

## East Bay Clean Power Alliance on: EBCE Rate-Setting and Priorities



### ***Low Rates: A Formula for Undermining Community Benefits***

Discussions have begun within the East Bay Community Energy (EBCE) Board and Community Advisory Committee about electricity rate setting and its relationship to the promise of community benefits upon which our Community Choice program is founded.

We have heard that lower rates offer the most benefit to our community and that lower rates are a higher priority than community benefits such as economic development, jobs, business opportunities, and lower electric bills. These statements not only ignore the language in the JPA Agreement upon which EBCE was founded, but also reflect a misunderstanding of the basic value proposition of our Community Choice program, which lies in the economic development potential illustrated by the Local Development Business Plan process.

The East Bay Clean Power Alliance understands that EBCE electricity rates must compete favorably with those of PG&E. But beyond that basic necessity, allocating program net revenues to rate reduction only squanders the opportunity to provide significantly better energy savings, jobs, and other economic and community benefits. These are achieved through new community-based programs tied to the development of local renewable energy resources.

Few would argue that the cheapest food provides for the best nutrition. Similarly, the cheapest electricity does not provide for the best community health. We've seen this in the case of fossil fuels. Cheapest-is-best thinking does not serve our community interests.

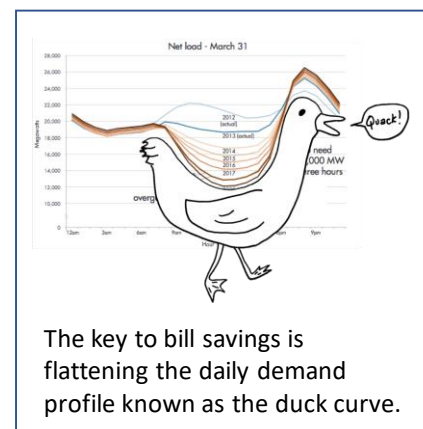
We offer the following points for consideration:

### **Low rates undermine economic development opportunities**

Every 1% in rate savings (a hard-to-notice few dollars per year for each residential customer) amounts to about \$6.5 million dollars less in net revenues system wide. If EBCE were to invest that amount in supporting programs of the type considered by the Local Development Business Plan, those programs could result in billions of dollars of investments in coming years in new energy reduction and energy generation projects—in economic development—that could strengthen business opportunities and create clean energy jobs. Instead of prioritizing rate reductions, EBCE should create avenues of investment in our local community, multiplying the impact of net revenues many times over.

### **Low rates are not the road to reducing electricity bills**

The road to lower electricity bills is through reducing energy consumption, especially during periods when the cost of electricity is high. Half of our electricity bill is for PG&E transmission and distribution charges, which are unaffected by EBCE electricity rates. By contrast, lower usage cuts both the EBCE electricity bill and the PG&E transmission and distribution bill. With PG&E moving toward time-of-use rates (electricity prices are high during high demand periods) for its part of the bill, real savings will come from employing demand response, energy efficiency, and storage technologies (as proposed by the Local Development Business Plan). Even a 3% reduction in electricity rates comes nowhere close to the bill savings possible from programs that promote smart reductions and flattening of energy use.



The key to bill savings is flattening the daily demand profile known as the duck curve.

## Low rates benefit big energy users at the expense of community members

According to EBCE's figures, a 2-3% reduction in electricity rates over PG&E will save large industrial corporations upwards of \$12,000 - \$19,000 annually, roughly 1700 times more than residential customers. Why should large corporate interests be so dramatically rewarded, while depriving struggling families of the real benefits that could be provided by prioritizing local development? Across the board low rates do not support EBCE goals for equity or justice. Rather, such rate policies are economically regressive, benefitting those who least need relief at the expense of our struggling community.

## Low rates threaten the financial viability of EBCE

At a time of energy market volatility and the unpredictability of the PG&E fees charged to departing Community Choice customers, it is ill advised to use EBCE net revenues at the beginning of the program to lower electricity rates below the minimum necessary to compete with PG&E. A better strategy is to prioritize EBCE local development programs, like those considered for the Local Development Business Plan, which would lower rates via stable long-term system-wide electricity cost reductions and community-owned energy generation. These serve as a hedge against the energy markets and regulatory threats from the California Public Utility Commission that may cripple Community Choice programs. Starting low and then raising rates under duress is a formula for customer opt-outs, which threaten revenue and the overall financial viability of EBCE.

## Lower rates cannot be identified on your electricity bill

PG&E will prepare the monthly bills for EBCE customers. It is worth noting that EBCE customers will not be able to compare their electricity rates to PG&E rates just by looking at their bills. Charges are presented in a manner that is far from transparent. This is not a problem unique to EBCE; all Community Choice programs within PG&E service territory face the same situation. Staff at Peninsula Clean Energy, for example, had to prepare a special cheat sheet for customers who wanted to decipher their monthly bills. At the end of the day lower rates cannot be seen by customers will not be seen as a big advantage of EBCE over PG&E. Despite the marketing pitch we have seen from EBCE, the real value of EBCE does not lie in near-term rate reductions,. It lies in the multiple community and economic benefits, which include lower and more stable bills over the long term, that come from investing in renewable energy development and energy savings in our communities.

The image shows a sample energy bill for Marin Clean Energy. It is a two-page document. The top page is titled 'ENERGY STATEMENT' and includes account information, service address, and a summary of charges. The bottom page is titled 'Details of MCE Electric Generation Charges' and provides a breakdown of the generation charges, including a rate schedule and a total amount due.

| ENERGY STATEMENT   |   | Account No: 1234567890-1   |
|--|---|--|
| www.pge.com/MyEnergy   |   | Statement Date: 10/01/2013   |
|  |   | Due Date: 10/22/2013   |
| <b>Service For:</b><br>MARY SMITH<br>1234 STREET AVENUE<br>SAN RAFAEL, CA<br>94804   | <b>Your Account Summary</b><br>Amount Due on Previous Statement: \$2.85<br>Payments Received Since Last Statement: \$2.85<br>Previous Unpaid Balance: \$5.00<br>Current PG&E Electric Delivery Charges: \$30.32<br>MCE Electric Generation Charges: \$42.81<br>Current Gas Charges: \$27.20<br>Total Amount Due: \$109.33   |  |
| <b>Questions about your bill?</b><br>24 hours per day, 7 days per week.<br>Phone: 1-866-743-0335<br>www.pge.com/MyEnergy   | <b>Local Office Address</b><br>750 LINDARD STREET STE 100<br>SAN RAFAEL, CA 94801   |  |
| <b>Page 1</b>  | <b>ENERGY STATEMENT</b><br>www.pge.com/MyEnergy   | Account No: 1234567890-1<br>Statement Date: 10/01/2013<br>Due Date: 10/22/2013   |
| <b>Important Messages</b><br>Your charges on this page are separated into details other than PG&E. These two charges are for different electric power line safety PG&E cares about your safety at least 10 feet away from overhead power lines; call 9-1-1 and then PG&E at 1-800-743-0600 | <b>Details of MCE Electric Generation Charges</b><br>10/01/2013 – 11/01/2013 (31 billing days)<br>SERVICE FOR: 1234 STREET AVENUE<br>Service Agreement ID: 0123456789 ESP Customer Number: 0123456789<br>10/01/2013 – 11/01/2013<br>Rate Schedule: RES-1<br>DEEP GREEN - TOTAL 508.000000 kWh @ \$0.0100 \$5.08<br>GENERATION - TOTAL 508.000000 kWh @ \$0.01400 \$37.59<br>Net charges \$42.61 | <b>Service Information</b><br>Total Usage: 508.000000 kWh<br>For questions regarding charges on this page, please contact:<br>MCE<br>791 LINCOLN AVE STE 320<br>SAN RAFAEL, CA 94801<br>1-866-632-2014<br>www.marincleanenergy.com |
|  | Energy Surcharge: \$0.14<br><b>Total MCE Electric Generation Charges: \$42.81</b>   | <b>Additional Messages</b><br>For questions regarding your charges on this page, please contact your Third Party Energy Service Provider.  |
|  |   | <b>Page 2</b>  |