MCE Executive Committee Meeting
Monday, March 3, 2025
12:00 p.m.

Primary Location: 2300 Clayton Road, Suite 1150, Concord, CA, 94520

Secondary Location: 1125 Tamalpais Avenue, San Rafael, CA 94901

Public comments may be made in person or remotely via the details below.

Remote Public Meeting Participation

Video Conference: https://t.ly/DnY7U

Phone: Dial (669) 900-9128, Meeting ID: 861 2234 3784, Passcode: 415565

Materials related to this agenda are available for physical inspection at MCE's offices in San Rafael at 1125 Tamalpais Ave., San Rafael, CA 94901, and in Concord at 2300 Clayton Road, Suite 1150, Concord, CA 94920.

DISABLED ACCOMMODATION: If you are a person with a disability who requires an accommodation or an alternative format, please contact MCE at (888) 632-3672 or ada-coordinator@mceCleanEnergy.org at least 72 hours before the meeting start time to ensure arrangements are made.

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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 2.3.25 Meeting Minutes

   C. 2. Proposed Fifth Agreement with EV.Energy Corp.

C.3. Draft 3.20.25 Board Agenda

6. Proposed Fiscal Year 2025/26 Budget (Discussion/Action)

7. 2024 Charles F. McGlashan Advocacy Award Nominations (Discussion/Action)

8. Committee & Staff Matters (Discussion)

9. Adjourn

The Executive Committee may discuss and/or take action on any or all of the items listed on the agenda irrespective of how the items are described.

March 3, 2025

TO:	MCE Executive Committee
FROM:	Maíra Strauss, Vice President of Finance and Treasurer Efren Oxlaj, Finance Manager
RE:	Proposed Fiscal Year 2025/26 Budget (Agenda Item #06)
ATTACHMENTS:	A. Proposed FY 2025/26 Operating Fund Budget B. Proposed FY 2025/26 Program Development Fund Budget C. Proposed FY 2025/26 Resiliency VPP Fund Budget D. Proposed FY 2025/26 Energy Efficiency Program Fund Budget E. Proposed Adjustments to Demand Charges (03/07/2025 Technical Committee Staff Report and Attachments)

Dear Executive Committee Members:

Summary:
Before the beginning of every fiscal year (FY), running April 1 through March 31, staff presents proposed budgets to the Executive Committee and Board for consideration.

The attached Proposed Budgets reflect MCE's projected revenue, expenditures, and contingencies for FY 2025/26, and are anticipated to allow MCE to continue providing 60-100% renewable energy.

MCE offers stable, competitive rates and a variety of discount and assistance programs to support customers. Customers have saved $18.5 million in energy efficiency bill savings and rebates since 2016, and over $100 million with MCE's lower rates and customer discounts since 2010.

MCE hasn't increased rates since January 1, 2023.

FY 2025/26 Operating Fund Budget Highlights:
The Proposed FY 2025/26 Operating Fund Budget (Attachment B) is based on the most recent five-year average for weather patterns in the MCE service area. The budget also assumes higher costs for renewable energy reflective of the patterns seen over the course of 2024. Additionally, it includes an unexpected regulatory change that requires additional volumes of renewable and carbon free energy. Lastly, it captures the enrollment of the City of Hercules to MCE's service area.

Variances in the highlights below compare proposed FY 2025/26 budget to the approved FY 2024/25 budget unless otherwise noted.

MCE Cares Credit (Targeted Bill Relief): $5 million
Building on MCE's tradition of promoting energy affordability and accessibility, staff recommends allocating $5 million to continue a targeted cost relief program, MCE Cares, to reduce energy costs for our most vulnerable residential and small commercial customers with monthly bill credits. By targeting customers struggling to pay their bills, including those eligible for the California Alternate Rates for Energy (CARE) and the Family Electric Rate Assistance (FERA) programs, and small businesses impacted by economic shifts, MCE seeks to provide support that aligns with our core values of community care and sustainable energy access. The MCE Cares credit provides:

- $20 monthly bill credits for residential customers enrolled in CARE or FERA
- $25 monthly bill credits for small commercial customers enrolled in the A-1 or B-1 electric rates

Eligible residential customers with arrears of $500 or more will automatically be enrolled. All other eligible customers must proactively enroll.

Revenue – Energy Net: $826.7 million (5.6% increase from FY 2024/25 approved budget; 4.0% increase over projected actuals)

Energy Revenue is projected based on MCE's customer accounts, incorporating historical usage, weather patterns and applicable rates. Energy revenue is reduced by $5 million, allocated to MCE's Target Cost Relief Program, which aims to lower costs for our most vulnerable residential and small commercial customers. An additional reduction of $79,500 accounts for the bidirectional vehicle charging tariff approved by your Board on November 21, 2024.

Revenue includes an up to $13 million transfer from the Operating Reserve Fund to cover the unexpected regulatory change requiring MCE to account for load losses on its power content label. Additionally, staff has incorporated $6.8 million in revenue from the recommended adjustments to demand charges, pending your Board's approval.

Staff projects a delinquency rate of 1.5% of sales, equating to approximately $12.5 million in uncollectible balances, which further reduces energy revenue by the same amount. Staff monitors delinquencies monthly and has observed positive trends year to date. Even after accounting for sales growth, the growth of delinquent balances remains negative year over year.

Cost of Energy: $765.5 million (11.1% increase from FY 2024/25 approved budget; 4% increase from projected actuals)

The cost of energy is projected to increase by $76.8 million. The main driver for the year over year increase is the high cost of renewable energy. The price of renewable energy, also known as Portfolio Content Category 1 (PCC1) energy, has risen tremendously in the past two years. The increase is driven largely by insufficient supply, which is linked to a broad need for transmission upgrades and adequate interconnection timelines. At the same time, there is an increased demand from other load serving entities. Prices reached a high of $95 per MWh in late 2024. The upcoming fiscal year will capture these high prices contributing about $54 million to the year over year increase. Staff anticipates these costs will decrease in future years as more renewable energy and storage projects come online.

Another driver is a regulatory change. On February 12, 2025, the California Energy Commission passed new regulations that require load serving entities like MCE to account for line losses on their power content label. Under the new rules, MCE will procure 4-6% more renewable and carbon-free energy to account for these naturally occurring losses. If MCE does not procure these additional volumes, on a Total Power Content basis, MCE will show less than targeted renewables/carbon-free percentages i.e., 60% Renewables and 95% GHG-Free for Light Green and 100% Renewables and 100% GHG-Free for Deep Green. Staff estimates that this new regulation will cost the agency about $13 million.

The remaining $9.8 million increase comes from the additional volumes needed to serve the City of Hercules which will begin in April 2025. The City of Hercules represents an increase to MCE's load of 1.3% and will add about 10,000 new customers to MCE's service area.

Personnel: $29.6 million (9.6% increase from FY 2024/25 approved budget on a before-grant reimbursements basis)

These costs would be offset by $4.1 million in grant funding, reducing the total staffing budget to $25.4 million, an 11.3 % increase from FY 2024/25. MCE currently holds the majority of these grant monies at River City Bank. These funds are not subject to Federal funding freezes. Personnel costs represent approximately 3.1% of MCE's Operating Budget to support MCE's capacity, expertise, and competitive positioning. This increase includes cost-of-living adjustments, benefits cost increases, promotions, merit increases, the full-year integration of costs for new full-time employees (FTEs) added this current fiscal year, and the anticipated addition of 13 new FTEs in the upcoming fiscal year.

Key cost drivers include:

- 18% increase in medical, dental, and vision premiums (no change in coverage)
- 12.6% increase in headcount growth (103 to 116 FTEs)
- 9.8% increase in employer taxes
- 4.8% in merit increases and promotions
- 4.3% increase in ancillary benefits (e.g., life insurance, short-term disability, retirement health savings)

- 15.1% increase in retirement costs (401(a) retirement contributions and 457(f) plan)
- 2% in Cost-of-Living Adjustments (based on U.S. Labor Bureau guidelines)
- 37% decrease in some other benefit costs including vacation cashouts, workers compensation, non-voluntary employee departure costs, etc.

When evaluating new headcount, MCE prioritizes:
- Funding through external grant sources,
- Offsetting costs currently contracted out, and
- Enhancing internal efficiencies.

The agency has seen key growth in specific departments, particularly Customer Programs. Customer Programs administers multiple grant-funded programs, including CPUC-funded Energy Efficiency (EE) programs which have seen expenditures rise by 250% in the last five years. To support these expanding programs and related operational needs, Customer Programs has increased headcount by 46% over the last five years, including proposed new hires for FY 2025/26. Public Affairs has grown by 36% during the same period to support outreach efforts, community engagement, and marketing for MCE's growing customer programs and service area. Furthermore, Technology and Analytics has seen a 100% headcount increase during that period. Since its creation in 2020, Technology and Analytics (TA) has built MCE's data warehouse and data services platform, implemented MCE's Customer Relationship Management (CRM) system to bring MCE's call center in-house, overseen the move from Calpine to SMUD as MCE's data manager, and now provides data services to nearly every department at MCE. While this has meant a significant increase in the TA department's budget, many of the services TA now provides internally were being served by external vendors, and some of the new data services that have come online in the last five years were not available at all.

Additionally, MCE's workforce development efforts include a Board-approved internship program, which now provides opportunities for up to 20 interns annually from MCE's service area. Similarly, MCE provides workforce opportunities with fellowships and temporary coverage for employees on extended protected leaves.

MCE remains committed to attracting and retaining top talent aligned with our mission. Turnover increased from 7.5% in 2023 to 13.5% in 2024, which includes employees who retired, were terminated, or voluntarily left, remaining below the industry average of 15.4%. However, enhancements to employee benefits and a continued focus on solidifying culture have proven effective. MCE was recognized as a "Top Place to Work" two years in a row by the San Francisco Chronicle. Salaries are adjusted annually based on the U.S. Bureau of Labor Statistics Consumer Price Index for the San Francisco Area, and performance-based merit increases of 0-5% are awarded using standardized criteria. Regular salary and market reviews ensure competitiveness, equity, and alignment with industry standards while mitigating unintended bias.

The forecasted personnel costs, projected to make up 3.1% of the total Operating Fund Budget (up from 2.9% in FY 2024/25), represent a strategic investment to enhance MCE's expertise, employee satisfaction, and operational efficiency.

Data Manager: $5.28 million (2.7% increase)
MCE's data manager provides a wide range of billing services, including billing management for MCE's customers, technical support for billing issues, and customer enrollment services. The charges are based on a fixed fee for each customer account. The costs are increasing slightly because of the addition of the City of Hercules to MCE's service area.

Technical and Scheduling Consultants: $1.40 million (9.8% increase)
These consultants assist MCE in managing risk more effectively. They collaborate with staff to create advanced load management strategies and forecast costs related to market and regulatory changes. The costs are calculated on a fixed fee per megawatt-hour (MWh). The increase in costs is due to higher negotiated fees and a slight increase in load from adding the City of Hercules

Service Fees – PG&E: $2.74 million (7% increase)
Service Fees to PG&E consist of a fixed charge per customer account. The fees cover PG&E's costs associated with data processing and bill coordination. The costs are increasing slightly because of the addition of the City of Hercules to MCE's service area.

Communications Services: $2.22 million (10.2% decrease)
Communications costs cover a wide range of marketing and community engagement activities including advertising, printing, and mailing customer notices, and community events and sponsorships. This budget reduction reflects the removal of unique costs for the Hercules enrollment outreach and marketing expenses not needed in the upcoming FY, reduced customer mailer costs, and overall adjustments to align more closely with the actual spending observed in the current fiscal year.

Other services: $4.59 million (45.2% increase)
Other services encompass expenses such as consulting related to ongoing development of MCE's Customer Relationship Management (CRM) software, and other data driven efficiencies being led by the Technology and Analytics Department.

The energy sector is undergoing significant changes due to availability and cost of renewable energy, climate change, and regulatory changes. Additionally, an aging grid is causing curtailments and reduces the availability of renewable resources, which further drives up costs. MCE faces competition from both established and new market players who don't always have the same regulatory and community obligations. MCE's main advantage is the trust of its communities and access to customer data. This data, now better utilized thanks to MCE's new CRM and data warehouse, helps MCE stay competitive and serve its communities more effectively.

Investing in data infrastructure, such as MCE's CRM and data warehouse, is crucial. These investments enable MCE to harness the vast amount of data it receives, providing insights that enhance competitiveness and reduce risk. By leveraging this data, MCE can better understand and respond to customer needs, optimize energy usage, and offer more tailored services, ultimately serving its communities more effectively and maintaining its competitive edge.

General and Administration: $4.97 million (18.8% increase)
Costs include diverse items such as software licenses, staff recruitment, office supplies, data, travel, dues and subscriptions, including California Community Choice Association (CalCCA) membership, and other related expenses.

Increased costs reflect expected annual increase in general dues from CalCCA and increased representation in joint proceedings costs. Costs are also increasing due to expected recruitment expenses needed for staff and additional licenses for MCE's CRM and other platform licenses for use by various departments. Two load forecasting software tools are also included for use by the Power Resources department to allow for more sophisticated resource allocation and optimization of load scheduling.

Occupancy: $0.45 million (55.1% decrease)
Due to the purchase of the San Rafael office building, no rent will be paid in the coming fiscal year for the San Rafael office. Additionally, MCE will be moving its office in Concord to a new suite which will have rental abatement and reduced negotiated rates.

Contingency: $1.5 million (no change)
Contingency is 0.2% of the total Operating Fund Budget, managed and allocated by the Finance Department based upon actual outcomes and needs within the budgets throughout the fiscal year.

Non-Operating Revenue and Expense, Fund Transfer, and Other Updates:

Interest Income: $15 million (25% increase)
Interest income is increasing against last year's budget, but decreasing against the projected actuals for the current fiscal year due to expected rate decreases by the Federal Reserve in the remainder of 2025 and early 2026. Staff is conservatively assuming an average yield of about 3% on all of MCE's holdings. MCE currently has about ⅓ of its cumulative position in a fixed income portfolio managed by Chandler Asset Management, about ⅓ in liquid money market funds, about ¼ in CDARs issued by River City Bank, and 4% in collateral at the California ISO. Staff continues to manage MCE's investment resources by adhering to the Board approved Investment Policy.

Grant Income: $3.3 million (35.3% decrease)
MCE receives grants from government and non-profit organizations to support certain activities connected to MCE's mission. Grant income varies year to year as grants can be "one time" or can be provided to MCE under multiple year agreements. Some grants were completed in the current fiscal

year and others are starting or continuing in FY 2025/26. MCE currently has one active Federal Earmark and one Federal Grant from the Department of Energy. The Federal Grant from the Department of Energy "Charged by Public Power" is at a high risk of being frozen or rescinded due to the current Federal Administration. Risk level for other grants is shown in parentheses below.

Also, some grant activities require a ramp-up time that can be hard to predict, and this can cause year-to-year budget variation. The following grants or portions thereof are included in the $3,300,000 grant income line item in the proposed budget:

1. $5,000,000 (2025-2029) for integrating MCE's existing Customer Programs into the virtual power plant (VPP) across MCE's service area. Funded by the California Energy Commission. (Medium risk)

2. $3,000,000 (2023-2027) for MCE's Healthy Homes program in Richmond. Funded by the California Strategic Growth Council Transformative Climate Communities program. (Medium risk)

3. $1,698,000 (2021-2041) for the Disadvantaged Communities Green Tariff (Green Access) program to provide income-qualified, residential customers in disadvantaged communities with 100% renewable energy and a 20% bill discount. The amount is replenished annually. Funded by the California Public Utilities Commission. (Low risk)

4. $1,500,000 (2022-2025 for EV charging installations in disadvantaged Contra Costa communities in partnership with the Contra Costa Transportation Authority. Funded by the California Energy Commission. (Low risk)

5. $1,000,000 (2024-2026) to support a participatory budgeting process in priority communities to guide the grant investment into EV charging stations and shared mobility options (Charged by Public Power). Funded by the U.S. Department of Energy. (High Risk)

6. $750,000 (2020-2025) for solar paired with storage at nonprofits in Marin. Funded by the Marin Community Foundation. (Low Risk)

7. $500,000 (2024-2025) for solar paired with storage at critical facilities. Funded by federal earmarks. (Low risk)

8. $180,000 (2022-2025) for EV charging installations at multifamily properties in Marin. Funded by the Marin Community Foundation. (Low risk)

9. $99,000 (2022-2026) for the Virtual Power Plant (VPP) pilot in Richmond. Funded by the California Energy Commission. (Low risk)

10. $86,000 (2024-2025) for EV charging installations at multifamily properties. Funded by the California Energy Commission. (Low risk)

In addition to the grants in the proposed budget, MCE has submitted $15,389,000 in new grant applications. If awarded, any of these new grants would be brought to the Board for acceptance and would be added to the grants budget on a forward basis.

FY 2025/26 Program Development Fund: $2.4 million (71.5% decrease)
The Program Development Fund (Attachment B) is financed by a transfer from the Operating Fund equal to 50% of the 1¢/kWh premium for Deep Green service ($2,400,000) and additional amounts approved by the Board. For FY 2025/26 staff also recommends combining the transfer with existing funding of $260,000 from the Marin Community Foundation and $100,0000 in Community Benefit Funds from NextEra for a total funding amount of $2,752,000. These funds will be used for incentives, technical assistance, community education, and implementation of the following programs:

- Transportation electrification:
  - Rebates for newly purchased and leased EVs for income-qualified residents.
  - Rebates for charging ports installed at workplaces and multifamily properties.
  - MCE's EV smart charging app, MCE Sync, which automates home EV charging to use the least expensive and cleanest energy on the grid.
- Building electrification:
  - Rebates for electric, grid-enabled Heat Pump Water Heaters.
  - An Emergency Replacement Water Heater Loaner program to facilitate electrification at the point of existing water heater failure.
- Community Housing Fund:
  - Funds building remediation and repair work for homeless shelters and other community housing resources that would otherwise be a barrier to accessing energy efficiency programs.

The Program Development Fund finances programs that require long lead times from project application, approval, permitting, construction, and final completion. In some cases, this process can take many years. Consequently, MCE commits funding for projects on an annual basis, but actual expenditures of these funds are often delayed for a few years or, occasionally, projects can be canceled entirely. If actual expenditures in a given fiscal year are expected to exceed available funding, staff will come back to the Board to recommend additional appropriations from the General Fund.

FY 2025/26 Resiliency VPP Fund: $0 (0%, No transfer needed)
The Board approved creation of a Resiliency VPP Fund (Attachment C) in 2019 in response to power outages which significantly impact the safety, reliability, health, and welfare of our customers, and disproportionately affect vulnerable populations. MCE continues to help strengthen our

communities by piloting energy storage paired with solar to retain essential power supply during outages while minimizing the use of carbon-emitting generators and fossil-fuel technologies. Since the creation of the fund, your Board has approved $9 million and $750,000 of funding from the Marin Community Foundation for a total of $9,750,000 toward battery storage programs in our communities.

Staff recommends adding $1.47 million in grants to the fund. This captures $1.2 million from the $5 million California Energy Commission virtual power plant grant, $200,000 in Federal Earmarks for energy storage projects, and $72,000 in grants from the Marin Community Foundation for storage at critical facilities.

No transfers from the Operating Account are needed as there is sufficient funding available from previous years to satisfy anticipated expenditure in FY 2025/26.

Energy Efficiency Program Fund: $19.6 million (40.5% decrease)
The Energy Efficiency Program Fund (Attachment D) uses funding awarded by the CPUC to support the following programs: Efficiency Market Programs (Residential and Commercial); Strategic Energy Management for Commercial, Industrial and Multifamily Properties; Agricultural and Industrial Resources (AIR) Program; Small Business Energy Advantage; Multifamily Energy Savings, Home Energy Savings, and Green Workforce Pathways. The funds awarded from the CPUC have decreased from $30,084,000 in FY 2024/25 to $19,561,000 in FY 2025/26.

The budget reflects a reduction due to the return of unspent funds to the California Public Utilities Commission (CPUC) allocated for Summer Electric Reliability Programs. These funds, designated for demand response and energy efficiency initiatives, remained unused due to lower-than-anticipated program participation, mild weather and evolving market conditions.

This budget adjustment pertains solely to the return of unspent incentive funds and does not impact MCE's staffing reimbursements or operational funding.

Capital Outlay: $16 million
Your Board approved the purchase of the San Rafael office building on July 18, 2024 which captures $5.4 million of the requested capital outlay. An additional $10,250,000 is being requested to implement upgrades in transmission software that would help alleviate some of the curtailment and congestion of certain power supply projects that could result in savings of up to $20 million per year once implemented. An additional $350,000 is being requested to implement building improvements and retrofits at both the San Rafael and Concord Office.

Fiscal Impacts:
Finances in the upcoming fiscal year are subject to a variety of anticipated and unforeseen factors that could have a measurable impact on MCE's budgetary results. These include:

1) Market volatility – System energy, renewable energy and resource adequacy prices may be higher than anticipated due to market volatility, scarcity, availability.
2) Customer Energy Demand – As we continue to experience climate change through extreme weather events, including summer heat waves, severe cold temperatures, and drought, energy demand can outpace our hedged energy supply and negatively impact MCE's finances. This is particularly true when day-ahead and/or real-time market prices are abnormally high.
3) Regulatory Changes – changes required by regulatory agencies that may result in cost increases for MCE.

If your Board approves the proposed increases to Demand Charges (Attachments E) and the transfer of up to $13,000,000 from the Operating Reserve Fund, the change in net position of the Proposed Operating Fund budget is projected to increase by an estimated $25,800,000, assuming market prices do not significantly increase.

If your Board chooses to also approve the $5,000,000 allocation to the MCE Cares credit, $10,250,000 in capital outlay for transmission upgrades, $350,000 in capital outlay for building improvements and the transfer of $2,400,000 to the Program Development Fund, the projected contribution to the Operating Fund Balance would be approximately $7,400,000. The projections are based on the best available information regarding market prices for any unhedged power supply.

Recommendations:
Recommend to the Board of Directors approval of:
1. The MCE Cares Credit with an allocation of $5,000,000,
2. Up to $13 million transfer from the Operating Reserve to the Operating fund, and
3. The proposed Fiscal Year 2025/26 budgets.

A. Proposed FY 2025/26 Operating Fund Budget

MCE Operating Fund
Proposed Budget Fiscal Year 2025/26
From April 1, 2025 through March 31, 2026

	Fiscal Year 2024/2025 Approved Budget	Fiscal Year 2024/2025 Projected Budget	Fiscal Year 2025/2026 Proposed Budget	Approved vs Proposed Budget Variance	Approved vs Proposed Budget Variance
ENERGY REVENUE					
Operating Revenues	$ 799,829,000	$ 810,484,000	$ 831,238,000	$ 31,409,000	3.9%
Transfer from Operating Reserve	-	-	13,000,000	13,000,000	-
Cost Relief Program	(5,000,000)	(3,532,573)	(5,000,000)	-	0.0%
Bi-Directional Vehicle Charging Tariff	-	-	(79,500)	79,500	-
Uncollectible Accounts	(11,967,000)	(12,157,000)	(12,469,000)	502,000	4.2%
REVENUE - ENERGY NET	**782,862,000**	**794,794,427**	**826,689,500**	**43,827,500**	**5.6%**
ENERGY EXPENSES					
Cost of Energy	688,761,000	735,818,000	765,542,000	76,781,000	11.1%
NET ENERGY REVENUE	**94,101,000**	**58,976,000**	**61,148,000**	**(32,953,000)**	**(35.0%)**
OPERATING EXPENSES					
Personnel	22,830,000	20,438,070	25,405,000	2,575,000	11.3%
Data Manager	5,136,000	5,143,000	5,276,000	140,000	2.7%
Technical and Scheduling Consultants	1,275,000	1,137,000	1,400,000	125,000	9.8%
Service Fees - PG&E	2,560,000	2,537,000	2,738,000	178,000	7.0%
Legal and Policy Services	1,420,000	957,000	1,534,000	114,000	8.0%
Communication Services	2,476,000	2,093,000	2,223,000	(253,000)	(10.2%)
Other Professional Services	3,163,000	2,833,000	4,594,000	1,431,000	45.2%
General and Administrative	4,179,000	3,659,000	4,966,000	787,000	18.8%
Occupancy	1,008,000	913,000	453,000	(555,000)	(55.1%)
Contingency	1,500,000	-	1,500,000	-	0.0%
TOTAL OPERATING EXPENSES	**45,547,000**	**39,710,070**	**50,089,000**	**4,542,000**	**10.0%**
OPERATING INCOME	**48,554,000**	**19,265,930**	**11,059,000**	**(37,495,000)**	**(77.2%)**
NONOPERATING REVENUES					
Grant Income	5,068,000	1,160,000	3,278,000	(1,790,000)	(35.3%)
Other Income	-	452,000	-	-	-
Interest Income	12,000,000	22,025,000	15,000,000	3,000,000	25.0%
TOTAL NONOPERATING REVENUES	**17,068,000**	**23,637,000**	**18,278,000**	**1,210,000**	**7.1%**
NONOPERATING EXPENSES					
Banking Fees and Financing Costs	225,000	204,000	225,000	-	0.0%
Grant Expenses	5,068,000	681,000	3,278,000	(1,790,000)	(35.3%)
TOTAL NONOPERATING EXPENSES	**5,293,000**	**885,000**	**3,503,000**	**(1,790,000)**	**(33.8%)**
CHANGE IN NET POSITION	**60,329,000**	**42,017,930**	**25,834,000**	**(34,495,000)**	**(57.2%)**
Budgeted Net Position Beginning of Period	424,620,000	403,686,000	445,703,930	21,083,930	5.0%
Change in Net Position	60,329,000	42,017,930	25,834,000	(34,495,000)	(57.2%)
BUDGETED NET POSITION END OF PERIOD	**484,949,000**	**445,703,930**	**471,537,930**	**(13,411,070)**	**(2.8%)**
CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER					
Software Transmission Upgrade	-	-	10,250,000	10,250,000	-
San Rafael Office Building Purchase	-	-	5,400,000	5,400,000	-
San Rafael Office Improvements and Retrofits	-	-	349,000	349,000	-
Transfer to Resiliency VPP Fund	-	-	-	-	-
Transfer to Program Development Fund	8,400,000	8,400,000	2,392,000	(6,008,000)	(71.5%)
TOTAL CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER	**8,400,000**	**8,400,000**	**18,391,000**	**9,991,000**	**118.9%**
BUDGETED NET INCREASE IN OPERATING FUND BALANCE	**51,929,000**	**33,617,930**	**7,443,000**	**(44,486,000)**	**(85.7%)**

For comparison purposes, the Proposed FY 2025/26 budget is shown along the current year's Approved Budget. Actuals through December 2024 plus projections through March 31, 2025 are shown in the Fiscal Year 2024/25 Projected Budget column.

B. Proposed FY 2025/26 Program Development Fund Budget

MCE
Program Development Fund
Proposed Budget Fiscal Year 2025/26
From April 1, 2025 through March 31, 2026

	FY 2024/25 Approved Budget	FY 2024/2025 Projected Budget	FY 2025/26 Proposed Budget
REVENUE AND OTHER SOURCES			
Transfer from Operating Fund and Deep Green Premium	$8,400,000	$8,400,000	$2,392,000
Marin Community Foundation Grant	180,000	24,000	260,000
Community Benefits Funds	0	0	100,000
TOTAL REVENUE AND OTHER SOURCES	8,580,000	$8,424,000	$2,752,000
EXPENDITURES AND COMMITTED FUNDS			
Transportation Electrification Programs	6,461,000	5,357,000	5,310,000
Committed Funds	2,320,000	-	-
Heat Pump Water Heater Incentives	500,000	254,000	540,000
Emergency Water Heater Loaner Program	145,000	4,000	142,000
MCF - EV Charging at Affordable Housing	180,000	24,000	260,000
Community Housing Grants	100,000	139,000	260,000
Electrification Technical Assistance	9,000	-	-
Green Healthy Homes Initiative	-	-	-
TOTAL EXPENDITURES AND OTHER USES	9,715,000	5,778,000	6,512,000
Net Increase (Decrease) in Fund Balance	1,135,000	2,646,000	3,760,000
Fund Balance at Beginning of Period*	1,135,000	1,114,000	3,760,000
Fund Balance at End of Period	-	3,760,000	-

***Beginning balance for FY 2025/26 budget differs from budget FY 2024/25 ending actual balance due to delays in actual fund spending.**

For comparison purposes, the Proposed FY 2025/26 budget is shown along the current year's Approved Budget. Actuals through December 2024 plus projections through March 31, 2025 are shown in the Fiscal Year 2024/25 Projected Budget column.

C. Proposed FY 2025/26 Resiliency VPP Fund Budget

MCE
Resiliency VPP Fund
Proposed Budget Fiscal Year 2025/26
From April 1, 2025 through March 31, 2026

	FY 2024/25 Approved Budget	FY 24/25 Projected Budget	FY 2025/26 Proposed Budget
REVENUE AND OTHER SOURCES			
CEC VPP Flex Grant	$0	$0	$1,200,000
Federal Earkmark Funding	500,000	-	200,000
Marin Community Foundation Grant	378,000	49,000	72,000
Transfer from Operating Fund	-	-	-
TOTAL REVENUE AND OTHER SOURCES	**878,000**	**49,000**	**1,472,000**
EXPENDITURES AND OTHER USES			
CEC VPP Flex Grant Expenses	-	-	1,200,000
Energy Storage Program	2,747,000	464,000	306,000
CEC VPP Flex Grant Match	-	-	1,000,000
MCE Sync	-	-	952,000
PeakFLEX	500,000	47,000	100,000
Federal Earmark - Energy Storage	500,000	-	200,000
MCF - Resiliency at Critical Facilities	378,000	49,000	72,000
Federal Earmark Match Expense	250,000	-	200,000
Home Area Network Device Pilot	150,000	-	-
San Rafael Office Resiliency Buildout	-	-	200,000
Richmond VPP Pilot	74,000	268,000	171,000
TOTAL EXPENDITURES AND OTHER USES	**4,599,000**	**828,000**	**4,401,000**
Net Increase (Decrease) in Fund Balance	(3,721,000)	(779,000)	(2,929,000)
Fund Balance at Beginning of Period*	4,361,000	3,865,000	3,086,000
Fund Balance at End of Period	640,000	3,086,000	157,000

***Beginning balance for FY 2025/26 budget differs from budget FY 2024/25 ending actual balance due to delays in actual fund spending.**

For comparison purposes, the Proposed FY 2025/26 budget is shown along the current year's Approved Budget. Actuals through December 2024 plus projections through March 31, 2025 are shown in the Fiscal Year 2024/25 Projected Budget column.

D. Proposed FY 2025/26 Energy Efficency Fund Budget

MCE
Energy Efficiency Fund
Proposed Budget Fiscal Year 2024/25
From April 1, 2025 through March 31, 2026

	FY 2024/25 Approved Budget	FY 2024/25 Projected Budget	FY 2025/26 Proposed Budget
REVENUE AND OTHER SOURCES			
Public Purpose Energy Efficiency Program	$ 30,084,000	$ 9,933,000	$ 18,761,000
Public Purpose Low Income Families and Tenants Pilot Program	2,785,000	1,016,000	800,000
TOTAL REVENUE AND OTHER SOURCES	**32,869,000**	**10,949,000**	**19,561,000**
EXPENDITURE AND OTHER USES			
Public Purpose Energy Efficiency Program	30,084,000	9,933,000	18,761,000
Public Purpose Low Income Families and Tenants Pilot Program	2,785,000	1,016,000	800,000
TOTAL EXPENDITURES AND OTHER USES	**32,869,000**	**10,949,000**	**19,561,000**
BALANCE	-	-	-

For comparison purposes, the Proposed FY 2025/26 budget is shown along the current year's Approved Budget. Actuals through December 2024 plus projections through March 31, 2025 are shown in the Fiscal Year 2024/25 Projected Budget column.

Empowering Our Clean Energy Future
CONTRA COSTA | MARIN | NAPA | SOLANO

March 7, 2025

TO:	MCE Technical Committee
FROM:	Maíra Strauss, Vice President of Finance Greg Tillman, Associate Director of Rates
RE:	Proposed Adjustment to MCE Demand Charges (Agenda Item #08)
ATTACHMENTS:	A. Adjustment to MCE Demand Charges FY 2025/26 Presentation B. Proposed Demand Charges

Dear Technical Committee Members:

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 after PG&E has made its primary annual rate update. The rate review indicates 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.

MCE last increased rates effective January 1, 2023. MCE has not adjusted rates since that time because MCE has maintained revenue sufficiency and competitiveness with PG&E rates. PG&E rates increased on January 1, 2025. As reported to this Committee on February 7, 2025, MCE rates across the board are lower than PG&E generation rates. PG&E's exit fee, or the Power Cost Indifference Adjustment (PCIA), was also updated resulting in a negative impact on customers that left PG&E service prior to 2018 causing their bills to be slightly higher (about 2% on average). The remaining, newer vintage customers' energy costs are discounted relative to PG&E costs with the latest vintage seeing up to a 10% savings.

Based on current projections, MCE expects a slight shortfall in its operating income. The expected shortfall is the result of an 11.3% expected increase in energy procurement costs. This expected shortfall would result in an expected, albeit slight, insufficiency in rates to meet the agency's revenue needs.

Since MCE's most recent rate change, PG&E has significantly increased the generation demand charges for demand billed to customers. These increases are representative of the higher capacity costs required to provide generation service to electric customers. MCE demand charges have remained level, which results in a misalignment of the rates with the underlying costs and causes

price signals to fail to reflect those costs to our demand-billed customers. Effective price signals which reflect the true cost of capacity, especially during the peak periods, encourage customers to reduce their maximum load during the peak periods resulting in lower costs. Following the most recent increase to PG&E rates, the demand charges in MCE rates are approximately 75% of the effective PG&E demand rates, indicating a weakening of the price signals to MCE's largest customers.

The demand charge encourages businesses to spread their electricity use throughout the day. When businesses spread their electricity use throughout the day, California's supply of electricity is more reliable. The demand charge is calculated using the 15-minute interval in each billing month when a business uses the most electricity. To increase revenue available to mitigate our expected revenue shortfall, create a stronger price signal to reflect the underlying generation capacity costs, and maintain our rate competitiveness for MCE's residential and small business customers, Staff is proposing to increase MCE's demand charges for demand-billed rate classes to 95% of the current PG&E demand charges effective April 1, 2025.

Revenue and Customer Impacts

The proposed increase in MCE demand charges would generate approximately $6.8 million in revenue, equating to a revenue increase of approximately 0.8%. The proposed demand charge increase would impact less than 1% of MCE customers, or approximately 3,000, and does not affect rate classes, including residential and small business classes, which do not have demand-based charges within their applicable rates.

The proposed changes impact only those customers subscribed to rate classes which have demand-based charges, which are typically the larger agricultural, commercial and industrial customers. These rate classes are: AG4B, AGC, B19, B20, E19, and E20. Some rate classes with demand rates include no MCE customers; these classes are excluded from the customer impact calculations. The proposed demand charges result in an average increase of approximately 4.4% on the MCE generation portion of the affected customers' bills and 2.0% of the average overall bill. Even under the proposed rates, MCE rates remain below the PG&E generation rates.

Rate Class	Estimated Current MCE Revenue	Estimated Increase	Estimated Proposed MCE Revenue	Increase %
AG4B/AGC	$9,457,971	$388,959	$9,846,930	4.1%
B19	$102,155,011	$4,412,097	$106,567,108	4.3%
B20	$35,421,088	$1,379,987	$36,801,075	3.9%
E19	$2,869,935	$191,809	$3,061,745	6.7%
E20	$4,776,709	$398,271	$5,174,980	8.3%
Total	$154,680,714	$6,771,123	$161,451,838	4.4%

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.

The initial release of MCE's proposed rates (which occurred on February 14, 2025 for this proposed increase), initiates a thirty one-day public review and comment period. If rate increases are proposed, the affected MCE customers are provided with notice of proposed rate increases with on-bill messages. Following completion of the thirty one-day public review and comment period, final rates may be adopted by the Board. Final rates may differ from the initially proposed rates due to 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.

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.

Fiscal Impacts:
The proposed adjustments to demand charges would increase FY 2025/2026 revenue by $6.8 million, or 0.8% of current revenue.

Recommendation:
Recommend to MCE's Board of Directors to approve an adjustment of MCE demand rates to 95% of PG&E demand rates for demand-billed rate classes resulting in a revenue increase of $6.8 million, or 0.8%.

Proposed Adjustment to Demand Charges

Technical Committee

March 7, 2025

Summary

MCE Annual Rate Review

MCE Rates Are Competitive with PG&E

Proforma Indicates a Slight Revenue Deficiency

MCE Demand Charges Have Become Misaligned with PG&E Rates and Underlying Capacity Costs

Staff Recommends an Adjustment to Demand Charges

- Align demand charges to capacity costs
- Increase revenue $6.8 million (0.8%)
- No impact to residential and small business customers
- Limited impact to demand-billed customers

Annual Rates Review

- **MCE Last Increased Rates January 1, 2023**
  - Remain competitive with PG&E rates
  - Rates remained sufficient through 2024
- **PG&E Rates Increased on January 1, 2025**
  - MCE rates are lower than PG&E generation rates
  - Changes to PG&E exit fee (Power Cost Indifference Adjustment)
    - Older vintage (prior to 2018) customers pay slight premium
    - Newer vintage customers receive significant discount
- **Slight Revenue Shortfall**
  - Primarily due to 11.3% increase in supply costs
- **Demand Rates Have Become Mis-Aligned**
  - PG&E demand rates increased to reflect higher capacity costs with no Increase to MCE demand charges
  - MCE demand charges are now 75% of PG&E demand charges

Proposed Adjustment

Objectives for the Proposed Adjustment

- Increase Revenue to Address Cost of Power and Support Revenue Sufficiency
- Improve Price Signals for Capacity Costs
  - Specifically focused during On-Peak Period
- Maintain Rate Competitiveness

Increase Demand Charges to 95% of PG&E Demand Charges

- Impacts Rate Classes for our Larger Agriculture, Commercial and Industrial Rates
  - AG4B, AGC, B19, B20, E19, & E20

MCE Rate Setting

Rate Setting Objectives

- Revenue sufficiency
- Competitiveness
- Stability
- Customer understanding
- Equity among customers
- Efficiency

Noticing Process as per MCE Implementation Plan

- Publish notice – February 14, 2025
- Allow 31 days for comment prior to Board approval
- Technical Committee proposal – recommendation to Board
- Board discussion/action – March 20, 2025

Fiscal and Customer Impact of Proposed Change

- **Revenue Increase is $6.8 million, or 0.8%.**
- **Residential and Small Business Customers (Energy Only Rates) are Unaffected**
- **Impacts less than 1% of MCE customers (approximately 3,000) demand customers**
- **4.4% Increase on MCE portion of the bill, or 2% of the average overall bill**

Rate Class	Estimated Current MCE Revenue	Estimated Increase	Estimated Proposed MCE Revenue	Increase %
AG4B/AGC	$9,457,971	$388,959	$9,846,930	**4.1%**
B19	$102,155,011	$4,412,097	$106,567,108	**4.3%**
B20	$35,421,088	$1,379,987	$36,801,075	**3.9%**
E19	$2,869,935	$191,809	$3,061,745	**6.7%**
E20	$4,776,709	$398,271	$5,174,980	**8.3%**
Total	**$154,680,714**	**$6,771,123**	**$161,451,838**	**4.4%**

Recommendation

Recommend to MCE's Board of Directors to approve an adjustment of **MCE demand rates to 95% of PG&E demand rates** for demand-billed rate classes resulting in a revenue increase of **$6.8 million, or 0.8%.**

Thank you!

mceCleanEnergy.org
info@mceCleanEnergy.org

MCE is proposing to adjust demand charges, effective April 1, 2025. Demand charges do not apply to residential customers.

Rate Schedule	Rate Component	Current Rate ($/kW)	Proposed Rate ($/kW)
AG1B	Dmd Summer Maximum	$ 3.99	$ 5.45
AG4B	Dmd Summer Maximum	$ 3.97	$ 4.70
AG4C	Dmd Summer Partial Peak	$ 4.19	$ 4.97
AG5B	Dmd Summer Maximum	$ 7.71	$ 9.13
AG5C	Dmd Summer Partial Peak	$ 8.65	$ 10.25
AGC	Dmd Summer Peak	$ 17.12	$ 21.38
B19P	Dmd Summer Partial Peak	$ 2.52	$ 3.16
B19P	Dmd Summer Peak	$ 17.19	$ 21.57
B19P	Dmd Winter Peak	$ 1.76	$ 2.21
B19S	Dmd Summer Partial Peak	$ 2.95	$ 3.73
B19S	Dmd Summer Peak	$ 20.33	$ 25.66
B19S	Dmd Winter Peak	$ 2.41	$ 3.04
B19T	Dmd Summer Partial Peak	$ 3.82	$ 4.84
B19T	Dmd Summer Peak	$ 15.28	$ 19.34
B19T	Dmd Winter Peak	$ 1.47	$ 1.86
B20P	Dmd Summer Partial Peak	$ 2.95	$ 3.70
B20P	Dmd Summer Peak	$ 21.49	$ 26.88
B20P	Dmd Winter Peak	$ 2.47	$ 3.10
B20S	Dmd Summer Partial Peak	$ 2.78	$ 2.98
B20S	Dmd Summer Peak	$ 19.20	$ 20.57
B20S	Dmd Winter Peak	$ 2.45	$ 2.62
B20T	Dmd Summer Partial Peak	$ 5.35	$ 6.81
B20T	Dmd Summer Peak	$ 22.41	$ 28.59
B20T	Dmd Winter Peak	$ 2.99	$ 3.82
E19P	Dmd Summer Partial Peak	$ 11.58	$ 14.62
E19P	Dmd Summer Peak	$ 11.58	$ 14.62
E19S	Dmd Summer Partial Peak	$ 13.17	$ 16.44
E19S	Dmd Summer Peak	$ 13.17	$ 16.44
E19T	Dmd Summer Partial Peak	$ 12.80	$ 16.85
E19T	Dmd Summer Peak	$ 12.80	$ 16.85
E20P	Dmd Summer Partial Peak	$ 13.57	$ 17.07
E20P	Dmd Summer Peak	$ 13.57	$ 17.07
E20S	Dmd Summer Partial Peak	$ 12.65	$ 15.62
E20S	Dmd Summer Peak	$ 12.65	$ 15.62
E20T	Dmd Summer Partial Peak	$ 16.45	$ 21.11
E20T	Dmd Summer Peak	$ 16.45	$ 21.11