



**Meeting of the Community Advisory Committee (CAC)
of Valley Clean Energy Alliance
Thursday, May 26, 2022 at 5:00 p.m.
Via Video/Teleconference**

Pursuant to Assembly Bill 361 (AB 361), legislative bodies may meet remotely without listing the location of each remote attendee, posting agendas at each remote location, or allowing the public to access each location, with the adoption of certain findings. The Board of Directors found that the local health official recommended measures to promote social distancing and authorized the continuation of remote meetings for the foreseeable future. Any interested member of the public who wishes to listen in should join this meeting via teleconferencing as set forth below.

Please note that the numerical order of items is for convenience of reference. Items may be taken out of order on the request of any CAC member with the concurrence of the other members. The CAC may decide to make a recommendation to the VCE Board regarding any of the agenda items below. Staff recommendations are advisory to the CAC. The CAC may take any action it deems appropriate on any item on the agenda even if it varies from the staff recommendation.

Members of the public who wish to listen to the CAC Webinar meeting may do so with the teleconferencing call-in number and Webinar meeting ID code.

Join meeting via Zoom WEBINAR:

- a. From a PC, Mac, iPad, iPhone, or Android device with high-speed internet.
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<https://us02web.zoom.us/j/87598372174>

Meeting ID: 875 9837 2174

- b. By phone

One tap mobile:

+16699009128,,87598372174#

+12532158782,,87598372174#

Dial:

+1-669-900-9128

+1-253-215-8782

Meeting ID: 875 9837 2174

Public comments may be submitted electronically or during the meeting. Instructions on how to submit your public comments can be found in the PUBLIC PARTICIPATION note at the end of this agenda.

Committee Members: David Springer (Chair), Marsha Baird (Vice Chair), Yvonne Hunter, Christine Shewmaker, Cynthia Rodriguez, Gerry Braun, Mark Aulman, Lorenzo Kristov, Jennifer Rindahl, Keith Taylor, Kristin Jacobs

5:00 P.M. CALL TO ORDER

- 1. Welcome to newly appointed Members to the CAC (~ 5 minutes)**
- 2. Approval of Agenda**



3. **Public Comment:** This item is reserved for persons wishing to address the CAC on any VCE-related matters that are not otherwise on this meeting agenda or are listed on the Consent portion of the agenda. Public comments on matters listed on the Regular agenda shall be heard at the time the matter is called. As with all public comment, members of the public who wish to address the CAC are customarily limited to two minutes per speaker, electronically submitted comments should be limited to approximately 300 words. Comments that are longer than 300 words will only be read for two minutes. All electronically submitted comments, whether read in their entirety or not, will be posted to the VCE website within 24 hours of the conclusion of the meeting. See the information under **PUBLIC PARTICIPATION** at the conclusion of this agenda about how to provide your public comment.
4. **Brief VCEA Staff and Advisory Task Group Reports (≈ 15 minutes)** - Representatives of VCE staff and active Task Groups will provide updates on on-going staff and Task Group work. Task Group recommendations requiring Committee attention require a regular agenda item. Summaries of written reports received by the Committee in advance of the meeting will receive a time allocation of up to ten minutes. Otherwise, the time allocation will be five minutes, including questions and answers. The Committee may decide to allocate additional time at the end of the regular agenda.
 - a) **Task Group Reports**
 - b) **May 12, 2022 Board meeting update**
 - c) **Staff Report**

CONSENT AGENDA (≈ 5 minutes)

5. **Approval of April 28, 2022 Meeting Minutes.**
6. **Receive Community Advisory Committee 2022 Long-Range Calendar.**

REGULAR AGENDA

7. **Receive information on VCE forecasting - financial modeling. (Information/Discussion) (≈ 40 minutes)**
8. **Receive report and provide feedback on draft Customer Rate structure. (Information/Discussion) (≈ 30 minutes)**
9. **Review and consider recommendation on updating VCE's Legislative Bill process. (Discussion/Action) (≈ 15 minutes)**
10. **Update on Net Energy Metering (3.0). (Information) (≈ 15 minutes)**
11. **Advisory Committee Member and Announcements. (≈ 5 minutes)** Action items and reports from members of the Advisory Committee, including announcements, reports on meetings, and information which would be of interest to the Committee or the public.
12. **Announcement and Adjournment.** The CAC's next scheduled meeting is Thursday, June 23, 2022 at 5 p.m.



**PUBLIC PARTICIPATION INSTRUCTIONS FOR UPCOMING VALLEY CLEAN ENERGY COMMUNITY
ADVISORY COMMITTEE MEETING ON THURSDAY, MAY 26, 2022 AT 5:00 P.M.:**

PUBLIC PARTICIPATION. Public participation for this meeting will be done electronically via e-mail ***and*** during the meeting as described below.

Public participation via e-mail: If you have anything that you wish to be distributed to the CAC and included in the official record, please e-mail it to VCE staff at meetings@valleycleanenergy.org . If information is received by 3:00 p.m. on the day of the CAC meeting it will be e-mailed to the CAC members and other staff prior to the meeting. If it is received after 3:00 p.m. the information will be distributed after the meeting, but within 24 hours of the conclusion of the meeting.

Verbal public participation during the meeting: If participating during the meeting, there are two (2) ways for the public to provide verbal comments:

- 1) **Computer with a microphone:** activate the “participants” icon at the bottom of your screen, then press the “raise a hand” icon.
- 2) **Phone:** Press *9 to indicate a desire to make a comment. Once called upon, press *6 to unmute your microphone.

VCE staff will acknowledge that you have a public comment to make during the item and will call upon you by name or phone number when it is your turn to comment. Speakers will be limited to no more than two minutes. Speakers will be asked to state their name for the record.

Public records that relate to any item on the agenda for a regular or special CAC meeting are available for public review on the VCE website. Records that are distributed to the CAC by VCE staff less than 72 hours prior to the meeting will be posted to the VCE website at the same time they are distributed to all members, or a majority of the members of the CAC. Questions regarding VCE public records related to the meeting should be directed to Board Clerk Alisa Lembke at (530) 446-2750 or Alisa.Lembke@ValleyCleanEnergy.org. The Valley Clean Energy website is located at: <https://valleycleanenergy.org/cac-meetings/>.

Accommodations for Persons with disabilities. Individuals who need special assistance or a disability-related modification or accommodation to participate in this meeting, or who have a disability and wish to request an alternative format for the meeting materials, should contact Alisa Lembke, VCE Board Clerk/Administrative Analyst, as soon as possible and preferably at least two (2) working days before the meeting at (530) 446-2754 or Alisa.Lembke@ValleyCleanEnergy.org

VALLEY CLEAN ENERGY ALLIANCE

Staff Report - Item 5

TO: Community Advisory Committee

FROM: Alisa Lembke, Board Clerk/Administrative Analyst

SUBJECT: CAC April 28, 2022 Meeting Minutes

DATE: May 26, 2022

Recommendation

Receive, review and approve the attached April 26, 2022 meeting minutes.



**MINUTES OF THE VALLEY CLEAN ENERGY ALLIANCE
COMMUNITY ADVISORY COMMITTEE MEETING
THURSDAY, APRIL 28, 2022
VIA TELECONFERENCE**

Chair David Springer opened the Community Advisory Committee of the Valley Clean Energy Alliance in a meeting on Thursday, April 28, 2022 beginning at 5:02 p.m. via videoconference pursuant to the Brown Act and Assembly Bill 361 (AB 361). The Board of Directors found that the local health official recommended measures to promote social distancing and authorized the continuation of remote meetings for the foreseeable future.

Welcome and Roll Call

Committee Members Present: David Springer (Chair), Marsha Baird (Vice Chair), Yvonne Hunter, Christine Shewmaker, Mark Aulman, Lorenzo Kristov, Cynthia Rodriguez

Committee Members Absent: Gerry Braun, Jennifer Rindahl

Welcome and Approval of Agenda

Motion made by Mark Aulman to approve the April 28, 2022 meeting agenda, seconded by Yvonne Hunter. Motion passed with Gerry Braun and Jennifer Rindahl absent.

Public Comment / Introductions

There were no written or verbal public comments on items not on the agenda and on Consent Agenda items.

Brief task Group and VCE staff Reports

Task Group Reports

Leg/Reg: Yvonne Hunter provided the status on two proceedings at the California Public Utilities Commission (CPUC): Provider of Last Resort (POLR) and alternative distribution system operation models. Ms. Hunter informed those present that a number of bills were reviewed and talked about: AB 1287 (Bradford) a proposal to increase CCA's financial assurances; AB 2878 (Aguiar- Curry) deals with forest waste biomass management training, how to improve management of forest waste; SB 1158 (Becker) deals with various aspects of reporting electricity portfolio and greenhouse gas emissions; and, SB 1020 (Laird/Atkinson) proposing the Clean Energy Jobs and Affordability Act of 2022, which is part of the Senate Democrats' climate change package. It would put in interim goals for renewable energy as it relates to SB 100 and sets up a new state agency to receive funding for different sustainability and climate initiatives. Lastly, the policy on how VCE reviews bills and takes positions is being reviewed and updated. The Task Group will bring to the CAC at a future meeting for the CAC to make a recommendation to the Board to adopt the updated procedure. Lorenzo Kristov provided an update on the Net Energy Metering (NEM) 3.0 CPUC proceeding, which was



halted back in December 2021 by the CPUC to study the issues and reconsider their proposed decision. The CPUC has been silent on when they may issue a new proposed decision or what action is forthcoming. Another item is that there are bills in both house of the legislature to give PG&E money for underground lines. Those monies would go into the transmission and distribution rates.

Outreach: Mark Aulman informed those present that the proposal to shift Yolo County's non-solar accounts to VCE's UltraGreen option will go to the Board of Supervisors on May 24th, this proposal is endorsed by the Yolo County Climate Action Commission. He has reintroduced this shift to the City of Woodland for a phased in approach. He announced that VCE will have new bus ads emerging soon and pictures of the ads will be showcased at the CAC's next meeting. The OhmConnect program has new life, and the CAC was asked to promote the program through their own personal networks. The Task Group looked at earned media and getting new "op eds"; discussed programs and ways to provided information to the public; and, invited Members to participate in VCE's booth at the California Honey Festival on Saturday, May 7th in Woodland.

Energy Resilience: Mr. Kristov informed those present that the Task Group was going to pursue the project idea of contacting a school within VCE territory to serve as a resilience hub by installing solar panels and battery storage to operate as a community hub when grid power goes out. Contacts have been made within the Joint Unified School District Board and administrative structure, and upcoming conversations are planned. The goal is to identify a partner school that would be interested in developing a project proposal with VCE. Lastly, he updated those present that no date has been determined for the public forum on Community Energy Resilience and will most likely be planned for in the next few months.

Programs: Marsha Baird informed those present that the Task Group did not meet, and that the Electric Vehicle program is on the regular agenda.

April 14, 2022 Board meeting update: Executive Officer Mitch Sears informed those present that the Board received a presentation by OhmConnect on the program; approved VCE's participation in the Goal Line CC Power project; and, received the financial six (6) month audit. Ms. Baird pointed out to those present that the Board received on consent the SACOG – Electrify Yolo Project update and asked Mr. Sears to provide the status on ap; Mr. Sears approved process for appointing At-Large seats. Actual appointment is scheduled for the Board's May meeting. Board Subcommittee approved the Chair and Vice Chair to evaluate applications with staff and to make recommendation.



Staff Report: Mr. Sears informed those present that the California Honey Festival is scheduled for next Saturday on May 7th. He informed those present that Staff are tracking a Department of Commerce anti-dumping and circumvention case that has to do with the manufacture of photovoltaic (PV) panels, because the case has potential implications to one of our developing PV plus storage projects. An intern for VCE will be working for VCE, starting in the summer, who comes out of the UC Davis Graduate School of Management energy program. They will be helping Staff analyze the impacts of drought on energy use within VCE's service area. Staff are closely tracking SB 1020, which is designed to advance the State's climate goals. Lastly, he recognized the work that VCE Staff Rebecca Boyles and Sierra Huffman and Keyes & Fox have done to move the AgFIT program forward to launch in May. This program is the first of its kind in the state using dynamic pricing in the agricultural sector to send hourly price signals and to test whether or not farmers are able to move energy use out of the critical hours out of the day into times when there is more renewable energy on the grid.

Consent Items

Chair David Springer informed those present that Item 6 – Quarterly Customer Enrollment Update will be pulled from the Consent Agenda. Staff are fine-tuning the report. Mr. Kristov pointed out that on Item 6 – Customer Dividend and Programs Allocation report there was an error in the report where it reads "... for the fiscal year ending December 31, 2022" and it should probably be "...2021...". VCE Staff Edward Burnham confirmed that the 2022 was incorrect and it should be 2021. As mentioned above, there were no verbal or written public comments on the Consent Items. Marsha Baird made a motion to approve the Consent agenda with Item 6 – Customer Enrollment pulled and an error in Item 8 – Customer Dividend and Programs Allocation staff report with the correction to the year, seconded by Mark Aulman. Motion passed with Yvonne Hunter abstaining and Jennifer Rindahl and Gerry Braun absent. The following items were:

5. approved March 24, 2022 meeting Minutes;
7. received 2022 long-range calendar; and,
8. Received update on Customer Dividend and Programs Allocation, with the corrected year.

Item 9 – Review and consider recommendation on Customer program concept: Electric Vehicle Rebates Program. (Discussion/Action)

VCE Staff Rebecca Boyles and Sierra Huffman presented highlights of the program design, implementation and fiscal impacts of Phase 1 of the Electric Vehicle (EV) Rebates program, which is focused on stacking VCE's rebate on top of other available rebates and tax credits. The CAC discussed with Staff: potential caps on the distribution of funds to non-low-income customers, future phases of the program, outreach efforts, target audiences, eligibility, and market demand study. Members provided Staff with additional feedback and suggestions. There were no written or verbal public comments.



Mark Aulman made a motion that the CAC recommend the Board adopt Phase 1 of VCE's Electric Vehicle Rebate Pilot Program, seconded by Christine Shewmaker. Motion passed by the following vote:

AYES: Baird, Hunter, Shewmaker, Rodriguez, Kristov, Aulman, Springer

NOES: None

ABSENT: Braun, Rindahl

ABSTAIN: None

Item 10: Receive information on VCE load and power costs forecasting. (Information/Discussion)

VCE Staff Gordon Samuel provided a summary on load and power costs used to forecast VCE's energy, resource adequacy (RA), renewable portfolio standard positions, as well as multiple regulatory filings. Staff reviewed retail load by customer class, historical temperature data within VCE's territory, impact of electric vehicle adoption and building electrification, load forecast process and submittals, implications of an inaccurate forecast, and power cost modeling. The CAC asked questions and discussed with Staff: forecast reconciliation, fulfilling and meeting load profile, how "seasonality" and weather, such as heat waves and/or unanticipated warmer temperatures during the fall/winter, are incorporated within forecast, frequency of adjustments, program planning to reduce customer electricity usage during peak hours, short term energy prices, net energy metering, and electric vehicle to grid integration. Staff will present information on forecasting - revenues and budget at the CAC's May meeting. There were no written or verbal public comments.

Advisory Committee Member and Announcements

Ms. Shewmaker informed those present that Attorney Generals of 16 States along with at least 4 environmental organizations and the Bay Area Air Quality Management District filed a lawsuit against the United States Postal Service for not including electric vehicles in their future purchase plans for their fleet. Mr. Aulman reported that the average miles per gallon for a USPS gasoline vehicle is 8. He has been keeping the pulse on the various Climate Action Plans in the area, noting that participation in VCE has had an impact on their ability to meet their greenhouse gas reduction goals. Mr. Kristov mentioned that the state of Florida passed Net Energy Metering (NEM) legislation which will cause costs on solar adopters; however, due to massive backlash in the state, the Governor vetoed the bill.

Adjournment to Next Meeting

Chair Springer announced that the next meeting is scheduled for Thursday, May 26, 2022 at 5 p.m. The meeting was adjourned at 6:34 p.m.

Alisa M. Lembke
Board Clerk/Administrative Analyst

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 6

TO: Community Advisory Committee

FROM: Alisa Lembke, Board Clerk/Administrative Analyst

SUBJECT: Board and CAC 2022 Long Range Calendar

DATE: May 26, 2022

Please find attached an updated and revised 2022 Board and Community Advisory Committee (CAC) Long Range Calendar. Specifically, at the bottom of the calendar lists future (proposed) topics of discussion for the CAC.

If you have an item that you would like added, please send an email to Assistant General Manager Gordon Samuel, Board Clerk Alisa Lembke, CAC Chair and Vice Chair for consideration.

Attachment:

1. 2022 Board and CAC Long Range Calendar

VALLEY CLEAN ENERGY
2022 Meeting Dates and *Proposed* Topics
Board and Community Advisory Committee (CAC)
(CAC: Topics and Discussion Dates may change as needed)

MEETING DATE		TOPICS	ACTION
January 13, 2022 Special Meeting scheduled for January 27, 2022	Board	<ul style="list-style-type: none"> • Election of Officers for 2022 (Annual) • Near-term Procurement Directives and Delegations for 2022 Power Procurement Activities • Calendar Year Budget and 2022 VCE customer rates • GHG Free Attributes • 2022 Legislative Platform • Receive CAC 2021 Calendar Year End Report (Annual) • 2021 Year End Review: Customer Care and Marketing 	<ul style="list-style-type: none"> • Action • Action • Action • Action • Action • Information • Information
January 27, 2022 January 20, 2022	Advisory Committee	<ul style="list-style-type: none"> • 2022 Task Groups Tasks/Charge (Annual) • Update on 2022 Power Charge Indifference Adjustment (PCIA) and Rates • Carbon Neutral by 2030 Study • CC Power long duration storage • Draft Collections Policy • Update on customer programs development (draft Heat Pump Pilot Program) 	<ul style="list-style-type: none"> • Action • Discussion/Action • Discussion/Action • Information • Information/Discussion • Information
February 10, 2022	Board	<ul style="list-style-type: none"> • CC Power long duration storage • Update on customer programs development • Update on 2022 PCIA and Rates • Update on Time of Use (TOU) • Update on SACOG Grant – Electrify Yolo • Strategic Plan Update (Annual) • Carbon Neutral Report 	<ul style="list-style-type: none"> • Action • Information • Information • Information • Information • Information • Information/Discussion
February 24, 2022	Advisory Committee	<ul style="list-style-type: none"> • Power Procurement / Renewable Portfolio Standard Update • Time of Use (TOU) and Bill Protection • Final Draft Collections Policy • Customer program concept (Heat Pump Pilot Program) • 2022 Task Group – energy resiliency 	<ul style="list-style-type: none"> • Information • Discussion/Action • Action • Discussion/Action • Discussion/Action

March 10, 2022	Board	<ul style="list-style-type: none"> • Receive Enterprise Risk Management Report (Bi-Annual) • Collections Policy • Presentment of customer program concept (Heat Pump Pilot Program) • Time of Use (TOU) Bill Protection • Ag FIT (Flexible Irrigation Technology) pilot program 	<ul style="list-style-type: none"> • Information • Discussion/Action • Action • Discussion/Action • Discussion/Action
March 24, 2022	Advisory Committee WOODLAND	<ul style="list-style-type: none"> • Customer program concept (draft EV Rebates Program) • CC Power long duration storage project • Overview of VCE Forecasting 	<ul style="list-style-type: none"> • Information • Information • Information/Discussion
April 14, 2022	Board	<ul style="list-style-type: none"> • Update on SACOG Grant – Electrify Yolo • 7/1/21 thru 12/31/21 Audited Financial Statements (James Marta & Co.) • CC Power long duration storage project 	<ul style="list-style-type: none"> • Information • Action • Discussion/Action
April 28, 2022	Advisory Committee	<ul style="list-style-type: none"> • Program Concepts Development (EV Rebates Program) • Update on Customer Dividend and Programs Allocation • Forecasting – load and power costs • 	<ul style="list-style-type: none"> • Discussion/Action • Information • Information • Discussion
May 12, 2022	Board	<ul style="list-style-type: none"> • Update on Customer Dividend and Programs Allocation • Presentment of customer program concept (EV Rebates Program) • Appointment of At-Large Members to the CAC 	<ul style="list-style-type: none"> • Information • Action • Action
May 26, 2022	Advisory Committee	<ul style="list-style-type: none"> • Forecasting – financial modeling • Draft Rate Structure • Net Energy Metering (NEM) 3.0 Update 	<ul style="list-style-type: none"> • Information • Information/Discussion • Information
June 9, 2022	Board	<ul style="list-style-type: none"> • Re/Appointment of Members to Community Advisory Committee (Annual) • Extension of Waiver of Opt-Out Fees for one year (Annual) • Update 3-Year Programs Plan • Draft Rate Structure • Net Energy Metering (NEM) 3.0 Update 	<ul style="list-style-type: none"> • Action • Action • Information • Information/Discussion • Information
June 23, 2022	Advisory Committee	<ul style="list-style-type: none"> • Draft Rate Structure • Update 3-Year Programs Plan • Review CAC Charge (Annual) 	<ul style="list-style-type: none"> • Discussion/Action • Information/Discussion • Discussion
July 14, 2022	Board	<ul style="list-style-type: none"> • Update on SACOG Grant – Electrify Yolo • Draft Rate Structure 	<ul style="list-style-type: none"> • Information • Discussion/Action

		<ul style="list-style-type: none"> Quarterly Customer Enrollment Update 	<ul style="list-style-type: none"> Information
July 28, 2022	Advisory Committee	<ul style="list-style-type: none"> Power Procurement / Renewable Portfolio Standard update Quarterly Customer Enrollment Update 	<ul style="list-style-type: none"> Information Information
August 11, 2022	Board	<ul style="list-style-type: none"> 	<ul style="list-style-type: none">
August 25, 2022	Advisory Committee	<ul style="list-style-type: none"> 2022 Operating Budget / Renewable Portfolio Standard update Mid-year rate update 	<ul style="list-style-type: none"> Information Information/Discussion
September 8, 2022	Board	<ul style="list-style-type: none"> 2022 Operating Budget / Renewable Portfolio Standard update Certification of Standard and UltraGreen Products (Annual) Enterprise Risk Management Report (Bi-Annual) Mid-year 2022 rates review 	<ul style="list-style-type: none"> Information Action Information Information/Discussion
September 22, 2022	Advisory Committee	<ul style="list-style-type: none"> Legislative End of Session Update 2023 Draft Operating Budget Mid-year 2022 rates review 	<ul style="list-style-type: none"> Information Information Information
October 13, 2022	Board	<ul style="list-style-type: none"> Update on SACOG Grant – Electrify Yolo Update on 2023 draft Operating Budget Quarterly Customer Enrollment Update 	<ul style="list-style-type: none"> Information Information Information
October 27, 2022	Advisory Committee	<ul style="list-style-type: none"> Update on Power Content Label Customer Mailer Review Draft CAC Evaluation of Calendar Year End (Annual) Review 2023 customer rate study/information Quarterly Customer Enrollment Update 	<ul style="list-style-type: none"> Information Information/Discussion Information/Discussion Information
November 10, 2022	Board	<ul style="list-style-type: none"> Certification of Power Content Label (Annual) Preliminary 2023 customer rate options Preliminary 2023 Operating Budget (Annual) 	<ul style="list-style-type: none"> Action Information/Discussion Information
November 17, 2022 (rescheduled November 24 th meeting due to the Thanksgiving holiday)	Advisory Committee	<ul style="list-style-type: none"> Finalize CAC Evaluation of Calendar Year End (Annual) Review Procurement Directives and Delegations (Annual) GHG Free attributes Power Procurement / Renewable Portfolio Standard Update ERRA Filings Update (PCIA and bundled rates) (Annual) Preliminary 2023 customer rate options 	<ul style="list-style-type: none"> Discussion/Action Information Information Information Discussion Information/Discussion

December 8, 2022	Board	<ul style="list-style-type: none"> • Approve 2023 Operating Budget (Annual) • 2023 Customer Rate Adoption • Receive Enterprise Risk Management Report (Annual) • Approve Procurement Directives and Delegations (Annual) • GHG Free attributes • Update on SACOG Grant – Electrify Yolo • Receive CAC 2022 Calendar Year End Report (Annual) • Election of Officers for 2023 (Annual) 	<ul style="list-style-type: none"> • Action • Action • Information • Action • Action • Information • Information • Nominations
December 15, 2022 (rescheduled December 22 nd meeting due to the Christmas holiday)	Advisory Committee	<ul style="list-style-type: none"> • 2023 CAC Task Group(s) formation (Annual) • Review draft 2023 Legislative Platform • Strategic Plan update (Annual) • 2023 Customer Rates • Election of Officers for 2023 (Annual) 	<ul style="list-style-type: none"> • Discussion/Action • Discussion/Action • Information • Information • Nominations
January 12, 2023	Board	<ul style="list-style-type: none"> • Oaths of Office for Board Members (Annual if new Members) • Update on SACOG Grant – Electrify Yolo • Strategic Plan Update (Annual) • 2023 Legislative Platform • Approve Updated CAC Charge (tentative) (Annual) • Quarterly Customer Enrollment Update 	<ul style="list-style-type: none"> • Action • Information • Action • Action • Action • Information
January 26, 2023	Advisory Committee	<ul style="list-style-type: none"> • Quarterly Customer Enrollment Update 	<ul style="list-style-type: none"> • Information

- Notes:**
1. CalCCA Annual Meeting typically scheduled in November.
 2. Currently all meetings are held remotely via Zoom video/teleconference, “location” is subject to change.

CAC PROPOSED FUTURE TOPICS Topics and Discussion dates may change as needed	ESTIMATED MEETING DATE(S)
Net Energy Metering (NEM) 3.0 (Information/Discussion/Action)	As needed
Carbon Neutral by 2030 (types of energy, where procured, BTM, FOM, policy) (Discussion/Action)	2022 Quarter 3
Integrated Resource Plan / Public Workshop (IRP – update due 11/1/2022) (Discussion/Action)	August/September 2022
Self Generation Incentive Program (SGIP)	TBD
CAC Charge revision (as needed)	
Legislative Items (as needed)	
Strategic Plan additional updates (as needed)	
Time of Use (TOU) (as needed)	
SACOG Update (as needed)	

VALLEY CLEAN ENERGY ALLIANCE**Staff Report – Item 7**

TO: Community Advisory Committee (CAC)

FROM: Edward Burnham, Director of Finance and Operations

SUBJECT: Review of forecasting related to VCE’s total power costs and revenue model.

DATE: May 26, 2022

RECOMMENDATION

Receive the second of two informational reports on financial and load forecasting.

OVERVIEW

In April, Staff presented a report on how VCE forecasts the total amount of electricity VCE customers will use each year (Load). This report/presentation is the second of two reports and focuses on VCE’s forecasting related to the total power costs and revenue model used in evaluating and setting customer rates.

As part of VCE’s recently concluded rate setting process for 2022, the CAC requested information on how VCE forecasts its total power costs and revenues to recover those costs, including building reserves and program funds. The forecasted costs and revenues are the primary factors that inform VCE’s decisions around rate setting, procurement, programs, and related policies. VCE currently depends on three separate modeling tools in its rate setting decision making process.

As noted in previous reports/presentations to the CAC and Board, forecasting can be imprecise and is dependent on the modeling tools and inputs to minimize variation from actual outcomes (i.e. market power costs, load demand, etc.). VCE’s challenge (and any business), is to take practical steps to minimize the error band around the forecast. This report will outline power costs, revenues, and budgeting components and summarize the associated risks and improvements VCE has taken to improve forecasting accuracy.

BACKGROUND

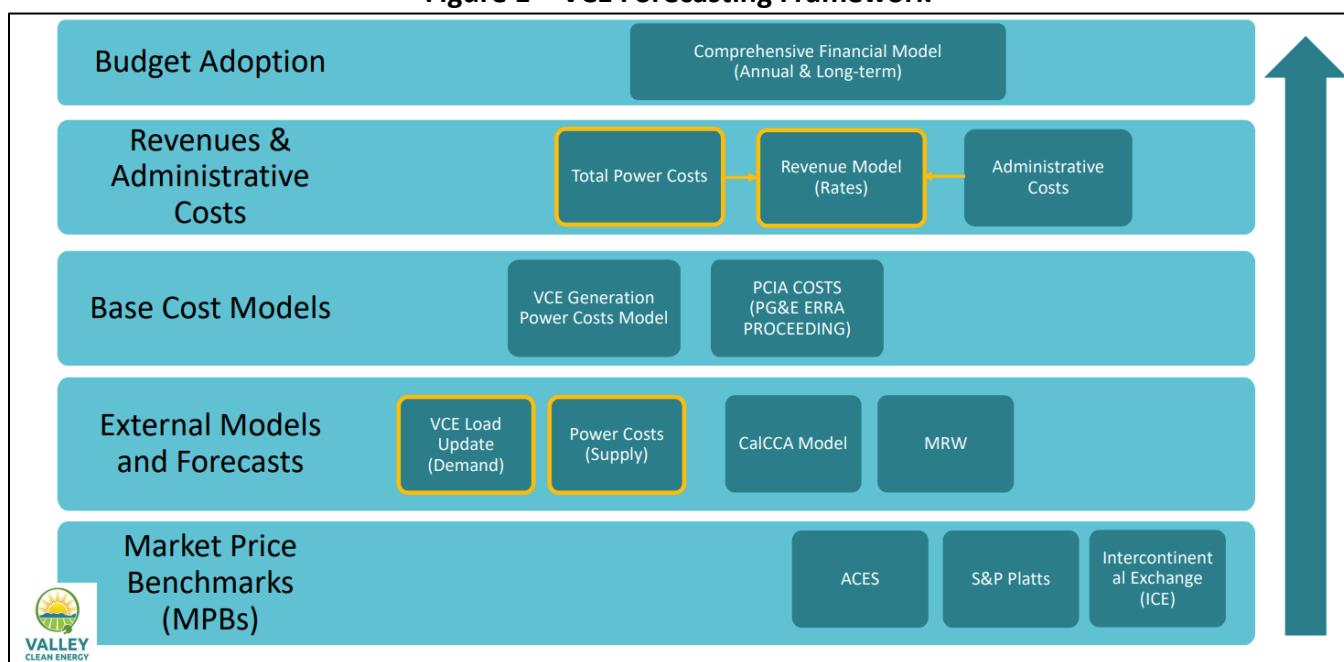
As expressed by several CAC members during the 2022 rate setting process, CAC members are interested in how these forecasts are developed and if improvements can be made to reduce the level of uncertainty experienced by VCE during the 2022 rate setting process. While extraordinary circumstances and factors in 2020/2021 largely drove the level of uncertainty experienced by VCE and other CCAs (i.e. Covid, power market volatility, drought, regulatory factors – PCIA), it is important to examine VCE’s forecasting tools to assess their performance during this time period.

As Staff noted during the 2022 rate setting process, VCE forecasts (financial and load) have performed well since launch, and all forecast tools available to VCE and other load serving entities (LSE’s), were challenged by the set of stressors presented in the 2020/21 staff reports. Staff believes it bears repeating that all forecasts are wrong, specifically in the energy sector, which are influenced by factors outside the organization's control. Volatility is inherent in the energy sector, and VCE employs risk management best practices through its Enterprise Risk Management policy developed in conjunction with SMUD to reduce and mitigate risk. One example is building and maintaining substantial reserves to ride through periods of volatility such as 2020/21. A central business question is and will continue to be how to achieve an acceptable bandwidth of error in the suite of forecasting tools and deciding how important it might be to improve the forecast tool(s) when they significantly underperform.

DISCUSSION & ANALYSIS

The sections below outline the approach VCE takes to produce the power cost and revenue forecasts that serve as inputs to VCE’s overall budgeting model. The following figure showing VCE’s forecasting framework was presented at the March 24th CAC meeting to provide an overview of the levels and tools employed by VCE to produce the various forecasts that inform staff recommendations and Board decisions. This report focuses on Total Power Costs, the Revenue Model, and the Comprehensive Financial Model.

Figure 1 – VCE Forecasting Framework



Power cost is comprised of two components: (1) the amount of electricity procured to serve VCE customers (Load) and (2) the total price of the electricity. Revenue is derived from the amount of Load multiplied by the customer rate that is set by the Board (currently set to match PG&E rates). Forecasts for each of these elements are incorporated into VCE’s Comprehensive Financial Model which is used to set VCE’s annual budget and perform financial planning.

Each of these forecasting elements, their use and overall performance since launch are summarized

below.

Power Costs

VCE power costs account for approximately 90% of VCE's total costs. As noted, Power Cost is comprised of two components: (1) the amount of electricity procured to serve VCE customers (Load) and (2) the total price of the electricity. Forecasts of Load and price allow VCE to forecast power costs.

Load Forecast







The annual electricity demand forecast (Load Update) is performed each Spring in conjunction with SMUD. In April, Staff presented the process VCE uses to produce the load forecast (April 28, 2022, CAC Item 10 found [here](#)). Since launch, this annual Load Update forecast has been within 5% of actual measured load which is considered a solid performance and within industry expectations. While there can and has been significant variability within a particular customer segment (e.g. Agriculture in 2021 due to drought conditions), VCE's overall load forecasts have provided a reliable basis for entering into long-term power purchase agreements (PPAs), hedging strategies to manage its power costs, and budget planning/adoption.

Power costs are broken into the following risk categories:

- Annual Load - The overall performance of VCE's load update to actuals has remained within an acceptable accuracy of 5% annually.
- Energy Costs - The main driver of power cost overages, when compared to budget, was driven by the timing of the annual budget process and the completion of energy hedging.
- Resource Adequacy - The increasing CPUC mandated requirements for new resource adequacy and decommissioning various existing projects impacted market prices.

VCE Power Costs and associated risks are summarized in Table 1 below.

Table 1 – Power Cost Risks

Risk	Description	2021 Risk	2022 Risk
Load Forecast	VCE's Annual forecast informs energy, resource adequacy (RA), renewable portfolio standard position, and multiple regulatory filings.		
Energy Costs	The risk of extreme fluctuations associated with commodity prices, including energy prices, resource adequacy, and other energy portfolio components, remains.		
Resource Adequacy	Risk of additional regulatory requirements increasing complexity and cost of operations		

Note: Green – low risk; yellow - moderate risk; orange – moderate/high risk; red – high risk

VCE has taken the following actions to reduce risks related to energy costs.

- Power purchase agreements (PPA) – VCE executed ten fixed-price PPA’s in the last three years for approximately 238 MW of Renewables and 80% of the energy costs fulfilling VCE’s renewable portfolio and a significant portion of its resource adequacy compliance requirements by 2024. These PPA actions have reduced all three risk categories identified above through increased certainty and market competitive energy and resource adequacy pricing.
- 2020-2022 Power content policy adjustments – Board action was taken during the transition to long-term power purchase agreements to reduce cost impacts from volatility outside of VCE control. Please see Board Item 15 on May 13, 2021. This action has temporarily reduced the risk of energy costs.
- Financial Calendar (Fiscal to Calendar year-end) - The Board adopted a calendar year budget on November 10, 2021 ([Item 12](#)), to reduce the risks associated with forward market prices affecting budget performance. VCE budgets adopted before 2022 were more reliant on the accuracy of forward market prices with a greater degree of volatility. This action has reduced the risks associated with energy costs and RA by conducting load forecasting and budget adoption in different times of the year.

Overall, since launch, VCE power cost forecasting on average has been within 4% of actual power costs.

Revenue Model

Similar to forecasting VCE power costs, VCE’s primary tool used to forecast revenues is the annual electricity demand forecast (Load Update). VCE’s customer rates are charged based on the rate of their class and load usage, as displayed in Figure 2 below. Overall, since launch, VCE’s actual revenue has been within 3% (above) of the revenue forecast. Note: year-to-year forecast of revenues v. actuals shows higher variability but viewed over the first four years of operation, forecasts are considered within a reasonable range for budget planning/adoption purposes.

Figure 2 Basic Revenue Formula



When considering that the VCE load forecast has been relatively accurate as described in the previous section, most of the revenue risks are not associated with the amount of electricity VCE procures to serve customer load. Revenues can be broken into the following risk categories:







- Power Cost Forecast – The power cost forecast described above is the central pillar for informing Staff recommendations and Board decisions. This forecast allows VCE to understand and make adjustments to revenues as described below regarding cost-based customer rates.
- Customer Rates
 - Matching Rate Policy (PG&E Based) - Since VCE's launch, customers have been offered two rate options: (1) Standard Green default and (2) 100% renewable UltraGreen that have remained within -2.5 to +5% of PG&E's generation rates compared to VCE's default

product. Before VCE’s current rate policy, VCE relied on reserves to stabilize customer rates to match PG&E. VCE’s rate adjustments were contingent on PG&E’s annual rate setting process (ERRA) and other regulatory filings as approved by the CPUC.

- Cost-based Rate Policy – The Board adopted a cost-based customer rate policy on November 10, 2021. As described in Board [Item 15](#), VCE sets rates for customer options to cover costs, including reserves and programming.
- Customer Retention – as forecasted at launch, VCE continues to serve approximately 90% of eligible customers in its service territory (comparable with other CCA communities). This customer retention rate has been stable since launch.

VCE Revenues and associated risks are summarized in Table 2 below.

Table 2 – Revenues Risks

Risk	Description	2021 Risk	2022 Risk
Power Cost Forecast	VCE’s Power Cost Forecast accuracy is essential to VCE’s ability to adjust customer rates to recover costs, maintain reserves, and allow for timely rate changes.		
Customer Rates	Risk of rate design for cost of service (non-time of use (TOU), PCIA, demand charges, varying generation rates) has been reduced. VCE will continue to develop rate option(s) support risk reductions.		
Customer Retention	VCE’s launch in 2018 and the addition of Winters, have the most risk of customer opt outs. Risk of higher than expected opt-out level could increased with rising rates.		

Note: Green – low risk; yellow - moderate risk; orange – moderate/high risk; red – high risk

VCE has taken the following actions to reduce risks related to revenues forecasts.

- Power Cost Forecasts – VCE has worked with SMUD to upgrade the power cost model components that incorporate the load update and forward market costs.
- Customer Rate options - VCE is evaluating customer rate options, as described in CAC companion Item 8 on this agenda, to ensure customer retention as a priority.

Budgeting Model

The budgeting model incorporates the outputs from the models described above for load, power, and revenue. The model allows VCE to compare various scenarios for the current year with an outlook on future years. The budget model allows adjustments for the following major factors to stress test financial risks:

- Administrative Costs – The budget model includes all non-power costs to evaluate the ability for rate adjustments to meet the total costs required. These costs include salaries, programs, consultants, and reserve targets.

- PCIA – PCIA is adjusted for each year based on various external inputs from the CalCCA/NextGen PCIA model and to evaluate the reliability of historical forecasts. PCIA effectively reduced the net revenue received by VCE and the timing of revenue recovery for reserves.
- Revenue adjustments – Rate scenarios are adjusted for forecasted years to meet policy standards and budgeted targets. Rate adjustments have a minimum of 90 days before being received.

The budget model does allow for additional administrative adjustments that are not as significant as the ones described above. The budgeting model can be broken into the following risk categories:

- VCE Power Cost Forecast – As described above.
- Revenues and Rates – As described above.
- Power Charge Indifference Adjustment (PCIA) - Volatile Power Charge Indifference Adjustment (PCIA) (+46% for 2021 and -57% for 2022) has required VCE to draw on reserves to stabilize customer rates and maintain rate policies and customer retention. Please see the attached supplemental ERRA proceeding for more detailed information.

The most significant risk isolated in the budget model is the impact of PCIA. PCIA directly impacts revenues, rate stabilization, and reserves.

VCE has taken the following actions to reduce risks related to budgeting forecasts.

- Power Cost Contingency – VCE adopted the 2022 budget with a contingency of approximately 2% to allow for seasonal cost and timing fluctuations that occur in the energy sector.
- PCIA Forecasting - The CalCCA modeling task group was formed in 2021 to reinforce efforts focused on bundled rate forecasting by developing a modeling tool as part of the collaborative effort. The modeling tool also assists with running various scenarios by changing various cost components such as market price benchmarks. Although several providers, such as the S&P, publish market price benchmarks, we have not identified one that is significantly more reliable than the others. Additionally, the change in the financial calendar described above incorporates a forecast with more reliable PCIA adjustments as described in the Supplemental ERRA Proceeding Summary.
- Collections Policy – VCE adopted a collections policy to align with the CCA community and industry standards. This policy will assist in VCE's ability to maintain healthy receivables turnover.

When considering that VCE is emerging from its start-up phase with few fixed price long-term contracts and the uncertainty of the last two years associated with the pandemic, Staff believes the budget model has been relatively accurate. Overall, for the three fiscal years from 2018 to 2020 the budget model forecasts were within 9% of actual financial performance. As reported to the CAC and Board throughout 2021, increased power market volatility and particularly PCIA increases lead the 2021 fiscal year forecast to be approximately 20% off.

To better address these variances in the budget model caused by power market and PCIA volatility, VCE continuously engages with CalCCA, other CCAs, and various partners to increase forecasting reliability. These partners include industry experts from SMUD, ACES, Don Dame, Keys and Fox, MRW & Associates, and NewGen Strategies and Solutions (NewGen). These partners offer the most current and compressive available information in the decision-making process. The information provided is tested for impacts on short-term and long-term outlooks as part of VCE's rate and budget adoption process. VCE will continue to examine the budget model and recalibrate based on new information and emerging market trends. It is important to note that as its long-term fixed price contracts come on-line over the next three years, VCE's exposure to energy market volatility will decrease significantly and budget forecasting accuracy is anticipated to also improve.

CONCLUSION

Staff continues to work with our consultants (e.g., SMUD) and partners (e.g., CalCCA) to assess and interpret the output of the various financial modeling tools to identify potential significant risk factors and recommend corrective actions when necessary. The exercise of assessing the overall performance of VCE's forecasting tools is part of the ongoing effort to achieve VCE's strategic plan goals of financial stability for the organization and the customers and communities it serves.

Supplemental ERRA Proceeding Summary

ERRA Forecasting (PG&E's Bundled Rate setting)

The annual ERRA forecast proceedings establish the amount of the Power Charge Indifference Adjustment (PCIA) and other non-bypassable charges for the following year. Typically the ERRA proceeding at the CPUC begins in the summer months and builds toward adopting IOU rates by the year-end for adjustment implemented the next year. Several filings and related hearings include updates for interested parties on the forecasted generation rates for bundled customers and PCIA. The non-bypassable charges include the generation changes and PCIA Under collection Balancing Account (PUBA) adjustments. Generation charges include fuel and purchased power costs associated with serving bundled customers that investor-owned utilities may recover in rates.

A significant cost component of the ERRA proceeding is the PCIA component. California's investor-owned utilities (IOUs) use the PCIA to recover unavoidable above-market costs associated with their power portfolios. PG&E's Indifference Amount is the difference in the target year between the cost of the PG&E's supply portfolio and the market value of the portfolio, as displayed below. In 2018, the CPUC decided to place a 0.5 cents/kWh CAP to minimize the PCIA annual increases. In 2021, the CPUC decision removed the cap and trigger for PCIA rate increases and authorized a new voluntary allocation, market offer, and request for information processes for RPS contracts subject to the PCIA, and approved a process for increasing transparency. Overall, the impact of the PCIA on ratepayers has risen by hundreds of millions of dollars in recent years and continues to be a significant concern.

Power Charge Indifference Adjustment (Formula)



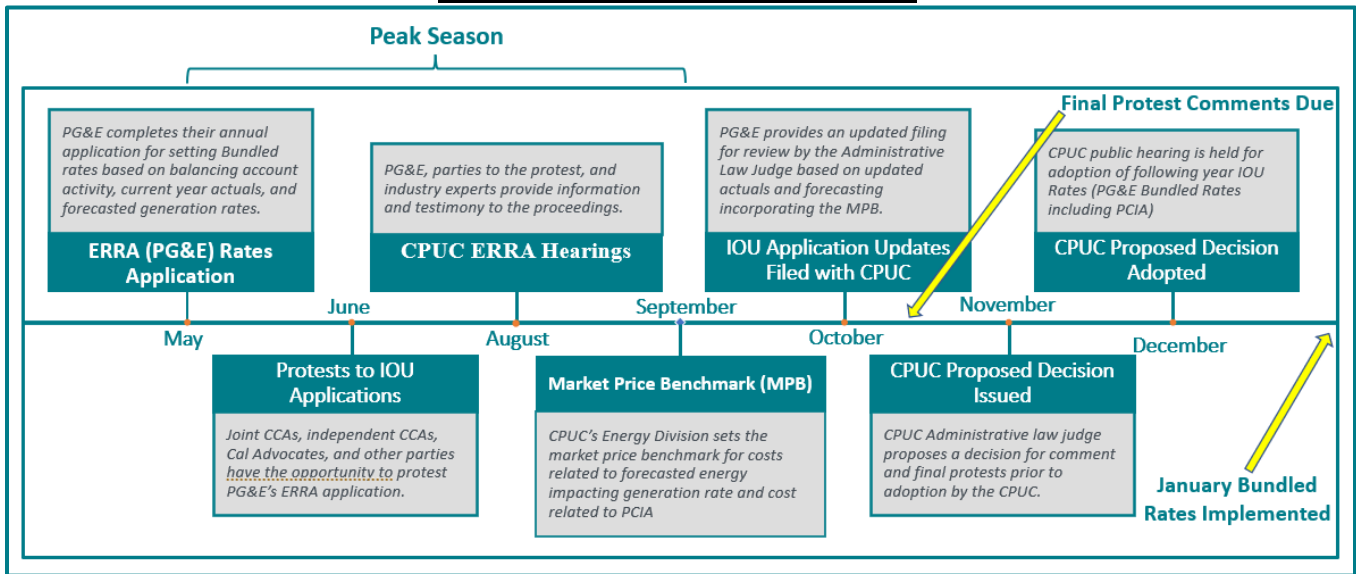
The combination of all items in the ERRA proceedings establishes the final total PG&E bundled rate, which VCE reviews when setting competitive rates.

ERRA Forecasting Analysis

As mentioned above, VCE draws upon CalCCA and partners' to forecast the expected results of the ERRA proceeding. As examined in previous staff reports during the 2022 rate setting process, VCE has seen high volatility over the last two years in the energy sector and overall economy, primarily driven by the uncertainty during the COVID-19 Pandemic and recovery. In addition, the increases in resource adequacy and power market costs have made forecasting PG&E's bundled rates more challenging in recent years. VCE has taken the ERRA proceedings described above into account with other factors to align the VCE rate setting and budget process for more stabilization.

Similarly, when considering the ERRA proceeding timeline displayed below, the rate-setting process is misaligned with the seasonality of energy demand. The preliminary filings from May to June are based on prices before the peak season and limited actuals. The more reliable ERRA filings and updated forecasts from the analysts will result from the updated filings from PG&E in October and November. These filings also include the CPUC’s Energy Division Market Price Benchmark to recover costs related to PG&E’s generation rates for the following year.

ERRA Proceeding Timeline (Example)



VALLEY CLEAN ENERGY ALLIANCE

Staff Report– Item 8

TO: Community Advisory Committee

FROM: Edward Burnham, Director of Finance & Internal Operations
Mitch Sears, Executive Officer

SUBJECT: Updated Draft Customer Rate/Product Options

DATE: May 26, 2022

RECOMMENDATION

1. Receive this report and provide feedback on updated draft customer rate/product options.
2. Provide input on forming an ad hoc rates task group to further discuss VCE rate/products structure for 2023, including the implementation of adding a new "GreenSaver" least-cost generation product offering.

OVERVIEW

At VCE's launch in 2018, customers were offered two rate options: (1) Standard Green default and (2) 100% renewable UltraGreen opt up. The Standard Green product was priced at a 2.5% discount compared to PG&E's generation rate on VCE's default "Standard Green" product. In the fall of 2018, VCE suspended the 2.5% discount following a CPUC decision that increased the Power Charge Indifference Adjustment (PCIA) by approximately 100%. In response, VCE adopted a policy to match PG&E's generation rates on VCE's default product and offer a possible customer dividend in future years if/when VCE attains its financial and reserve targets.

Additional customer rate/product options were initially introduced to the Board in June 2020 during VCE's Fiscal Year 2020/21 budget process as a potential tool to help address ongoing fiscal challenges associated with power market and regulatory volatility. Based on Staff and CAC feedback, the Board directed Staff to continue to investigate additional customer rate options and bring back proposals for consideration. Following investigation/analysis in 2021, and in the context of spiking power and PCIA costs, the Board postponed consideration of additional rate options until mid-2022.

VCE currently offers two retail energy product categories: 1) "Standard Green" which is at least 75% carbon-free and 25% renewable; and 2) "UltraGreen" which is both 100% carbon-free and 100% renewable. VCE's Ultra Green product carries approximately a 5.3% total bill premium compared to VCE's Standard Green product.

In November 2020, the Board adopted VCE's Strategic Plan for 2021 through 2023. This Plan identified six interrelated goals to guide VCE's activities over the 2021-2023 period. VCE's goals included: Maintain and grow a solid financial foundation and manage costs to achieve long-term organizational health; and, Manage customer rates to optimize VCE's financial health while maintaining rate competitiveness with PG&E. These two policy statements form the basis for further examining VCE's customer rate/product options.

In late 2021, the Board adopted a cost-recovery rate policy approach to help support a more stable financial foundation, especially given ongoing regulatory (PCIA, RA) and power market conditions largely outside VCE's direct control. This report provides additional detail on revising customer rate/product options and seeks guidance on the proposed structure and the examination of potential risks.

BACKGROUND

Since its inception, VCE has explored rate, product, and financial practices to help address factors influencing reserves accumulation, rate stability, establishing a credit rating, and expanding longer-term power purchase agreements.

Primary Rate Drivers

Like other CCAs across the State, VCE faces substantial power market price and regulatory uncertainty, including:

- Power Charge Indifference Adjustment (PCIA). A net 46% increase in the PCIA from 2020/21 contributed to the significant revenue erosion of VCE's financial reserves from the highest levels in 2020-2021 to the lowest levels in 2021-2022.
- Resource Adequacy (RA) mandates.
- Power Prices. Average forward market power prices have increased by nearly 60% since April-2021.

Additional Rate/Product Structure Considerations

Other factors also contribute to Staff's recommendation to explore customer rate/product options and include:

- Western Community Energy Bankruptcy. As a result of the WCE bankruptcy, Staff has seen increased regulatory efforts focusing on fiscal standards, including the possibility of requiring additional security deposits.
- Implementation of Programs. Ample revenues and reserves also enhance the ability to execute local programs and provide match funding to other public and private sources for energy-saving devices.
- PG&E Rate Adjustments. PG&E's transmission/distribution charges constitute the most significant portion of customer electric power bills (currently average over 50% to 60%). As PG&E continues to adjust and revise its rate-making practices, VCE customers see a corresponding impact on their electric bills that is almost entirely outside VCE's ability to affect.
- Geopolitical Climate. The conflict in Ukraine and consequent Russian energy supply disruptions have significantly impacted current and forecast energy prices and availability.
- Supply chain interruptions stem from the COVID Pandemic, and U.S. trade restrictions on solar panels and the like are impacting renewable projects expected to go online in 2022-2024.
- The drawdown of VCE reserves during 2021 for rate stabilization purposes has required VCE to increase its available credit and number of creditors to assure sufficient liquidity and smooth business operations.

VCE has taken actions over the past three years to mitigate these impacts, as summarized below and further detailed in the November 10, 2021 Board Item 16 found [here](#). The drivers described above have impacted VCE and the CCA community. VCE has and continues to monitor rate-related strategies employed by other CCAs designed to address ongoing financial pressures outside of a

CCA's control.

Comparable CCA programs - Update

Multiple CCA programs in PG&E's service territory have adopted cost recovery based customer rate structures. A summary of these CCA programs is shown in Table 1 below.

Table 1 – CCA Survey – as of 04/22

CCA	IOU Territory	Customer Accounts	Number of Rate Options	% Difference to IOU Gen Rate (default product)	Renewable Content Target (default product)
Valley Clean Energy	PG&E	63,509	2	0% (match)	42%
Clean Power SF	PG&E	311,777	2	0% (match)	50%
East Bay Community Energy	PG&E	546,707	2	-1%	40%
MCE Clean Energy	PG&E	473,826	3	-6%	60%
Peninsula Clean Energy	PG&E	287,987	2	-5%	50%
Pioneer Community Energy	PG&E	87,704	2	-6%	33%
San Jose Clean Energy	PG&E	350,000	3	8%	60%
Silicon Valley Clean Energy	PG&E	225,973	2	-0.50%	50%
Sonoma Clean Power	PG&E	243,436	2	-0.50%	49%
Clean Power Alliance (Los Angeles area)	SCE	1,000,000	3	-6%	50%
Desert Clean Energy	SCE	37,375	2	14%	100%

Notes:

- (1) The above information is based on recent publicly available data and is subject to change per IOU and/or CCA rate activities and PCIA adjustments.
- (2) VCE's current year target renewable content rate is 20% due to cost-cutting strategies.
- (3) Due to the PCIA structure, each CCA has a specific "vintage" date based on what year it launched service and how it phased in its customer base.

Valley Clean Energy, the CCA community, and VCE partners (regulatory, financial, and suppliers) anticipate continued uncertainty in the long-term forecasts of major cost drivers. In Q3 of 2021, the Board directed Staff to develop an expanded and cost-based rate structure to help address these issues.

DISCUSSION & ANALYSIS

VCE has systematically analyzed policy options and implemented strategies to control costs and manage reserves in response to the above mentioned fiscal challenges and related factors. The primary fiscal policy option controlled by VCE is likely the most potent: the ability to design products and set customer rates.

Draft Customer Product Structure

The draft customer product structure with three options could be established by implementing a new "GreenSaver" option. The envisaged GreenSaver option could add two beneficial elements to VCE's existing product offerings. One, increased customer choice by adding a new least-cost customer option that would be priced approximately 0.5% below PG&E's base bundled product on a total bill basis. And two, the GreenSaver option would provide 5% more renewable than California RPS requirements, thus supporting the environmental energy portfolio aligned with VCE's mission.

Figure 1 below summarizes the proposed customer product options.

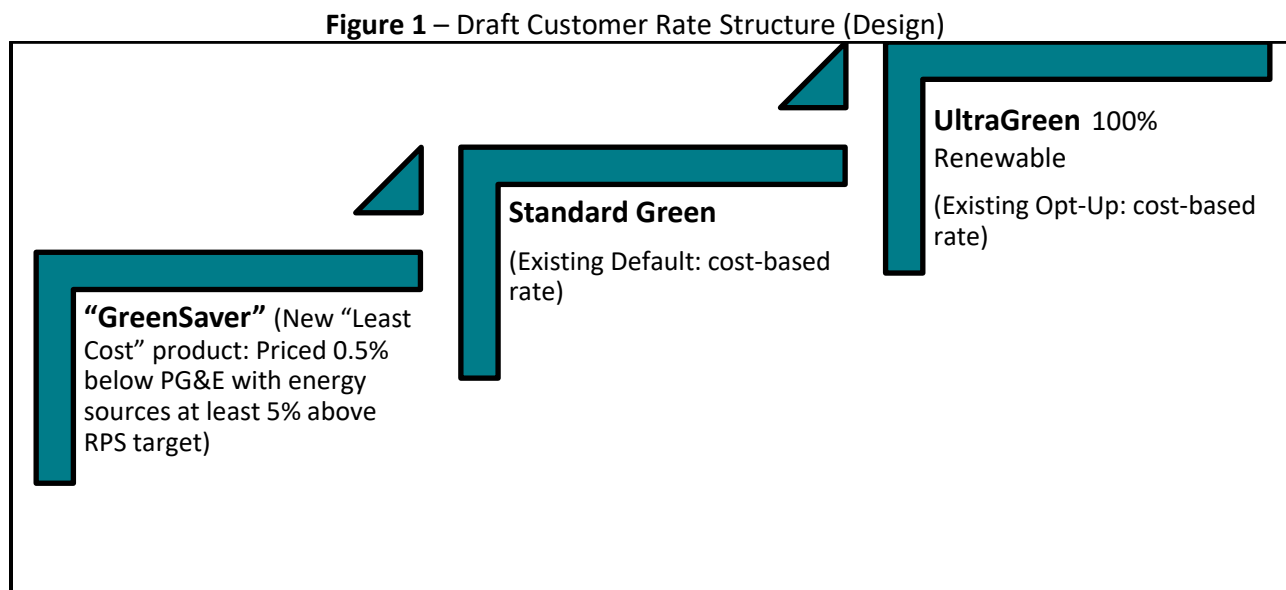


Table 2 below shows more detail on VCE's three-product proposal.

Table 2 – VCE Draft Customer Products (Content and Pricing Strategy)

Customer Rate Option	Rate	Portfolio	Notes
GreenSaver (new)	Less than PG&E (-0.5%) total bill comparison	5% above RPS requirements	<ul style="list-style-type: none"> Ineligible to participate in customer dividend program; reduced access to full customer program benefits CARE/FERA customers maintain the existing VCE multi-year portfolio mix for Standard Green default through 2023
Standard Green - Default (existing)	Cost-based	Maintain existing VCE multi-year portfolio mix	<ul style="list-style-type: none"> Portfolio minimum percent renewable content above GreenSaver Eligible for customer dividend program and full customer program benefits
UltraGreen – Opt-up (existing)	Cost-based	Maintain existing 100% renewable portfolio	<ul style="list-style-type: none"> Eligible for customer dividend program and full customer program benefits

Note: VCE's existing customer dividend program would continue to provide VCE with a mechanism to credit eligible customers when VCE reaches its financial/reserve objectives.

Based on staff research, CCA programs with additional customer product options and cost-recovery rates have not experienced significant "opt-out" or "opt down" activity. The research supports these general findings in both the residential and commercial/industrial sectors regardless of the CCA's age, geography, or size. Moreover, VCE would continue as planned to grow its overall environmentally beneficial portfolio content over the next five years regardless of the customer rate structure (i.e., 2 or 3 customer rate options).

Sample monthly average bill comparison

Staff recognizes the importance of evaluating the sensitivity of various levels of "opt-out"/"opt-down" scenarios and the relative impacts to the average bill. Based on the above-proposed rate/product structure and 2022 VCE rates, a sample monthly average bill comparison follows:

New "GreenSaver" customer option 5% above RPS target & lower on a total bill comparison to PG&E by 0.5%.

"Standard Green" is the current default "basis" rate with increased renewable energy priced to recover costs + build reserves.

*Sample Residential Cost Comparison			
GreenSaver	Standard Green	UltraGreen	PG&E
Approximately 5% above RPS Target	45% Renewable 75% Carbon-free	100% Renewable 100% Carbon-free	**29% Renewable
Average Total Costs \$171.15	Average Total Costs \$172.46	Average Total Costs \$180.97	Average Total Costs \$172.46
Electric Generation \$64.15	Electric Generation \$65.46	Electric Generation \$73.97	Electric Generation \$79.46
PG&E Added Fees \$14.00	PG&E Added Fees \$14.00	PG&E Added Fees \$14.00	PG&E Added Fees (Included in Generation)
PF&E Deliver Charges \$93.00	PF&E Deliver Charges \$93.00	PF&E Deliver Charges \$93.00	PF&E Deliver Charges \$93.00
Average lower by 0.5% of Total Bill (1-2% Gen Discount)		Average \$7-10 Per Month	Average 20% Above Standard Green

*Typical Monthly Electric Charges based on typical usage of a residential customer in VCE service area (547 KWH/Month) of PG&E rates and VCE rates effective as of March 1, 2022 under the E-1 rate schedule. Actual differences may vary depending on usage, rate schedule and other factors. Estimate provided is a monthly 12-month period.

**Note: Represents the most recent (2019) power content data reported to the California Energy Commission's Power Source Disclosure Program

Fiscal Impact Scenarios

Staff also recognizes that the 2022 PCIA rate is temporarily more favorable, and increasing power costs are forecast for the reasons described previously. Staff prepared three scenarios to compare possible impacts using information presented with VCE's adopted budget and forecast for 2022. The scenarios evaluated used the following participation factors:

	Scenario 1	Scenario 2	Scenario 3
Customer Rate Option	GreenSaver Option (New Proposed 3-Product Split)	Current Rate Options (No Change - 2-Product Load Split)	Stress Test (2-Product Split with 10% Customer Loss)
GreenSaver (new)	24%		
Standard Green - Default (existing)	71%	95%	95%
UltraGreen – Opt-up	5%	5%	5%
Opt-Out			10%

All above scenarios use the same total cost basis for allocation purposes. Although there may be a recovery of excess energy in scenario three due to reduced load, it includes only a proportional reduction of the required operating reserves. The average megawatt-hour generation cost comparison based on the above allocation is as follows:

	Scenario 1	Scenario 2	Scenario 3
Customer Rate Option	GreenSaver Option (New Proposed 3-Product Split)	Current Rate Options (No Change - 2-Product Load Split)	Stress Test (2-Product Split with 10% Customer Loss)
GreenSaver (new)	\$ 86.60		
Standard Green - Default (existing)	\$ 88.64	\$ 88.13	\$ 95.75
UltraGreen – Opt-up (existing)	\$ 106.37	\$ 105.75	\$ 114.90
Opt-Out			\$ 105.78

- Comparing Scenario 1 (Draft Customer Rate Option Structure) to Scenario 2 (Existing VCE customer Rate Structure):

The new customer rate/product option generates slight increases of approximately 1% in the average costs of VCE's default Standard Green and UltraGreen options with the addition of the "GreenSaver" option. These small increases to existing Standard Green and UltraGreen options should be weighed against VCE's added ability to retain and regain cost-sensitive customers by offering customers the lowest-cost product available. Scenario 1 has the potential to preserve revenues from cost-sensitive customers and simultaneously support VCE's total renewable objectives.

- Comparing Scenario 3 (Stress Test) to Scenario 2 (Existing Customer Rate Structure)

The additional 10% customer base loss increases the proportional generation cost to the remaining customers by approximately \$7.62 (9%) for Standard Green and \$9.15 (9%) for UltraGreen.

Although this degree of customer loss is unlikely, it is also important to understand the potential rate impact that existing VCE customers may experience absent an option to retain cost-sensitive customers in a situation where regulatory and/or power market costs require VCE to set rates above PG&E to cover costs and build/maintain reserves.

Tentative Timeline

Prudent financial management decisions and the Board's direction have positioned VCE to consider this policy option for potential implementation in 2023. Staff is proposing the following tentative timeline to enable the CAC to review and make recommendations to the Board regarding the advisability of adding an additional customer rate option beginning in early 2023. If the Board ultimately approves adding an additional customer rate option, VCE will develop an associated communications and outreach strategy pre and post implementation.

Updated Schedule for Additional Customer Rate Option Consideration:

- May 2022: CAC Introduction/feedback on updated draft rate options.
- May 2022: Board Introduction/feedback action on updated draft rate options.
- June 2022: CAC consideration/recommendation on updated draft rate options.
- July 2022: Board consideration of final updated draft rate options.

Proposed Schedule for 2023 Rate/Product Implementation:

- May 2022: Rates Task Group formation (pre Board decision)
- August 2022: Begin 2023 Rate study/preliminary revenue needs
- September 2022: Mid-year rate review of 2022 actuals
- October to December 2022: Review 2023 customer rate study review and rate adoption.
- December 2022: Board adoption of 2023 rates
- Q1 2023: Rates update report to Board/CAC.

CONCLUSION/NEXT STEPS

Staff is seeking feedback on the proposed draft customer rate/product. Staff recognizes that conditions outside VCE's direct control have impacted financial results. Adding a least-cost GreenSaver customer rate/product option alleviates pressure associated with customer retention but does not alter VCE's overall portfolio or progress toward 2030 renewable goals. By allowing VCE to more easily set rates to meet costs/build reserves, it enhances local control, customer choice, cost competitiveness, and VCE's ability to execute local programs.

As noted in the proposed schedule, Staff will be returning to the CAC in June to incorporate the additional feedback from the CAC for its recommendation to the Board in July.