



TOWN OF APPLE VALLEY

TOWN COUNCIL STAFF REPORT

To: Honorable Mayor and Town Council **Date:** January 24, 2017
From: Joseph Moon, Public Services Manager **Item No:** 9
Public Services Department
Subject: ADOPT RESOLUTION NO. 2017-04, A RESOLUTION ESTABLISHING
THE RATE STRUCTURE AND RATES FOR APPLE VALLEY CHOICE
ENERGY (AVCE)

T.M. Approval: _____ **Budgeted Item:** Yes No N/A

RECOMMENDED ACTION:

Adopt Resolution No. 2017-04 establishing the rate structure and rates for Apple Valley Choice Energy (AVCE).

SUMMARY:

Apple Valley Choice Energy (AVCE) will begin serving customers in April 2017 for all residential, commercial and industrial customers. An essential part of implementing AVCE is rate setting. A fundamental requirement in setting rates is to ensure sufficient revenue is collected to cover the operating expenses of AVCE and providing for reserves. In addition to meeting revenue requirements, AVCE strives to provide rate stability to customers by only reviewing and adjusting rates once per year and adopting rates that are lower than the current Southern California Edison (SCE) per kWh rate.

AVCE will offer two (2) electricity products, Core Choice which is a thirty-five percent (35%) renewable energy product and More Choice a fifty percent (50%) renewable energy product. Customers will automatically be enrolled in our Core Choice product, with the option to "Opt Up" to the More Choice product.

CORE CHOICE PRODUCT – 35% Renewable Energy

Based on current projections of customer base, electricity costs and program expenses, the proposed Clear Choice rates offer customers a discount of three percent (3%) over the current SCE rates, with the exception of those residential customers that are under the CARES program. Those customers will save approximately fifteen percent (15%) over the current SCE rates. Residents that qualify and participate in the SCE CARES program

are not subject to the fees charged by SCE for customers that leave their service for AVCE (PCIA Charges).

MORE CHOICE PRODUCT – 50% Renewable Energy

Customers who opt up to our fifty percent (50%) renewable product, Smart Choice, will be subject to a \$.003 per kWh premium to cover the additional cost of the product. The additional monthly cost for a residential customer using 1,000 kWh would be approximately \$1.30 relative to the standard AVCE rate

YOUR CHOICE PRODUCT – Net Energy Metering Option

AVCE customers who have electricity generating facilities, such as roof top solar, will have the benefit of our Personal Choice Product. Under this program, customers whose facilities generate more energy than they use will receive a credit of \$.060 per kWh on their bill. This rate exceeds the current SCE NEM rate of approximately \$.027 per kWh, providing a greater benefit to our customers. In addition, customers who have a credit greater than \$100 can request to receive a check for the amount of the credit. Those with a credit of less than \$100 will have that credit roll into the next billing cycle.

RATE BASE ANALYSIS

With the kick-off of AVCE providing electricity to all customers in April 2017, it is appropriate to adopt a budget that recognizes revenues to be collected and expenses incurred for the current fiscal year. These costs include specialized consultants, legal services, staff salaries and power procurement costs. The initial shortfall is to be covered by a loan from the General Fund to be repaid with future AVCE revenues. AVCE is a long term viable service that will provide a steady, predictable revenue stream to the Town while saving our citizens money on their electricity generation rates. Similar to other start-up services, there are initial costs incurred that require start-up funds to cover. It is in the best interest of the Town, and its residents, to fund those start-up costs with a loan from the general fund. A loan from the general fund would pay for initial start-up costs and can be repaid within three (3) years of operation.

The rates are based on pricing offered by three (3) power providers. Following execution of the Master Agreements and once all terms and conditions of the other agreements are finalized, we will request updated pricing from the power suppliers and select among the best offers for execution of contracts. The attached rate structure and proposed rates have been developed to generate revenues sufficient to cover annual expenses, fund a ten percent (10%) operating reserve and financial stability reserve, while saving customers a minimum of three percent (3%) per kWh as compared to SCE.

Staff recommends adoption of Resolution No. 2017-04 establishing the rate structure and rates for Apple Valley Choice Energy (AVCE).

ATTACHMENTS:

1. Rate Schedule and Rates
2. Resolution No. 2017-04

**APPLE VALLEY CHOICE ENERGY
CY 2017 PROPOSED RATES**

SCE EQUIVALENT SCHEDULE	AVCE RATE SCHEDULE	UNIT/PERIOD	AVCE PROPOSED RATE	SCE PRESENT RATE
<u>RESIDENTIAL</u>				
DOMESTIC (D)	DOMESTIC (D)			
	ENERGY CHARGE (\$/KWH)	All Usage	0.06443	0.07477
DOMESTIC CARE (D-CARE)	DOMESTIC CARE (D-CARE)			
	ENERGY CHARGE (\$/KWH)	All Usage	0.06443	0.07477
TOU-D-B	TOU-D-B			
	ENERGY CHARGE (\$/KWH)	<u>SUMMER</u>		
		PEAK	0.20901	0.22524
		OFF-PEAK	0.04663	0.05625
		SUPER OFF-PEAK	0.03026	0.03921
		<u>WINTER</u>		
		PEAK	0.10468	0.11666
		OFF-PEAK	0.04188	0.05131
		SUPER OFF-PEAK	0.03436	0.04348
TOU-D-T	TOU-D-T			
	ENERGY CHARGE (\$/KWH)	<u>SUMMER</u>		
		TIER 1 PEAK	0.21389	0.23031
		TIER 1 OFF-PEAK	0.21389	0.23031
		TIER 2 PEAK	0.04772	0.05738
		TIER 2 OFF-PEAK	0.04772	0.05738
		<u>WINTER</u>		
		TIER 1 PEAK	0.09858	0.11031
		TIER 1 OFF-PEAK	0.09858	0.11031
		TIER 2 PEAK	0.04179	0.05121
		TIER 2 OFF-PEAK	0.04179	0.05121
TOU-EV-1	TOU-EV-1			
	ENERGY CHARGE (\$/KWH)	<u>SUMMER</u>		
		PEAK	0.15792	0.17207
		OFF-PEAK	0.03615	0.04534
		<u>WINTER</u>		
		PEAK	0.04501	0.05456
		OFF-PEAK	0.03687	0.04609

COMMERCIAL, INDUSTRIAL AND GENERAL SERVICE

TOU-8-SEC-R

TOU-8-SEC-R

ENERGY CHARGE (\$/KWH)	<u>SUMMER</u>		
	PEAK	0.26172	0.27692
	MID-PEAK	0.07058	0.07800
	OFF-PEAK	0.02671	0.03234
	<u>WINTER</u>		
	MID-PEAK	0.04054	0.04674
	OFF-PEAK	0.03139	0.03721

TOU-GS-1-A	TOU-GS-1-A			
	ENERGY CHARGE (\$/KWH)	<u>SUMMER</u>		
		PEAK	0.12500	0.13640
		MID-PEAK	0.08851	0.09843
		OFF-PEAK	0.06424	0.07317
		<u>WINTER</u>		
		MID-PEAK	0.06020	0.06897
		OFF-PEAK	0.05161	0.06003
TOU-GS-1-B	TOU-GS-1-B			
	ENERGY CHARGE (\$/KWH)	<u>SUMMER</u>		
		PEAK	0.11158	0.12244
		MID-PEAK	0.04057	0.04854
		OFF-PEAK	0.02306	0.03032
		<u>WINTER</u>		
		MID-PEAK	0.07071	0.07990
		OFF-PEAK	0.04262	0.05067
	DEMAND CHARGE (\$/KW)	SUMMER TR PEAK	6.22	6.47
		SUMMER TR MID-PEAK	2.36	2.46
TOU-GS-2-A	TOU-GS-2-A			
	ENERGY CHARGE (\$/KWH)	<u>SUMMER</u>		
		PEAK	0.29546	0.31335
		MID-PEAK	0.07862	0.08769
		OFF-PEAK	0.02401	0.03086
		<u>WINTER</u>		
		MID-PEAK	0.04007	0.04757
		OFF-PEAK	0.03031	0.03741
TOU-GS-2-B	TOU-GS-2-B			
	ENERGY CHARGE (\$/KWH)	<u>SUMMER</u>		
		PEAK	0.07924	0.08833
		MID-PEAK	0.04326	0.05089
		OFF-PEAK	0.02402	0.03087
		<u>WINTER</u>		
		MID-PEAK	0.04008	0.04758
		OFF-PEAK	0.03032	0.03742
	DEMAND CHARGE (\$/KW)	SUMMER TR PEAK	16.64	17.32
		SUMMER TR MID-PEAK	3.25	3.38

TOU-GS-3-A	TOU-GS-3-A		
	ENERGY CHARGE (\$/KWH)	<u>SUMMER</u>	
		PEAK	0.27285 0.28916
		MID-PEAK	0.07456 0.08281
		OFF-PEAK	0.02599 0.03226
		<u>WINTER</u>	
		MID-PEAK	0.03979 0.04662
		OFF-PEAK	0.03066 0.03712
TOU-GS-3-B	TOU-GS-3-B		
	ENERGY CHARGE (\$/KWH)	<u>SUMMER</u>	
		PEAK	0.07973 0.08819
		MID-PEAK	0.04395 0.05095
		OFF-PEAK	0.02599 0.03226
		<u>WINTER</u>	
		MID-PEAK	0.03979 0.04662
		OFF-PEAK	0.03066 0.03712
	DEMAND CHARGE (\$/KW)	SUMMER TR PEAK	16.74 17.42
		SUMMER TR MID-PEAK	3.30 3.43

AGRICULTURAL AND PUMPING

TOU-PA-2-A	TOU-PA-2-A		
	ENERGY CHARGE (\$/KWH)	<u>SUMMER</u>	
		PEAK	0.27644 0.29299
		MID-PEAK	0.06649 0.07450
		OFF-PEAK	0.02601 0.03238
		<u>WINTER</u>	
		MID-PEAK	0.03988 0.04681
		OFF-PEAK	0.03069 0.03725
TOU-PA-2-B	TOU-PA-2-B		
	ENERGY CHARGE (\$/KWH)	<u>SUMMER</u>	
		PEAK	0.09592 0.10513
		MID-PEAK	0.04496 0.05210
		OFF-PEAK	0.02601 0.03238
		<u>WINTER</u>	
		MID-PEAK	0.03988 0.04681
		OFF-PEAK	0.03069 0.03725
	DEMAND CHARGE (\$/KW)	SUMMER TR PEAK	10.24 10.66
		SUMMER TR MID-PEAK	1.84 1.92
TOU-PA-2-SOP-1	TOU-PA-2-SOP-1		
	ENERGY CHARGE (\$/KWH)	<u>SUMMER</u>	
		PEAK	0.07647 0.08489
		OFF-PEAK	0.03399 0.04068
		SUPER OFF-PEAK	0.02631 0.03269
		<u>WINTER</u>	
		OFF-PEAK	0.04350 0.05058
		SUPER OFF-PEAK	0.02789 0.03433
	DEMAND CHARGE (\$/KW)	SUMMER TR PEAK	17.39 18.10
TOU-PA-3-A	TOU-PA-3-A		
	ENERGY CHARGE (\$/KWH)	<u>SUMMER</u>	
		PEAK	0.21255 0.22516
		MID-PEAK	0.05547 0.06169
		OFF-PEAK	0.02511 0.03010
		<u>WINTER</u>	
		MID-PEAK	0.03795 0.04346
		OFF-PEAK	0.02946 0.03462
TOU-PA-3-B	TOU-PA-3-B		
	ENERGY CHARGE (\$/KWH)	<u>SUMMER</u>	
		PEAK	0.08446 0.09186
		MID-PEAK	0.04158 0.04724
		OFF-PEAK	0.02511 0.03010
		<u>WINTER</u>	
		MID-PEAK	0.03795 0.04346
		OFF-PEAK	0.02946 0.03462
	DEMAND CHARGE (\$/KW)	SUMMER TR PEAK	8.88 9.24
		SUMMER TR MID-PEAK	1.43 1.49
TOU-PA-3-SOP-1	TOU-PA-3-SOP-1		
	ENERGY CHARGE (\$/KWH)	<u>SUMMER</u>	
		PEAK	0.06243 0.06893
		OFF-PEAK	0.03109 0.03632
		SUPER OFF-PEAK	0.02764 0.03273
		<u>WINTER</u>	
		OFF-PEAK	0.03619 0.04163
		SUPER OFF-PEAK	0.02922 0.03437
	DEMAND CHARGE (\$/KW)	SUMMER TR PEAK	17.10 17.80

STREET AND OUTDOOR LIGHTING

AL-2, LS-1, LS-2, LS-3, OL-1	LS-1		
	ENERGY CHARGE (\$/KWH)	0.03816	0.03972
TC-1	TC-1		
	ENERGY CHARGE (\$/KWH)	0.04863	0.05715

100% RENEWABLE OPTION

Customers electing the 50% renewable service option will pay the applicable rate for the basic 35% renewable service option plus the 50% renewable premium charge.

	ENERGY CHARGE (\$/KWH) NON-RESIDENTIAL	0.00200	
	ENERGY CHARGE (\$/MONTH) RESIDENTIAL	2.00	
Voltage Discount			
For primary voltage, each component of the standard rate shall be discounted.		4%	

RESOLUTION NO. 2017-04

A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF APPLE VALLEY, CALIFORNIA, ESTABLISHING CUSTOMER POWER GENERATION RATES FOR APPLE VALLEY CHOICE ENERGY

WHEREAS, the Town Council adopted Ordinance 486 declaring its intent to establish a Community Choice Aggregation (CCA) program; and

WHEREAS, the Town Council approved an Implementation Plan to establish a Community Choice Aggregation Program; and

WHEREAS, the Implementation Plan was certified by the California Public Utilities Commission on November 22, 2016; and

WHEREAS, AVCE desires to establish 2017 power generation rate schedules for all customers; and

WHEREAS, the 2017 rates are sufficient to cover the operating costs of AVCE including establishing a rate stability reserve.

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF APPLE VALLEY AS FOLLOWS:

Section 1. Rates for power generation are established per the attached rate schedule effective with meter read dated beginning April 1, 2017.

APPROVED and **ADOPTED** by the Town Council of the Town of Apple Valley, California, this 24th day of January, 2017.

Scott Nassif, Mayor

ATTEST:

La Vonda M-Pearson, Town Clerk