



Valley Clean Energy Alliance

Rate Adjustment Policy

Valley Clean Energy Alliance

A. PURPOSE

The Board of Directors of Valley Clean Energy Alliance (VCE) is responsible for setting customer rates to collect sufficient revenue from participating customers to fully fund VCE's budget and establish sufficient operating reserve funds as defined in the VCE Rate Policy. The Board typically considers customer rate setting at the beginning of each budget year. Due to volatility in energy markets and the unpredictability of regulatory actions, additional flexibility to make limited adjustments to customer rates on a more frequent basis to recover costs is a sound business practice – one adopted by many Load Serving Entities (LSEs).

The Rate Adjustment Policy provides a framework to make timely within budget year customer rate changes, within Board approved parameters, to adjust to external cost factors outside VCE's direct control. Specifically, within budget year rate adjustments made under this policy are limited to material financial changes resulting from either (1) market energy costs or (2) regulatory decisions that impact VCE's costs or revenues. Under this policy, all within budget year customer rate changes are vetted through VCE's Enterprise Risk Oversight Committee (EROC) prior to implementation and reported to the Board at the next meeting following implementation.

B. PRINCIPLES

The following principles guide customer rate adjustment decisions under this policy:

1. Link to annual budget and multi-year forecast - Customer rates shall be set to fully fund operating costs and cash reserve fund targets consistent with multi-year forecasts.
2. Regularly examine Financial Operating Results - Budget variances will be monitored throughout the fiscal year for impacts on annual budgets and multi-year forecast results.
3. Reserves - Customer Rates shall fund reserves consistent with VCE's Financial Reserve Policy and budgeted targets.

C. PROCESS

The Director of Finance and Internal Operations (Director) will monitor and review unaudited operating budget variances and decisions/proposed decisions by California Public Utilities Commission (CPUC) and other regulatory bodies for impacts to net income or cash reserves compared to the adopted budget. If a net impact to income or cash reserves is observed or forecast, the Director will initiate a within budget year rate adjustment assessment based on the following factors:

1. Unless otherwise directed by the Board, within Budget year rate adjustments will only be considered to address two categories of external cost factors outside VCE's direct control: (1) Energy Cost Adjustments and (2) Regulatory Adjustments, where:
 - a. Energy Cost Adjustments – These adjustments are intended to recover the power costs, including renewable resources, energy and energy hedges, resource adequacy and capacity products, and demand side management (DSM) costs, including revenue losses, not otherwise included in VCE's retail generation rates.

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- b. Regulatory Adjustments – These adjustments are intended to recover and adjust VCE revenues to remain within Board authorized revenue requirements/total bundled rate discounts/ premiums when VCE’s finances are materially impacted by CPUC or other regulatory body decisions. Regulatory Adjustments typically include Power Charge Indifference Adjustment (PCIA), PG&E retail rates, balancing account charges, and/or other PG&E and/or regulatory body related actions that directly impact VCE's customer rates. These adjustments may also include other regulatory financial requirements required and approved by CPUC or other regulatory bodies that have a material effect on VCE's cost/revenue structure.
2. Customer rate adjustments shall be consistent with the Authorizations in Section D below. The cumulative within budget year customer rate adjustments approved under this Policy in any fiscal year may not exceed the Authorizations in Section D below.
 3. Any given adjustment may result in an upward or downward impact on VCE generation rates given the particular impacts of any one or combination of factors related to Energy Cost Adjustments and/or Regulatory Adjustments.
 4. Implementation of a within budget year rate adjustment will maintain the current Base Green product discount and the relative revenue requirement contributions of VCE's Standard Green and Ultra Green customer classes.
 5. CARE/FERA and other eligible VCE low-income customers subscribing to VCE's Base Green product shall be charged the lower of VCE's Standard Green or Base Green generation rate, in the instance when VCE's Standard Green generation rate may be less than VCE's Base Green generation rate following a given rate adjustment.
 6. The particulars of rate design, existing PG&E rate schedules, and customer class and consumption characteristics, actual discounts / premiums / rates experienced by any particular customer or customer class may vary from overall weighted averages.

Approval/Oversight

7. Director of Finance and Internal Operations shall provide timely reporting and analysis to the Executive Officer and EROC of all revenue and energy cost projections for accuracy, content, and compliance with the previously determined priorities and policies.
8. Within budget year customer rate adjustments shall be reviewed and approved by the EROC.
9. The Director shall prepare an informational report to the board of any within budget year rate adjustments at the next scheduled Board meeting. The cumulative within budget year customer rate adjustments shall be reported as part of the Board’s annual operating budget and rates adoption process.
10. Staff shall develop and maintain procedures for internal control and accountability of the Rate Adjustment Policy.

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D. AUTHORIZATIONS

VCE Customer rates adopted by the Board of Directors may be amended during the budget year within the parameters listed below:

Type of Rate Adjustment	Authorized Adjustments
Energy Cost Adjustments	Energy cost related rate adjustments under this policy may be implemented throughout the year but no more than once per month. Generally, such individual adjustment shall not result in more than a 5% increase/decrease to VCE's weighted average total generation rate.
Regulatory Adjustments	<p>Regulatory cost related rate adjustments under this policy may be implemented throughout the year as warranted following actions by regulatory bodies and/or PG&E, which result in material changes to VCE Board authorized rate discounts/premiums or VCE revenue levels. Such individual rate adjustments shall be limited to no more than one per month. Generally, such individual adjustment shall not result in more than a 5% increase/decrease to VCE's weighted average total generation rate.</p> <p>VCE intends to calculate and implement any such Regulatory Adjustment within 90 days following PG&E's implementation of such actions. The timing, frequency, and financial impact of regulatory body (e.g. CPUC) and PG&E actions that may affect the Regulatory Adjustments are not typically known in advance and may occur multiple times during any given year.</p>
Annual Cumulative Limit	The net annual cumulative limit for within-year customer rate adjustments authorized under this policy is a total of 15%. The Board may modify this limit.

E. CONTROL & ACCOUNTABILITY

An information report describing any implemented within budget year rate adjustment authorized under this policy will be provided to the Board at the next regularly scheduled Board Meeting following implementation of the rate adjustment.

F. POLICY ADMINISTRATION

The Board must approve amendments to this Policy.