

**VALLEY CLEAN ENERGY ALLIANCE****Staff Report – Item 12**

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**TO:** Board of Directors

**FROM:** Edward Burnham, Director of Finance & Internal Operations

**SUBJECT:** Receive 2023 Customer Rate & PCIA update (Information)

**DATE:** February 9, 2023

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**RECOMMENDATION**

Informational – no action requested.

**BACKGROUND and ANALYSIS**

As in past years, staff is providing an update on final PG&E generation and Power Charge Indifference Adjustment (PCIA) rates for the coming year.

The Board adopted the 2023 VCE Budget and Customer Rates on December 8, 2022. The adopted budget included key objectives as highlighted in the staff report linked below. In addition, the Board adopted a Rate Adjustment Policy. The Board staff reports can be found here:

[Item 19](#) - 2023 Operating Budget & Customer Rates (valleycleanenergy.org)

[Item 20](#) - Rate Adjustment Policy (valleycleanenergy.org)

VCE's adopted 2023 Customer Rates and Budget included estimated adjustments based the Energy Resource Recovery Account (ERRA) proceedings used by the California Public Utilities Commission (CPUC) in their review/approval of PG&Es annual bundled rate and PCIA.

On November 28, 2022, the CPUC issued the proposed decision (PD) for PG&E's 2023 bundled rates, inclusive of setting PCIA and generation rates. Based on information from VCE and CalCCA's analysts, VCE incorporated the following assumptions in its Customer Rates and Budget for 2023.

**Summary of CPUC ERRA Forecasts for January 2023**

- PCIA: 88% reduction over 2022 PCIA - Approximately \$17M in additional net revenue compared to 2022.
- PG&E Bundled rates (PCIA & Generation): 3% increase – Approximately \$2M in additional revenue.

In the proposed decision, PG&E was allowed to update the actual financial results for the remainder of 2022 and adjust rates accordingly for 2023. In the November Preliminary filing to the CPUC, PG&E had

indicated they were not planning to update the December filing for additional 2022 actual financials. However, PG&E did file updated balances through November 2022 which has caused the change in the PCIA rates used in the VCE budget adoption process. The adjusted PG&E customer and PCIA rates for 2023:

Summary of updated CPUC ERRRA Forecasts for January 2023:

- PCIA: 84% reduction over 2022 PCIA - Approximately \$1.5 to \$2.25 M less revenue for VCE than forecasted.
- PG&E Bundled rates (PCIA & Generation): 2.5% increase. Approximately \$350K to \$700K less revenue for VCE than forecasted.

In total, VCE revenues are forecasted to be reduced by 2% to 3% (\$1.85M to \$2.9M) for 2023. Overall, after accounting for these projected revenue reductions, VCE's financial standing for 2023 remains solid with a projected net income of \$28M by the end of the year.

### **CONCLUSION**

At this time, due to the overall healthy financial outlook for 2023, staff does not recommend any rate adjustment(s) to maintain the Board adopted 2023 budget. Staff will continue to monitor actual financial impacts from the updated filings and proceed as directed by the Board in the adopted Rate Adjustment Policy. Staff will return to the Board with a comprehensive financial update mid-year.