

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 10

To: Community Advisory Committee

From: Mitch Sears, Interim General Manager
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Subject: Bill Protection in the Time-of-Use (TOU) Transition

Date: February 24, 2022

RECOMMENDATION

That the Board of Directors adopt Bill Protection Option 3, in which customers can call and request bill protection if they choose to remain on the Time of Use rate for a full 12 months.

BACKGROUND and ANALYSIS

Since April of 2021, VCE's residential customers have been transitioning from flat, tiered rates to time-of-use (TOU) rates. TOU rates are designed to better reflect the wholesale energy market and grid conditions, and encourage customers to use electricity midday/overnight, when renewable/low-carbon energy is more abundant. VCE's residential TOU transition began with NEM customers in March 2021, and the remainder of eligible customers (about 12,500 accounts) will be transitioned in April 2022.

Since nearly 20% of VCE's residential customers will be moved to ETOU-C, VCE staff is analyzing the fiscal and customer impacts of providing bill protection for newly transitioning TOU customers. PG&E is required to provide automatic bill protection for customers that stay on the TOU rate for 12 months. CCAs are not required to participate in the TOU transition, nor provide bill protection, but most CCAs are participating and providing some type of bill protection.

Most residential customers will be minimally affected by the change to TOU- about 51% would pay slightly more, with most bill impacts in the \$1-2/month range. Although the estimated customer impacts are limited, to enable a successful transition and ease any potential customer impacts, staff is recommending that VCE provide a measured bill protection program. Note: Low-income CARE/FERA customers in hot climate zones (including Yolo County) will not be automatically transitioned.

Bill Protection Options

Costs vary depending on the approach to bill protection. Working with SMUD, staff has estimated the cost for 4 different options:

| Bill Protection Option | Estimated Cost | Notes |
|--|--|--|
| 1. Standardized \$25 credit | Total: \$300,000-\$312,500 | One-time \$25 bill credit for all residential TOU customers that stay on the rate for 12 months |
| 2. Upon request by customer – Bill Calculation | <ul style="list-style-type: none"> • \$15,000 for billing engine tool • \$85 per account calculation • \$12,000-\$15,000 for bill protection credit • Total: \$78,000-81,000¹ | Manual calculation in which customers call in and are eligible for a “backwards looking” bill protection credit after 12 months on the rate. |
| 3. Upon request by customer – Standardized \$25 credit | <ul style="list-style-type: none"> • \$15,000 - \$40,000² | One-time \$25 bill credit for residential TOU customers that opt for bill protection and stay on the rate for 12 months. |
| 4. Automatic for all eligible customers | <ul style="list-style-type: none"> • \$22,500+ for billing engine tool • \$120,000-\$150,000 for bill protection credit • Total: \$142,500-\$172,500³ | Tool estimate of \$22,500 could increase. |

Staff recommends that VCE provide bill protection option 3, standardized credit upon customer request. Recognizing that this approach trades a certain amount of precision in calculating bill impacts for simplicity, staff believes it provides an appropriate balance resulting in a measured approach to potential customer impacts while avoiding inefficient and burdensome program administration costs. This is the least-cost option that is also easiest to implement and the call-in approach is similar to East Bay Community Energy’s approach in its residential TOU bill protection program. As part of TOU outreach efforts, VCE could include customer bill protection options.

Financial Impact: Estimate varies depending on option, from \$0-\$312,500. Should the CAC recommend option 3, the estimated fiscal impact is a one-time \$15k to \$40k in CY 2023. TOU bill protection would end after the 12-month transition period – no associated costs going forward.

CONCLUSION

Staff is seeking a recommendation on bill protection approach from the Community Advisory Committee to the Board of Directors.

¹ Assuming that of 6,000 eligible customers, 10% request bill protection. The average credit would be \$20-25. The high end of the range in total cost is unlikely as only 2-3% of customers are likely to call and request bill protection.

² Assuming 10-20% of eligible customers call to request bill protection

³ Assuming \$20-\$25 credit for 6,000 eligible customers