

VALLEY CLEAN ENERGY ALLIANCE

Staff Report - Item 16

TO: Board of Directors

FROM: Mitch Sears, Interim General Manager
Jim Parks, Director of Customer Care and Marketing

SUBJECT: Adoption of Residential Time of Use Rates and First Year Bill Protection

DATE: September 12, 2019

STAFF RECOMMENDATION

Adopt the PG&E Residential Time of Use rates in VCE service area and provide first-year bill protection to new RTOU customers.

BACKGROUND

PG&E is required by the CPUC to implement residential time of use (RTOU) rates as the default rate for eligible residential customers. Adoption of the new rate is optional for Community Choice Aggregators (CCAs).

PG&E has been working closely with CCAs to ensure a smooth transition across PG&E service territory. Currently 7 of the 12 CCAs in PG&E service territory have approved the transition to RTOU rates. The list includes East Bay Community Energy, Sonoma Clean Power, Silicon Valley Clean Energy, Redwood Coast Energy Authority, Peninsula Clean Energy, King City Community Power, and Monterey Bay Community Power. Other CCAs have staff recommendations to approve the rates but have not received final approval from their respective boards.

RTOU pilot studies were performed with two CCAs, MCE and Sonoma Clean Energy, along with studies completed by PG&E. The results showed that RTOU rates helped reduce electrical loads during peak periods. In hot climates (Yolo County), the load reduction averaged 5.2%. SMUD performed a similar study in 2012-2013 and showed similar results of 5.9% peak load reduction due to RTOU.

The RTOU rates will be phased in over a 13-month period beginning October 2020. If the VCE Board of Directors approves the adoption of the RTOU rates, they will go into effect in February 2021. Eligible customers on the E1 rate will be defaulted to the new rate but will have the option to choose to stay with the E1 rate. A rate analysis will be provided to customers 90 days prior to implementation that provides information on their different rate options, including the default RTOU rate and their existing rate. Approximately 20,000 VCE customers are eligible for the rate, or 47% of E1 customers.

RTOU information was first presented to the VCE Board at the March 2019 meeting. A follow-up presentation was provided by PG&E at the May board meeting. The CAC also had several

presentations and worked with VCE and PG&E staff over the course of several months to gather information and answer questions. A public workshop was held on August 23 and the public response was generally positive. Following the workshop, the CAC met and approved a recommendation to the VCE board to approve the RTOU rates and provide first-year bill protection.

STAFF RECOMMENDATIONS

Adoption of the PG&E RTOU rate and first year bill protection.

Staff believes that the following key factors support this recommendation:

- TOU rates are proven to reduce electrical loads during peak periods. This provides multiple benefits including:
 - Reduce impacts of overloading on the grid during peak periods.
 - Reduce the cost of purchased power during peak periods.
 - Reduce the use of expensive, GHG emitting peak power plants during peak periods.
 - Provide customers with higher levels of control over their electricity bills.
- Note: Staff believes it is also helpful if VCE mirrors PG&E rates in this instance so that customers can easily compare VCE and PG&E rates.
- Bill protection:
 - PG&E will offer bill protection.
 - If VCE does not offer bill protection, the likelihood of customers opting out may increase.
 - Minimal fiscal impact on VCE.

These recommendations in no way change VCE's ability to set rates at any time.