

## Staff Report Item 5

**TO:** East Bay Community Energy Executive Committee

**FROM:** Annie Henderson, VP Marketing and Account Services

**SUBJECT:** PG&E Time-Of-Use Rate Transition (Informational Item)

**DATE:** April 26, 2019

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### Recommendation

Receive report on planned PG&E Time-of-Use (TOU) rate transition and provide feedback to staff on what is needed in order for the full board to make a decision on whether EBCE participates in default transition of residential customers.

### Background and Discussion

#### **Regulatory Background**

In July 2015, California Public Utilities Commission (CPUC) decision ([D.15.07-001](#)) provided direction to the investor-owned utilities (IOUs) regarding specific steps that must be taken to reform the residential rate structure resulting in default time-of-use (TOU) rate for residential customers. Specific requirements of the decision include:

- Transition to TOU is optional (customer can decline default rate)
- There is to be a “mild differential” between on-peak and off-peak rates
- IOUs must offer one year of bill protection<sup>1</sup>
- There must be education and outreach to customers
- Certain customer groups will be excluded from the default transition, including but not limited to:
  - Customers on the medical baseline allowance program
  - Customers requiring third party notification and/or in-person visit prior to disconnection
  - Customers that do not have a Smart Meter or interval meter, or less than 12 months of interval data
  - Customers enrolled in or eligible for CARE/FERA discount programs and located within hot climate zones (<100 customers in Alameda County)
  - Customers already on an optional TOU rate (NEM2.0, E6, EVA/B not eligible)

Community choice energy programs, such as East Bay Community Energy (EBCE), are not required to default customers onto a TOU rate. However, all IOUs, including Pacific Gas & Electric (PG&E), are required to transition customers to a TOU rate. TOU transition applies to

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<sup>1</sup> The decision describes Bill Protection as “If, at the end of the year, a customer would have been better off on the previous rate plan, the customer will be credited the difference on their bill.”

both residential and non-residential customers. Non-residential customers are scheduled for rate transition in November 2020 and are not offered bill protection. Residential customers are proposed to transition to TOU rates in May 2021 in Alameda County.

The information provided in this report focuses on the residential rate transition.

The current proposed structure of the residential TOU rate is for peak hours (highest cost) between 4 PM and 9 PM every day, including weekends. The [PG&E rate](#) is currently called “Time-of-Use (Peak Pricing 4-9 P.M. Everyday)”. Currently, there are approximately 1,000 residential customers that voluntarily switched to this TOU rate and are served by EBCE.

### Initial Pilots and Default Roll-Out

PG&E conducted pilots in the last few years:

- Phase 1 - Voluntary Opt-In Pilot (2016/2017)
- Phase 2 - Default Pilot (began April 2018)
- Phase 3 - Default Roll-Out (begins October 2020)

Phase 2 wraps up in April 2019 and analysis of the impacts will not be available until later this summer. Phase 2 includes customers from three Community Choice Aggregators (CCA): MCE Clean Energy, Sonoma Clean Power (SCP), and Silicon Valley Clean Energy (SVCE). Below are the participation results of the Phase 2 default pilot enrollment.

	PG&E + CCAs		MCE		SCP		SVCE	
Initial Population	160,525	100%	9,921	100%	8,158	100%	8,509	100%
Ineligible	7,540	4.70%	460	4.6%	408	5.0%	366	4.3%
Declined	38,996	24.29%	1,913	19.3%	1,574	19.3%	1,702	20.0%
Transitioned	113,991	71.01%	7,548	76.1%	6,176	75.7%	6,441	75.7%

The goals of the Phase 2 pilot are to test customer messaging, customer notification timing and process, customer enrollment, impacts of bill protection, and overall impact on electricity load.

### Marketing, Education, and Outreach

The CPUC has aggregated funds from IOU customers to support an \$8.5M statewide marketing, education, and outreach campaign. The statewide campaign includes two chapters. The first chapter is referred to as the “vision” campaign and provides the context of why a customer should care about when they use electricity. The second chapter is a call to action that includes ideas and tips on how to shift energy usage. The statewide campaign includes multiple channels of paid advertising, public relations and outreach, and engagement with Community Based Organizations (CBOs).

Both the vision and call to action chapters of the campaign are underway now in San Diego Gas & Electric (SDG&E) territory. The vision chapter of the campaign began in March 2019 in PG&E territory with a “[Keep It Golden](#)” commercial. Though the vision chapter does not have a strong call to action, it does direct viewers to the Energy Upgrade California website. There is a [section](#) of the website dedicated to educating customers on when there is the greatest demand for power versus when there is the greatest output from renewable energy resources. The site identifies the period of 4 PM to 9 PM as peak usage hours with the lowest amount of renewable energy available, which is in alignment with the IOUs’ TOU rate structure with peak hours from 4 PM to 9 PM every day.

EBCE customers are already being exposed to the statewide vision campaign.

In addition to the statewide campaign, each IOU will have a marketing campaign in its territory. Customer communications will provide personalized bill impact information to all default eligible customers, rate choices, bill impact information, and tips and tools on ways to save. Customers will receive notifications 90, 60, and 30 days prior to transition, and a welcome packet following transition to the new TOU rate. PG&E’s campaign will begin in October 2020 and run through June 2021.

### **Fiscal Impact**

A default transition of residential customers onto a TOU rate structure has a fiscal impact on EBCE in two ways: 1) cost of bill protection, and 2) reduced revenue.

Customers that receive the bill protection benefit are those that received higher bills on the new TOU rate compared to the previous flat, E1 rate. Some of these customers, the “rate losers,” will select to return to the E1 rate after 12 months on the TOU rate, while others may shift the time of day that they use electricity. Those that do not need bill protection are paying the same, or less, on TOU than they were on the E1 rate. These customers are “rate beneficiaries;” they do not need to make any changes to their usage patterns to benefit from the TOU rate. We assume the majority of these customers will remain with TOU and continue to, effectively, pay less for the same amount of electricity over 12 months.

Both PG&E and EBCE have analyzed the potential financial impact and came to very similar conclusions. Below are the assumptions and results:

#### **Assumptions**

- ~355,000 eligible EBCE residential customers (as of February 2019)
- All eligible customers participate in transition
- Certain customers are excluded including medical baseline, customers without interval data, and customers already on a TOU rate
- PG&E and EBCE rates as of 1/1/19
- 2018 usage

- Full 12 months of bill protection for each customer
- Customers do not take any action to shift their energy use to other time periods

### Results

- Total generation revenue from customers on TOU 4-9 PM Everyday - \$107M
- Cost of Bill Protection - \$300,000
  - Number of customers that pay more on TOU (“rate losers”) - 25,000
- Reduction in Revenue - \$4.8M (4.3% reduction from tiered rate revenue)
  - Number of customers that pay less on TOU (“rate benefiter”) - 330,000

### Additional Considerations

#### Backend Support

EBCE’s backend system already supports this rate structure. However, the system will need to be updated to switch several hundred thousand customers to a new rate in a single month, implement updates when customers decline the new TOU rate, track the duration of bill protection per customer, and calculate and report the amount of bill protection per customer. Additionally, our call center representatives will need to be trained on this transition and we should anticipate that call volume and duration will increase.

#### Constraints

PG&E developed an online bill protection calculator and a rate comparison tool to inform customers about the potential financial impact of this rate transition. These tools are presented with the PG&E generation rate as a proxy for EBCE (and other CCA) rates. Due to our current modest discount, this is not a substantial constraint; however, it could further increase customer confusion. Additionally, EBCE will continue to rely on PG&E for rate information about each customer. This means that a customer must call PG&E to decline the rate transition, and PG&E must pass this information along to EBCE for the correct rate to be applied to the customer’s bill.

### Timelines

#### Overall Timeline

Date	Event
January 2019	CPUC hearings
March-April 2019	Briefings filed in CPUC proceedings
March 2019	Default transition begins in SDG&E territory
March 2019	Statewide “vision” marketing campaign begins in PG&E territory
June 2019	CPUC proposed decision

July 2019	CPUC final decision
July 2019	Phase 2 outcomes report (anticipated)
August 2019	EBCE must approve versions of customer notification
October 2019	PG&E requests EBCE final decision
April 2020	PG&E sets TOU as default rate for new residential customers
October 2020	PG&E call to action marketing campaign begins
May 2021	Proposed EBCE TOU rate transition
October 2021	Last new residential customer eligible for bill protection
October 2022	Last payout of bill protection

### Proposed EBCE Decision Timeline

Date	Event
April 2019	Introduction to Executive Committee
May 2019	Community stakeholder feedback/workshops
June 2019	Present to Board (TBD: informational or vote)
July 2019	Present to Board for vote (if June is informational)
August 2019	No board meeting
September 2019	Last Board meeting before PG&E deadline for decision
October 2019	Must inform PG&E of decision

### Staff Recommendation

At this point, EBCE staff is likely to recommend that EBCE customers transition to the new TOU rate in May 2021 in concert with the PG&E transition. This recommendation is based on general agreement for the need to shift usage to times when more renewable energy is available, and the potential for significant customer confusion if EBCE rates do not align with the structure promoted by the statewide and local IOU marketing campaigns. EBCE continues to participate in bi-weekly meetings with PG&E regarding this transition, and monthly meetings with all IOUs and the CPUC on the associated marketing campaign. Given this on-going process, staff could change its recommendation if the overall plan proposed by PG&E is revised prior to a board decision.

Additionally, staff recommends that the EBCE Board of Directors make a decision sooner rather than later so that there can be early alignment with the statewide marketing campaign, better coordination and collaboration with PG&E in drafting joint notifications, and sufficient time to develop EBCE supporting assets such as web pages, collateral, and call center support.