

# MEMORANDUM

Public Works Department



**DATE:** March 17, 2021  
**TO:** Mayor and Council  
**THROUGH:** Steve McHarris, City Manager *Steve McHarris*  
**FROM:** Tony Ndah, Public Works Director  
**SUBJECT:** Update on PG&E Time of Use Rate Transition

The California Public Utilities Commission has required that electricity customers in Investor Owned Utility territories, such as PG&E, be transitioned from a “tiered” rate structure to a “Time-of-Use” (TOU) rate structure. This is part of statewide policy to better align when electricity is used to times when rates are lower, demand is lower, and renewable resources, like solar and wind power, are most plentiful.

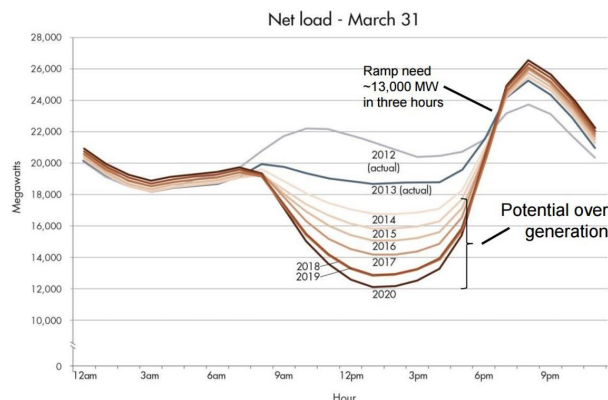
For Santa Clara County, the transition is scheduled to occur in June 2021. PG&E and Silicon Valley Clean Energy (SVCE) are required to begin notifying customers 90 days before the transition date. Customers, including Milpitas residents and businesses, are starting to receive notifications now. Customers can then choose to:

- (1) stay on their current rate plan,
- (2) pick another rate plan that is best for their household, or
- (3) elect to transition to the TOU Rate.

Customers will be automatically switched to the new TOU rate unless they chose to stay in Tiered Rate or choose a different rate plan. This information memorandum provides background and details about this rate change, results of a Time of Use pilot implemented in Milpitas since 2018, and tools and resources for customers impacted by this change.

## Background

The new TOU Structure more closely aligns to electricity load availability and costs of electricity during different times of the day. The graph below shows typical electricity load on the state electricity grid.

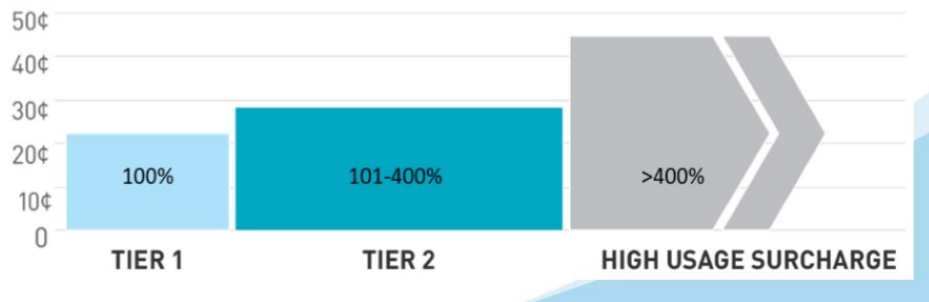


California Electricity Load Profile

The load is typically steady during the early morning hours. During daylight hours, renewable electricity is produced and consumed (including on site) and the electricity load drops. Due to the growing proportion of solar electricity on the grid, electricity is more available (and less costly) during daylight hours. When the sun begins to set, that abundance of electricity also drops, as demand on grid increases significantly. Specifically, in the late afternoon and early evening hours when people are returning home from work, cooling their homes, and turning on lights and appliances. Additional power on the electricity grid is needed to meet that demand. This typically requires ramping up additional electricity generating facilities that are more costly. The new TOU rate structure is intended to mirror this cycle and encourage customers to change their electricity use patterns and use more electricity during non-peak times.

Current Tiered Rate Structure

The current rate structure is volumetric with higher rates established for when more electricity is used.



New Time of Use Structure

The new rate structure will establish rates that are different based on when the electricity is used. The rate will be higher during “Peak Time” from 4pm – 10pm daily and will be lower during “Off Peak Time.”



Customer will receive three notifications from PG&E/SVCE leading up to June 2021 with information about the TOU transition, customer options, and resources. As a result of the change, some customers will see an increase in annual electricity costs, some will save money, and some will be cost-neutral.

Not all customers will automatically transition to a TOU rate plan. Those excluded from the automatic transition include:

- Customers already on a Time-of-Use rate plan
- Customers enrolled in the Medical Baseline program
- Customers enrolled in or eligible for the California Alternative Rates for Energy (CARE) program or Family Electric Rate Assistance (FERA) customers living in hot climate zones
- Customers who have started service as of October 1, 2020 or later

### Milpitas Time of Use Pilot

Approximately 7,500 Milpitas customers were selected to participate in the Time of Use Pilot Program in June 2018. When PG&E notified these customers of the pilot, they were given the choice to participate in the new TOU Rate, stay on the existing Tiered Rate, or change to a different rate. Participation in the pilot is shown below.

#### Customer Response to TOU Pilot

Participated in TOU Pilot	70%
Switched to different TOU Rate	15%
Remained on Tiered Rate	15%

During the first year of the TOU Pilot, PG&E monitored the participants electricity use and potential charges to determine the financial impact of the change on customer utility bills. PG&E found that the impact on most customers was cost neutral and some customers saw a slight cost savings. About 5% of participants experienced an increase in annual electricity bills of more that \$10 (or more than \$5 for CARE customers).

#### Customer Bill Experience on TOU Pilot

Increase annual costs >\$10 (>\$5 for CARE)	5%
Cost Neutral	37%
Saved >\$10 (> \$5 for CARE)	47%

### Impact on City Electricity Accounts

The City has many accounts with PG&E for our various facilities and operations. Some of those accounts are already on an existing TOU rate and the remaining accounts will be switched to a new TOU rate. An analysis completed by SVCE last year identified the potential financial impact of the rate switch by account assuming electricity use patterns were unchanged. This analysis also identified which accounts could see a potential savings if switched to alternate TOU rate rather than the default. In summary, the analysis showed that the overall impact on City electricity costs could be cost-neutral or result in modest cost reductions. Staff will coordinate with PG&E to select the appropriate rate schedules for the accounts as identified in the analysis.

### Customer Resources

There are two tools that PG&E/SVCE plan to implement to assist customers during the transition from tiered rates to time of use rates: (1) Education and (2) No Risk Bill Protection.

PG&E and SVCE will educate customers about the transition, explain the change and impact of TOU rates, and offer tips for adjusting electricity use patterns to minimize charges during peak periods. By shifting when they run some electric devices, such as the dishwasher and electric clothes washer/dryer to off-peak hours, customers can minimize the impact on their bill. In addition to the direct customer notifications, educational information will be promoted via website and social media, as well as through the State's Keep California Golden campaign.

Additionally, PG&E and SVCE are offering No Risk Bill Protection which will take the form of a bill credit if the customer experiences an increase in electricity bills on the new rate structure over the first 12 months. Bill Protection will apply to all portions of the electricity charges including transmission and distribution (covered by PG&E) and generation (covered by SVCE for SVCE customers).

For more information about the transition to Time-of-Use rates, customers can visit [www.pge.com/toutransition](http://www.pge.com/toutransition) or [www.svcleanenergy.org/time-of-use](http://www.svcleanenergy.org/time-of-use). To view a customized rate plan comparison, customers can visit their account online at [www.pge.com/TOUchoice](http://www.pge.com/TOUchoice). Dedicated rate plan specialists are available at 1-866-743-7945 to answer questions and help customers choose a rate plan.