VCE Community Advisory Committee Meeting – June 23, 2022
via video/teleconference

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
- Recommendation/Next Steps

Item 8 – Updated Draft Customer Rate/Product Options

<u>Background (Primary Rate Drivers)</u>

- 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

Updated Draft Customer Rate/Product Options

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

  Proposed Base Green option:

  1. Increased customer choice by adding a new least-cost customer option
     - Approximately 0.5% below PG&E (Total Bill)
  2. 0-5% more renewable than California RPS requirements
  3. Starting with RPS Differentiation of 5% from Standard Green

  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)

"Base Green" (**New** "Least Cost" product: Priced 0.5% below PG&E with energy sources at least *0-5% above RPS target)

Standard Green

(**Existing Default**: cost-based rate) with 2023 minimum product differentiation of 5%

UltraGreen 100% Renewable

(**Existing Opt-Up**: cost-based rate)

Note: CARE/FERA will receive the Standard Green RPS content for Base Green cost

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Item 8 – Updated Draft Customer Rate/Product Options

VCE Draft Customer Products (Content and Pricing

Customer Rate Option	Rate	Portfolio	Notes
Base Green (new)	Less than PG&E (-0.5%) total bill comparison	0-5% above RPS requirements	• Ineligible to participate in customer dividend program; reduced access to 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	• To establish product differentiation, the 2023 standard green portfolio target will be a minimum of 5% above the Base Green renewable content. The product differentiation percentage target will be revisited as part of the 2024 rate adoption process. • 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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VCE Projected (RPS) Products

Customer Rate Option	2023	2024	2025
Base Green (new)	41%	45%	48%
Standard Green - Default (existing)	46%	86%	83%
UltraGreen – Opt-up (existing)	100%	100%	100%

Note: The table above is based on current VCE renewable contracts.

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Item 8 – Updated Draft Customer Rate/Product Options

Community Advisory Committee Feedback

Product Differentiation

- Standard Green and "Base Green" RPS value differentiation has been recommended to start at 5%.
- Standard Green & UltraGreen - customer dividends and community programs

Base Green – Duration for Base Green needed to provide this option

- 2028 or upon annual participation greater than 5%.

Marketing framework

- not actively promoted.
- 12-month (or other fixed term) basis before returning to Standard Green

Organizational Cost/Benefit – Examine the value added by additional customer choice vs. the effort/value added and the risk of customer "opt down."

- The additional customer rate/product option provides a benchmark for rate equity (CARE/FERA).
- Ensures competitive rates for current and future member jurisdiction

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Item 8 – Updated Draft Customer Rate/Product Options

Recommendation

- Recommend the VCE Board adopt the following:
  1. Adopt a new rate structure with three customer options starting in 2023: (1) Standard Green (default) and (2) UltraGreen (100% renewable) with rates based on cost-recovery and add a (3) Base Green option;

  2. Automatically enroll California Alternative Rates for Energy (CARE) and Family Electric Rates Assistance (FERA) customers in the Base Green option as described in the staff report.

Next Steps

Ad hoc rates task group

- July 2022: Board consideration
- 2023 customer rate setting process in the 4th quarter of 2022.

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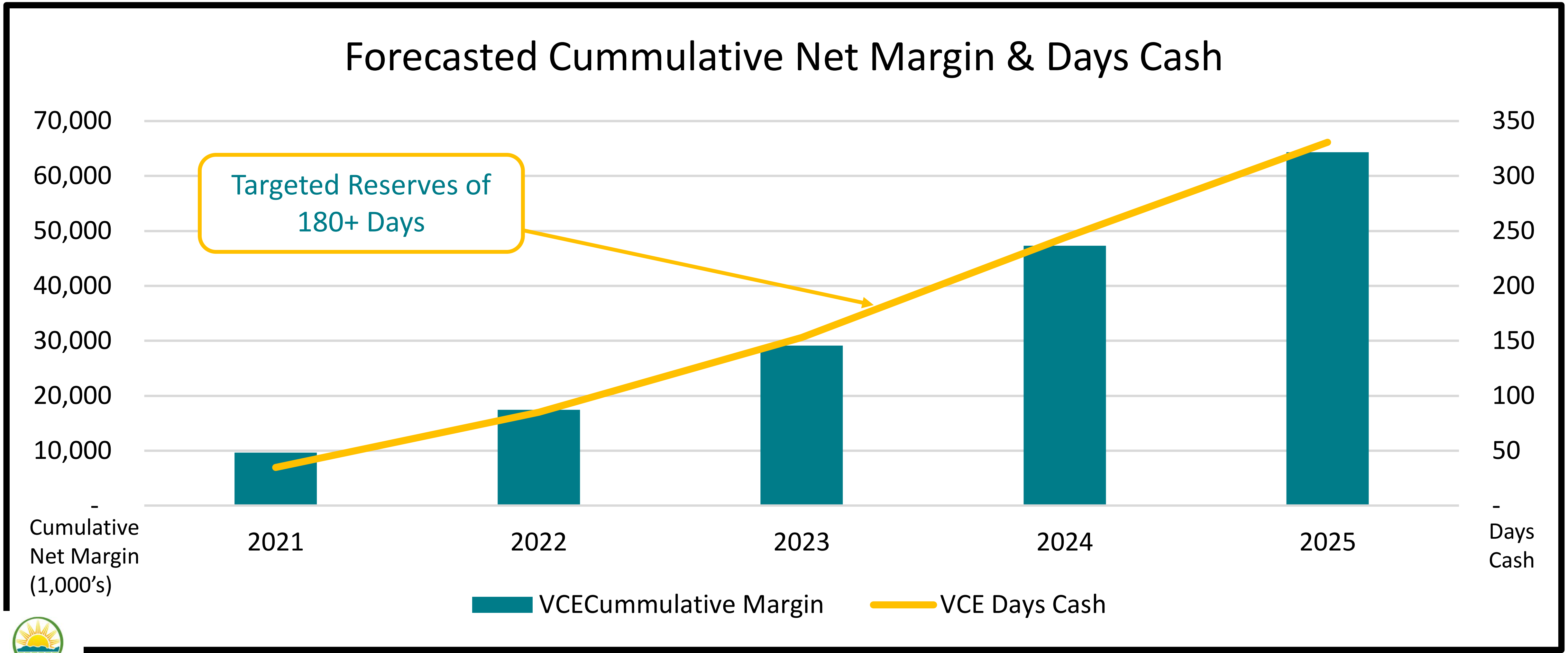
Item 8 – Extra Slide (Forecast)

Draft Customer Rate/Product Analysis



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Item 9 – CC Power Firm Clean Resources: Geothermal Projects

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Item 9 – CC Power Geothermal Projects: Outline

1. Background
2. CPUC Mid-term Reliability Procurement Order
3. Project Overview
4. CC Power Participating Members & Allocations
5. Conclusion

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Item 9 – CC Power Geothermal Projects: Background

- On Sept. 15, 2021, CC Power Board approved issuance of an RFP for Firm Clean Resources (FCR) (i.e. geothermal or biomass) with a min. 80% capacity factor
- Offers were due December 13, 2021
- CC Power received bids from 6 bidders and 16 projects. Only 5 of the projects were located in California
- CC Power ran an analytics model and conducted interviews
- On January 19, 2022, CC Power Board delegated authority to the General Manager to finalize shortlisting of FCR projects and to proceed with negotiations with the shortlisted developers
- CC Power negotiated projects from two bidders: 1 project from Open Mountain Energy LLC (OME) and a portfolio of projects from Ormat Nevada, Inc. (Ormat)
  - Offers from the remaining CA projects were priced substantially above the OME and Ormat offers
  - Ormat PPA is for a portfolio of projects, 5 of which are in NV and 3 of which are in CA

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Item 9 – CC Power Geothermal Projects: 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

Item 9 – CC Power Geothermal Projects: MTR 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***

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Item 9 – CC Power Geothermal Projects: Ormat Portfolio Overview

- **Seller -** Ormat
- **Developer –** Ormat
- **Technology –** Incremental Geothermal
- **Project size -** Portfolio of facilities in CA and NV with a min of 64 MW and a max of 125 MW
- **Product –** Energy, PCC1, full capacity rights
- **Location –** California & Nevada
- **COD –** Varies but as early as 2024
- **Price -** fixed $/MWh, no escalation
- **Term –** 20 years

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Item 9 – CC Power Geothermal Projects: Fish Lake Project Overview

- **Seller -** Fish Lake Geothermal, LLC
- **Developer –** Open Mountain Energy, LLC
- **Technology –** Incremental Geothermal
- **Project size -** 13 MW
- **Product –** Energy, PCC1, full capacity rights
- **Location –** Esmeralda County, Nevada
- **COD –** June 2024
- **Price -** fixed $/MWh, no escalation
- **Term –** 20 years

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Item 9 – CC Power Geothermal Projects: Member Participation & Allocation

CCA	OME Nameplate	OME Step-up	Ormat Nameplate	Ormat Step-up	Total Nameplate	Total Step-up
3CE	2.42	0.60	22.38	5.59	24.79	6.20
CPSF	1.89	0.47	17.38	4.34	19.26	4.82
PCE	2.31	0.58	21.38	5.34	23.69	5.92
RCEA	0.36	0.09	4.00	1.00	4.36	1.09
SJCE	2.26	0.57	24.50	6.13	26.76	6.69
SVCE	1.82	0.46	16.75	4.19	18.57	4.64
SCPA	1.52	0.38	14.00	3.50	15.52	3.88
VCE	0.42	0.10	4.63	1.16	5.04	1.26
TOTAL	**13.00**	**3.25**	**125.00**	**31.25**	**138.00**	**34.50**

Item 9 – CC Power Geothermal Projects: Conclusion

- The geothermal projects were selected through a robust and competitive solicitation process
- Projects not in the CAISO need import capability (MIC) into California to count as Resource Adequacy, a requirement for the FCR procurement mandate
- All projects, with the exception of one, will require MIC
- 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 firm clean resources, such as geothermal, is mandated through MTR order
- VCE's has a need for additional geothermal resources[2]

1) Staff will seek approval from the VCE Board for a maximum authorized amount of approx. 6.5 MW.
2) Per the Carbon Neutral study VCE has a need beyond the mandate which can be procured at a later date.