

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

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**TO:** Community Advisory Committee (CAC)

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

**SUBJECT:** Update on VCE's customer rate options.

**DATE:** March 24, 2022

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**RECOMMENDATION**

Receive an informational presentation reviewing VCE's past examination of customer rate options and initiate discussion regarding a future potential additional rate option.

**OVERVIEW**

The purpose of this report is to re-open the examination of adding a third customer rate option.

**BACKGROUND AND ANALYSIS**

This agenda item aims to refresh the CAC on the cost-recovery-based customer rate structure policy adopted by the Board on November 10, 2021, which is linked [here](#).

Beginning in mid-2020, VCE started to explore the concept of cost-based rates to address financial issues associated with the power market and regulatory volatility. The Board's overall cost-based customer rate policy established a more stable financial foundation for VCE given regulatory (PCIA, RA) and market conditions largely outside VCE's direct control. The Board adopted the cost-recovery Rate Policy in November 2021. The Policy is in keeping with VCE's Strategic Plan goal to maintain financial stability while offering local control, customer choice, competitive pricing, and establishing local programs.

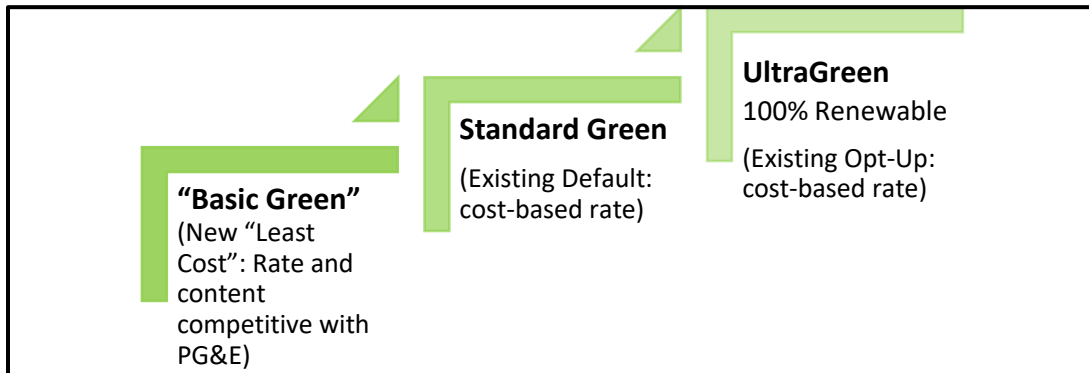
VCE's cost-recovery rate policy enables VCE to calibrate rates to actual cost and reserve requirements rather than indexed to PG&E's bundled rates. As part of the policy adoption process, the VCE Board directed Staff to continue analyzing and bring back an expanded customer rate structure for consideration.

**Expanded Customer Rate Structure**

Included in the previous staff reports on this topic in the summer and fall of 2021, the CAC considered an expanded customer rate structure. The proposal included the introduction of a new least-cost customer option that would continue to be directly indexed to PG&E's rates. This new rate option was designed in recognition that the pandemic has impacted many VCE customers and that rising utility

bills have further strained family and business finances. As part of the expanded rate options, VCE would calibrate the existing default (Standard Green) and opt-up (UltraGreen) options, along with the new rate option, to recover actual cost and reserve requirements. While the Board ultimately adopted the cost-recovery aspects of the proposal, consideration of the additional rate was postponed. Please see the below figure 1 that summarizes the proposed customer rate structure. Table 2 below shows the cost-based rate structure information in table form as previously presented to the Board.

**Figure 1 – Proposed Customer Rate Structure Design**



**Table 2 – Proposed VCE Cost-based Rate Structure**

Customer Rate Option	Rate	Portfolio	Notes
Basic (new)	Competitive with PG&E (+/- 2%)	<ul style="list-style-type: none"> <li>Minimum portfolio for VCE to comply with regulatory requirements</li> </ul>	<ul style="list-style-type: none"> <li>Not eligible for customer dividend program</li> <li>CARE/FERA customers maintain existing VCE multi-year portfolio mix for Standard default through 2023; shift to the enhanced portfolio in 2024</li> </ul>
Standard Green - Default (existing)	Cost-based	<ul style="list-style-type: none"> <li>Maintain existing VCE multi-year portfolio mix</li> </ul>	<ul style="list-style-type: none"> <li>Portfolio minimum percent renewable content above Basic</li> <li>Eligible for customer dividend program</li> </ul>
UltraGreen – Opt-up (existing)	Cost-based	<ul style="list-style-type: none"> <li>Maintain existing 100% renewable portfolio</li> </ul>	<ul style="list-style-type: none"> <li>Eligible for customer dividend program</li> </ul>

Based on the feedback from the Board and CAC, Staff has recommended the following updated timeline for consideration of the expanded customer rate option and 2023 customer rate setting.

Preliminary Schedule

- April: CAC consideration/feedback on draft rate structure.
- May: CAC consideration/recommendation on updated draft rate structure.
- June: Board consideration/ feedback action on updated draft rate structure.
- July: Board consideration/ feedback and action on final draft rate structure.
- August: Begin 2023 Rate study/preliminary revenue needs
- September: Mid-year rate review of 2022 actuals
- October to December: Review 2023 customer rate study review and rate adoption.
- Jan 2023: Rates update report to Board/CAC.

**CONCLUSION/NEXT STEPS**

Staff is seeking feedback from the CAC on the potential establishment of an additional rate option.