VCE Community Advisory Committee Meeting – May 26, 2022
via video/teleconference

Item 7 – Forecasting: Financial Modeling (Power Costs and Revenue)

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Item 7 – Forecasting: Total Power Costs and Revenues

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)

Item 7 – Forecasting: Total Power Costs and Revenues

Power Cost Risks

Annual Load - Overall performance of VCE's load within an acceptable accuracy of 5% annually.

- Energy Costs - Main driver of power cost overages. Annual budget process vs hedging.
- Resource Adequacy (RA) - Increasing CPUC mandated requirements & decommissioning

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		

Power Cost - Corrective Actions Taken

- Power purchase agreements (PPA) – 238 MW of Renewable, 80% Energy costs, RA
- 2020-22 Power content policy adjustments – Temp reduced the risk of energy costs.
- Financial Calendar (Fiscal to Calendar year-end)

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Item 7 – Forecasting: Total Power Costs and Revenues

Revenues Risks

- Power Cost Forecast – Central pillar to setting rates.
- Customer Rates
  - Matching Rate Policy (PG&E Based)
  - Cost-based Rate Policy
- Customer Retention – as forecasted approximately 90% of eligible customers in service territory.

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.		

Revenues Corrective Actions Taken

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

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Item 7 – Forecasting: Total Power Costs and Revenues

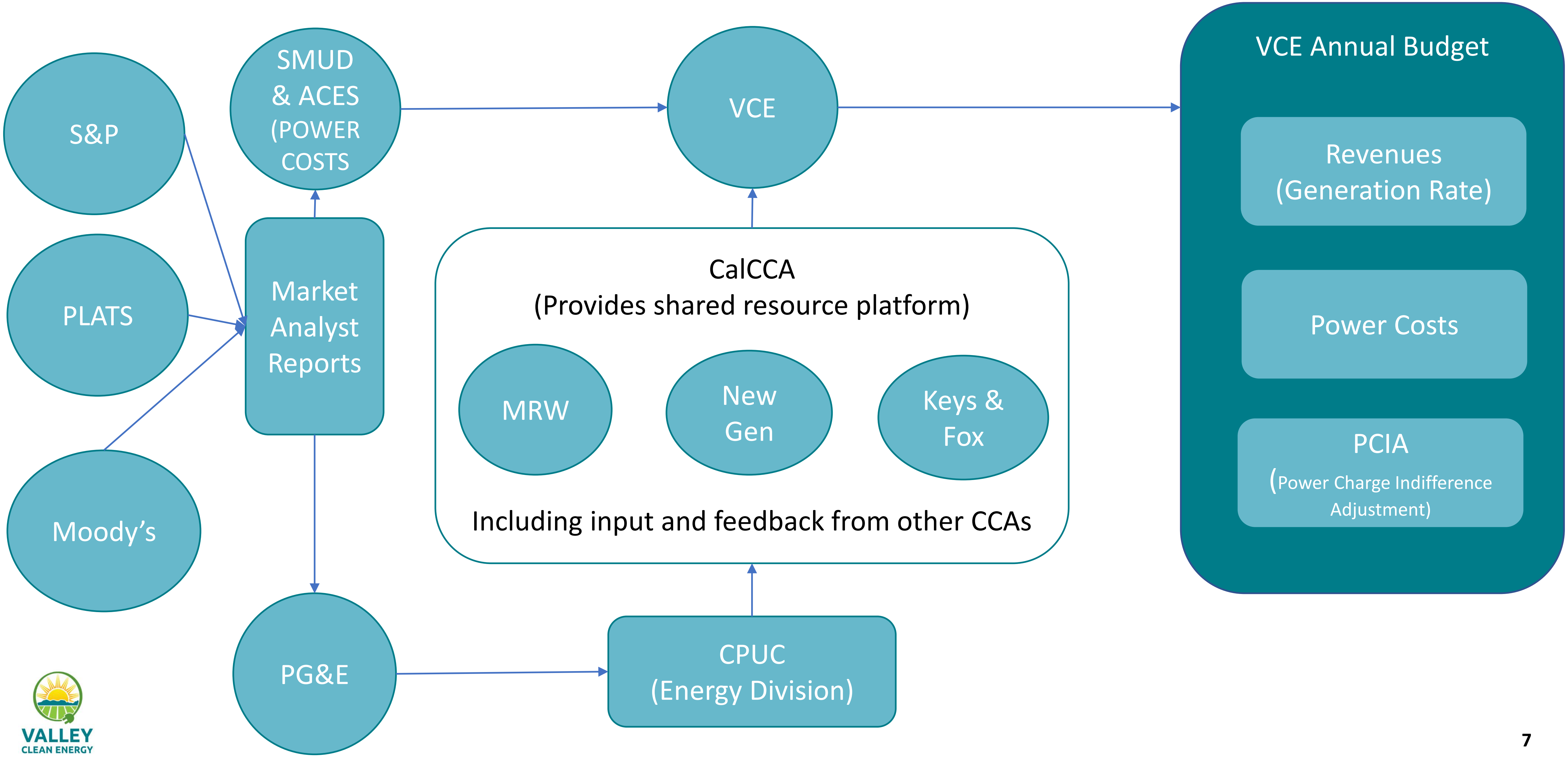
<u>VCE Budget Risks</u>

- Power Charge Indifference Adjustment (PCIA) - Volatile PCIA (+46% for 2021 and -57% for 2022)
- Use of VCE Reserves to stabilize customer rates, policies, and customer retention.
- Administrative Costs – Minimized during volatile PCIA and Rates adjustments.

<u>Budgeting Corrective Actions Taken</u>

- Power Cost Contingency – $1.5M for approximately 2% of power costs budgeted
- PCIA Forecasting – CalCCA Modeling
- Collections Policy – VCE adopted a collections policy to maintain healthy receivables

Item 7 – Forecasting: Total Power Costs and Revenues



Item 7 – Forecasting: Total Power Costs and Revenues

Conclusion & Discussion

- VCE Budget forecasting has been within 9% of actual financial performance
- Energy Market Volatility - Budget Impacts will decrease significantly with Power Purchase Agreements. (90% of Budgeting)
- Continuous Improvement - Working with Partners and developing tools as necessary (e.g. CalCCA)
  - Identifying Risks & Corrective Actions
  - Forecasting is imperfect

Revenues & Administrative Costs

Total Power Costs (Including PCIA)

Revenue Model (Rates)

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Item 8 – Updated Draft Customer Rate/Product Options

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Item 8 – Updated Draft Customer Rate/Product Options

Overview

- Background
- Updated draft customer rate/product options
- Tentative Timeline
- Recommendation/Next Steps

Item 8 – Updated Draft Customer Rate/Product Options

Background (Review)

- 2017 - VCE Implementation Plan: Program rates must collect sufficient revenue from participating customers to fully fund VCE's budget, including the need to establish sufficient operating reserve funds.
- 2020 – Strategic Plan: Maintain financial stability while continuing to offer customer choice, competitive pricing and establishment of local programs.
- 2018 – 2021 - VCE has systematically analyzed policy options and implemented strategies to stabilize customer rates, reduce cost, and manage reserves.
    - e.g.: Discontinue rate discount; temporary scale back REC purchases; sign long-term renewable PPA's
- 2020-2021 – Adopted cost-based rates and temporary rate increase

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Item 8 – Updated Draft Customer Rate/Product Options

Background (Primary Rate Drivers)

- Power Charge Indifference Adjustment (PCIA). A net 46% increase in the PCIA from 2020/21
- Resource Adequacy (RA) mandates and pricing
- Power Prices. Average forward market power prices have increased by nearly 60% since April-2021.
- Western Community Energy Bankruptcy
- Implementation of Programs. Ample revenues and reserves required
- PG&E Rate Adjustments.
- Geopolitical Climate. The conflict in Ukraine
- Supply chain interruptions - COVID Pandemic and U.S. trade restrictions
- VCE Cash Reserves – Rate Stabilization

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Item 8 – Updated Draft Customer Rate/Product Options

Background (CCA Community)

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.

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Item 8 – Updated Draft Customer Rate/Product Options

Current Customer Rate/Product Options

- VCE currently offers two retail energy product categories:
  1) "Standard Green" which is at least 75% carbon-free and 25% renewable
  2) "UltraGreen" which is both 100% carbon-free and 100% renewable.
- VCE Rate Policy: Match PG&E + Customer Dividend
- Discount for CARES and FERA

Updated Draft Customer Rate/Product Options

- Draft customer product structure with three options could be established by implementing a new "GreenSaver" option.

  Proposed GreenSaver option:
  1. Increased customer choice by adding a new least-cost customer option
     - Approximately 0.5% below PG&E (Total Bill)
  2. 5% more renewable than California RPS requirements

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.

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Item 8 – Updated Draft Customer Rate/Product Options

Draft Customer Rate Structure (Design)

"GreenSaver" *(New "Least Cost" product: Priced 0.5% below PG&E with energy sources at least 5% above RPS target)*

Standard Green
(Existing Default: cost-based rate)

UltraGreen 100% Renewable
(Existing Opt-Up: cost-based rate)

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	• 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	• 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	• Eligible for customer dividend program and full customer program benefits

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Item 8 – Updated Draft Customer Rate/Product Options

Draft Customer Rate/Product Analysis

- 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. (residential and commercial/industrial)
- VCE would continue as planned to grow its overall environmentally beneficial portfolio

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 Comparion**

GreenSaver	Standard Green	UltraGreen	PG&E
Approxmently 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

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*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 mot resent (2019) power content data reported to the California Energy Commission's Power Source Disclosure Program

Item 8 – Updated Draft Customer Rate/Product Options

Draft Customer Rate/Product Analysis

Scenario 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%

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Item 8 – Updated Draft Customer Rate/Product Options

Draft Customer Rate/Product Analysis

Scenarios Average Megawatt-hour Cost

	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

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Item 8 – Updated Draft Customer Rate/Product Options

Draft Customer Rate/Product Analysis

Scenario 1 vs Scenario 2

GreenSaver Option (New Proposed 3-Product Split)	Current Rate Options (No Change - 2-Product Load Split)
1) VCE's added ability to retain and regain cost-sensitive customers 2) Slight increases of approximately 1% 3) "GreenSaver" carries costs (contributes less) 4) Preserves customers and revenues from cost-sensitive customer 5) Simultaneously support VCE's total renewable objectives.	

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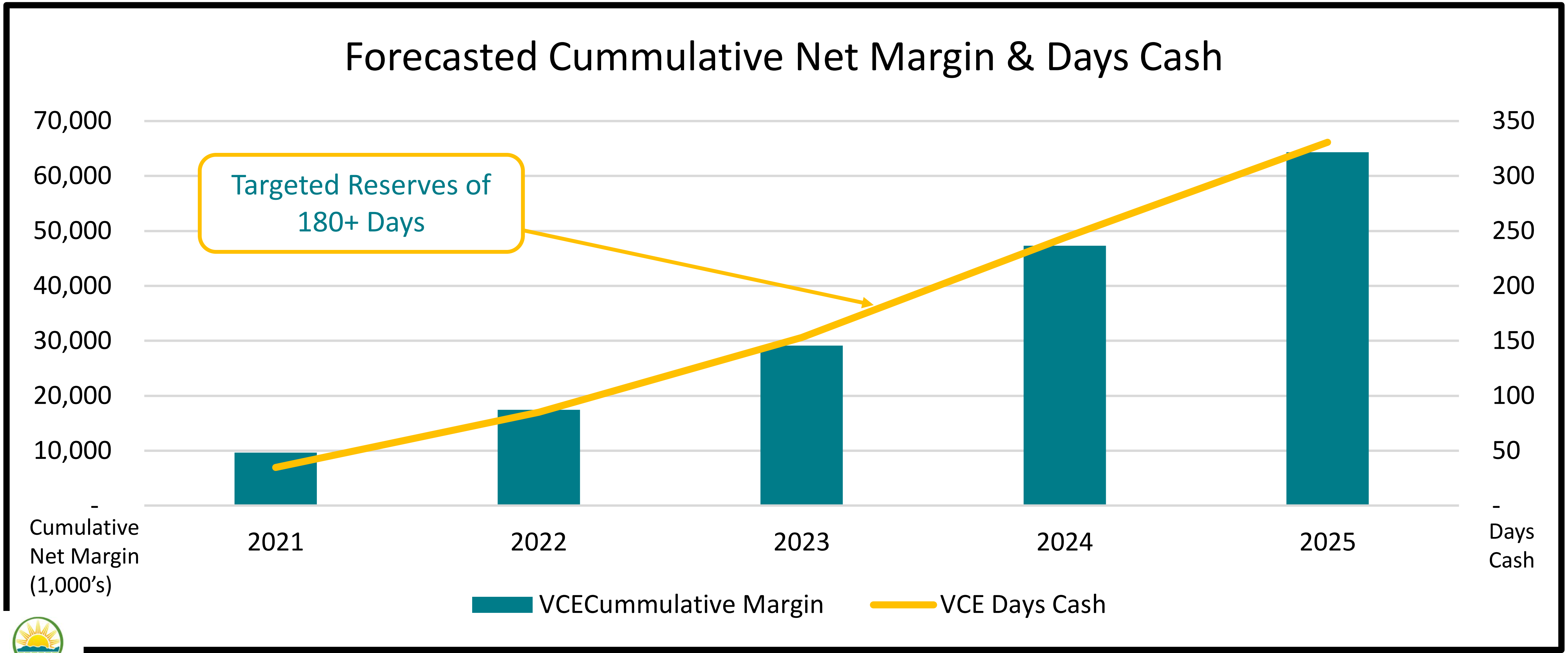
Draft Customer Rate/Product Analysis



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Item 8 – Updated Draft Customer Rate/Product Options

Draft Customer Rate/Product - Tentative Timeline

Updated Schedule for Additional Customer Rate Option Consideration:

- May 2022: CAC Introduction/feedback on updated draft rate options.
- May 2022: Board Introduction/feedback 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.

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Item 8 – Updated Draft Customer Rate/Product Options

Summary

- Adding a least-cost GreenSaver customer rate/product option alleviates pressure
- GreenSaver does not alter VCE's overall portfolio or progress toward 2030 renewable goals.

Enhancements:

- Easily set rates to meet costs/build reserves without customer loss
- Enhances local control, customer choice, cost competitiveness
- VCE's ability to execute local programs.

Next Steps

Ad hoc rates task group

- VCE rate/products structure for 2023
- Consideration of new "GreenSaver" product offering

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Item 10 – Net Energy Metering (NEM) 3.0 Update

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Item 10 – NEM 3.0 Update

- NEM 3.0 decision stalled in January
  - Significant public backlash, including from Governor Newsom and solar industry
  - Proposed Decision contained significant new charges for solar customers, though existing customers and low-income customers may not be subject to the same charges.
- California Public Utilities Commission (CPUC) reopened the record on the proceeding May 9; is seeking public input:
  - Administrative Law Judge (ALJ) of the CPUC asking specific questions about the glide path approach, non-bypassable charges (NBCs) and Distributed Energy Resources (DERs)
    - "Glide path approach" would give customers a fixed export adder in addition to the avoided cost calculator rate - the adder would step down over time; low-income customers may get a higher adder
    - Proposed NBC charge to imports as well as behind-the-meter consumption (from Sierra Club)
    - DERs– whether low-income customers could benefit from tariff changes similar to the Community Solar/Disadvantaged Community Green Tariff

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Item 10 – NEM 3.0 Update

- Most notably, no questions or feedback about about the proposed new grid charge
  - Could be as high as $50-100/month
  - Major focus of backlash
- Opening comments are due by June 10, reply comments are due by June 24
- To make a comment, go to: https://apps.cpuc.ca.gov/apex/f?p=401:56:0::NO:RP,57,RIR:P5_PROCEEDING_SELECT:R2008020 and click on "Add Public Comment"

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Staff Updates – VCE YoloBus Ads

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Staff Updates – VCE YoloBus Ads

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