



3CE Cost of Service Rate Design

Presented to 3CE Member Agencies

April 29, 2021



Agenda

- Introductions
- Rate Design, Current Approach
- Rate Design, Future Approach
- Bill Comparisons
- Conclusion
- Q & A

CURRENT APPROACH TO RATE DESIGN

1. Based on IOU generation rate (this is changed 2 to 4 times per year)
2. Subtract “Power Charge Indifference Adjustment” (PCIA) and other fees imposed by IOU and sanctioned by the CPUC
3. Discount the resulting rate by a fixed percentage
4. Leverage increased PG&E rates to achieve rate stabilization fund as quickly as possible while still providing competitive rates and energy programs funding

Example for Illustration	Purposes Only
PG&E Generation Rate	\$0.11418
- PCIA	\$0.04705
- Franchise Fee	\$0.00048
PG&E Rate (Less Fees)	\$0.06665
3CE Rate (PG&E – 2%)	\$0.06532

WHY IS 3CE MOVING TO COST OF SERVICE?

1. Achieving rate stabilization target allows 3CE to charge customers only the cost to serve them
2. Decouples from IOU rate making which is not consistent with our customer base
3. Ensures accurate recover of costs to service customers
4. Implement rates for a 3 year term (Jan 2022 – Dec 2024) and not change 3 to 4 times per year (subject to any major market conditions which 3CE would leverage its rate stabilization fund to keep rates aligned with cost of service goals)
5. Provide predictability, simplicity, fairness, and competitiveness

WHY CHANGE 3CE RATE APPROACH

- Tying 3CE's rates to PG&E is inflexible for 3CE
 - Inhibits 3CE's ability to set rates based on customer needs
- IOU rate structures are complicated and unstable for customers
 - ~73 different schedules
 - 3-6+ rate changes each year
- 3CE can remain competitive with PG&E and SCE while meeting 100% clean and renewable targets, delivering community-tailored programs, and setting rates with a more stable, equitable, responsible approach

PROPOSED APPROACH TO RATE DESIGN

Cost of Service (COS) Rate Design

1. Estimate the total cost necessary to serve all 3CE customers
 1. Power procurement including resource adequacy, programs allotment, rate stabilization fund and administrative overhead
2. Create simple, easily understood customer classes based on size and usage profile
3. Allocate average costs across the classes
4. Adjust allocations and design rates so each class will save relative to PG&E rates

Proposed Customer Rate Segments

Based on cost of service rate design model, 3CE evaluates the costs to service customers based on their rate, consumption pattern, cost of energy related to serve those customers (within a customer segment).

- Simplifying to 10 customer segments
- Aligning cost to serve customers to drive the most competitive rates
 - Following PG&E allowed for higher rates based on their cost of serve customers which has dramatically different components (legacy gen contracts, operations costs etc)

3CE Current Rate Schedule(s)	Proposed Class
E-1 , ETOUC, ETOUB, ETOUD, EV2A	Residential
B-1, B-6, B-10	Small General Service (Demand < 499 kW)
B-19	Medium General Service (Demand >= 499 kW)
B-20	Large General Service (Demand > 1,000 kW)
SB	Standby
AG-A1/A2/FA, AG-B/FB	Agriculture-AB
AG-C/FC	Agriculture-C
BEV1, BEV2, BEV2P	Business Electric Vehicles
LS-1, LS-2, LS-3, OL-1	Street Lighting
TC-1	Traffic Control

WHY CHANGE 3CE RATE APPROACH

- Tying 3CE's rates to PG&E is inflexible/challenging for 3CE (or any CCA)
 - Does not allow 3CE to maximize programs, set rates that promote grid and climate benefits
 - ~73 different schedules
 - 3-6+ rate changes each year (3CE changes its rates every time PG&E did based on the startup rate design method)
- Achieved rate stabilization target and only need to charge customers for the cost to service them
- Set rates for a 3 year period based on revenue requirements
 - adjustments by rate stabilization fund if market conditions change drastically

IMPACT OF 3CE RATE CHANGES

- Customers will be organized across the simple rate categories
- 2 Rate Options
 - Default TOU rate: give a discount when energy is abundant and charge more when energy is in short supply/more expensive
 - Some customers will be exempt or excluded from the new TOU schedule
 - Alternate Flat rate: seasonal flat rate at all hours in summer and winter months
- Choice: All customers will get to choose whether they want a default TOU-based rate or can opt for a flat rate with seasonal variations
 - Customers selecting the flat rate may do so for up to 3 years

IMPACT OF 3CE RATE CHANGES (CONT'D)

- Demand charges are eliminated for non-residential customers and incorporated into the \$/kWh
- A flat \$4.50 fixed fee will be introduced to cover fixed costs incurred by 3CE to serve residential customers
 - This relates to monthly costs for data management, billing, and administration/customer service
- NEM customers will receive a monthly true-up of their consumed and generated energy to replace the annual true-up process
 - NEM customers selecting the default TOU-based rate will receive Net Surplus Compensation (NSC) at the wholesale price of power (~\$0.025/kWh)
 - NEM customers selecting the seasonal flat rate will receive NSC closer to the retail price of power (~\$0.06/kWh – winter, \$0.064/kWh - summer)



Time-of-Use Transition Changes to Residential Rates

Residential shared 3CE/PGE Customers Transition
October 2021

Voluntary Transition Currently Available

NEW Peak hours are from 4pm-9pm

365 Days a Year

Exceptions:

- Medical Baseline, CARE/FERA customers (in hot climate zones)
- Solar customers with grandfathered rate plans that have a deferred TOU enrollment
- Customers already on a Time-of-Use rate plan (including an EV rate plan)
- Customers with less than 12 months of interval data
- Master-metered customers
- For additional exceptions, please visit [this link \(page 222\)](#) at the CPUC website



The Time-of-Use (Peak Pricing 4-9 p.m. Every Day) Rate Plan has Two Periods:



Time-of-Use Transition Changes to Commercial Rates

Seasons and Days

Addition of **Spring** season; **Mar-May**

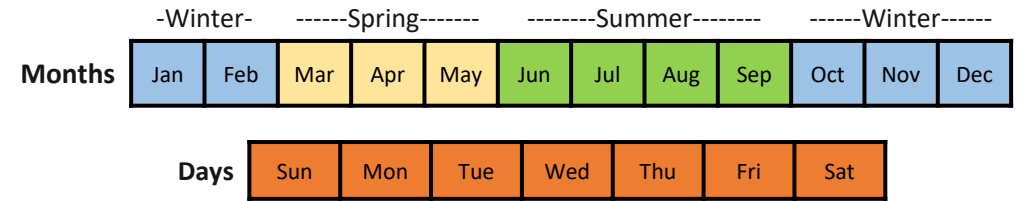
Summer shifts from May-Oct to **Jun-Sep**

Shifts from weekday/weekend to **every day**

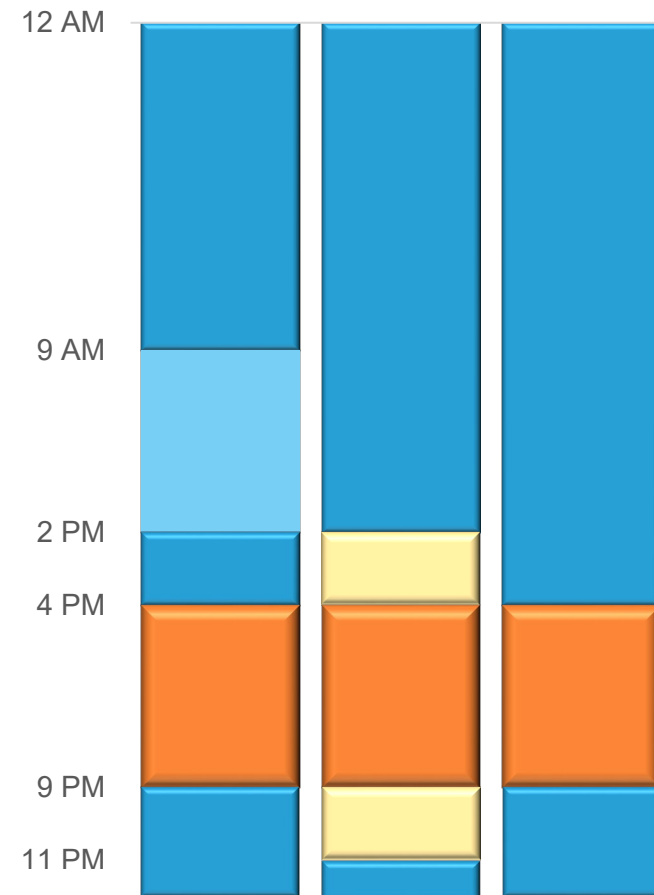
Addition of **Peak** and removal of **Part-Peak** energy costs to the Winter season and the addition of **Super-off Peak** energy costs to the Spring season

Current Summer Peak hours are 12pm-6pm

NEW Peak hours are from 4pm-9pm



Spring Summer Winter



■ Peak Higher energy cost
 ■ Part-Peak Medium energy cost
 ■ Off-Peak Lower energy cost
 ■ Super-Off Peak Lowest energy cost



Implementation of New Rates Outreach Calendar

Virtual Public Workshop (March – April 2021)	
NEM Customers	March 17, 2021
Key Accounts	March 24, 2021
Commercial Customers	April 13, 2021
Agricultural Customers	April 20, 2021
Residential Customers	April 27, 2021
Board Meetings (May – June 2021)	
Operations Board Review	May 12, 2021
Special Joint Board Meeting Review	May 12, 2021
Community Advisory Council Review	June 2, 2021
Policy Board Review and Approval	June 16, 2021

Proposed Rates Would Be Effective from January 1, 2022 to December 31, 2024 for customers located in PG&E's service territory



Cost of Service Rate Options

All customers will have the following options:

- **Default Option:** Cost based rates applied to new TOU periods
- **Alternate Option:** Seasonal flat rates for 3 years, automatically switched to the Default Option beginning January 1, 2025



For customers that are exempt from the mandatory transition or excluded from default TOU, the following options will be available:

- **Default Option:** Cost based rates applied to Legacy TOU periods
- **Alternate Option:** Seasonal flat rates for 3 years, automatically switched to the Default Option beginning January 1, 2025 automatically switched to the Default Option beginning January 1, 2025

2022 GENERATION BILL COMPARISON: RESIDENTIAL CUSTOMER (ETOUC) – 8.5 MWH ANNUALLY

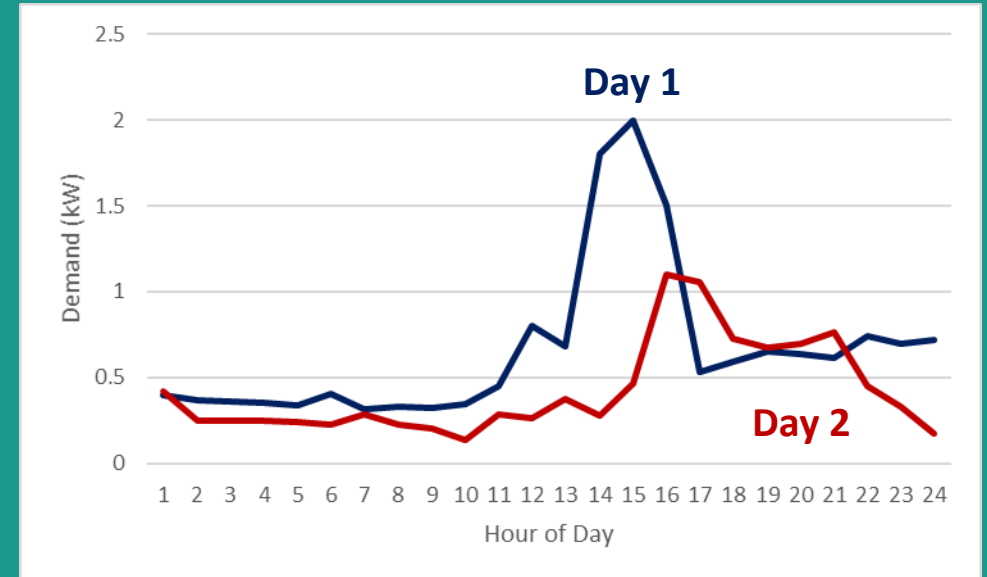
Day 1 Load Profile Favors Proposed TOU Rate Design

Item	Based on Forecasted PG&E 2022 Rates ²	3CE Current Approach to Rate Design ²	Proposed COS Based TOU Rate Design	Proposed Seasonal Flat Rate Design
Avg. Summer Bill	\$46.20	\$45.36	\$38.82	\$39.32
Avg. Winter Bill	\$50.31	\$49.43	\$49.82	\$52.32
Avg. Monthly	\$48.94	\$48.07	\$46.15	\$47.99

Day 2 Load Profile Favors Proposed Seasonal Rate Design

Item	Based on Forecasted PG&E 2022 Rates ²	3CE Current Approach to Rate Design ²	Proposed COS Based TOU Rate Design	Proposed Seasonal Flat Rate Design
Avg. Summer Bill	\$49.86	\$48.95	\$44.00	\$39.32
Avg. Winter Bill	\$52.40	\$51.48	\$56.59	\$52.32
Avg. Monthly	\$51.55	\$50.64	\$52.40	\$47.99

Load profiles with greater energy consumption in off-peak TOU periods benefit from the TOU rate design.



² PG&E rates are forecasted to increase by 0.6 cents/kwh

2022 GENERATION BILL COMPARISON: ELECTRIC VEHICLE CUSTOMER (EV2) – 7.3 MWH ANNUALLY

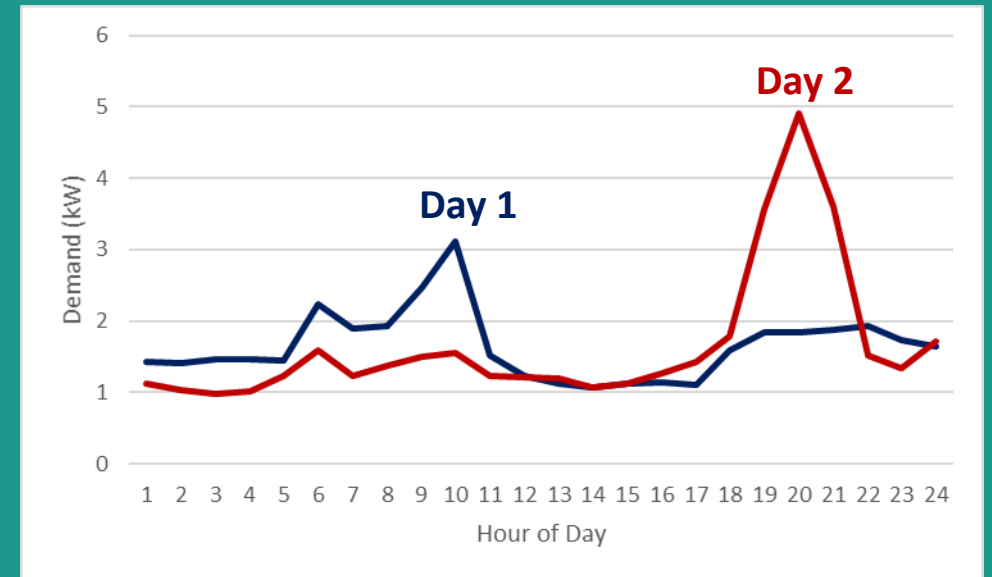
Day 1 Load Profile Favors Proposed TOU Rate Design

Item	Based on Forecasted PG&E 2022 Rates ¹	3CE Current Approach to Rate Design ¹	Proposed COS Based TOU Rate Design	Proposed Seasonal Flat Rate Design
Avg. Summer Bill	\$54.30	\$53.32	\$44.39	\$49.30
Avg. Winter Bill	\$40.93	\$40.23	\$43.65	\$46.13
Avg. Monthly	\$46.87	\$46.05	\$43.98	\$47.54

Day 2 Load Profile Favors Proposed Seasonal Rate Design

Item	Based on Forecasted PG&E 2022 Rates ¹	3CE Current Approach to Rate Design ¹	Proposed COS Based TOU Rate Design	Proposed Seasonal Flat Rate Design
Avg. Summer Bill	\$66.71	\$65.49	\$55.43	\$49.30
Avg. Winter Bill	\$45.61	\$44.81	\$49.97	\$46.13
Avg. Monthly	\$54.99	\$54.00	\$52.40	\$47.54

Load profiles with greater energy consumption in off-peak TOU periods benefit from the TOU rate design.



¹ PG&E rates are forecasted to increase by 0.6 cents/kwh

2022 GENERATION BILL COMPARISON: MEDIUM COMMERCIAL CUSTOMER (B1) – 1,400 MWH ANNUALLY

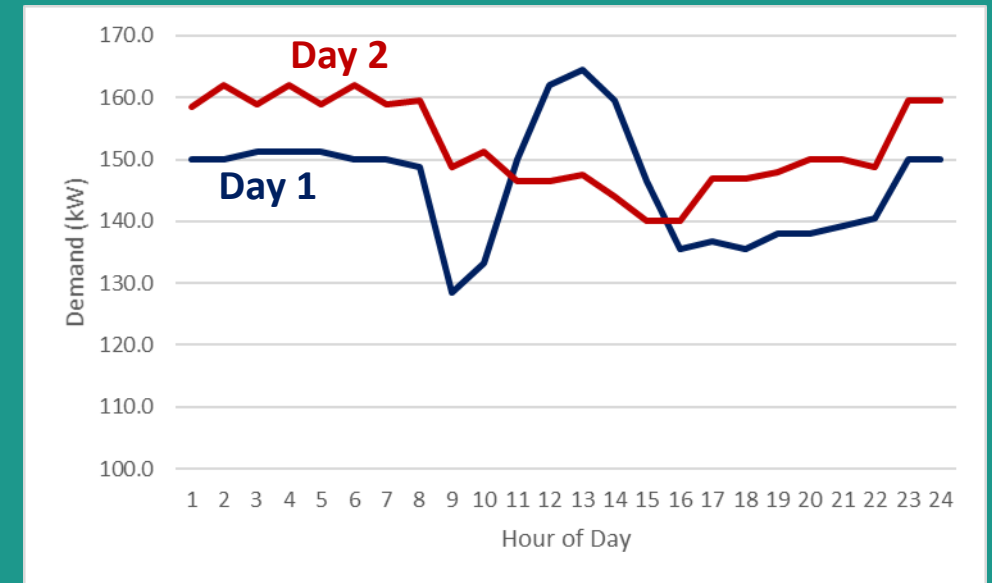
Day 1 Load Profile Favors Proposed TOU Rate Design

Item	Based on Forecasted PG&E 2022 Rates ²	3CE Current Approach to Rate Design ²	Proposed COS Based TOU Rate Design	Proposed Seasonal Flat Rate Design
Avg. Summer Bill	\$9,852	\$9,740	\$6,868	\$7,028
Avg. Winter Bill	\$1,157	\$1,063	\$1,367	\$1,343
Avg. Monthly	\$5,021	\$4,919	\$3,812	\$3,869

Day 2 Load Profile Favors Proposed Seasonal Rate Design

Item	Based on Forecasted PG&E 2022 Rates ²	3CE Current Approach to Rate Design ²	Proposed COS Based TOU Rate Design	Proposed Seasonal Flat Rate Design
Avg. Summer Bill	\$10,308	\$10,188	\$7,495	\$7,450
Avg. Winter Bill	\$1,157	\$1,063	\$1,367	\$1,343
Avg. Monthly	\$5,224	\$5,118	\$4,091	\$4,057

Load profiles with greater energy consumption in off-peak and super off-peak TOU periods benefit from the TOU rate design.



² PG&E rates are forecasted to increase by 0.6 cents/kwh

NEM Rates: Current vs. Proposed

	Current	Proposed (January 1, 2022)
Fixed Charges	\$0/month	\$4.50/month (residential only)
Billing Cycle	Debits & Credits are reconciled on the customer's anniversary of NEM interconnection	Debits (net consumption) are billed monthly and Credits (net generation) may accumulate and true-up at the 12 th month billing cycle of each year for all customers (\$200 NSC for residential or \$500 for non-residential)
Net Surplus Compensation (NSC) - Only 20% of NEM customers receive NSC at true-up	Average of 3CE's wholesale and retail charges (\$0.063/kWh)	TOU Rate Option: Wholesale market price (\$0.025/kWh) Seasonal Flat Rate Option: \$0.064/kWh - summer months \$0.06/kWh - winter months
Administrative Expenses associated with Data Management	Estimated to be 3 times the cost to administer billing for general residential customers	Less costly but remains higher than the cost to serve general residential customers

BILL COMPARISON: RESIDENTIAL NEM DEFAULT OPTION - PROPOSED TOU RATES

Residential Bill 3CE Customer – Proposed TOU Rates			
Item	Customer w/o Solar (500 kWh)	Customer w/ Solar (350kWh Net)	Customer w/ Solar (0 Net, 500 Excess)
Solar Output	0 kWh	150 kWh	1,000 kWh
Proposed TOU Rate			
Customer Charge	\$4.50	\$4.50	\$4.50
Energy Charge	\$30.42	\$22.51	\$3.45
NSC (Credit)	\$0	\$0	\$(13.25)
Total Rate Charges	\$34.92	\$27.01	\$(5.30)

BILL COMPARISON: RESIDENTIAL NEM ALTERNATE OPTION – PROPOSED SEASONAL FLAT RATES

Residential Bill 3CE Customer – Proposed Seasonal Flat Rates			
Item	Customer w/o Solar (500 kWh)	Customer w/ Solar (350kWh Net)	Customer w/ Solar (0 Net, 500 Excess)
Solar Output	0 kWh	150 kWh	1,000 kWh
Proposed Seasonal Flat Rate			
Customer Charge	\$4.50	\$4.50	\$4.50
Energy Charge	\$30.43	\$21.26	\$0
NSC (Credit)	\$0	\$0	\$(30.70)
Total Rate Charges	\$34.93	\$25.76	\$(26.20)

Resources for Customers

- Webpage - <https://3cenergy.org/cost-of-service/>
- Recorded webinars for NEM, agricultural, commercial, and residential customers
- FAQ (available in early May)
- Talking points
- Cost comparison tool (available in late June/early July) to compare TOU and Flat Rate
 - Decision to elect one-time flat rate will be October 15, 2021
- Board meetings – customers can attend and provide input
- Call Center

SCALING TO 100% CLEAN & RENEWABLE BY 2030

- 550 MW's of solar generation plus another 350 MW's to be potentially executed later this year
- 200 MW's of battery storage plus potential for additional 50MW
- Local RFP with four short-listed projects across the Central Coast
- Evaluating front-of-the-meter (FTM) battery storage RFP/RFQ from 1 MW to 10 MW sited throughout the Central Coast
- Evaluating behind-the-meter (BTM) distributed energy resources and looking to launch a vulnerable customer energy storage program related to PSPS events

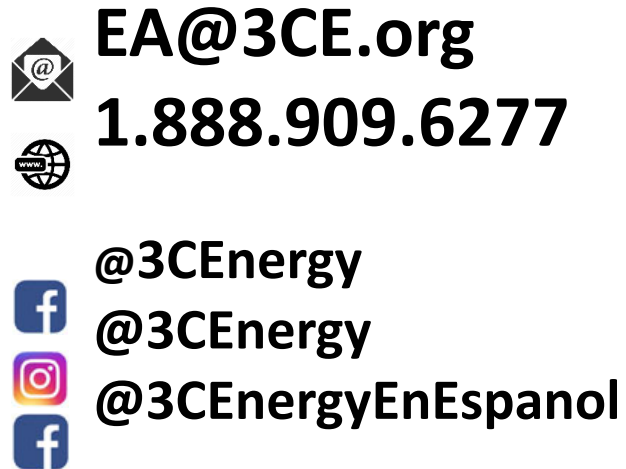
CONCLUSIONS

- COS allows for the following to support customers
 - Simplicity
 - Competitiveness
 - Predictability
 - Fairness
 - Options
- Aligns with JPA goals: reducing emissions, competitive/stable rates, programs to facilitate electrification, stimulating local economy, and long term-electric rate stability, energy security and reliability
- Customers benefit from access to Energy Programs

Q & A



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and check our extensive FAQ section on the website.**

www.3Cenergy.org



3CE CUSTOMERS

- 3CE serves approximately 390,889 in PG&E service territory and will enroll another 40,000 in October 2021 in SCE service territory
- Customer snapshot
 - 332,785 Residential
 - 90,944 CARE/FERA customers
 - 12,315 Medical Baseline
 - 26,303 NEM customers
 - 3,837 Electric vehicle customers
 - 51,990 Commercial
 - 5,268 Agricultural



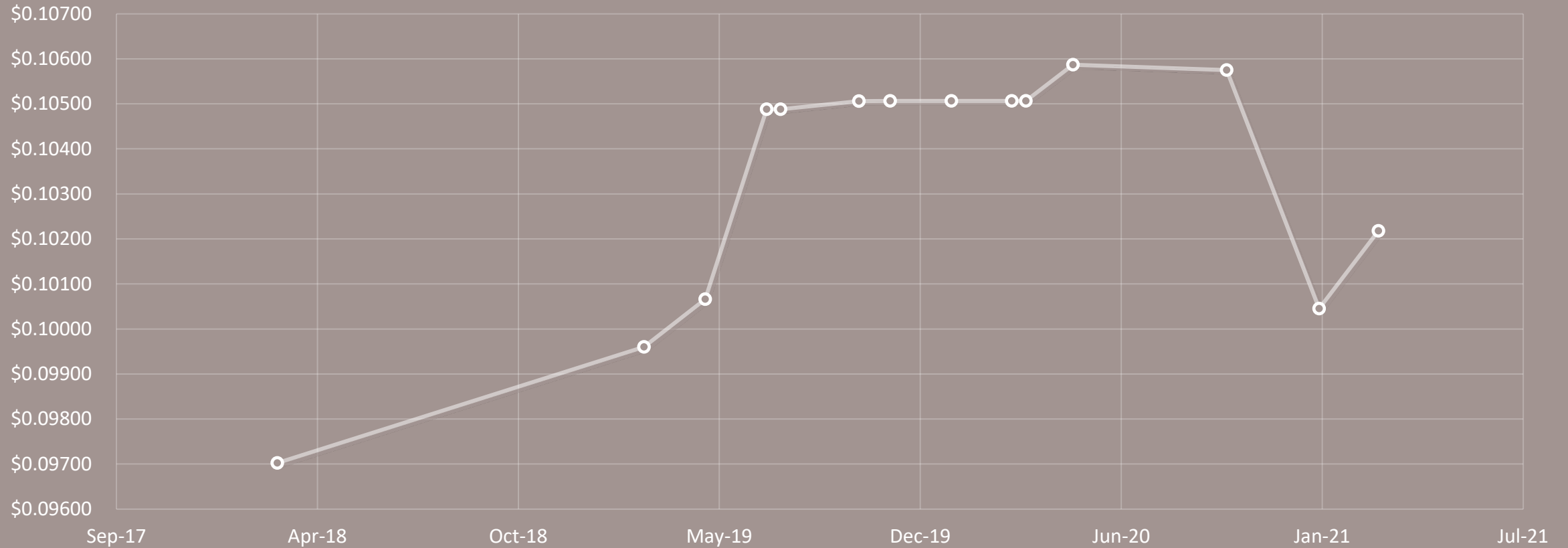
3CE HISTORIC RATES & COVID-19 RESPONSE



PG&E Generation Rates Updates Since Inception

March 2018 to March 2021

SYSTEM AVERAGE PG&E GEN RATE (\$)



Future Approach

Pros

- Significantly Reduces the Number of Rate Schedules
- Reflects Accurately the Cost to Serve Customer Classes Based on 3CE's Service Area and Customer's Consumption Patterns
- Makes the Necessary Adjustment to Ensure Orderly Transition to True Reflection of Cost of Service
- Eliminate Numerous Annual Adjustments to Reflect PG&E's Adjustments
- Provides Predictability, Simplicity, Fairness and Competitiveness to Rate Design
- Provide Transitional option to customers



Cons

- While It Guarantees Competitive Rates to Each Customer Class, That Guarantee Doesn't Extend to Each and Every Customer

Current Approach

Pros

- It Ensures That Every Customers Will Do Better With 3CE Than They Would If They Remain a PG&E Generation Customer



Cons

- It Doesn't Reflect the True Cost to Serve 3CE Customer Base
- Follows PG&E Legacy Rate Structures Designed to Support PG&E Programs
- Requires 3CE to Adjust Rates As Often As 6 times Each Year to Correspond to PG&E Rate Adjustments

Adjustment to PG&E Rates for 2020 ERRRA Over Collection

- During 2020 PG&E over collected generation costs
- PG&E reduced their generation rates to their customers by 1.2 cent/kwh for CY 2021 to account for the over collection
- For 3CE customers, enrolled in Jan 2021, PG&E is refunding the over-collection through a reduction of the PCIA charge in 2021
- The following bill comparisons assumes a conservative scenario starting January 1, 2022:
 - PG&E generation rates will increase by 0.6 cent/kwh (average 5.5%)

2022 GENERATION BILL COMPARISON: SMALL COMMERCIAL CUSTOMER (B6) – 7.2 MWH ANNUALLY

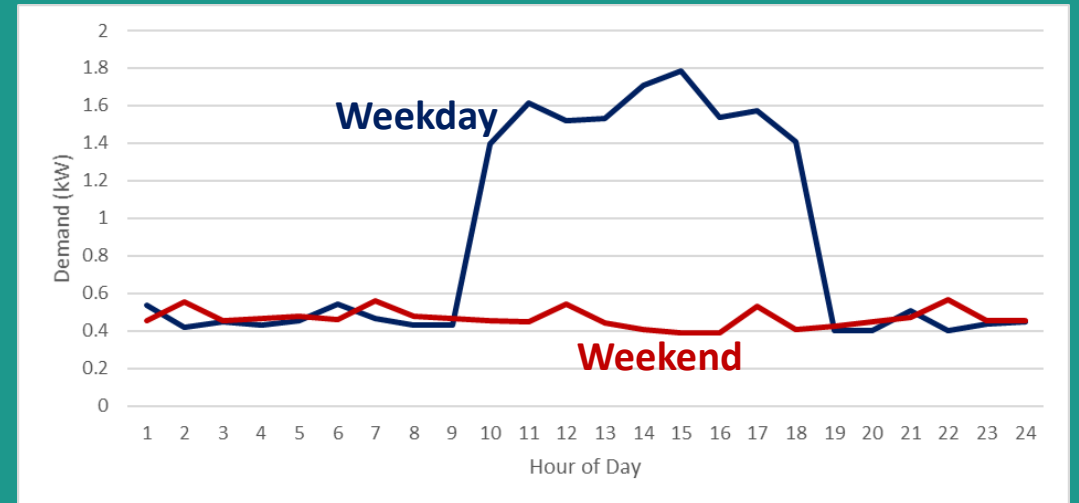
Weekday Load Profile Favors Proposed TOU Rate Design

Item	Based on Forecasted PG&E 2022 Rates ²	3CE Current Approach to Rate Design ²	Proposed COS Based TOU Rate Design	Proposed Seasonal Flat Rate Design
Avg. Summer Bill	\$50.32	\$49.43	\$42.55	\$42.27
Avg. Winter Bill	\$25.47	\$25.05	\$27.44	\$27.82
Avg. Monthly	\$36.52	\$35.89	\$34.15	\$34.25

Weekend Load Profile Favors Proposed Seasonal Rate Design

Item	Based on Forecasted PG&E 2022 Rates ²	3CE Current Approach to Rate Design ²	Proposed COS Based TOU Rate Design	Proposed Seasonal Flat Rate Design
Avg. Summer Bill	\$24.51	\$24.08	\$20.57	\$21.14
Avg. Winter Bill	\$13.26	\$13.04	\$14.51	\$13.95
Avg. Monthly	\$18.26	\$17.95	\$17.20	\$17.14

Load profiles with greater energy consumption in off-peak and super off-peak TOU periods benefit from the TOU rate design.



² PG&E rates are forecasted to increase by 0.6 cents/kwh

NEM Updates – Proposed Rates

Proposed changes provide greater customer insight, ensure NEM rates cover the cost to serve customers, provide customer options, and continues to outperform PG&E's NEM rates

- 1) Monthly Billing provides more insight to customer consumption throughout the year
 - Debits (net consumption) are billed monthly and credits (net generation) are applied to future charges
- 2) Residential Customer Charge provides cost recovery for 3CE fixed costs incurred to serve customers
 - NEM customers' excess generation credits can be applied to offset the customer charge
- 3) Customers will have a onetime choice between the COS TOU Rate and 3 Year Seasonal Fixed Rate
 - Both Rates continue to outperform PG&E
 - The 3 Year Seasonal Flat Rate offers
 - higher Net Surplus Compensation (NSC) rate than PG&E
 - simplifies the administration of NEM customer billing while reduces the reduction in incentives associated with the new TOU rates

STATEWIDE NEM CHANGES

California Public Utilities Commission

- Rulemaking 20-08-020 is developing a successor to the existing NEM 2.0 tariff pursuant to CA Assembly Bill (AB) 327
- Workshops to discuss proposals from various stakeholders are currently ongoing

California State Legislature

- AB 1139 proposes to replace NEM 1.0 and 2.0 with its own successor tariff
- Passed the Assembly Utilities & Energy Committee on April 21st, now being considered by Appropriations

NEM ADVOCACY RESOURCES

- CPUC NEM 2.0 Successor Tariff Website: <https://www.cpuc.ca.gov/nemrevisit/>
- Assembly Bill 1139
 - Track the bill here: <https://leginfo.legislature.ca.gov/>
 - Contact your legislator here:
 - Assemblymember Mark Stone: <https://a29.asmdc.org/>
 - Assemblymember Robert Rivas: <https://a30.asmdc.org/>
 - Assemblymember Jordan Cunningham: <https://ad35.asmrc.org/>
 - Assemblymember Steve Bennet: <https://a37.asmdc.org/>