

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE APPROVING A TRANSITION OF ELIGIBLE RESIDENTIAL SAN JOSE CLEAN ENERGY CUSTOMERS, ON A DEFAULT, "OPT-OUT" BASIS, TO THE EXISTING TIME-OF-USE ELECTRIC RATE E-TOUC IN NOVEMBER 2020 AND BILL PROTECTION TO BE OFFERED TO CUSTOMERS FOR ONE YEAR; AND APPROVING A RATE DESIGN ALLOWING SAN JOSE CLEAN ENERGY TO MATCH ANY RATE STRUCTURE FROM PACIFIC GAS AND ELECTRIC COMPANY'S STANDARD RATES; PROVIDED THAT, NOTWITHSTANDING ANY CHANGES TO THE RATE STRUCTURE, SAN JOSE CLEAN ENERGY'S GREENSOURCE PRODUCT WILL BE AT ONE PERCENT BELOW PACIFIC GAS AND ELECTRIC COMPANY'S GENERATION RATES AFTER ACCOUNTING FOR THE FRANCHISE FEE SURCHARGE AND THE POWER CHARGE INDIFFERENCE ADJUSTMENT

WHEREAS, on August 8, 2017, the City Council approved Ordinance No. 29978 establishing a Community Choice Aggregation program ("CCA") to be named San José Clean Energy ("SJCE"), and amending Title 2 of the San José Municipal Code to create the Community Energy Department of the City of San José ("City"); and

WHEREAS, on August 29, 2017, the City Council adopted Resolution No. 78337 adopting SJCE's Implementation Plan and Statement of Intent and directing staff to submit this document to the California Public Utilities Commission ("CPUC"); and

WHEREAS, on September 18, 2017, the Implementation Plan was submitted to the CPUC, and the CPUC certified the plan on December 18, 2017; and

WHEREAS, on November 7, 2017, the City Council approved Ordinance No. 30028 adding Title 26 to the San José Municipal Code, which established procedures for the operation and management of SJCE, defined a process for setting electricity rates, and allowed SJCE to provide any rate designs or programs as approved by the City Council; and

WHEREAS, on November 6, 2018, the City Council adopted Resolution No. 78864 approving SJCE to set rates for the GreenSource product to be one percent (1%) below Pacific Gas and Electric Company (“PG&E”) generation rates, after accounting for the franchise fees and the Power Charge Indifference Adjustment across all rate classes for 2019, including the Time-of-Use (“TOU”) E-TOUA, E-TOUB, E-TOUC, and E6 residential rate schedules; and

WHEREAS, on April 9, 2019, the City Council adopted Ordinance No. 30233 amending Section 26.40.020 of Chapter 26.40 of Title 26 of the San José Municipal Code to reduce SJCE’s operating costs associated with some bill adjustments, reduce waste related to sending paper notice every time rates are increased or decreased, and improve agility to adjust rates that are pegged to PG&E rates; and

WHEREAS, as San José’s default generation provider, SJCE procures and sells clean retail electricity to residents and businesses, while PG&E continues to deliver electricity across transmission and distribution lines that PG&E owns, maintains, and operates; and

WHEREAS, PG&E, as an Investor-Owned Utility (“IOU”), is subject to the jurisdiction of and regulated by the CPUC, which approves rates applicable to IOU customers; and

WHEREAS, the Implementation Plan included a rate design that allowed SJCE to generally match PG&E's standard rate structures to avoid the possibility that customers would see significantly different bill impacts as a result of changes in rate schedules that would take effect following enrollment in SJCE; and

WHEREAS, SJCE and PG&E customers are charged for the electricity they consume based on their rate plan, and customers can choose between (1) tiered rate plans, which are the current default and have multiple pricing levels based on how much electricity is used, and (2) TOU rate plans, which have varying prices for electricity throughout the day based on the time of day energy is being consumed; and

WHEREAS, as the billing provider for SJCE customers, PG&E records customer usage data through its meters and maintains rate plan selections, and SJCE electric generation rate plans largely mirror those of PG&E, but with a one percent (1%) rate discount; and

WHEREAS, the goal of TOU rate plans is to better reflect the true cost of procuring energy through price signals to the customer and to incentivize customers to use less energy during high-demand, peak hours, aligning more energy usage with off-peak time periods when the cost of producing electricity is lower because of the abundance of clean, renewable energy from solar and wind sources; and

WHEREAS, on July 3, 2015, the CPUC adopted a series of changes to residential rate structures to align rates with the actual cost of providing electricity service, including a requirement for IOUs to automatically enroll ("transition") most of their residential customers in a TOU electric rate by a certain date; and

WHEREAS, PG&E will automatically transition San José customers in November 2020 to a new default TOU rate plan, and SJCE desires to transition its eligible customers on the same schedule to minimize customer confusion and incentivize energy conservation during the most expensive and most polluting hours of the day, resulting in both generation and delivery being charged at a TOU rate with the same pricing signals, excluding medical baseline customers, customers eligible for Net Energy Metering (“NEM”) grandfathering, customers with inadequate energy usage interval data or with less than one year of data, active severance customers, customers who converted from NEM to non-NEM rates, customers already on a TOU rate plan, and customers who have opted out of SJCE and are on a transitional rate; and

WHEREAS, following transition to the default TOU rate plan, SJCE customers can “opt-out” to their prior tiered rate plan or select a different TOU rate plan at any time, and can try the default TOU rate risk-free, as PG&E and SJCE will offer bill protection for the first 12 months, wherein if customers pay more on their first year under the TOU rate plan, at the end of the year PG&E and SJCE will credit them the difference; and

WHEREAS, PG&E will notify customers that will be transitioned to a TOU rate, and SJCE will co-brand any direct mail and email, including a direct mail letter that will be sent ninety (90) days before the transition, and a second direct mail letter and email to customers who have opted into PG&E email notifications that will be sent thirty (30) days before the transition; and

WHEREAS, any direct mail and email communications co-branded by SJCE will describe the bill protection offer to customers; present customers with a personalized rate plan comparison showing annual costs for three rate plans, including the customer’s current plan, the default TOU plan, and a second TOU option; and highlight the lowest cost plan based on each customer’s last 12 months of electricity usage; and

WHEREAS, to avoid increasing the electricity bills of customers, SJCE will perform additional targeted outreach to California Alternate Rates for Energy (“CARE”) and Family Electric Rate Assistance Program (“FERA”) customers and encourage them to select their old tiered rate plan; regularly promote energy efficiency and load shifting tips to help customers reduce bills; and suggest rate schedule changes to customers who would have lower bills on a non-TOU rate schedule towards the end of the first 12 months on the TOU rate; and

WHEREAS, PG&E changes its rate schedule offerings from time to time, and the notice required for such changes does not always allow SJCE sufficient time to receive City Council approval on a case-by-case basis to create a similar rate schedule, which may cause confusion and/or additional costs for customers, and may lead to customers opting out of SJCE service because of conflicts between PG&E’s delivery portion and SJCE’s generation portion of bills; and

WHEREAS, approving the transition to the residential TOU rate schedule E-TOUC and offering customers bill protection is expected to reduce overall electricity usage and greenhouse gas emissions, result in customer savings of approximately \$2.5 million, reduce SJCE’s procurement costs, and result in net revenue reduction of \$1.5-\$2.0 million per year for SJCE; and

WHEREAS, consistent with the Implementation Plan, approving a rate design to match any rate structure from PG&E would enable SJCE to retain customers, increase its competitiveness, and maintain its ability to serve customers without interruption as a result of any changes in PG&E’s rate design;

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SAN JOSE THAT:

1. A transition of eligible residential San José Clean Energy customers, on a default, “opt-out” basis, to the existing Time-of-Use electric rate E-TOUC in November 2020, and bill protection to be offered to customers for one year to ensure that, at the end of one year of service on new rates, no participating customer will have paid more on the new rate, are hereby approved.
2. A rate design allowing San José Clean Energy to match any rate structure from Pacific Gas and Electric Company’s standard rates is hereby approved; provided that, notwithstanding any changes to the rate structure, San José Clean Energy’s GreenSource product will be at one percent (1%) below Pacific Gas and Electric Company’s generation rates after accounting for the franchise fee surcharge and the Power Charge Indifference Adjustment.

ADOPTED this _____ day of _____, 2019, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

SAM LICCARDO
Mayor

ATTEST:

TONI J. TABER, CMC
City Clerk