100 options in September for Board action in Q4 2020
- Phase out Brilliant 100 by the end of 2021.
- Establish a rate for Brilliant that reflects the cost of the service – either 2.5% or 3% more than PG&E. This increase would likely go into effect on January 1, 2021.
- Effective in September, change the power mix for Brilliant 100 from 40% renewable to 33% renewable for remainder of 2020 to match the state's minimum renewable portfolio standard (RPS). Then the renewable content would be 35.8% in 2021 to match the RPS for that year.

There were many public comments on EBCE's budget during the June 17 Board meeting and several people made comments regarding Brilliant 100. All the speakers were in favor of phasing out Brilliant 100. Comments included:

- the use of large hydro-electric power perpetuates environmental racism
- if people want electricity with low GHGs, they should go with Renewable 100
- large hydro is a false solution while renewable energy creates local jobs

When the Board approved the budget on June 17, the Board voted to:

- Change the discount for Bright Choice from 1.5% to 1.0% below PG&E rates effective July 1, 2020.
- Consider changes to Brilliant 100 – to be decided this fall.
- Maintain the rate for Renewable 100 at \$0.01/kWh more than PG&E rates.

Options for Hayward – At this time, staff has identified the following options for Council's consideration. After a formal decision regarding Brilliant 100 is made by the EBCE Board, likely in September, staff will return to Council with a recommended course of action.

1. Change Hayward's default to Bright Choice effective January 1, 2021. This would result in most customers in Hayward paying 1% less (approximately \$1.00 per month for a typical residential customer) on their electricity bill compared to PG&E rates.
2. Keep Hayward's default as Brilliant 100 through the end of 2021. This would result in most Hayward customers paying 2.5 to 3% more for their electricity during calendar year 2021. Effective January 1, 2022, Hayward's default product would need to be changed to either Bright Choice or Renewable 100.

3. Change default to Renewable 100 effective January 1, 2021. Staff does not recommend this option as it would result in most customers in Hayward paying \$0.01/kWh more than PG&E rates. An average residential customer would pay approximately 4% to 5% more or approximately \$4 per month. If Renewable 100 is chosen as the default product, CARE, FERA or Medical Baseline could remain with Bright Choice however, there are likely many customers that are eligible for CARE/FERA/Medical Baseline, but they may be unaware of the programs and so they would pay the higher rates. There are also many residential customers that are just above the income thresholds for CARE and FERA so they don't qualify for the discount, but they may still suffer from financial challenges. Even for residential and commercial customers who have managed to maintain their income during the current pandemic, there may be some who will argue that the general economic conditions make this the wrong time to increase rates.

If EBCE is able to create a new product or other options with more of a compromise in terms of GHG emissions and price, staff will present them at a future meeting.

## ECONOMIC IMPACT

Following are rate comparisons for a few typical customers showing rates that were effective May 1, 2020. A comprehensive list of rate comparisons is available on the EBCE website<sup>5</sup>. The comparisons will be updated soon to reflect the new Bright Choice differential of 1% from PG&E rates. Average monthly bill amounts represent a snapshot in time. In some cases, the value propositions (such as Brilliant 100 being equal to PG&E) are only evident when viewing 12 months of billing data.

Residential customer (monthly usage of 359 kWh):

Residential: E-1	PG&E	PG&E Solar Choice (100% Renewable)	EBCE Bright Choice	EBCE Brilliant 100 (100% Carbon-free)	EBCE Renewable 100 (100% Renewable)
Generation Rate (\$/kWh)	\$0.11752	\$0.09410	\$0.08177	\$0.08353	\$0.09353
PG&E Delivery Rate (\$/kWh)	\$0.15298	\$0.15298	\$0.15298	\$0.15298	\$0.15298
PG&E PCIA/FF (\$/kWh)	N/A	\$0.02979	\$0.03045	\$0.03045	\$0.03045
Total Electricity Cost (\$/kWh)	\$0.27050	\$0.27687	\$0.26520	\$0.26696	\$0.27696
Average Monthly Bill (\$)	<b>\$97.11</b>	<b>\$99.39</b>	<b>\$95.20</b>	<b>\$95.84</b>	<b>\$99.43</b>

Small commercial customer (monthly usage of 1,518 kWh):

Commercial/Industrial: A-1 TOU (A-1X)	PG&E	PG&E Solar Choice (100% Renewable)	EBCE Bright Choice	EBCE Brilliant 100 (100% Carbon-free)	EBCE Renewable 100 (100% Renewable)
Generation Rate (\$/kWh)	\$0.11565	\$0.07370	\$0.08135	\$0.08308	\$0.09308
PG&E Delivery Rate (\$/kWh)	\$0.14932	\$0.14932	\$0.14932	\$0.14932	\$0.14932
PG&E PCIA/FF (\$/kWh)	N/A	\$0.04065	\$0.03257	\$0.03257	\$0.03257
Total Electricity Cost (\$/kWh)	\$0.26497	\$0.26367	\$0.26324	\$0.26497	\$0.27497
Average Monthly Bill (\$)	<b>\$402.34</b>	<b>\$400.36</b>	<b>\$399.71</b>	<b>\$402.34</b>	<b>\$417.40</b>

<sup>5</sup> <https://ebce.org/wp-content/uploads/EBCE-Web-Comparison-May2020-new-EBCE-bill-format-2.pdf>

Large commercial customer (monthly usage of 263,181 kWh):

Commercial/Industrial: E-19 S	PG&E	PG&E Solar Choice (100% Renewable)	EBCE Bright Choice	EBCE Brilliant 100 (100% Carbon-free)	EBCE Renewable 100 (100% Renewable)
Generation Rate (\$/kWh)	\$0.11077	\$0.07230	\$0.07696	\$0.07862	\$0.08862
PG&E Delivery Rate (\$/kWh)	\$0.09000	\$0.09000	\$0.09000	\$0.09000	\$0.09000
PG&E PCIA/FF (\$/kWh)	N/A	\$0.04013	\$0.03215	\$0.03215	\$0.03215
Total Electricity Cost (\$/kWh)	\$0.20077	\$0.20243	\$0.19911	\$0.20077	\$0.21077
Average Monthly Bill (\$)	<b>\$52,838.76</b>	<b>\$53,275.64</b>	<b>\$52,401.88</b>	<b>\$52,838.76</b>	<b>\$55,470.66</b>

## FISCAL IMPACT

In addition to Brilliant 100 being the default product for the community, the City has approximately 450 municipal accounts enrolled in Brilliant 100. (The City's nine accounts that are part of the RES-BCT<sup>6</sup> arrangement are not enrolled in EBCE.) The City spends approximately \$2.2 million annually on electricity. For the City's accounts that are enrolled in EBCE (Brilliant 100), the City spends approximately \$585,000 per year. If the City keeps its accounts enrolled in Brilliant 100 and rates are increased by 3%, annual costs will increase to approximately \$602,000. If the City's accounts are changed to Renewable 100, then annual costs would increase to approximately \$656,000. If municipal accounts are changed to Bright Choice, annual costs would be \$579,000. The above estimates are based on 2019 expenditures and do not account for annual increases that result from increases in PG&E rates.

Approximate Annual Costs	Total
Current spending on City accounts enrolled in Brilliant 100	\$585,000
If City keeps its accounts enrolled in Brilliant 100	\$602,000
If City's accounts are changed to Renewable 100	\$656,000
If City's accounts are changed to Bright Choice	\$579,000

## STRATEGIC ROADMAP

This agenda item relates to the Strategic Priority of Combat Climate Change. Specifically, this agenda item relates to the implementation of the following project:

- Project 2: Work with EBCE to transition citywide electricity use to 100% carbon free (beginning in FY21)
- Project 3: Transition electricity use in city operations to 100% renewable energy (beginning in FY22)
- Project 4: Adopt and implement 2030 GHG Goal and Roadmap (beginning in FY21)

<sup>6</sup> RES-BCT is the renewable energy self-generation bill credit transfer program. It is a PG&E program that allows excess bill credits from renewable energy generation at the Water Pollution Control Facility to be applied to other City facilities.

## **SUSTAINABILITY FEATURES**

Community choice energy was identified in the City's Climate Action Plan as the program with the greatest potential to reduce community-wide GHG emissions. As noted above, Hayward's participation in EBCE has resulted in the 2020 GHG reduction goal being met two years early. Later this year when PG&E data becomes available, staff will update the GHG inventory for calendar year 2019, which was the first full year of EBCE service.

In addition to EBCE's efforts to deliver electricity that is clean than PG&E, EBCE is actively implementing its Local Development Business Plan (LDBP), which includes programs for building electrification and \$4.6 million for the development of electric vehicle charging infrastructure throughout Alameda County in 2020-2021. Full implementation of the LDBP is expected to result in the development of approximately 400 megawatts of new renewable energy facilities by 2025, which would result in significant further reductions in GHG emissions.

## **PUBLIC CONTACT**

The EBCE Board discussed rates during their meetings on May 20, 2020 and June 17, 2020. EBCE facilitated a Public Comment Period from Friday, May 22, 2020 through Sunday, June 7, 2020; hosted two online webinars on Tuesday, June 2 and Wednesday, June 3; and hosted an audio-only meeting on Friday, June 5.

## **NEXT STEPS**

Staff will present this item to Council during a work session on July 14, 2020. Staff will relay the Committee's comments to Council.

*Prepared by:* Erik Pearson, Environmental Services Manager

*Recommended by:* Alex Ameri, Director of Public Works

*Approved by:*



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Kelly McAdoo, City Manager