VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 12

TO: Board of Directors

FROM: Mitch Sears, Chief Executive Officer

SUBJECT: Large Electric Load Customer Service Policy

DATE: October 14, 2025

RECOMMENDATION

Adopt Resolution establishing Large Electric Load Customer Service Policy.

BACKGROUND

Valley Clean Energy's (VCE) mission is to provide clean electricity, product choice, and greenhouse gas emission reductions --- all with local control at lower prices. Given this mission, VCE desires to efficiently and effectively serve the power supply needs of all existing and new customer electric loads within Member service areas. Significant added load expansion/integration required by new and/or existing customers may necessitate non-standard tariff[1] arrangements to clearly address and mitigate associated power supply costs, operational impacts and to specify other related power service provisions.

VCE's existing Industrial and Agricultural customers comprise about 10-20% of VCE's overall load and varies seasonally. VCE's current total customer annual retail power sales are in the 700,000 MWh range or about 80 aMW[2]. July is typically VCE's peak service month with total energy loads near 125 aMW. Prospective new large load additions, especially from energy intensive establishments, could range 10-20 aMW on the lower end, to over 500 aMW or more at the higher end for data centers and the like. Such new loads could thus increase total VCE annual loads by about 20% at the lower range, to quintupling, or more, at the upper range. These potential incremental load additions could have significant impacts on VCE's existing customer base, power generation/resource adequacy requirements and power system operations.

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[1] A CCA tariff is a rate structure or formula charged by a CCA for electricity generation services that recover the cost of electricity, fixed costs, and establishment of reserves. Tariffs are not just billing formats but are often used by Load Serving Entities like CCA's and IOU's as a tool to influence consumption behavior and operational decisions (e.g. Time of Use, Dynamic Rates, etc.).

[2] An average megawatt (aMW) is calculated by taking total energy load during a given time period divided by the total hours during the same time period, and shows what the resultant energy load would have been if it were constant or "flat" during each hour of the given period.

VCE's proposed Large Electric Load (LEL) Customer Service Policy helps to provide staff with a framework and direction to evaluate and address impacts associated with large new load additions and, as warranted, to serve such loads pursuant to a negotiated Power Service Contract (PSC) between VCE and new LEL customers.

ANALYSIS & DISCUSSION

VCE currently has no established policy to evaluate and provide service to new large electric loads that may have significant cost/benefit and operational implications on VCE's existing customer base and power resource portfolio. Further, LEL customers may have unique service needs that could require special contract terms and power procurement/hedging flexibility, or to integrate/manage customer provided generation. Moreover, VCE may need to devise special credit and or contract terms to mitigate impacts on existing customers and assure potential associated operational and financial risks have been addressed in a manner consistent with VCE Board approved policies and procedures, as well as review by VCE's Energy Risk Oversight Committee (EROC).

To this end, staff have developed a draft Large Electric Load (LEL) Customer Service Policy for consideration by the Board which includes the following elements:

1. Defining a LEL based on energy load greater than 20,000 MWh or peak demand equal to or exceeding 2MW during any contiguous 12-month period.
2. LEL customers must notify VCE of intent to add/increase load prior to facilities construction or establishing LEL service.
3. Provisions to conduct a Business and Power Supply Impact Study (IS) to evaluate how new LEL customers may affect existing customers, power supply portfolio and composition, and identify and recommend any needed mitigation measures.
4. Determination to serve LEL under an existing tariff structure or by way of a negotiated PSC.
5. Requiring prospective LEL customers to provide periodic interconnection, load size, service start date, and related updates to VCE staff.
6. LEL sales are to recover the associated full and reasonable revenue requirement incurred by VCE to serve such LEL, including contributions to A&G overhead costs and financial operating reserves.
7. PSCs are to comply with applicable VCE Board approved policies and procedures.
8. VCE's Chief Executive Officer, or his/her designee, shall have the authority to negotiate PSCs in consultation with General and or Special Counsel.
9. PSCs must be approved by the VCE Board of Directors.

Note, due to existing large load customers and pending/proposed large loads, several CCA's in California have adopted similar LEL policies (e.g. Silicon Valley Clean Energy), which have been used to successfully provide electrical generation services to these types of customers.

Power Sales Contract

A PSC is a key element in the proposed Policy and may be required to serve new LELs. PSC terms and conditions will likely vary based on load size and characteristics, together with provisions to address factors including interpretability, power supply renewable content, ability to forward hedge, supply price and load levels, self-provided generation (if any), contract duration, credit support, default provisions, and the like. PSC terms and conditions for a new 5 MW LEL, for example, would likely vary substantially from a new 100 or 500 MW LEL. Other PSC elements may address issues identified in any associated IS undertaken by VCE.

Key Topics/Issues

The following key topics have been identified by staff and the CAC over the course of developing the draft Policy. Each topic includes a brief staff response. The topics are listed in no particular order of emphasis.

1. LEL Size Impacts – the relative impacts associated with LEL size and why the proposed policy indicated a 2MW threshold.
    - The 2 MW threshold is a place holder and could be adjusted; VCE's largest current customers consume below the 2 MW level. The proposed Policy would allow staff to incorporate a new LEL via a standard tariff if special terms and conditions were not deemed applicable. Staff also indicated that new load impacts may be influenced by the size of new loads relative to existing total customer loads, and as new loads were to become a larger percentage of existing loads, impacts may vary accordingly.

2. LEL Load Characteristics – how load shape might impact VCE operations and economics.
    - LEL load shapes and load factors are important considerations and would be considered as part of an Impact Study. And if a PSC is utilized as enabled under the proposed Policy, specific terms and conditions would be included to address and acknowledge load shape and load factor impacts.

3. Cost of Serving LEL – how service cost might be established.
    - The proposed Policy provides for conducting an Impact Study to estimate LEL costs and impacts with a general rule of thumb of using the greater of marginal cost (MC) or average cost (AC) as a basis for service charges, as well as mitigating other potential concerns such as minimum energy deliveries, minimum contract term and appropriate credit support. LEL additions have the potential to increase or decrease average VCE costs.

4. Policy does not specify PSC development process - the proposed Policy does not specify particular PSC negotiation timelines or service terms.
    - Due to the unknown nature of potential large loads, the proposed Policy leaves timelines and service terms to negotiation under a PSC. The proposed policy was primarily designed to: 1) optionally assess whether a PSC is needed; 2) investigate operational and economic impacts via an Impact Study (if warranted); and 3) utilize a

PSC to specify service terms and conditions which both mitigate identified impacts and meet customer service needs. Each PSC would likely be unique and PSC development timelines could vary subject to size, impacts, credit support requirements, operational complexity and the like.

5. Impact on Resources Availability – if a new load were sufficiently large, it might impact overall regional power resource availability and cost.
    - This would likely be a function of ultimate new load size, load shape/factor, whether the LEL unilaterally intended to self- provide all/some needed resources, and load interrupt ability to perhaps provide intermittent grid support. Staff also notes that any region-wide and/or grid level resource impacts would likely be similar regardless of whether load service is attained by either VCE or bundled service from the local IOU.

6. Connection Timelines – the likely determining factor of any new load addition would be connection time to attain physical grid access.
    - Depending on the range and size of facilities needed (existing or to be constructed), such lead times could be months to years, especially if transmission line extensions and or new substations are required.

7. Administrative & General (A&G) Costs – A&G cost associated with new large loads.
    - These tend to be fixed overhead costs which generally do not vary appreciably with energy sales volumes. Dilution of A&G costs may occur with new load additions and thus benefit all retail customers. Note also that A&G is a very small component of overall VCE electric service costs which are primarily driven by power supply, resource adequacy mandates and regulatory compliance costs.

8. Impact on Financial Reserves - how VCE's financial reserve levels might be affected by a new LEL.
    - As retail loads and total operating costs increase, there is generally a proportional need to increase reserve balances. Increasing reserve amounts could be collected proportionately from all customers or perhaps be collected/assigned in some manner from/to the new LEL. Staff anticipates this issue would be an integral part of an Impact Study and then subsequently addressed in specific PSC terms and conditions. Noting that a new LEL customer may provide other operational attributes and or credit support mechanisms partially or fully offsetting reserve additions.

9. Are new loads "good" or "bad" – questions were raised at the CAC meetings about whether new loads would be beneficial to VCE.
    - Staff responded that overall new customer reputation, load characteristics, financial solidity, and credit arrangements would combine with PSC contract terms to help mitigate any potential "bads" and enhance potential "goods." Key PSC objectives would include addressing contract duration as well as what might happen if a new

LEL were to terminate prematurely for some reason. Again, these issues should be identified and addressed in each specific PSC. In general, customers are both essential and beneficial contributors to business success in that they are the revenue source which fund all VCE costs.

10. Impact on VCE Portfolio – how VCE's power portfolio goals might be impacted by a LEL.
    - There could be significant portfolio impacts. If, say, the new LEL wanted its supply based on meeting only minimum RPS requirements, for example, which could result in VCE becoming less "green." Alternatively, if the new LEL desired to be, say, 100% renewable, VCE's environmental impact could become more "green." Portfolio composition would likely be addressed in an Impact Study and in the PSC.

11. Other Spinoff Impacts – many other factors could be affected by large load additions including traffic, local jobs, land and water use.
    - Staff agrees there could be other local/regional issues. However, other agencies would be addressing these types of potential impacts and VCE expects to limit its approach to identifying and mitigating specific power supply related matters within the context of the PSC. Other local/regional issues should be addressed by the appropriate and responsible governmental and regulatory agencies.

12. Risk of Non-Performance - questions of added business risk associated with serving large new loads and what might result if a new large load were to terminate service prematurely or not otherwise fulfill its PSC obligations.
    - Staff recognizes that this is a key issue and anticipates that identifying/addressing LEL risks would be one of the major topics of the Impact Study and the terms of a PSC. A PSC would include much more detailed language regarding the responsibilities and obligations of the parties versus alternatively utilizing some form of standard tariff service.

Staff notes that in addition to the general risks outlined above there can be significant benefits from adding new loads including: dilution of fixed cost to all customers; possible improvement of overall RPS portfolio; ability to reduce risk via added contract and resource diversity, and possible "green" programs expansion funded with commensurately higher revenue levels. Each new LEL likely has its internal goals and objectives, but the new customer might also be open to developing "model" energy production and use protocols benefiting all customers. Opportunities of this nature would be explored as part of an Impact Study and any subsequent PSC development.

COMMUNITY ADVISORY COMMITTEE (CAC) REVIEW

VCE staff and consultant reviewed VCE's proposed LEL Policy with the CAC on August 28, 2025 and September 25, 2025. Staff discussed the potential usefulness of such Policy to provide flexibility and guidance when providing new service to large customers together with conducting an Impact Study, if deemed necessary, to outline potential large load service issues and mitigating measures which could be incorporated within a PSC. The general CAC discussion outlined potential benefits and burdens

associated with large new loads. Many of the topics listed in the section above were identified and discussed during these two meetings. After considering staff analysis and Committee discussion, the CAC suggested that: 1) the proposed Policy indicate that any new LEL customer and/or PSC would need to comply with all applicable VCE Board-approved policies and procedures; and 2) the proposed Policy require the LEL customer to provide periodic interconnection construction/completion updates and projected service commencement and load size timelines to VCE. Both suggestions have been incorporated within the proposed Policy.

The CAC recommended the proposed Policy be considered for approval by the Board at the October 2025 Board meeting.

FISCAL IMPACT

There are no direct fiscal impacts. New large electric load fiscal impacts are to be evaluated and addressed on a case-by-case basis if/when such prospective customers notice intention of becoming a VCE LEL customer.

ATTACHMENTS

1. Large Electric Load Customer Service Policy
2. Resolution 2025-XXX adopting VCE's Large Electric Load Customer Service Policy

VALLEY CLEAN ENERGY ALLIANCE

LARGE ELECTRIC LOAD CUSTOMER SERVICE POLICY

Valley Clean Energy Alliance's (VCE) mission is to provide clean electricity, product choice, and greenhouse gas emission reductions --- all with local control at lower prices. VCE has adopted this Large Electric Load Customer Service Policy (Policy) to assure consistency with its mission while providing efficiency and value when offering retail power supply to Large Electric Load (LEL) Customers. The purpose of this Policy is to provide guidance to LEL Customers regarding VCE electric service pursuant to defined commercial terms, and to provide transparent guidelines to VCE staff in evaluating and providing such service to existing and new LEL Customers. This Policy may be revised from time to time by the VCE Board.

LARGE ELECTRIC LOAD POLICY :

1) A LEL Customer is an existing or new customer that has historically, or is projected to consume and/or add greater than 20,000 MWh energy use or incur a 2 MW or greater peak demand during any contiguous 12-month period.

2) Prospective and existing LEL Customers are required to contact VCE's business office at 1(855)699-8232 prior to facilities construction for new load service and or increasing existing load service above the threshold levels described in Paragraph 1 above.

3) For LEL additions, VCE, at its sole discretion, may require a Business and Power Supply Impact Study (IS) to estimate reasonable costs and operational implications of serving such LEL, together with identifying associated administrative, economic, reliability and or regulatory compliance effects on VCE or VCE's customer base, including, but not limited to, procurement composition requirements such as Renewables Portfolio Standards and Integrated Resource Planning processes. If an IS is conducted, VCE will manage or oversee such IS, the funding for which will be provided by VCE, the LEL entity, or some combination of both, to be outlined in a letter agreement between VCE and the LEL.

4) VCE shall analyze the feasibility and implications of new load service to the LEL and form of such service (e.g., whether the prospective LEL is to be served under an existing tariff arrangement or may require a separately negotiated Power Sales Contract (PSC) between VCE and the LEL entity). If a PSC is required, such PSC shall identify and formalize commercial terms of service including power supply charges, resource adequacy obligations, local and system capacity obligations, contract duration, credit provisions, current and future regulatory requirements and other factors pertinent to VCE and the LEL. Such PSC may include flexibility for the LEL to self-provide and or self-procure, all or a portion of its power supply requirements.

5) VCE shall require prospective LEL customers to provide periodic updates regarding applicable interconnection studies, interconnection facilities construction schedule(s), projected

interconnection facilities completion date(s), projected power service start date, projected initial and longer-term load phase-in schedule, and other information pertinent to establishing VCE power supply service to the LEL customer. VCE staff shall maintain a current file of all updates provided by each new LEL customer.

6) LEL PSCs are intended to recover reasonable costs incurred by VCE associated with serving such LEL including a reasonable contribution to VCE's administrative and general costs and financial operating reserves, while complying with applicable law, VCE's Implementation Plan, Board rates and rate adjustments, approved business, operating and risk management policies and the goals of controlling transaction costs and protecting VCE's customers.

7) LEL PSCs are intended to identify and mitigate potential operational and cost risks to VCE, VCE's existing customer base, and the LEL customer, in a manner consistent with VCE's risk management policies and procedures. Each new PSC shall comply, as applicable, with all existing Board-approved VCE policies and procedures. Successful consummation of a PSC is a prerequisite for any LEL to obtain power supply services from VCE.

8) VCE's Chief Executive Officer, or his/her designee, shall have the authority to negotiate PSCs in consultation with VCE's General or Special Counsel, as applicable. VCE's Enterprise Risk Oversight Committee (EROC) shall review and recommend approval of any PSC prior to consideration by the Board of Directors.

9) PSCs must be approved by the VCE Board of Directors.

VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2025-___

RESOLUTION OF THE BOARD OF DIRECTORS OF VALLEY CLEAN ENERGY ALLIANCE ADOPTING A LARGE ELECTRIC LOAD CUSTOMER SERVICE POLICY

WHEREAS, Valley Clean Energy Alliance ("VCE") was formed as a community choice aggregation agency ("CCA") on November 16, 2016, under the Joint Exercise of Power Act, California Government Code sections 6500 et seq., among the County of Yolo, and the Cities of Davis and Woodland, to reduce greenhouse gas emissions, provide electricity, carry out programs to reduce energy consumption, develop local jobs in renewable energy, and promote energy security and rate stability in all of the member jurisdictions. The City of Winters, located in Yolo County, was added as a member of VCE and a party to the JPA in December of 2019; and

WHEREAS, commercial, agricultural and industrial customers comprise a significant share of VCE's electric load; and

WHEREAS, existing VCE commercial, agricultural and industrial customers may from time to time consider significant expansion of electric power service; and

WHEREAS, new commercial, agricultural and industrial customers may from time to time consider locating within VCE's service area and thereby add significant power load to VCE's existing electric service obligations; and

WHEREAS, VCE seeks to provide clean electricity and superior service that meet customer needs and expectations, at rates that are competitive and contribute positively to VCE's financial position; and

WHEREAS, new large electric loads may impact existing customers and VCE business operations; and

WHEREAS, new large electric loads may have specific and or unique characteristics which may require special contract terms and conditions to be established and clarified for the benefit of existing customers, new large load customers and VCE; and

WHEREAS, new large electric loads may require an impact study to assess potential impacts on VCE's existing customers, resource portfolio and business operations to assess risks and recommend mitigation measures prior to commencing new electric service; and

WHEREAS, VCE seeks to establish a Large Electric Load Customer Service Policy to establish guidelines and clarify that new large electric load service may require conducting an impact study, identifying reasonable mitigation measures, and other terms and considerations which may be memorialized in a negotiated Power Service Contract.

NOW, THEREFORE, the Board of Directors of Valley Clean Energy resolves as follows:

1. The Board hereby establishes VCE's Large Electric Load Customer Service Policy which provides guidance to VCE staff and potential large electric load customers on the addition and integration of such loads within VCE's retail power supply service, and which may be implemented utilizing a negotiated Power Sales Contract.

2. Any Power Sales Contract developed pursuant to this Policy must be approved by the Board of Directors prior to implementation.

PASSED, APPROVED AND ADOPTED, at a special meeting of Valley Clean Energy, held on the _____ day of _____ 2025, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

_____
Bapu Vaitla, VCE Chair

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Alisa M. Lembke, VCE Board Secretary

Attachment: Large Electric Load Customer Service Policy