

# VALLEY CLEAN ENERGY ALLIANCE

## Staff Report – Agenda Item 17

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**TO:** Valley Clean Energy Alliance Board of Directors

**FROM:** Mitch Sears, Interim General Manager  
Jim Parks, Director of Marketing & Customer Care  
Christopher Cole, Key Account Manager

**SUBJECT:** Peak Day Pricing (PDP) Pilot Program

**DATE:** May 10, 2018

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### RECOMMENDATION

Staff is recommending the Board adopt a resolution establishing a Peak Day Pricing Pilot Program that provides alternatives for certain VCE commercial, industrial and agricultural customers participating in PG&E's Peak Day Pricing program.

### BACKGROUND

Peak Day Pricing is a PG&E program dating back to 2010 that provides commercial, industrial and some agricultural customers with a discount on their energy rates from May 1 through October 31 (summer tariff season) in exchange for a significantly higher rate between 2 PM and 6 PM for up to 15 Peak Day Events per year. A customer may or may not save money in any given year, depending on their response to the peak day event and the amount of energy used during the event. Most customers were automatically enrolled in PG&E's PDP program, and although many customers do not save money they have not opted out, perhaps because they are unaware of their involuntary participation. PDP customers are eligible for CCA enrollment; however, the program does not carry over once customers have been switched over to VCE service. This results in significant opt-out risk among some of VCE's largest customers.

### ANALYSIS AND DISCUSSION

Currently, PG&E has 3,600 PDP customers located in VCE territory, of which 450 PDP customers are medium to large commercial, industrial and agricultural customers. These 450 PDP customers are currently on tariff rates A10, AG-4, AG-5, E-19 and E20. Staff recommends that VCE establish a pilot program to provide an opportunity to study issues related to Peak Day Pricing and provide alternatives for certain VCEA commercial, industrial and agricultural customers participating in PG&E's PDP program. The recommended Pilot Program would concentrate initially on the 450 PDP customers in the five tariff classifications listed above (i.e. A10, AG-4, etc). These are the largest customers on PDP and are the most likely to be aware of the program and to have financially material outcomes.

### **E-19 and E-20 Customers:**

E-19 and E-20 customers are primarily large commercial & industrial customers and there are approximately 145 customers in these rate classes.

Staff recommends that VCE contact all E-19 and E-20 PDP customers and inform them that as a VCE customer, they will no longer be eligible for PG&E's PDP program. If the customer would like to continue to participate in PDP, VCE will mitigate opt-out risk by providing them with VCE's Competitive Offer which is designed to offset any discount lost by having been switched over to VCE service. VCE's Competitive Offer will be an annual bill credit for any loss by the customer for not being on PG&E's PDP program. VCE will include all PDP Service Address IDs, regardless of tariff designation that the customer may have in the annual calculation. In addition, the customer will receive VCE's standard 2.5% reduction on the generation portion of the monthly bill.

In exchange, the customer agrees to follow the current PG&E PDP program of managing their electric costs by reducing their load between 2 PM and 6 PM for up to 15 Peak Day Events per year during the summer tariff season, May 1 - October 31. If the annual bill credit calculation, confirms that the customer did not save any money on VCE's Competitive Offer program and the customer's usage pattern is expected to continue, they can be dropped from VCE's Competitive Offer program.

### **A-10, AG-4 and AG-5 Customers:**

A-10, AG-4 and AG-5 customers are primarily medium size commercial and large agricultural customers. There are approximately 305 customers in these rate classes.

VCE will analyze the billing data of all customers in these rate classes and create two lists:

**List 1)** PDP customers for which the 2.5% Generation savings is less than the PDP benefit

**List 2)** PDP customers for which the 2.5% Generation savings is greater than the PDP benefit.

Staff recommends that VCE send a letter to all PDP customers on List 1 informing them that as a VCE customer, they are no longer eligible for PG&E's PDP program. We will inform the customer of the possible financial impact of being removed from PGE's PDP and describe all the benefits of VCE. VCE will give the customer the option to opt-out of VCE if they so choose.

Staff recommends that PDP customers on List 2 be automatically dropped from PDP by PG&E when they move to VCE. They will receive standard opt-out notices the same as other customers.

### **FISCAL IMPACTS**

There are one-time and on-going costs associated with this Pilot Program for the Board's consideration:

- VCE will incur a one-time cost to perform the analysis of billing data for all PDP customers in rate classes A-10, AG-4, AG-5; cost for this is expected not to exceed \$7,600.
- VCE will incur a one-time cost of approximately \$1,000 to send letters to PDP customers on List 1.
- VCE will incur a recurring cost of approximately \$200 per customer per year to perform the annual "true-up" bill calculation required for customers with a VCE Competitive Offer.
- VCE will incur costs associated with "making customers whole" for those that participate in VCE's Competitive Offer. Those costs are TBD at this time, but could range from \$130,000 - \$400,000 per year.

**CONCLUSION**

Staff recommends VCE adopt a Peak Day Pricing Pilot Program that mitigates opt-out risk by providing alternatives for A-10, AG-4, AG-5, E-19 and E-20 customers that are currently on PG&E's PDP program. VCE will review the Pilot Program in early 2019 and may revise certain elements, including the potential to serve former PDP customers in other rate classes, once an analysis of the program's costs and effectiveness has been evaluated.

**Attachments**

1. Resolution
2. Peak Day Pricing Pilot Program

**VALLEY CLEAN ENERGY ALLIANCE  
RESOLUTION NO. 2018- \_\_\_\_\_**

**A RESOLUTION OF THE VALLEY CLEAN ENERGY ALLIANCE ADOPTING A  
PEAK DATE PRICING (PDP) PILOT PROGRAM**

**WHEREAS**, the Valley Clean Energy Alliance (“VCEA”) is a joint powers agency established under the Joint Exercise of Powers Act of the State of California (Government Code Section 6500 et seq.) (“Act”), and pursuant to a Joint Exercise of Powers Agreement Relating to and Creating the Valley Clean Energy Alliance between the County of Yolo (“County”), the City of Davis (“Davis”), and the City of Woodland (“City”) (the “JPA Agreement”), to collectively study, promote, develop, conduct, operate, and manage energy programs; and

**WHEREAS**, Peak Day Pricing (PDP) is a PG&E program dating back to 2010 that provides commercial, industrial and some agricultural customers with a discount on their energy rates from May 1 through October 31 (summer tariff season) in exchange for a significantly higher rate between 2 PM and 6 PM for up to 15 Peak Day Events per year; and

**WHEREAS**, PG&E’s PDP Program does not carry over once customers have been switched over to VCEA service; and

**WHEREAS**, in order to provide an opportunity to study issues related to Peak Day Pricing and provide alternatives for certain VCEA commercial, industrial and agricultural customers participating in PG&E’s PDP program, VCE is establishing a Peak Day Pricing Pilot Program.

**NOW, THEREFORE**, the Board of Directors of the Valley Clean Energy Alliance hereby adopts a Peak Day Pricing Pilot Program (Exhibit A).

**PASSED, APPROVED AND ADOPTED** at a regular meeting of the Valley Clean Energy Alliance, held on the \_\_\_\_ day of \_\_\_\_\_, 2018, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

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Lucas Frerichs, Chair

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Secretary

Approved as to form:

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EXHIBIT A – Peak Day Pricing Pilot Program

## EXHIBIT A

### VALLEY CLEAN ENERGY ALLIANCE PEAK DAY PRICING PILOT PROGRAM

Valley Clean Energy (VCE) is establishing a Peak Day Pricing Pilot Program in order to provide an opportunity to study issues related to Peak Day Pricing and provide alternatives for certain VCEA commercial, industrial and agricultural customers participating in PG&E's PDP program. VCE's Peak Day Pricing Pilot Program will concentrate initially on the commercial, industrial and agricultural customers participating in PG&E's Peak Day Pricing (PDP) program. These PDP customers are currently on tariff rates A10, AG-4, AG-5, E-19 and E20.

#### **E-19 and E-20 Customers:**

VCE will contact all E-19 and E-20 PDP customers and inform them that as a VCE customer, they will no longer be eligible for PG&E's PDP program. If the customer would like to continue to participate in PDP, VCE will mitigate opt-out risk by providing them with VCE's Competitive Offer which is designed to offset any discount lost by having been switched over to VCE service.

VCE's Competitive Offer will be an annual bill credit for any loss by the customer for not being on PG&E's PDP program. VCE will include all PDP Service Address IDs, regardless of tariff designation that the customer may have in the annual calculation. In addition, the customer will receive VCE's standard 2.5% reduction on the generation portion of the monthly bill.

In exchange, the customer agrees to follow the current PG&E PDP program of managing their electric costs by reducing their load between 2 PM and 6 PM for up to 15 Peak Day Events per year during the summer tariff season, May 1 - October 31.

#### **A-10, AG-4 and AG-5 Customers:**

VCE will analyze the billing data of all customers in these rate classes and create two lists:

**List 1)** PDP customers for which the 2.5% Generation savings is less than the PDP benefit

**List 2)** PDP customers for which the 2.5% Generation savings is greater than the PDP benefit.

VCE will send a letter to PDP customers on List 1 informing them that as a VCE customer, they are no longer eligible for PG&E's PDP program. We will inform the customer of the possible financial impact of being removed from PGE's PDP and describe all the benefits of VCE. VCE will give the customer the option to opt-out of VCE if they so choose.

PDP customers on List 2 will be automatically dropped from PDP by PG&E when they move to VCE. They will receive standard opt-out notices the same as other customers.