



DATE: July 6, 2021
TO: Mayor and City Council
FROM: Director of Public Works
SUBJECT Default Electricity Product Selection: Adopt a Resolution Selecting a Default Electricity Product from East Bay Community Energy

RECOMMENDATION

That the Council adopts one of the attached three resolutions (Attachments II-IV) designating a new default product to take effect January 1, 2022.

SUMMARY

On June 15, 2021, Council voted to make Bright Choice the new default product for Hayward customers served by East Bay Community Energy (EBCE). On June 22, 2021, Council member Andrews moved and the Council voted unanimously to reconsider the decision.

Staff is presenting three options for Council to consider:

1. Select Renewable 100 as the default for all customers, except those enrolled in medical and/or income-related discount programs.
2. Select Renewable 100 as the default only for commercial customers.
3. Confirm the vote made on June 15 to make Bright Choice the default.

BACKGROUND

When EBCE was established in 2018, Council voted to make Brilliant 100, 100% carbon free product with rates equal to PG&E, as the default for the Hayward community. In 2020, EBCE announced that as of January 1, 2022, Brilliant 100 will no longer be offered. The two remaining choices for a default product are:

- Bright Choice – Carbon content higher than PG&E. Rates are 1% lower than PG&E rates.
- Renewable 100 – 100% renewable electricity for one penny per kWh more than PG&E rates.

There are approximately 17,000 residential customers enrolled in one or more discount programs including California Alternate Rates for Energy (CARE), Family Electric Rate Assistance (FERA), and medical baseline. The CARE and FERA programs offer discounts to income-qualified customers. Medical Baseline customers pay special rates due to equipment or heating/cooling needs related to medical conditions. All EBCE customers who were enrolled in CARE, FERA, or Medical Baseline have remained enrolled in these discount programs after the switch to EBCE and they have been enrolled in Bright Choice.

As shown in Table 1, there are approximately 54,000 customers in Hayward and discounted residential customers make up about 11% of the total. Commercial customers, approximately 12.5% of the total, use approximately 68% of Hayward’s total electric energy.

Table 1. Electricity Demand by Customer Category.

Customer Category	# of Customers	% of Total	Annual MWh	% of Total
Residential discounted	16,834	31.1%	83,652	11.1%
Residential non-discounted	30,574	56.5%	155,354	20.7%
Small/Medium Commercial	6,423	11.9%	307,765	41.0%
Large Commercial	322	0.6%	203,875	27.2%
Total	54,153	100.0%	750,646	100.0%

On June 15, 2021¹, Council voted to make Bright Choice the new default product for Hayward customers served by EBCE. Some Councilmembers cited concern about Hayward residents still recovering financially from the pandemic and felt that it should consider Bright Choice as a default for a year or two and then consider Renewable 100. Other Councilmembers noted that Hayward recently joined the “Race to Zero” to achieve carbon neutrality and that Renewable 100 would help Hayward reach this goal.

Some Councilmembers were disappointed with the small response to the survey and the level of community outreach and stated that staff needs to conduct more education and outreach so customers know their options. Some said that EBCE should use its reserves in order to offer a cleaner product at lower rates. Some considered making the default Renewable 100 only for commercial customers and most Council members agreed on the goal of having all customers on Renewable 100 eventually.

Public speakers in favor of a Bright Choice default stated that people have a lot of debt due to financial struggles during the pandemic and that customers should not be forced to pay more, but they should be encouraged to make a choice.

¹ <https://hayward.legistar.com/LegislationDetail.aspx?ID=4983872&GUID=C74C0518-E492-47D3-8C28-938A78E75715&Options=&Search=>

Public comments in favor of Renewable 100 stated that Renewable 100 would reduce reliance on large hydroelectric power, which is environmentally destructive and that if Renewable 100 is chosen as the default, it will result in construction of more renewable energy facilities.

Council voted four to three to make Bright Choice the default product for all customers in Hayward, starting January 1, 2022. Council also stated its intention to reconsider the default product options for all customers in April 2022. Furthermore, Council directed staff to conduct outreach and education efforts to provide information to the public regarding the electricity products available to them and the possibility of new default selection in 2022.

DISCUSSION

As noted above, Hayward must choose a new default product to take effect January 1, 2022. Hayward's default selection is scheduled to be confirmed at the July 21 meeting of the EBCE Board of Directors. EBCE has requested a decision from Hayward no later than July 6 as they will publish their meeting materials on July 16. Without a Council decision on July 6, Hayward's default will become Bright Choice as of January 1, 2022, and the next time a new default product could be selected is April 2022, with an effective date of October 2022.

Staff is presenting three options for Council to consider:

1. Select Renewable 100 as the default for all customers, except those enrolled in medical and/or income-related discount programs.
2. Select Renewable 100 as the default only for commercial customers.
3. Confirm the vote made on June 15 to make Bright Choice the default.

Following is a detailed discussion of the three options. Further detail on greenhouse gas (GHG) emissions are in Table 2 and more detail on rate impacts is in Table 3.

1 - Renewable 100 as Default for All – This option would make Renewable 100 the default for all customers with the exception of residential customers that receive income or medical-related discounts (CARE, FERA or Medical Baseline). Discounted residential customers would remain on Bright Choice.

- GHG – This option would maximize GHG emission reductions and would keep Hayward on track to meet Council's long-term goals. If Renewable 100 is made the default, we can expect future electricity emissions to be similar to 2019.
- Rates – If Renewable 100 is chosen as the default, customers would see an increase in their cost of electricity. The generation rate for Renewable 100 is \$0.01/kWh more than the generation rate for PG&E rates. The overall monthly increase for most customers would range from 3.5 to 5.1% with the average residential account paying an additional \$4.11 per month on their overall cost of electricity.

- Other – EBCE customers have the choice to select the project that best aligns with their values and budget. If Renewable 100 is chosen as the default, customers would have the opportunity to opt down to Bright Choice, but it is possible that some customers would express their displeasure by opting out of EBCE entirely.

While approximately 35% of Hayward’s residential customers receive CARE, FERA and/or Medical Baseline discounts, there may be many more that are eligible for the discounts, but they may be unaware of the programs and have not enrolled. There are also many residential customers that are just above the income thresholds for CARE and FERA so they do not qualify for the discount, but they may still experience financial challenges. Even for residential and commercial customers who have managed to maintain their income during the pandemic, there may be some who will argue that the general current conditions make this the wrong time to increase rates.

2 - Renewable 100 as Default for Commercial – This option would make Renewable 100 the default only for commercial customers. All residential customers would move to Bright Choice.

- GHG – This option would cause Hayward’s GHG emissions to increase by approximately 1.3% to 7.3%, depending on the carbon intensity of Bright Choice.
- Rates – Small/Medium commercial customers would pay approximately 3.8% to 4.4% more for electricity. Large commercial customers would pay approximately 5.1% to 5.8% more for electricity. The average residential customer currently on Brilliant 100 would experience a decrease of \$0.46 per month.
- Other – If Renewable 100 is chosen as the default for commercial customers, they could opt down to Bright Choice. Also, residential customers would have the opportunity to opt up to Renewable 100 as they do now. EBCE would make direct contact with Hayward’s largest commercial customers to ensure they are aware of their options.

3 - Bright Choice as Default for All – This option may be a confirmation of the decision made on June 15 to make Bright Choice the default.

- GHG – This option would cause Hayward’s GHG emissions increase – potentially as much as 19%. Bright Choice has 5% more renewables than PG&E, but because PG&E uses nuclear power which has little to no GHG, Bright Choice will cause more GHG emissions than PG&E’s power mix for the next few years. PG&E’s nuclear power plant, Diablo Canyon will close in 2025, at which time the carbon intensity of PG&E’s power mix may change.
- Rates – If Bright Choice is chosen as the new default product, most customers will see a small decrease in their cost of electricity. The generation rate for Bright Choice is 1% less than the generation rate for PG&E rates. The overall monthly savings would range from 0.4 to 0.6% for all customer categories.

- **Other** – With this option, staff would plan to conduct significant outreach and education efforts to provide information to the public regarding the electricity products available to them and the possibility of new default selection in 2022. Staff would present default product options to Council again in April 2022. In meantime, staff would encourage customers to voluntarily opt up to Renewable 100.

GHG Emissions – In 2019, Hayward’s emissions were 25.7% lower than 2005, in part due to Brilliant 100. Renewable 100 would allow Hayward to continue to make progress toward reaching its long term GHG reduction goals. If Hayward’s default is Bright Choice, GHG emissions would increase. Currently, approximately 76% of Hayward customers are on Brilliant 100. The remainder are enrolled in Bright Choice (18%) or are with PG&E (6%)².

Table 2 shows the estimated impact each option would have on GHG emissions. Estimates are from Hayward’s current inventory (2019) and the estimate for each option represents a recalculation of the current inventory. While the carbon intensity of Bright Choice is not known at this time, estimates assume that the power mix for Bright Choice is between 56% (high emission estimates) and 62% carbon free (low emission estimates).

Table 2. GHG Emissions Scenarios

				Option 1	Option 2		Option 3	
	2005	Current (2019)	2025 Goal	R100 for All	R100 for Commercial		Current with Bright Choice	
High or Low Estimate					Low	High	Low	High
Total Emissions	1,091,174	810,765		810,765	821,189	870,101	840,773	965,150
% Increase from 2019				0.0%	1.3%	7.3%	3.7%	19.0%
% Reduction from 2005		25.7%	30%	25.7%	24.7%	20.3%	22.9%	11.5%

FISCAL IMPACT

In response to Council’s decision in November 2020, all Hayward’s municipal accounts were switched to Renewable 100 in early 2021. A new default product for the community will not affect the City’s accounts, so there will be no impact to City funds.

ECONOMIC IMPACT

Table 4 provides cost comparisons and includes the number of customers in each rate category and their current average monthly costs whether enrolled in Bright Choice or

² Customers with PG&E either chose to opt out of EBCE or they are direct access customers with the ability to choose third party power providers.

Brilliant 100 (B100). It also shows monthly costs for Renewable 100 (R100), and the percent increase the average customer would experience if switched from B100 to R100.

Table 3. Comparison of EBCE Product Costs

Rate	Rate Category	# of Customers	Monthly Bright Choice Average	Monthly Brilliant 100 Average	Monthly Bright Choice Discount Average ³	Monthly Renewable 100 Average	Monthly R100 Premium Average (over B100)	% Increase (R100 v. B100)
A1	Sm/Med Comm	537	\$445	\$447	\$1.87	\$465	\$17.47	3.9%
A1 TOU	Sm/Med Comm	5,300	\$354	\$356	\$1.48	\$369	\$13.57	3.8%
A10	Sm/Med Comm	19	\$2,796	\$2,810	\$13.65	\$2,930	\$119.76	4.3%
A10 TOU	Sm/Med Comm	562	\$3,690	\$3,709	\$18.44	\$3,871	\$161.75	4.4%
AGR	Agriculture	5	\$171	\$172	\$0.47	\$177	\$5.05	2.9%
E19	Large Comm	316	\$48,543	\$48,806	\$263.19	\$51,313	\$2,506.61	5.1%
E20P	Large Comm	4	\$149,099	\$149,931	\$832.32	\$158,701	\$8,770.00	5.8%
E20S	Large Comm	2	\$96,874	\$97,391	\$516.79	\$102,611	\$5,220.07	5.4%
RES	Residential	41,458	\$111	\$112	\$0.46	\$116	\$4.11	3.7%
RES TOU	Residential	5,950	\$168	\$169	\$0.63	\$175	\$5.91	3.5%

STRATEGIC ROADMAP

This agenda item relates to the Strategic Priority of Combat Climate Change. Specifically, this agenda item relates to the implementation of the following project:

Project 2: Work with EBCE to transition citywide electricity use to 100% carbon free (beginning in FY21)

The goal of transitioning all Hayward customers to 100% carbon free electricity was established with the understanding that the Brilliant 100 product would be available in the long term. At this time, staff recommends that the best way to combat climate change is to encourage customers to opt up to Renewable 100.

³ The Monthly Bright Choice Discount Average is the monthly savings the average customer would see on their bill when switching from Brilliant 100 to Bright Choice.

SUSTAINABILITY FEATURES

Community choice energy was identified in the City's Climate Action Plan as the program with the greatest potential to reduce community wide GHG emissions. As noted above, Hayward's participation in EBCE has resulted in the 2020 GHG reduction goal being met two years early.

PUBLIC CONTACT

Notice of the June 15 Council meeting was published in the Daily Review newspaper on June 4, 2021 and notice of the July 6 Council meeting was published in the Daily Review newspaper on July 2, 2021. During the May 10, 2021 CSC meeting, Committee members asked staff to survey the community to gather input on the selection of the default electricity product. On May 25, 2021, staff updated the City's website and launched a survey which was promoted as a Stack Extra email and in the Leaflet newsletter. As noted during the June 15 Council meeting, 196 people responded to the survey and 55.6% responded that they would be okay with Renewable 100 as the default with the understanding that they can opt down to a cheaper option.

NEXT STEPS

Following Council's selection of a new default product, staff will communicate Council's choice to EBCE. After the EBCE Board confirms acceptance of Hayward's default selection on July 21, 2021, staff intends to inform the community of the new default product as well as increase awareness of discount programs and customers' ability to opt up or down to another product. Staff will work with EBCE staff to send at least two letters to each customer and will include inserts in water and garbage bills, and post on social media.

Prepared by: Erik Pearson, Environmental Services Manager

Recommended by: Alex Ameri, Director of Public Works

Approved by:



Kelly McAdoo, City Manager