November Community Power Coalition

11/16/22
Agenda:

- Welcome (12:00 Mariela Herrick)
- Strategic Initiatives Update (12:05 Caroline Love)
- Proposed Rate Increase, the State of Energy, and Affordability (12:15 Justin Kudo and Jonnie Kipyator)
- Deep Green Policy Update (12:30 JB Ackemann)
- Feedback on Bill Savings Messaging (12:40 Mariela Herrick)
- Closing (12:55 Mariela Herrick)
2022 Accomplishments and 2023 Goals for Grants at MCE
Grants MCE has applied for:

- **Marin Community Foundation**, Equitable Transition to Electric Transportation in Affordable Multi-family Housing, awarded $180k

- **Federal Earmarks**, Energy Storage at Critical Municipal Facilities ($500k), Healthy Homes ($1M), MCEv ($2M), vote ≈ Dec 16

- **CA Strategic Growth Council**, Richmond Rising, $35M awarded, **$3M for MCE Healthy Homes Program**

- **US Department of Energy**, Charged by Public Power - Community Voices & Community Choice, **$1M**, awaiting response

- **CEC Application** for Federal **GRIP** Funding, Three concept papers: **Little Bear, VPP Expansion, RGH1**, $30M+, pending response
On the Horizon for 2023

Grants MCE is interested in:

• **Federal**
  - Discretionary Grant Program for Charging and Fueling Infrastructure, $2.5B, not yet released
  - Long-Duration Energy Storage
  - Others created from IIJA and IRA

• **State**
  - Mobility Project Voucher, up to $1m, release expected in late 2022
  - More to come

• Grants from Foundations
Finance Team and Procurement Team

Justin Kudo and Jonnie Kipyator
Market Conditions and Forecast
2023 Rates
November Community Power Coalition
Key Points

- Market prices for energy rose approximately 60% in 2021 and are again up 60% in 2022; even higher in 2023
- Supply chain, energy market structure, and other constraints have limited the effectiveness of hedging strategies
- Energy providers (CCAs, IOUs, etc.) all are seeing revenue well-below budget, pushing a cost recovery into the next year
  - This also happened in 2021
- High future energy prices and cost recovery for previous years results in rate increases for 2023, but also a PCIA reduction (!)
Sources Used

**Market Data**
- US EIA Pricing
- CPUC Market Price Benchmarks
- News Reporting
- CAISO Day Ahead Pricing
- Actual Current MCE Energy Costs

**Rate Forecasting**
- PG&E October ERRA Forecast
- Regulatory Analysis of Pending CPUC Decisions
- Internal Analysis of Sales, Market Conditions and Forward Prices
Bios – MCE’s Internal Experts

Justin Kudo –
• 17+ years of industry experience, including 10+ years with MCE
• Subject-matter expert on rate design, net metering, customer impacts of utility programs, time-of-use transition, etc.

Jonnie Kipyator –
• Subject-matter expert on resource planning, CAISO markets, load forecasting etc.
Market Conditions
CAISO:
- Cost to serve load in CAISO up 60% so far in 2022 compared to 2021 due to higher natural gas prices putting upward pressure on electricity prices

Carbon-free energy:
- Drought conditions are affecting hydroelectric supply
- Bootleg Fire in Oregon in reduced import capacity from the Pac Northwest.

Resource Adequacy (RA): Factors increasing costs and availability
- CPUC procurement mandates
- Reduction in the value of RA via reduced Effective Load Carrying Capability (ELCC) technology factors

Natural Gas:
- Since 2020, natural gas prices have tripled at the PG&E Citygate hub

Inflation and Interest Rates:
- Increasing inflation and interest rates are impacting the cost of doing business and ability of developers to economically finance projects.

Multiple factors are tightening the supply chain, such as:
- Upstream shortages in labor, equipment, parts, manufacturing facilities, lithium-ion batteries, etc.
- Lingering disruptions caused by COVID-19; the shutdown of manufacturing in various countries has had the most impact on the supply chain
- Shipping schedules delayed, shipping containers in short supply
- Developers are now taking extended timelines to finish projects and into account when negotiating project completion.
Recent Headlines

So Cal Community Aggregator Okays Price Hike for 1,500 MW of Executed Renewable Deals

“Citing unprecedented turmoil in renewable power development, the Clean Power Alliance of Southern California approved amendments last week to raise the prices of signed agreements for six solar/storage projects set to come online over the next two years. The 15-20 year agreements [...] represent nearly 1,500 MW of capacity.” – California Current, October 10th 2022

Inflation unleashes wave of battery storage renegotiation in US

“...as guaranteed commercial operation dates approach, several project developers have asked [Central Coast Community Energy] to pay more for battery storage, citing a litany of inflationary pressures. Agreeing to all the proposed increases would cost the CCA roughly $250 million over the 10- to 20-year terms...” – S&P Global Intelligence, July 8th 2022
CAISO Market Price Trends

- FY22/23 Q1 & Q2 average Day Ahead Market (DAM) prices up 60%
- Increases costs of DAM settlement and hedge contracts
Natural Gas Prices

Key factor in CAISO energy costs, especially peak generation

300% increased cost over last 24 months

Highest prices since July 2008

Source: U.S. Energy Information Administration
Growth of Resource Adequacy Costs, 2019-2024 (includes forecasts)

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Resource Adequacy Cost per MWh</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$5.44</td>
</tr>
<tr>
<td>2020</td>
<td>$8.94</td>
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<tr>
<td>2021</td>
<td>$10.16</td>
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<td>2022</td>
<td>$11.88</td>
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<td>$18.15</td>
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<tr>
<td>2024</td>
<td>$17.03</td>
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</tbody>
</table>
CPUC forecast of market rate for energy is 250% of 2020 prices

Figures are forecast, i.e. actual 2022 prices have been much higher

A silver lining – these reduce the PCIA
“Why would high energy prices make the PCIA negative?”
1. PCIA is the extent to which PG&E's old contracts aren't worth their price.
2. When these contracts equal actual market prices, the PCIA is zero.
3. Also, PCIA was too high in 2022 based on actual prices and must be refunded.
2023 Rates Forecast
MCE Rate Design Principles

**Revenue sufficiency** – rates must cover program expenses, any debt service requirements, and prudent reserves.

**Rate competitiveness** – rates must allow MCE to successfully 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.

**Equity among customers** – rate differences among customers should be justified by factors such as usage characteristics or cost of service.

**Efficiency** – rates should encourage conservation and efficient use of electricity.
Most CCAs had rates ~$0.02/kWh above MCE in 2022

- Many CCAs set rates based on savings/parity with PG&E, and will raise rates automatically in January
- MCE sets rates based on its cost of service, affordability and other factors
Comparison of Current Rates

MCE rates are currently about $0.015-$0.024/kWh lower for most customers

<table>
<thead>
<tr>
<th>Customer Class</th>
<th>Rate</th>
<th>PG&amp;E Gen + PCIA</th>
<th>MCE Gen + PCIA</th>
<th>Delta</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Residential</td>
<td>E1</td>
<td>$0.152/kWh</td>
<td>$0.128/kWh</td>
<td>$(0.024)/kWh</td>
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<tr>
<td>Small Commercial</td>
<td>B1</td>
<td>$0.145/kWh</td>
<td>$0.124/kWh</td>
<td>$(0.021)/kWh</td>
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<tr>
<td>Medium C&amp;I</td>
<td>B10S</td>
<td>$0.153/kWh</td>
<td>$0.129/kWh</td>
<td>$(0.024)/kWh</td>
</tr>
<tr>
<td>Medium/Large C&amp;I</td>
<td>B19SV</td>
<td>$0.141/kWh</td>
<td>$0.123/kWh</td>
<td>$(0.018)/kWh</td>
</tr>
<tr>
<td>Agriculture</td>
<td>AGA1</td>
<td>$0.131/kWh</td>
<td>$0.117/kWh</td>
<td>$(0.015)/kWh</td>
</tr>
</tbody>
</table>

The typical household saves about $11 per month*

May vary by rate schedule, load shape, PCIA, etc.

*Per June 1 2022 MCE-PG&E Joint Rate Comparison
PG&E forecasts* the 2023 PCIA rate will drop by about $0.025/kWh and be **negative**, making MCE $0.04-$0.05/kWh less expensive, absent an MCE rate increase.

The typical household at these rates would save $23 per month

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<th>MCE Gen + PCIA</th>
<th>Savings</th>
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<tr>
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<td>$0.103/kWh</td>
<td>$(0.049)/kWh</td>
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<td>$0.100/kWh</td>
<td>$(0.046)/kWh</td>
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*Per PG&E’s 2023 ERRA Forecast Application October Update*
MCE reserves are currently absorbing market increases

Reserve Target = 60% of annual operational costs (including energy)

Increasing Energy Costs = higher reserve target + lower additions to reserves
MCE’s Board is considering a rate increase effective January 1st

The current proposal would raise these rates by $0.04/kWh
- Most of this would be offset by the $0.025/kWh PCIA reduction
- The remaining $0.015/kWh increase is about $7/mo on a household bill

Current typical household bill: $148.01 per month
With $0.015/kWh net increase: $154.68
Forecast PG&E 2023 rates (for comparison): $160.60

The Bad News: Bills will still be going up by about 5%

The Good News: MCE should be saving customers around 4% on electric bills
Future Steps on Rates

MCE outreach and notification process (newspapers, bill messages, website, meetings)

Additional updates for market conditions and PG&E forecasts

Board Review in November and Final Decision in December
Thank You

Justin Kudo, Sr. Strategic Analysis & Rates Manager
Jonnie Kipyator, Power Procurement Manager
Director of Public Affairs

JB Ackemann
Deep Green Overview

Deep Green 100% renewable energy will become the default service starting January 1, 2023
• Accelerates progress toward our mission and vision
• Other options: Light Green 60% renewable and PG&E’s 49% renewable
• Intended to pilot this effort for 2023. TBD if continuing beyond 2023 (NEW!)
• All auto-enrolled Deep Green customers will receive an on-bill message advising CARE/FERA availability

To Whom Does This Apply?
• All new residents & businesses starting new PG&E account beginning Jan. 1
• Anticipate 8,500+ new accounts to start Deep Green each month
• Deep Green power content expected to remain the same for one-year pilot (NEW!)

How Will People Be Affected?
• Bill savings - based on forecasted January 2023 rates, MCE Deep Green would cost on average $2/month less than PG&E (Light Green would cost on average $7 less)
• No premium for CARE/FERA customers - to ensure low-income customers are not disproportionately impacted and are not precluded, MCE will cover the $.01 cent premium for all Deep Green CARE/ FERA customers
Key Update: All CARE/FERA customers will be exempt from paying DG premium starting January, regardless of when they enroll (this includes current DG customers, those who are auto-enrolled next year, and those who voluntarily enroll next year)

How many CARE/FERA residents will be affected?
• Estimated 1,000 new enrollments a month will be on CARE/FERA

What is the cost to MCE for covering the Deep Green premium?
• Expected to cost around $815,000 in calendar year 2023

How many customers are likely to opt down (to Light Green) or out?
• Unknown at this point but our average opt out for new community enrollments is 10%

How is MCE reaching these customers?
• 3 enrollment notices (instead of standard 2) within first 60 days of service; combination of print and email
• Micro-targeted advertising in community publications with a particular focus on publications and outlets that reach low-income and non-English speaking communities.
• CARE/FERA messaging will be emphasized
Deep Green Communications Plan

- Enrollment notices (mailers & emails)
  - Three-step customer contact process
    - Print mailing
    - 1st reminder email
    - Final reminder email or mailer
- On-bill messages
- Outreach to low-income and non-English speaking communities
- January eNewsletter

Other Possible Outreach Methods:
- Press Release
- Social Media
- Board Op-Eds (covering service area)
Customer and Community Engagement Team

Mariela Herrick, Tyla Brown, Sebastian Conn, and Dave Garti
Upcoming Board Meetings

Solano County

Marin County

Contra Costa County

Napa County

Board Meeting 11/17 Tech Comm 12/1, Ex Comm 12/2