



# CITY OF HAYWARD

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**File #:** ACT 18-023

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**DATE:** May 14, 2018

**TO:** Council Sustainability Committee

**FROM:** Director of Utilities & Environmental Services

**SUBJECT**

East Bay Community Energy - Consideration of Default Product for Residential Customers

**RECOMMENDATION**

That the Committee makes a recommendation to Council regarding selection of a default energy product for East Bay Community Energy's residential customers in Hayward.

**SUMMARY**

East Bay Community Energy (EBCE) will begin serving non-residential customers in June 2018 and residential customers in November 2018. Starting in June, EBCE will offer two products to non-residential customers. The products will be Bright Choice, which will be a minimum of 85% carbon free electricity and Brilliant 100, which will be 100% carbon free. On April 18, the EBCE Board decided to offer a third product, 100% renewable energy, which will be available starting in November 2018. EBCE made Bright Choice the default product for all customers, but on March 6<sup>th</sup>, Council voted to select Brilliant 100 as the default product for Hayward's non-residential customers. Council now has the opportunity to select the default product for Hayward's residential customers.

**ATTACHMENTS**

Attachment I      Staff Report



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#### RECOMMENDATION

That the Committee makes a recommendation to Council regarding selection of a default energy product for East Bay Community Energy's residential customers in Hayward.

#### SUMMARY

East Bay Community Energy (EBCE) will begin serving non-residential customers in June 2018 and residential customers in November 2018. Starting in June, EBCE will offer two products to non-residential customers. The products will be Bright Choice, which will be a minimum of 85% carbon free electricity and Brilliant 100, which will be 100% carbon free, but not necessarily 100% renewable. On April 18, 2018, the EBCE Board decided to offer a third product, 100% renewable energy, which will be available starting in November 2018. EBCE made Bright Choice the default product for all customers, but on March 6, 2018 Council voted to select Brilliant 100 as the default product for Hayward's non-residential customers. Council now has the opportunity to select the default product for Hayward's residential customers.

#### BACKGROUND

In December 2016, Hayward joined ten other cities in Alameda County and the County of Alameda to establish a joint powers authority to form EBCE. The cities of Newark and Pleasanton did not join and the City of Alameda is served by its own electric utility. The EBCE Board of Directors meets regularly and their meeting packets are available at <http://ebce.org/archive/>.

On March 6, 2018, Council voted to designate Brilliant 100 as the default product for non-residential customers in Hayward. Council also chose to select Brilliant 100 for all municipal facilities. All previous Council and Sustainability Committee reports regarding EBCE are available at <http://www.hayward-ca.gov/cce>.

On March 21, 2018, the EBCE Board approved Hayward and Albany’s requests to enroll all non-residential customers into Brilliant 100 and to make necessary changes to marketing materials and program terms and conditions. Most Board members did not like the idea of having certain cities choose their own default product, but they did want to respect and support the decisions made by the Hayward and Albany city councils. Several members of the audience spoke at the Board meeting urging the Board to not allow cities to choose their own default product. Comments made at the March 21<sup>st</sup> meeting included:

- EBCE has been marketed as a program that will be cheaper than PG&E.
- Brilliant 100 as the default will cause complexity for the EBCE call center and will be confusing for customers.
- Brilliant 100 as the default will be a violation of public trust and will be discriminatory.
- Having customers enrolled in Brilliant 100 will create less demand for the 100 percent renewable option (when it is offered) because they may be confused by already having a 100% product.
- The San Francisco Business Times noted that customers should opt out if they want to avoid the higher cost. There are already arguments that CCAs are elite programs.
- Customers will see this as a bait and switch
- All cities need to move together toward 100% renewable energy
- Brilliant 100 as the default will cause more opt outs.

While some of these comments are unfounded and unfair, staff wanted the Committee to be informed of the broad range of comments.

## DISCUSSION

EBCE will begin serving residential customers in November this year. EBCE has set a deadline of June 6, 2018, for any cities to choose something other than Bright Choice as the default product for their residential customers. Beginning in November, EBCE will offer three products:

|               | Bright Choice                               | Brilliant 100                  | 100% Renewable                           |
|---------------|---|--------------------------------|--|
| Sources       | 38% renewable, 47% large hydro <sup>1</sup> | 40% renewable, 60% large hydro | 100% renewable                           |
| GHG Emissions | 85% GHG free                                | 100% GHG free                  | 100% GHG free                            |
| Rate          | 1.5% less than PG&E <sup>2</sup>            | Equal to PG&E                  | Unknown (may be 5 to 10% more than PG&E) |

<sup>1</sup> Under California’s renewable portfolio standard (RPS) requirements, solar, wind, geothermal and small hydroelectric facilities qualify as eligible renewable energy resources. Power from large hydroelectric facilities does not qualify as an eligible resource due to impacts to fisheries and watershed hydrology.

<sup>2</sup> The 1.5% discount only applies to the “generation” line item on the PG&E bill. Depending on a customer’s electricity usage, the generation charge may only be approximately half of the total electric charges, so the total savings will be less than 1.5%.

The 100% renewable energy product has not yet been named. The rate premium for the 100% renewable energy product has not yet been determined, but could be approximately 5 to 10% more than PG&E rates.

Hayward's currently stated goal is to reduce GHG emissions by 20% below 2005 levels by 2020. As noted in the [March 6 Council report](#) and the [2015 greenhouse gas inventory report](#) presented to the Council Sustainability Committee, Hayward, like almost all other Bay Area cities, is unlikely to meet its 2020 reduction target unless the entire community is enrolled in 100% carbon free energy. According to EBCE's Technical Study that was completed in July 2016, approximately 30% of Hayward's electrical load is residential. Therefore, making Brilliant 100 the default product for residential customers could make a significant difference in community-wide emissions.

In April 2018, EBCE began mailing opt-out notices for Phase 1, which includes all non-residential customers. Phase 2 customers, which are all residential accounts, will receive opt-out notices starting in September. If Brilliant 100 is the default for residential customers, the opt out notices would provide the following options: 1) do nothing to automatically enroll in Brilliant 100 and continue to pay rates equal to PG&E; 2) opt down to Bright Choice; 3) opt up to 100% renewable energy; or 4) opt out to continue receiving electricity from PG&E.

Concerns Raised at the March 21 EBCE Board Meeting – The rate discount relative to PG&E does not appear to be a significant factor in a program's opt out rate. For example, EBCE staff have noted that Peninsula Clean Energy (with a 5% discount compared to PG&E) and Silicon Valley Clean Energy (with a 1% discount) both have similar opt out rates. If Brilliant 100, which will have rates equal to PG&E, is chosen as the default for Hayward's residents, staff does not believe that the rate itself will be the determining factor for any opt outs that may occur.

In addition, staff makes the following points in response to the concerns raised at the March 21<sup>st</sup> meeting:

- For customers expecting EBCE to provide rates cheaper than PG&E, that alternative will still be available as an opt down option.
- Regarding potential for increased complexity, regardless of the default selected for Hayward, customers will still have the same number of choices.
- Regarding potential confusion between 100% carbon free and 100% renewable, EBCE's marketing materials will clearly distinguish between the two.
- Regarding the idea that customers should opt out of the program in order to avoid higher costs, no customers will pay higher rates unless they actively choose the 100% renewable product.
- Regarding the need to transition EBCE's entire portfolio toward 100% renewable energy, Hayward's choice of a different default product will not inhibit that effort. In fact, customers enrolled in the 100% carbon free product may be more likely to see 100% renewable as their sole option for improvement.

Other Cities – In addition to Hayward, the EBCE member jurisdictions of Albany and Piedmont are exploring the idea of selecting a product with less GHG emissions than Bright Choice for their residential default product. The City of Piedmont’s recently updated climate action plan calls for selecting 100% renewable energy as the default for the entire community. On May 7<sup>th</sup>, the Piedmont City Council discussed the possibility of choosing either Brilliant 100 or the 100% renewable product as their default for Phase 2. Albany will consider their residential default product on May 21<sup>st</sup>.

Options for the Committee – Following are three options for the Committee to consider in a recommendation to Council:

1. Select Bright Choice as the default product for residential customers (non-residential would still have Brilliant 100 as default);
2. Select Brilliant 100 as the default for residential customers (so that residential and non-residential customers would both have Brilliant 100 as the default); or
3. Select 100% Renewable as the default for residential customers.

There are approximately 48,000 residential accounts in Hayward, including approximately 14,000 California Alternate Rates for Energy (CARE) customers and 500 Family Electric Rate Assistance (FERA) customers. The CARE and FERA programs offer discounts to income-qualified customers. Also, approximately 4% of customers in the EBCE territory are Medical Baseline customers. They pay special rates due to equipment or heating/cooling needs related to medical conditions. For communities with Bright Choice as the default, customers currently enrolled in these discount programs will continue to receive the same discounts. If Council chooses either Brilliant 100 or 100% Renewable as the default for residential customers, staff recommends that the resolution adopted by Council explicitly state that CARE, FERA, and Medical Baseline customers will be enrolled in Bright Choice and will continue to receive their same discounted rates. Even with lower income customers continuing to receive current discounts, staff recommends against selecting 100% renewable as the default product so that standard customers do not experience unexpected increases in their bills.

## STRATEGIC INITIATIVES

This agenda item does not relate to one of Council’s three Strategic Initiatives.

## ECONOMIC IMPACT

If Brilliant 100 is chosen as the default for Hayward, customers will see no change in their cost of electricity. If Bright Choice is chosen as the default for residential customers, they would see a very small amount of savings on their electric bills. As noted above, the 1.5% discount for Bright Choice only applies to the generation charge, which is only a portion of the electric charges on a utility bill. A customer with a current PG&E electric bill of \$100 per month would see the cost drop to approximately \$99.20, an 80-cent reduction.

## FISCAL IMPACT

There is no fiscal impact on the General Fund associated with this action.

## SUSTAINABILITY FEATURES

Community choice energy was identified in the City's Climate Action Plan as a program with the greatest potential to reduce community-wide GHG emissions. As noted above, if the entire community is enrolled in Brilliant 100, and assuming that opt outs are kept to a minimum, then Hayward could come close to meeting its 2020 reduction target. If large accounts that currently have direct access to wholesale power switch over to EBCE using Brilliant 100, then Hayward could meet its 2020 reduction target. Actual GHG savings resulting from EBCE remain to be seen. Even if GHG reductions are modest at first, the program is expected to provide cleaner electricity over time and develop local renewable energy projects that benefit the local economy. If Hayward chooses Bright Choice as the default, then GHG emissions would be very similar to staying with PG&E and Hayward would miss its 2020 reduction target.

## NEXT STEPS

Upon direction from the Committee, staff will present a resolution to select a default energy product for residential customers to Council on May 22, 2018.

Prepared by: Erik Pearson, Environmental Services Manager

Recommended by: Alex Ameri, Director of Utilities & Environmental Services

Approved by:



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Kelly McAdoo, City Manager