



TOWN OF APPLE VALLEY

TOWN COUNCIL STAFF REPORT

To: Honorable Mayor and Town Council **Date:** January 23, 2018

From: Kofi Antobam, Finance Director **Item No:** 4
Finance Department

Subject: **ADOPT RESOLUTION NO. 2018-01 – A RESOLUTION REVISING 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. 2018-01 revising the rate structure and rates for Apple Valley Choice Energy (AVCE).

SUMMARY:

Apple Valley Choice Energy (AVCE) began serving the Town’s residential, commercial and industrial customers in April 2017. Prior to launching the program, the Town Council adopted an initial schedule for AVCE’s retail generation rates, which were designed to ensure that sufficient revenues were collected to cover the operating expenses of AVCE while also funding a prudent level of financial reserves (which would continue to accrue over time). In addition to meeting its revenue requirements, one of AVCE’s key rate setting objectives is to provide rate stability to participating customers by reviewing and adjusting rates once per year. Another key objective of AVCE’s rate setting policy is to adopt retail generation rates that are typically lower than similar per-kWh rates offered by Southern California Edison (SCE).

AVCE offers two electricity products, Core Choice, which is a 35% renewable energy product, and More Choice, a 50% renewable energy product. When transitioning from SCE service, AVCE customers are automatically enrolled in the Core Choice product, with the option to “Opt Up” to the More Choice product.

CORE CHOICE PRODUCT – 35% Renewable Energy

SCE typically has a rate adjustment approved by the CPUC each December; such rates are implemented in the following month (January). AVCE staff has review SCE’s recently approved rates, as well as the current AVCE customer base, electricity costs and program expenses, and has determined that AVCE can continue to offer the Core Choice service option at 3% discount relative to currently effective SCE rates. In addition, residential

CARE customers will continue to save approximately 12% - 15% when compared to current SCE rates. AVCE customers who qualify for and participate in the CARE program are currently not subject to CCA exit fees (specifically, the Power Charge Indifference Adjustment, or PCIA), which are charged by SCE to AVCE and other CCA customers.

MORE CHOICE PRODUCT – 50% Renewable Energy

Customers who opt up to our 50% renewable product, Smart Choice, will be subject to a \$0.003 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 \$2 relative to the standard AVCE rate.

YOUR CHOICE PRODUCT – Net Energy Metering Option

AVCE customers who have electric generating facilities installed at their respective homes or businesses, particularly rooftop solar, will have the benefit of AVCE's Your Choice program. Under this program, customers whose facilities generate more energy than they use will receive a credit of \$0.06 per kWh. This rate exceeds the current SCE NEM rate of approximately \$0.028 per kWh, providing a greater benefit to AVCE customers. In addition, customers who have a credit balance of \$100 or more can request to receive a check for such balance. Those with credit balances below \$100 will have such balances rolled forward to the next billing cycle.

RATE BASE ANALYSIS

With the kick-off of AVCE providing electricity to all customers in April 2017, it was appropriate to adopt a budget that recognized revenues to be collected and expenses incurred for the current fiscal year. These costs included specialized consultants, legal services, staff salaries and power procurement costs. The initial shortfall was covered by a loan from the Town's General Fund to be repaid with future AVCE revenues. AVCE is a viable, self-sustaining long-term service that will provide a steady, predictable revenue stream to the Town while saving our citizens money on their electricity generation rates.

The rates are based on pricing reflected within AVCE's existing power purchase agreement with Shell Energy North America (SENA) along with other cost estimates related to electric energy and other energy products supplied by other providers throughout the year. The attached rate structure and proposed rates have been developed to generate revenues sufficient to cover AVCE's annual expenses, fund a 10% operating and financial stability reserve, and also offer AVCE customers a minimum 3% generation rate savings as compared to SCE.

Staff recommends adoption of Resolution No. 2018-01 revising the rate structure and rates for Apple Valley Choice Energy (AVCE).

ATTACHMENTS:

1. Rate Schedule and Rates
2. Resolution No. 2018-01

APPLE VALLEY CHOICE ENERGY
CALENDAR YEAR 2018 PROPOSED RATES

SCE EQUIVALENT SCHEDULE	AVCE RATE SCHEDULE	UNIT/PERIOD	AVCE CURRENT RATE	AVCE PROPOSED 2018 RATE	AVCE YOY % Change	SCE FINAL 2018 RATE
RESIDENTIAL						
DOMESTIC (D)	DOMESTIC (D)					
	ENERGY CHARGE (\$/KWH)	All Usage	0.06443	0.06302	-2.2%	0.06589
DOMESTIC CARE (D-CARE)	DOMESTIC CARE (D-CARE)					
	ENERGY CHARGE (\$/KWH)	All Usage	0.06443	0.06302	-2.2%	0.06589
TOU-D-A	TOU-D-A					
	ENERGY CHARGE (\$/KWH)	<u>SUMMER</u>				
		PEAK	N/A	0.29735	N/A	0.32975
		OFF-PEAK	N/A	0.10245	N/A	0.12692
		SUPER OFF-PEAK	N/A	0.01810	N/A	0.03914
		<u>WINTER</u>				
		PEAK	N/A	0.17957	N/A	0.20718
		OFF-PEAK	N/A	0.09693	N/A	0.12118
		SUPER OFF-PEAK	N/A	0.02220	N/A	0.04347
	BASELINE CREDIT (\$/KWH/METER/DAY)	All Usage	N/A	{0.07845}	N/A	{0.08088}
TOU-D-B	TOU-D-B					
	ENERGY CHARGE (\$/KWH)	<u>SUMMER</u>				
		PEAK	0.20901	0.23727	11.9%	0.26723
		OFF-PEAK	0.04683	0.04237	-10.1%	0.06440
		SUPER OFF-PEAK	0.03026	0.01810	-67.2%	0.03914
		<u>WINTER</u>				
		PEAK	0.10488	0.11949	12.4%	0.14488
		OFF-PEAK	0.04188	0.03686	-13.8%	0.05888
		SUPER OFF-PEAK	0.03436	0.02220	-54.8%	0.04347
TOU-D-T	TOU-D-T					
	ENERGY CHARGE (\$/KWH)	<u>SUMMER</u>				
		TIER 1 PEAK	0.21389	0.22604	5.4%	0.25554
		TIER 1 OFF-PEAK	0.04772	0.04395	-8.6%	0.06604
		TIER 2 PEAK	0.21389	0.22604	5.4%	0.25554
		TIER 2 OFF-PEAK	0.04772	0.04395	-8.6%	0.06604
		<u>WINTER</u>				
		TIER 1 PEAK	0.09858	0.11073	11.0%	0.13554
		TIER 1 OFF-PEAK	0.04179	0.03703	-12.8%	0.05884
		TIER 2 PEAK	0.09858	0.11073	11.0%	0.13554
		TIER 2 OFF-PEAK	0.04179	0.03703	-12.8%	0.05884
TOU-EV-1	TOU-EV-1					
	ENERGY CHARGE (\$/KWH)	<u>SUMMER</u>				
		PEAK	0.15792	0.17750	11.0%	0.20503
		OFF-PEAK	0.03615	0.02396	-50.7%	0.04526
		<u>WINTER</u>				
		PEAK	0.04501	0.04833	8.9%	0.07060
		OFF-PEAK	0.03897	0.02471	-49.2%	0.04602

COMMERCIAL INDUSTRIAL AND GENERAL SERVICE

TOU-8-SEC-R	TOU-8-SEC-R				
	ENERGY CHARGE (\$/KWH)	<u>SUMMER</u>			
		PEAK	0.26172	0.29386	10.9%
		MID-PEAK	0.07058	0.07435	5.1%
		OFF-PEAK	0.02671	0.02394	-11.6%
		<u>WINTER</u>			
		MID-PEAK	0.04054	0.03983	-1.8%
		OFF-PEAK	0.03139	0.02931	-7.1%
TOU-GS-1-A	TOU-GS-1-A				
	ENERGY CHARGE (\$/KWH)	<u>SUMMER</u>			
		PEAK	0.12500	0.13802	9.4%
		MID-PEAK	0.08851	0.09612	7.9%
		OFF-PEAK	0.06424	0.06824	5.9%
		<u>WINTER</u>			
		MID-PEAK	0.06020	0.06360	5.3%
		OFF-PEAK	0.05161	0.05373	3.9%
TOU-GS-1-B	TOU-GS-1-B				
	ENERGY CHARGE (\$/KWH)	<u>SUMMER</u>			
		PEAK	0.11158	0.11512	3.1%
		MID-PEAK	0.04057	0.04235	4.2%
		OFF-PEAK	0.02306	0.02440	5.5%
		<u>WINTER</u>			
		MID-PEAK	0.07071	0.07388	4.3%
		OFF-PEAK	0.04262	0.04492	5.1%
	DEMAND CHARGE (\$/KW)	SUMMER TR PEAK	6.22	7.14	12.9%
		SUMMER TR MID-PEAK	2.36	2.71	12.8%

TOU-GS-2-A	TOU-GS-2-A					
	ENERGY CHARGE (\$/KWH)	<u>SUMMER</u>				
		PEAK	0.29546	0.32953	10.3%	0.35987
		MID-PEAK	0.07862	0.08049	2.3%	0.10070
		OFF-PEAK	0.02401	0.01779	-35.0%	0.03545
		<u>WINTER</u>				
		MID-PEAK	0.04007	0.03623	-10.6%	0.05464
		OFF-PEAK	0.03031	0.02502	-21.1%	0.04297
TOU-GS-2 B	TOU-GS-2-B					
	ENERGY CHARGE (\$/KWH)	<u>SUMMER</u>				
		PEAK	0.07924	0.08122	2.4%	0.10146
		MID-PEAK	0.04326	0.03989	-8.4%	0.05845
		OFF-PEAK	0.02402	0.01780	-34.9%	0.03546
		<u>WINTER</u>				
		MID-PEAK	0.04008	0.03624	-10.6%	0.05465
		OFF-PEAK	0.03032	0.02503	-21.1%	0.04298
	DEMAND CHARGE (\$/KW)	SUMMER TR PEAK	16.64	19.11	12.9%	19.89
		SUMMER TR MID-PEAK	3.25	3.73	12.9%	3.88
TOU-GS-3-A	TOU-GS-3-A					
	ENERGY CHARGE (\$/KWH)	<u>SUMMER</u>				
		PEAK	0.27285	0.30568	10.7%	0.33215
		MID-PEAK	0.07456	0.07792	4.3%	0.09512
		OFF-PEAK	0.02599	0.02213	-17.4%	0.03706
		<u>WINTER</u>				
		MID-PEAK	0.03979	0.03798	-4.8%	0.05355
		OFF-PEAK	0.03066	0.02749	-11.5%	0.04264
TOU-GS-3-B	TOU-GS-3-B					
	ENERGY CHARGE (\$/KWH)	<u>SUMMER</u>				
		PEAK	0.07973	0.08386	4.9%	0.10130
		MID-PEAK	0.04395	0.04275	-2.8%	0.05852
		OFF-PEAK	0.02599	0.02213	-17.4%	0.03706
		<u>WINTER</u>				
		MID-PEAK	0.03979	0.03798	-4.8%	0.05355
		OFF-PEAK	0.03066	0.02749	-11.5%	0.04264
	DEMAND CHARGE (\$/KW)	SUMMER TR PEAK	16.74	19.23	12.9%	20.01
		SUMMER TR MID-PEAK	3.30	3.79	12.9%	3.94

AGRICULTURAL AND PUMPING

TOU-PA-2-A	TOU-PA-2-A				
	ENERGY CHARGE (\$/KWH)	<u>SUMMER</u>			
		PEAK	0.27644	0.31119	11.2% 0.33646
		MID-PEAK	0.06649	0.07016	5.2% 0.08563
		OFF-PEAK	0.02601	0.02362	-10.2% 0.03719
		<u>WINTER</u>			
		MID-PEAK	0.03988	0.03955	-0.8% 0.05377
		OFF-PEAK	0.03069	0.02900	-5.9% 0.04279
TOU-PA-2-B	TOU-PA-2-B				
	ENERGY CHARGE (\$/KWH)	<u>SUMMER</u>			
		PEAK	0.09592	0.10392	7.7% 0.12076
		MID-PEAK	0.04496	0.04538	0.9% 0.05984
		OFF-PEAK	0.02601	0.02362	-10.2% 0.03719
		<u>WINTER</u>			
		MID-PEAK	0.03988	0.03955	-0.8% 0.05377
		OFF-PEAK	0.03069	0.02900	-5.9% 0.04279
	DEMAND CHARGE (\$/KW)	SUMMER TR PEAK	10.24	11.76	12.9% 12.24
		SUMMER TR MID-PEAK	1.84	2.12	13.1% 2.21
TOU-PA-2-SOP-1	TOU-PA-2-SOP-1				
	ENERGY CHARGE (\$/KWH)	<u>SUMMER</u>			
		PEAK	0.07647	0.07704	0.7% 0.09279
		OFF-PEAK	0.03399	0.03573	4.9% 0.04980
		SUPER OFF-PEAK	0.02631	0.01929	-36.4% 0.03269
		<u>WINTER</u>			
		OFF-PEAK	0.04350	0.04505	3.4% 0.05950
		SUPER OFF-PEAK	0.02789	0.02087	-33.6% 0.03433
	DEMAND CHARGE (\$/KW)	SUMMER TR PEAK	17.39	19.98	12.9% 20.79
TOU-PA-3-A	TOU-PA-3-A				
	ENERGY CHARGE (\$/KWH)	<u>SUMMER</u>			
		PEAK	0.21255	0.24059	11.7% 0.25857
		MID-PEAK	0.05547	0.06020	7.9% 0.07084
		OFF-PEAK	0.02511	0.02535	0.9% 0.03457
		<u>WINTER</u>			
		MID-PEAK	0.03795	0.04010	5.4% 0.04992
		OFF-PEAK	0.02946	0.03035	2.9% 0.03977
TOU-PA-3-B	TOU-PA-3-B				
	ENERGY CHARGE (\$/KWH)	<u>SUMMER</u>			
		PEAK	0.08446	0.09352	9.7% 0.10551
		MID-PEAK	0.04158	0.04427	6.1% 0.05426
		OFF-PEAK	0.02511	0.02535	0.9% 0.03457
		<u>WINTER</u>			
		MID-PEAK	0.03795	0.04010	5.4% 0.04992
		OFF-PEAK	0.02946	0.03035	2.9% 0.03977
	DEMAND CHARGE (\$/KW)	SUMMER TR PEAK	8.88	10.20	12.9% 10.61
		SUMMER TR MID-PEAK	1.43	1.64	12.9% 1.71
TOU-PA-3-SOP-1	TOU-PA-3-SOP-1				
	ENERGY CHARGE (\$/KWH)	<u>SUMMER</u>			
		PEAK	0.06243	0.06451	3.2% 0.07532
		OFF-PEAK	0.03109	0.03485	10.8% 0.04446
		SUPER OFF-PEAK	0.02764	0.02358	-17.2% 0.03273
		<u>WINTER</u>			
		OFF-PEAK	0.03619	0.03962	8.6% 0.04942
		SUPER OFF-PEAK	0.02922	0.02516	-16.1% 0.03437
	DEMAND CHARGE (\$/KW)	SUMMER TR PEAK	17.10	19.65	13.0% 20.45

STREET AND OUTDOOR LIGHTING

AL-2, LS-1, LS-2, LS-3, OL-1	LS-1				
	ENERGY CHARGE (\$/KWH)	0.03816	0.04382	12.9%	0.04562
TC-1	TC-1				
	ENERGY CHARGE (\$/KWH)	0.05159	0.05421	4.8%	0.06564

50% RENEWABLE OPTION (PRIME Future)

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	0.002	0.002
ENERGY CHARGE (\$/MONTH)	RESIDENTIAL	2.00	2.00

VOLTAGE DISCOUNT

For primary voltage, each component of the standard rate shall be discounted	4%	4%
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AVCE/SCE Rate Comparison							
Rate Group	Customer Class	2017 AVCE Gen Rev	2018 AVCE Gen Rev	% AVCE Gen Rev Change	2018 Exit Fees	2018 Franchise Fee	2018 SCE Gen Rev
DOMESTIC	Residential	\$ 7,486,977	\$ 7,323,734	-2.2%	\$ 2,267,236	\$ 90,779	\$ 9,981,185
D-CARE	Residential	\$ 3,938,458	\$ 3,852,586	-2.2%	\$ 45,848	\$ 47,753	\$ 5,250,514
TOU-D-A	Residential	\$ -	\$ 18,120	100.0%	\$ 7,355	\$ 243	\$ 26,685
TOU-D-B	Residential	\$ 15,228	\$ 14,591	-4.4%	\$ 4,793	\$ 183	\$ 20,172
TOU-D-T	Residential	\$ 92,927	\$ 91,066	-2.0%	\$ 27,847	\$ 1,126	\$ 123,751
TC-1	Traffic Control	\$ 7,962	\$ 8,368	4.8%	\$ 1,368	\$ 92	\$ 10,132
SL	Street Lighting	\$ 32,635	\$ 37,475	12.9%	\$ 17	\$ 355	\$ 39,017
TOU-8-SEC-R	Industrial	\$ 39,919	\$ 40,958	2.5%	\$ 8,541	\$ 469	\$ 51,513
TOU-PA-2-A	Ag and Pumping	\$ 134,092	\$ 133,079	-0.8%	\$ 40,562	\$ 1,644	\$ 180,706
TOU-PA-2-B	Ag and Pumping	\$ 135,765	\$ 139,364	2.6%	\$ 32,109	\$ 1,623	\$ 178,449
TOU-PA-2-SOP-1	Ag and Pumping	\$ 21,852	\$ 21,859	0.0%	\$ 6,093	\$ 265	\$ 29,090
TOU-PA-3-A	Ag and Pumping	\$ 30,888	\$ 32,949	6.3%	\$ 5,692	\$ 366	\$ 40,213
TOU-PA-3-B	Ag and Pumping	\$ 90,918	\$ 97,452	6.7%	\$ 15,704	\$ 1,071	\$ 117,759
TOU-PA-3-SOP-1	Ag and Pumping	\$ 19,259	\$ 19,259	0.0%	\$ 3,699	\$ 217	\$ 23,893
TOU-GS-1-A	Small Commercial	\$ 983,083	\$ 1,049,870	6.4%	\$ 179,004	\$ 11,631	\$ 1,278,872
TOU-GS-1-B	Small Commercial	\$ 179,184	\$ 189,827	5.6%	\$ 38,177	\$ 2,158	\$ 237,280
TOU-GS-2-A	Medium Commercial	\$ 358,568	\$ 361,105	0.7%	\$ 84,266	\$ 4,215	\$ 463,491
TOU-GS-2-B	Medium Commercial	\$ 1,701,133	\$ 1,669,478	-1.9%	\$ 472,348	\$ 20,272	\$ 2,228,967
TOU-GS-3-A	Large Commercial	\$ 273,634	\$ 281,900	2.9%	\$ 56,567	\$ 3,204	\$ 352,238
TOU-GS-3-B	Large Commercial	\$ 729,044	\$ 737,352	1.1%	\$ 174,642	\$ 8,632	\$ 949,098
TOTAL		\$ 16,271,528	\$ 16,120,393	-0.9%	\$ 3,471,868	\$ 196,298	\$ 21,583,027

RESOLUTION NO. 2018-01

A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF APPLE VALLEY, CALIFORNIA, REVISING CUSTOMER POWER GENERATION RATES FOR APPLE VALLEY CHOICE ENERGY (AVCE)

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 AVCE began serving customers April 1, 2017; and

WHEREAS, AVCE desires to establish 2018 power generation rate schedules for all customers; and

WHEREAS, the 2018 rates are sufficient to cover the operating costs of AVCE including maintaining 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 Feb 1, 2018.

APPROVED and **ADOPTED** by the Town Council of the Town of Apple Valley this 23th day of January 2018.

Art Bishop, Mayor

ATTEST:

La Vonda M-Pearson, Town Clerk