VCE Community Advisory Committee Meeting – March 24, 2022
via video/teleconference

Item 10 – CC Power Long Duration Storage (LDS): Goal Line Project

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Item 10 – CC Power LDS Goal Line Project: Overview

1. Long Duration Storage Procurement Goals
2. CPUC Mid-term Reliability Procurement Order
3. Onward Energy’s Goal Line Project Overview
4. CC Power Participating Members
5. Allocations and Authority
6. Conclusion

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Item 10 – CC Power LDS Goal Line Project: LDS Joint Procurement Goals

- Enhance portfolio value via cost-effective resources: value of energy + capacity > costs
- Integrate intermittent resources (solar + wind)
- Support grid reliability
- Share development and project performance risk via new joint powers agency → California Community Power (CC Power)
- “Right-size” project subscription
- Meet potential CPUC procurement mandates

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Item 10 – CC Power LDS Goal Line Project: Mid-term Reliability Procurement Order (MTR)

D.21-06-035 adopted by CPUC on June 24, 2021 to address mid-term reliability

- LSEs required to collectively procure 11,500 MW NQC of new resources
- Follow-on to November 7, 2019 CPUC decision mandating 3,300 MW NQC procurement for 2021-2023 to maintain reliability
- Contract of at least 10 years
- Allocated to LSEs by load share
- Resources must be zero-emission or RPS eligible (no fossil resources)
- 4,500 MW of obligation subject to specific category requirements

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Item 10 – CC Power LDS Goal Line Project: Procurement Order Timing

Procurement Obligation in Net Qualifying Capacity (MW) for All LSEs by Category and Year

Procurement Category	2023	2024	2025	2026	Total
Zero-emissions generation, generation paired with storage, or demand response resources	-	-	2,500	-	2,500
Firm zero-emitting resources	-	-	-	1,000	1,000
Long-duration storage resources	-	-	-	1,000	1,000
Remaining New Capacity Required			-	-	7,000
Total Annual Capacity Requirements	***2,000***	***6,000***	***1,500***	***2,000***	***11,500***

1,000 MW of LDS ordered by CPUC

- Technology agnostic
- 8-hour minimum discharge duration
- COD June 2026 – demonstrate reasonable effort by February 2023
- 10-year minimum term
- Subject to Effective Load Carrying Capability (ELCC) adjustments

CPUC Interim ELCCs

Procurement Category	2023	2024	2025 *Indicative*	2026 *Indicative*
4-Hour Battery	96.3%	90.7%	74.2%	69.0%
6-Hour Battery	98.0%	93.4%	79.6%	75.1%
8-Hour Battery	98.2%	94.3%	82.2%	**78.2%**
8-Hour Pumped Storage Hydro				76.8%
12-Hour Pumped Storage Hydro				80.8%

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Item 10 – CC Power LDS Goal Line Project: Project Overview

Goal Line was one of the highest-ranking LDS projects out of the Joint RFO issued in October 2020

- **Seller -** Goal Line BESS 1, LLC
- **Developer –** Onward Energy
- **Technology –**Lithium-ion, 8 hours discharge duration
- **Project size** - 50 MW/400 MWh
- **Product** – Tolling Agreement w/full capacity rights
- **Location –** Escondido, CA
- **COD –** June 2025
- **Price -** fixed $/kw-mo, no escalation
- **Term –** 15 years

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Item 10 – CC Power LDS Goal Line Project: Member Participation

6 CCAs agreed to move forward with joint LDS procurement for Goal Line

- MTR LDS procurement mandate for the 6 CCAs is 77.5 MW[1]
- 99.1 MW adjusted by ELCC
- Goal Line is 50 MW nameplate – meeting nearly 50% of ELCC adjusted need under the MTR
- Capacity to be allocated based on MTR share obligation

1) PCE participated in the Tumbleweed project but is not a participant in the Goal Line proj.

Item 10 – CC Power LDS Goal Line Project: Allocations & Authority

Each CCA will seek their respective governing body authority to participate

CCA	Entitlement Share %	Expected Entitlement Share MW
CPSF	21.50%	10.75
RCEA	4.00%	2.00
SJCE	24.22%	12.11
SVCE	28.42%	14.21
SCPA	17.36%	8.68
VCE	4.50%	2.25
Total	100%	50

VCE will satisfy the MTR obligation through participation in the Tumbleweed & Goal Line LDS projects

MTR Requirement NQC MW	MTR Obligation NQC MW	Tumbleweed Entitlement Nameplate MW	Remaining Need NQC MW	Goal Line Entitlement Nameplate MW	Net Open Position +Surplus/(-) Deficit NQC MW
4.0	5.1	2.86	2.25	2.25	0

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Item 10 – CC Power LDS Goal Line Project: Conclusion

- Goal Line was selected through a robust and competitive solicitation process
- Goal Line NPV to participating CCAs is highly uncertain
- Project is expected to include project labor agreement
- Contracting Structure includes a "step-up" provision which exposes VCE to taking up to additional capacity (based on contract share) in the event a participant defaults[1]
- Procurement of Long Duration Storage (8-hours or more) is mandated through MTR order
- VCE's expected share of Goal Line is 2.25 MW (nearly 50% of obligation)
- VCE's has a need for additional long duration storage[2]

1) Staff will seek approval from the VCE Board for a maximum authorized amount of 3.61MW.
2) Per the Carbon Neutral study VCE has a need beyond the mandate which can be procured at a later date.

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Item 11 – Receive overview of VCE forecasting

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Item 11 – Forecasting Overview

Budget Adoption
- Comprehensive Financial Model (Annual & Long-term)

Revenues & Administrative Costs
- Total Power Costs
- Revenue Model (Rates)
- Administrative Costs

Base Cost Models
- VCE Generation Power Costs Model
- PCIA COSTS (PG&E ERRA PROCEEDING)

External Models and Forecasts
- VCE Load Update (Demand)
- Power Costs (Supply)
- CalCCA Model
- MRW

Market Price Benchmarks (MPBs)
- ACES
- S&P Platts
- Intercontinental Exchange (ICE)

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Item 11 – Forecasting Overview

Market Price Benchmarks

- Represent a forecasted price at a specific point in time
- External market influences – Covid, recession, political climate
- Snapshot view
- Short-term volatility
- High risk of uncertainty – speculative traded prices

Market Price Benchmarks (MPBs)

ACES

S&P

Platts ICE

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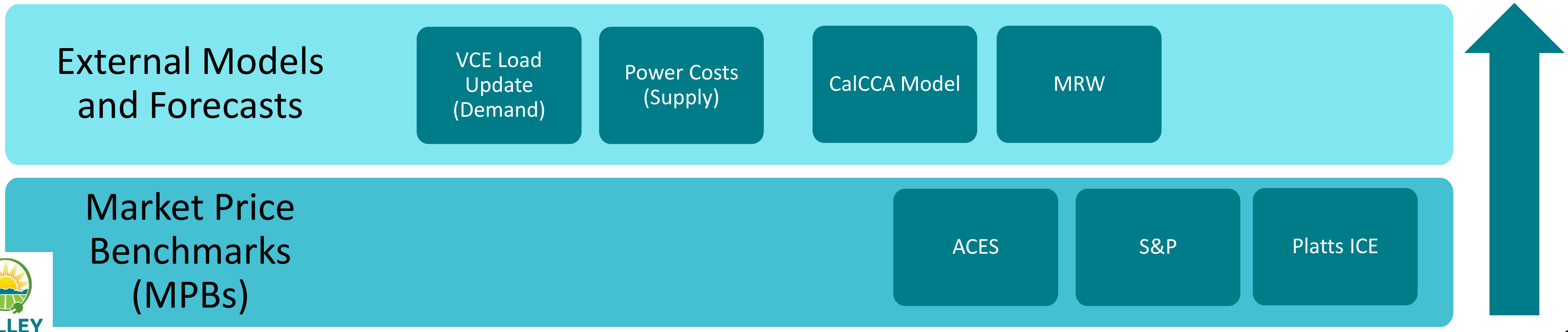
Item 11 – Forecasting Overview

External Models and Forecasts

- Load Forecast – Weather, Growth, Electrification, etc.
- Power Costs – Resource Adequacy, Power Purchase Agreements (PPA), hedged positions, unhedged positions
- Analyst Forecasts – Partial PG&E Filings and market prices



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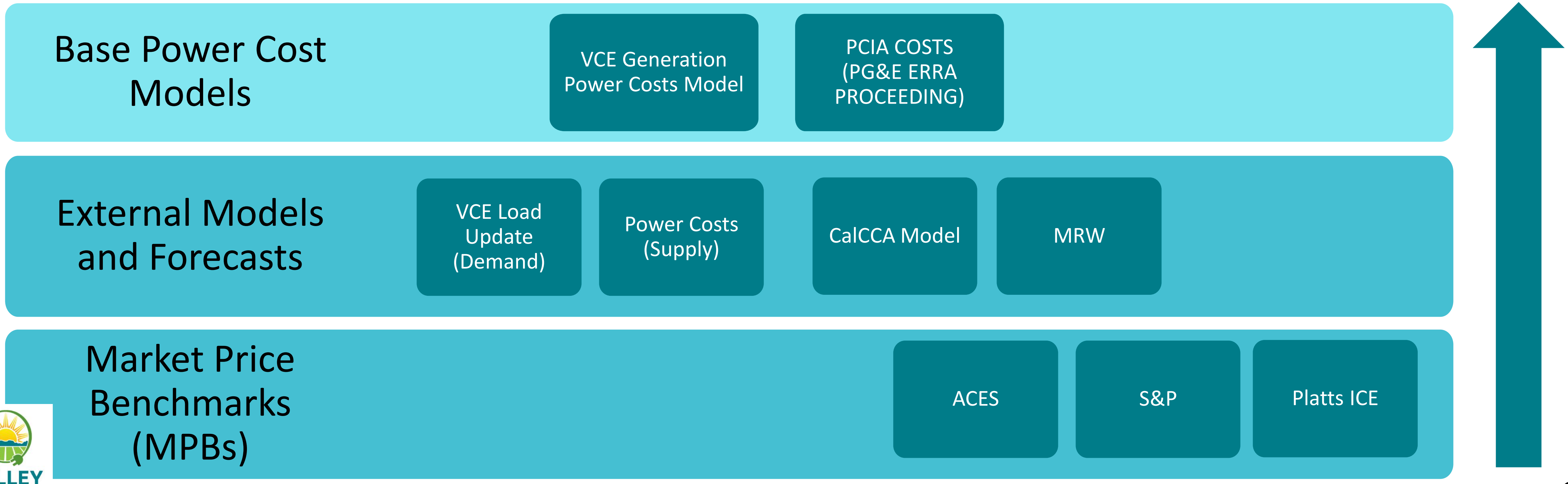
Item 11 – Forecasting Overview

Base Power Costs

- VCE Generation Power Costs – More certainty with annual load update, PPAs on-line, and annual hedging process aligned with budget adoption.
- PCIA Costs – More certainty with PG&E Filings including peak season in the ERRA October Update.



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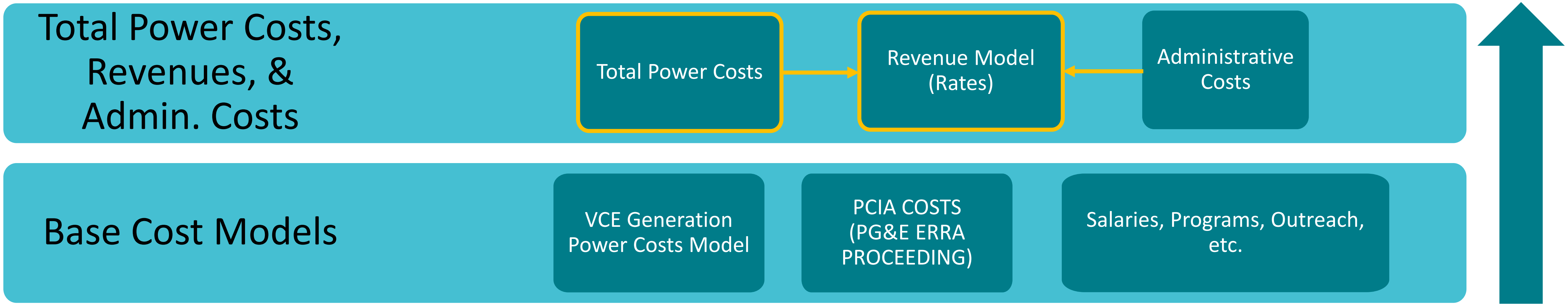
Item 11 – Forecasting Overview



<u>Revenues (Rates) & Administrative Costs</u>

- Total Power Costs – PPAs, Hedging, and power costs contingency.
- Revenues & Rates – Cost-recovery based policy adoption and power costs with load update and hedging.
- Administrative Costs - salaries, programs, outreach, etc.

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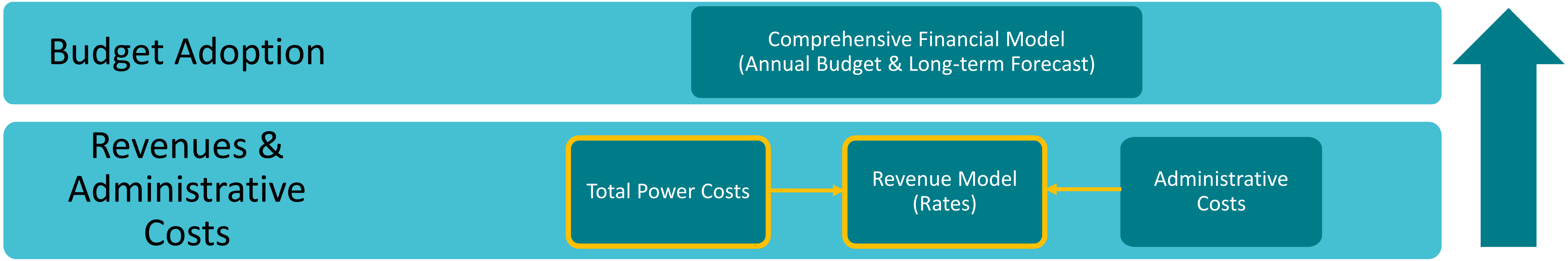
Item 11 – Forecasting Overview



<u>Comprehensive Financial Model</u>

- Annual Budget – Includes fully developed base power costs, cost-recovery rate policy including financial reserves, and ERRA timeline.
- Long-term Financial Forecast– More certainty with PPAs, financial reserves, and credit rating.

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Item 11 – Forecasting Overview

Next Steps & Discussion

- April – Load Forecast & Power Costs
- May – Revenues & Budget

Revenues & Administrative Costs

Total Power Costs (Including PCIA)

Revenue Model (Rates)

May Discussion

External Models and Forecasts

VCE Load Update (Demand)

Power Costs (Supply)

April Discussion

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VCE Community Advisory Committee Meeting – March 24, 2022
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Item 12 – VCE’s Rates Update

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Item 12 – VCE Rates Update

Overview

- Background/Review
- Proposed Customer Rate Structure
- Next Steps (Schedule)
- Discussion

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Item 12 – VCE Rates Update

Background/Review

- November 10th VCE Board adopted cost-based rate policy and deferred consideration of an expanded customer rate structure.
  - The cost-based rate setting approach is designed to meet VCE's annual expenditures and build long-term fiscal stability through the establishment and maintenance of reserves.
- Primary financial drivers remain Power market costs volatility and PCIA uncertainty
- 2023 Short-term outlook: continued volatility with PG&E PCIA rates and generation rates.
- Longer-term outlook (2024+): increased stability and cost certainty due to long-term PPA's and cost-recovery rate structure.

NOTE: The materials being presented have not be updated with any changes from the previous discussions.

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Item 12 – VCE Rates Update

<u>Proposed Cost-Based Rate Structure</u>

The proposed customer rate structure incorporates the following:

1. **Rate Structure** - Three customer rate options – (1) Basic (new), (2) Standard (existing default), and (3) UltraGreen (existing opt-up)

2. **Customer Distribution**
   a. All CARE/FERA customers automatically opted down (approx. 27% of VCE load)
   b. Assumed additional customer load opt-down/out: 5%

3. **Portfolio/Price (renewable/GHG content)**
   a. <u>Basic Green rate</u> (new): competitive with PG&E generation rate (+/- 2%) and maintain minimum portfolio to comply with regulatory requirements; ineligible for customer dividend program.
      i. CARE/FERA customers maintain existing VCE multi-year portfolio mix for Standard default through 2023; shift to enhanced portfolio in 2024: PG&E renewable content plus a minimum of 5%.

   b. <u>Standard rate</u> (existing default): cost-based rate and maintain existing VCE multi-year portfolio mix.

   c. <u>UltraGreen rate</u> (existing opt-up): cost-based rate and maintain existing 100% renewable/GHG free mix.

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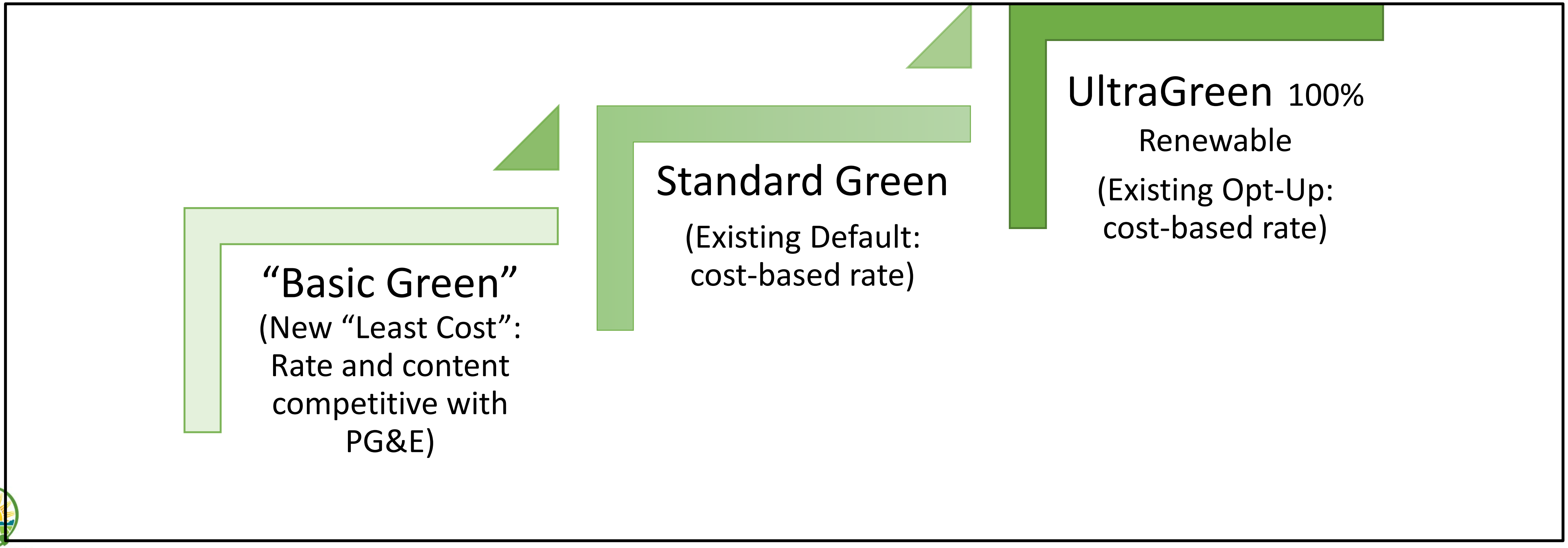
Item 12 – VCE Rates Update

<u>Proposed Cost-Based Rate Structure</u>

- Increase customer choice and incorporate cost-based rates for default and opt-up options.

Proposed Customer Rate Structure Design



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Item 12 – VCE Rates Update

Proposed VCE Cost-based Rate Structure

Customer Rate Option	Rate	Portfolio	Notes
Basic (new)	Competitive with PG&E (+/- 2%)	• Minimum portfolio for VCE to comply with regulatory requirements	• Not eligible for customer dividend program • CARE/FERA customers maintain existing VCE multi-year portfolio mix for Standard default through 2023; shift to the enhanced portfolio in 2024
Standard Green - Default (existing)	Cost-based	• Maintain existing VCE multi-year portfolio mix	• Portfolio minimum percent renewable content above Basic • Eligible for customer dividend program
UltraGreen – Opt-up (existing)	Cost-based	• Maintain existing 100% renewable portfolio	• Eligible for customer dividend program

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Item 12 – VCE Rates Update

Next Steps

Staff will continue to develop the potential establishment of a third customer rate option with feedback from this discussion as follows:

- 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.

Discussion

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Item 13 – Electric Vehicle Rebate Pilot Program

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Item 13 – Electric Vehicle Rebate Pilot Program

Requested Action: Review and provide feedback on Phase 1 of EV Rebate Pilot

Background & Context:

- Began developing pilot in 2021
- Nat’l, Statewide push toward transportation electrification
- Rebates and tax credits available; VCE’s pilot designed to stack and demystify the process
- Phased approach:
  - Phase 1 is streamlined. Providing rebates based on proof from customer of other (vetted) rebate programs
  - Phase 2: Reevaluate approach after phase 1 to potentially include used/leased vehicles, Point-of-Sale (POS) rebates, etc.

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Item 13 – Electric Vehicle Rebate Pilot Program

Existing State/Regional Rebate Programs

- Clean Vehicle Assistance Program (CVAP)
  - Income-qualified applicants before purchase
  - Currently out of funds; customers on waitlist
- Drive Clean Assistance Program (DCAP)
  - Income-qualified applicants before purchase
- California Clean Fuel Reward (CCFR)
  - Small, automatic Point-of-Sale (POS) incentive
- Clean Vehicle Rebate Program (CVRP)
  - 3-6 months after purchase (if under “high earners cap”); higher rebates for income-qualified customers

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Item 13 – Electric Vehicle Rebate Pilot Program

Existing State/Regional Rebate Programs

- Clean Vehicle Assistance Program (CVAP)
  - Income-qualified applicants before purchase
  - Currently out of funds; customers on waitlist
- Drive Clean Assistance Program (DCAP)
  - Income-qualified applicants before purchase
- California Clean Fuel Reward (CCFR)
  - Small, automatic Point-of-Sale (POS) incentive
- Clean Vehicle Rebate Program (CVRP)
  - 3-6 months after purchase (if under "high earners cap"); higher rebates for income-qualified customers
  - Staff is considering alignment because it currently has funding; differentiates between low- and mid-high income eligibility; approach RCEA took

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Item 13 – Electric Vehicle Rebate Pilot Program

Next Steps

- Gather feedback from Community Advisory Committee; discuss with Programs Task Group
- Finalize budget (including marketing/advertising components)
- Further research engagement aspect (webinars, in-person events)
- Return to CAC next month with draft Implementation/Design form, seek recommendation to Board

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