Central Coast Community Energy
CLEAN ENERGY. LOCAL CONTROL.

3CE Cost of Service Rate Structure FAQ

To date, Central Coast Community Energy (3CE) has designed its rates based on matching PG&E's rates and applying a discount inclusive of PG&E fees such as the Power Charge Difference Adjustment (PCIA). Having achieved financial stability and proven its ability to meet and exceed agency goals, the opportunity has come for 3CE to decouple its rate structure from PG&E's investor-owned utility (IOU) model and adopt a Cost of Service or cost-based model, pending board approval.

The proposed new rate structure better reflects the true costs of serving customers and no longer follows PG&E's cost of service rate structure. 3CE's proposed Cost of Service rates are based on customer consumption patterns which are unique to the Central Coast climate and demography, as well as associated administrative and operational costs such as power procurement and energy programs. It also provides rate equity and consistency throughout the Central Coast such that each customer (associated with the defined customer segment) pays the same price per kWh regardless of location or date of enrollment in service.

Why is 3CE transitioning to Cost of Service?

The current rate structure, based on IOU rates minus a discount, requires 3CE to adjust to IOU rate changes multiple times each year. The IOU rates reflect the cost to serve millions of customers across the entire IOU service area, not the cost to serve 3CE customers living on the Central Coast based on consumption patterns. 3CE has changed its rates approximately a dozen times since its launch of service in March 2018 solely based on the IOU adjustments. These IOU initiated rate changes have for the most part increased rates and have not had any bearing on 3CE's financial outlook.

Wrapped up in the complicated IOU rate design model are dozens of rate classifications and large discrepancies in how much one customer pays per kWh of energy vs others, as well as customer classes that require considerable administrative time vs. those that require little to no administrative time. 3CE's Cost of Service rate approach, which is predicated on a three-year period from January 1, 2022 until December 31, 2024, provides a more simplistic, and predictable rate structure through a reduced set of ten total rate classes and setting rates for three years while the 3CE board maintains the discretion to adjust accordingly. 3CE believes COS supports equitable and competitive rates for all customers.

Cost of service allows 3CE's board, which represents 33 cities and counties across the Central Coast, the opportunity to have more control and discretion on how 3CE sets its rates as opposed to the current approach which is based on waiting and seeing what PG&E will or will not do. Cost of service equals local control, predictability, competitiveness, fairness and transitional choice.

What is Cost of Service (COS)?

3CE's Cost of Service (COS) proposal is a rate structure that 1) recovers actual costs to serve customers; 2) does so fairly and equitably across each customer segment; 3) gives customers a three-year transitional option. 3CE's goal is to provide predictable, simple, fair and competitive rates while maintaining a minimum 1% rate discount across the seven newly defined customer segments: Residential, Small General Service, Medium General Service, Large General Service, Standby, Small to Medium Agriculture, and Large Agriculture.

What are the rate options proposed in 3CE's Cost of Service structure?

3CE is providing two options, the default COS option and the alternate Seasonal Fat Rate option for all customers in order to help customers adjust to the new COS rate structure. 3CE will provide a cost comparison calculator and facilitate outreach with 3CE staff and seasoned energy advisors beginning July or August during an evaluation period.

1. Default Option: Cost-based rates, set for 3 years, applied to new Time-of-Use (TOU) periods beginning January 1, 2022 to December 31, 2024.
2. Alternate Option: Seasonal flat rates, set for 3 years beginning January 1, 2022 to December 31, 2024. Beginning January 1, 2025, customers choosing this option will be enrolled in the Default Option.

For customers who are exempt from the mandatory TOU transition or excluded from default TOU, the following options will be available:

1. Default Option: Cost-based rates applied to Legacy TOU periods beginning January 1, 2022 to December 31, 2024.
2. Alternate Option: Seasonal flat rates for 3 years beginning January 1, 2022 to December 31, 2024. Beginning January 1, 2025, customers choosing this option will be enrolled in the Default Option.

Customers can learn more about these options by visiting: 3cenergy.org/cost-of-service/

How does COS affect Net Energy Metering (NEM) customers?

On average, 3CE residential customer and NEM customer rates will continue to be competitive with PG&E. NEM customers will switch to a hybrid NEM rate structure including monthly NEM billing, helping to avoid unexpected true-up invoices and providing the customer greater insight into their energy usage over the year while maintaining the annual true-up.

3CE's general customers (roughly 365,000 total) subsidize solar customers (roughly 33,000 total) with approximately $9.8 million per year based on expenses related to serving NEM customers and the revenue received from NEM customers. Ultimately, NEM customers continue receiving a significant subsidy with either choice, while the COS rate structure will allow for better cost recovery from NEM customers and less subsidization from general customers with minimal realized effect to NEM customers.

How will COS affect Net Surplus Compensation (NSC) rates?

Of the 33,000 NEM customers, approximately 5,600 customers receive NSC payments. 3CE's proposed flat rate would offer a seasonal NSC rate of 6.3cent/kWh in the summer and 5.9 cents/kWh in the winter. COS TOU NSC rate will be 4.7cent/kWh for net surplus compensation. COS continues to allow for surplus generators to receive year-end compensation and continues to aim for and provide a higher NSC rate than the IOUs.

Why are solar developers and advocates voicing concerns over modest changes founded on equitable rate setting and continued benefits?

Just prior to 3CE announcing its proposed transition to COS, California's IOUs proposed considerable changes to the NEM program (known as NEM 3.0). If passed, the IOU proposals would dramatically reduce the significant IOU subsidy afforded to NEM customers – approximately $2,000 per customer, per year.

3CE's proposed COS structure decouples the agency's rates from IOUs and is entirely unrelated to the IOU's push for NEM 3.0 and related regulations and legislation such as AB 1139. 3CE's Community Choice Aggregator (CCA) model is rooted in local control and decision making such that 3CE's boards approve customer rates instead of the California Public Utilities Commission (CPUC).

Does 3CE support solar, battery, and microgrid industries?

Yes. 3CE invests significantly in all renewable energy resources, including solar, as part of its pathway to our board approved 100% Clean and Renewable Energy by 2030 strategy. 3CE has contracted for 720MW of solar generation, the equivalent of 150,000 rooftop solar installations and 200 MW of storage and expects to contract for roughly 350 MW more solar this year plus 50 MW of storage.

Additionally, 3CE has invited local developers to prequalify for the installation of up to 100MW of stand-alone battery storage (with a preference for projects of 1 to 5MW) throughout the 3CE service area to increase broader resiliency goals on behalf of customers and neighborhoods. 3CE further supports local developers and the local economy through outreach and focusing its Energy Program funding on electrification of the transportation, building, and agricultural sectors. Currently 3CE's Community Advisory Council Ad Hoc Committee is evaluating backup battery storage energy program for residents. 3CE is also leading discussions in support of key legislative initiatives to support battery deployment, local microgrid developments, and baseload bioenergy projects.

3CE's commitment to accelerating storage is in alignment with the agency's goals by maximizing our impact of GHG reduction by reducing the need for evening hour fossil-fuel plants in a financially responsible way. The local solar industry is well poised to play a role in 3CE's adoption of local distributed storage and support H.R. 2482 incentivizing microgrids.

Glossary of Terms and Acronyms

3CE – Central Coast Community Energy

CCA or CCE – Community Choice Aggregation or Community Choice Energy – Community Choice Aggregation also known as Community Choice Energy is a public agency alternative to the investor-owned utility energy supply system in which communities aggregate the buying power of customers within a jurisdiction to secure energy supply contracts.

COS – Cost of Service – 3CE's proposed new rate structure taking into account the cost to serve each customer class (residential, commercial, ag and NEM) with the goal of equitable rate benefits. COS would go into effect in January 2022 pending board approval in June 2021.

IOU – Investor-Owned Utility – A private electricity and natural gas provider such as PG&E or SCE.

MW – Megawatt – measure of power. 1 megawatt equals 1,000 kilowatts or 1 million watts.

NEM – Net Energy Metering – A program in which solar customers receive credit for excess electricity generated by solar panels.

NSC – Net Surplus Compensation – the compensation paid to NEM solar customers who are net generators of energy over a one-year period of time

PCIA or "exit fee" - Power Charge Indifference Adjustment (PCIA) is an "exit fee" based on stranded costs of the utility generation set by the California Public Utilities Commission. It is calculated annually and assessed to customers of CCAs and paid to the IOU that lost those customers as a result of the formation of a CCA.

Time-of-Use (TOU) Rates — The pricing of delivered electricity based on the estimated cost of electricity during a particular time-block. Time-of-use rates are usually divided into three or four time-blocks per 24-hour period (on- peak, midpeak, off-peak and sometimes super off-peak) and by seasons of the year (summer and winter). Real time pricing differs from TOU rates in that it is based on actual (as opposed to forecasted) prices that may fluctuate many times a day and are weather sensitive, rather than varying with a fixed schedule.