MCE Board of Directors Meeting
Thursday, March 20, 2025
6:30 p.m.

1125 Tamalpais Avenue, San Rafael, CA 94901 (MCE)
2300 Clayton Road, Suite 1150, Concord, CA 94520 (MCE)
955 School Street, Napa, CA 94559, City Hall Committee Room (City of Napa)

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

Remote Public Meeting Participation

Video Conference: https://zoomto.me/F6Ogt
Phone: Dial (669) 900-9128, Meeting ID: 890 0487 7785, Passcode: 525690

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 94520.

DISABLED ACCOMMODATION: If you are a person with a disability who requires an accommodation or an alternative format, please contact MCE at (888) 632-3674 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 2.20.25 Meeting Minutes

C.2. Approved Contracts for Energy Update

C.3 Addition of Board Members to Committees

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

   a. Proposed Adjustment to MCE Demand Charges effective April 1, 2025 (Discussion/Action)

   b. MCE Investment in Transmission Software Solutions (Discussion/Action)

7. Legislative Update (Discussion)

8. Board & Staff Matters (Discussion)

9. Adjourn

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

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MCE BOARD MEETING MINUTES

Thursday, February 20, 2025

6:30 P.M.

Present:	Dion Bailey, City of Hercules Eli Beckman, Town of Corte Madera Mark Belotz, Town of Danville Kari Birdseye, City of Benicia Monica Brown, County of Solano Barbara Coler, Town of Fairfax Cindy Darling, City of Walnut Creek Gina Dawson, City of Lafayette Kevin Jacobs, City of Novato Arlene Kobata, City of Pittsburg Tarrell Kullaway, Town of San Anselmo Aaron Meadows, City of Oakley Devin Murphy, City of Pinole Laura Nakamura, City of Concord Beth Painter, City of Napa Sridhar Verose, City of San Ramon Max Perrey, City of Mill Valley Mary Sackett, County of Marin Mathew Salter, Town of Ross Manveer Sandhu, City of Fairfield Shanelle Scales-Preston, County of Contra Costa, Chair Amanda Szakats, City of Pleasant Hill Holli Thier, Town of Tiburon Brianne Zorn, City of Martinez
Absent:	Liz Alessio, The County of Napa and Four Napa Cities/Town (American Canyon, Calistoga, St. Helena, and Yountville) Stephanie Andre, City of Larkspur Melissa Blaustein, City of Sausalito Maika Llorens Gulati, City of San Rafael Gabriel Quinto, City of El Cerrito Elizabeth Pabon-Alvarado, City of San Pablo Charles Palmares, City of Vallejo Graham Thiel, Town of Moraga Sally Wilkinson, City of Belvedere Cesar Zepeda, City of Richmond
Staff & Others:	Jesica Brooks, Lead Board Clerk and Executive Assistant Stephanie Chen, Associate General Counsel Alice Havenar-Daughton, Vice President of Customer Programs Sam Irvine, Senior Strategic Initiatives Manager

Vicken Kasarjian, Chief Operating Officer
Shaheen Khan, Vice President of Human Resources, Diversity, and Inclusion
Jonnie Kipyator, Power Analytics Senior Manager
Caroline Lavenue, Legal Counsel
Tanya Lomas, Board Clerk Associate
Alexandra McGee, Vice President of Strategic Initiatives
Catalina Murphy, General Counsel
Ashley Muth, Internal Operations Coordinator
Efren Oxlaj, Finance Manager
Justine Parmelee, Vice President of Internal Operations
Robin Parmelee, Policy Intern
Zae Perrin, Vice President of Customer Operations
Mike Rodriguez-Vargas, Internal Operations Assistant
Enyonam Senyo-Mensah, Internal Operations Manager
Sabrinna Soldavini, Director of Policy
Maira Strauss, Vice President of Finance
Greg Tillman, Associate Director of Rates
Jamie Tuckey, Chief Customer Officer
Dawn Weisz, Chief Executive Officer

1. Roll Call
   Chair Scales-Preston called the regular meeting to order at 6:34 p.m. with quorum established by roll call.

2. Board Announcements (Discussion)
   Chair Scales-Preston opened the floor for board announcements, and there were no comments.

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

4. Report from Chief Executive Officer (Discussion)
   CEO Weisz introduced this item and addressed questions from Board members.

5. Consent Calendar (Discussion/Action)
   C.1 Approval of 11.21.24 Meeting Minutes
   C.2 Approved Contracts for Energy Update

   Chair Scales-Preston opened the public comment period and there were no comments.

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Action: It was M/S/C (Darling/Coler) to **approve Consent Calendar items C.1 and C.2 pending the request to update the 11.21.24 meeting minutes to reflect Director Bailey as an attendee.** Motion carried by unanimous roll call vote (Absent: Alessio, Andre, Blaustein, Llorens Gulati, Quinto, Pabon-Alvarado, Palmares, Thiel, Wilkinson, and Zepeda).

6. Board Introductions (Discussion)
   CEO Weisz welcomed the Board and extended round table introductions by Board members.

   Chair Scales-Preston opened the public comment period and there were no comments.

7. Selection of Chair & Vice Chair (Discussion/Action)
   Catalina Murphy, General Counsel, introduced this item and addressed questions from Board members.

   Chair Scales-Preston opened the public comment period and there were no comments.

Action 1: Re-elect Director Shanelle Scales-Preston as MCE Board Chair. Motion carried by unanimous roll call vote with 22 votes for Scales-Preston. (Absent: Alessio, Andre, Birdseye, Blaustein, Llorens Gulati, Quinto, Pabon-Alvarado, Palmares, Thiel, Thier, Wilkinson and Zepeda).

Action 2: Re-elect Director Gabriel Quinto as MCE Vice Chair. Motion carried by unanimous roll call vote with 23 votes for Quinto. (Absent: Alessio, Andre, Blaustein, Llorens Gulati, Quinto, Pabon-Alvarado, Palmares, Thiel, Thier, Wilkinson, and Zepeda).

8. Proposed Resolution No. 2025-01 Accepting Award GFO-23-309 From the California Energy Commission (VPP-FLEX) (Discussion/Action)
   Alexandra McGee, Vice President of Strategic Initiatives, introduced this item and addressed questions from Board members.

   Chair Scales-Preston opened the public comment period and there were no comments.

Action: It was M/S/C (Murphy/Darling) to **approve proposed Resolution No. 2025-01 Accepting Award GFO-23-309 from the California Energy Commission.** Motion carried by unanimous roll call vote. (Absent: Alessio,

Andre, Blaustein, Llorens Gulati, Quinto, Pabon-Alvarado, Palmares, Thiel, Wilkinson, and Zepeda).

9. MCE 2025 Priorities (Discussion)
   CEO Weisz introduced this item and several staff addressed questions from Board members.

   Chair Scales-Preston opened the public comment period and there were no comments.

Action: No action required.

10. Fiscal Year 2025/26 Budget Introduction on Power Supply and Staffing (Discussion)
    a. Proposed Demand Charges Adjustment Effective April 1, 2025 (Discussion)

    Maira Straus, Vice President of Finance, introduced this item and several staff addressed questions from Board members.

    Chair Scales-Preston opened the public comment period and comments were made by members of the public, Stephanie Andre and Dan Segedin.

Action: No action required.

11. Board & Staff Matters (Discussion)
    There were no comments

12. Adjournment
    Chair Scales-Preston adjourned the meeting at 9:36 p.m. to the next scheduled Board Meeting on March 20, 2025.

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Shanelle Scales-Preston, Chair

Attest:

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Dawn Weisz, Secretary

March 20, 2025

TO: MCE Board of Directors

FROM: Adita Farahiyah, Power Resources Analyst

RE: Approved Contracts for Energy Update (Agenda Item #05 C.2)

Dear Board Members:

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

Review of Procurement Authorities:
In November 2020, your Board adopted Resolution 2020-04 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 CEO is required to report all such contracts and agreements to the MCE Board of Directors on a regular basis.

Item #	Month of Execution	Purpose	Average Annual Contract Amount	Contract Term
1	February 2025	Purchase of Renewable Energy	$9,000,000	1 Year or less

Contract Approval Process:

Contract Approval Process: Energy procurement is governed by MCE's Energy Risk Management Policy as well as Board Resolutions 2020-04 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
Vidhi Chawla (MCE, Vice President of Power Resources)	Procurement/Commercial
John Dalessi (Pacific Energy Advisors)	Technical Review
Steve Hall (Hall Energy Law)	Legal
Nathaniel Malcolm (MCE, Senior Commercial Counsel)	Legal/CPUC Compliance
Maira Strauss (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 2024/25 are within the FY 2024/25 Operating Fund Budget. Expenses and revenue associated with future years will be incorporated into budget planning as appropriate.

Recommendation:

Information only. No action required.

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March 20, 2025

TO:	MCE Board of Directors
FROM:	Jesica Brooks, Executive Assistant and Lead Board Clerk
RE:	Addition of Board Members to Committees (Agenda Item #05 C.3)
ATTACHMENTS:	A. MCE Board Offices and Committee Rosters B. Executive Committee Overview C. Technical Committee Overview

Dear Board Members:

Summary:
MCE Board Director and Town of Fairfax Councilmember, Barbara Coler, is interested in joining the Executive Committee and the Ad Hoc Contracts Committee. MCE Board Director and City of Larkspur Councilmember, Stephanie Andre, is interested in joining the Technical Committee.

The scope of the MCE Executive Committee is to explore, discuss and provide direction or approval on general issues related to MCE including legislation, regulatory compliance, strategic planning, outreach and marketing, contracts with vendors, human resources, finance and budgeting, debt, rate setting, and agenda setting for the regular MCE Board meetings and annual Board retreat.

The scope of the MCE Technical Committee is to explore, discuss and provide direction or approval on issues related to electricity supply, distributed generation, greenhouse gas emissions, energy efficiency, procurement risk management and other topics of a technical nature.

The scope of Ad Hoc Contracts Committee will be finalized as the committee forms, and members will be asked to review and provide input on several different types of confidential and unredacted contracts, including energy and power agreements. Those agreements can be short term (one- to five-year) transactions, open season offers for supply products, and ad hoc request for offer results for supply products, including hydropower, renewable energy, conventional energy, resource adequacy and shaped delivery products.

Fiscal Impacts: None.

Recommendation:
Approve the additions of:

- Director Barbara Coler to the Executive Committee and the Ad Hoc Contract Committee.
- Director Stephanie Andre to the Technical Committee.

2025 MCE Board Offices and Committee Rosters

BOARD OFFICES

Chair:	Shanelle Scales-Preston, County of Contra Costa
Vice Chair:	Gabe Quinto, City of El Cerrito
Treasurer:	Maira Strauss, MCE Vice President of Finance
Secretary:	Dawn Weisz, MCE Chief Executive Officer

BOARD OFFICES SELECTION PROCESS

The Chair and Vice Chair offices are held for 1 year and there are no limits on the number of terms held by either Chair or Vice Chair.[1] The selection of these offices shall take place on or near December of each year.[2] The office of Treasurer is appointed by the Board via an approved resolution and may be a non-board member. The Treasurer appointment, along with the delegated authority, is held for 1 year and there are no limits on the number of terms held.[3] Deputy Treasurers are appointed directly by the Treasurer each year. Once appointed by the Board, the Secretary shall continue to hold the office each year until the Secretary chooses to resign from the role or the Board decides to remove the individual from the Secretary position.[4] The Secretary does not need to be a member of the Board. All officer appointments/selections by the Board require a majority vote of the full membership of the Board.[5]

EXECUTIVE COMMITTEE *(Updated 2.3.25)*

1. Max Perrey, Chair	City of Mill Valley
2. Eli Beckman	Town of Corte Madera
3. Cindy Darling	City of Walnut Creek
4. Maika Llorens Gulati	City of San Rafael
5. Devin Murphy	City of Pinole
6. Laura Nakamura	City of Concord
7. Gabe Quinto	City of El Cerrito
8. Mathew Salter	Town of Ross
9. Shanelle Scales-Preston	County of Contra Costa
10. Sally Wilkinson	City of Belvedere
11. Barbara Coler, *interested*	Town of Fairfax

[1] Section 4.13.1 of MCE Joint Powers Agreement.
[2] Article V, Section 1 of MCE's Operating Rules and Regulations.
[3] Article V, Section 1 of MCE's Operating Rules and Regulations; California Government Code § 53607.
[4] Article IV, Section 1(c) of MCE's Operating Rules and Regulations.
[5] Article VI, Section 2 of MCE's Operating Rules and Regulations. At MCE's current membership of 37 communities with appointed Directors, the vote needed is 19.

TECHNICAL COMMITTEE *(Updated 2.5.25)*

1. Devin Murphy, Chair	City of Pinole
2. Dion Bailey	City of Hercules
3. Gina Dawson	City of Lafayette
4. Charles Palmares	City of Vallejo
5. Gabe Quinto	City of El Cerrito
6. Stephanie Andre, *interested*	City of Larkspur

AD HOC CONTRACTS *(Updated 3.6.25)*

1. Barbara Coler, *interested*	Town of Fairfax

MCE Executive Committee Overview

Scope

The scope of the MCE Executive Committee is to explore, discuss and provide direction or approval on general issues related to MCE including legislation, regulatory compliance, strategic planning, outreach and marketing, contracts with vendors, human resources, finance and budgeting, debt, rate setting, and agenda setting for the regular MCE Board meetings and annual Board retreat.

Authority

Executive Committee is authorized to make decisions regarding:

- Legislative positions outside of the Board-approved legislative plan
- Procurement pursuant to Resolution 2018-04 or its successor
- Compensation and evaluation of the CEO
- Ad hoc committees
- Honorary awards

The Executive Committee also serves to make recommendations to the Board regarding:

- The annual budget and budget adjustments
- Rate setting
- Entering into debt
- MCE Policies (such as Policy 013: Reserve Policy and Policy 014: Investment Policy)

Committee Member Selection Process

MCE strives to assemble an Executive Committee comprised of at least one county representative and one city/town representative from each county in the MCE service area. Available seats on the Executive Committee are therefore first offered to any interested and applicable Board member whose county is not yet represented by one county and one city/town member. Interested members can be added at a meeting of the Board of Directors when it is included in the agenda.

The Executive Committee selects its own chair for a term of one year. The Executive Chair is limited to two one-year terms.

Current Meeting Schedule

First Monday of each month at 12:00 pm. Two meetings per year will be designated as "in-person" only. For the other meetings of the year, a "Primary Location" will be designated for each meeting, and this will be the location of staff presentations along with a light lunch. The Primary Location will alternate between MCE's San Rafael and Concord offices every meeting, and the non-primary location will be available, but with minimum support.

MCE Technical Committee Overview

Scope

The scope of the MCE Technical Committee is to explore, discuss and provide direction or approval on issues related to electricity supply, distributed generation, greenhouse gas emissions, energy efficiency, procurement risk management and other topics of a technical nature.

Frequent topics include electricity generation technology and procurement, greenhouse gas accounting and reporting, energy efficiency programs and technology, energy storage technology, net energy metering tariff, local solar rebates, electric vehicle programs and technology, Feed-in Tariff activity and other local development, Light Green, Deep Green and Local Sol power content planning, long term integrated resource planning, regulatory compliance, MCE's Energy Risk Management Policy (ERMP), procurement risk oversight, and other activity related to the energy sector. The MCE Technical Committee reviews and discusses new technologies and potential application by MCE.

Authority

- Approval of and changes to MCE's Net Energy Metering Tariff
- Approval of and changes to MCE's Feed in Tariff
- Approval of annual greenhouse gas emissions level and related reporting
- Approval of MCE procurement pursuant to Resolution 2018-03 or its successor
- Approval of MCE procurement-related certifications and reporting, including the Power Content Label
- Approval of contracts with vendors for technical programs or services, energy efficiency program or services and procurement functions or services
- Approval of power purchase agreements
- Approval of adjustments to power supply product offerings
- Approval of the Integrated Resource Plan
- Receipt of reports from the Risk Oversight Committee (ROC) on at least a quarterly basis regarding the ROC's meetings, deliberations, and any other areas of concern
- Initiation of and oversight of a review of the implementation of the ERMP as necessary

- Approval of substantive changes to MCE's Energy Risk Management Policy (ERMP), including periodic review of the ERPM and periodic review of ERPM implementation
- Ad hoc committees

Committee Member Selection Process
MCE strives to assemble a Technical Committee comprised of at least one county representative and one city/town representative from each county in the MCE service area. Available seats on the Technical Committee are therefore first offered to any interested and applicable Board member whose county is not yet represented by one county and one city/town member. Interested members can be added at a meeting of the Board when it is included in the agenda.

Current Meeting Schedule
First Friday of each month at 10:00 am

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March 20, 2025

TO:	MCE Board of Directors
FROM:	Maíra Strauss, Vice President of Finance and Treasurer Efren Oxlaj, Finance Manager
RE:	Proposed Fiscal Year 2025/26 Budget (Agenda Item #06) a. Proposed Adjustment to MCE Demand Charges effective April 1, 2025 b. MCE Investment in Transmission Software Solutions
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. Policy 016: Operating Reserve Fund F: Proposed Fiscal Year 2025/26 Budget Presentation

Dear Board 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 of Directors for consideration. On March 3, 2025, MCE's Executive Committee voted to recommend Board approval of the Proposed Fiscal Year 2025/26 Budgets, including the MCE Cares Credit allocation, the Operating Reserve Fund trasnfer, and the proposed adjustment to MCE demand charges. On March 7, 2025, MCE's Technical Committee voted to recommend Board approval of the proposed adjustment to MCE demand charges and the transfer of funds from MCE Reserves of $10.25 million for transmission software solutions.

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.

Key highlights from the proposed FY 2025/26 budgets include:

- **Projected net energy revenue of $826.7 million**, reflecting a 5.6% increase over the prior year's budget, including

   - **Higher renewable energy costs** (+11.1%) due to supply constraints, transmission limitations, and regulatory changes requiring increased procurement, and
   - **City of Hercules enrollment**, adding 10,000 new customers and increasing load by 1.3%, and
   - **$5 million for MCE Cares Credit**, providing targeted cost relief for vulnerable residential and small commercial customers, and
   - **Transfer of up to $13 million from the Operating Reserve Fund** to offset unexpected regulatory costs, and
   - **A demand charge increase of approximately 4.4%** for larger agricultural, commercial, and industrial customers that would apply to less than 1% (<3,000) of MCE's customers (Agenda Item 6a).
- **Personnel investments** to support expanded programs, with staffing costs representing just 3.1% of the total budget.
- **$10.25 million for transmission software solutions**, transferred from MCE Reserves, projected to yield up to $20 million in annual savings once implemented (Agenda Item 6b).

The FY 2025/26 budgets position MCE to maintain financial stability, support customers, and advance clean energy goals, despite market and regulatory uncertainties.

Energy Revenue

The Proposed FY 2025/26 Operating Fund Budget (Operating Budget and included as Attachment A) is based on the most recent five-year average for weather patterns in the MCE service area. The Operating 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.

Cost Relief Program (MCE Cares Credit): $5 million

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.

Building on MCE's tradition of promoting energy affordability and accessibility, the proposed Operating Budget allocates $5 million to continue a targeted cost relief program, MCE Cares Credit, 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

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 EV 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 (see materials for Agenda item 6a for more details).

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.

<u>**Energy Expenses**</u>

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.

Operating Expenses

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)
- 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 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 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 schedule energy resources into the California Independent System Operator (CAISO) and assist MCE in managing risk more effectively. They also collaborate with staff to

create advanced load management strategies and forecast costs related to market and regulatory changes. Technical services are based on a fixed charge per MWh of electricity usage (load). Scheduling services are based on contracted amounts. The increase in costs is due to a slight increase in load from adding the City of Hercules and regular inflationary increases.

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.

Legal and Policy Services: $1.53 million (8% increase)
This line encompasses external legal and policy services that assist MCE in areas such as contract review for energy suppliers and other vendors, regulatory proceedings, employment matters, and other agency functions. The rise in costs is attributable to additional support required for reviewing energy contracts and efforts with congestion revenue rights.

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 Professional Services: $4.75 million (50.3% increase)
Other services encompass expenses such as accounting, auditing, benefits administration, information technology (IT) and 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 upcoming year captures a new expense for Federal compliance that will support staff with compliance requirements related to the awarded Federal Earmarks and Grants. Furthermore, costs are increasing due to the additional development of our CRM and data warehouse that will streamline work being done by various departments. Some of the work captured includes one-time data infrastructure expenses like migrating to DataBricks and re-architecting and decommissioning CRM features that are no longer supported by Salesforce.

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 Administrative: $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 Revenues

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.

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.

Capital Expenditures, Interfund Transfers & Other

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 recommended capital outlay. An additional $10,000,000 is being recommended 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 (see materials for Agenda item 6b for more details). An additional $250,000 is recommended for compliance contracts costs associated with the upgrades in transmission software. Lastly, $349,000 is proposed to implement building improvements and retrofits at both the San Rafael and Concord Office.

Program Development Fund Budget (Attachment B)

FY 2025/26 Program Development Fund: $2.4 million (71.5% decrease)
The Program Development Fund Budget is financed by a transfer from the Operating Budget 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 the Program Development Fund Budget combines 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:
  - o Rebates for electric, grid-enabled Heat Pump Water Heaters.
  - o An Emergency Replacement Water Heater Loaner program to facilitate electrification at the point of existing water heater failure.
- Community Housing Fund:
  - o 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 Budget 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 Operating Budget.

Resiliency VPP Fund Budget (Attachment C)

FY 2025/26 Resiliency Virtual Power Plant (VPP) Fund Budget: $0 (0%, No transfer needed)
The Board approved creation of a Resiliency VPP Fund 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.

The Resiliency VPP Fund Budget, as proposed, adds $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 Budget are needed as there is sufficient funding available from previous years to satisfy anticipated expenditures in FY 2025/26.

Energy Efficiency Program Fund Budget (Attachment D)

Energy Efficiency Program Fund: $19.6 million (40.5% decrease)
The Energy Efficiency (EE) Program Fund Budget (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 EE Program Fund 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 EE Program Fund Budget adjustment pertains solely to the return of unspent incentive funds and does not impact MCE's staffing reimbursements or Operating Budget.

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 proposed budgets. These include:

1) Market volatility – Energy Hedges, 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.

The proposed budgets, including the MCE Cares Credit allocation of $5 million, the proposed adjustment of demand charges to be effective April 1, 2025, and transfer of up to $13 million from the Operating Reserve Fund were recommended by the Executive Committee to be approved by your Board on March 3, 2025.

The proposed adjustment to MCE Demand Charges to be effective April 1, 2025 and MCE's Investment in Transmission Software Solutions in the amount of $10.25 million were recommended by the Technical Committee to be approved by your Board on March 7, 2025.

If the recommendation below is approved by your Board, the projected contribution to the Operating Fund Balance for FY 2025/26 would be approximately $7,300,000. The projections are based on the best available information regarding market prices for any unhedged power supply.

Recommendations:

Approve the proposed Fiscal Year 2025/26 budgets, which include approval for the following subcomponents of the budgets:

1. the proposed adjustment to MCE Demand Charges to be effective April 1, 2025,
2. continuing the MCE Cares Credit with an allocation of $5,000,000,
3. withdrawing up to $13,000,000 from the Operating Reserve Fund to offset unexpected regulatory costs, and
4. transferring $10,250,000 from MCE Reserves for MCE Investment in Transmission Software Solutions and authorizing staff to execute the necessary contracts to implement these solutions up the amount transferred from MCE Reserves.

March 20, 2025

TO: MCE Board of Directors

FROM: Maíra Strauss, Vice President of Finance
Greg Tillman, Associate Director of Rates

RE: Proposed Adjustment to MCE Demand Charges effective April 1, 2025 (Agenda Item #06a)

ATTACHMENT: Proposed Demand Charges

Dear Board 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.

On March 7, 2025, MCE's Technical Committee reviewed the Proposed Adjustment to MCE Demand Charges and voted to recommend approval of the item to MCE's Board of Directors.

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%

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:
The recommendation and approval of this item is included in the Proposed Fiscal Year 2025/26 Budget, Agenda Item #06.

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

MCE

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

March 20, 2025

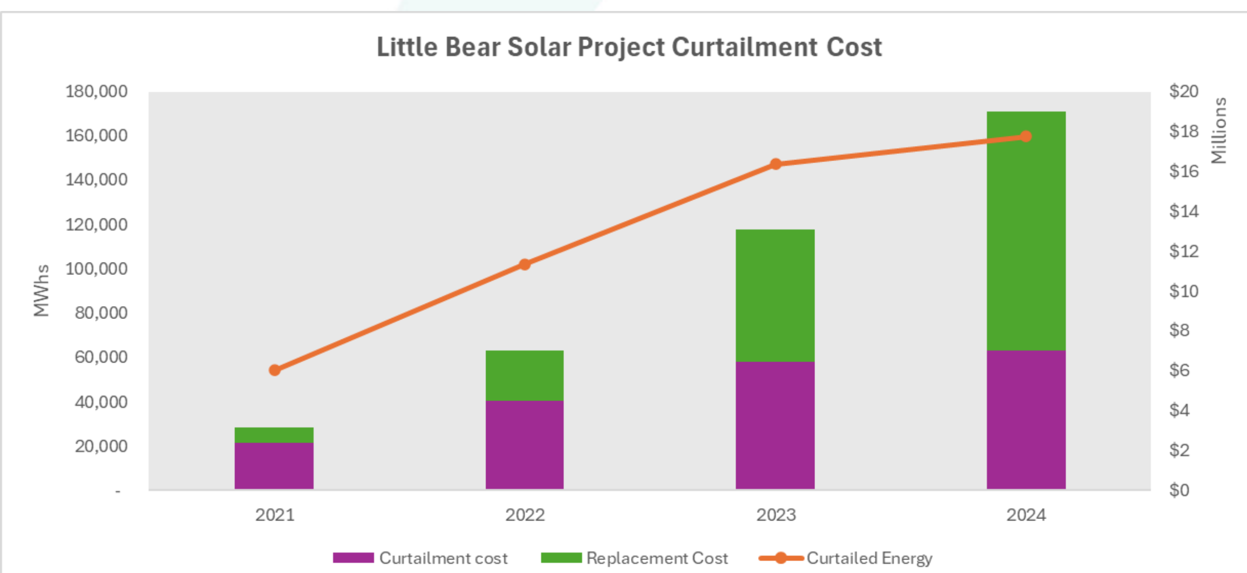
TO:	Board of Directors
FROM:	Vicken Kasarjian, COO
RE:	MCE Investment in Transmission Software Solutions (Agenda Item #06b)

Dear Board of Directors:

Summary:
On March 7, 2025, MCE's Technical Committee voted unanimously to recommend that the Board of Directors authorize staff to execute necessary contracts with PG&E to own and implement a Remedial Action Scheme Project. This project is designed to mitigate curtailments at the Little Bear Solar Project, improving reliability and reducing financial losses for MCE ratepayers.

Background:
Little Bear Solar Project is a 160 MW solar project in Fresno County that came online in December 2020. MCE has a Power Purchase Agreement (PPA) with Longroad Energy to purchase Portfolio Content Category 1 (PCC1) bundled renewable energy and resource adequacy (RA) from this project. Since 2021, the project has experienced significant curtailments in the California Independent System Operator (CAISO) market that has cost MCE customers over $42 Million (fig.1). Curtailments happen when CAISO reduces the generation output of a power plant typically due to local area congestion issues. In other words, when there is not enough transmission to bring generation from remote areas to load centers, that generation gets curtailed. MCE pays for the curtailed energy even when it doesn't get delivered to the grid. MCE must also buy additional renewable energy in the market to replace the energy that wasn't delivered.

Fig.1



Remedial Action Scheme (RAS)
The CAISO Remedial Action Scheme (RAS) guidelines, currently referred to as special protections systems, are part of the CAISO Planning Standards and complement the existing NERC/WECC Reliability Standards to ensure reliable infrastructure development within the CAISO.

Under current CAISO protocols, transmission lines are operated at limits set by the transmission owner (in our case it is PG&E) to prevent overload on the grid and to prevent fires. In addition, the grid where the Little Bear Solar project is located is inadequate to reliably export all the new generation that has been built. For these reasons, Little Bear Solar Project is curtailed often. To mitigate these losses, MCE has been working on a solution for about three years and recently received a proposal from PG&E for ownership and implementation of a RAS. This system employs real-time monitoring and automated software logic that will "trip" (i.e. temporarily shut down) Little Bear units only when transmission lines approach the set transmission line operating limit. This targeted response will replace PG&E's transmission operating limits provided to the CAISO's precautionary curtailment approach with a just-in-time, controlled shutdown – allowing Little Bears to operate closer to full capacity until intervention is absolutely required. While power is still curtailed, when necessary, the precision of the RAS minimizes unnecessary curtailments.

Fiscal Impacts:
The RAS project will cost an estimated $10 Million in the first year with an expected ongoing cost of $250,000 per year for compliance contracts. If approved, the expenses associated with the project are expected to begin in FY 2025/26. The expected savings will come from reduced curtailments at Little Bear Solar Project and the expected payback period is 1-2 years once the RAS is operational. MCE plans to pull money from reserves to pay for this project and therefore, there should be no impact on the upcoming budget for FY 2025/26.

Recommendation:
The recommendation and approval of this item is included in the Proposed Fiscal Year 2025/26 Budget, Agenda Item #06.

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 Fund	-	-	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	4,754,000	1,591,000	50.3%
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**	**50,249,000**	**4,702,000**	**10.3%**
OPERATING INCOME	**48,554,000**	**19,265,930**	**10,899,000**	**(37,655,000)**	**(77.6%)**
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**	**25,674,000**	**(34,655,000)**	**(57.4%)**
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	25,674,000	(34,655,000)	(57.4%)
BUDGETED NET POSITION END OF PERIOD	**484,949,000**	**445,703,930**	**471,377,930**	**(13,571,070)**	**(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	-
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**	**7,283,000**	**(44,646,000)**	**(86.0%)**

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.

APPROVED

Date: 11/19/2020

MARIN CLEAN ENERGY

MCE | My community. My choice.

POLICY 016: Operating Reserve Fund

Policy Purpose

The Operating Reserve Fund Policy will describe the situations in which staff will propose and the MCE Board of Directors will consider deposits into and withdrawals from the Operating Reserve Fund and establishes an Operating Reserve Fund Targeted Balance.

Policy Statement

The financial strength of MCE is one of the necessary pillars of the Agency if it is to deliver on its mission to address climate change by providing competitively priced renewable and GHG free energy to its customers. MCE will adopt policies and procedures designed to strengthen its financial position to allow the Agency to achieve these environmental goals. The MCE Board of Directors will adopt budgets and establish and adjust rates as necessary each fiscal year to provide sufficient revenues to pay all operating expenses and all other financial obligations of the agency. While MCE strives to meet its Reserve Policy targets, rates will be set to provide an addition to MCE's Net Position whenever possible. MCE will also take the necessary steps to achieve and maintain strong investment grade credit ratings to minimize interest costs and counterparty collateral posting requirements.

To this end, in November of 2019 the MCE Board of Directors approved Resolution 2019-06 creating an Operating Reserve Fund and later approved the first deferral of revenue into the Operating Reserve Fund effective the end of the 2019-20 Fiscal Year. The Operating Reserve Fund has been established and will be maintained and utilized to strengthen MCE's financial position and to be a tool to assist in addressing variability in MCE's annual cashflows and expenses. The Operating Reserve Fund is not to be used to address specific expenses of the Agency, but rather as a tool that supports MCE's ability to meet its financial obligations each fiscal year.

To the extent there is any conflict with Resolution 2019-06 which authorized the creation of the Operating Reserve Fund and this Policy 016, which provides directives for deposits to and withdrawals from the Operating Reserve Fund, this Policy 016, and any amendments thereto, shall control once approved by the MCE Board of Directors.

Policy Directives

Deposits: Staff will recommend and the Board will consider deferral of revenue into the Operating Reserve Fund in a fiscal year (1) when the projected addition to Net Position is greater than 5% of total operating and non-operating revenues or (2) once the Reserve Policy targets are met, from any excess net revenues after payment of any debt service or other financial obligations due in that fiscal year

Operating Reserve Fund Targeted Balance: Deposits can be made into the Operating Reserve Fund as allowed above until the balance equals 10% of the total operating and non-operating Revenues in the then current fiscal year.

Withdrawals: Staff will recommend withdrawals of Revenues from the Operating Reserve Fund in a fiscal year where net revenues are projected to be negative or as necessary to satisfy any legal covenants, contractual obligations or to maintain investment grade credit ratings.

Proposed Fiscal Year 2025/26 Budget

MCE Board of Directors

March 20, 2025

Summary

The proposed budget allows MCE to continue providing customers:

- **60-100% renewable energy**
- **Stable and competitive rates**
    - MCE hasn't increased rates since 2023
- Continue energy affordability and accessibility through **discount and assistance programs**
    - $18.5 million in energy efficiency bill savings and rebates since 2016
    - $100+ million energy bill savings since 2010

Projecting approximately $25.8 million addition to next year's **Operating Fund,** after a transfer of up to $13 million from the Operating Reserve Fund and a proposed adjustment to demand charges. MCE continues to meet its reserve goals.

Summary

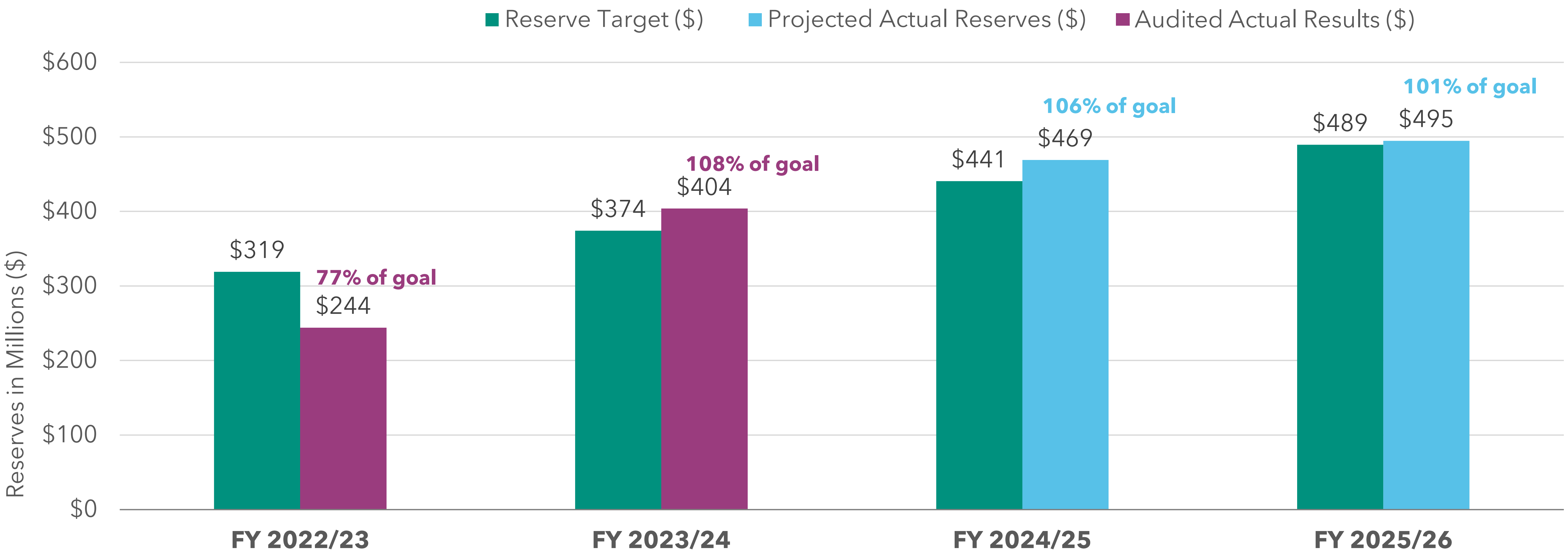
On March 3, 2025, **MCE's Executive Committee** voted to recommend Board approval of the Proposed Fiscal Year 2025/26 Budgets, including the Operating Reserve Fund , the MCE Cares Credit allocation, and the proposed adjustment to MCE demand charges.

On March 7, 2025, **MCE's Technical Committee** voted to recommend Board approval of the proposed adjustment to MCE demand charges and the transfer of funds from MCE Reserves of $10 million for transmission software solutions.

Operating Reserve Fund

- In accordance with Policy 16: Operating Reserve Fund, staff recommends withdrawal of up to $13 million to absorb the regulatory change costs imposed on February 12, 2025, by the California Energy Commission
- The Fund was designed to enhance MCE's financial strength, ensuring the agency can continue fulfilling its mission
- Currently funded with $70 million of deferred revenue

Progress to MCE's Reserve Goals



- MCE's Reserve goals would be met with the Proposed Budget's change to net position
- Assumes $13 million reduction to the Operating Reserve Fund

MCE Cares Credit

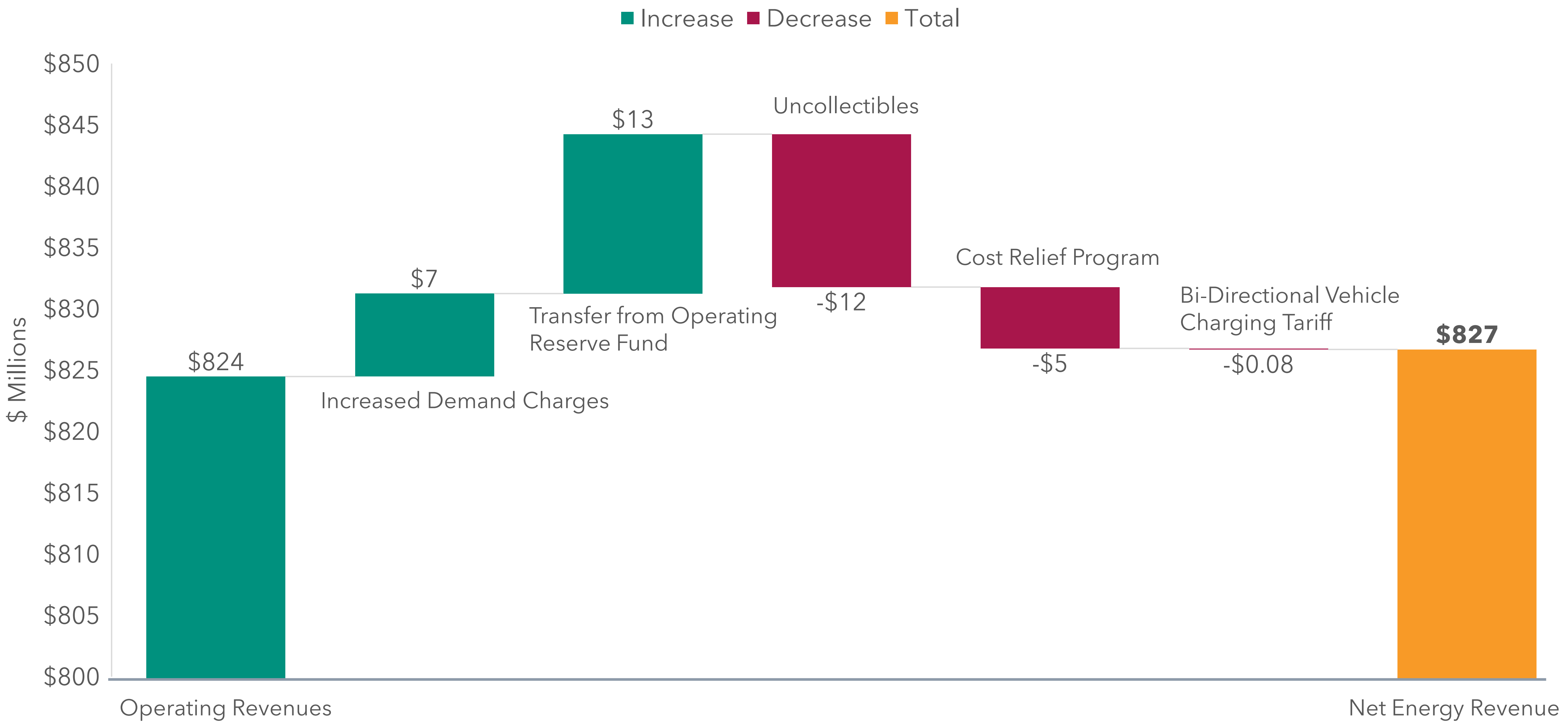
- Continue **$5 million allocation** for a cost relief program
- **Eligible customers:**
  - Low-income homes enrolled in California Alternate Rates for Energy (CARE) and the Family Electric Rate Assistance (FERA)
  - Small and medium size businesses impacted by economic shifts
- **Bill credits:**
  - $20/month residential
  - $25/month commercial

Proposed Operating Fund Budget

FY2025/26

Energy Revenue and Expense

Energy Revenue Breakdown

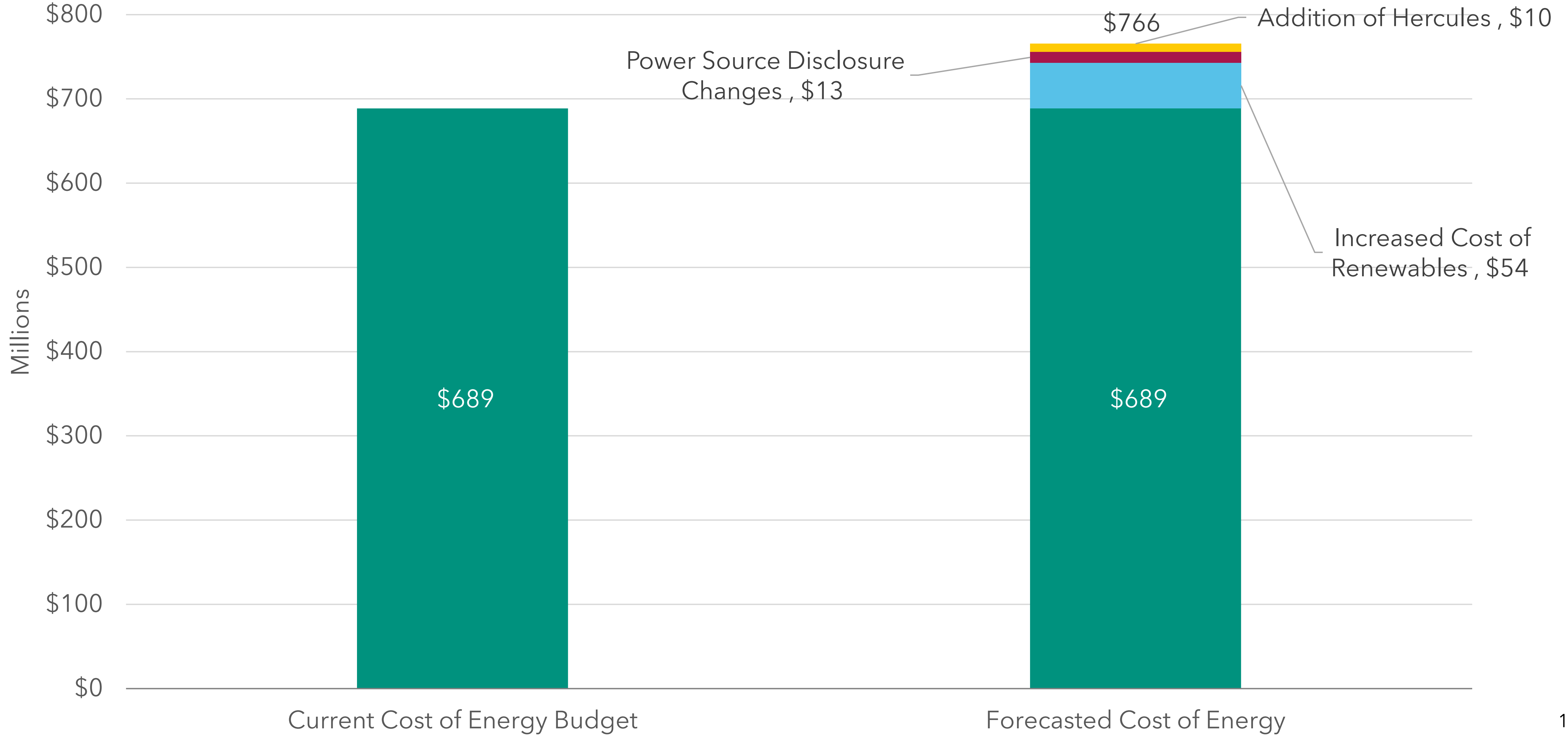


Energy Revenue

		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 Fund		-		-		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%**

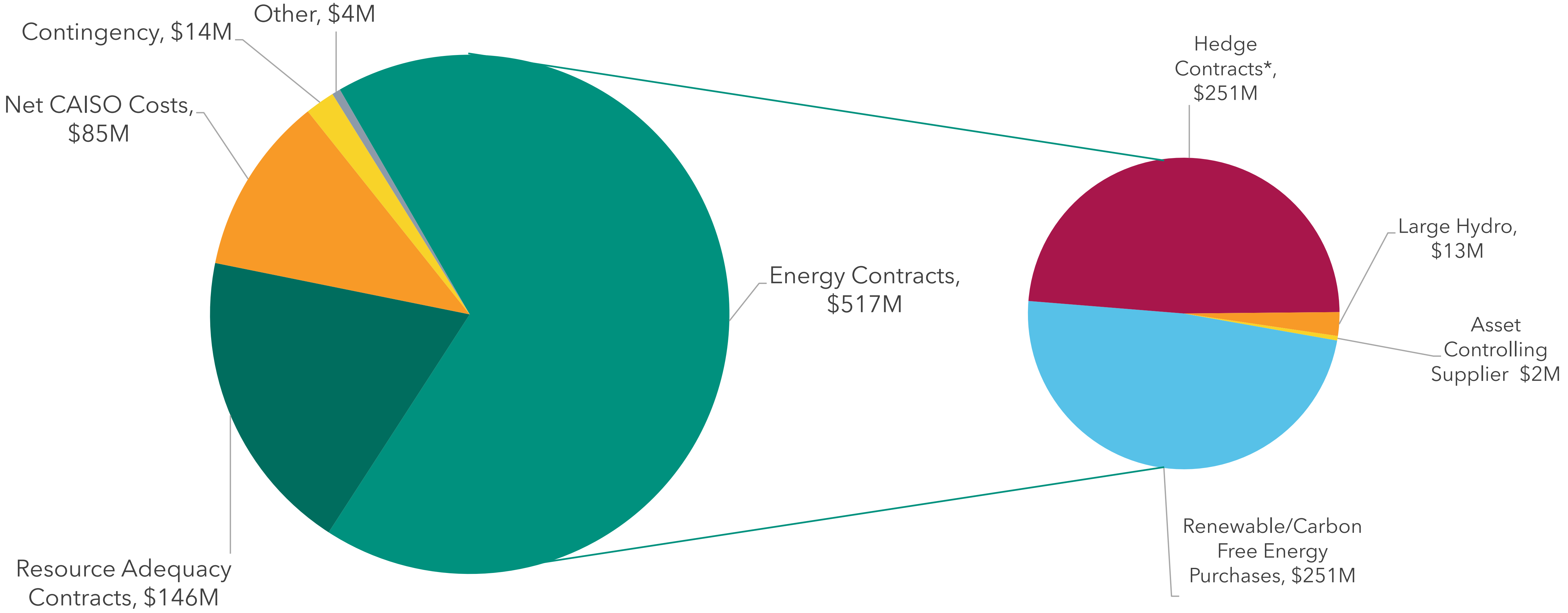
- Operating Revenue captures sales of electricity to customers.
- The increase is due to adding the City of Hercules to our service area.
- Revenue is adjusted upwards by increased revenue from higher demand charges and a transfer from the Operating Reserve Fund.
- Revenue is adjusted downwards by an assumed uncollectibles rate of 1.5% and the Bi-Directional Vehicle Charging Tariff previously approved by your Board.

Energy Cost



$800
$700
$600
$500
$400
$300
$200
$100
$0
Millions
$689
$689
$766
Power Source Disclosure Changes , $13
Addition of Hercules , $10
Increased Cost of Renewables , $54
Current Cost of Energy Budget
Forecasted Cost of Energy

Energy Cost Breakdown



Total Cost of Energy: $766M

*Designed to hedge the market price risk underlying MCE's index-priced renewable energy and carbon-free energy contracts.

Energy Revenue and Expense

	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 Fund	-	-	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%)**

- The Cost of Energy captures all of MCE’s energy contracts, resource adequacy contracts, net CAISO costs, and Other (i.e. NEM credits) costs incurred to serve our customers

Proposed Operating Expenses

Staffing Cost Snapshot

Staffing Cost Snapshot	Previously Presented			Updated Proposal		
	Amount Change from FY 24/25 Approved Budget (Millions)	Total Proposed Amount for FY 25/26	Percent Change	Revised Amount Increase from FY 24/25 Approved Budget (Millions)	**Revised Proposed Amount for FY 25/26 (Millions)**	Revised Percent Change
Total Staffing Cost	$3.4	$30.4	12.7%	$2.5	**$29.6**	9.6%
Salary	$2.7	$19.4	16.2%	$2.1	**$18.8**	12.7%
Benefits	$0.7	$11	6.9%	$0.35	**$10.7**	3.4%

MCE Salary Breakdown

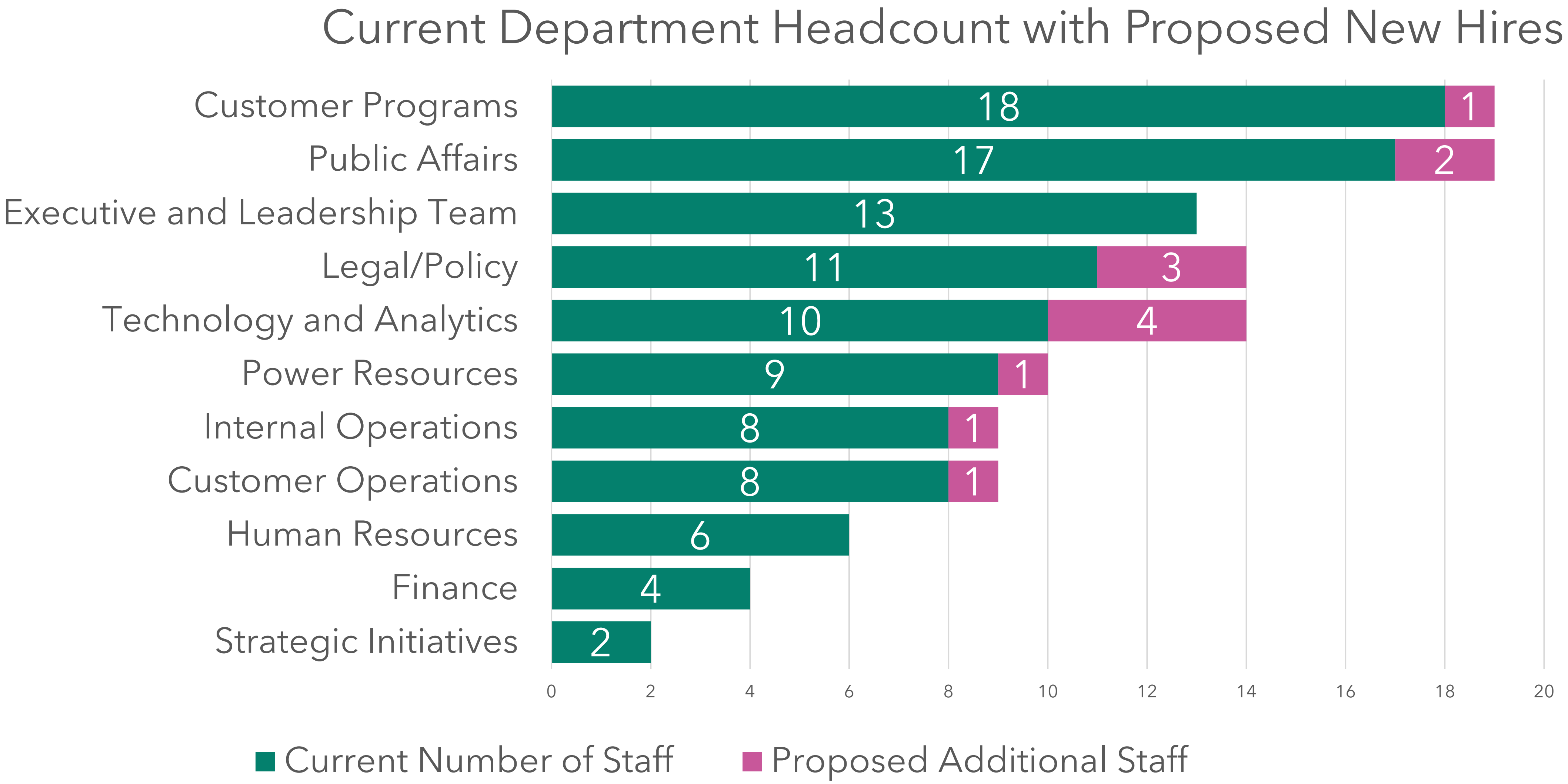
Salary Type	Previously Presented		Updated Proposal	
	Total Projected Cost of Salary Amount (Millions)	Total % Change from Approved FY 2024/25 Budget	**Revised Proposed Total Projected Cost of Salary Amount (Millions)**	Revised % Change from Approved FY 2024/25 Budget
Existing Staff Salaries	$16.7	0%	**$16.9**	1%
New Salaries (16 → 13 Additional FTE Headcount)	$2	107%	**$1.4**	37%
Merit Increases	$0.24	14%	**$0.14**	-34%
Promotions (35 → 33 projected)	$0.23	30%	**$0.2**	12%
Cost of Living Adjustment (COLA)	$0.19	14%	**$0.19**	11%*
Total	**$19.4**	**16.23%**	**$18.8**	**12.7%**

*COLA effective Jan. 2025 was 2.85% based on the Bureau of Labor Statistics and is budgeted to be 4% for the coming year.

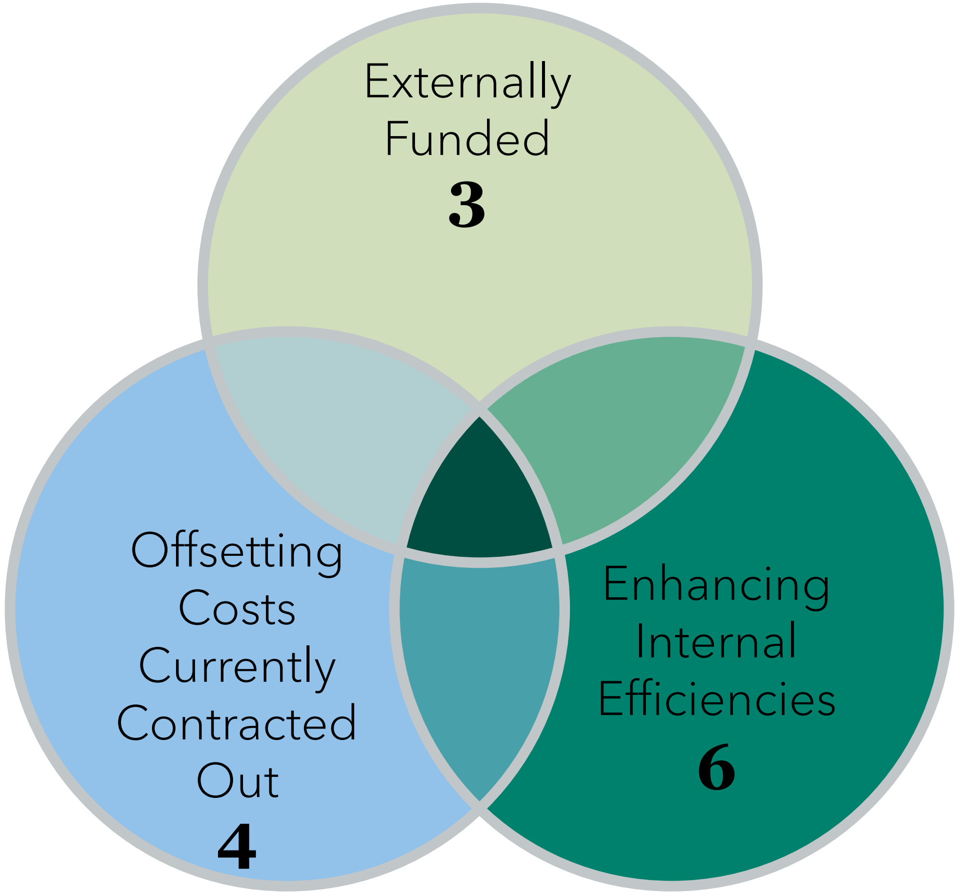
MCE Benefits Breakdown

	Previously Presented		Updated Proposal	
Benefit Type	Total Projected Cost of Benefit Dollar Amount (Millions)	Total % Change from Approved FY 2024/25 Budget	**Revised Total Projected Cost of Benefit Dollar Amount (Millions)**	Revised % Change from Approved FY 2024/25 Budget
Medical, Dental, and Vision	$2.9	17%	**$3**	18%
Employer Tax	$2.1	8%	**$2**	8%
Ancillary Benefits	$2	4%	**$2**	4%
Retirement and 457(f)	$2.5	2%	**$2.8**	15%
Other (*Workers Comp, Vacation Cashout)*	$1.5	0%	**$0.94**	-37%
Total	**$11**	**6.9%**	**$10.7**	**3.4%**

Current Department FTE Headcount with 13 Proposed New Hires



Proposed New Positions – Impact



Funded Through External Sources

- 81% of cost for 3 new positions will be externally funded.
  - CPUC EE Portfolio funding continuous since 2012 with preliminary approval through 2031. Potential extension to 2035 pending filing next year.
  - CEC VPP FLEX grant funding through 2029.
  - CPUC Green Access funding through 2041.

Offsetting Costs Currently Contracted Out

- Reduces reliance on external vendors, improving quality, control, and customer support, allowing MCE to serve our customers even better.
- Lowers costs while strengthening long-term institutional knowledge.

Enhancing Internal Efficiencies

- Develops and maintains systems to improve operational efficiency and adaptability.
- Enhances responsiveness to regulatory changes and industry pressures.
- Creates tools and systems to better serve customers and streamline processes.

Operating Expenses – Personnel

	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
OPERATING EXPENSES					
Personnel	22,830,000	20,438,070	25,405,000	2,575,000	11.3%

- Captures fully loaded personnel costs for all existing and proposed staff.

Operating Expenses – Data Manager

	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
OPERATING EXPENSES					
Data Manager	5,136,000	5,143,000	5,276,000	140,000	2.7%

- Sacramento Municipal Utility District (SMUD): Provides analytics and data management behind customer billing.
- Costs are based on a fixed fee per customer service agreement.
- The increase is mostly due to additional customers by adding the City of Hercules to our service area.

Technical and Scheduling Consultants

	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
OPERATING EXPENSES					
Technical and Scheduling Consultants	1,275,000	1,137,000	1,400,000	125,000	9.8%

- Pacific Energy Advisors and Zglobal: Energy consultants who work on predicting customer demand, costs, how to respond to new regulatory mandates, and scheduling services with the CAISO.
- Technical services are based on a fixed charge per MWh of electricity usage (load) and Scheduling services are based on contracted amounts.
- Increase due to uptick in MCE's load and increased fees due to inflation.

Service Fees

	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
OPERATING EXPENSES					
Service Fees - PG&E	2,560,000	2,537,000	2,738,000	178,000	7.0%

- Costs are based on a fixed fee per meter.
- The increase is mostly due to adding the City of Hercules to our service area.

Legal and Policy Services

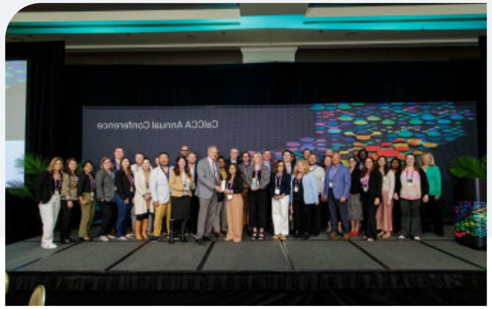
	Fiscal Year 2024/2025 Approved Budget	Fiscal Year 2024/2025 Projected Budget	Fiscal Year 2025/2026 Proposed Budget	Approved vs Proposed Budget Variance	Approved vs Proposed Budget Variance
OPERATING EXPENSES					
Legal and Policy Services	1,420,000	957,000	1,534,000	114,000	8.0%

- External legal counsel expenses to support MCE's activities.
- Expenses are increasing to cover increased support with reviewing energy contracts and efforts with congestion revenue rights.

MCE and CalCCA Scope of Work

CPUC Ongoing

- GO 156
- Distribution, Planning, and Energization
- Provider of Last Resort
- Resource Adequacy
- PCIA
- Affordability
- Integrated Resource Planning
- Rates and Rate Design
- AMP, PIPP, and Disconnection
- Demand Flexibility



CAISO

- EIM
- RA Modeling/ Program Design
- Price Formation Enhance
- Pathways
- Energy Storage Initiatives
- DAME
- Inter. Process Enhance
- TPP
- EDAM DA Sufficiency

CEC

- IEPR
- PSD
- Energy System Reliability
- SB100
- LMS

CPUC One-Off

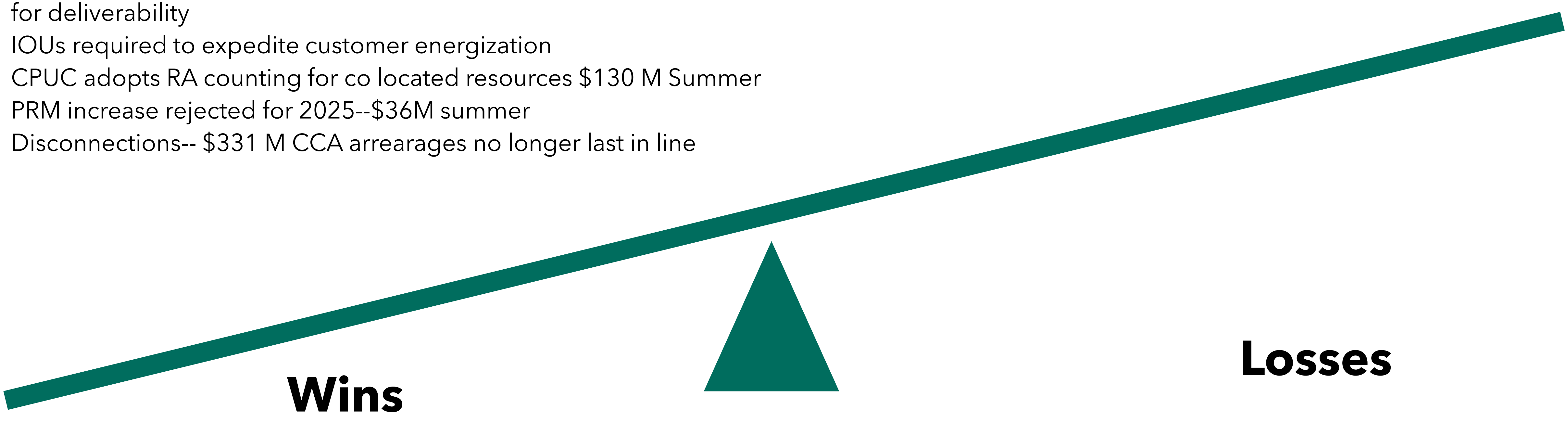
- Diablo Canyon
- Aliso Canyon

Regulatory Wins (9)

- Energy Division reduces 2026 PRM proposal by 1.5% after CalCCA identifies error in LOLE study--$54 M Summer
- CPUC adopts timeline for local CPE procurement 2 years in advance to provide certainty
- CPUC Aliso Canyon decision refers resource procurement to planning proceeding--$242 Million
- Generation charges excluded from IGFC
- CAISO tariffs allows LSEs to weigh in on generation resources studied for deliverability
- IOUs required to expedite customer energization
- CPUC adopts RA counting for co located resources $130 M Summer
- PRM increase rejected for 2025--$36M summer
- Disconnections-- $331 M CCA arrearages no longer last in line

Regulatory Losses (3)

- First Circuit Court of Appeals loss re: expansions
- Diablo volumetric performance fee spend prioritizes UOG hydro improvements over other projects benefitting all customers $20-40 million
- Lack of Transactability in RA $180M Annually



Communication Services

OPERATING EXPENSES	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
Communication Services	2,476,000	2,093,000	2,223,000	(253,000)	(10.2%)

- Captures advertising, customer notices, and program marketing, community outreach, and special events
- Decreased expenses reflect the removal of costs for the City of Hercules enrollment outreach and marketing expenses, reduced customer mailer costs, and overall adjustments to align more closely with the actual spending observed in the current fiscal year.

Other Professional Services

	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
OPERATING EXPENSES					
Other Professional Services	3,163,000	2,833,000	4,754,000	1,591,000	50.3%

- Includes accounting and auditing services, consultants related to the development and maintenance of our Customer Relationship Management (CRM) software, and the data warehouse.
- Increased costs due to ongoing development of MCE's Customer Relationship Management (CRM) software, and other data driven efficiencies to support various customer facing departments.
  - Also, new item for Federal Compliance needed for awarded Federal grants.

General and Administrative

OPERATING EXPENSES	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
General and Administrative	4,179,000	3,659,000	4,966,000	787,000	18.8%

- Includes recruitment tools, membership dues and subscriptions, software licenses, marketing technologies, office supplies, and support from California Community Choice Association (CalCCA).
- Increased costs due to higher membership dues for CalCCA, increased staff recruitment expenses, and additional licenses for various software.

Occupancy

	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
OPERATING EXPENSES					
Occupancy	1,008,000	913,000	453,000	(555,000)	(55.1%)

- Captures rent for both of MCE's offices.
- Decreased costs due to rental abatement at the Concord Office and purchase of the San Rafael Office Building.

Contingency

	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
OPERATING EXPENSES					
Contingency	1,500,000	-	1,500,000	-	0.0%

- Captures contingency to accommodate unexpected operating expenses.
- No proposed change from last fiscal year.

Net Operating Expenses

	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
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	4,754,000	1,591,000	50.3%
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**	**50,249,000**	**4,702,000**	**10.3%**

Proposed Nonoperating Revenues and Expenses

Nonoperating Revenues

	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
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%**

- Captures expected amounts from grants going into the operating fund.
- Interest income assumes a conservative yield of 3% on MCE's reserves to account for potential rate cuts by the U.S Federal Reserve.

Nonoperating Expenses

	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
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%)**

- No change on banking fees and financing costs.
- Grant expenses equal grant revenues. Grant revenue is recorded only when an equivalent amount in expenses has taken place.

Projected Change in Net Position

Projected Change in Net Position

	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
CHANGE IN NET POSITION	**60,329,000**	**42,017,930**	**25,674,000**	**(34,655,000)**	**(57.4%)**
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	25,674,000	(34,655,000)	(57.4%)
BUDGETED NET POSITION END OF PERIOD	**484,949,000**	**445,703,930**	**471,377,930**	**(13,571,070)**	**(2.8%)**

- The Change in Net Position would be $25.7 million before any capital outlay or transfers

Proposed Capital Expenditures, Interfund Transfers, and Others

Proposed Capital Expenditures, Interfund Transfers, and Others

	Fiscal Year 2024/2025 Approved Budget	Fiscal Year 2024/2025 Projected Budget	Fiscal Year 2025/2026 Proposed Budget	Approved vs Proposed Budget Variance
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
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)
TOTAL CAPITAL EXPENDITURES, INTERFUND TRANSFERS & OTHER	**8,400,000**	**8,400,000**	**18,391,000**	**9,991,000**
BUDGETED NET INCREASE IN OPERATING FUND BALANCE	**51,929,000**	**33,617,930**	**7,283,000**	**(44,646,000)**

- The Software Transmission Upgrade would alleviate curtailment and congestion of certain power supply costs which could result in savings of up to $20 million per year.
- The San Rafael Office Building Purchase was approved by your Board on July 18, 2024.
- $350,000 is recommended to implement building improvements and retrofits at both the San Rafael and Concord Office.
- The transfer to the Program Development Fund is about 50% of our Deep Green service income.

Proposed Program Development Fund Budget

FY2025/26

Program Development Fund Budget

	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	-	-
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	-

Proposed Resiliency Virtual Power Plant (VPP) Fund Budget

FY2025/26

Resiliency VPP Fund Budget

	FY 2024/25 Approved Budget	FY 2024/25 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

Proposed Energy Efficiency Fund Budget

FY2025/26

Energy Efficiency Fund Budget

	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	-	-	-

Proposed Adjustment to MCE Demand Charges, Effective April 1, 2025

March 20, 2025
Board of Directors

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
- **Technical and Executive Committee 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

Demand Charges

- These charges apply to large commercial, industrial and agricultural customers, representing less than 3,000 accounts
  - Defined by kW and measured with the maximum rate that a customer uses energy over a defined period of time (e.g. 15-minutes)
- Indicative of the amount of generation capacity required to serve a customer
- Primarily intended to recover the cost of generation capacity (resource adequacy)

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 power costs & support revenue sufficiency
- Improve price signals for capacity costs
  - Specifically during on-peak period
- Maintain rate competitiveness

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

- Impacts rate classes for large agriculture, commercial and industrial rates
  - AG4B, AGC, B19, B20, E19, & E20
- MCE rates would remain lower than PG&E generation rates

MCE Rate Setting

Rate Setting Objectives

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

Fiscal and Customer Impact of Proposed Change

- Revenue increase is $6.8 million, or 0.8%.
- Residential and small business customers are unaffected
- Impacts less than 1% of MCE customers (approximately 3,000)
- 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%**

Demand Charge Impact

Mid-size Grocery Store – Average Monthly Bill Impact

Generation Charges	Quantity	Current Rates	Proposed Rates
MCE Demand	250 kW	$ 2,108	$ 2,660
MCE Energy	105000 kWh	$ 13,038	$ 13,038
MCE Total		**$15,145**	**$ 15,698**
Delivery Charges	**Quantity**	**Current Rates**	**Proposed Rates**
PG&E Customer	1	$361	$361
PG&E Demand	250 kW	$11,876	$11,876
PG&E Energy	105000 kWh	$2,376	$2,376
PG&E Total		**$14,613**	**$14,613**
Total Bill		**$ 29,758**	**$30,311**

MCE charges increase by $553/Month, or 3.6%.

1.9% change in the total bill.

MCE Programs to Reduce Demand Costs

MCE Helps Customers Manage Electric Costs

- Energy efficiency program
- Dedicated energy coach
- Peak Flex program

Success Stories

Customer Type	Project Type	Annual Energy Savings	Demand Savings	Demand Charge Bill Reduction
Grocery Warehouse	Lighting	305,534 kWh	46 kW	up to $2,970/month
Large Office Building	HVAC	338,941 kWh	150 kW	up to $9,690/month
Hardware Store	Lighting	256,744 kWh	50 kW	up to $3,230/month
Large Office Building	HVAC	245,521 kWh	70 kW	up to $4,520/month

Transmission Software Solutions

March 20, 2025
Board of Directors

Current Satellite View of Little Bear Solar Project

- Total Capacity: 160 MW Solar PV
- Average Annual Production: 450 GWh
- Contract Start Date: December 2020
- Contract End Date: December 2040

Definitions

RAS: Remedial Action Scheme

WECC: Western Electricity Coordinating Council

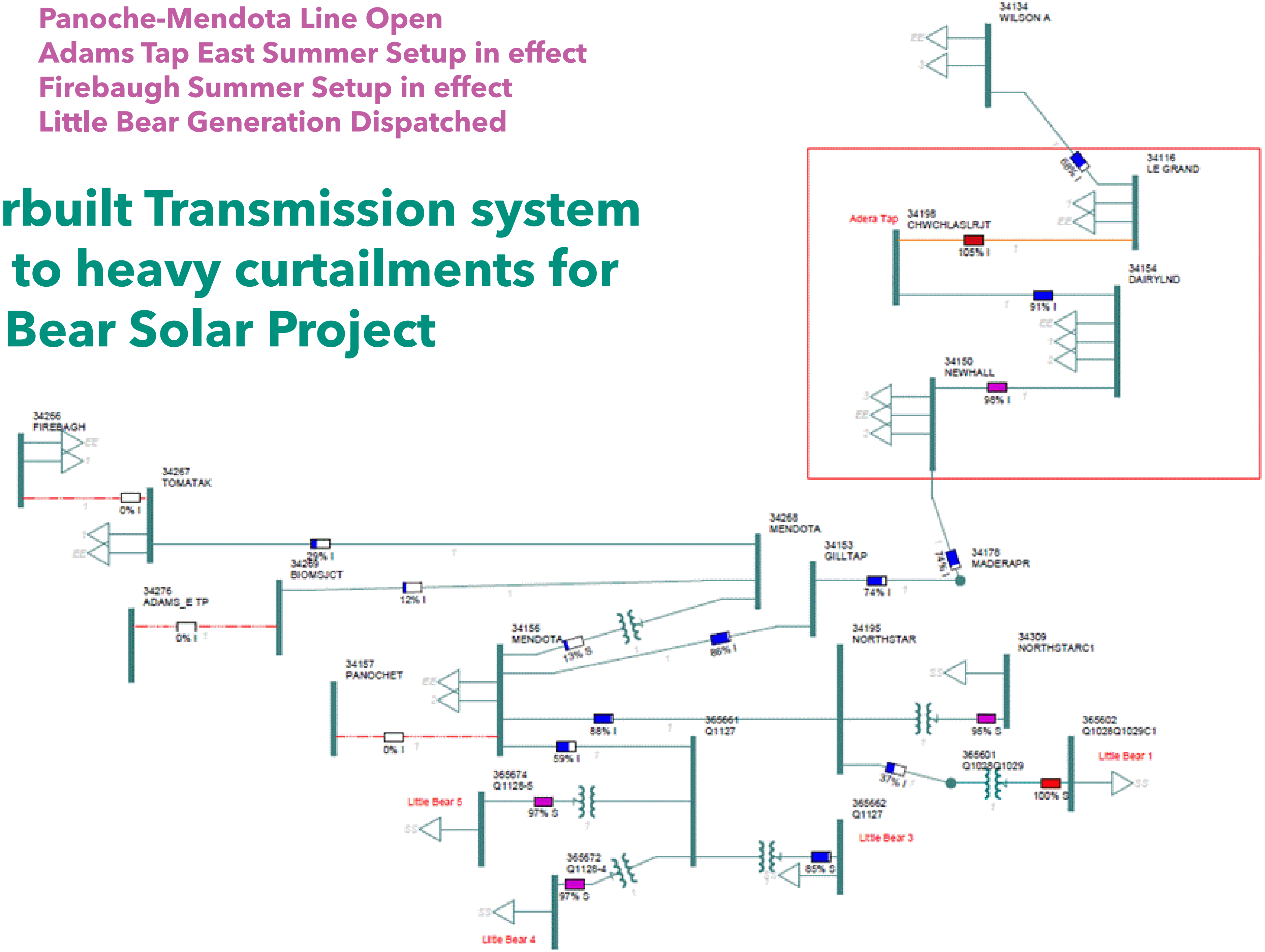
NERC: North American Electrical Reliability Corporation

CAISO: California Independent System Operator

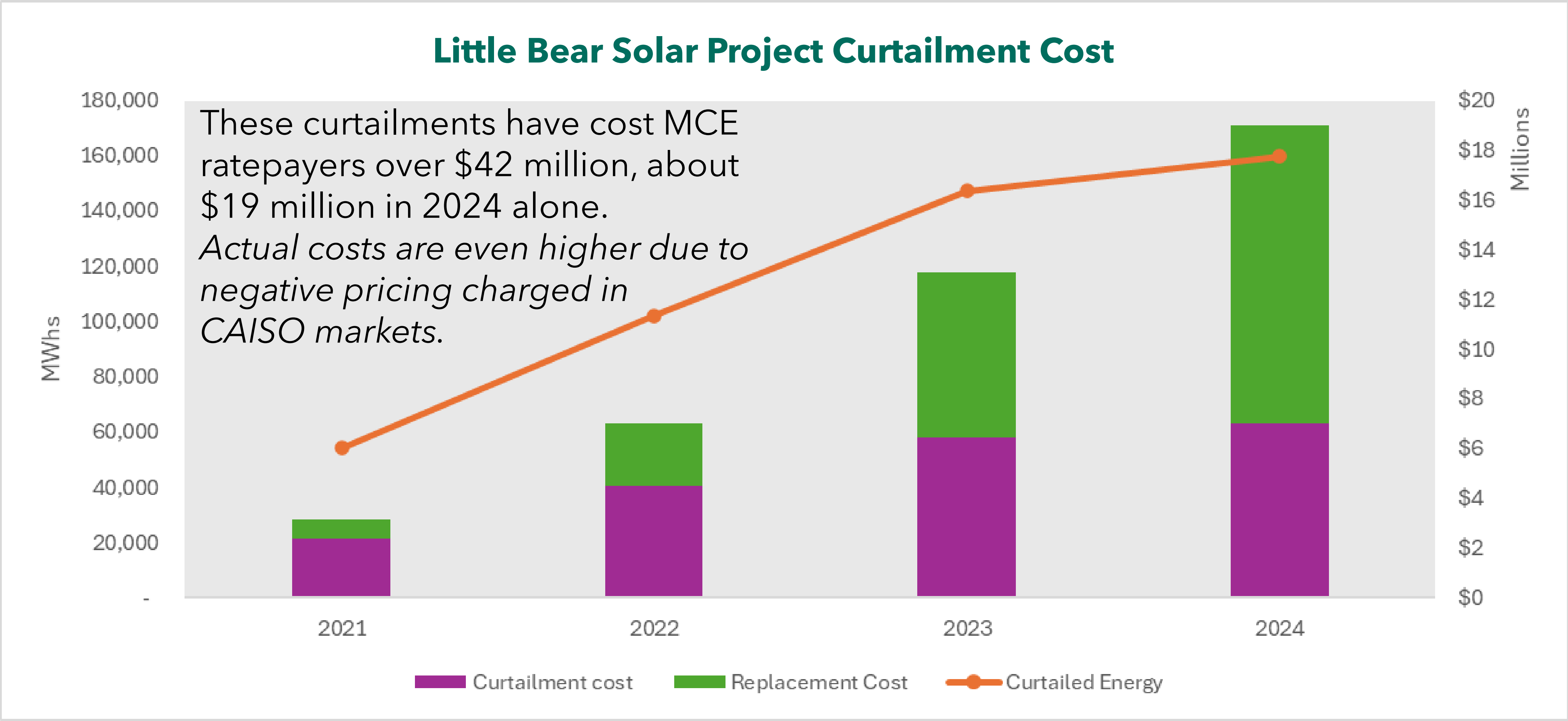
RC WEST: Reliability Coordinator West

Panoche-Mendota Line Open
Adams Tap East Summer Setup in effect
Firebaugh Summer Setup in effect
Little Bear Generation Dispatched

Underbuilt Transmission system leads to heavy curtailments for Little Bear Solar Project



Cost of Curtailments



Possible Solutions to Mitigate Curtailments

- **Re-conductor under-built portions of PG&E’s 115kV and 70kV network in the Mendota area**
  - About $15 million was approved by CAISO for PG&E to reconductor a portion of the system but didn't solve the congestion of Little Bear
- **Add Storage Batteries on Little Bear Site**
  - There's no Resource Adequacy available in the area, making the addition of batteries economically non-viable
- **Implement a Remedial Action Scheme (RAS)**
  - Simple software solution that doesn't require heavy infrastructure investment
  - Easier to implement and maintain compared to new transmission infrastructure

RAS Project Overview

MCE has been working with CAISO for the last three years to design a RAS solution.

PG&E has put together a proposal for MCE to own and implement this project.

Plan and Execute RAS project: 24-36 Months after contract is executed with PG&E

Approvals: RC West, WECC and NERC once project is ready

Estimated cost: $10 Million

Estimated compliance contracts: $250k per year

Recommendations

Committee Recommendations for Board Approval

Proposed Fiscal Year 2025/26 Budget (Agenda Item #06)

- Executive Committee, March 3, 2025

Proposed Adjustment to MCE Demand Charges effective April 1, 2025 (Agenda Item #06a)

- Executive Committee on March 3, 2025 as part of the larger proposed FY 2025/26 budget discussion
- Technical Committee on March 7, 2025

MCE Investment in Transmission Software Solutions (Agenda Item #06b)

- Technical Committee on March 7, 2025

Recommendation

Approve the proposed Fiscal Year 2025/26 budgets, including the following subcomponents of the budgets:

1. the proposed **adjustment to MCE Demand Charges** to be effective April 1, 2025,
2. continuing the **MCE Cares Credit** with an allocation of **$5,000,000**,
3. transferring **up to $13,000,000 from the Operating Reserve Fund** to offset unexpected regulatory costs, and
4. transferring **$10,250,000 from MCE Reserves for MCE Investment in Transmission Software Solutions** and authorizing staff to execute the necessary contracts to implement these solutions up the amount transferred from MCE Reserves.

Thank you!

mceCleanEnergy.org
info@mceCleanEnergy.org

Legislative Update

March 20, 2025
Board Meeting

How We Engage

Board Guidance

- Support community choice
- Reduce GHG emissions
- Promote local economic and workforce benefits
- Advocate on behalf of MCE customers

Collaborative Approach

- Staff and lobbyists
- CalCCA and other CCAs
- Member communities
- Ecosystem of allies

Meeting with Assembly-member Damon Connolly

MCE's California Delegation

Senate

- Mike McGuire (Marin) – President Pro Tempore
- Jesse Arreguín (Contra Costa)*
- Chris Cabaldon (Napa and Solano)*
- Tim Grayson (Contra Costa)

Assembly

- Cecilia Aguiar-Curry (Napa) – Majority Leader
- Anamarie Ávila Farías (Contra Costa)*
- Rebecca Bauer-Kahan (Contra Costa)
- Damon Connolly (Marin)
- Buffy Wicks (Contra Costa)
- Lori Wilson (Solano)

California Advocacy

- Energy remains a hot topic
- Tracking 100+ bills
- Affordability is #1 priority
- Other key themes for 2025
- State budget

MCE Cooley Quarry solar farm, Novato

Affordability – Protecting Energy Efficiency

- **Energy efficiency programs like MCE's, BayREN's, and PG&E's deliver a strong return on investment**
  - Every $1 spent saves $3.30 in other energy costs
- **Programs designed to serve all customers**
- **Benefits**
  - Lower usage
  - Lower bills
  - Support reliability by reducing peak demand
  - Support electrification
  - Reduce GHG emissions
- **Board opportunity to support**

Other Affordability Strategies

- **Reduce financing costs for grid investments**
  - Alternative financing for transmission
- **Increase accountability and transparency**
- **Permitting reforms**
  - Transmission and distribution
  - Wildfire mitigation
  - Renewable resources
  - Battery storage
- **Protecting customers at risk of disconnection**

Regional Markets Support Affordability

- **Pathways Initiative - better west-wide collaboration via independently governed markets**
  - Developed by regulators and stakeholders across the west, including California's PUC and Energy Commission
- **Economic benefit of up to $790 million per year for California customers**
  - More efficient dispatch of renewable power, reduced curtailment
- **Increase reliability**
- **Reduce California GHG emissions**
- **Reduce gas-fired generation in California**

Other Energy Themes

- **Support for renewable technologies**
  - Offshore wind
  - Community solar
  - Geothermal
  - Biomass
  - Carbon capture
- **Bills on electrification**
  - Buildings and vehicles
  - For and against
- **Cap and trade reauthorization**


Shiloh Wind Farm, Solano County

Positions Taken To Date

Number (Author)	Subject	Position
SB 540 (Becker, Stern)	Pathways Initiative, regional energy markets	Support
SB 330 (Padilla)	Alternative financing for transmission	Support
SB 302 (Padilla)	Renewable tax conformity	Support
AB 443 (Bennett)	Green hydrogen, curtailed renewables	Support

State Budget – Fiscal Year 2025-26

- **Timeline**
  - January 10th – Governor's draft budget
  - Mid-May – Governor's "May Revise"
  - June 15th – Legislature's deadline to adopt budget
  - September 12th – Last day of session
- **January draft budget**
  - Projected a modest $17 billion surplus
  - Governor and legislative leadership cautioned against new spending
  - Released during Eaton and Palisades fires; days before Presidential inauguration
- **May Revise likely to include significant changes**

Federal Advocacy

- **Support for the Inflation Reduction Act and Bipartisan Infrastructure Law**
  - Renewable tax credits
  - Elective (aka "direct") pay
  - Customer rebates and incentives
- **Protect tax exemption for municipal bonds**
- **Pausing pursuit of additional federal grants**

MCE's Stephanie Chen and Board Members Devin Murphy and Gabe Quinto, U.S. Capitol

Ways You Can Plug In

- Suggested language for local legislative platforms
- Sign-on letter supporting energy efficiency
- Join MCE meetings with legislators

Board members visit Diablo Energy Storage Project

Thank You

Stephanie Chen

Director of Legislative Affairs

schen@mcecleanenergy.org

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

March 20, 2025

TO: MCE Board of Directors

FROM: Sabrinna Soldavini, Director of Policy

RE: Policy Update of Legislative and Regulatory Items

ATTACHMENT: Regulatory Packet with Filings since the November Board Meeting

Dear Board Members:

Below is a summary of the key activities at the state and federal legislatures and the California Public Utilities Commission (CPUC), California Energy Commission (CEC), and the California Independent System Operator (CAISO) impacting Community Choice Aggregation (CCA) and MCE.

I. Legislative Advocacy

Thus far in 2025, more than 2,300 bills were introduced in the California legislature, and staff is tracking more than 100 that are relevant to MCE's work. Thematically, affordability and reducing California's cost of living remains the top priority for both the Legislature and Governor, and several solutions have been proposed to help reduce electric rates for Californians. MCE staff is also tracking several bills that would impact various clean energy technologies, including offshore wind, geothermal, community solar, battery storage, and heat pumps.

As policymakers and advocates debate ways to reduce electric rates, a small number of stakeholders remain opposed to continuing funding for energy efficiency programs – despite the significant benefits these programs deliver to California, the electric grid, and our households and businesses. Cuts to this long-standing funding would severely limit MCE's ability to offer efficiency, demand response, and electrification programs to our communities. MCE is working with allies to educate policymakers on the benefits of energy efficiency and encourages our member communities to join us in this work.

II. California Public Utilities Commission (CPUC)

a. Resource Adequacy (RA)

In March 2025, CalCCA submitted comments on stakeholder proposals in Track 3 of the RA proceeding. Track 3 is considering a number of near-term changes to the RA program including: 1) adoption of a Planning Reserve Margin (PRM) for 2026; 2) various resource accounting methodology modifications to account for the RA program's transition to the Slice-of-Day (SOD) framework; and 3) whether to adopt and implement a System RA waiver process whereby a Load Serving Entity (LSE) would be able to seek a waiver to avoid penalties for a portion of its RA requirements provided the LSE demonstrates it took sufficient commercial efforts to meet its requirements.

Among other issues, CalCCA's comments supported adoption of a System RA waiver and suggested a procedure and showing criteria to support efficient and timely evaluation of waiver requests. CalCCA also continued to advocate for proposed enhancements to the SOD framework that would allow LSEs to trade hourly load obligations to incentivize LSEs to optimize their SOD portfolios and bring cost savings to the RA program, and to optimize the RA value of co-located resources.

CalCCA also supported a Southern California Edison (SCE) proposal that would change the Commission's Mid-Term Reliability (MTR) bridge capacity requirements. Bridge capacity is short-term MTR-eligible capacity required to be procured to account for delays in LSEs' long-term MTR procurement. Under SCE's proposal, LSEs would not be required to procure bridge capacity for non-summer months because such procurement adds to already high procurement costs without a commensurate benefit to reliability.

Additionally, the appropriate PRM continues to be under discussion and disputed among stakeholders. In December 2024, pursuant to the Track 2 Decision, Energy Division issued a revised PRM analysis proposing to increase the current PRM from 17% to 22.5% for peak months in 2026. Energy Division adjusted its methodology in late February, which resulted in the proposed 2026 PRM being reduced further to 21% for summer months and 20% for non-summer months. Stakeholders will continue to evaluate the PRM and associated policies via comments and workshops over the coming months.

A Final Decision in Track 3 of the RA proceeding is expected in June 2025.

Fiscal Impacts: There are no immediate fiscal impacts to MCE, but a future change to the PRM will ultimately impact procurement costs related to the amount of RA MCE will be required to purchase to meet its compliance needs and support reliability.

b. Self Generation Incentive Program (SGIP)

In February 2025, the Commission suspended the advice letter filed by Pacific Gas & Electric (PG&E) to submit MCE's Peak Flex Market program to the SGIP Qualified Demand Response (DR) programs list. The Commission authorized up to an additional 120 days to review the filing. MCE closely collaborated with PG&E to submit the advice letter in January so that MCE customers may enroll and be eligible to receive an SGIP rebate. All SGIP participants must enroll in an SGIP Qualified DR program and CCA customers face significant barriers to participation. Following the February suspension letter, MCE communicated with Commission staff that it remains willing and able to answer any remaining questions about its Peak Flex Market program.

In January, MCE further supported PG&E's advice letter with proposed updates to its Capacity Bidding program (CBP) to allow another pathway for unbundled customers to enroll in an SGIP Qualified DR program. The Commission has yet to issue a disposition regarding this filing.

MCE continues to communicate with PG&E staff to ensure MCE customers receive updated and coordinated information about SGIP rebates. MCE awaits dispositions from the Commission on both SGIP matters and Staff will provide updates as they become available.

Fiscal Impacts: There is no direct fiscal impact to MCE at this time.

III. California Energy Commission (CEC)

a. New Power Source Disclosure (PSD) Regulations

In February 2025, the CEC adopted regulations, taking effect starting with the 2026 PSD reports, to require retail suppliers, such as MCE, to take into account loss-adjusted load. Additionally, starting with the 2028 PSD reports, retail suppliers will have to report on how hourly procured generation aligns with their hourly loads.

Under the previous rules, retail suppliers reported the fuel mix and GHG emissions for each of its programmatic offerings (MCE Light Green, Deep Green, etc.) on an annual basis according to a comparison between a retail supplier's clean specified electricity purchases and its retail sales. To the extent a retail supplier had not procured specified clean electricity at least matching its retail sales, that retail supplier's procurement portfolio would be attributed system power emissions (power that has a higher GHG-intensity than any clean specified purchases).

Under the new regulations, a retail supplier would be required to report its "total power content" in addition to the fuel mix and emissions associated with its individual programmatic offerings. The "total power content" will reflect the total fuel mix and associated GHG emissions used to serve total loss-adjusted load. This means that transmission and distribution line losses will be factored into a retail supplier's procurement needs and thus increase the amount of clean specified electricity the retail supplier will need to procure in order to not be assigned system power emissions for its "total power content".

Additionally, the new regulations will implement SB 1158 (2022). SB 1158 requires retail suppliers to account for emissions from electricity resources on an hourly basis using a retail supplier's hourly loss-adjusted load. Under this new hourly framework, to avoid being assigned system power emissions in specific hours, a retail supplier would need to optimize its clean specified electricity purchases to match or exceed its assigned hourly loss-adjusted load. To the extent a retail supplier's clean specified electricity purchases in a particular hour, including purchases necessary to charge any stand-alone battery storage resources, are less than the retail supplier's loss adjusted load in that hour, the retail supplier will be attributed system power emissions for that hour.

The new regulations also make adjustments to how the system power GHG-intensity is calculated and reported on the Power Content Label. In the near-term, the regulations would take into account the annual system resource mix and adjust the GHG-intensity for system power based on the amount of renewable and clean generation versus fossil fuel generation serving load on an annual basis. This annual framework will shift to an hourly accounting of system power GHG-intensity in the 2028 reporting year. The hourly framework would take into account the hourly system resource mix and adjust the hourly GHG-intensity based on the amount of renewable and clean generation serving load in a particular hour.

Fiscal Impacts: To the extent procurement and portfolio optimization is adjusted to meet internal MCE targets under the new CEC reporting frameworks at both the annual and hourly levels, MCE can expect to see increased procurement costs. Staff will continue to provide procurement cost updates as they become available.

b. Home Equipment and Appliance Rebates (HEEHRA)

In February 2025, the CEC announced that, in light of federal funding pauses issued via federal Executive Order in January 2025, it is pausing the administration of HEEHRA until the federal administration provides additional information. HEEHRA is funded through the Inflation Reduction Act (IRA). Prior to this announcement, the CEC was in the process of distributing the first phase of funding through TECH Clean California and conducting a rulemaking for Phase II. MCE is actively tracking for further announcements from the CEC and TECH Clean California. MCE and other CCAs previously participated in the HEEHRA rulemakings to ensure CCA customers may access and benefit from the electrification rebates. Implementation timelines are presently unknown.

Fiscal Impacts: There are no direct fiscal impacts to MCE at this time.

III. California Independent System Operator (CAISO)

a. Demand and Distributed Energy Market Integration

In February 2025, CAISO launched a new working group initiative on demand response (DR) and distributed energy resource (DER) market integration. The group will discuss participation models and market rules for DR and DER participation, including in aggregation, in the day ahead and real time CAISO markets. MCE and CalCCA attended the kick-off meeting, and CalCCA submitted comments addressing CAISO's scoping questions. CalCCA highlighted CCA interests in ensuring that CCA resources receive full RA credit and energy market rates for market participation, including an interest in exploring the modified

Proxy Demand Response model. CalCCA also recommended that CAISO host an educational session on existing models to help newer market participants learn about pathways for participation and related RA issues.

Fiscal Impacts: There is no direct fiscal impact to MCE at this time.