Valley Clean Energy Board Meeting – Thursday, November 9, 2023

Item 11 – 2024 Operating Budget Update

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Item 11 – 2024 Operating Budget Update

Overview

VCE's long-term outlook indicates that continued lower Power Charge Indifference Adjustment (PCIA) rates and stabilized customer rates will allow VCE to continue to be competitive to PG&E rates, build cash reserves, and grow customer programs.

This presentation will provide:

- Updated Load (September)
- Updated Financial Risks & Multi-Year Forecast Update
- Discussion

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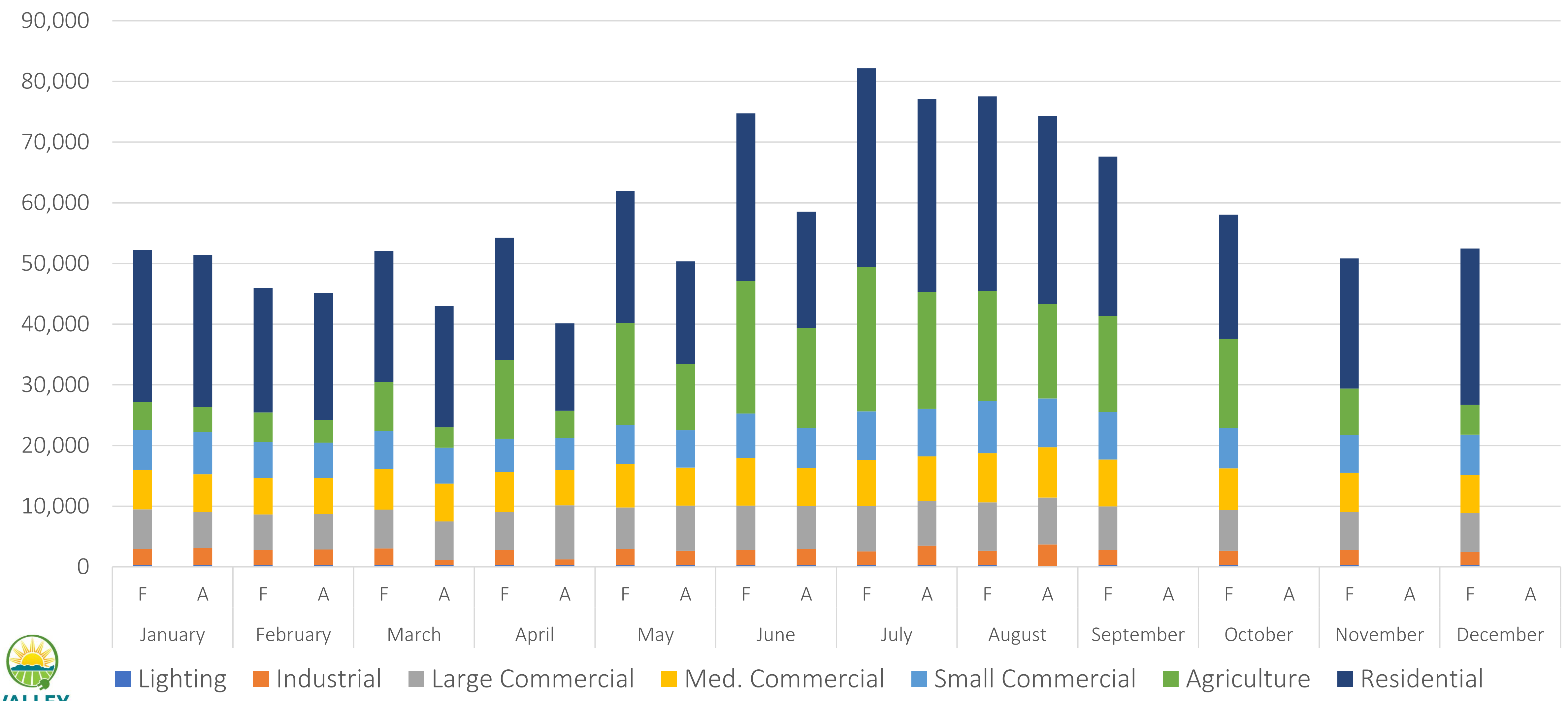
Item 11 – 2024 Operating Budget Update

VCE RETAIL LOAD BY CUSTOMER CLASS



Item 11 – 2024 Operating Budget Update

2023 & 2024 Financial Risk Summary

Description	2023	2024
Power Costs	Began 2023 with PPAs for ~150+ GWh (approx. 13% of VCE annual Load)	*Begin 2024 with PPAs for ~400+ GWh (approx. 50% of VCE annual Load)
Power Cost Contingencies	5% / $3.4M	5% / $3.7M
Cash Reserves	Began with ~$6M 30+ Days Operating Cash (Min)	Begin with ~$20M 90+ Days Operating Cash
Resource Adequacy	PPAs provide 75 MW RA (approx. 36% of VCE annual req.)	*PPAs provide 143 MW RA (approx. 70% of VCE annual req.)
Debts – Term Loan Due April 2024	$700K Outstanding	$180K Outstanding Balance

*Willy 9 Chap 2 (formerly Willow Springs Solar 3) Solar PV + Storage Project (72 MW PV /36 BESS / approx. 215,000+ MWhs) expected to come online in January of 2024

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Item 11 – 2024 Operating Budget Update

Updated Multi-Year Forecast

	Actuals	(8 Month Actuals + 4 Month Budget)	Preliminary Forecast*			
Description	2022	2023	2024	2025	2026	2027
Customer Revenue	85,323	98,800	105,400	104,600	108,700	111,600
Power Cost	75,130	75,200	78,050	65,900	70,200	72,250
Other Expenses	4,469	6,600	6,800	7,100	7,500	7,900
Net Income	5,724	17,000	20,550	31,600	31,000	31,450
Gross Margin	12%	24%	26%	37%	35%	35%
Net Margin	7%	17%	19%	30%	29%	28%
	RECOVER/BUILD RESERVES (180+ DAYS)			MAINTAIN MARGINS		

*The preliminary forecast is based on analysis by CalCCA and MRW and power cost forwards.

Key Factors in Multi-Year Forecast

- 2024 PCIA Forecast –The updated PCIA increased from ~.002 KW/$2M to .004 KW/$4M
- 2024 Customer Rates Forecast – The updated forecast for PG&E rates results in a projected 6% generation rate increase (higher increases currently being considered by the CPUC are associated with non-VCE portions of the bill such as transmission and distribution charges).
- Incorporated a 2.5% rate credit for CARE/FERA and Medical Baseline customers
- Investment grade credit rating (estimated in 2028).

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Item 11 – 2024 Operating Budget Update

<u>Operating Budget Outlook Summary (2024/2025)</u>

- Generally, PG&E rates increase/PCIA decreases in times of rising market power costs; enhances VCE's ability to set competitive rates.
- Continued profitability and building of reserves, greater ability to provide customer programs and customer dividends.
- Continued climate related risk (heat/drought) – Key mitigation: additional power cost contingency
- Continued market volatility – Key mitigation: PPAs decrease financial impact / stabilize costs
- Extending the rate credit program to additional customers would be approximately $1,000,000 per 1%.

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Item 11 – 2024 Operating Budget Update

Nest Steps

- December 2023 – Adopt 2024 Budget & Rates
- Customer Programs and Dividends ~ May 2024

Discussion

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Valley Clean Energy Board Meeting – Thursday, November 9, 2023

Item 12 – Net Energy Metering (NEM) Policy Update Draft

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Item 12 – Net Energy Metering (NEM) Policy Update Draft

Summary

VCE’s current Net Energy Metering (NEM) Policy adopted by the Board in October 2019 needs to be updated in consideration of upcoming Net Billing Tariff or Solar Billing Plan (SBP) changes adopted by the California Public Utilities Commission.

The purpose of this presentation provide background information and seek Board approval on VCE’s approach to an updated NEM Policy

Overview

- Background
- Policy Analysis - Net Billing Tariff (NBT)/Solar Billing Plan (SBP)
- Recommendation / Discussion

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Item 12 – Net Energy Metering (NEM) Policy Update Draft - Background

Background

NEM is a billing system where customers with eligible renewable projects, whether homes or businesses, get credit for the excess electricity they generate and send back to the grid.

- Net amount of electricity = Electricity generated - electricity consumed
- Excess Generation generally receive a credit towards future bills

NEM has undergone several changes in its policy and tariff structures, largely driven by the growth of solar adoption, changing grid needs, and the desire to reflect the value of solar energy more accurately on the grid.

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Item 12 – Net Energy Metering (NEM) Policy Update Draft - Analysis

Net Energy Metering Update – Solar Billing Plan (SBP)

In December 2022, the California Public Utilities Commission (CPUC) initiated a pivotal transition from the conventional NEM program to a successor program known as NBT or SBP.

SBP designed to realign compensation (Customer Retail Rates vs Cost Avoidance Calculation)

- Based on the overall value of that electricity, rather than prevailing retail electric rates
- Designed to enhance the value created by solar with battery storage

Legacy NEM Customers (Pre-April 14, 2023) – No Change

- The CPUC's decision does not impact existing rooftop solar customers.
- VCE will maintain your current compensation rates.
- You will continue to remain on your current NEM tariff for 20 years after your system was connected to the electric grid.
- You can expand your system by 10% or 1kW without affecting your NEM legacy status.
- You can replace your panels with like-for-like equipment (same size/rating or less) without affecting your NEM status.
- You can add a battery to your system anytime without affecting your NEM legacy status

VCE's NEM Policy remains in effect for legacy accounts.

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Item 12 – Net Energy Metering (NEM) Policy Update Draft - Analysis

Solar Billing Plan (SBP) - Opportunities for Battery Storage

The proposed SBP underscores the critical necessity of energy storage.

- Prior NEM programs incentivize roof top solar without battery storage
- Value of load shifting through energy storage and discharge has been somewhat constrained
- SBP seeks to increase the value of battery storage with hourly export rates that incentivize evening peak discharge

Solar Billing Plan (SBP) – Export Rates

PG&E Export Rates be valued based on the hourly avoided cost of energy

- Current avoided cost values average $0.04/kWh during typical solar export hours
- Customers export rates lock-in for 9 years (Payback/Financing Requirements)

Item 12 – Net Energy Metering (NEM) Policy Update Draft - Analysis

VCE Alignment with Proposed Export Rates

Export Rates are highly influenced by supply and demand

- Off –Peak Hours - High Solar\Low Demand Exports Hours = Low value export rates
- Peak Hours – Low Solar \ High Demand = High Export rates
- Adds value proposition for battery storage moving daytime exports into peak evening hours

When energy is consumed as it is generated, the Generation value of solar production under SBP is equivalent to NEM. Only when electricity is exported to the grid during low-value hours is the value reduced. Battery storage systems can be utilized to significantly increase this value.

Additional Considerations

Staff has been working with our billing and customer support partner, SMUD, on improving our current NEM processes and the distribution of net billing credits to customers.

- Recommend transitioning to electronic “on bill credit”
- Discontinue the manual distribution of checks to customers starting January 1, 2024.
    - more seamless and timely application/distribution of net billing credits to VCE customers
- Discontinue roll over balances until the next true-up cycle
- Discontinue the donations program due to limited participation - VCE has received ~15 customer donations to date

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Item 12 – Net Energy Metering (NEM) Policy Update Draft

Summary

Based on actions taken by the CPUC to structurally modify California's existing NEM program, VCE is in a position to consider modification of its NEM program. VCE's approach would provide additional incentives when compared to PG&E.

Maintaining general consistency with CPUC / PG&E's NEM modifications

- Shift in focus to considering the value of energy storage
- Helps to avoid customer confusion

Additional Steps after Policy Update

- Monitor the activity related to our existing and new NEM customers
- Evaluate potential program approaches (solar shares or virtual power plants) that may partially address access to this type of resource for lower-income customers and renters
- Study application of dynamic pricing valuation for excess generation export

Community Advisory Committee Recommendation

The CAC unanimously recommended approval of the recommended NEM Policy draft update.

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Item 12 – Net Energy Metering (NEM) Policy Update Draft

Recommendation and Discussion

1. Maintain existing NEM rates for VCE Legacy NEM Customers (Pre-April 14, 2023)
2. Adopt NBT/SBP for new VCE solar customers with an adder of $0.01/kWh for excess generation
3. Modify existing policy for distribution of net billing credits to customers

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Valley Clean Energy Board Meeting – Thursday, November 9, 2023

Item 13 – 2022 Power Content Label Outreach

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Item 6 – Power Content Label Outreach: Background

- Applicable California regulations direct load serving entities (LSEs), such as VCE, to provide accurate, reliable, and simple-to-understand information on the sources of energy, and the associated emissions of greenhouse gases annually.
- The format for requisite communications is highly prescriptive, offering little flexibility to retail sellers when presenting such information to customers. This format has been termed the "Power Content Label" (PCL) by the California Energy Commission (CEC).
- Consistent with applicable regulations and CEC guidance, VCE will complete required customer communications in accordance with the October 2, 2023 (posted to VCE website) and January 2, 2024 deadlines (via mail or e-mail).
- California requires LSEs to procure a minimum percentage of their load from eligible renewable resources such as wind, solar, geothermal, small hydro, etc.[1]
- LSEs must achieve interim targets referred to as Compliance Periods (CP1, CP2, CP3, etc). CP4 is measured over years 2021-2024 and the average for this period is 40%.
- In May 2020 (CAC) and June 2020 (Board) the concept of ramping into VCE's long-term contracts versus relying on short-term renewable energy credits (RECs) was adopted and since then Staff has been executing on that strategy.

Note: 1) From a State perspective, LSEs need to procure 60% of the load from renewable energy by 2030 as outlined in SB 100. VCE has adopted a more aggressive target of achieving 100% renewable by 2030.

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Item 13 – Power Content Label Outreach: RPS Strategy

- By design, similar to the 2021 PCL, the 2022 PCL reflects a low renewable percentage.
- VCE is executing on a plan that incorporates VCE's commitment to building new renewable resources (versus buying RECs from existing assets that would operate regardless of VCE's purchase of RECs).
  - The plan helps keep customers rates lower while VCE ramps into long-term renewable contracts at competitive prices.
- VCE's plan is to have a lower renewable percentage in the early years of CP4 and significantly higher in the later years.
  - If necessary, small shortfalls will be met with short-term RECs.
- VCE has established a 100% renewable target by 2030 (significantly higher than the State requirement).
- VCE's website contains the PCL and a description of VCE path forward to 100% renewable.[1]

Note: 1) Staff presented the PCL and associated messaging to the CAC at the Oct 26, 2023 meeting.

Item 13 – Power Content Label Outreach: Contracted Renewable Projects

https://valleycleanenergy.org/power-sources/

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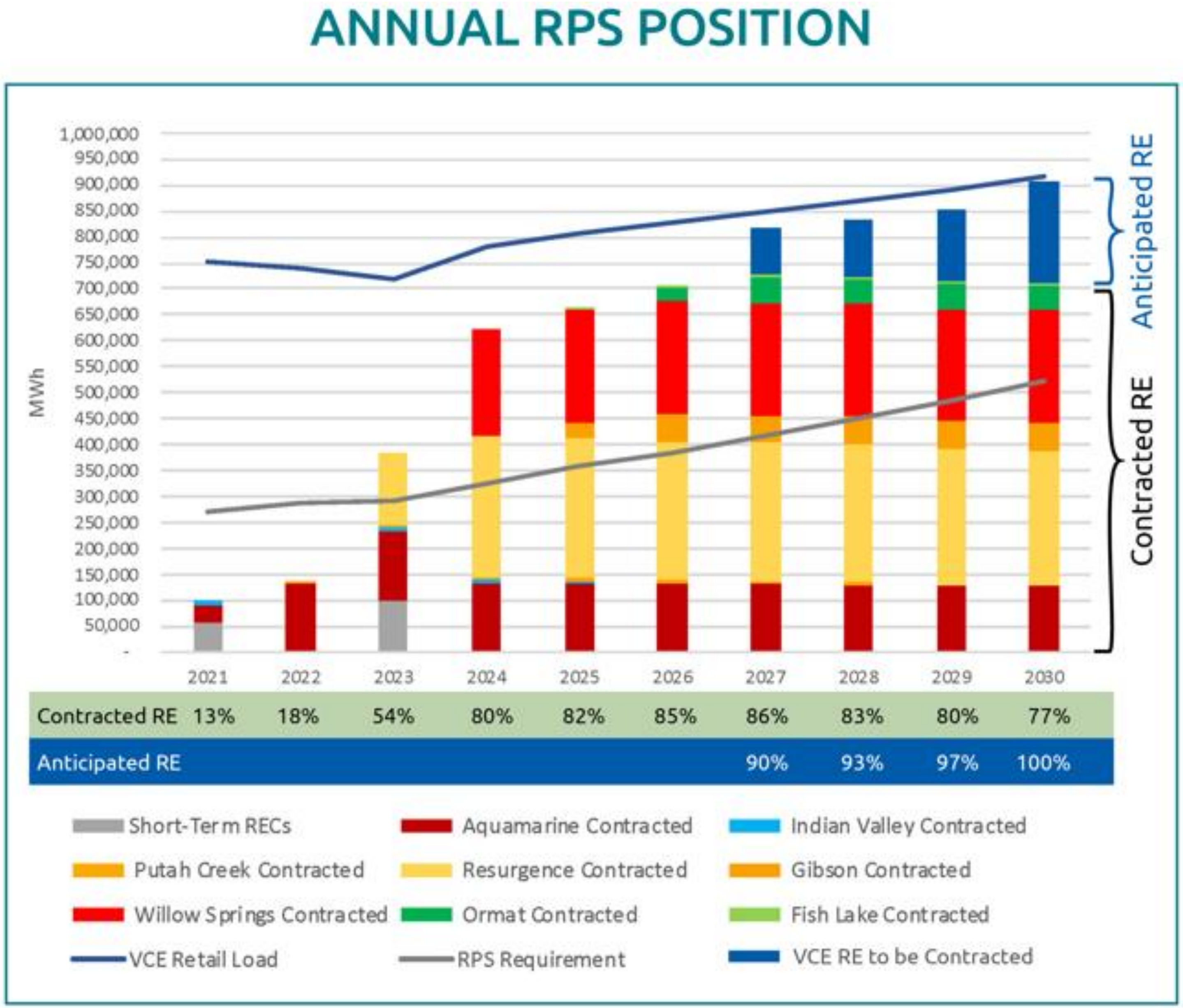
Item 13 – Power Content Label Outreach: Outlook



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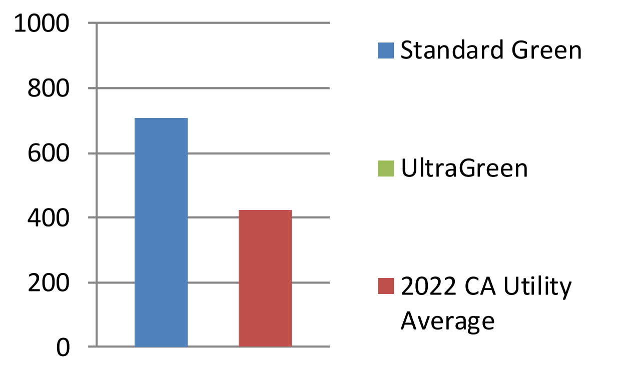
Item 13 – Power Content Label Outreach: ’22 PCL

2022 POWER CONTENT LABEL

Valley Clean Energy Alliance

https://valleycleanenergy.org/power-sources/

Greenhouse Gas Emissions Intensity (lbs CO_2e/MWh)		
Standard Green	UltraGreen	2022 CA Utility Average
709	**0**	**422**



Energy Resources	Standard Green	UltraGreen	2022 CA Power Mix
Eligible Renewable[1]	**17.5%**	**100.0%**	**35.8%**
Biomass & Biowaste	0.0%	0.0%	2.1%
Geothermal	0.0%	0.0%	4.7%
Eligible Hydroelectric	0.0%	0.0%	1.1%
Solar	17.5%	100.0%	17.0%
Wind	0.0%	0.0%	10.8%
Coal	**0.0%**	**0.0%**	**2.1%**
Large Hydroelectric	**7.4%**	**0.0%**	**9.2%**
Natural Gas	**0.0%**	**0.0%**	**36.4%**
Nuclear	**0.0%**	**0.0%**	**9.2%**
Other	**0.0%**	**0.0%**	**0.1%**
Unspecified Power[2]	**75.1%**	**0.0%**	**7.1%**
TOTAL	**100.0%**	**100.0%**	**100.0%**
Percentage of Retail Sales Covered by Retired Unbundled RECs[3]:	**0%**	**0%**	

[1]The eligible renewable percentage above does not reflect RPS compliance, which is determined using a different methodology.

[2]Unspecified power is electricity that has been purchased through open market transactions and is not traceable to a specific generation source.

[3]Renewable energy credits (RECs) are tracking instruments issued for renewable generation. Unbundled renewable energy credits (RECs) represent renewable generation that was not delivered to serve retail sales. Unbundled RECs are not reflected in the power mix or GHG emissions intensities above.

For specific information about this electricity portfolio, contact:	**Valley Clean Energy Alliance** **1-855-699-8232**
For general information about the Power Content Label, visit:	https://www.energy.ca.gov/programs-and-topics/programs/power-source-disclosure-program

https://valleycleanenergy.org/power-sources/pcl2020/

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