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Staff Report for a Resolution of the City of San Leandro City Council to Upgrade Residential and Commercial/Industrial Customers to East Bay Community Energy (EBCE) Renewable 100 Plan

SUMMARY AND RECOMMENDATION

Staff recommends that the City Council adopt a resolution to upgrade the default rate for East Bay Community Energy (EBCE) residential and commercial/industrial customers from the current *Bright Choice* rate plan to the *Renewable 100* rate plan. Implementation for residential customers would begin in March 2022, and for commercial/industrial customers in October 2022.

BACKGROUND

When the EBCE Joint Powers Authority (JPA) was formed in 2018, three levels of service or products for its customers were established as follows:

- ***Bright Choice*** - basic service level at a 1% discount to PG&E rates with a minimum of 5% more renewable energy than PG&E's annual forecast.
- ***Brilliant 100*** - 100% carbon-free service set at the same rate as PG&E (closed to new customers in original service territory as of August 1, 2020).
- ***Renewable 100*** - 100% California wind and solar power set at $0.01 (one cent) per kWh over PG&E rates.

When rolled out to residential and commercial customers, the City's default rate at that time was *Bright Choice*; a decision that was brought to the City Council for consideration prior to initiating. At the same time, the City chose the *Brilliant 100* rate for all municipal accounts.

Analysis

Many EBCE member jurisdictions have Climate Action Plans (CAPs) with specific greenhouse gas (GHG) emission reduction goals to be achieved by specific dates. Customers receiving *Brilliant 100* or *Renewable 100* service achieve additional GHG emissions savings that contribute to cities meeting their CAP goals. Three city councils (Albany, Hayward, and Piedmont) passed resolutions in 2018 requesting *Brilliant 100* or *Renewable 100* service as the default option at the time of the initial program launch. Pleasanton's City Council likewise passed a resolution requesting *Brilliant 100* as the City's default option at its initial enrollment in 2021.

More recently, to continue making progress toward the GHG reduction goals of their respective CAPs, and in light of EBCE's closure of the *Brilliant 100* product, the city councils of Albany, Berkeley, Dublin, Hayward, and Pleasanton adopted resolutions requesting EBCE to:

- Set *Renewable 100* as the default electricity product for most residential and commercial customers (the City of Dublin's City Council decision was limited to residential customers for the time being); and,

- Set *Bright Choice* as the default electricity product for customers on discount programs such as CARE, FERA, and/or Medical Baseline.

In March 2021, EBCE established a new Default Rate Product Change Policy. This new policy allows for any EBCE member agency to change the default rate product only one (1) time every two (2) years. EBCE will cover the costs associated with a JPA member's first change to a default rate product. For any subsequent approved change, the member agency must cover EBCE's administrative costs, such as operational adjustments and customer notifications. It is noted that EBCE does not require a resolution approving opt-ups for municipal accounts, and the administrative costs described above do not apply. The City is currently in process with this transition, opting up all municipal accounts from the current *Brilliant 100* rate plan (which will cease as of 12/31/21) to *Renewable* 100, with the first accounts cycles' anticipated to begin this October.

Because the cities of Albany, Hayward, and Pleasanton initially chose *Brilliant 100* as their default product, they are not subject to the Change Policy and will begin implementation of the opt-up to *Renewable 100* in January 2022.

The cities of Dublin, Berkeley, and San Leandro, who chose *Bright Choice* as the default service option, are subject to the Change Policy. Default products must be approved by the EBCE Board six (6) months in advance of implementation, which occurs twice a year in March and October (Board approval in September for March implementation, and April Board approval for October implementation). This timeline provides EBCE staff sufficient time to plan for additional renewable energy procurement and other operational adjustments, as well as to notify customers and conduct community outreach.

The City of Berkeley's City Council voted to request separate enrollment timelines for residential and commercial customers. Staff believes this option is also optimal for San Leandro businesses, especially those that operate on a fiscal year basis, as it allows for better alignment with upcoming fiscal budgets. This means that residents would begin to transition in March 2022 and businesses in October 2022. It is noted that transitions are not done all at once but are based on the individual

billing cycle date of the resident/business customer account. With a March implementation, the first residents would begin to see the change on their April bill, but some may not see the full effect of the opt-up until their May bill.

Electricity customers that have previously opted out of EBCE service will not be enrolled in the new *Renewable 100* rate and will remain with PG&E for their electric generation service. Additionally, although the City will be setting the default rate to *Renewable 100,* existing EBCE customers may still choose to remain on *Bright Choice.*

The current citywide opt-out rate, as reported by EBCE, is approximately 5.5% (approximately 1,960 accounts out of a citywide total of approximately 35,579 accounts, including both residential and commercial/industrial customers). The initial opt-out rate was approximately 3.5%, with increases typically tied to seasonal rate changes/usage increases in the summer when bills are often higher. Among these opt-outs, approximately 97% are residential customers, while 3% are commercial/industrial customers. Please note that if measured by electricity load (rather than number of accounts), the kWh/MWh of those opted-out commercial/industrial customers are more than double the load of all the City's residential opt-outs combined. With this data in hand, staff will make extra outreach efforts to the commercial/industrial sector.

Existing EBCE customer accounts are broken out as follows (percentages are rounded, so the total is not exactly 100%):

- 99% of customers are in *Bright Choice* (approximately 88% are residential accounts and 12% are commercial/industrial accounts);

- 0.9% of customers initially opted up to *Brilliant 100*. Approximately 90% of these are the City's own municipal accounts, with the remaining 10% being residential customers; and

- 0.3% of customers (all residential accounts) initially opted up to *Renewable 100*.

The City of San Leandro has a unique opportunity to opt-up all accounts, excluding residential customers in low-income assistance programs, into *Renewable 100,* an electricity service plan, with minimal cost to the City and while empowering residents to opt-down at any time.

By adjusting the default service to *Renewable 100*, this single action could result in as much as a 3% immediate reduction in the City's reportable GHG emissions, contingent upon the number of accounts that agree to keep the new opt up rate. Additionally, through higher participation in the *Renewable 100* service plan, San Leandro is supporting the California solar and wind energy sectors, as well as continuing to support EBCE's local green jobs program.

It is noted that because the City's municipal accounts were set at the *Brilliant 100* rate plan, formal Council action is not required under EBCE's Change Policy and staff has begun the process to implement the opt-up to *Renewable 100* for all municipal accounts.

Current Agency Policies

The recent adoption of the City's 2050 Climate Action Plan includes the following implementation action item:

- RE-1 Encourage San Leandro households and businesses to switch from PG&E electricity supplies to East Bay Community Energy and commit to defaulting to *Renewable 100* tier for 100-percent renewable energy.

Committee Review and Actions

Consideration of this action was presented to the City Council Facilities & Transportation Committee at its September 1, 2021 meeting. As submittal of this report predated that meeting, a verbal update of the Committee's discussion will be presented at the Council Meeting.

Summary of Public Outreach Efforts

With the first group of cities starting implementation in January, EBCE held an initial coordination meeting with staff of all the member cities in mid-August to discuss public outreach. It is intended that customer communications will include the two notifications that are required by EBCE's Change Policy. Additional outreach and communications will be determined based on individual coordination with each city's staff. With the first cohort being ahead of San Leandro, staff hopes to learn what worked in the other jurisdictions to help shape San Leandro's specific outreach. If San Leandro adheres to the March/October schedule in EBCE's Change Policy, there will be no cost outlay (other than staff time) for public outreach.

Fiscal Impacts

The proposed default *Renewable 100* rate represents a one cent/kWh increase, or about a 4-6% increase, depending upon the rate class. Based on 2019 data for an average EBCE E1 Rate Schedule, for a residential customer consuming 359 kWh/month, the switch from *Bright Choice* to *Renewable 100* will cost an average $4.02/month as compared to *Bright Choice*, and $3.49 more than PG&E's basic service rate.

Based on 2019 data for an average EBCE A1 Rate Schedule, for a business customer consuming 1,518 kWh/month, the switch from *Bright Choice* to *Renewable 100* will cost an average $17 more per month as compared to *Bright Choice*, and $15 more than PG&E's basic service rate.

For the approximate 260 municipal accounts, which range from irrigation clocks and street lights to all public buildings, the City's energy consultant, DERNetSoft, provided an analysis of the potential impacts of both the rate structure changes recently implemented by both PG&E and EBCE, as well as the fiscal impacts related to opting up the municipal accounts to *Renewable 100*. Due to the anomalies of 2020, data from 2019 was utilized for comparison.

Because the City initially enrolled all municipal accounts in the *Brilliant 100* plan (which will sunset as of 12/31/21), opting up to the *Renewable 100* plan will cost the City approximately $83,000 more annually (or approximately 14.1% more). Existing accounts are scattered over multiple internal budget accounts, including both general fund and non-general fund accounts. Although the City's current rate plan for municipal accounts is sunsetting, even without opting up to *Renewable 100*, the total budgetary impact on municipal accounts based on the rate structure changes recently implemented by both PG&E and EBCE result in an increase of approximately $58,000 annually (a 5.8% increase over existing rates).

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ATTACHMENT(S)

None.

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