



City of Palo Alto

City Council Staff Report

(ID # 8743)

Report Type: Consent Calendar

Meeting Date: 2/5/2018

Summary Title: Extending Time Of Use Electric Rates

Title: Adoption of a Resolution Extending the Electric Rate Schedule E-1 TOU (Residential Time-of-Use Rate Adjustment) and Repealing Resolution 9495

From: City Manager

Lead Department: Utilities

Recommendation

Staff recommends that Council adopt a resolution amending Electric Rate Schedule E-1 TOU (Residential Time-of-Use Rate Adjustment) to extend the rate beyond its current expiration date (December 31, 2017). This will enable the City's Time of Use Pilot Program to continue and permit participating customers to remain in the Program.

Executive Summary

The City of Palo Alto Utilities' (CPAU's) CustomerConnect Pilot Program, a voluntary residential smart meter and time-of-use (TOU) pilot program, has been in place since December 2012. While the pilot phase has ended and no additional customers are being accepted into the program, staff recommends that the 89 customers already on the TOU rate be allowed to stay on the rate. Staff anticipates opening the TOU rate to additional customers when smart meters are installed and made available to all customers, currently planned for 2022. The proposed resolution removes the expiration date from the E-1 TOU rate allowing it to remain available to current customers.

Background

A TOU rate is an electric rate which charges customers different prices depending on the time of day they use electricity. The City's combined electricity supply and delivery costs to serve residential customers are typically more expensive during the day than at night. A TOU rate mechanism passes those costs through to the customer, who then receives a price signal to move electric use to a less expensive time of day whenever possible. These rates require special metering, and the CustomerConnect Pilot provided smart meters to enable this rate structure. On December 10, 2012 Council approved the CustomerConnect Pilot Program, a smart meter and TOU rate pilot program ([Staff Report 3330, Resolution 9302](#)).

The Pilot Program was successfully implemented over the past five years, with 125 of the 300 customers participating in the CustomerConnect Pilot choosing to enroll in the TOU rates. The TOU rate provides a rate discount for night time electricity use and imposes a premium for day time electricity use. Currently there are 89 customers enrolled in the TOU rates. The pilot program results and lessons learned were presented to the Utility Advisory Commission in a [report dated September 6, 2017](#). Customers participating in the program on average save approximately \$2/month on their electric bills.

Discussion

The pilot phase of the CustomerConnect program is scheduled to end December 31, 2017, and the TOU rates approved by Council will expire at that time ([Staff Report 5459](#) dated February 23, 2015). However, since there are 89 customers already on the TOU rate and new TOU rates cannot be implemented until smart meters are installed throughout the City, staff recommends extending the current TOU rates, and the pilot phase of the CustomerConnect Program, for the existing set of enrolled customers. With this action, Resolution 9495, which previously amended Rate Schedule E-1 TOU, will be repealed.

Staff proposes continuing the CustomerConnect Program until the City implements smart meters for all customers, currently expected to be completed at the end of 2022. Besides continuing to offer TOU rates to customers already enrolled in the CustomerConnect Program, this action will also enable staff to continue to learn useful information about customer consumption patterns. TOU based rates are expected to be expanded to other interested customers upon the installation of smart meters at the end of 2022.

Resource Impact

Adoption of this resolution to continue offering TOU rates will not result in additional expenditures or staff resources beyond those already expended during the past five years. Costs associated with extending the CustomerConnect Pilot to continue to provide hourly utility consumption information via a customer portal is anticipated to cost approximately \$50,000 per year through 2022, and a funding request will be provided to Council in a separate report. In addition, internal staffing cost to manage the program is estimated at \$10,000 per year. New TOU to all customers is expected to be implemented in 2023.

Policy Implications

This implements existing Council Electric Vehicle Infrastructure policy to provide TOU rate options to electric vehicle customers (December 19, 2011, ID#2360) and is consistent with the existing Utilities Strategic Plan objective to promote the efficient use of resources.

Environmental Review

Adoption of a resolution extending the voluntary Rate Schedule E-1 TOU is statutorily exempt from the California Environmental Quality Act (CEQA), pursuant to California Code of Regulations Title 14, Chapter 3, Section 15273(a), because the fees and charges in E-1 TOU are necessary to recover the cost of providing utility service, and to meet operating expenses.

After reviewing the reports presented, the Council incorporates these documents herein and finds that sufficient evidence has been presented setting forth with specificity the basis for this claim of CEQA exemption.

Attachments:

- Attachment A: Resolution Amending E-1 TOU Rates
- Attachment B: E-1 TOU effective 01-01-2018

NOT YET APPROVED

Resolution No. _____
Resolution of the Council of the City of Palo Alto Extending Electric Rate
Schedule E-1 TOU (Residential Time-of-Use Rate Adjustment) and
Repealing Resolution 9495

R E C I T A L S

A. On December 10, 2012, the City adopted a voluntary electric time of use (TOU) rate schedule, and on February 23, 2015, extended the rate through December 31, 2017 (Staff Report 5459, Resolution 9495).

B. As of December 2017 there are eighty-nine customers on the TOU retail rate and participating in the City's CustomerConnect Program, which enables these customers to lower their electricity bills by shifting their electricity energy use to lower cost periods of the day.

C. To continue to serve the current TOU customers and CustomerConnect Program participants, the City wishes to extend availability of the TOU rate indefinitely, or until Council acts to modify or repeal it.

The Council of the City of Palo Alto RESOLVES as follows:

SECTION 1. Resolution 9495, adopted by the Council on February 23, 2015, is repealed.

SECTION 2. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule E-1 TOU (Residential Time-of-Use Rate Adjustment) is hereby amended as attached and incorporated. Utility Rate Schedule E-1 TOU, as amended, shall become effective January 1, 2018.

SECTION 3. The Council finds that the fees and charges contained in the voluntary electric rate schedule amended by this resolution are charges imposed for a specific government service or product provided directly to the payer that are not provided to those not charged, and do not exceed the reasonable costs to the City of providing the service or product.

SECTION 4. The Council finds that the adoption of this resolution extending the term, but not the underlying rates, of voluntary electric rate schedule E-1 TOU is statutorily exempt from the California Environmental Quality Act (CEQA), pursuant to California Code of

NOT YET APPROVED

Regulations Title 14, Chapter 3, Section 15273(a), because the fees and charges in E-1 TOU are necessary to recover the cost of providing utility service under the pilot program, and to meet operating expenses. After reviewing the reports presented, the Council incorporates these documents herein and finds that sufficient evidence has been presented setting forth with specificity the basis for this claim of CEQA exemption.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

Assistant City Attorney

City Manager

Assistant City Manager / General Manager
of Utilities

Director of Administrative
Services

RESIDENTIAL TIME OF USE RATE ADJUSTMENT

UTILITY RATE SCHEDULE E-1 TOU

A. APPLICABILITY:

This is a voluntary Rrate Sschedule that applies to separately metered single-family residential dwellings receiving retail energy Sservices from the City of Palo Alto Utilities (CPAU). Service under this Rrate Sschedule will be provided in conjunction with all rates and Ccharges shown on Rate Schedules E-1 (Residential Electric Service). Service under this Schedule is limited to 150 Mmeters and will terminate on December 31, 2017. Service under this rate and is provided at the sole discretion of CPAU.

B. TERRITORY:

This Rrate Sschedule applies everywhere the City of Palo Alto provides Eelectric Sservice.

C. TIME OF DAY ADJUSTMENT:

The following adjustment factors will be applied based on the time of day the energy is delivered and will be added to (or subtracted from) the Unbundled Rates calculated under the City’s regular residential Eelectric Rate Sschedule (E-1).

Rates per kilowatt-hour (kWh)

	<u>Total</u>
<u>Summer Period</u>	
Peak	+ \$0.0578
Mid-Peak	\$0.0000
Off-Peak	- \$0.0186
<u>Winter Period</u>	
Peak	\$0.0035
Off-Peak	- \$0.0129

D. SPECIAL NOTES:

1. Calculation of Charges

This rate is an adjustment to the E-1 Rrate Sschedule. The Time of Day Adjustment in Section C shows the discount or premium applied to electric Sservice based on the time of day such Sservice is delivered. When calculating charges for Eelectric Sservice delivered during a Bbilling Pperiod, Ccharges will be calculated in a two-step process:



RESIDENTIAL TIME OF USE RATE ADJUSTMENT

UTILITY RATE SCHEDULE E-1 TOU

first, Charges under the E-1 rate will be calculated based on the total consumption during that Billing Period, and second, the Time of Day Adjustment in Section C will be calculated based on when that consumption occurred. The two calculations will be added together to generate the electric Charges for that Billing Period.

The actual bill is calculated based on the applicable rates discussed above and is then adjusted for any applicable discounts, surcharges and/or Taxes. On a Customer's bill statement, the bill amount may be broken down into appropriate components as shown above, as well as shown on Rate Schedule E-1.

2. Definition of Time Periods

SUMMER PERIOD (Service from June 1 to September 30):

Peak: Noon to 6:00 p.m. Weekdays (Mon-Fri, except holidays)

Off-Peak: 11:00 p.m. to 6:00 a.m. Every day

Mid Peak: All other hours Every day

WINTER PERIOD (Service from October 1 to May 31):

Off-Peak: 11:00 p.m. to 6:00 a.m. Every day

Peak: 6:00 a.m. to 11:00 p.m. Every day

HOLIDAYS: "Holidays" for the purposes of this Rate Schedule are New Year's Day, President's Day, Memorial Day, Independence Day, Labor Day, Veterans Day, Thanksgiving Day, and Christmas Day. The dates will be those on which the holidays are legally observed.

SEASONAL RATE CHANGES: When the Billing Period includes use in both the Summer and the Winter periods, the usage will be prorated based on the number of days in each seasonal period, and the Charges based on the applicable rates ~~therein~~. For further discussion of bill calculation and proration, refer to Rule and Regulation 11.

{End}

CITY OF PALO ALTO UTILITIES

Issued by the City Council



CITY OF PALO ALTO
UTILITIES

[Supersedes Sheet No E-1-TOU-2 dated 1-1-2015](#)

Effective ~~1x-1x-2018x~~
Sheet No **E-1 TOU-2**