



**Special Meeting of the Valley Clean Energy Alliance
Board of Directors
Thursday, October 21, 2021 at 5:00 p.m.
via video/teleconference**

Pursuant to Assembly Bill 361 (AB 361), legislative bodies may meet remotely without listing the location of each remote attendee, posting agendas at each remote location, or allowing the public to access each location, with the adoption of certain findings. At the October 14, 2021 meeting, the Board of Directors found that the local health official recommended measures to promote social distancing and authorized the continuation of remote meetings for the foreseeable future. Any interested member of the public who wishes to listen in should join this meeting via teleconferencing as set forth below.

Please note that the numerical order of items is for convenience of reference. Items may be taken out of order on the request of any Board member with the concurrence of the Board. Staff recommendations are advisory to the Board. The Board may take any action it deems appropriate on any item on the agenda even if it varies from the staff recommendation.

Members of the public who wish to listen to the Board of Director's meeting may do so with the teleconferencing call-in number and meeting ID code. Teleconference information below to join meeting:

Join meeting via Zoom:

- a. From a PC, Mac, iPad, iPhone, or Android device with high-speed internet.

(If your device does not have audio, please also join by phone.)

<https://us02web.zoom.us/j/81409212136>

Meeting ID: 814 0921 2136

- b. By phone

One tap mobile:

+1-669-900-9128,,81409212136# US

+1-253-215-8782,,81409212136# US

Dial:

+1- 669-900-9128 US

+1- 253-215-8782 US

Meeting ID: 814 0921 2136

Public comments may be submitted electronically or during the meeting. Instructions on how to submit your public comments can be found in the PUBLIC PARTICIPATION note at the end of this agenda.

Board Members: Dan Carson (Chair/City of Davis), Jesse Loren (Vice Chair/City of Winters), Don Saylor (Yolo County), Tom Stallard (City of Woodland), Lucas Frerichs (City of Davis), Wade Cowan (City of Winters), Gary Sandy (Yolo County), and Mayra Vega (City of Woodland)

5:00 p.m. Call to Order

- 1. Welcome**
- 2. Approval of Agenda**
- 3. Public Comment:** This item is reserved for persons wishing to address the Board on any VCE-related matters that are not otherwise on this meeting agenda. Public comments on matters listed on the agenda shall be heard at the time the matter is called. As with all public comment, members of the public who wish to address the Board are customarily limited to two minutes per speaker, electronically submitted comments should be limited to approximately 300 words. Comments that are longer than 300 words will only be read for two minutes. All electronically submitted comments, whether read in their entirety or not, will be posted to the VCE website within 24 hours of the conclusion of the meeting. See below under **PUBLIC PARTICIPATION** on how to provide your public comment.

REGULAR AGENDA

- 4. Consider adoption of a rate adjustment effective November 2021 for VCE customer classes excluding California Alternative Rates for Energy (CARE) and Family Electric Rates Assistance (FERA) customers.**
- 5. Adjournment:** The Board has scheduled a special meeting for Wednesday, November 10, 2021 at 5:00 p.m. to held via video/teleconference.

PUBLIC PARTICIPATION INSTRUCTIONS FOR VALLEY CLEAN ENERGY BOARD OF DIRECTORS SPECIAL MEETING ON THURSDAY, OCTOBER 21, 2021 AT 5:00 P.M.:

PUBLIC PARTICIPATION. Public participation for this meeting will be done electronically via e-mail ***and*** during the meeting as described below.

Public participation via e-mail: If you have anything that you wish to be distributed to the Board and included in the official record, please e-mail it to VCE staff at Meetings@ValleyCleanEnergy.org. If information is received by 3:00 p.m. on the day of the Board meeting it will be e-mailed to the Board members and other staff prior to the meeting. If it is received after 3:00 p.m. the information will be distributed after the meeting, but within 24 hours of the conclusion of the meeting.

Verbal public participation during the meeting: If participating during the meeting, there are two (2) ways for the public to provide verbal comments:

- 1) If you are attending by computer, activate the “participants” icon at the bottom of your screen, then raise your hand (hand clap icon) under “reactions”.
- 2) If you are attending by phone only, you will need to press *9 to raise your hand.

VCE staff will acknowledge that you have a public comment to make during the item and will call upon you to make your verbal comment.

Public Comments: If you wish to make a public comment at this meeting, please e-mail your public comment to Meetings@ValleyCleanEnergy.org or [notifying the host as described above](#). Written public comments that do not exceed 300 words will be read by the VCE Board Clerk, or other assigned VCE staff, to the Committee and the public during the meeting subject to the usual time limit for public

comments [two (2) minutes]. General written public comments will be read during Item 3, Public Comment. Written public comment on individual agenda items should include the item number in the "Subject" line for the e-mail and the Clerk will read the comment during the item. Items read cannot exceed 300 words or approximately two (2) minutes in length. All written comments received will be posted to the VCE website. E-mail comments received after the item is called will be distributed to the Board and posted on the VCE website so long as they are received by the end of the meeting.

Public records that relate to any item on the open session agenda for a regular or special Board meeting are available for public review on the VCE website. Records that are distributed to the Board by VCE staff less than 72 hours prior to the meeting will be posted to the VCE website at the same time they are distributed to all members, or a majority of the members of the Board. Questions regarding VCE public records related to the meeting should be directed to Board Clerk Alisa Lembke at (530) 446-2750 or Alisa.Lembke@ValleyCleanEnergy.org. The Valley Clean Energy website is located at: <https://valleycleanenergy.org/board-meetings/>.

Accommodations for Persons with disabilities. Individuals who need special assistance or a disability-related modification or accommodation to participate in this meeting, or who have a disability and wish to request an alternative format for the meeting materials, should contact Alisa Lembke, VCE Board Clerk/Administrative Analyst, as soon as possible and preferably at least two (2) working days before the meeting at (530) 446-2754 or Alisa.Lembke@ValleyCleanEnergy.org.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 4

TO: Board of Directors

FROM: Mitch Sears, Interim General Manager
Edward Burnham, Director of Finance & Internal Operations

SUBJECT: Customer Rate Adjustment – Effective November 2021

DATE: October 21, 2021

RECOMMENDATION

1. Approve a 5% average generation rate adjustment (equal to 1.9% total electricity charges) effective November 2021 for VCE customer classes excluding California Alternative Rates for Energy (CARE) and Family Electric Rates Assistance (FERA) customers.
2. Direct staff to bring back a cost-recovery based rate structure and estimated 2022 customer rates for consideration at the November Board meeting.

BACKGROUND/ANALYSIS

As discussed at Board meetings dating back to 2018 and more recently during Board deliberations on fiscal year budget adoption this summer, all electric utilities develop forecasts of cost and revenue requirements based upon informed technical estimates. These forecasts incorporate factors such as future weather, load, market power prices, and other business conditions. Actual outcomes inevitably vary and in extreme instances, outcomes may vary significantly. For example, VCE, much like other California utilities, experienced just such variability during August 2020 when excessively hot weather and market price increases impacted the western United States. The net cost impact of this event to VCE was about \$800K (and would have been closer to \$2.5 million absent VCE's risk management and hedging practices). These events continue to “ripple” through the energy sector in the form of higher forward power market prices. During the current period while VCE transitions to longer-term renewable fixed-price power contracts over the next two years, it has relatively high exposure to these rising market prices.

Utilities and CCA's affected by such events must recover costs from customers or draw from reserve funds if available. As an example, PG&E's 2022 rates are forecast to increase in response to wildfires, storms, drought, rising power market prices, and other factors. Under VCE's current policy, it has been drawing from reserves to stabilize customer rates by matching PG&E generation rates. CCAs in general - and VCE specifically - face two additional revenue impacting uncertainties: PG&E rate revisions and changes to the Power Charge Indifference Adjustment (PCIA). Alterations to these components result in a corresponding and direct need

for VCE to adjust rates (upward or downward) to maintain adopted financial and other Strategic Plan objectives. As shown in Table 1 below, these factors have impacted other CCA's who have also taken steps to implement cost-recovery based rates.

Table 1

CCA	IOU Territory	% Difference to IOU (default product)
Clean Power SF	PG&E	+2%
MCE Clean Energy	PG&E	+7%
Pioneer Community Energy	PG&E	+6%
San Jose Clean Energy	PG&E	+8%
Sonoma Clean Power	PG&E	+5%
Clean Power Alliance (Los Angeles area)	SCE	+8%
Desert Clean Energy	SCE	+20%

As discussed at previous Board meetings, these rate determining factors and rising power market prices have stretched VCE's financials and forced the Board to adopt cost mitigation measures beginning as early as 2018 (e.g. rate increase, delayed procurement of renewables, reduced program activity). These factors, together with impacts associated with COVID and a cost forecast modeling error in estimating the benefits of VCE's long-term renewable power purchase contracts, make it necessary for VCE to accelerate a rate adjustment planned for early 2022.

The recommended action will allow VCE to partially address this combination of issues to slow the draw on reserves and help stabilize financials going into 2022. As noted during the October 14th Board meeting, this accelerated rate adjustment will be revisited in November/December as the 2022 PCIA and PG&E's 2022 rates are finalized. Based on updated financial forecasting, staff anticipates that additional rate adjustments will be necessary going into 2022 to rebuild reserves that have been used over the past several years for customer rate stabilization and to balance costs with revenues going forward.

Fiscal Effects

The recommended rate adjustment is forecast to increase the total average monthly residential bill by approximately \$3/mo or 1.9%¹. Table 2 shows the estimated average monthly impact on total bills based on key customer classes.

¹ The VCE generation charges plus PCIA and franchise fees are approximately 40% of the total average residential electricity bill; PG&E's Transmission, Distribution and other charges account for the other 60% of the total electricity bill. Therefore, a 5% increase in VCE's portion of the electricity bill equates to an approximate 1.9% increase in the total electricity charges for the average residential customer.

Table 2

Customer Class	Residential	Sm Commercial	Med Commercial	Large Commercial*	Ag
Approximate Average Annual Bill	\$ 1,860/yr	\$ 4,800/yr	\$ 55,200/yr	\$ 98,400/yr	\$ 21,600/yr
Approximate Average Monthly Bill	\$ 155/mo	\$ 400/mo	\$ 4,600/mo	\$ 8,200/mo	\$ 1,800/mo
Ave. Approximate Monthly Impact of 1.9% adjustment	Approx. \$3/mo	Approx. \$8/mo	Approx. \$115/mo**	Approx. \$197/mo**	Approx. \$ 34/mo

Notes:

* Large Commercial does not include the less than 10 largest commercial customers (E-19 and E-20) as it would be a non-representative average for the majority of large commercial customers. The average monthly impact for E-19 and E-20 customers would be approximately \$830 based on an average monthly bill of approximately \$34,500.

** Medium and Large Commercial rates include the limited portion of the demand charges on the generation portion of the bill, resulting in approximate 0.5% higher increases.

The recommended rate adjustments would not apply to CARE and FERA customers who make up approximately 25% of VCE's total load. Taking these customers into account, the fiscal effect of the recommended rate adjustment averages approximately \$238,000/month in additional revenue over the next three months (November through January). The additional revenue will help off-set forecasted deficits in the second quarter of 2022.

CONCLUSION/NEXT STEPS

If approved by the Board, this accelerated rate adjustment would be further considered within the context of the 2022 PCIA and PG&E rates as they become available in November and December. VCE's rates for 2022 would be calibrated against those two factors to begin the process of recovering costs and building back reserves over the next two years – with the accelerated rate adjustment being the first step in that direction. The longer-term outlook (2024+) shows increased stability and cost certainty due to VCE's fixed price long-term renewable power purchase contracts coming fully on-line combined with a cost-recovery based rate structure. Additional analysis on the longer-term outlook will be provided at the November Board meeting.