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. Proposed MCE Rate Adjustment (Discussion/Action)
7. Form 700 Statements of Interest (Discussion)

8. Board Matters & Staff Matters (Discussion)

9. 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.

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MCE BOARD MEETING MINUTES
Thursday, July 15, 2021
7:00 P.M.

The Board of Directors' Meeting was conducted pursuant to the provisions of the Governor's Executive Order N-29-20 (March 17, 2020) which suspends certain requirements of the Ralph M. Brown Act. Board Members, staff and members of the public were able to participate in the Board Meeting via teleconference.

Present:
Tom Butt, City of Richmond, Board Chair
Tom Campbell, City of Benicia
Barbara Coler, Town of Fairfax
Cindy Darling, City of Walnut Creek
Gina Dawson, City of Lafayette
David Fong, Town of Danville
Ford Greene, Town of San Anselmo
C. William Kircher, Town of Ross
Kevin Haroff, City of Larkspur
Janelle Kellman, City of Sausalito
Aaron Meadows, City of Oakley
Katy Miessner, City of Vallejo
Devin Murphy, City of Pinole
Patricia Ponce, City of San Pablo
Lisa Motoyama, Alternate, City of El Cerrito
Scott Perkins, City of San Ramon
Katie Rice, County of Marin
Matt Rinn, City of Pleasant Hill
Holland B. White, Alternate, City of Pittsburg
John Vasquez, County of Solano
Brad Wagenknecht, County of Napa

Absent:
Denise Athas, City of Novato
Edi Birsan, City of Concord
John Gioia, Contra Costa County
Maika Llorens Gulati, City of San Rafael
Leila Mongan, Town of Corte Madera
Teresa Onoda, Town of Moraga
Holli Thier, Town of Tiburon
Sally Wilkinson, City of Belvedere and City of Mill Valley
Brianne Zorn, City of Martinez

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Staff
& Others: Jesica Brooks, Assistant Board Clerk
Nicole Busto, Marketing Manager
Michael Callahan, Senior Policy Counsel
Stephanie Chen, Senior Policy Counsel
Melissa Giles, Manager of Strategic Marketing and Communications
Leanne Hoadley, Manager of Community and Customer Engagement
Darlene Jackson, Board Clerk
Vicken Kasarjian, Chief Operating Officer
Catalina Murphy, Legal Counsel II
Justine Parmelee, Manager of Administrative Services
Sol Phua, Administrative Services Assistant II
Garth Salisbury, Director of Finance and Treasurer
Lindsay Saxby, Director of Power Resource
Shalini Swaroop, General Counsel and Director of Policy
Enyonam Senyo-Mensah, Administrative Services Associate
Dawn Weisz, Chief Executive Officer

1. Roll Call
Chair Butt called the regular meeting to order at 7:02 p.m. with quorum established by roll call.

2. Board Announcements (Discussion)
There were no announcements made.

3. Public Open Time (Discussion)
Chair Butt opened the public comment period and there were no comments.

4. Report from Chief Executive Officer (Discussion)
CEO, Dawn Weisz, reported the following:
   - Special welcome to the alternates attending this evening.
   - MCE received a complaint today about door-to-door activity that appears to be from a company called Greenwave Energy. We have been told this company has representatives in San Ramon and Vallejo soliciting customers for third-party gas services wearing MCE hats and shirts. Please let us know if you hear of any activity like this in your communities.
   - Approximately 35% of customers eligible for MCE Cares Credit-COVID relief have been signed up and are now receiving monthly credits.
   - The CPUC approved MCE's request for an additional $4 million in funding for our commercial energy efficiency program.
   - The FlexMarket Program which pays for load reduction during peak hours to support grid reliability and avoid peak energy prices, launched on June 1st. Over 200 customers are already participating and the first two demand reduction events were called on June 16 and 17 in response to the heat wave.

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- MCE has coordinated a proposal to the CEC for a public-private partnership requesting $3 million in grant funds to support the development of Richmond Green Hydrogen One as an extension of MCE's Solar One project on the Chevron refinery site. We received letters of support from Senator Nancy Skinner, the Bay Area Air Quality Management District, and our local workforce partner, RichmondBUILD. Awards that allow us to move to the next level of application will be announced next week. We also have several other renewable hydrogen pilot projects in early vetting stages.

5. Consent Calendar (Discussion/Action)

C.1 Approval of 5.20.21 Meeting Minutes
C.2 Approved Contracts for Energy Update
C.3 Update MCE Voting Shares
C.4 Resolution 2021-06 Amending MCE's Conflict of Interest Code
C.5 Proposed Agreement with Questica LTD for Software Subscription Services

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

Action: It was M/S/C (Wagenknecht/Greene) to **approve Consent Calendar items C.1 – C.5**. Motion carried by unanimous roll call vote. (Absent: Directors Athas, Birsan, Gioia, Gulati, Mongan, Onoda, Thier, Wilkinson, and Zorn).

6. Proposed Resolution 2021-05: Authorizing the Execution and Delivery of a Clean Energy Purchase Contract and Certain Other Documents in Connection with the Issuance of the California Community Choice Financing Authority Clean Energy Project Revenue Bonds, Series 2021A; and Certain Other Actions Required to Ensure the Reduction in the Costs of Renewable Energy Therewith (Discussion/Action)

Garth Salisbury, Director of Finance & Treasurer, Lindsay Saxby, Director of Power Resources, Michael Callahan, Senior Policy Counsel, and Catalina Murphy, Legal Counsel II, jointly presented this item and addressed questions from Board members.

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

Action: It was M/S/C (Perkins/Haroff) to **adopt Resolution 2021-05: Authorizing the Execution and Delivery of a Clean Energy Purchase Contract and Certain Other Documents in Connection with the Issuance of the California Community Choice Financing Authority Clean Energy Project Revenue Bonds, Series 2021A; and Certain Other Actions Required to Ensure the Reduction in the Costs of Renewable Energy Therewith**. Motion carried by

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unanimous roll call vote. (Absent: Directors Athas, Birsan, Gioia, Gulati, Mongan, Onoda, Thier, Wilkinson, and Zorn).

7. Proposed Fiscal Year 2020/21 Deposit to MCE's Operating Reserve Fund (Discussion/Action)

   Garth Salisbury, Director of Finance & Treasurer, introduced this item and addressed questions from Board members.

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

Action: It was M/S/C (Coler/Miessner) **to approve a deferral of $4,500,000 into the Operating Reserve Fund for fiscal year 2020/21.** Motion carried by unanimous roll call vote. (Absent: Athas, Birsan, Gioia, Gulati, Mongan, Onoda, Thier, Wilkinson, and Zorn).

8. MCECares Campaign Update (Discussion)
   Melissa Giles, Manager of Strategic Marketing, introduced this item and addressed questions from Board members.

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

Action: No action required.

9. Legislative Update (Discussion)
   Stephanie Chen, Senior Policy Counsel, introduced this item and addressed questions from Board members.

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

Action: No action required.

10. Heat-related Seasonal Risks and MCE's Response (Discussion)
    Leanne Hoadley, Manager of Community and Customer Engagement, Justine Parmelee, Manager of Administrative Services, Nicole Busto, Marketing Manager, and Lindsay Saxby, Director of Power Resource jointly presented this item and addressed questions from Board members.

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

Action: No action required.

11. Board Matters & Staff Matters (Discussion)
    Comments were made by Director Coler.

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12. Adjournment
    Chair Butt adjourned the meeting at 8:53 p.m. to the next scheduled Board Meeting on August 19, 2021.

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Tom Butt, Chair

Attest:

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Dawn Weisz, Secretary

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MCE SPECIAL MEETING MINUTES
Thursday, October 7, 2021
9:00 A.M.

This 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.

Call to Order: Chair Butt called the Special Meeting to order at 9:02 a.m.

Present:
Denise Athas, City of Novato
Edi Birsan, City of Concord
Tom Butt, City of Richmond, Board Chair
Christina Strawbridge, City of Benicia
Barbara Coler, Town of Fairfax
Cindy Darling, City of Walnut Creek
Gina Dawson, City of Lafayette
David Fong, Town of Danville
Alexis Fineman, Alternate, Town of San Anselmo
John Gioia, Contra Costa County
Maika Llorens Gulati, City of San Rafael
C. William Kircher, Town of Ross
Kevin Haroff, City of Larkspur
Janelle Kellman, City of Sausalito
Katy Miessner, City of Vallejo
Leila Mongan, Town of Corte Madera
Devin Murphy, City of Pinole
Gabriel Quinto, City of El Cerrito
Katie Rice, County of Marin
Shanelle Scales-Preston, City of Pittsburg
Holli Thier, Town of Tiburon
Brad Wagenknecht, County of Napa
Brianne Zorn, City of Martinez

Absent:
Aaron Meadows, City of Oakley
Teresa Onoda, Town of Moraga
Scott Perkins, City of San Ramon
Patricia Ponce, City of San Pablo
Matt Rinn, City of Pleasant Hill
John Vasquez, County of Solano
Sally Wilkinson, City of Belvedere and City of Mill Valley

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Staff
& Others: Jesica Brooks, Assistant Board Clerk
Stephanie Chen, Senior Policy Counsel
Darlene Jackson, Board Clerk
Vicken Kasarjian, Chief Operating Officer
Alice Havenar-Daughton, Director of Customer Programs
Leanne Hoadley, Manager of Community and Customer Engagement
Justin Marquez, Community Development Manager
Alexandra McGee, Manager of Strategic Initiatives
Sol Phua, Administrative Assistant II
Evelyn Reyes, Administrative Services Assistant
Lindsay Saxby, Director of Power Resources
Enyonam Senyo-Mensah, Administrative Services Associate
Heather Shepard, Director of Public Affairs
Shalini Swaroop, General Counsel
Dawn Weisz, Chief Executive Officer

1. Roll Call
Roll call was conducted and quorum established.

2. Public Open Time (Discussion)
There were comments made by member of the public Ken Strong.

3. Opening Remarks and State of MCE (Discussion)
Opening remarks were provided by Chair Butt, Vice Chair Scales-Preston, Leanne Hoadley, Manager of Community and Customer Engagement, and CEO, Weisz. Chair Butt noted a few things indicating how far MCE has come.
   - MCE continues to lead California in renewable electricity and the agency is providing our member communities with more than 15 programs in addition to our core clean energy electricity service.
      - Portfolio 98% clean energy, reporting 90% carbon-free based on state reporting.
   - Energy Equity underpins the vast majority of our programs and service and is a core component of our mission. We have a special focus on communities burdened by pollution, power shut offs, medical equipment and those communities with less access to clean energy employment.
      - This past year we have launched many new programs, workforce partnerships and policies that support energy equity and will continue to make this a priority across the agency.
      - In 2017, MCE implemented our Sustainable Workforce and Diversity policy which equitably directs MCE's hiring, training, and purchasing efforts. In 2019 MCE launched our Diversity, Equity, and Inclusion (DEI) team to create additional support for increasing our DEI efforts across the agency.

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- MCE proposed and led the way to form the California Community Choice Financing Authority. This JPA, initially comprised of four founding member CCAs, has been set up to reduce the initial and ongoing cost to issue bonds and is expected to increase the savings to the CCAs by millions of dollars over time.
    - With MCE achieving a S&P "A" credit rating this year, the long-term commitment to conservative fiscal management has been paying off. During the first few years of operations, we had to put our revenues in a lock-box controlled in part by one of our energy suppliers to assure them we would be able to pay our bills. Fast forward 8 years; we now command the best possible terms when procuring for energy and when negotiating with potential counterparties on new renewable and storage projects. These favorable terms result in reduced cost of serving our customers. As of January of 2021, the last commercial counterparty eliminated the need for MCE to post collateral while MCE requires collateral from our lower rated counterparties and currently holds over $80 million in Letters of Credit or cash.
    - MCE remains focused on positively impacting our communities beyond our role of providing competitively priced renewable and GHG free energy. In addition to those important goals, MCE has been focused on reinvesting in our communities through energy efficiency, EV adoption and the build out of charging stations, facilitating local solar projects, investments in battery storage for resiliency and of course, the MCE Cares program.
- The Agency continues to grow a bit as more communities vote to join MCE.
    - Additional communities joining MCE means that we must procure more renewable energy to meet our clean energy/GHG reduction goals.
    - The cost of energy has been going up in recent years although we have not increased rates since 2019.
- In terms of renewable energy MCE is continuing to explore and innovate.
    - Our Green Hydrogen and our Solar & Storage efforts will be covered later this morning.
    - To help expand access to bioenergy – AB 843 was sponsored by MCE and signed by the Governor on Sept 23 as part of a historic package of climate action bills, including a $15 billion state investment in various climate and clean energy programs and funds. This bill allows CCAs to access the CPUC's BioMAT program, an existing state program that supports bioenergy electricity projects.
- As renewables become a larger part of California's grid, electric reliability in the evening hours after the sun sets is a focus for the Governor and the legislature. There are new mandates for reliability resources in the evening hours, which have significantly increased MCE's costs.

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Unfortunately, the vast majority of these reliability contracts are powered with fossil fuels.
    - One of MCE's agency goals for FY 20-21 was to deepen the transition away from fossil-based reliability resources through energy efficiency, load-shifting, and adding storage to solar.
    - In response to these reliability challenges, MCE launched several new programs:
        - Commercial Efficiency Market and the PeakFlex Market – these sister programs offer payments for long term energy efficiency or targeted demand reduction that corresponds with evening peak demand hours when electricity now costs the most. These programs are both first of their kind in California.
        - Energy Storage Program – Provides our customers with rebates, financing, and technical assistance to install batteries at their homes or businesses. The batteries provide resiliency to our customers by serving as back-up power during outages. When not using their batteries as backup power, the customer receives compensation in exchange for allowing MCE to directly control the battery to reduce peak demand in the evening hours.
        - MCEv Sync – This vehicle smart charging pilot offers customers an app that syncs to their vehicles or car chargers and helps shift vehicle charging to times of the day when renewable energy is most available.
- We have strengthened our operations and pivoted to adapt to our remote work environment from recruitment to on-boarding, training and our daily work.
    - MCE expanded our LinkedIn partnership to allow for a seamless hiring platform that provides a positive user experience for applicants and interviewees alike.
    - New staff are greeted week one with in depth introductions to each department, one-on-one trainings for MCE platforms
    - All staff participate in comprehensive year-round Diversity, Equity and Inclusion trainings
    - Staff benefits reflect work remote accessibility, including cell phone, wi-fi, and external monitor reimbursements
    - Rolled out several new platforms including a learning and training management software and increased cybersecurity for access to our day-to-day work platforms and collaboration tools
- MCE has greatly expanded our customer engagement this year through direct marketing, advertising and through community partners.
- Because our largest customers represent more than 35% of our load, we have prioritized engagement and relationship building with them over the past two years.

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  - More than 25% of our top customers are now working with MCE across multiple programs and services.
  - These are some examples of large customer partnerships and the types of projects and services we are collaborating on with them.
- A warm welcome to Fairfield who will be our 37th community to receive service starting next April!

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

4. <u>Assembly Bill No. 361: New Teleconferencing Legislation Resolution No. 2021-07 Authorizing Remote Teleconference Meetings for the Board of Directors and Every Committee of the Board of Directors Pursuant to Government Code Section 54953(e); and Resolution No. 2021-08 Delegating Authority to MCE Executive Committee to Adopt Findings Pursuant to Government Code Section 54953(e) (Discussion/Action)</u>

   Shalini Swaroop, General Counsel, presented this item and addressed questions from Board members.

Action: It was M/S/C (Haroff/Quinto) to **Adopt proposed Resolution No. 2021-07 Authorizing Remote Teleconference Meetings for the Board of Directors and Every Committee of the Board of Directors Pursuant to Government Code Section 54953(e)**. Motion carried by unanimous roll call vote. (Absent: Directors Darling, Meadows, Onoda, Rinn, Perkins, Vasquez and Wilkinson).

Action: It was M/S/C (Thier/Strawbridge) to **Adopt proposed Resolution No. 2021-08 Delegating Authority to MCE Executive Committee to Adopt Findings Pursuant to Government Code Section 54953(e).** Motion carried by unanimous roll call vote. (Absent: Directors Darling, Meadows, Onoda, Rinn, Perkins, Vasquez and Wilkinson).

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

5. <u>Creation of 2022 Ad Hoc Rate Setting Committee (Discussion/Action)</u>

   CEO Weisz, introduced this item and addressed questions from Board members. Director Perkins was not in attendance but expressed interest to CEO Weisz prior

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to the meeting, that he would like to serve on the Ad Hoc Rate Setting Committee.

Action: It was M/S/C (Coler/Gulati) **to approve the creation of the Ad Hoc Rate Setting Committee and add the following Board Members** Directors: Fong, Haroff, Miessner, Murphy, Perkins, Quinto, Scales-Preston, and Thier. Motion carried by unanimous roll call vote. (Absent: Directors Meadows, Onoda, Rinn, Perkins, Vasquez and Wilkinson).

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

6. <u>Power Resources Innovative Procurement (Discussion)</u>

Lindsay Saxby, introduced this item and addressed questions from Board members.

Chair Butt opened the public comment period and there were comments made from members of the public Howdy Goudey, Doug Wilson, and Dan Segedin.

Action: No action required.

7. <u>Using Low-Carbon Fuel Standard to add Value (Discussion)</u>

Alice Havenar-Daughton, Director of Customer Programs, introduced this item and addressed questions from Board members.

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

Action: No action required.

8. <u>Opportunities to Promote Racial Equity in MCE Communications (Discussion)</u>

Alexandra McGee, Stephanie Chen, and Justin Marquez, introduced this item and addressed questions from Board members.

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

Action: No action required.

9. <u>Emerging Technology Showcase (Discussion)</u>

    a. Waste to Green Hydrogen: Raven's Innovative Non-combustion Technology

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Chair Butt introduced, Matt Murdock, CEO of Raven SR who presented this item and addressed questions from Board members.

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

b. Charm Industrial: Putting Oil Back Underground

Chair Butt introduced Katie Holligan, Business Operations at Charm Industrial, who presented this item and addressed questions from Board members.

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

Action: No action required.

11. Board Matters & Staff Matters (Discussion)

Comments were made by Director Haroff.

12. Adjournment

The Board Chair adjourned the Special Meeting at 2:26 p.m. to the next regularly scheduled Board Meeting on October 21, 2021.

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Tom Butt, Chair

Attest:

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Dawn Weisz, Secretary

November 18, 2021

TO: MCE Board of Directors

FROM: Bill Pascoe, Power Procurement Manager

RE: Approved Contracts for Energy Update (Agenda Item #05 C.3)

Dear Board Members:

SUMMARY: This report summarizes contracts for energy procurement entered into by the Chief Executive Officer and if applicable, the Chair of the Technical Committee since the last regular Board meeting in July. This summary is provided to your Board for information purposes only, and no action is needed.

Review of Procurement Authorities

In March 2018, your Board adopted Resolution 2018-03 which included the following provisions:

> *The CEO and Technical Committee Chair, jointly, are hereby authorized, after consultation with the appropriate Committee of the Board of Directors, to approve and execute contracts for Energy Procurement for terms of less than or equal to five years. The CEO shall timely report to the Board of Directors all such executed contracts.*
>
> *The CEO is authorized to approve and execute contracts for Energy Procurement for terms of less than or equal to 12 months, which the CEO shall timely report to the Board of Directors.*

The Chief Executive Officer is required to report all such contracts and agreements to the MCE Board of Directors on a regular basis.

Item Number	*Month of Execution*	*Purpose*	*Average Annual Contract Amount*	*Contract Term*
1	May, 2021	Purchase of Renewable Energy	$2,227,500	1-5 Years
2	June, 2021	Purchase of Carbon Free Energy	$175,000	Under 1 Year
3	July, 2021	Sale of Resource Adequacy	$445,000	Under 1 Year
4	July, 2021	Purchase of Renewable Energy	$300,147	Over 5 Years
5	July, 2021	Sale of Resource Adequacy	$393,750	Under 1 Year
6	July, 2021	Sale of Resource Adequacy	$28,050	Under 1 Year
7	July, 2021	Sale of Resource Adequacy	$72,800	Under 1 Year
8	July, 2021	Sale of Renewable Energy	$0-1,612,500	Under 1 Year
9	August, 2021	Sale of Resource Adequacy	$549,000	Under 1 Year
10	August, 2021	Purchase of Resource Adequacy	$661,500	Under 1 Year
11	August, 2021	Purchase of Resource Adequacy	$1,380,000	1-5 Years
12	August, 2021	Sale of Resource Adequacy	$5,377,500	1-5 Years
13	August, 2021	Purchase of Resource Adequacy	$5,052,500	1-5 Years
14	August, 2021	Sale of Resource Adequacy	$2,232,000	1-5 Years
15	August, 2021	Purchase of Resource Adequacy	$2,502,000	1-5 Years

16	August, 2021	Sale of Resource Adequacy	$63,000	Under 1 Year
17	August, 2021	Sale of Resource Adequacy	$168,000	Under 1 Year
18	August, 2021	Purchase of Resource Adequacy	$22,750	Under 1 Year
19	August, 2021	Purchase of Resource Adequacy	$78,000	Under 1 Year
20	August, 2021	Purchase of Resource Adequacy	$28,000	Under 1 Year
21	August, 2021	Sale of Resource Adequacy	$24,000	Under 1 Year
22	August, 2021	Sale of Renewable Energy	$654,476	1-5 Years
23	August, 2021	Sale of Resource Adequacy	$228,650	Under 1 Year
24	August, 2021	Sale of Resource Adequacy	$336,250	Under 1 Year
25	August, 2021	Sale of Resource Adequacy	$672,500	Under 1 Year
26	August, 2021	Sale of Resource Adequacy	$1,293,250	Under 1 Year
27	August, 2021	Sale of Resource Adequacy	$8,190	Under 1 Year
28	August, 2021	Purchase of System Energy (Hedge)	$5,348,954	1-5 Years
29	August, 2021	Purchase of Carbon Free Energy	$14,454,000	1-5 Years
30	August, 2021	Purchase of Renewable Energy	$1,687,500	Under 1 Year
31	August, 2021	Purchase of System Energy (Hedge)	$1,069,770	Under 1 Year
32	August, 2021	Purchase of System Energy (Hedge)	$1,332,800	Under 1 Year

33	August, 2021	Sale of Resource Adequacy	$890,250	1-5 Years
34	September, 2021	Purchase of System Energy (Hedge)	$4,495,259	1-5 Years
35	September, 2021	Sale of Resource Adequacy	$69,500	Under 1 Year
36	September, 2021	Purchase of Resource Adequacy	$975,000	Under 1 Year
37	September, 2021	Sale of Resource Adequacy	$75,000	Under 1 Year
38	September, 2021	Sale of Resource Adequacy	$6,000	Under 1 Year
39	September, 2021	Purchase of System Energy (Hedge)	$4,171,079	1-5 Years
40	September, 2021	Purchase of System Energy (Hedge)	$7,387,779	1-5 Years
41	September, 2021	Purchase of System Energy (Hedge)	$8,644,999	1-5 Years
42	October, 2021	Sale of Resource Adequacy	$20,000	Under 1 Year
43	October, 2021	Sale of Resource Adequacy	$559,300	Under 1 Year
44	October, 2021	Sale of Resource Adequacy	$75,000	Under 1 Year
45	October, 2021	Sale of Resource Adequacy	$51,000	Under 1 Year
46	October, 2021	Sale of Resource Adequacy	$315,000	Under 1 Year
47	October, 2021	Sale of Resource Adequacy	$12,000	Under 1 Year
48	October, 2021	Sale of Resource Adequacy	$18,000	Under 1 Year
49	October, 2021	Purchase of Resource Adequacy	$681,000	Under 1 Year

50	October, 2021	Sale of Resource Adequacy	$334,500	Under 1 Year
51	October, 2021	Sale of Resource Adequacy	$330,000	Under 1 Year
52	October, 2021	Sale of Resource Adequacy	$100,000	Under 1 Year
53	October, 2021	Sale of Resource Adequacy	$127,500	Under 1 Year
54	October, 2021	Purchase of Resource Adequacy	$1,975,430	Under 1 Year
55	October, 2021	Purchase of Resource Adequacy	$434,000	1-5 Years
56	October, 2021	Sale of Resource Adequacy	$40,000	Under 1 Year
57	October, 2021	Sale of Resource Adequacy	$477,750	1-5 Years
58	October, 2021	Sale of Resource Adequacy	$60,750	Under 1 Year
59	October, 2021	Sale of Resource Adequacy	$50,000	Under 1 Year
60	October, 2021	Purchase of Resource Adequacy	$15,960	Under 1 Year
61	October, 2021	Sale of Resource Adequacy	$225,180	Under 1 Year
62	October, 2021	Sale of Resource Adequacy	$550,000	Under 1 Year
63	October, 2021	Sale of Resource Adequacy	$45,000	Under 1 Year
64	October, 2021	Sale of Resource Adequacy	$4,188	Under 1 Year
65	October, 2021	Purchase of Resource Adequacy	$8,000	Under 1 Year
66	October, 2021	Sale of Resource Adequacy	$10,000	Under 1 Year
67	October, 2021	Purchase of Resource Adequacy	$150,000	Under 1 Year
68	October, 2021	Sale of Resource Adequacy	$382,500	Under 1 Year
69	October, 2021	Sale of Resource Adequacy	$54,000	Under 1 Year
70	October, 2021	Purchase of Resource Adequacy	$943,425	Under 1 Year

71	October, 2021	Sale of Resource Adequacy	$1,368,000	Under 1 Year

Contract Approval Process: Energy procurement is governed by MCE's Energy Risk Management Policy as well as Board Resolutions 2018-03, 2018-04, and 2018-08. The Energy Risk Management Policy (Policy) has been developed to help ensure that MCE achieves its mission and adheres to its procurement policies established by the MCE Board of Directors (Board), power supply and related contract commitments, good utility practice, and all applicable laws and regulations. The Board Resolutions direct the CEO to sign energy contracts up to and including 12 months in length.

The evaluation of every new energy contract is based upon how to best fill MCE's open position. Factors such as volume, notional value, type of product, price, term, collateral threshold and posting, and payment are all considered before execution of the agreement.

After evaluation and prior to finalizing any energy contract for execution, an approval matrix is implemented whereby the draft contract is routed to key support staff and consultants for review, input, and approval. Typically, contracts are routed for commercial, technical, legal and financial approval, and are then typically routed through the Chief Operating Officer for approval prior to execution. The table below is an example of MCE staff and consultants who may be assigned to review and consider approval prior to the execution of a new energy contract or agreement.

Review Owner	*Review Category*
Lindsay Saxby (MCE Director of Power Resources)	Procurement / Commercial
John Dalessi/Brian Goldstein (Pacific Energy Advisors)	Technical Review
Steve Hall (Hall Energy Law)	Legal
Garth Salisbury (MCE Director of Finance)	Credit/Financial
Vicken Kasarjian (MCE, Chief Operating Officer)	Executive

Fiscal Impacts: Expenses and revenue associated with these Contracts and Agreements that are expected to occur during FY 2021/22 are within the FY 2021/22 Operating Fund Budget. Expenses and revenue associated with future years will be incorporated into budget planning as appropriate.

Recommendation: Information only. No action required.

November 18, 2021

TO: MCE Board of Directors

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 #06)

Dear Board of Directors:

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 then 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.

During the November 5th Executive Committee meeting, staff updated the Committee on new data that was released earlier that week including the market price benchmarks (MPBs) for peak and off-peak power. This new data resulted in Staff amending its 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 $0.02/kWh. This amended recommendation was unanimously approved by the Executive Committee.

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 then current forecast of PG&E rates. Setting a relative discount to PG&E rates helps ensure the rates enacted are cost competitive, while a minimum increase ensures MCE revenue sufficiency. PG&E released preliminary rates on November 8th with final PG&E rate adjustments to be released at the end of December 2021. The new information received on November 8th indicates that the rate differential between PG&E and MCE will likely be substantially larger than originally projected.

As proposed, MCE residential customers should expect to save about $0.032/kWh ($18.85 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 cost comparison is based on PG&E's November 8th Energy Resource Recovery Account (ERRA) forecast; 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.

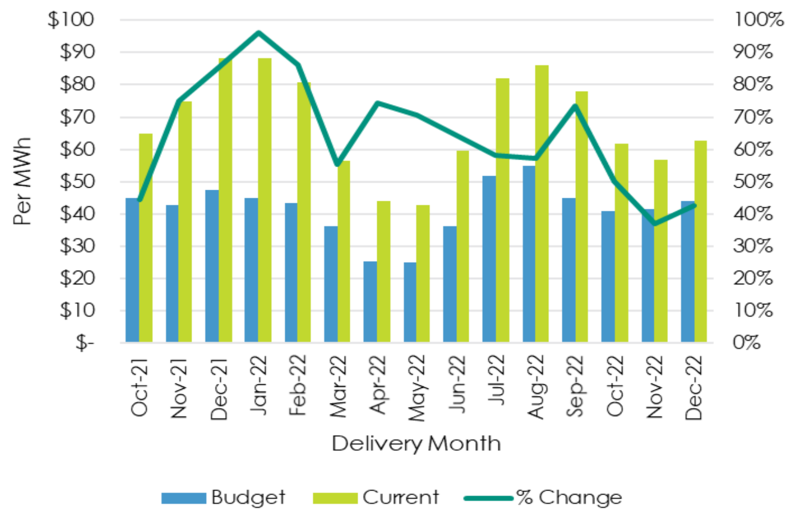
The projected revenue at current rates is compared to fiscal year budget items that must be funded through such rates (the "revenue requirement") to determine whether rate adjustments are warranted for purposes of addressing any projected surplus or deficit.

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.

Figure 1. Forward System Energy Prices 2021-2022

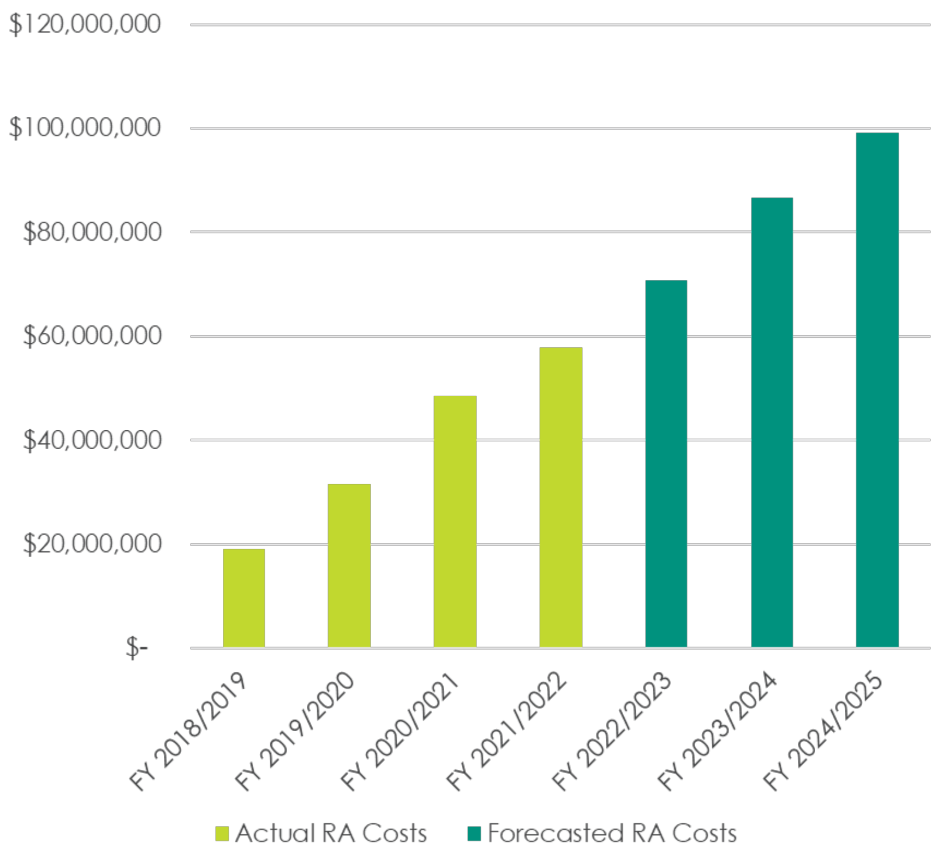


Energy Costs: Wholesale energy prices in California have been impacted by tighter supplies and the recent runups in natural gas prices. MCE purchases most of the energy delivered to its customers from renewable and hydroelectric supplies, but MCE is still impacted by the rise in wholesale electricity 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.

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

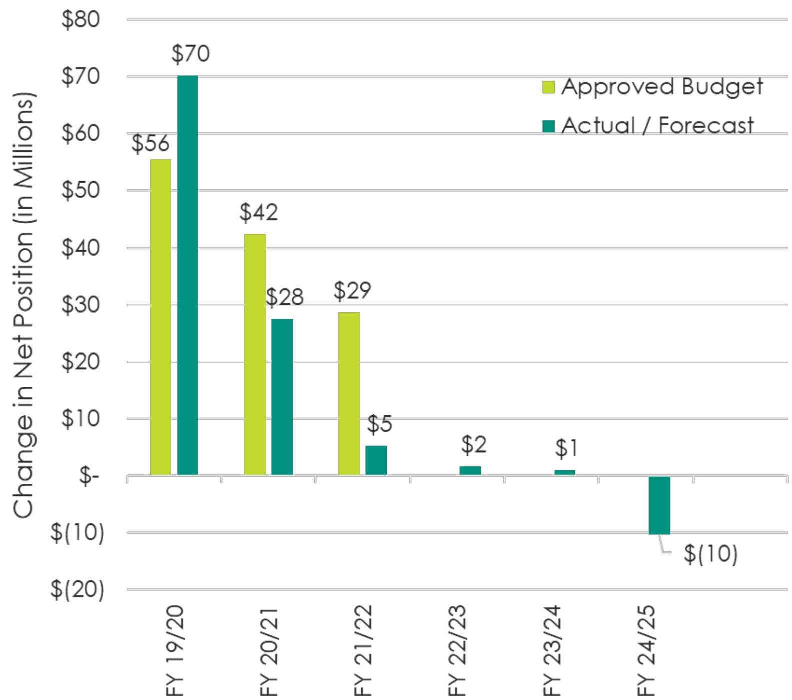


Effects of Increased Costs on MCE's Budgets and Budgeting Process

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.

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



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.

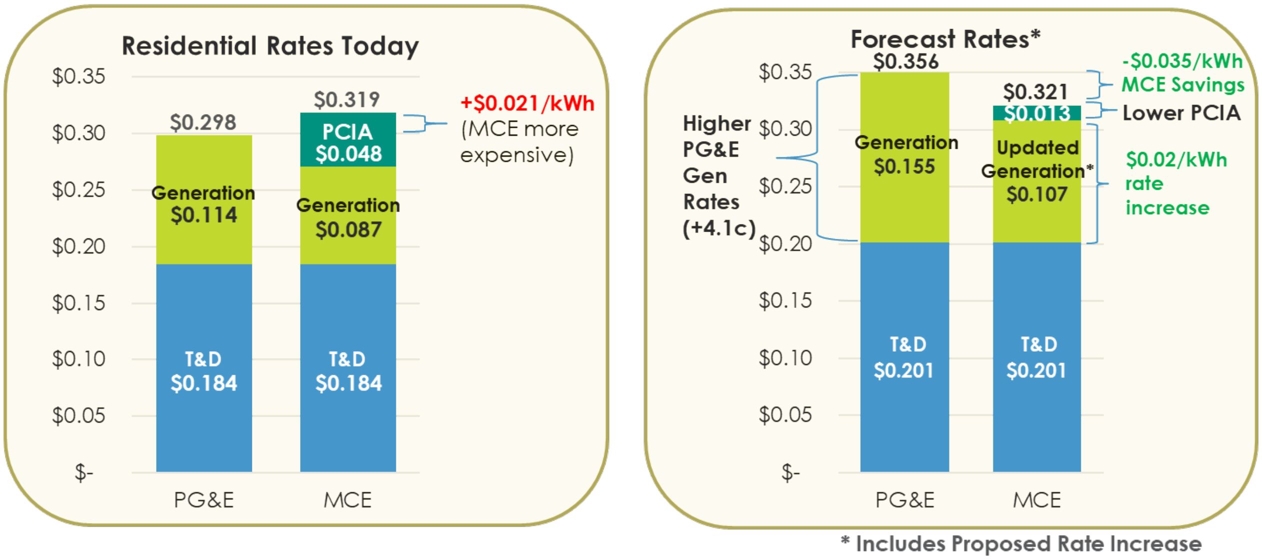
Rate Change Forecasting

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



<u>As proposed, MCE's system average generation rates would increase by 12%</u>

MCE's current system average rate is $0.085/kWh. MCE's Executive Committee has agreed with the 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 $0.02/kWh.

PG&E's November 8th ERRA forecast shows a projected system average rate of $0.14849/kWh, while the PCIA and Franchise Fee are projected to be $0.01154/kWh[1]. To provide the 2% discount specified, MCE's rate would need to be $0.134/kWh. However, the maximum proposed rate increase is only $0.02/kWh, and this would limit the new MCE system average rate to $0.105/kWh.

<u>PCIA rates in January are forecast to drop by 73%</u>

The PCIA (and Franchise Fee) is forecast to drop from a system average $0.037/kWh today to $0.01/kWh in 2022[2]. This reduction alone would 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 $0.01/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.

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[1] Based on the 2016 PCIA Vintage. Most PCIA Vintages fall within $0.001/kWh of this rate, except for lower 2009-2011 Vintages, and higher 2021-2022 Vintages.
[2] Based on system average PCIA rates as reported in PG&E AL-6090-E (submitted February 18, 2021) and PG&E's November 8, 2021 ERRA Forecast.

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 about $0.017/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.

Figure 5. Sample Residential Cost Comparison at Forecast

MCE Light Green Service 60% Renewable	PG&E Service 31% Renewable
$46.55 MCE Electric Generation	**$83.19 PG&E Electric Generation**
$107.54 PG&E Electric Delivery	$107.54 PG&E Electric Delivery
$7.09 Additional PG&E Fees	
$171.87 Average Total Cost	**$190.72 Average Total Cost**

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 electricity charges of about $1 per month, driven mostly by the decrease in energy (generation plus PCIA) costs of $8 offset with a $9 increase to T&D charges. Meanwhile, a comparable PG&E household could expect to see a $31 increase to its monthly bills.

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

	Current Rates*		Jan 2022 Forecast	
PG&E	$	159.53	$	190.72
MCE	$	170.45	$	171.87
Delta	$	10.92	$	(18.85)
per kWh	$	0.020	$	(0.035)

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

If approved as proposed and forecast, a household paying $190.72 monthly for PG&E service could expect to pay $171.87 under MCE service, saving $18.85 per month on their utility bill (about 10%).

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 as additional rate forecasts or actuals are published by PG&E.

Financial Impact of the Proposed Rate Change on MCE Net Revenues: A rate increase of $0.02 effective January 1, 2022, would result in the following projected 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

	FY 2021/22	FY 2022/23
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	$0.105	$0.105
Revised Forecast (in millions)	$29	$117

The effect of the proposed rate increase in the current fiscal year should improve net revenues with the addition to Net Position projected to achieve the original budgeted amount of approximately $29 million. 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 substantial deposit to the Operating Reserve Fund.

It is important to note that the projected significant changes to PG&E rates in 2022 could lead to an inverse impact on MCE rate competitiveness in 2023. Specifically, these dramatic rate changes could result in "overcollections" of generation revenue by PG&E in 2022, and moderating energy prices could result in undercollections of the PCIA. If either or both scenarios play out, significant adjustments back toward PG&E's current 2021 rates could occur. Adjusting MCE rates to align with cost of service, while also planning for a reasonable deferral of revenues into the Operating Reserve Fund will bolster stability and rate competitiveness for MCE in future years.

Recommendations:

1. Provide feedback on Executive Committee recommendation that would authorize staff to adjust system average rates on or after January 1, 2022 to achieve a minimum 2% discount relative to PG&E's generation rates, subject to a minimum rate increase of $0.003/kWh and a maximum rate increase of $0.02/kWh.
2. Direct staff to bring final rate proposal to the next meeting of the MCE Board of Directors for approval.

November 18, 2021

TO: MCE Board of Directors

FROM: Shalini Swaroop, General Counsel & Director of Policy

RE: Policy Update of Regulatory and Legislative Items

Dear Board Members:

Below is a summary of the key activities at the state and federal legislatures and the California Public Utilities Commission (CPUC) impacting Community Choice Aggregation (CCA) and MCE.

I. <u>Legislative Advocacy</u>

a. **Bills MCE has supported**

The following table includes bills on which MCE took a position in the 2021 legislative session. Bills denoted as 2-year bills are eligible to be reintroduced the 2022 legislative session, which begins on January 3rd.

Bill No., Author	Position	Description	Status
AB 21 (Bauer-Kahan)	Support	Empowers Attorneys General (AG) and District Attorneys (DAs) to file civil actions against grid operators for vegetation management failures	2-year bill
AB 427 (Bauer-Kahan)	Support	Resource Adequacy credit for demand response programs	2-year bill

AB 525 (Chiu)	Support	Supports planning for offshore wind development	SIGNED
AB 843 (Aguiar-Curry)	Support	Gives CCAs access to BioMAT to support bioenergy (co-sponsored by MCE)	SIGNED
AB 1087 (Chiu)	Support	Creates a grant program to support resilience hubs in environmental justice communities (co-sponsored by APEN, MCE Community Power Coalition member)	2-year bill
AB 1395 (Muratsuchi, C.Garcia)	Support	Carbon-neutral California by 2045, net negative GHG emissions thereafter	2-year bill
SB 18 (Skinner)	Support	Supports planning for green hydrogen development	2-year bill
SB 30 (Cortese)	Support	Requires state agency buildings to be carbon-neutral by 2035	2-year bill
SB 99 (Dodd)	Support	Grant program to support local governments in developing community energy resilience plans	Did not pass
SB 345 (Becker)	Support	Requires CPUC to value and consider non-energy benefits in distributed energy resource programs	2-year bill
SB 612 (Portantino + 23)	Support	PCIA reform (sponsored by CalCCA)	2-year bill

b. AB 843 (CCA Access to BioMAT Funds)

On September 23, Governor Newsom signed AB 843, co-sponsored by MCE and Pioneer Community Energy and authored by Asm. Cecilia Aguiar-Curry. AB 843 will give CCAs access to the BioMAT program, which is paid for by all customers and reduces the cost of purchasing bioenergy from a defined set of facility types. The bill received no opposition votes in either house, either in committees or on the floor. The bill must now be implemented by the CPUC before CCAs can participate, which likely will not be completed until 2023.

c. SB 612 (PCIA Reform)

SB 612 (Portantino) is the PCIA reform bill sponsored by CalCCA. SB 612 was voted out of the Senate, though it took amendments along the way that diminished its potential impact. The bill was ultimately held in the

Assembly Utilities Committee, where it remains as a 2-year bill. CalCCA and Sen. Portantino are currently working to determine the best course of action in 2022.

II. California Public Utilities Commission

a. Integrated Resource Planning (IRP)

On October 13, 2021, the CPUC issued a ruling inviting comments on modifications to the Commission's recent decision directing 11,500 MW of new resources to be built to replace the Diablo Canyon Power Plant. Currently, the ordered procurement will come from "clean" resources including: zero-emissions resources, resources eligible to fulfill renewable portfolio standards, and stand-alone storage. Importantly, the ruling proposes to allow expansions of natural gas capacity at existing natural gas plants to count toward the ordered procurement.

On October 21, 2021, a group of Joint CCAs, including MCE, Peninsula Clean Energy Authority, Redwood Coast Energy Authority, and the City and County of San Francisco, filed comments opposing allowing natural gas expansions to satisfy the ordered procurement.

The Joint CCAs opposed natural gas expansions due to the risk of exacerbating climate change. The Joint CCAs also argued that natural gas expansions were not shown to be needed at this time. A September 2021 Midterm Reliability Analysis conducted by the California Energy Commission indicates: (1) that adding gas capacity will make the grid less reliable, and (2) the grid will be reliable when including the ordered "clean" procurement.

The Joint CCAs also questioned the validity of CPUC modeling assumptions underlying the arguments to expand natural gas resources. This included long payback periods for the investments while the state needs to make a rapid transition away from fossil fuels. The Joint CCAs also argued the Commission should consider societal and mortality costs of carbon emissions when modeling resource needs.

A final decision determining whether to allow natural gas expansions to replace Diablo Canyon is expected in December 2021. This decision will also aggregate the Integrated Resource Plans filed by each load-serving entity in September 2020 and include additional reliability analyses that may inform future procurement orders.

b. Resource Adequacy (RA)

On October 11, 2021, the CPUC issued a new Order Instituting Rulemaking (OIR), which started a new biennial RA proceeding that will develop both near-term and long-term changes to the CPUC RA program. The proceeding is split into 2 tracks. The first track will look at near-term RA program refinements that will affect RA compliance year 2023.

Track 2 of the proceeding will focus on long-term RA program structural reforms that were adopted in Decision 21-07-014. The CPUC has signaled strongly its desire for a more granular RA framework that would more closely match supply and demand throughout the day. The CPUC directed stakeholders to develop a proposal over the course of five workshops. Stakeholders are directed to issue a joint workshop report in February 2022 advising the CPUC of developments. Based on that report, the CPUC will provide stakeholders additional guidance on how to proceed. The CPUC intends to implement the ultimately adopted RA framework changes in 2024.

MCE has been working closely with CalCCA to provide input on the framework changes to ensure any changes meet reliability goals, minimize market disruption, and do not result in undue costs to ratepayers.

A Final Decision on Tracks 1 and 2 is expected in June 2022.

c. Energy Efficiency

On July 30, 2021, Governor Newsom issued a Proclamation of a State of Emergency that directs all state energy agencies to act immediately to find ways to make up for the projected energy supply shortage of up to 3,500 megawatts during the afternoon-evening peak energy usage period when there are extreme weather conditions. In response, the CPUC issued a Ruling in the Energy Efficiency (“EE”) proceeding R.13-11-005 seeking proposals to address the Emergency Proclamation.

On August 31, MCE submitted Opening Comments on the Ruling requesting that the Commission authorize MCE to use $11.6 Million in unspent funds under its Energy Efficiency program portfolio for expanding its existing Peak FLEXmarket program. The Peak FLEXmarket program is a market-based, technology-agnostic program that is focused on daily load shifting and peak demand reductions during the afternoon-evening summer peak. The program complements MCE’s existing Commercial Marketplace program, which is based on the same technology platform but focuses on energy efficiency savings and total system benefits.

On October 29, 2021, the Commission published a Proposed Decision ("PD") granting MCE's funding request for the Peak FLEXmarket program. The Commission also proposed a new statewide "Market Access Program" that is modeled after MCE's Commercial Marketplace and Peak FLEXmarket programs. The Proposed Decision is expected to be voted out by the Commission on December 2, 2021.

d. Emergency Reliability

In response to the Governor's emergency proclamation noted above, the CPUC opened Phase 2 of Rulemaking 20-11-003 on August 10, 2021, directing parties to develop proposals designed to achieve peak load reduction and improved grid reliability in the summers of 2022 and 2023.

On September 1, 2021, MCE submitted Opening Testimony to request ratepayer funding of $17.7 Million to support the expansion of three existing MCE customer programs that can achieve net peak demand reductions – the Peak FLEXmarket program, MCE's Energy Storage Program, and MCEv Sync, an automated load management ("ALM") program for electric vehicles ("EVs"). Additionally, MCE submitted policy comments urging the Commission to hold space for CCA Demand Response ("DR") programs and avoid auto-enrollment of residential customers in IOU DR programs.

On September 20, 2021 and September 27, 2021 MCE submitted opening and reply briefs on the same matters, but also included a request that the CPUC not impose last-minute emergency procurement increases on all LSEs.

On October 29, 2021, the Commission published a Proposed Decision that did not fund any programs from parties aside from the IOUs. Most notably, the proposed decision allows IOUs to automatically enroll certain customers into their programs. However, the proposed decision allows CCAs to block auto-enrollment for their own customers.

Additionally, the proposed decision directs the IOUs to collectively procure up to 3,000 MW of incremental capacity for summers 2022 and 2023 to fulfill a capacity shortfall identified by the California Energy Commission. Under the proposed decision, costs for the supply-side procurement will be allocated to all load serving entities, including CCAs. The proposed decision is expected to be voted out by the Commission on December 2, 2021.

e. COVID-19 Relief Payment Plans

In February of this year, the CPUC opened a proceeding to address the substantial debt that utility customers accumulated during the COVID-19 pandemic and the associated moratorium on disconnections for non-payment. In June, the CPUC issued a decision directing automatic enrollment into long-term payment plans for all customers who are two or more months behind on their energy bills. For residential customers, payment plans are two years long. For small business customers located in disadvantaged communities, payment plans are customized so that the customer's monthly debt payment does not exceed 5% of their historical average monthly bill. For all other small business customers, the monthly debt payment cannot exceed 10% of their historical average monthly bill.

Traditionally, payments from customers with past due bills first go to the IOU because those are the charges that would result in customer disconnection. Under the business-as-usual scenario, CCAs begin to receive payment for debt owed to them only after the customer has paid off their debt owed to the IOU.

In October, the CPUC issued a proposed decision directing that all payments made by CCA customers on past-due utility bills must be shared proportionately between IOUs and CCAs, through September 2024. Proportional sharing is more equitable to CCAs than the usual allocation of partial payments and will better recoup financial losses due to past due bills. The proposed decision directing partial payments to be shared proportionately could be voted out by the CPUC as early as November 18th.