



MARIN COUNTY | NAPA COUNTY | UNINCORPORATED CONTRA COSTA COUNTY | UNINCORPORATED SOLANO COUNTY
BENICIA | CONCORD | DANVILLE | EL CERRITO | LAFAYETTE | MARTINEZ | MORAGA | OAKLEY | PINOLE
PITTSBURG | PLEASANT HILL | RICHMOND | SAN PABLO | SAN RAMON | VALLEJO | WALNUT CREEK

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Executive Committee Meeting Friday, November 5, 2021 12:15 P.M.

This Meeting will be conducted via teleconference pursuant to the requirements of [Assembly Bill No. 361](#). By using teleconference for this meeting, MCE continues to promote social distancing measures recommended by local officials.

Members of the public who wish to observe the Meeting and/or offer public comment may do so telephonically via the following teleconference call-in number and meeting ID:

For Viewing Access Join Zoom Meeting:

<https://us02web.zoom.us/j/86533999477?pwd=UEZ1YzJhNm5lWFdPbWVYQXBxRkhFdz09>

Dial: 1-669-900-9128
Meeting ID: 865 3399 9477
Meeting Password: 108298

OPEN SESSION
Roll Call/Quorum
Public Open Time (Discussion)

CLOSED SESSION
Conference with Labor Negotiator
Agency Designated Representative: Board Chair
Unrepresented Employee: Chief Executive Officer

Resume OPEN SESSION

1. Roll Call/Quorum
2. Board Announcements (Discussion)
3. Public Open Time (Discussion)

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4. Report from Chief Executive Officer (Discussion)
5. Consent Calendar (Discussion/Action)
 - C.1 Approval of 10.1.21 Meeting Minutes
 - C.2 Assembly Bill No. 361: New Teleconferencing Legislation
Resolution No. 2021-09 Authorizing Continued Remote
Teleconference Meetings for the Board of Directors and Every
Committee of the Board of Directors Pursuant to Government
Code Section 54953(e)
6. 2021 MCE Climate Action Leadership Award Nomination
(Discussion/Action)
7. Proposed MCE Rate Adjustment (Discussion/Action)
8. Review Draft 11.18.21 Board Agenda (Discussion)
9. Committee Matters & Staff Matters (Discussion)
10. Adjourn

DISABLED ACCOMMODATION: If you are a person with a disability which requires an accommodation, or an alternative format, please contact the Clerk of the Board at (925) 378-6732 as soon as possible to ensure arrangements for accommodation.

DRAFT**MCE EXECUTIVE COMMITTEE MEETING MINUTES**

Thursday, October 1, 2021

12:15 P.M.

The Executive Committee Meeting was conducted pursuant to the requirements of [Assembly Bill No. 361](#) (September 16, 2021) which allows a public agency to use teleconferencing during a Governor-proclaimed state of emergency without meeting usual [Ralph M. Brown Act](#) teleconference requirements. Committee Members, staff and members of the public were able to participate in the Committee Meeting via teleconference.

Present: Denise Athas, City of Novato
 Edi Birsan, City of Concord
 Tom Butt, City of Richmond
 Barbara Coler, Town of Fairfax
 Cindy Darling, City of Walnut Creek
 Kevin Haroff, City of Larkspur, Committee Chair
 Devin Murphy, City of Pinole
 Gabriel Quinto, City of El Cerrito
 Sally Wilkinson, City of Belvedere

Absent: Ford Greene, Town of San Anselmo
 Shanelle Scales-Preston, City of Pittsburg
 Brad Wagenknecht, County of Napa

Staff

& Others: Jesica Brooks, Assistant Board Clerk
 Darlene Jackson, Board Clerk
 Vicken Kasarjian, Chief Operating Officer
 Justine Parmelee, Manager of Administrative Services
 Evelyn Reyes, Administrative Services Assistant
 Dawn Weisz, Chief Executive Officer

1. Roll Call

Chair Haroff called the regular Executive Committee meeting to order at 12:17 p.m. with quorum established by roll call.

2. Board Announcements (Discussion)

Comments were made by Director Birsan.

3. Public Open Time (Discussion)

Chair Haroff opened the public comment period and there were no comments.

4. Report from Chief Executive Officer (Discussion)

CEO, Dawn Weisz, reported the following:

- MCE's 2020 Power Content Report, which highlight's MCE's commitment to renewable energy. In 2020, MCE offered customers a minimum of 61%

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renewable electricity compared to the California average of 33%. Almost three-quarters of MCE's renewable electricity is sourced from within California, supporting our state's clean energy economy.

- In 2018, MCE signed a contract to purchase energy from a 100 MW wind farm located in northern Santa Barbara County. 100 MW of wind generation will provide enough electricity to power 30,000 average homes on an annual basis. We are happy to announce that the project is expected to be up and running in early 2022.
- MCE's Annual Board Retreat is scheduled for Thursday, October 7, 2021 9am-3pm.
- MCE's Virtual Holiday Party is scheduled for Friday, December 3rd from 6pm-10pm.

5. Consent Calendar (Discussion/Action)

C.1 Approval of 9.3.21 Meeting Minutes

C.2 Second Amendment to the First Agreement with Disertus Energy, Inc.

Chair Haroff opened the public comment period and there were no comments.

Action: It was M/S/C (Butt/Darling) to **approve Consent Calendar items C.1 and C.2**. Motion carried by unanimous roll call vote. (Absent: Directors: Coler, Greene, Scales-Preston, and Wagenknecht).

6. Committee & Staff Matters (Discussion)

Comments were made by Director Butt.

7. Adjournment

Chair Haroff adjourned the meeting at 12:33 p.m. to the next scheduled Executive Committee Meeting on November 5, 2021.

Kevin Haroff, Chair

Attest:

Dawn Weisz, Secretary



November 5, 2021

TO: MCE Executive Committee

FROM: Catalina Murphy, Legal Counsel

RE: Assembly Bill No. 361: New Teleconferencing Legislation
Resolution No. 2021-09 Authorizing Continued Remote
Teleconference Meetings for the Board of Directors and
Every Committee of the Board of Directors Pursuant to
Government Code Section 54953(e) (Agenda Item #05 C.2)

ATTACHMENTS: A. Proposed Resolution No. 2021-09 Authorizing Continued
Remote Teleconference Meetings for the Board of Directors
and Every Committee of the Board of Directors Pursuant to
Government Code Section 54953(e)
B. Resolution No. 2021-08 Delegating Authority to Executive
Committee to Adopt Findings Pursuant to Government
Code Section 54953(e)

MCE Executive Committee:

SUMMARY:

Assembly Bill (AB) No. 361 (Rivas), signed by Governor Gavin Newsom on September 16, 2021, amends the Brown Act¹ to allow a local agency to continue using teleconferencing during a state-proclaimed state of emergency without meeting certain Brown Act teleconference requirements.

On October 7, 2021, your Board, by Resolution 2021-07, made a finding that the Governor designated a state of emergency and that the state of emergency continued to directly impact the ability of board members to meet safely in person. This finding allowed for meetings to be held via teleconference. At that same meeting, by Resolution 2021-08, your Board delegated the authority to the Executive Committee to reconsider this finding every 30 days, per the requirements of AB 361.

¹ Gov. Code, §§ 54950 et seq.

Given the continued emergency-state of the Covid-19 pandemic, there is an ongoing need for continuing to hold teleconference meetings for the MCE Board of Directors, MCE Executive Committee, and MCE Technical Committee. Therefore, to continue holding teleconference meetings for the next 30 days, the Executive Committee must make the following findings by majority vote:

1. The Executive Committee has reconsidered the circumstances of the state of emergency, as designated by the Governor.
2. The Executive Committee finds that one or both of the following circumstances still exists:
 - a. The state of emergency continues to directly impact the ability of members to meet safely in person; or
 - b. State or local officials continue to impose or recommend measures to promote social distancing.

Staff recommends adopting proposed Resolution No. 2021-09 Authorizing Continued Remote Teleconference Meetings for the Board of Directors and Every Committee of the Board of Directors Pursuant to Government Code Section 54953(e), which makes the subsequent required AB 361 findings for authorizing remote teleconference meetings for the next 30 days.

Fiscal Impacts: None.

Recommendation:

Adopt proposed Resolution No. 2021-09 Authorizing Continued Remote Teleconference Meetings for the Board of Directors and Every Committee of the Board of Directors Pursuant to Government Code Section 54953(e).

RESOLUTION NO. 2021-09

A RESOLUTION OF THE EXECUTIVE COMMITTEE OF MARIN CLEAN ENERGY AUTHORIZING CONTINUED REMOTE TELECONFERENCE MEETINGS FOR THE BOARD OF DIRECTORS AND EVERY COMMITTEE OF THE BOARD OF DIRECTORS PURSUANT TO GOVERNMENT CODE SECTION 54953(e)

WHEREAS, Marin Clean Energy (“MCE”) is a joint powers authority established on December 19, 2008, and organized under the Joint Exercise of Powers Act, constituting Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the California Government Code, as amended and supplemented (the “Act”); and

WHEREAS, MCE members include the following communities: the County of Marin, the County of Contra Costa, the County of Napa, the County of Solano, the City of American Canyon, the City of Belvedere, the City of Benicia, the City of Calistoga, the City of Concord, the Town of Corte Madera, the Town of Danville, the City of El Cerrito, the Town of Fairfax, the City of Lafayette, the City of Larkspur, the City of Martinez, the City of Mill Valley, the Town of Moraga, the City of Napa, the City of Novato, the City of Oakley, the City of Pinole, the City of Pittsburg, the City of Pleasant Hill, the City of San Ramon, the City of Richmond, the Town of Ross, the Town of San Anselmo, the City of San Pablo, the City of San Rafael, the City of Sausalito, the City of St. Helena, the Town of Tiburon, the City of Vallejo, the City of Walnut Creek, and the Town of Yountville; and

WHEREAS, MCE is subject to various provisions of the California Government Code; and

WHEREAS, Government Code section 54953(e), as amended by Assembly Bill No. 361, allows legislative bodies to hold open meetings by teleconference without reference to otherwise applicable requirements in Government Code section 54953(b)(3), so long as the legislative body complies with certain requirements, there exists a declared state of emergency, and one of the following circumstances is met:

1. State or local officials have imposed or recommended measures to promote social distancing.
2. The legislative body is holding the meeting for the purpose of determining whether as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees.
3. The legislative body has determined that, as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees.

WHEREAS, the Governor of California proclaimed a state of emergency pursuant to Government Code section 8625 on March 4, 2020; and

WHEREAS, the MCE Board of Directors previously adopted Resolution No. 2021-07 finding that the requisite conditions exist for the MCE Board of Directors, MCE Executive Committee, and MCE Technical Committee to conduct teleconference meetings under California Government Code section 54953(e); and

WHEREAS, Government Code section 54953(e)(3) requires the legislative body adopt certain findings every 30 days by majority vote to continue holding open meetings by teleconference without reference to otherwise applicable requirements in Government Code section 54953(b)(3); and

WHEREAS, the MCE Board of Directors previously adopted Resolution No. 2021-08 delegating authority to the MCE Executive Committee to adopt certain findings every 30 days in accordance with Government Code section 54953(e), for continued remote teleconference meetings for the Board of Directors and any committee of the Board of Directors; and

WHEREAS, the MCE Executive Committee desires to continue holding its public meetings by teleconference consistent with Government Code section 54953(e).

NOW, THEREFORE, BE IT RESOLVED by the MCE Executive Committee:

- A. The Recitals set forth above are true and correct and are incorporated into this Resolution by this reference.
- B. The Executive Committee hereby finds and declares the following, as required by Government Code section 54953(e)(3):
 1. The Executive Committee has reconsidered the circumstances of the state of emergency declared by the Governor pursuant to his or her authority under Government Code section 8625;
 2. The state of emergency continues to directly impact the ability of members of the MCE Board of Directors and members of every committee of the Board of Directors to meet safely in person; and
 3. State and local officials have imposed or recommended measures to promote social distancing.

PASSED AND ADOPTED by the MCE Executive Committee on this 5th day of November, 2021, by the following vote:

| | AYES | NOES | ABSTAIN | ABSENT |
|----------------|-------------|-------------|----------------|---------------|
| County of Napa | | | | |

| | | | | |
|-------------------------|--|--|--|--|
| City of American Canyon | | | | |
| City of Belvedere | | | | |
| City of Calistoga | | | | |
| City of Concord | | | | |
| City of El Cerrito | | | | |
| Town of Fairfax | | | | |
| City of Larkspur | | | | |
| City of Napa | | | | |
| City of Novato | | | | |
| City of Pinole | | | | |
| City of Pittsburg | | | | |
| City of Richmond | | | | |
| Town of Ross | | | | |
| Town of San Anselmo | | | | |
| City of St. Helena | | | | |
| City of Walnut Creek | | | | |
| Town of Yountville | | | | |

CHAIR, MCE

Attest:

SECRETARY, MCE

RESOLUTION NO. 2021-08

A RESOLUTION OF THE BOARD OF DIRECTORS OF MARIN CLEAN ENERGY DELEGATING AUTHORITY TO EXECUTIVE COMMITTEE TO ADOPT FINDINGS PURSUANT TO GOVERNMENT CODE SECTION 54953(e)

WHEREAS, Marin Clean Energy (“MCE”) is a joint powers authority established on December 19, 2008, and organized under the Joint Exercise of Powers Act, constituting Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the California Government Code, as amended and supplemented (the “Act”); and

WHEREAS, MCE members include the following communities: the County of Marin, the County of Contra Costa, the County of Napa, the County of Solano, the City of American Canyon, the City of Belvedere, the City of Benicia, the City of Calistoga, the City of Concord, the Town of Corte Madera, the Town of Danville, the City of El Cerrito, the Town of Fairfax, the City of Lafayette, the City of Larkspur, the City of Martinez, the City of Mill Valley, the Town of Moraga, the City of Napa, the City of Novato, the City of Oakley, the City of Pinole, the City of Pittsburg, the City of Pleasant Hill, the City of San Ramon, the City of Richmond, the Town of Ross, the Town of San Anselmo, the City of San Pablo, the City of San Rafael, the City of Sausalito, the City of St. Helena, the Town of Tiburon, the City of Vallejo, the City of Walnut Creek, and the Town of Yountville; and

WHEREAS, MCE is subject to various provisions of the California Government Code; and

WHEREAS, Government Code section 54953, as amended by Assembly Bill No. 361, allows legislative bodies to continue to hold open meetings by teleconference without reference to otherwise applicable requirements in Government Code section 54953(b)(3), so long as certain findings are adopted by the legislative body every 30 days under Government Code Section 5493(e); and

WHEREAS, from time to time, the Board of Directors delegates certain rights and responsibilities to the Executive Committee; and

WHEREAS, the Executive Committee meets more frequently than the Board of Directors and will be better able to adopt certain findings every 30 days in accordance with Government Code section 54953(e) to allow the Board of Directors and any Committee of the Board of Directors to continue holding open meetings by teleconference; and

WHEREAS, the Board of Directors shall not be divested of any such authority as described herein, but shall retain and may exercise such authority at such times as it may deem necessary and proper, at its sole discretion.

NOW, THEREFORE, BE IT RESOLVED by the MCE Board of Directors:


- A. The Recitals set forth above are true and correct and are incorporated into this Resolution by this reference.
- B. The Board of Directors hereby delegates the following authority:
1. The Executive Committee is hereby authorized to adopt certain findings every 30 days in accordance with Government Code section 54953(e), for continued remote teleconference meetings for the Board of Directors and any committee of the Board of Directors.

PASSED AND ADOPTED by the MCE Board of Directors on this 7th day of October, 2021, by the following vote:

| | AYES | NOES | ABSTAIN | ABSENT |
|-------------------------|------|------|---------|--------|
| County of Marin | X | | | |
| Contra Costa County | X | | | |
| County of Napa | X | | | |
| County of Solano | | | | X |
| City of American Canyon | X | | | |
| City of Belvedere | | | | X |
| City of Benicia | X | | | |
| City of Calistoga | X | | | |
| City of Concord | X | | | |
| Town of Corte Madera | X | | | |
| Town of Danville | X | | | |
| City of El Cerrito | X | | | |
| Town of Fairfax | X | | | |
| City of Lafayette | X | | | |
| City of Larkspur | X | | | |
| City of Martinez | X | | | |
| City of Mill Valley | | | | X |
| Town of Moraga | | | | X |
| City of Napa | X | | | |
| City of Novato | X | | | |
| City of Oakley | | | | X |
| City of Pinole | X | | | |
| City of Pittsburg | X | | | |

| | | | | |
|-----------------------|---|--|--|---|
| City of Pleasant Hill | | | | X |
| City of San Ramon | | | | X |
| City of Richmond | X | | | |
| Town of Ross | X | | | |
| Town of San Anselmo | X | | | |
| City of San Pablo | | | | X |
| City of San Rafael | X | | | |
| City of Sausalito | X | | | |
| City of St. Helena | X | | | |
| Town of Tiburon | X | | | |
| City of Vallejo | X | | | |
| City of Walnut Creek | | | | X |
| Town of Yountville | X | | | |


DocuSigned by:



CHAIR, MCE

Attest:

DocuSigned by:



SECRETARY, MCE



November 5, 2021

TO: MCE Executive Committee

FROM: Stephanie Chen, Senior Policy Counsel

RE: 2021 MCE Climate Action Leadership Award Nomination
(Agenda Item #06)

Dear Executive Committee Members:

SUMMARY:

BACKGROUND:

MCE created the Climate Action Leadership Award in 2020 as a way to celebrate policymakers and advocates who have made significant contributions toward California's fight against climate change through energy policy. MCE staff will select an individual who has made a significant impact on policies that benefit CCA customers and advance efforts to combat climate change through clean energy, either during the past year or over an extended career in service to the public. The award is open to 1) regulators, legislators, and other government decision-makers; and 2) stakeholders who have partnered with MCE to effectively advocate for policies that benefit MCE's communities and our planet.

Last year, the inaugural Climate Action Leadership Award was presented to California Senator Mike McGuire (D-Healdsburg). This year, staff is pleased to nominate Assemblymember Cecilia Aguiar-Curry (D-Winters) to receive the Climate Action Leadership Award at an upcoming Board meeting.

2021 NOMINATION: California Assemblymember Cecilia Aguiar-Curry

Cecilia Aguiar-Curry was elected to the California Assembly in 2016 to represent the 4th District, which includes all or parts of Napa, Lake, Yolo, Sonoma, Colusa and Solano counties. She resides in the town of Winters, her hometown, where she served as the first female mayor.

Assemblymember Aguiar-Curry is a strong advocate for rural communities and has long been engaged in energy issues, particularly in helping advocate for biomass and biomethane resource procurement given her predominantly agricultural and wildfire-ravaged district. Her district has been extremely impacted by wildfires and public safety power shutoffs (PSPS events), and she represents areas impacted by the deadly 2017 Tubbs fire and other wine country fires over the past few years.

MCE has established a good relationship with Assemblymember Aguiar-Curry over the past few years, and she has become a key ally for CCAs. During her time in the Assembly, she has been helpful in blocking anti-CCA legislation and working with CCA adversaries on solutions that work for all parties. She voted “no” on AB 56 (Garcia), a 2019 bill that would have threatened the procurement autonomy of CCAs. This year, Assemblymember Aguiar-Curry authored AB 843, co-sponsored by MCE and Pioneer Community Energy, which allows CCAs to participate in the BioMAT program – making bioenergy procurement more affordable for CCA customers. Her authorship was instrumental in the bill’s success, as she was able to work with all stakeholders (labor, IOUs, and the CPUC) to work out a compromise that not only was signed by the Governor, but was unopposed in both legislative houses.

Fiscal Impacts: None

Recommendation:

Approve staff’s recommendation to present the 2021 Climate Action Leadership Award to Assemblymember Cecilia Aguiar-Curry at an upcoming Board meeting.



November 5, 2021

TO: MCE Executive Committee

FROM: Garth Salisbury, Director of Finance & Treasurer
Justin Kudo, Senior Strategic Analysis and Rates Manager
John Dalessi, CEO, Pacific Energy Advisors

RE: Proposed MCE Rate Adjustment (Agenda Item #07)

Dear Executive Committee Members:

Executive Summary

The MCE Implementation Plan and Statement of Intent ("Implementation Plan") describes the policies and procedures for setting and modifying electric rates for MCE. MCE rates are typically reviewed on an annual basis as part of MCE's budget-setting process, and after PG&E has made its primary annual rate update to determine whether rate changes are warranted in consideration of MCE's cost of service, revenue sufficiency in the fiscal year's proposed budget, rate competitiveness, rate stability, customer understanding, efficiency and equity among customers.

While MCE has not increased rates since 2019, significant increases in energy and Resource Adequacy ("RA" or "capacity") requirements and costs have resulted in lower-than-expected net revenues and created a need to reexamine and adjust MCE's current rate structure.

The Ad Hoc Ratesetting Committee met on October 20th where current and projected cost and revenue data was discussed and evaluated. The Committee agreed with the staff recommendation that rates be adjusted January 2022 to achieve a 2% discount relative to PG&E's generation rates, subject to a minimum rate increase of \$0.003/kWh and a maximum increase of \$0.01/kWh.

The range-based proposal was developed based upon projections of necessary cost recovery in MCE's current (2021/22) and future fiscal years' budgets, and in light of the current forecast of PG&E rates. Final PG&E rate adjustments will not be available until the end of December 2021. Setting a relative discount to PG&E rates helps ensure the rates enacted are cost competitive, while a minimum increase ensures MCE revenue sufficiency.

As proposed, MCE customers should expect to save about \$0.002/kWh (\$1.07 on a typical

household bill) relative to PG&E starting in January, primarily driven by lower Power Charge Indifference Adjustment (PCIA) costs and higher PG&E generation rates. This is subject to PG&E's final rates falling within the forecast range; PG&E will provide an updated forecast on November 15, 2021 as part of its Annual Electric True-up (AET) preliminary filing, with final rates available at or around December 31st, 2021.

MCE Ratesetting Cycle, Objectives and Process

Ratesetting Cycle: MCE typically adjusts its rates on an annual basis, following a process of discussion, review, and public notification. Ratesetting is usually coordinated with the annual budgeting cycle (April 1 – March 31 of the ensuing year) due to the inherent linkages between the MCE budget and MCE rates. Rates may also be adjusted off cycle, when necessary, to ensure recovery of all MCE costs. Due to delays in PG&E's 2019 ratesetting, your Board last changed its rates on July 1, 2019. MCE has not adjusted rates since that time as MCE achieved revenue sufficiency in each of the last two completed fiscal years.

The initial release of MCE's proposed rates initiates a thirty-day public review and comment period. If rate increases are being proposed, the affected MCE customers are provided with notice of proposed rate increases. Following completion of the thirty-day public review and comment period, final rates are adopted by the Board. Final rates may differ from the initially proposed rates to account for changes in MCE's budget, consideration of public comments received during the aforementioned review period, changes in PG&E rate forecasts, and/or other factors that may be considered by your Board.

Implementation of PG&E's 2022 AET is expected to occur on January 1, 2022. Current forecasts are based on PG&E compliance filings from earlier this year, pending changes to costs approved by the California Public Utilities Commission, and updated market prices. PG&E will release its mid-November preliminary AET filing on November 15, 2021, immediately prior to MCE's Board of Directors meeting. Final rates typically do not become public until the final week of December.

Ratesetting Objectives: MCE has established various objectives that are considered in designing MCE rates. These ratesetting objectives are as follows:

Revenue sufficiency: rates must recover all expenses, debt service and other expenditure requirements, and build prudent reserves; i.e., the "revenue requirement".

Rate competitiveness: rates must allow MCE to successfully compete in the marketplace to retain and attract customers.

Rate stability: rate changes should be minimized to reduce customer bill impacts.

Customer understanding: rates should be simple, transparent and easily understood by customers.

Equity among customers: rate differences among customers should be justified by differences in usage characteristics and/or cost of service.

Efficiency: rates should encourage conservation and efficient use of electricity (e.g., off-peak vehicle charging or time-of-use load shifting).

To the extent that the objectives may be in tension with one another, the rate proposal attempts to strike an appropriate balance. For example, a cost-of-service analysis might suggest that a particular rate should be increased, but the increase might be limited in the interest of rate stability and/or rate competitiveness. In accordance with the Implementation Plan, the policy of revenue sufficiency may not be violated; however, the Board may use discretion in how the other ratesetting objectives are reflected in MCE rates.

Ratesetting Process: The ratesetting process is based on a forecast of MCE electric revenue for the coming fiscal year, determined by examining the forecast load for each rate class. The forecast includes current customers, as well as any communities expected to begin MCE service, organized by forecast monthly billing quantities expected under each rate class. Depending upon the rate class in question, billing quantities can include monthly energy usage (kWh), hourly or aggregated load profiles, peak coincident demand, and peak capacity (kW) demand during specified time-of-use periods. The forecasted billing quantities are multiplied by applicable rates to derive a forecast of revenues at current MCE rates.

The projected revenue at current rates is compared to fiscal year budget items that must be funded through such rates (the “revenue requirement”) to determine whether rate adjustments are warranted for purposes of addressing any projected surplus or deficit.

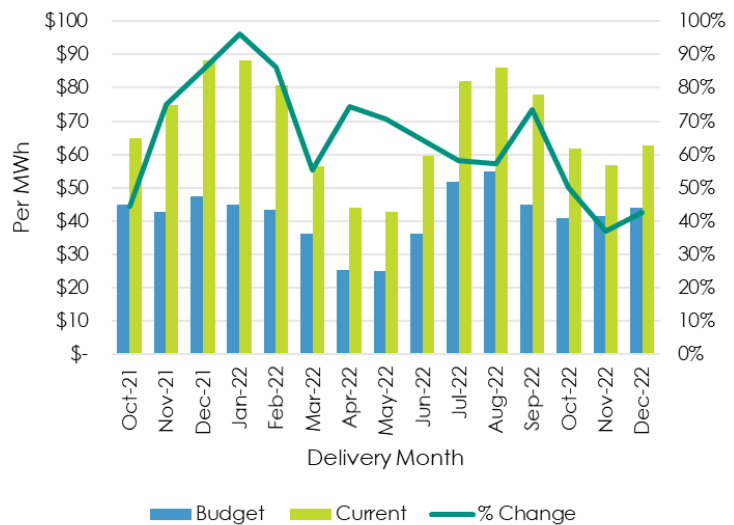
Rates are designed for the various schedules associated with each customer class in order to recover the revenue requirement allocated to that class. Rates are also evaluated for other key ratesetting considerations, such as cost competitiveness, equity among customers, peak-to-off-peak ratios, and so forth. There are currently 75 rate schedules and over 400 rate components which are adjusted during a rate change cycle.

Increasing Wholesale Power Prices

Prices in the wholesale power markets have increased dramatically in the past several months, and these increases have impacted MCE’s current power supply budget as well as projections in future years. The two major categories of MCE’s power supply expenses are energy and RA. The costs for both categories have increased. Energy, typically measured in megawatt hours, is the electricity that is used by consumers and produced by electric generators. Capacity, typically measured in megawatts, is the maximum amount of energy that can be produced at any instant. MCE sells energy to its customers and must buy RA capacity to meet its peak monthly loads plus a reserve margin to help ensure reliability of serving the load.

Energy Costs: Wholesale energy prices in California have been impacted by tighter supplies and the recent runups in natural gas prices. MCE purchases most of the energy delivered to its customers from renewable and hydroelectric supplies, but MCE is still impacted by the rise in wholesale electricity prices because many of these contracts are tied to prevailing prices in the wholesale electricity market. During peak times, when wind and solar are not available, the grid operator dispatches natural gas fueled generation, and these generators tend to set the wholesale market price for all electricity transacted through the market. These effects are compounded by the severe drought because significant lower hydroelectric production is being offset with increased use of natural gas to generate California's electricity.

Figure 1. Forward System Energy Prices 2021-2022

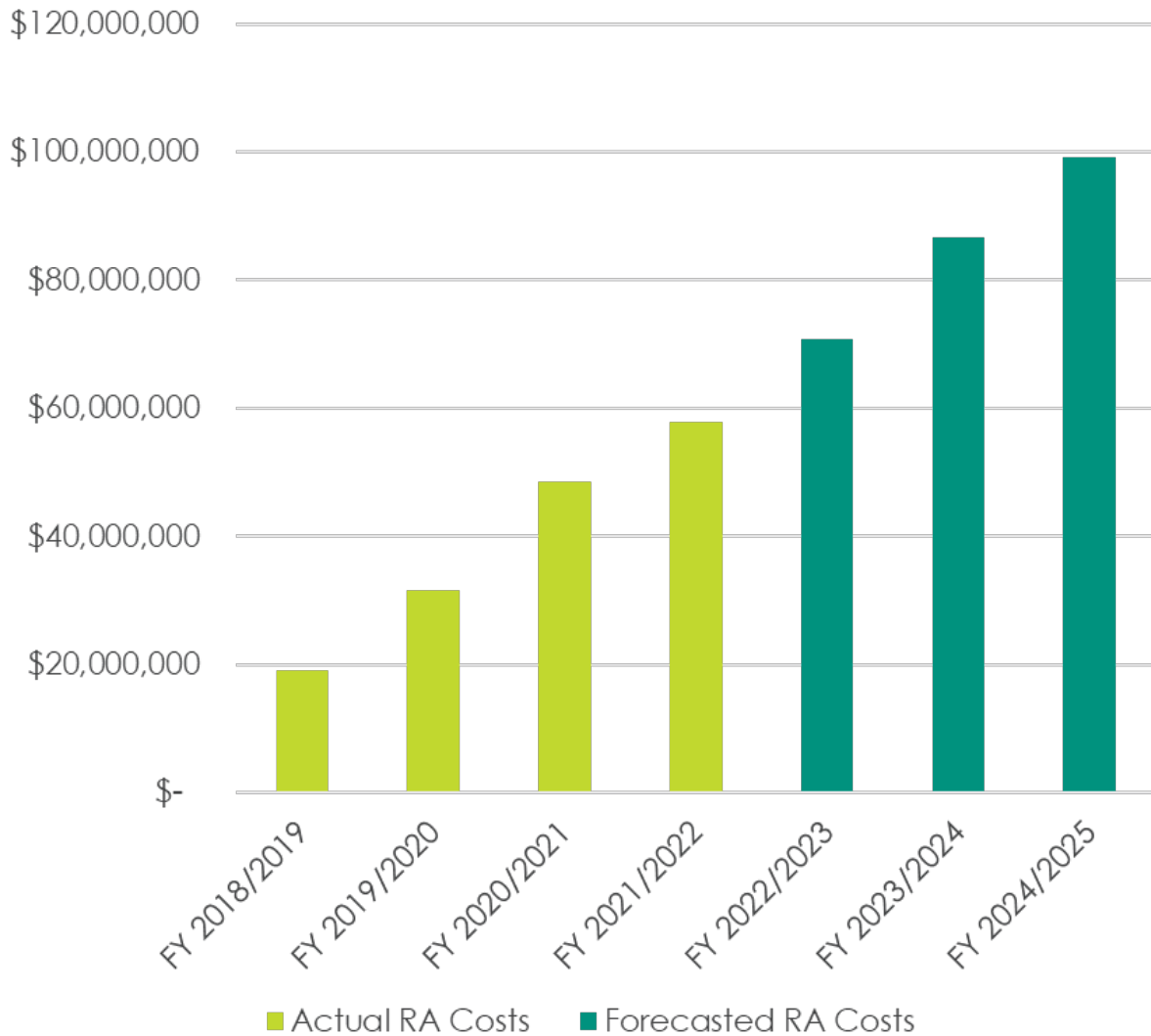


Consistent with its energy risk management policy and industry best practices, MCE buys most of its energy requirements many months in advance of actual delivery to help manage its exposure to volatile short term spot prices. Since the time when MCE's current budget was adopted and now, the wholesale price of electricity for future delivery has risen by 60% as shown in Figure 1. MCE's existing contracts largely protect MCE from these significant price increases in the near term, but MCE's power supply costs are increasing as contracts expire and new purchases are being made at much higher prices than in recent years.

Resource Adequacy Capacity Costs: RA capacity costs have been trending higher for the past several years as the supply/demand balance for generating capacity has moved from surplus to shortage. Natural gas-powered generation retirements and the planned shutdown of the state's last nuclear power plant have reduced available RA capacity, and new capacity has not kept pace. Additionally, regulatory changes have reduced the value of RA that can be supplied by solar and wind resources and imports from neighboring states. These factors have contributed to a tripling of MCE's RA costs since 2018 (Figure 2), greatly outpacing the increase in MCE's overall customer base during this time. RA capacity costs are projected to increase by another \$13 million in MCE's next fiscal year, and prices are not expected to moderate until new generation and storage capacity

comes online over the next several years.

Figure 2. MCE Resource Adequacy Costs Since FY 2018/19



Effects of Increased Costs on MCE's Budgets and Budgeting Process

Since the last rate increase in July of 2019, the agency's net revenues (additions to Net Position) have been steadily declining even though our number of customer accounts and top line revenue numbers have been increasing as new communities join MCE. This decline in net revenues is being driven by a number of expense factors including increasing costs for energy and RA and, to a lesser extent, the effects of the pandemic: primarily increased delinquencies. These increased cost trends for energy and RA are

predicted to continue into the future. Figure 3 depicts MCE's historical additions to Net Position since 2020 and our projected additions to Net Position for 2022 through 2025 assuming no changes to our rates.

The reduction in our projected addition to Net Position in the current fiscal year (FY 2021/22) is driven almost entirely by the cost of providing energy and RA to our customers. These costs are projected to be over \$26 million more than originally budgeted which would reduce our addition to Net Position to approximately \$5 million.

Additionally, as we plan and procure for the future and incorporate these increased costs into our planning model, we calculate that without a rate adjustment these increased costs would eliminate our margins over the next three years and result in a loss of \$10 million in fiscal year 2024/25.

Rate Change Forecasting

The electricity costs paid by MCE customers include three distinct parts:

- 1) MCE generation rates
- 2) PG&E PCIA and Franchise Fee (FF) rates (sometimes referred to as "exit fees")
- 3) PG&E non-generation rates (colloquially referred to as T&D, for Transmission and Distribution, but inclusive of other charges such as Public Purpose Programs, Nuclear Decommissioning, the Wildfire Fund Charge, Conservation Incentive Adjustments, and other nominal fees)

MCE always includes PCIA and FF in customer cost comparisons to provide a fair comparison with PG&E's generation rates. MCE does *not* typically address changes to PG&E T&D rates, as these are assessed equally to MCE and non-MCE customers and therefore competitively irrelevant. However, since customers will experience changes to all three components concurrently in January, T&D impacts to bills are also examined herein.

Figure 3. MCE Budgeted & Actual Change in Net Position, FY 2019/20 to FY 2024/25

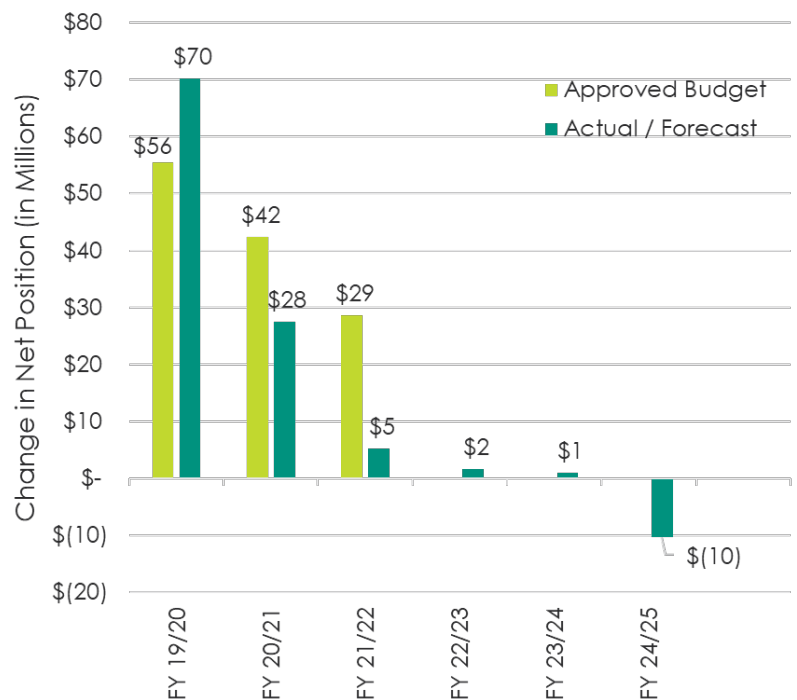
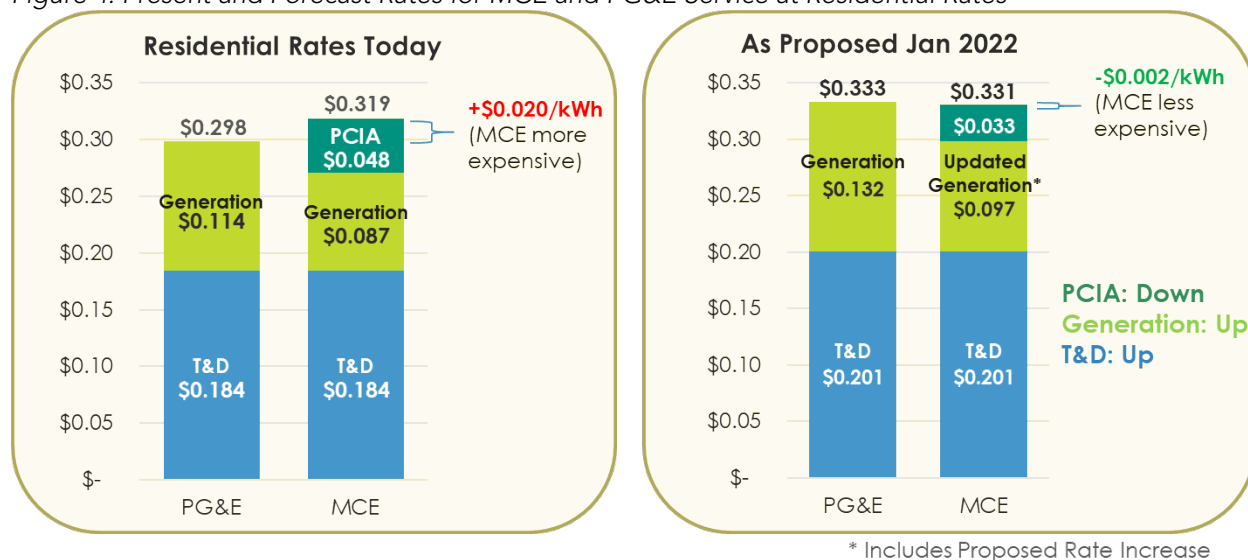


Figure 4. Present and Forecast Rates for MCE and PG&E Service at Residential Rates



As proposed, MCE's system average generation rates would increase by 3-12%

MCE's current system average rate is \$0.085/kWh. The Ad Hoc Ratesetting Committee has agreed with the staff recommendation that generation rates be adjusted January 2022 to achieve a 2% discount relative to PG&E's generation rates, subject to a minimum rate increase of \$0.003/kWh and a maximum increase of \$0.01/kWh.

It should be noted that PG&E's own generation rates are forecast to increase by about \$0.01 - \$0.014/kWh (12%) in January 2022, greater than MCE's proposed rate increase.

PCIA rates in January are forecast to drop by 32%

The PCIA is forecast to drop from about \$0.047/kWh today to \$0.032/kWh in 2022. The nearly \$0.015/kWh drop would provide rate relief to MCE customers and completely offset MCE's proposed generation rate increase.

There are two main drivers to the forecast decrease:

- 1) The current PCIA rate contains a significant adder for under collections in 2020 – nearly \$0.010/kWh – which is forecast to be mostly eliminated January 1, 2022.
- 2) The PCIA exists to the degree that PG&E's power supply contracts exceed their real market value. Increasing energy and resource adequacy costs have increased the market price benchmarks closer to PG&E's contract prices.

The FF is de minimis – generally well below \$0.001/kWh – and is not expected to change significantly.

PG&E's January T&D rates are forecast to increase by 6-9%

PG&E T&D rates are projected to generally increase by as much as \$0.020/kWh in January, driven by a combination of PG&E's Cost of Capital, Energy Resource Recovery Account, General Rate Case, and in particular, implementation of its Wildfire Expense Memorandum Account.

All customers in PG&E's service area, including those served by MCE, must pay into these additional increases. Exact T&D costs are highly dependent on the customer's rate schedule and the costs of providing reliable electricity to meet their usage.

Netted together, the typical MCE household should expect to see an increase to its utility charges of about \$6.41 per month, driven mostly by the \$9.41 increase to T&D charges. Meanwhile, a comparable PG&E household could expect to see a \$18.50 increase to its monthly bills.

Figure 5. Sample Residential Cost Comparison at Forecast Rates

| MCE Light Green Service 60% Renewable | PG&E Service 31% Renewable |
|--|---|
| \$51.90 MCE Electric Generation | \$70.49 PG&E Electric Generation |
| \$107.54 PG&E Electric Delivery | \$107.54 PG&E Electric Delivery |
| \$17.43 Additional PG&E Fees | |
| \$176.86 Average Total Cost | \$178.03 Average Total Cost |

Figure 6. Current and Forecast Costs for MCE and PG&E Residential Rates

| | Current Rates* | | Jan 2022 Proposed |
|---------|-----------------------|---|--------------------------|
| PG&E | \$ 159.53 | | \$ 178.03 |
| MCE | \$ 170.45 | ➔ | \$ 176.86 |
| Delta | \$ 10.92 | | \$ (1.16) |
| per kWh | \$ 0.020 | | \$ (0.002) |

* costs are for a typical household using 535 kWh/mo on a basic residential rate

If approved as proposed and forecast, a household paying \$178.03 for PG&E service could expect to pay \$176.86 under MCE service, saving 1% on their total billed charges and 2% on their MCE generation costs (inclusive of PCIA and franchise fees).

As noted previously, these numbers remain subject to change depending on market prices and certain private information held by PG&E. Staff will update these projections when PG&E provides its preliminary AET filing on November 15th, for inclusion in the presentation to MCE's Board of Directors.

Financial Impact of the Proposed Rate Change on MCE Net Revenues: A rate increase of \$0.01 effective January 1, 2022, would result in the following increase to MCE net revenues in FY 2021/22 and FY 2022/23:

Figure 7. Fiscal Impacts of Proposed Rate Changes on MCE's Net Position

| | | |
|--|---------|---------|
| Current Avg. MCE Rate per kWh | \$0.085 | \$0.085 |
| Current Net Revenue Forecast (in millions) | \$5.3 | \$1.6 |
| Proposed MCE Rate per kWh | \$0.095 | \$0.095 |
| Revised Forecast (in millions) | \$17.5 | \$59.9 |

The effect of the proposed rate increase in the current fiscal year should marginally improve net revenues, and yet the addition to Net Position will likely remain well below budget. The anticipated improvement to net revenues in the 2022/23 fiscal year is projected to allow MCE to meet its Reserve Policy goals and should allow a meaningful deposit to the Operating Reserve Fund.

Fairfield Enrollment

MCE will be offering service to customers in the City of Fairfield, starting in April of 2022. Staff has identified that these customers are expected to have a higher PCIA vintaged rate than other customers during calendar year 2022. The Ad Hoc Ratesetting Committee has agreed that MCE enact a flexible rate program, similar to that enacted by your Board in unincorporated Solano County during 2020, to ensure that Fairfield customers have similar costs to other MCE customers at-large.

Each community has a PCIA "Vintage" based on the date that the community started MCE service. Generally, these rates are very similar to one another regardless of Vintage. However, current forecasting shows that the 2021 PCIA Vintage¹ may be about \$0.009/kWh higher than the PCIA paid by other customers during 2022.

A flexible rate program would create a credit to refund the difference between the 2021 PCIA Vintage and the next highest existing Vintage. Based on current forecasts, the credit would need to be about \$0.009/kWh and would expire January 1, 2023, resulting in an estimated cost in FY 22/23 of \$4 million.

Fiscal Impacts: If a \$0.01/kWh rate increase is implemented on January 1, 2022 it is projected to increase net revenues to \$17.5 million in FY 2021/22 and to \$60 million in FY 2022/23. The minimum increase of \$0.003/kWh implemented on January 1, 2022 would be projected to increase net revenues to \$9 million in FY 2021/22 and to \$20 million in FY 2022/23.

¹ PCIA Vintages are based on a July 1 date, therefore the 2021 Vintage applies to communities enrolled between July 1, 2021 and June 30, 2022.

Recommendations:

Recommend that the MCE Board authorize staff to:

1. Adjust system average rates on or after January 1, 2022 to achieve a 2% discount relative to PG&E's generation rates, subject to a minimum rate increase of \$0.003/kWh and a maximum increase of \$0.01/kWh.
2. Enact a flexible rate program for customers in the City of Fairfield effective from March 1, 2022 through December 31, 2022, which refunds customers on the 2021 and 2022 PCIA vintages the difference between these vintages and the next highest vintage.



MARIN COUNTY | NAPA COUNTY | UNINCORPORATED CONTRA COSTA COUNTY | UNINCORPORATED SOLANO COUNTY
BENICIA | CONCORD | DANVILLE | EL CERRITO | LAFAYETTE | MARTINEZ | MORAGA | OAKLEY | PINOLE
PITTSBURG | PLEASANT HILL | RICHMOND | SAN PABLO | SAN RAMON | VALLEJO | WALNUT CREEK

DRAFT

Board of Directors Meeting Thursday, November 18, 2021 7:00 P.M.

This Meeting will be conducted via teleconference pursuant to the requirements of [Assembly Bill No. 361](#). By using teleconference for this meeting, MCE continues to promote social distancing measures recommended by local officials.

Members of the public who wish to observe the Meeting and/or offer public comment may do so telephonically via the following teleconference call-in number and meeting ID:

For Viewing Access Join Zoom Meeting:

<https://us02web.zoom.us/j/84781591169?pwd=d2R4dFRqZzFaOFU3RGlhUDFBWUFuUT09>

Dial-in:(669)900-9128
Webinar ID: 847 8159 1169
Passcode: 376527

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1. Roll Call/Quorum
2. Board Announcements (Discussion)
3. Public Open Time (Discussion)
4. Report from Chief Executive Officer (Discussion)
5. Consent Calendar (Discussion/Action)
 - C.1 Approval of 7.15.21 Meeting Minutes
 - C.2 Approval of 10.7.21 Meeting Minutes
 - C.3 Approved Contracts for Energy Update
6. MCE Records Retention Policy Update - Policy 003 (Discussion/Action)

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7. Proposed MCE Rate Adjustment (Discussion/Action)
8. Report on Completed Renewable Prepayment Transaction (Discussion)
9. Form 700 Statements of Interest (Discussion)
10. Board Matters & Staff Matters (Discussion)
11. Adjourn

DISABLED ACCOMMODATION: If you are a person with a disability which requires an accommodation, or an alternative format, please contact the Clerk of the Board at (925) 378-6732 as soon as possible to ensure arrangements for accommodation.