

**VALLEY CLEAN ENERGY ALLIANCE
COMMUNITY ADVISORY COMMITTEE**

Staff Report - Item 6

TO: Community Advisory Committee

FROM: Mitch Sears, Chief Executive Officer

SUBJECT: Draft VCE Large Electric Load (LEL) Customer Service Policy,
Second Review by CAC

DATE: September 25, 2025

RECOMMENDATION

Review goals, objectives and desirability of establishing a VCE Large Electric Load (LEL) Customer Service Policy (Policy). Attain CAC recommendation for Board review and adoption.

OVERVIEW

Staff proposes that VCE implement a large load service policy to establish guidelines to assess associated potential operational and economic impacts on VCE and VCE customers. The Policy would also provide flexibility to contractually serve LEL customers pursuant to terms and conditions meeting VCE's operational and financial criteria coupled with detailing the LEL's power supply service needs, possibly including any LEL generation resources. Each separately negotiated Power Sales Contract (PSC) would include pricing, load characteristics, credit support and contract duration details. The PSC would be in lieu of typically more generic standard tariff service. VCE currently has no large load policy and any new large customer would currently expect to receive service under a standard VCE tariff, or if a new customer were to opt-out of CCA service, it could attain commodity supply service under a bundled PG&E tariff. PG&E would provide power delivery service in either case.

BACKGROUND

VCE staff discussed this item with the CAC at the CAC's August 28, 2025 meeting and agreed to carry over this item to the CAC's September 2025 meeting to provide an opportunity for the CAC to further discuss and make a recommendation to the Board. This Staff Report summarizes the proposed Policy and includes comments/responses from the August CAC meeting.

CAC DISCUSSION POINTS

Below are August 2025 CAC comments together with follow-up staff notes. The points are in no particular order of emphasis.

1. LEL Size Impacts – CAC discussed 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 – CAC discussed how load shape might impact VCE operations and economics.
 - Staff agreed 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, specific terms and conditions would be included to address and acknowledge load shape and load factor impacts.
3. Cost of Serving LEL – CAC discussed how service cost might be established.
 - Staff indicated 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 --- CAC commented that the proposed Policy did not specify particular PSC negotiation timelines or service terms.
 - Staff acknowledged that 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 – CAC suggested that if a new load were sufficiently large, it might impact overall regional power resource availability and cost.
 - Staff agreed that this could be the case but it 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 noted 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 – CAC suggested the likely determining factor of any new load addition would be connection time to attain physical grid access.
 - Staff agreed. And 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 – CAC asked about A&G cost.
 - Staff responded 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 relatively 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 -- CAC inquired about how VCE's financial reserve levels might be affected by a new LEL.
 - Staff suggests that 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" – CAC asked 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 – the CAC discussed how VCE's power portfolio goals might be impacted by a LEL.
 - Staff responded 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 – the CAC observed that 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 -- the CAC explored the question 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 indicated this was an important issue and suggested 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.
13. “Gut Perspective” of LEL Policy – the CAC asked about staff’s perspective of the proposed LEL Policy.
 - Staff believes the proposed Policy provides VCE a new customer service approach that would allow flexibility to initiate service under existing tariff arrangements if no significant impacts were identified. And if concerns about possible operational, risk and or existing customer implications arise, the Policy provides for an Impact Study to investigate and identify impacts and outline possible mitigating actions which could be implemented by way of a PSC. A PSC may also provide VCE the ability to incorporate service terms and conditions more suitable to new LEL customer needs.

The general CAC discussion outlined potential benefits and burdens associated with large new loads. Staff wants to note that 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.

Summary of LEL Policy Provisions (as included in the August CAC Staff Report)

1. Defining a LEL based on added 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 to evaluate reasonable costs and operational implications of serving such LEL, how new LEL customers may affect existing customers, power supply portfolio and composition, and identify and recommend any needed mitigation measures.
4. Analysis of 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 VCEA and the LEL entity).
5. LEL tariffs and/or PSCs are to recover the associated reasonable costs incurred by VCEA to serve such LEL, including contributions to A&G, overhead costs and financial operating reserves, while complying with applicable law, VCEA's Implementation Plan, Board rates and rate adjustments and the goals of controlling transaction costs and protecting VCEA's customers.
6. PSCs are to comply with applicable VCE risk management policies and procedures.
7. VCE's Chief Executive Officer, or his/her designee, shall have authority to negotiate PSCs in consultation with General and/or Special Counsel. VCEA's Enterprise Risk Oversight Committee (EROC) shall review and recommend approval of any PSC prior to consideration by the Board of Directors.
8. PSCs must be approved by the VCE Board of Directors.

FISCAL IMPACT

There are no direct fiscal impacts. Under the draft LEL Policy new large electric load fiscal impacts would be evaluated and addressed on a case-by-case basis when such prospective customers notice intention of becoming a VCE customer. VCE tariffs and/or PSCs should be designed to recover and allocate VCEA's reasonable costs to provide service to such customers.

SUMMARY

Establishing a large electric load service policy would provide guidance to staff and prospective LEL customers regarding noticing, evaluating and managing such new loads as well as provide flexibility to incorporate nonstandard terms and conditions on a case-by-case basis by providing service under PSC arrangements. Any negotiated PSC is to be approved by the Board prior to service implementation.

Staff is requesting the CAC recommend the draft Policy for review and consideration by the Board.

ATTACHMENT

1. Draft Large Electric Load Customer Service Policy

VALLEY CLEAN ENERGY

LARGE ELECTRIC LOAD CUSTOMER SERVICE POLICY

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. 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.

POLICY PARTICULARS:

- 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 or incur a 2 MW or greater peak demand to its energy use during any contiguous 12-month period.
- 2) Prospective and existing LEL Customers are required to contact VCE's business office at [email/phone #] 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, as 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) 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.

- 6) 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. Successful consummation of a PSC is a prerequisite for any LEL to obtain power supply services from VCE.
- 7) 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.
- 8) PSCs must be approved by the VCE Board of Directors.