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**Valley Clean Energy Board Meeting – September 8, 2022  
via video/teleconference**

**Item 15 – Mid-Year 2022 Customer Rates Review**



# Public Comments

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# Item 15 – Mid-Year 2022 Customer Rates Review

## Overview

Since March 2020, the overall economy and energy sector has been highly unpredictable due to COVID-19, regulatory decisions, and weather conditions driving volatility by increased load demand, resource adequacy costs, and energy costs.

As part of its 2022 Customer Rates action, the Board directed staff to monitor 2022 financial performance and recommend, if warranted, mid-year 2022 adjustments to customer rates/credits and/or allocation of additional financial resources for programs and renewable energy credits.

### **This informational presentation will provide:**

- Update on 2022 Financials & Load
- Discussion

# Item 15 – Mid-Year 2022 Customer Rates Review

## 2022 Budget Proforma Update (6 Months Actuals – unaudited)

Description	APPROVED 2022 BUDGET	2022 Proforma (7 Month Actuals + 5 Month Budget)	Variance
Revenue	\$ 89,750	\$ 87,650	\$ (2,100)
Power Cost	\$ 66,990	\$ 69,057	\$ (2,067)
Other Expenses	\$ 5,292	\$ 5,292	\$ 0
<b>Net Income</b>	<b>\$ 17,468</b>	<b>\$ 13,301</b>	<b>\$ (4,167)</b>

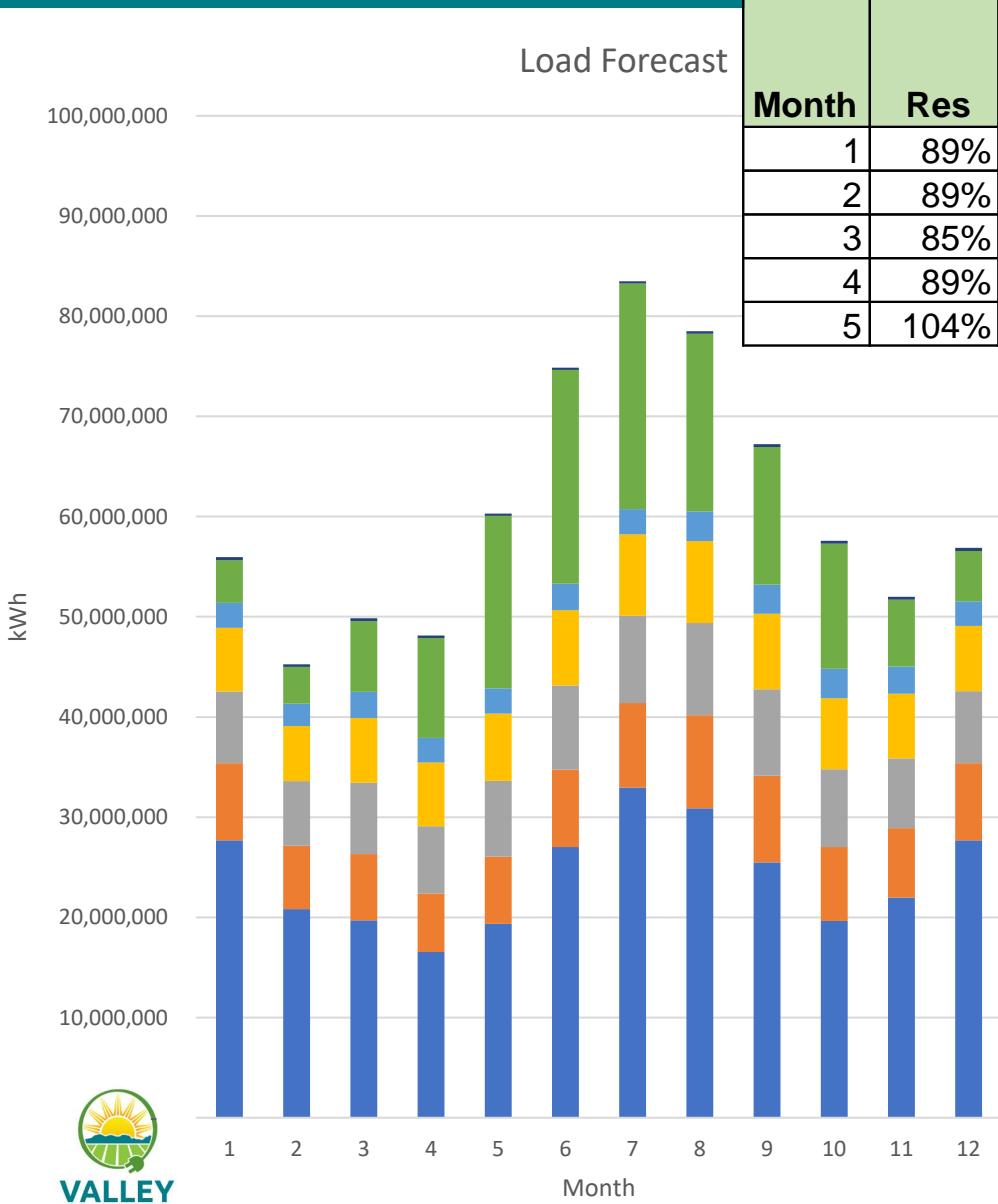
Note: The table does not account for updated forward power market price fluctuation and resource adequacy costs.

### Key Factors

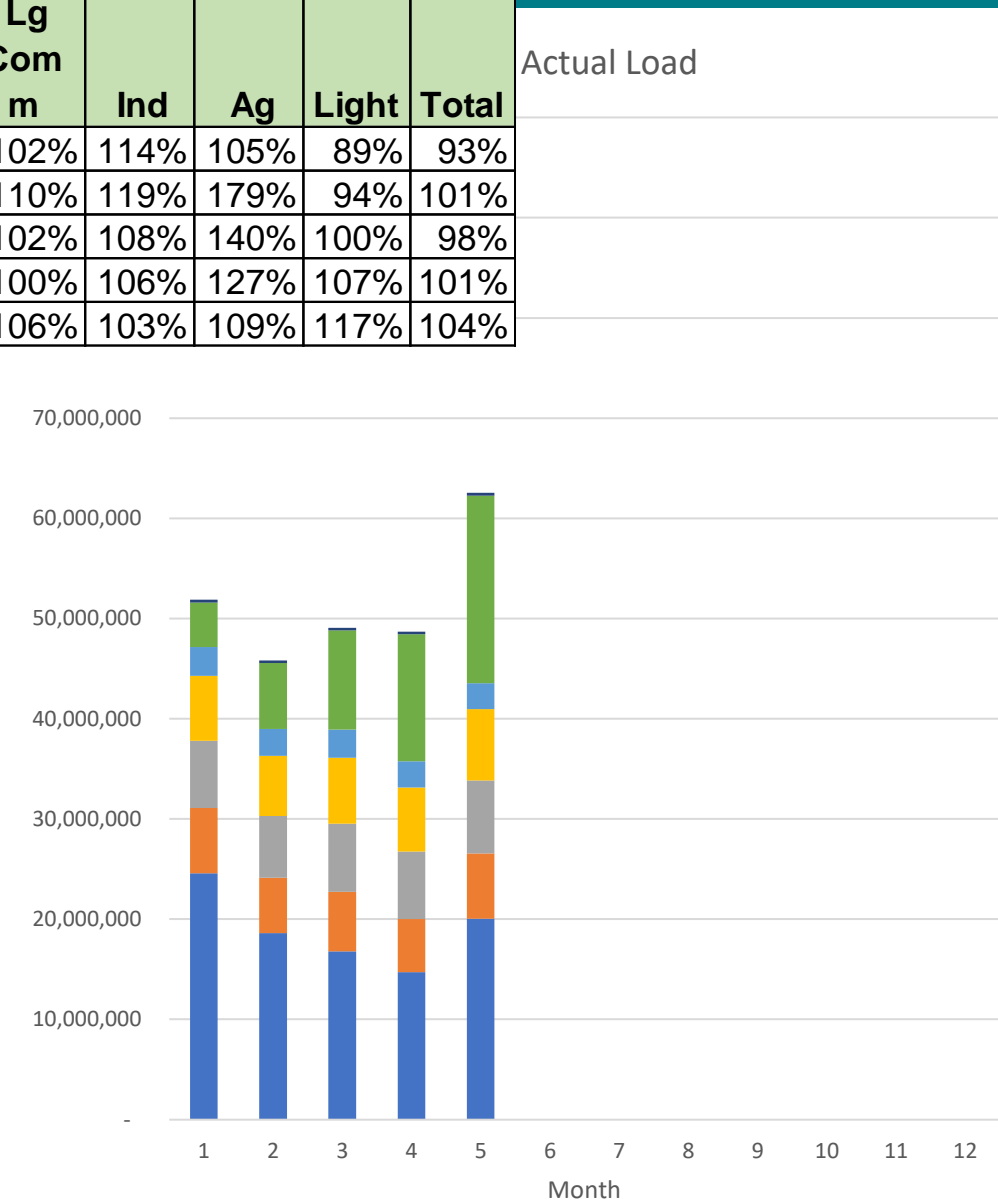
- Revenues: lower than forecasted but in general alignment with budget. Overall approx. -2% v. budget.
- Power Costs: Higher than budgeted due to recent power cost increases during June & July driven by gas prices and weather conditions during peak season. Overall approx. -3% v. budget.
- Load: 2022 drought conditions continued from 2021 impacting agricultural sector pumping loads that have been partially offset by reduced loads for Residential and Commercial. Overall within 5% v. forecast.

# Item 15 – Mid-Year 2022 Customer Rates Review (Load Forecast vs Actual)

Load								
Month	Res	Sm Com m	Med Com m	Lg Com m	Ind	Ag	Light	Total
1	89%	85%	94%	102%	114%	105%	89%	93%
2	89%	87%	96%	110%	119%	179%	94%	101%
3	85%	90%	95%	102%	108%	140%	100%	98%
4	89%	91%	101%	100%	106%	127%	107%	101%
5	104%	97%	96%	106%	103%	109%	117%	104%



- Sum of Lighting
- Sum of Ag
- Sum of Industrial
- Sum of LgComm
- Sum of MedComm
- Sum of SmallComm
- Sum of Res



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# Item 15 – Mid-Year 2022 Customer Rates Review

## Summary & Next Steps

Year-to-date financial performance is generally in-line with projections. Staff believes it is prudent to maintain Board adopted 2022 customer rates, budget allocations for programs, and renewable energy credits.

- Continue to monitor financial results to incorporate into 2023 Rate setting
- Continue to monitor PG&E Rate and PCIA for 2023 bundled rates. (Current forecasts favorable)
- 2023 Rates and Budget Adoption with additional customer options

## Discussion



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**Item 16 – Rate Adjustment System – Introduction**



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# Item 16 – Rate Adjustment System – Introduction

## Overview

VCE and all other Load Serving Entities (i.e. CCA's, Publicly Owned Utilities, and Investor Owned Utilities), face volatility in key external cost factors that are largely outside their control. A Rate Adjustment System "RAS" could automatically adjust customer rates within a Board defined range to more timely and accurately reflect changes in key external cost factors outside VCE's control.

### **This informational presentation will provide:**

- Introduction of Rate Adjustment System Concept
- Summary and proposed next steps
- Discussion & Feedback

# Item 16 – Rate Adjustment System – Introduction

## What is a Rate Adjustment System (RAS)?

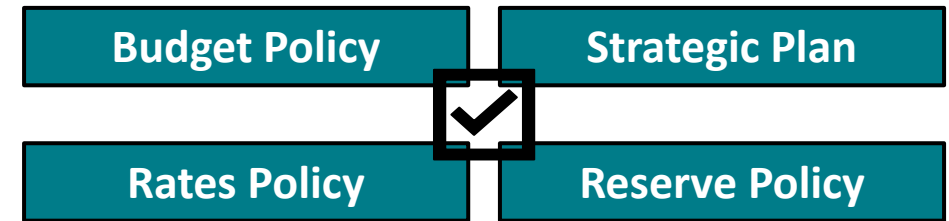
A tool utilized to make automatic adjustments within predetermined guidelines triggered by movement in recovery of specific costs.

### Rate Adjustment System Key Attributes

- Allow +/- adjustments
- Timely response to power cost and load uncertainties
  - Power Market Volatility - Commodity Prices
  - Weather – Heat Waves and Droughts
  - Regulatory Proceedings – PCIA and RA
- Board Authorized Range such as “+- XX%”

### Rate Adjustment System Benefits

- Design to insulate customers from rate shocks
  - Inclusive of CARE/FERA
- Positive view by rating agencies
- Avoid multiple annual rate reviews
- Moderate pressure on cash reserves & debt covenants
- Formal Review (EROC) and Reporting (BOARD)



# Item 16 – Rate Adjustment System – Introduction

## Summary & Proposed Next Steps

Staff is seeking general Board feedback and direction to proceed on developing a Rate Adjustment System to return later this Fall for further Board consideration.

- September – Review and receive CAC input on Concept
  - Develop Draft Schedule and Examples
  - Examples based on three product categories (Base, Standard, and Ultra Green)
  - Address potential CARE/FERA protections
- October 2022 – Review draft Rate Adjustment System with CAC
  - Receive additional feedback for Draft Customer Rate Adjustment System
- November 2022 – Return to Board and CAC for proposed Rate Adjustment System
  - Present Draft Customer Rate Adjustment System to Board
  - Present Draft Proposed Customer Rate Adjustment System to CAC for recommendation
- December 2022 – Rate Adjustment System for 2023
  - Present Draft Proposed Customer Rate Adjustment System for possible board adoption (2023 Implementation)
  - Consolidate with 2023 Budget & Rates Adoption



## Discussion & Feedback