

# Cost of Service Rate Structure: Net Energy Metering Customers

3CE launched service in 2018 with two service offerings based on the existing Community Choice Aggregator (CCA) rate structure of mirroring investor-owned utility (IOU) rates and applying a discount inclusive of relevant fees. Most IOUs, such as PG&E or SCE, change their rates frequently which caused 3CE to also adjust its rates multiple times each year.

With the support of 3CE's Policy Board of Directors, 3CE will implement the first Cost of Service rate structure of any CCA program in California, benefiting 3CE customers (general and Net Energy Metering/NEM) through a rate-setting structure that is predictable, simple, fair and competitively priced.

## What is Cost of Service?

Cost of service rate structure is designed to meet 3CE's revenue requirements related to current and future energy procurement, energy programs investment, administration costs, and applicable rate stabilization funds over a certain period of time, in this case – three years for 3CE. Cost of service allows 3CE to fairly and consistently charge customers based on the customer class they are in and for what it costs to serve them. Fixed costs such as staffing, data management, administrative, and other operation expenses that occur every month regardless of a customer consuming electricity. There are also variable costs which consist of 3CE's energy supply and resource adequacy which can have a different cost based on market conditions.



3CE's Four Principal Strategies for Cost of Service are:



## How will Cost of Service work for 3CE NEM customers?

- 1) Billing still occurs with PG&E
- 2) Residential customers will move to monthly billing and annual true-up
- 3) Net surplus compensation will align with wholesale cost of energy not subsidized retail rates
- 4) Residential customers will pay a \$4.5/month fixed charge to recover costs of serving them on a monthly basis
- 5) Residential customers can cash out their Net Surplus Compensation annually with more than than \$200 in credit. Otherwise, the credit will roll over and be applied to PG&E delivery charges
- 6) Non-residential customers can cash out their Net Surplus Compensation once a year if they have accumulated more than \$500 in credit.
- 7) Reducing number of customer rate classes from 88 to 8
- 8) Goal for rates to be 1% lower than PG&E across all customer segments; some may receive greater rate benefits based on costs associated with each customer segment

## What are the options for 3CE NEM customers?

The following options will be available:

**Default Option:** Cost of service rates applied to new TOU periods through January 1, 2025

**Alternate Option:** Seasonal flat rates for 3 years. Beginning January 1, 2025, customers will be enrolled in the Default Option.

**Exempt Customers:** For customers exempt from the mandatory transition to TOU including CARE and FERA customers, the following options will be available:

**Default Option:** Cost of service rates applied to old TOU periods through January 1, 2025

**Alternate Option:** Seasonal flat rates for 3 years. Beginning January 1, 2025, customers will be enrolled in the Default Option.

Customers will be allowed to evaluate between the Default Option and Alternate Option through a deadline date to be announced. All customer options will have a fixed price \$/kWh through January 1, 2025 unless 3CE identifies a need to re-calibrate its rates based on unforeseen market conditions. Board approval will be required for any rate changes between January 1, 2022 and January 1, 2025.

\*Dates subject to change

[Learn more at 3cenergy.org/cost-of-service/](https://3cenergy.org/cost-of-service/)

