



Staff Report Item 11

TO: East Bay Community Energy Board of Directors

FROM: Nick Chaset, Chief Executive Officer

SUBJECT: Approval of 100% Renewable Energy Product

DATE: April 18, 2018

RECOMMENDATION

Review and Adopt:

1. 100% Renewable Energy Product Timeline;
2. Product Premium; and
3. Mechanics for Offering Product

At the February 7, 2018 East Bay Community Energy Board of Directors meeting, staff presented a recommendation to offer a 100% renewable energy product after Phase 2 (residential) launch in early to mid-2019. At that time, the Board took no specific action. Subsequently, at the March 17, 2018 East Bay Community Energy Board of Directors meeting, a resolution was approved allowing the Cities of Hayward and Albany to default their Phase 1 (commercial) customers into the *Brilliant 100* service, which is 100% carbon-free energy. Additionally, staff has communicated to the member jurisdictions of EBCE that they must take action by June 6, 2018 if they want to default their Phase 2 (residential) customers onto a service other than *Bright Choice*, which is 85% carbon-free and offered at a 1.5% discount to the PG&E generation rate. In this context, staff believes it is important to determine when EBCE will offer a 100% renewable energy so that EBCE jurisdictional members that are considering whether to change their default service will be able to do so with a full understanding of the products, and their underlying prices. To this end, staff has developed two options for how EBCE could roll-out its 100% renewable energy service, with each case including the expected premium associated with this product. Staff also separately developed a recommended methodology for calculating the product premium, and a recommended set of steps to take to offer the product.

1) 100% Renewable Energy Product Timeline

Option A (*Staff Preferred Approach*):

Offer 100% renewable energy product starting in Q1/Q2 2019 with product being rolled out through a stand-alone marketing campaign focused on driving commercial and residential customer adoption.

Option B:

Offer 100% renewable energy product starting at Phase 2 Launch as a third product in addition to *Bright Choice* and *Brilliant 100*. Phase 1 customers would also be eligible to opt-up to the 100% renewable energy product.

2) 100% Renewable Energy Product Premium

Staff recommends calculating the 100% renewable energy product premium based on forecast prices for short term (1 month to 1 year) California renewable energy minus the forecast cost of *Bright Choice*.

$$100\% \text{ Renewable} - \textit{Bright Choice} = \text{Premium}$$

3) 100% Renewable Energy Product Offering Mechanics

Staff recommends calculating the 100% renewable energy product premium as a \$/kWh adder on the customer bill. This is a common practice among other CCAs including Sonoma Clean Power and CleanPowerSF. As an example, if the premium is set at \$0.014/kWh and a customer uses 100 kWh in a month, they will be charged an extra \$1.40 on that bill.

ANALYSIS AND DISCUSSION

1) 100% Renewable Energy Product Timeline

Option A: Offer 100% Renewable Energy Product starting in Q1/Q2 2019.

Advantages of Option A:

- By waiting to offer 100% renewable energy product until after Phase 2 launch, EBCE can develop a focused marketing effort that includes specific customer targeting and outreach that staff expects to result in higher adoption rates.
- At Phase 2 launch, the vast majority (95% or more) of customers are expected to take no action and be defaulted onto *Bright Choice* service. By offering only *Bright Choice* and *Brilliant 100* at Phase 2 launch, staff expects reduced customer confusion.

Disadvantages of Option A:

- A variety of key EBCE community stakeholders have expressed their interest in wanting to have a 100% renewable energy product available at launch and waiting until 2019 will not meet this customer demand

- Waiting until after Phase 2 launch to offer a 100% renewable energy product may miss an opportunity to engage customers who are thinking about EBCE products when Phase 2 launched

Option B: Offer 100% Renewable Energy Product starting at Phase 2 Launch as a third product in addition to *Bright Choice* and *Brilliant 100*

Advantages of Option B:

- Meets community stakeholder demand for a 100% renewable energy product at Phase 2 launch
- Allows commercial and municipal customers, who expressed the greatest demand for *Brilliant 100*, to choose from a third product that meets specific needs like LEED certification

Disadvantages of Option B:

- Offering a third, 100% renewable energy product at Phase 2 launch may create customer confusion for consumers who are also trying to understand the underlying transition from PG&E to EBCE
- Introducing a third product, and making extensive changes to the customer relationship management system and billing engine to reflect this third product, creates a degree of operational risk that is currently hard to quantify, but could harm the customer experience

2) 100% Renewable Energy Product Premium

Staff recommends calculating the 100% renewable energy product premium based on forecast prices for short term (1 month to 1 year) California renewable energy minus the forecast cost of *Bright Choice*. Below is an illustration of the process staff will use to calculate this premium. Staff will develop a forward price curve for the following rate making year which is used as the basis to calculate the projected costs of 100% renewable energy.

$$100\% \text{ Renewable} - \textit{Bright Choice} = \text{Premium}$$

Table 1 - Calculate the Cost of *Bright Choice* (costs are illustrative):

<i>Bright Choice</i>	Price (\$/MWh)	% of energy	Total Cost (weighted average)
Renewable Energy (including solar, wind, small hydroelectric)	\$60	38%	\$49.95/MWh
Carbon-Free Energy (large hydroelectric)	\$45	47%	
System (may include nuclear and natural gas)	\$40	15%	

Table 2 - Calculate the Cost of 100% Renewable Energy (costs are illustrative):

100% Renewable	Price (\$/MWh)	% of energy
Renewable Energy <i>(including solar, wind, small hydroelectric)</i>	\$60	100%

Table 3 - Calculate the Cost Premium of 100% Renewable Energy (costs are illustrative):

Cost of <i>Bright Choice</i>	Cost of 100% Renewable	100% Renewable Premium
\$49.95/MWh	\$60/MWh	\$0.1015/kWh

3) 100% Renewable Energy Product Offering Mechanics

Staff recommends calculating the 100% renewable energy premium as a \$/kWh adder on the customer bill. This is a common practice among other CCAs including Sonoma Clean Power and CleanPowerSF. As an example, if the premium is set at \$0.014/kWh and a customer uses 100 kWh in a month, they will be charged an extra \$1.40 on that bill.