



CITY OF OAKLAND

AGENDA REPORT


TO: Jestin D. Johnson
City Administrator

FROM: Joe DeVries
Deputy City
Administrator/Chief
Resilience Officer

SUBJECT: Informational Report on Upgrading
Default Electricity Rate Plans to
Renewable 100

DATE: March 18th, 2024

City Administrator Approval


Jestin Johnson (Mar 28, 2024 17:09 PDT)

Date: Mar 28, 2024

RECOMMENDATION

Staff Recommends City Council Receive An Informational Report on Upgrading Default Electricity Rate Plans in Oakland To Ava Community Energy's Renewable 100 Plan.

EXECUTIVE SUMMARY

The City of Oakland (City) has the option to change the default electricity service plan for the majority of customers in Oakland to 100% renewable energy. This report is intended to provide City Council with information so it can determine whether to switch Oakland's default energy service from Ava Community Energy's (Ava) Bright Choice plan to its Renewable 100 plan. The current default energy plan for accounts in Oakland is "Bright Choice," which delivers 49.4% renewable energy at a lower cost than default Pacific Gas and Electric (PG&E) rates. The City could set the default plan to Ava's "Renewable 100" plan, which provides 100% renewable energy from wind and solar at higher rates than PG&E's default rates. This informational report outlines the social, economic, and environmental implications of selecting the Renewable 100 rate plan as the default energy service within the City.

BACKGROUND / LEGISLATIVE HISTORY

Ava Community Energy, previously known as Easy Bay Community Energy, is a locally-governed public power agency that procures electricity and distributes it to customers using PG&E's distribution lines. In June 2018, Oakland was one of 11 cities in Alameda County that decided to form Ava as a Joint Powers Authority to collectively procure cleaner energy than was available from PG&E (79325 C.M.S.). Since then, Ava has been the electricity provider to most of Alameda County, supplying commercial and municipal accounts with higher percentages of renewable and carbon-free energy compared to PG&E alternatives.

Carbon-free energy refers to energy that, when generated, creates no emissions of carbon dioxide, a greenhouse gas (GHG) that contributes to climate change. Renewable energy, including small hydroelectric, solar, wind, biomass, biowaste, and geothermal sources, is generated from resources that are naturally replenished and create no carbon dioxide emissions. On the other hand, although electricity generated by large hydropower is a form of carbon-free energy, large hydropower is not considered renewable as it requires dams that adversely affect ecosystems.

Since Oakland joined Ava Energy in 2018, Bright Choice has been the default plan for all commercial and residential customers in the city. Bright Choice consists of 49% carbon-free electricity (see **Figure 1**). The average monthly cost to residential customers, excluding California Alternative Rates for Energy (CARE) or Family Electric Rate Assistance (FERA) customer, is \$118.22 per month (see **Figure 2**). Ava's electricity rates are tied to PG&E's rates, which are set by the California Public Utilities Commission (CPUC).

As an alternative to the Bright Choice plan, Ava also offers the Renewable 100 plan, which is 100% renewable and carbon-free, consisting only of solar and wind energy. The average monthly cost to residential customers, excluding CARE/FERA customers, is \$121.20 per month (see **Figure 2**). The only customers in Oakland who are currently on the Renewable 100 plan have chosen to opt-up for a higher fee. There are currently over 2,000 customers in Oakland that have opted-up to the Renewable 100 plan.

Ava's Renewable 100 plan has the highest percentage of renewable energy of any available rate plan. Some of the electricity included in the Bright Choice plan is purchased from the spot/wholesale market, where any electricity generated from any source – including in-state natural gas and nuclear and out-of-state fossil fuel combustion – can be purchased to meet sudden increases or fluctuations in electricity demand. Over 28% of the power delivered for Bright Choice customers were from such “unspecified sources” (see **Figure 1**).

Oakland's Equitable Climate Action Plan (ECAP) states that a 100% carbon-free electricity grid is necessary to reach the City's climate targets for 2030 and 2050. In 2019, electricity supplied by Ava was more than 90% carbon-free and by 2030 Ava plans to supply 100% renewable and carbon-free electricity for all customers. Transitioning, or “opting-up” all Oakland commercial and residential customers to Renewable 100 now would help the City reach its 2030 ECAP goals sooner. The Cities of Berkeley, Albany, Emeryville, Dublin, Hayward, San Leandro and Pleasanton have already transitioned to Renewable 100 as the default plan in their jurisdictions.

Figure 1: Comparison of Ava and PG&E Service Options and Respective Power Content

Type of Energy	Percent of Total Retail Sales (kWh)			
	East Bay Community Energy		PG&E	PG&E Solar Choice
	Bright Choice	Renewable 100		
Renewable & GHG-Free	49.4%	100.0%	38.3%	96.2%
Biomass/Biowaste	1.5%	0.0%	4.6%	0.0%
Geothermal	0.8%	0.0%	0.5%	0.0%
Eligible hydroelectric	1.4%	0.0%	1.8%	0.0%
Solar	18.1%	50.0%	22.0%	96.2%
Wind	27.6%	50.0%	9.4%	0.0%
GHG-Free, Not Renewable	22.1%	0.0%	57.0%	0.0%
Large Hydroelectric	21.9%	0.0%	7.6%	0.0%
Nuclear	0.2%	0.0%	49.3%	0.0%
Unspecified Sources of Power**	28.4%	0.0%	0.0%	3.8%
Non-renewable Natural Gas	0.0%	0.0%	4.8%	0.0%
TOTAL	100%	100%	100%	100%

*All data (cost and energy mixes) from 2022

**Unspecified sources of power refers to electricity that is not traceable to a specific generating facility, such as electricity traded through open market transactions. Unspecified sources of power are typically a mix of all resource types and may include renewables or system power.

Figure 2: Oakland Citywide Opt-Up Analysis – Total Electricity Costs Estimate

Class	Average Cost/Month			
	East Bay Community Energy		PG&E	PG&E Solar Choice*
	Bright Choice	Renewable 100*		
CARE/FERA Residents	\$102.68	\$106.10	\$105.33	n/a
Residents (Excluding CARE/FERA)	\$118.22	\$121.20	\$120.53	n/a
Municipal Accounts				
Small and Medium	\$563,530.00	\$579,296.00	\$575,769.00	n/a
Large Commercial and Industrial	\$815,091.00	\$842,459.00	\$836,022.00	n/a
Streetlight and Outdoor Lighting	\$546,923.00	\$561,007.00	\$557,374.00	n/a

Cost estimates in **Figure 2** are based on staff’s analysis of citywide billed usage in calendar year 2023, Ava summary rates, and averaged January 2024 Joint Rate Comparison (JRC) blended rates for the Total Electricity Costs. Ava and PG&E are required to conduct a Joint Rate Comparison that shows the how the different rates compare to one another. On the JRC, cost is noted as “Total Electricity Costs (\$/kilowatt-hour (kWh))” and includes Ava’s Generation Costs, Power Charge Indifference Adjustment /Franchise Fee Surcharge and PG&E’s Delivery Costs. This analysis includes all Bright Choice accounts within the jurisdiction of the City of Oakland as of January 2024. Rates are calculated using averaged non-discounted rates which may result in overestimated cost projections. Currently, Bright Choice is priced at a 5% savings compared to PG&E’s generation rate, and Renewable 100 is priced at a 1/4 ¢ per kWh premium to PG&E’s

generation rate. Bright Choice Savings and Renewable 100 Premiums shown in **Figure 2** were calculated in comparison to PG&E rates.

ANALYSIS AND POLICY ALTERNATIVES

City Council may bring forth legislation that would request that Ava's Board approve an upgrade of Oakland ratepayer accounts to Renewable 100. This could apply to all ratepayer accounts – residential, commercial, and municipal – within Oakland, or limited to City of Oakland municipal accounts only.

Utility bills have a large impact on household and commercial budgets. In the past, Oakland has deferred upgrading the default Ava energy plan to Renewable 100 because of the potential cost impacts on Oakland ratepayers, particularly lower-income residents.

As part of the potential future legislative action, the City Council can authorize an exclusion for customers on an income-qualifying or other discounted rate (CARE, FERA, and/or Medical Baseline) to prevent a price increase among these customers. In addition, if the City were to change the default plan to Renewable 100, all customers would have the option to opt-out and remain on the cheaper Bright Choice rate plan, regardless of income level. According to Ava, the transition to the Renewable 100 plan in other jurisdictions within its service area has been relatively stable, with less than 4% of customers opting-out to PG&E and less than 5% opting-down to the Bright Choice plan.

The cost impacts to residential accounts of upgrading to Renewable 100 (excluding CARE/FERA and Medical Baseline discounted accounts) would be approximately \$2.98 per month greater per account than the current default Bright Choice plan, and \$0.67 per month greater than the comparable PG&E rate (see **Figure 2**). These cost impacts, particularly to lower-income ratepayers, could be substantial – an added cost of \$35-\$41 per year. In addition, the CPUC has already increased electricity rates statewide twice within the last calendar year and could authorize further increases in the future.

Selecting Renewable 100 as the default rate plan would support the growth and development of the solar and wind energy sector in California, increasing the renewable content of Oakland accounts from 15% solar to 50%, and 25% wind to 50% in each upgraded account. All electricity included in the Renewable 100 rate is sourced from electricity generated in the state of California. An increase of renewable content would help reduce demand for electricity generated from natural gas, nuclear, or out-of-state fossil fuel sources. The Scott Haggerty Wind Center in Livermore is one example of a local renewable energy project Ava has invested in that will provide renewable energy to Oakland.

In addition to procuring carbon-free electricity, Ava uses excess revenue to invest in sustainable energy-related programs in the communities it serves, fueling local renewable energy economic development across the Bay Area.

Cost and Environmental Impacts of Renewable 100 Upgrade on Municipal Accounts

City of Oakland municipal accounts represent 5.3% of city-wide electricity usage. The City's accounts are currently enrolled in the default Bright Choice plan. The City has the option to upgrade municipal accounts to demonstrate leadership and commitment to supporting the transition to renewable energy and achieving Oakland's climate targets. If the City were to

upgrade all municipal buildings to the Renewable 100 rate plan, the new total energy cost would be approximately \$688,000 per year. This could be included as part of the 2024-25 Midcycle or future budget process.

Careful consideration of upgrading to the Renewable 100 plan and the associated cost impacts to residential customers in Oakland supports the Citywide Priorities of **Vibrant Sustainable Infrastructure** and **Responsive, Trustworthy Government**.

FISCAL IMPACT

The cost to the City of Oakland to upgrade all municipal accounts to the Renewable 100 rate would be \$688,000 per year. Annual costs to residents and commercial accounts are detailed in **Figure 2**. Municipal utility bills are currently paid from the Facilities Internal Service Fund (ISF). The General Purpose Fund pays for 60-70% of the Facilities ISF. If the municipal electricity bill increased by \$688,000, Facilities would adjust the rates it charges in the following year.

PUBLIC OUTREACH / INTEREST

Ava Energy's policy is to conduct extensive public outreach over a 60-day period prior to any rate increases. This includes mail, email, and in-person outreach. The City of Oakland would coordinate with Ava on this public outreach related to any potential change in the default rate plan.

COORDINATION

This informational report was reviewed by the City Attorney's Office and Budget Bureau.

SUSTAINABLE OPPORTUNITIES

Economic: Opting-up to Ava's Renewable 100 rate plan would increase energy costs for most customers in Oakland in the short term. In the long term, reliance on renewable energy may protect against price fluctuations related to fossil fuels, resulting in unpredictable, unreliable energy prices. The cost of generation rates per kilowatt/hour for both wind and solar continue to drop each year.

The Renewable 100 plan supports local green job opportunities. While little energy is generated within Oakland's City limits, renewable energy jobs will be created within Alameda County and the greater Bay Area. Renewable generation activities such as wind and solar tend to offer more Operations and Maintenance jobs as compared to more capital intensive and centrally controlled facilities for fossil fuel combustion. One specific example of Ava's promotion of local economic development in renewable electricity since 2018 is the Scott Haggerty Wind Center in Livermore, a 57.5 Megawatt facility which provides clean renewable energy to approximately 20,000 homes while offsetting an estimated 4 million metric tons of carbon dioxide each year.

Environmental: The Renewable 100 rate plan would result in less pollution from particulates and greenhouse gases. This would be beneficial to addressing climate change and protecting

human health. Reducing dependence on fossil fuels helps reduce harmful emissions associated with non-renewable energy infrastructure, such as leakage in gas pipelines.

Race & Equity: Supporting renewable energy can help achieve climate justice and equity by displacing fossil fuels. Air and water pollution resulting from fossil fuel production leads to increased cases of asthma, heart disease, and cancer within communities that reside near power plants. These plants are commonly located near low-income, historically marginalized communities, which in turn experience the harmful impacts of pollution at disproportionately higher rates. Increasing the economic investment in renewable energy projects through the City's participation in Renewable 100 would also contribute to climate equity by supporting the creation of green jobs.

ACTION REQUESTED OF CITY COUNCIL

Staff Recommends City Council Receive An Informational Report on Upgrading Default Electricity Rate Plans in Oakland To Ava Community Energy's Renewable 100 Plan.

For questions regarding this report, please contact Nick Kordesch, Energy Program Manager, at (510) 238-6266.

Respectfully submitted,



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