



**Valley Clean Energy Board *Special* Meeting
October 21, 2021 via video/teleconference**

Item 4 – Cost Recovery Rate Structure – Rate Adjustment



Public Comments

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Item 4 – Customer Rate Adjustment

Overview

- Background
- Proposed accelerated rate adjustment
- Financial Effect
- Process/Next Steps

Item 4 – Customer Rate Adjustment

Background/Review

- All electric utilities develop forecasts based upon informed technical estimates. These forecasts incorporate factors such as future weather, load, market power prices, and other business conditions. Actual outcomes inevitably vary and in extreme instances, outcomes may vary significantly.
- Primary financial drivers remain the same from April/May 2021 analysis included in FY 2021/22 budget adoption
 - Power market costs continuing to increase above forecast increases
 - PCIA remaining high in 2021
- Additional financial drivers impacting short and longer-term outlook
 - Scheduled Fall 2021 PG&E Generation Rate increase (1.5%) delayed
 - Error in financial estimations overvalued positive impacts of VCE's long-term PPA's
- Short-term outlook (2022 and 2023) continued volatility with associated financial challenges; requires corrective action on rates to ensure cost-recovery.
- Longer-term outlook (2024+) increased stability and cost certainty due to long-term PPA's and cost-recovery rate structure.

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Rate Actions Taken by Other CCA's

CCA	IOU Territory	% Difference to IOU (default product)
Clean Power SF	PG&E	+2%
MCE Clean Energy	PG&E	+7%
Pioneer Community Energy	PG&E	+6%
San Jose Clean Energy	PG&E	+8%
Sonoma Clean Power	PG&E	+5%
Clean Power Alliance (Los Angeles area)	SCE	+8%
Desert Clean Energy	SCE	+20%

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Proposed Rate Adjustment

5% average generation rate adjustment (equal to 1.9% total electricity charges) effective November 1, 2021 for VCE customer classes excluding California Alternative Rates for Energy (CARE) and Family Electric Rates Assistance (FERA) customers.

Notes:

- The VCE generation charges plus PCIA and franchise fees are approximately 40% of the total average residential electricity bill; PG&E's Transmission, Distribution and other charges account for the other 60% of the total electricity bill. Therefore, a 5% increase in VCE's portion of the electricity bill equates to an approximate 1.9% increase in the total electricity charges for the average customer.
- Revisit accelerated rate adjustment within the context of the 2022 PCIA and PG&E rates as they become available in November and December. VCE's rates for 2022 would be calibrated against the PCIA and PG&E rates to begin the process of recovering costs and building back reserves over the next two years.

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Estimates of Rate Effect on Average Customer Classes (total electricity bill)

Customer Class	Residential	Sm Commercial	Med Commercial	Large Commercial*	Ag
Approximate Average Annual Bill	\$ 1,860/yr	\$ 4,800/yr	\$ 55,200/yr	\$ 98,400/yr	\$ 21,600/yr
Approximate Average Monthly Bill	\$ 155/mo	\$ 400/mo	\$ 4,600/mo	\$ 8,200/mo	\$ 1,800/mo
Ave. Approximate Monthly Impact of 1.9% adjustment	Approx. \$3/mo	Approx. \$8/mo	Approx. \$115/mo**	Approx. \$197/mo**	Approx. \$ 34/mo

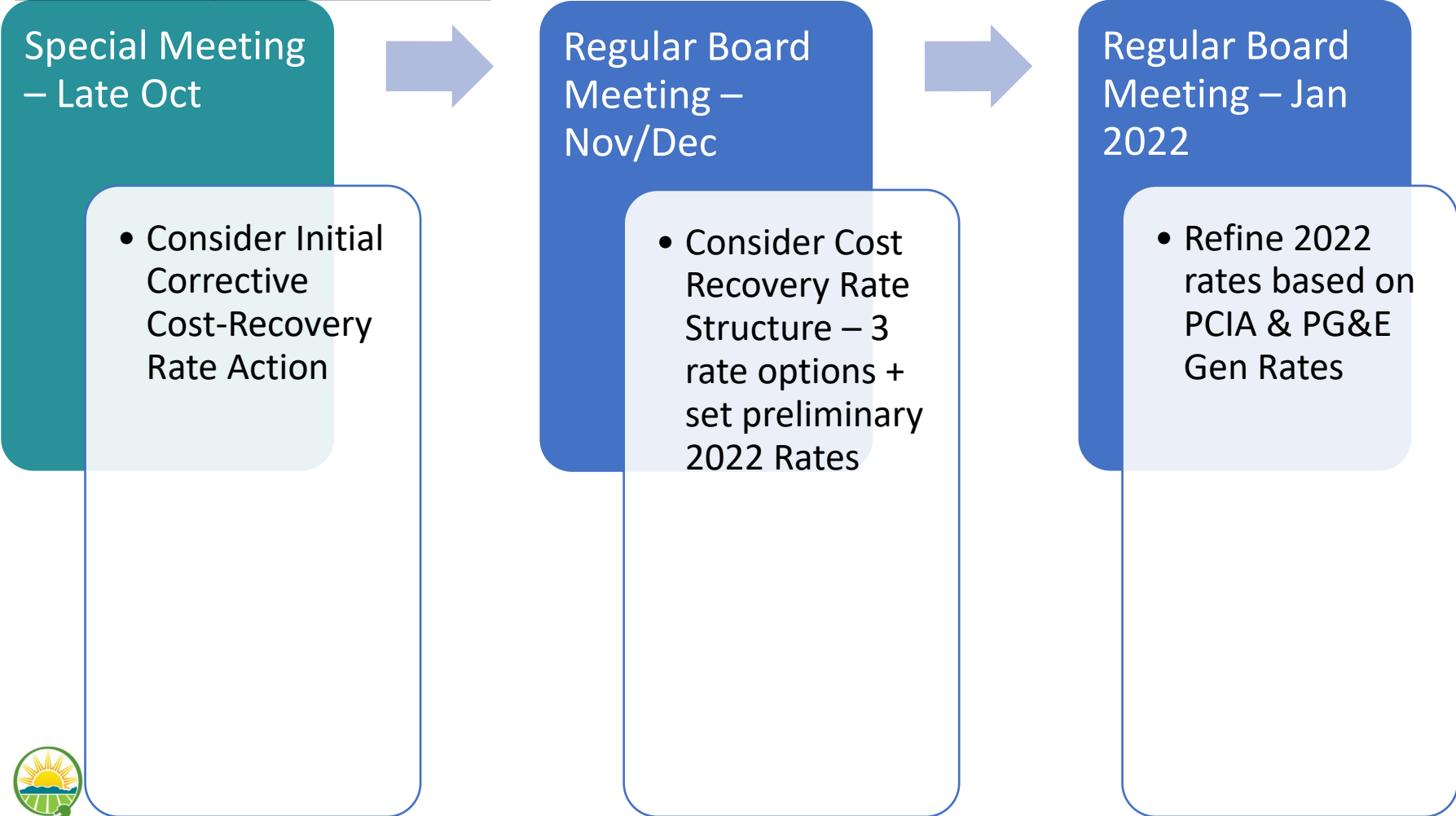
Notes: Assumes no rate impact on CARE/FERA low-income customers

* Large Commercial does not include the less than 10 largest commercial customers (E-19 and E-20) as it would be a non-representative average for the majority of large commercial customers.

** Medium and Large Commercial rates include the limited portion of the demand charges on the generation portion of the bill, resulting in approximate 0.5% higher increases.

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Rate Adoption Process



- Consider Initial Corrective Cost-Recovery Rate Action

- Consider Cost Recovery Rate Structure – 3 rate options + set preliminary 2022 Rates

- Refine 2022 rates based on PCIA & PG&E Gen Rates



Note: CAC Meetings to Review/Recommend Action in Oct & Dec

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Recommendation

- Approve a 5% average generation rate adjustment (equal to 1.9% total electricity charges) effective November 2021 for VCE customer classes excluding California Alternative Rates for Energy (CARE) and Family Electric Rates Assistance (FERA) customers.
- Direct staff to bring back a cost-recovery based rate structure and estimated 2022 customer rates for consideration at the November Board meeting.