



MCE Executive Committee Meeting
Monday, February 2, 2026
12:00 p.m.

1125 Tamalpais Avenue, San Rafael, CA 94901
2300 Clayton Road, Suite 1500, Concord, CA 94520
250 East L Street, Benicia, CA 94510, Conference Room 2 (**City of Benicia**)
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://t.ly/DnY7U>
Phone: Dial (669) 900-9128, Meeting ID: 861 2234 3784, Passcode: 415565

Materials related to this agenda are available for physical inspection at MCE's offices in San Rafael at 1125 Tamalpais Avenue, San Rafael, CA 94901 and in Concord at 2300 Clayton Road, Suite 1500, 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) 632-3672 or ada-coordinator@mceCleanEnergy.org at least 72 hours before the meeting start time to ensure arrangements are made.

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1. Roll Call/Quorum
2. Board Announcements (Discussion)
3. Public Open Time (Discussion)
4. Report from Chief Executive Officer (Discussion)
5. Consent Calendar
 - C. 1. Approval of 1.5.26 Meeting Minutes (Action)
 - C. 2. Approval 1.9.26 Continuation Meeting Minutes (Action)

- C. 3. Review Draft 2.19.26 Board Agenda (Action)
- 6. Selection of Executive Committee Chair (Discussion/Action)
- 7. Integrated Resource Plan Review (Discussion)
- 8. MCE Rate Reduction Proposals (Discussion/Action)
- 9. Proposed Fiscal Year 2026/27 Budget Elements (Discussion)
- 10. Voting Processes in the Operating Rules & Regulations: General Admin Matters and Matters that relate to the CCA (Discussion)
- 11. Committee & Staff Matters (Discussion)
- 12. Adjourn

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

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MCE EXECUTIVE COMMITTEE MEETING MINUTES
January 5, 2026
12:00 P.M.

Present: Stephanie Andre, City of Larkspur
Cindy Darling, City of Walnut Creek
Stephanie Hellman, Alternate, Town of Fairfax
Devin Murphy, City of Pinole, arrived at 12:32 p.m.
Laura Nakamura, City of Concord
Max Perrey, City of Mill Valley, Chair
Shanelle Scales-Preston, County of Contra Costa
Sally Wilkinson, City of Belvedere

Absent: Eli Beckman, Town of Corte Madera
Maika Llorens Gulati, City of San Rafael
Gabriel Quinto, City of El Cerrito

Staff & Others: Jared Blanton, VP of Public Affairs
Jesica Brooks, Lead Board Clerk and Executive Assistant
Vicken Kasarjian, Chief Operations Officer
Tanya Lomas, Board Clerk
Linda Lye, Senior Legal Counsel
Catalina Murphy, General Counsel
Ashley Muth, Internal Operations Associate
Justine Parmelee, VP of Internal Operations
Zae Perrin, VP of Customer Operations
Mike Rodriguez-Vargas, Internal Operations Assistant
Dan Settlemyer, Internal Operations Associate
Sabrinna Soldavini, VP of Policy
Maíra Strauss, Chief Financial Officer
Jamie Tuckey, Chief Customer Officer
Dawn Weisz, Chief Executive Officer

1. Roll Call

Chair Perrey called the regular Executive Committee meeting to order at 12:03 p.m. with quorum established by roll call.

2. Board Announcements (Discussion)

There were no comments.

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3. Public Open Time (Discussion)

Chair Perrey opened the public comment period and comments were made by members of the public Robert Miller and Jody Timms.

4. Report from Chief Executive Officer (Discussion)

Dawn Weisz, Chief Executive Officer, introduced this item and addressed questions from committee members.

Chair Perrey opened the public comment period and there were comments made by members of the public Alicia Minyen, Wendy Breckon, and Steven Rosenfeld.

5. Consent Calendar (Discussion/Action)

- C.1 Approval of 12.1.25 Meeting Minutes
- C.2 Corrections to the Marin Independent Journal and Misinformation
- C.3 Review Updated Draft 1.15.26 Board Agenda

Director Andre requested that Item C.2 and C.3 be pulled from the consent calendar for discussion. The Chair accepted the request and opened the floor for questions and comments from committee members.

Chair Perrey opened the public comment period and there were comments made by members of the public Dan Segedin, Alicia Minyen, Wendy Breckon, Jody Timms, and MCE Board Director for the City of Napa, Beth Painter.

Action 1: It was M/S/C (Wilkinson/Nakamura) to **approve Consent Calendar item C.1.** Motion carried by roll call vote. 7-Yays 1-Abstain. (Abstain: Hellman. Absent: Beckman, Llorens-Gulati, and Quinto).

Action 2: It was M/S/C (Murphy/Scales-Preston) to **approve item C.2 with amendments from Committee members to the Board of Directors for consideration.** Motion carried by roll call vote. 6-Yays 1-No 1- Abstain. (No: Andre. Abstain: Wilkinson. Absent: Beckman, Llorens-Gulati, and Quinto).

Action 3: It was M/S/C (Andre/Wilkinson) to **move the voting process discussion up to item number 5 on Item C.3, Board Agenda for January 15, 2026.** Motion did not carry. 4-Yays 4-Nos. (Nos: Darling, Murphy, Nakamura, and Scales-Preston. Absent: Beckman, Llorens-Gulati, and Quinto).

Action 4: It was M/S/C (Nakamura/Darling) to **approve Item C.3 as published.** Motion carries by roll call vote. 6-Yays 2-Nos. (Nos: Andre and Wilkinson. Absent: Beckman, Llorens-Gulati, and Quinto).

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Adjournment

The MCE Executive Committee Meeting of January 5, 2026 adjourned at 4:31p.m., to a future to-be-determined date, time, and place to discuss the remaining business of the Executive Committee items posted in the agenda for the meeting of January 5, 2026. The Notice of Adjournment was posted by MCE's Clerk on January 6, 2026, stating the Executive Committee Meeting would continue on January 9, 2026, at 1:00pm at 1125 Tamalpais Ave. San Rafael, CA. 94901 and 2300 Clayton Rd, Concord, CA. 94520.

Max Perrey, Chair

Attest:

Dawn Weisz, Secretary

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MCE EXECUTIVE COMMITTEE CONTINUATION MEETING MINUTES
January 9, 2026
1:00 P.M.

Present: Stephanie Andre, City of Larkspur
Eli Beckman, Town of Corte Madera, joined at 1:11 p.m.
Barbara Coler, Town of Fairfax
Cindy Darling, City of Walnut Creek
Maika Llorens Gulati, City of San Rafael
Laura Nakamura, City of Concord, left at 3:24 p.m.
Max Perrey, City of Mill Valley, Chair
Shanelle Scales-Preston, County of Contra Costa
Sally Wilkinson, City of Belvedere

Absent: Devin Murphy, City of Pinole
Gabriel Quinto, City of El Cerrito

Staff & Others: Jared Blanton, VP of Public Affairs
Jesica Brooks, Lead Board Clerk and Executive Assistant
Vicken Kasarjian, Chief Operations Officer
Tanya Lomas, Board Clerk
Linda Lye, Senior Legal Counsel
Catalina Murphy, General Counsel
Ashley Muth, Internal Operations Associate
Justine Parmelee, VP of Internal Operations
Zae Perrin, VP of Customer Operations
Mike Rodriguez-Vargas, Internal Operations Assistant
Dan Settemyer, Internal Operations Associate
Sabrinna Soldavini, VP of Policy
Maíra Strauss, Chief Financial Officer
Jamie Tuckey, Chief Customer Officer
Dawn Weisz, Chief Executive Officer

Roll Call

Chair Perrey called the regular Executive Committee meeting to order at 1:00 p.m. with quorum established by roll call.

6. Update on Power Charge Indifference Adjustment and CPUC Engagement (Discussion)

Sabrinna Soldavini, VP of Policy, presented this item and addressed questions from Committee members.

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

7. Potential Scope of Finance Committee (Discussion/Action)

Justine Parmelee, VP of Internal Operations, presented the draft scope for Committee members to discuss.

Chair Perrey opened the public comment period and there was a comment made by member of the public Dan Segedin.

Action: It was M/S/C (Llorens-Gulati/Scales-Preston) **to recommend to the Board of Directors approval of the Finance Committee Scope as edited.**
Motion carried by unanimous roll call vote. (Absent: Murphy and Quinto).

8. Committee & Staff Matters (Discussion)

There were no comments.

9. Adjournment

Chair Perrey adjourned the meeting at 3:28 p.m. to the next scheduled Executive Committee Meeting on February 2, 2026.

Max Perrey, Chair

Attest:

Dawn Weisz, Secretary



DRAFT

MCE Board of Directors Meeting
Thursday, February 19, 2026
6:30 p.m.

1125 Tamalpais Avenue, San Rafael, CA 94901
2300 Clayton Road, Suite 1500, Concord, CA 94520

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

Remote Public Meeting Participation

Video Conference: <https://t.ly/mlv5w>

Phone: Dial (669) 900-9128, Meeting ID: 890 0487 7785, Passcode: 525690

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 - C.2. Addition of Board Members to Committees (Action)

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- C.3. Approved Contracts for Energy Update (Information)
- C.4. Quarterly Marketing Update (Information)
- C.5. Legislative and Regulatory Update (Information)
- 6. Resolution 2026-01 Teleconferencing (Discussion/Action)
- 7. MCE Rate Reduction Proposal, Effective April 1, 2026 (Discussion/Action)
- 8. Proposed FY 2026/27 Budget Elements (Discussion)
- 9. Resolution 2020-04 Review (Discussion)
- 10. Board & Staff Matters (Discussion)
- 11. Adjourn

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



2026 MCE Board Offices and Committee Rosters

BOARD OFFICES

Chair:	Shanelle Scales-Preston, County of Contra Costa
Vice Chair:	Cindy Darling, Walnut Creek
Treasurer:	Maira Strauss, MCE Chief Financial Officer
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 in 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 1.15.26)

1. Stephanie Andre	City of Larkspur
2. Kari Birdseye	City of Benicia
3. Barbara Coler, <i>interested in Vice Chair</i>	Town of Fairfax
4. Cindy Darling, <i>interested in Chair</i>	City of Walnut Creek
5. Maika Llorens Gulati	City of San Rafael
6. Devin Murphy	City of Pinole
7. Laura Nakamura	City of Concord
8. Beth Painter	City of Napa
9. Max Perrey, <i>outgoing Chair</i>	City of Mill Valley
10. Shanelle Scales-Preston	County of Contra Costa
11. Sally Wilkinson	City of Belvedere

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 38 communities with appointed Directors, the vote needed is 20.

FINANCE COMMITTEE (*Updated 1.15.26*)

1. Liz Alessio	Napa County and four Napa Cities
2. Stephanie Andre	City of Larkspur
3. John McCormick	City of Lafayette
4. Charles Palmares	City of Vallejo
5. Sally Wilkinson	City of Belvedere

TECHNICAL COMMITTEE (*Updated 1.15.26*)

1. Devin Murphy, Chair	City of Pinole
2. Stephanie Andre, Vice Chair	City of Larkspur
3. Dion Bailey	City of Hercules
4. John McCormick	City of Lafayette
5. Charles Palmares	City of Vallejo
6. Amanda Szakats	City of Pleasant Hill
7. Cesar Zepeda	City of Richmond

2026 AD HOC CONTRACTS COMMITTEE (*Updated 1.15.26*)

1. Barbara Coler	Town of Fairfax
2. Devin Murphy	City of Pinole

2026 AD HOC GOVERNANCE COMMITTEE (*Updated 1.15.26*)

1. Liz Alessio	Napa County and Four Napa Cities
2. Kari Birdseye	City of Benicia
3. Mary Sackett	County of Marin
4. Shanelle Scales-Preston	Contra Costa County



Integrated Resource Plan Review

MCE Executive Committee



February 2, 2026

What is the IRP?

- IRP = Integrated Resource Plan
- Key Goal: Identify a diverse portfolio of resources to meet grid reliability needs & support CA's Greenhouse Gas (GHG) emissions reductions goals.
- The IRP is overseen by the California Public Utilities Commission (CPUC) and is the process by which the CPUC sets resource planning targets for Load Serving Entities (LSEs) within its jurisdiction.

How Does the IRP Work?

The IRP has two tracks which impact MCE procurement, budget, and ratepayers:

1. Planning

- Builds Preferred System Plan (PSP) based on forecasts, policy goals, and statewide emissions targets.
- Load Serving Entities (LSEs) prepare individual plans that are aggregated and evaluated against PSP.

2. Procurement

- CPUC evaluates and determines if there is a need for additional procurement to fill identified shortfalls.
- This can (and has) lead to mandatory procurement orders.

IRP Process Explained

1. Load Forecasting:

- CPUC utilizes demand and reliability forecasts from California Energy Commission and CAISO to create long-term (10-20 years) forecast

2. Portfolio Modeling and System Needs

- CPUC models multiple resource portfolios based on requirements (reliability, emissions targets, cost) to identify system needs (capacity, resource types, transmission, etc.)

3. Preferred System Plan

- Utilizes modeling to create long-term procurement blueprint (resource mix, timing, etc.) that meets reliability and emissions targets

4. LSEs Develop Individual Conforming Portfolios

- LSEs allocated share of system plan and required to develop conforming portfolio demonstrating ability to meet state targets

How Does MCE Participate in the IRP

- MCE regularly engages in advocacy in CPUC-related proceedings to advocate for reasonable forecast and planning assumptions as well as fair procurement obligations
- Submit IRP plans to the CPUC every two years:
 - After development of the PSP, the CPUC allocates portion of the PSP to individual LSEs like MCE
 - MCE is required to create and submit a “conforming portfolio” for submission to the CPUC
 - Conforming Portfolio outlines MCE’s model demonstrating that it can meet share of statewide reliability need and GHG targets.



MCE's 2022 IRP (example)

For the 2022 IRP Cycle, MCE developed one Conforming Portfolio that:

- Included plans for:
 - 1091 MW of new capacity by 2035
 - 85% renewable energy content by 2029
 - 12% large hydroelectric energy by 2029
- Was consistent with MCE operational and policy guidelines (Operational IRP)
- Satisfied all CPUC assigned emissions limitations, energy, and reliability requirements

MCE's Procurement Update

2022 IRP Conforming Portfolio	Projected by 2035	Contracted Capacity**
Wind	265 MW	151 MW
Solar+Storage	212 MW Solar/ 153 MW Storage	312 MW Solar/ 263 MW Storage
Storage	400 MW	415 MW
Geothermal	109 MW	127 MW
Long Duration Storage	90 MW	35 MW
Demand Response	15 MW	15 MW*
<i>* RA only</i>		
<i>**Contracted capacity may include new or existing projects</i>		

Impacts of IRP on MCE

- The IRP process is used to demonstrate that MCE can, and plans to, meet reliability and GHG targets as set by the state.
- Directly impacts MCE's operation strategy and budget:
 - Influences and **constraints (but does not dictate)** MCE's future procurement efforts
 - **Can result in procurement mandates** if the PUC determines that the state requires new capacity to meet reliability and emissions requirements
 - Has a direct (but not 1:1) **impact on MCE's procurement costs → budget and rate impacts for MCE and its customers**

IRP Impacts - Past Procurement Orders

- **2019 - IRP Procurement Order (D.19-11-016)**
 - Ordered 3,300 MW of new capacity by 2023 in tranches
 - MCE share: 87.5 MW of Qualifying Capacity*
- **2021 - Mid Term Reliability (MTR) Order (D.21-06-035)**
 - Ordered 11,500 MW of new capacity by 2026 in tranches between 2023 & 2026 and with certain requirements (i.e. Long Lead Time (LLT) Resources, Diablo Canyon Replacement, etc.)
 - MCE share: 332 MW of Qualifying Capacity
- **2023 - Supplemental MTR Order (D.23-02-040)**
 - Ordered an additional 4000 MW to come online between 2026-2027 and extended LLT deadline to June 1, 2028
 - MCE share: 122 MW of Qualifying Capacity

* Technology Specific discount factors are applied to Contracted Capacity by the CPUC to calculate Qualifying Capacity.

IRP Impacts - New Procurement Order

- In mid-January, the CPUC issued a Proposed Decision based on prior analysis identifying a need for new capacity to meet state reliability needs.

- **Orders 6,000 MW of new capacity by 2032.**

- Require all CPUC-jurisdictional LSEs to procure proportional shares of the 6,000 MW from 2029–2032.

- **Drivers:** Data center load growth and transportation electrification.

For MCE,
~60 MW in 2030 &
~120 MW in 2032



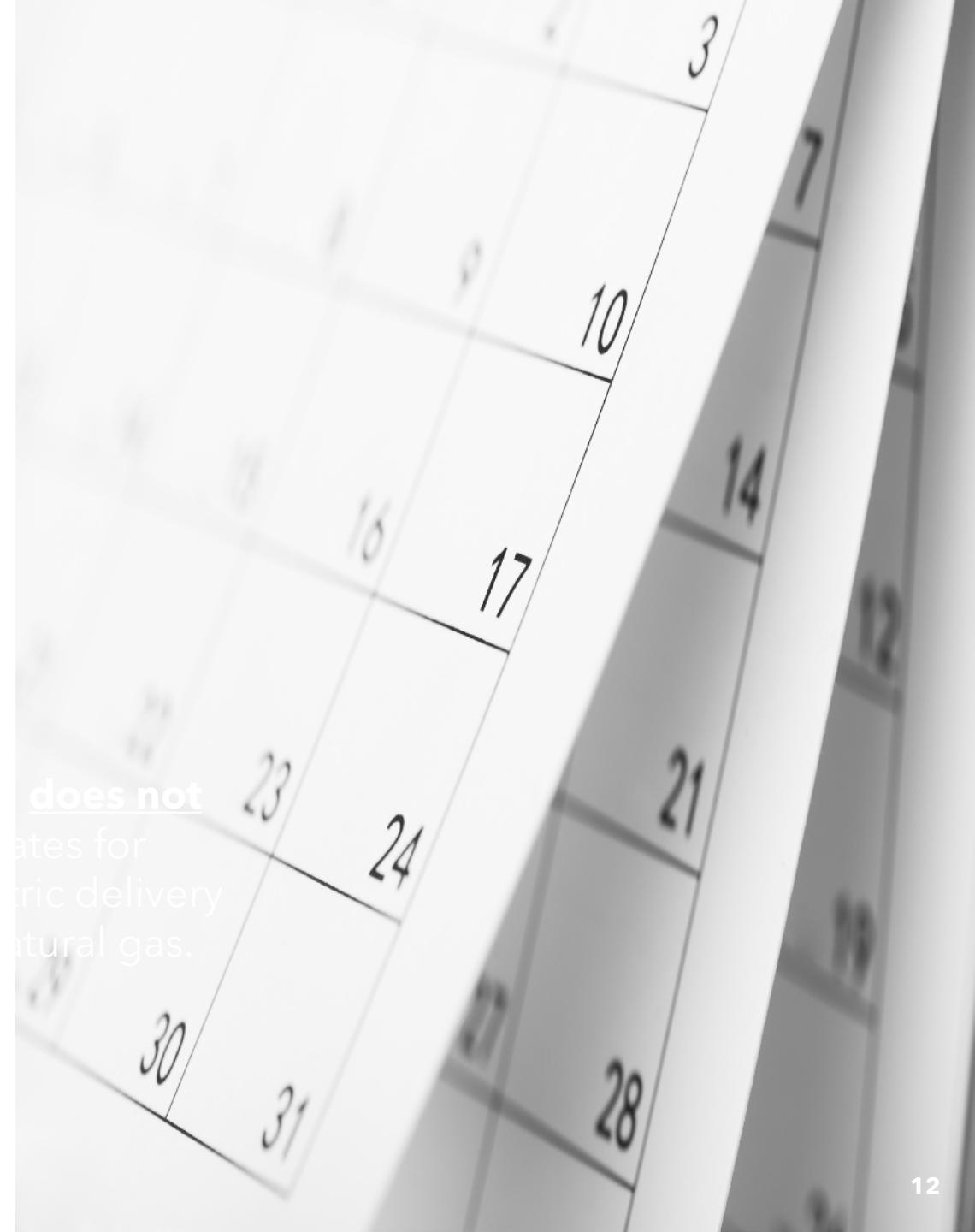
What IRP Does NOT Do

The IRP does NOT:

- Select individual projects or contracts that MCE must procure
 - **MCE's procurement authority resides with this Board, and however the Board delegates such authority.**
 - **All future contracts for resources will continue to follow that approval process.**
- Determine specific or exact cost impacts for MCE
- Account for MCE or individual LSEs internal goals and constraints
- Align perfectly with market timing or contract availability to ensure least cost, optimal portfolios for individual LSEs

Next Steps

- MCE is beginning to engage in 2026 IRP Cycle
 - Just received final templates and requirements from CPUC
 - Currently scheduled to be due June 1, 2026
- MCE plans to bring IRP to Technical Committee and Board for approval in Q2 2026 before submitting to CPUC



A scenic sunset over rolling hills and a valley, with a city skyline visible in the distance.

Thank you!



mceCleanEnergy.org
info@mceCleanEnergy.org



February 2, 2026

TO: MCE Executive Committee

FROM: Maira Strauss, Chief Financial Officer and Treasurer
Kaladhar R. Bollampalli, Director of Power Systems & Analytics
Jonnie Kipyator, Principal Manager, Power Analytics

RE: MCE Rate Reduction Proposals (Agenda Item #08)

ATTACHMENT: Presentation FY 2026/27 MCE Rate Reduction Proposals

Dear Executive Committee Members:

Summary:

MCE is conducting its annual rate-setting assessment for FY 2026/27. Rates are assessed using six criteria: revenue sufficiency, rate competitiveness, rate stability, customer understanding, equity among customers, and efficiency and conservation.

Power supply costs in the market have dropped in recent months, creating a declining trend in cost of service. This trend is creating headroom in MCE's generation rates that could allow for a reduction for customers, while still meeting MCE's revenue requirements in the next fiscal year.

PG&E implemented new generation rates effective January 1, 2026, which are lower than MCE's current generation rates. At the same time, the Power Charge Indifference Adjustment (PCIA) charged by PG&E to MCE customers ("unbundled customers") has increased dramatically due to a large PCIA true-up recovering 2025 PG&E under-collections, while bundled customers (customers who take generation service from PG&E) are receiving PCIA credits. This gap stems from a 2025 CPUC decision that retroactively recalculated market price benchmarks, creating an alleged PG&E revenue shortfall that is now being recovered primarily from unbundled customers in 2026.

To better align with MCE's declining cost of service and to deepen opportunities for customer savings, staff evaluated multiple rate options, reserve-supported rate relief tools, and potential cost-savings from reduction in clean procurement targets.

Staff evaluated five **Generation Rate Reduction** options for FY 2026/27. Please note:

- Rate comparisons are based on Residential E-TOU-C plan and MCE's 2017 PCIA vintage.
- Residential rates are used for comparison and illustration purposes only; similar rate reductions apply across all customer groups, including commercial, industrial, and other non-residential classes.
- Proposed rate reductions are approximate; actual impacts vary by rate class and time-of-use period.
- Monthly bill impacts assume 438 kWh of typical residential usage.
- All figures are estimates and subject to change.

Table 1. Summary of FY 2026/27 Generation Rate Reduction Options.

MCE's current residential generation rate is 14.62¢/kWh.

Option	Generation Rate Reduction	Under-Recovery of Cost	How the Gap Is Addressed	Residential Bill Impact (w/o PCIA)	Residential Bill Impact (w/ PCIA)
1	1.73¢/kWh (12%)	\$0M	N/A	\$1 above bundled customers	\$22 above bundled customers
2	2¢/kWh (14%)	\$14M	Partial ORF (Rate Stabilization Fund)	\$0 below bundled customers	\$21 above bundled customers
3	3¢/kWh (21%)	\$67M	Almost full ORF	\$4 below bundled customers	\$17 above bundled customers
4	3.51¢/kWh (24%)	\$94M	Full ORF + Reserve-backed funding	\$7 below bundled customers	\$14 above bundled customers
5	4¢/kWh (27%)	\$119M	Full ORF + All available reserve-backed funding + Clean energy procurement reduction	\$9 below bundled customers	\$12 above bundled customers

All options would allow MCE to maintain compliance with MCE's reserve and liquidity policies. The resulting revenue reduction or under-recovery of costs would be addressed through a combination of the Operating Reserve Fund (ORF, also referred to as the "Rate Stabilization Fund"), and other reserve-backed funding, and potentially a reduction in clean energy procurement.

Background:

MCE reviews potential rate adjustments each year in alignment with its fiscal year (April 1–March 31). Although this review is conducted annually, rate changes are implemented only when needed. Aligning the review with the fiscal year helps maintain consistency between the agency's budget and its revenue requirements. Off-cycle adjustments may be made when necessary to ensure full cost recovery.

MCE's rate design is guided by the following objectives:

- **Revenue sufficiency:** rates should recover all expenses, debt service and other expenditure requirements, and build prudent reserves, i.e., the "revenue requirement".
- **Rate competitiveness:** rates should 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 and conservation:** rates should encourage conservation and efficient use of electricity (e.g., off-peak vehicle charging or time-of-use load shifting).

These objectives can be in tension with one another. Revenue sufficiency cannot be compromised, but the Board has discretion in balancing the remaining objectives.

MCE maintains strong financial stability through:

- **Reserves equal to 60%** of annual energy and operating expenses.
- **Liquidity of 240 days** cash on hand.

FY 2025/26 projections show MCE exceeding both targets, with reserves expected at **109%** and liquidity at **274 days**.

The PG&E PCIA charges remain volatile. CCA customers face higher PCIA charges, while bundled PG&E customers receive credits. According to industry forecasts, PCIA costs are expected to converge across vintages beginning in 2027 and beyond.

Rate-Setting Process

The FY 2026/27 rate analysis incorporates updated load forecasts, customer participation assumptions, and projected procurement costs. Projected revenue at current rates is compared to the revenue requirement to determine whether adjustments are needed. Rates are then designed to recover each customer class's allocated costs while balancing competitiveness and stability.

Rate Relief Tools

The following table summarizes the tools available to support rate competitiveness in FY 2026/27. All amounts are estimates and subject to change as forecasts are updated.

Table 2. Potential Resources to Support Rate Competitiveness (FY 2026/27).

Tool	Amount	Description
Rate Reduction Headroom	\$89M	Ability to reduce rates to align projected FY 2026/27 revenues with cost levels without creating a deficit
Operating Reserve Fund	\$70M	Funds available currently for targeted rate relief
Reserve-Backed Funding	\$24 to 36M	Up to \$36M available from reserves for rate relief with no impact on MCE's reserve or liquidity targets
Reduced Clean Energy Procurement	\$0 to 17M	Potential savings from lowering Renewable Portfolio Standards (RPS)/Carbon-Free (CF) procurement targets
Total Potential Rate Relief	\$183 to 212M	Sum of all available tools for FY 2026/27

Clean Procurement Reduction Measures

California's Renewables Portfolio Standard (RPS) requires:

- 60% renewable energy by 2030.
- 100% zero-carbon electricity by 2045.

Compliance is tracked through Renewable Energy Credits (RECs), which certify that one megawatt-hour of electricity was generated from a renewable resource, and these certificates are issued and managed in the Western Renewable Energy Generation Information System (WREGIS). Compliance is enforced by the CPUC and the California Energy Commission (CEC), and annual procurement obligations are set within multi-year compliance periods (Compliance Period CP5: 2025-2027; CP6: 2028-2030).

MCE's Current Clean Energy Goals

MCE's Light Green service provides:

- 60% renewable energy (minimum achieved since 2017).
- 95% GHG-free energy (achieved since 2022).¹

¹ MCE uses the CEC Power Content Label reported emissions factor (lbs of CO2e emitted per megawatt-hour) to calculate its carbon-free percentage equivalent. GHG intensity figures exclude biogenic CO2 and emissions from geothermal sources and grandfathered imports of firmed-and-shaped energy. For detailed

MCE's customer messaging for the Light Green product would need to be adjusted if the renewable and GHG-free content is reduced. MCE's anticipated progress to increase renewable content to **85% by 2031** is shown in Table 3 below.

Table 3. State and MCE Light Green Targets. Summary of California State and MCE RPS and Carbon-Free (CF) Targets.

	2025	2026	2027	2028	2029	2030
State RPS targets	47%	49%	52%	55%	57%	60%
MCE RPS Goals	60%	60%	65%	70%	75%	80%
State Carbon Free target	100% Carbon Free by 2045					
MCE Carbon Free goals	95%	95%	95%	95%	95%	95%

Deep Green remains unaffected by any cost-saving adjustments.

Procurement Options Evaluated

Table 4. Cost Summary. Summary of the procurement options and the associated net changes to the cost of energy relative to current estimates. Scenario #1 represents no change to current targets. Scenario #2 would delay increasing RPS content from 60% to 65% by one year. Scenarios #3-7 represent a departure from MCE's Board policy towards an incrementally cleaner portfolio over time and would require changes to customer messaging, product descriptions, and materials. Reductions would likely create customer and community partner concern and confusion, and affect trust in MCE's clean energy commitments.

Scenario #	RPS/CF %	Renewable Content	FY 2026/27		FY 2027/28	
			Cost of Energy (M)	Savings (M)	Cost of Energy (M)	Savings (M)
1	60-65/95	60%	\$643	\$0	\$636	\$0
2	60/95	60%	\$642	\$0	\$634	\$2
3	60/70	60%	\$630	\$13	\$618	\$18
4	RPS Compliance/95	49-52% (RPS Compliance)	\$640	\$3	\$632	\$4

information about all GHG emissions from California's retail electricity suppliers, visit the CEC [webpage](#). Resource Adequacy (RA) is not reflected in the CEC Power Content Label, which reports only delivered retail energy and does not account for individual load serving entity RA contracts. RA is procured to meet CAISO reliability requirements and is not attributed to MCE's retail energy portfolio for emissions reporting purposes.

5	RPS Compliance/85	49-52% (RPS Compliance)	\$634	\$9	\$625	\$11
6	RPS Compliance/70	49-52% (RPS Compliance)	\$627	\$16	\$617	\$19
7	RPS Banking/70	45% (RPS Banking)	\$626	\$17	\$615	\$21

RPS Compliance: Meet the state RPS requirements without banking any RECs.

RPS Banking: Bank excess 2025 RECs for use in 2026 and 2027 under CP5, which lowers the effective RPS to 45% for those years.

These measures could provide up to **\$17 million** in cost savings in FY 2026/27 and **\$21 million** in FY 2027/28.

FY 2026/27 Proposed Rate Options

MCE's current residential E-TOU C generation rate is 14.62¢/kWh. This represents a weighted average rate that accounts for customer usage patterns as well as seasonal (summer/winter) and time-of-use (on-peak/off-peak) pricing.

Option 1: Generation Rate Reduction of 1.73¢/kWh (12%) – Full Cost Recovery

- Achieves break-even and fully recovers projected costs.
- **Generation Rate:** MCE 12.89¢/kWh vs. Bundled 12.57¢/kWh (0.32¢/kWh higher).
- **Gen + PCIA:** MCE 16.55¢/kWh vs. Bundled 11.56¢/kWh (4.99¢/kWh higher).
- **Monthly Residential Bill Impact:**
 - Without PCIA: **\$1 below** bundled.
 - With PCIA: **\$22 above** bundled.

Option 2: Generation Rate Reduction of 2¢/kWh (14%)

- Results in a \$14M under-recovery of projected costs.
- Under-recovery addressed through the operating reserve fund.
- **Generation Rate:** MCE 12.62¢/kWh vs. Bundled 12.57¢/kWh (0.05¢/kWh higher).
- **Gen + PCIA:** MCE 16.28¢/kWh vs. Bundled 11.56¢/kWh (4.72¢/kWh higher).

- **Monthly Residential Bill Impact:**

- Without PCIA: **Equal** to bundled.
- With PCIA: **\$21 above** bundled.

Option 3: Generation Rate Reduction of 3¢/kWh (21%)

- Results in a \$67M under-recovery of projected costs.
- Under-recovery addressed through the Operating Reserve Fund (ORF or "Rate Stabilization Fund").
- **Generation Rate:** MCE 11.62¢/kWh vs. Bundled 12.57¢/kWh (0.95¢/kWh lower).
- **Gen + PCIA:** MCE 15.28¢/kWh vs. Bundled 11.56¢/kWh (3.72¢/kWh higher).
- **Monthly Residential Bill Impact:**
- Without PCIA: **\$4 below** bundled.
- With PCIA: **\$17 above** bundled.

Option 4: Generation Rate Reduction of 3.51¢/kWh (24%) – Uses All Available Reserves Without Falling Below Liquidity Targets

- Results in a \$97M under-recovery of projected costs.
- Under-recovery addressed through the ORF; this option fully exhausts ORF and reserve-backed funding while maintaining liquidity targets.
- **Generation Rate:** MCE 11.11¢/kWh vs. Bundled 12.57¢/kWh (1.46¢/kWh lower).
- **Gen + PCIA:** MCE 14.77¢/kWh vs. Bundled 11.56¢/kWh (3.21¢/kWh higher).
- **Monthly Residential Bill Impact:**
- Without PCIA: **\$7 below** bundled.
- With PCIA: **\$14 above** bundled.

Option 5: Generation Rate Reduction of 4¢/kWh (27%)

- Results in a \$119M under-recovery of projected costs.
- Under-recovery addressed through ORF, reserve-backed funding, and reduced clean energy procurement.
- **Generation Rate:** MCE 10.62¢/kWh vs. Bundled 12.57¢/kWh (1.95¢/kWh lower).
- **Gen + PCIA:** MCE 14.28¢/kWh vs. Bundled 11.56¢/kWh (2.72¢/kWh higher).
- **Monthly Residential Bill Impact:**

- Without PCIA: **\$9 below** bundled.
- With PCIA: **\$12 above** bundled.

Reserve & Liquidity Outlook

- All options maintain compliance with MCE's reserve and liquidity policies.
- Option 4 represents the break-even point for reserve sufficiency.
- Projections assume stable customer participation and do not yet incorporate potential cost-saving measures.

Sustainability of Proposed Generation Rate Options

When evaluating the FY 2026/27 rate options, it is important to distinguish between the *size of the rate reduction* and the *resulting generation rate level*. Sustainability is determined by the **generation rate level** in each option, not by how large the reduction is.

Based on current forecasts, projected FY 2027/28 costs are slightly below the **generation rate associated with Option 2**. This means:

- **Options 1 and 2**
Both options set **generation rate levels that are at or above** projected FY 2027/28 costs, allowing them to be sustained next year without the need for a rate increase.
- **Options 3, 4, and 5**
These options reduce the **generation rate** to levels that fall **below** what is needed to recover projected FY 2027/28 costs.
 - Each option relies heavily on the ORF in FY 2026/27, leaving insufficient reserves to continue supporting these lower generation rates.
 - As a result, the generation rate levels in Options 2-4 **cannot be sustained** into FY 2027/28.
 - Under any of these options, the generation rate would need to increase next year to a level **at or slightly below the Option 2 generation rate** to achieve cost recovery.

In summary, while deeper reductions (Options 3-5) produce lower generation rates in the near term, those generation rate levels are not financially sustainable beyond FY 2026/27. Options 1 and 2 provide the only generation rate levels that can be maintained without requiring an upward adjustment next fiscal year.

Fiscal Impact:

None at this time. Fiscal impacts to be determined by future board action.

Recommendation:

Consider recommending a preferred rate reduction option to the full Board to assist with FY 2026/27 budget planning and finalization.



FY 2026/27 MCE Rate Reduction Proposals

MCE Executive Committee
February 2, 2026



Meet the Presenter



Maíra Strauss

Chief Financial Officer and Treasurer

Maíra leads all MCE's financial operations and strategies which include FP&A, Strategic Finance, Accounting and Risk Management. Her passion for sustainability is the driving force for her commitment to use MCE's financial resources effectively to create maximum environmental impact.

Maíra brings over 15 years of experience in financial management and strategic planning to her role. Prior to joining MCE, she consulted on strategic business practices for various international foundations and startups and worked in the energy industry in Brazil. Maíra holds a bachelor's degree in business administration from SFSU and a post-baccalaureate certificate in business strategies from ESPM- RJ in Rio de Janeiro, Brazil.

Meet the Presenter



Kaladhar R. Bollampalli (Kal)

Director, Power Systems & Analytics

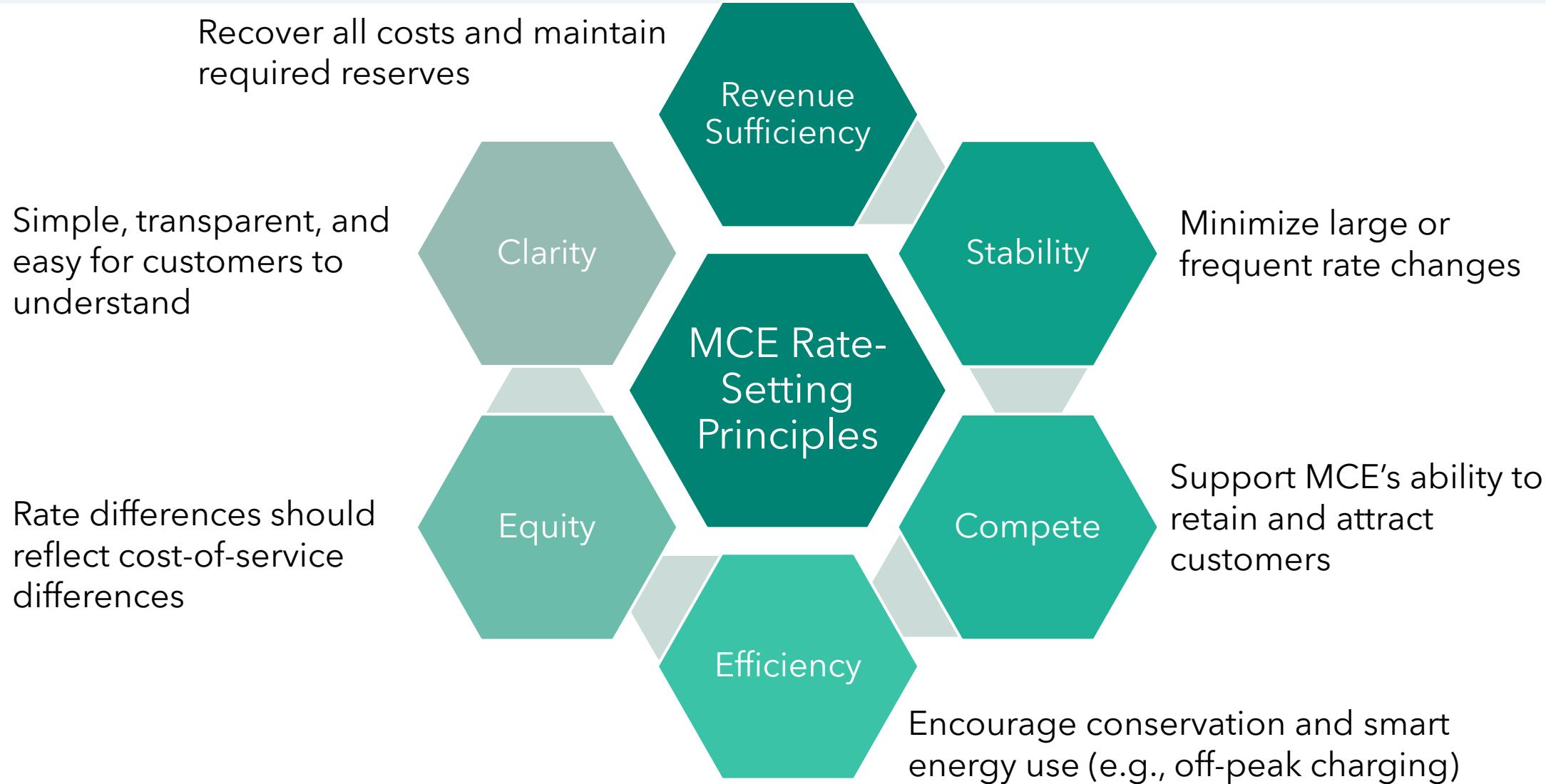
Kal joined MCE in June 2025 and leads the organization's rates design, portfolio planning and analytics, and CAISO market operations.

Before joining MCE, Kal spent 16 years at Southern California Edison (SCE), where he managed energy portfolios valued at up to \$2 billion and advanced market strategy, clean energy procurement, and portfolio optimization - efforts that delivered more than \$150 million in customer savings over his tenure.

Prior to his work at SCE, Kal spent over 6 years as a software engineer, successfully implementing technology solutions in the energy and supply chain management sectors.

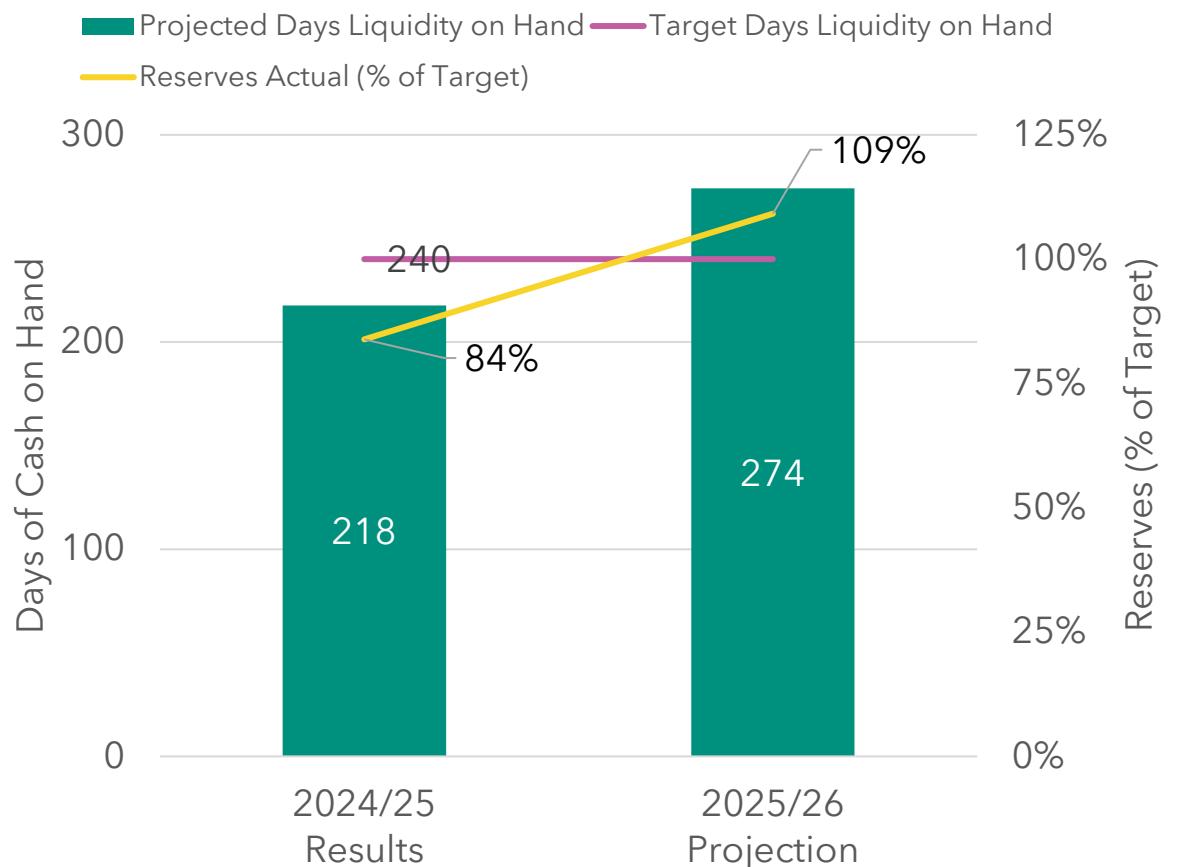
Kal holds a Bachelor of Engineering in Electronics and Communications Engineering from OUCE and an MBA from UCLA.

MCE Rate-Setting Principles



MCE's Reserve & Liquidity Policy

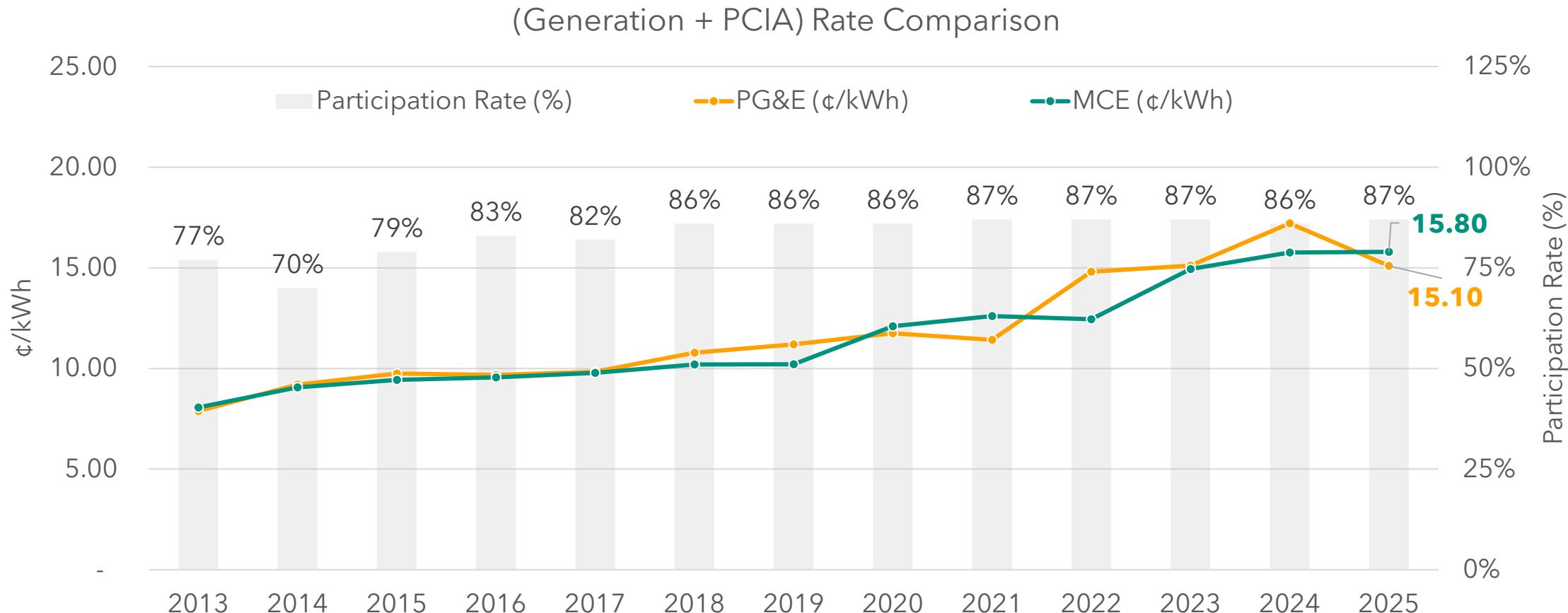
- Maintain MCE's Reserves = **60% of annual energy + operating expenses**
- Liquidity goal of **240 days cash on hand** (unrestricted cash & investments / annual expenses)
- Ensure financial stability, rate stability and strong credit rating



- FY 2025/26 Projection is based on current estimates and will be refined with updated financials

Historical (Generation + PCIA) Rate Comparison

MCE's Generation Rates + PCIA have generally been a lower-cost and stable option, with steady customer participation over time



- Rate comparisons use Residential E1/E-TOU-C plans and MCE's 2017 PCIA vintage
- PG&E generation and PCIA rates are set on a calendar year; MCE generation rates on a fiscal year (Apr-Mar)

FY 2026/27 MCE Rates Strategy

Balance Cost with Competitiveness and Long-Term Customer Retention

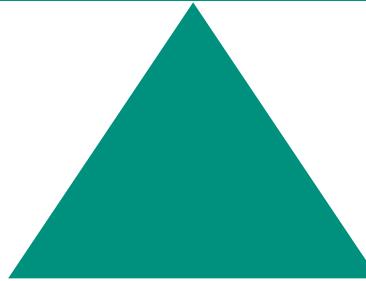
Reflect True Cost

- Align with reserve policy
- True cost = rate floor
- Supports long-term financial stability

Competitiveness & Retention

Retention is influenced by more than price

- Competitive vs. PG&E
- Cleaner, greener power
- Historically stable & often lower rates
- Long-term value proposition (future years may be lower)



Strategic implication: MCE must balance cost recovery with maintaining a compelling customer value proposition across price, sustainability, stability, and long-term certainty

FY 2026/27 Rate Relief Tools

Potential Resources to Support Rate Competitiveness (FY 2026/27)

Tool	Amount	Description
Rate Reduction Headroom	\$89M	Align FY 2026/27 revenues with costs without creating a deficit
Operating Reserve Fund (ORF)	\$70M	Funds available currently for targeted rate relief
Reserve-Backed Funding (Reserves)	\$24 to 36M	Reserves available without affecting reserve/liquidity targets
Reduced Clean Energy Procurement	\$0 to 17M	Potential savings from lowering RPS/CF procurement targets
Total Potential Rate Relief	\$183 to 212M	Sum of all available tools for FY 2026/27

- All figures are estimates and subject to change as forecasts are updated

Reduced Clean Energy Procurement Scenarios

Scenario #	RPS/Carbon-Free (CF) %	RPS	CF	FY 2026/27		FY 2027/28	
				Cost of Energy (\$M)	Cost Reduction (\$M)	Cost of Energy (\$M)	Cost Reduction (\$M)
1	Status-Quo	60-65%	95%	\$643	\$0	\$636	\$0
2	60/95	60%	95%	\$642	\$0	\$634	\$2
3	60/70	60%	70%	\$630	\$13	\$618	\$18
4	RPS Compliance/95	49-52%	95%	\$640	\$3	\$632	\$4
5	RPS Compliance/85	49-52%	85%	\$634	\$9	\$625	\$11
6	RPS Compliance/70	49-52%	70%	\$627	\$16	\$617	\$19
7	RPS Banking/70	45%	70%	\$626	\$17	\$615	\$21

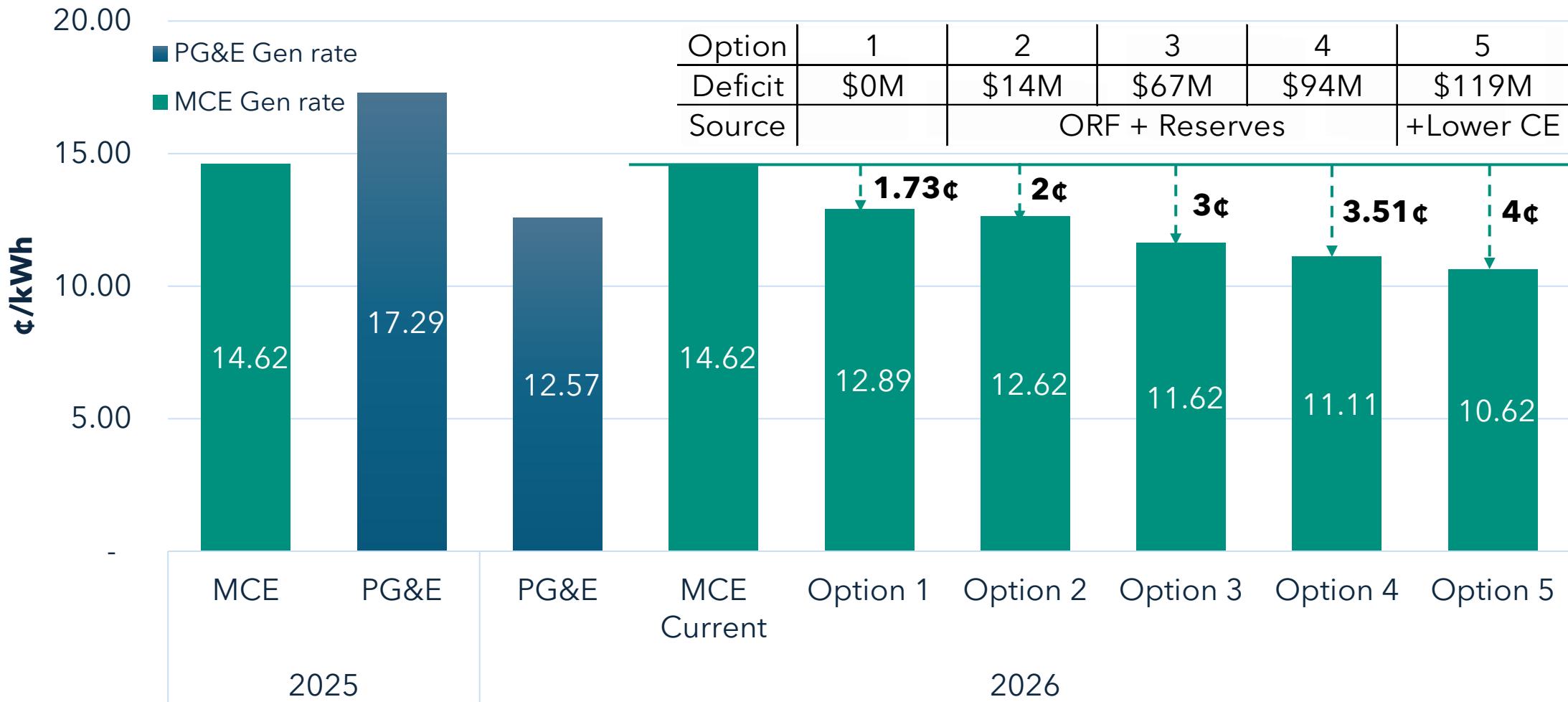
- State RPS goals ('25/'26/'27): **47% / 49% / 52%**; MCE RPS goals ('25/'26/'27): **60% / 60% / 65%**; MCE's CF goal **95%**
- MCE calculates CF percentage based on the CEC Power Content Label (PCL) reported emissions factor (lbs CO₂e/MWh). Resource Adequacy is not reflected in the PCL and is not attributed to MCE's retail energy portfolio for emissions reporting purposes.
- RPS Compliance options do **not** include REC banking
- REC banking allows excess RPS in one year to be used in later years within the same Compliance Period (CP); CP5 is from 2025-2027
- All figures are estimates and subject to change

FY 2026/27 Proposed Gen Rate Reduction Options

Option	Gen Rate Reduction	Under-Recovery	How Addressed	Bill Impact (w/o PCIA)	Bill Impact (w/ PCIA)
1	1.73¢/kWh (12%)	\$0M	N/A	\$1 above bundled customers	\$22 above bundled customers
2	2¢ (14%)	\$14M	Partial ORF	\$0 below	\$21 above
3	3¢ (21%)	\$67M	Almost full ORF	\$4 below	\$17 above
4	3.51¢ (24%)	\$94M	Full ORF + Reserve-backed funding	\$7 below	\$14 above
5	4¢ (27%)	\$119M	Full ORF + Reserve-backed funding + Lower clean energy procurement	\$9 below	\$12 above

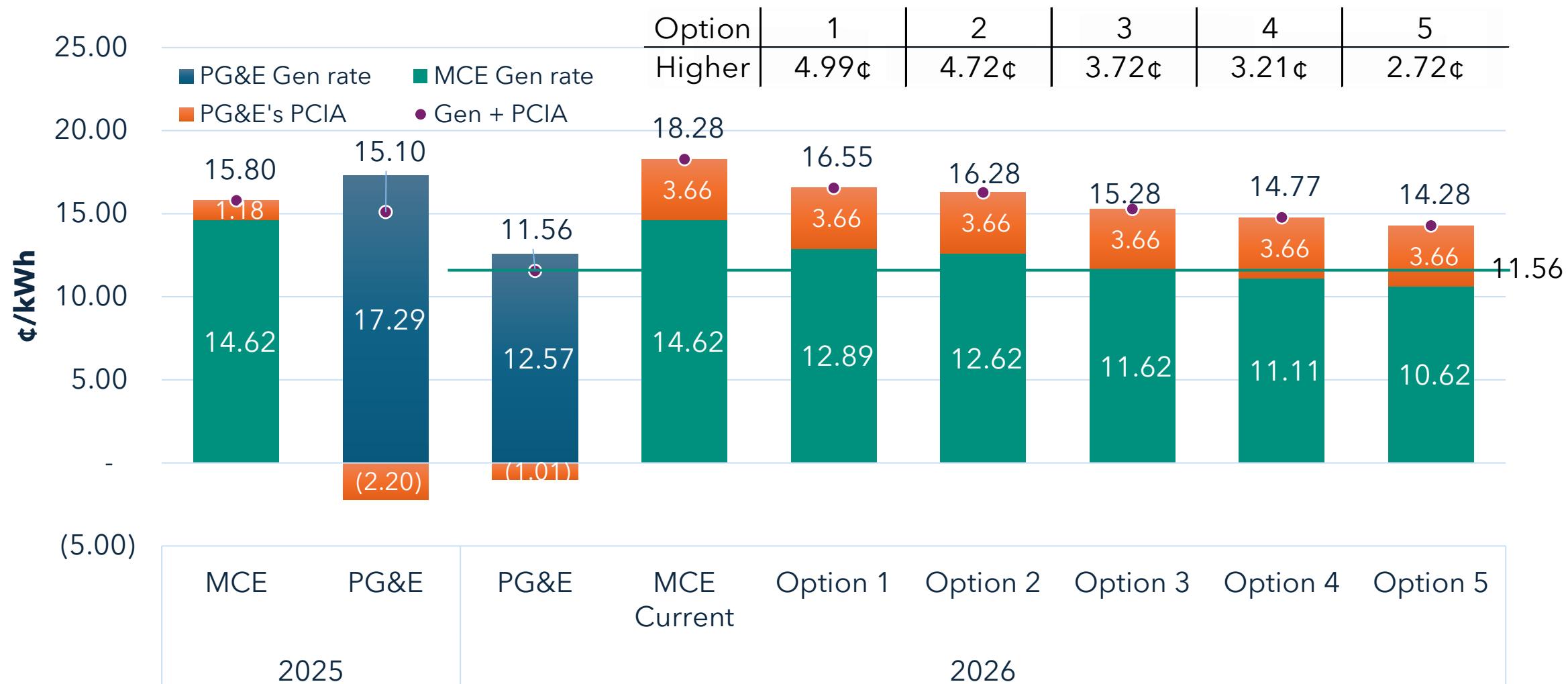
- Rate comparisons use Residential E-TOU-C plan and MCE's 2017 PCIA vintage. Residential rates are shown for illustration; similar reductions apply across all customer classes
- Proposed rate reductions are approximate; actual impacts vary by rate class and time-of-use period.
- Monthly bill impacts assume 438 kWh of typical residential usage.
- All figures are estimates and subject to change.

FY 2026/27 Proposed Generation Rate Options



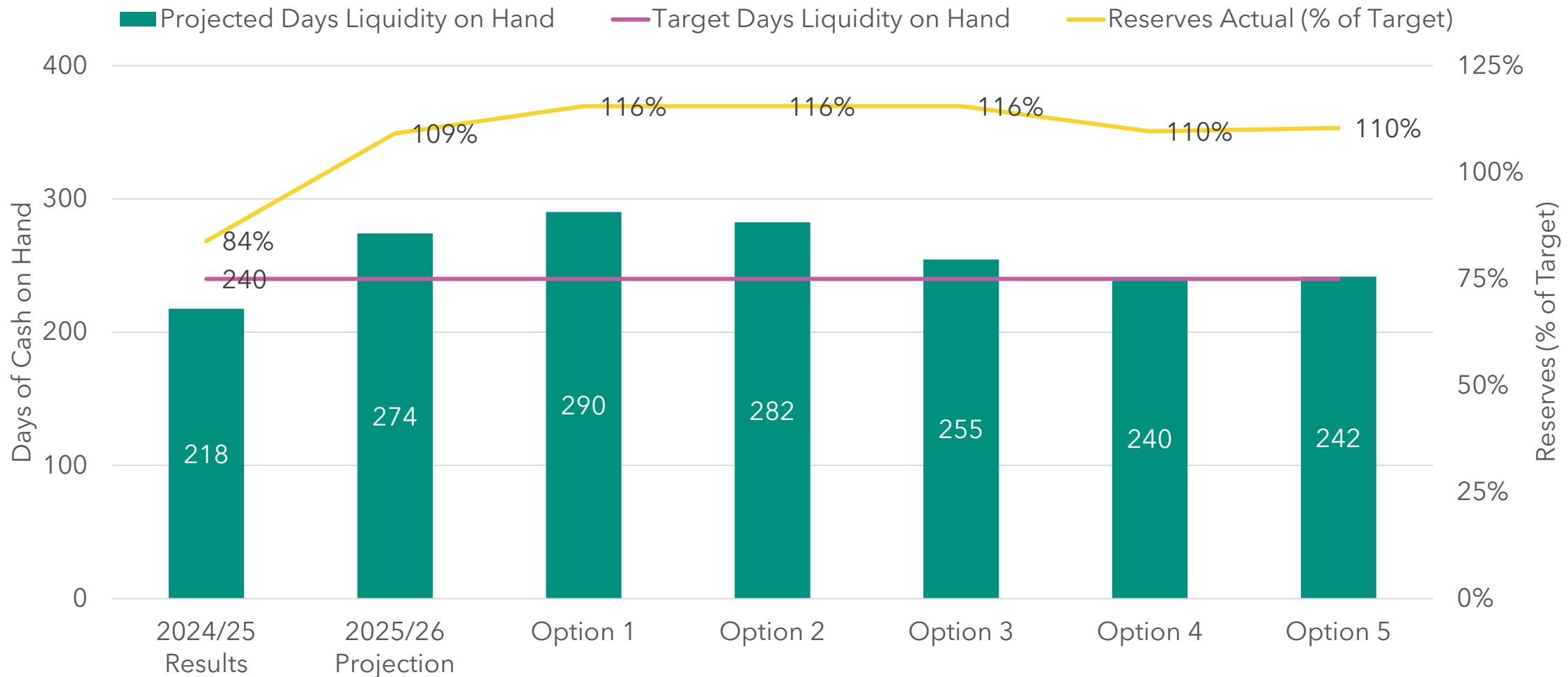
- All rate comparisons use Residential E1/E-TOU-C plans and MCE's 2017 PCIA vintage; Operating Reserve Fund (ORF); Clean Energy (CE)
- All figures are estimates and subject to change
- Proposed rate reductions are approximate; actual impacts vary by rate class and time-of-use period

FY 2026/27 Proposed Generation Rate Options + PCIA



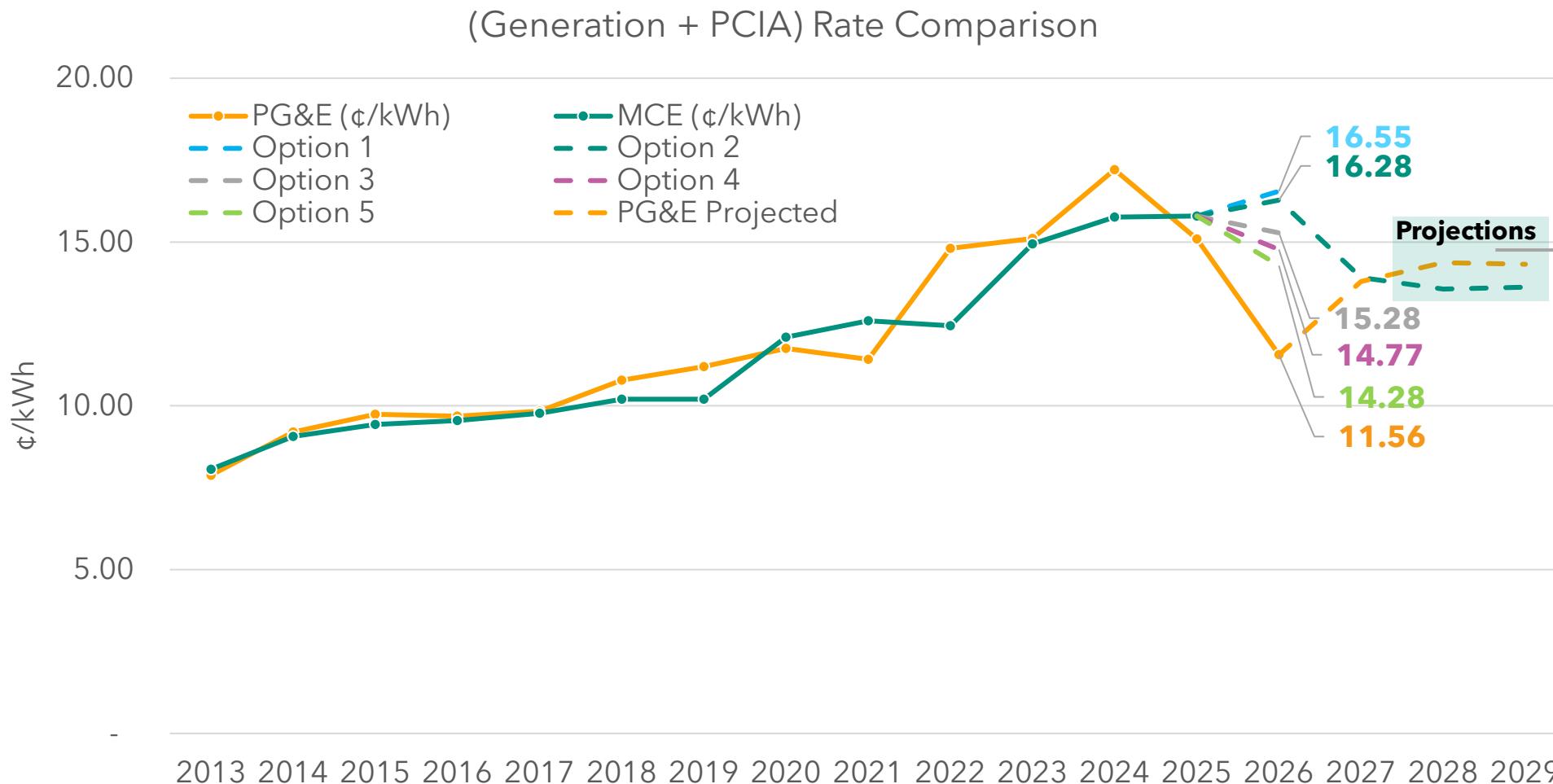
- All rate comparisons use Residential E1/E-TOU-C plans and MCE's 2017 PCIA vintage; Operating Reserve Fund (ORF); Clean Energy (CE)
- All figures are estimates and subject to change
- Proposed rate reductions are approximate; actual impacts vary by rate class and time-of-use period

MCE Reserve & Liquidity Outlook



- Outlook is based on current estimates and will be refined with updated financials
- The revenue projections are based on a stable customer participation rate

Generation + PCIA Rate Projections



Projections

2027+: PCIA convergence across all vintages

Option 2: Cost-based rates make MCE's Gen + PCIA lower than PG&E's projection

Options 1-2: Gen Rate sustainable without increases.

Options 3-5: rely on reserves now, require a Gen Rate jump later.

- Comparisons use Residential E1/E-TOU-C plans and MCE's 2017 PCIA vintage
- Future PG&E generation rates are assumed to remain at 2026 levels, while PCIA values for 2027 and beyond rely on industry projections

Recommendation

Select a preferred **generation rate reduction option** to support
FY 2026/27 budget planning

Option 1: Reduce rate by 1.73¢/kWh (12%):

Full cost recovery; Sustainable into FY 2027/28; No use of reserves.

Option 2: Reduce rate by 2¢/kWh (14%):

Sustained rates likely into FY 2027/28; Some use of reserves.

Option 3: Reduce rate by 3¢/kWh (21%)

Heavy use of reserves; Rate increase likely needed for FY 2027/28

Option 4: Reduce rate by 3.51¢/kWh (24%)

Utilizes all available reserves while maintaining liquidity targets

Option 5: Reduce rate by 4¢/kWh (27%)

Requires reduced clean energy targets & associated changes to customer messaging

Discussion



mceCleanEnergy.org
info@mceCleanEnergy.org



February 2, 2026

TO: MCE Executive Committee

FROM: Maira Strauss, Chief Financial Officer and Treasurer
Efren Oxlaj, Manager of Finance

RE: Proposed Fiscal Year 2026/27 Budget Elements (Agenda Item #09)

ATTACHMENT: Presentation Proposed FY 2026/27 Budget Elements

Dear Executive Committee Members:

Summary:

This report provides a preliminary overview of the Proposed Budget elements of MCE's Operating Fund, Program Development, Resiliency Virtual Power Plant, and Energy Efficiency Fund for Fiscal Year (FY) 2026/27. The figures provided include initial estimates for energy revenue, cost of energy, operating expenses, and non-operating revenues and expenses. Projected program expenses are also shown. These figures are intended to support early Board discussion. They will be refined and presented in greater detail in the upcoming Budget Workshop on February 11, 2026. Projections shown should be viewed as high-level directional estimates only. Refinement is expected as updated procurement forecasts, rate modeling, and departmental budgets are finalized.

Background:

MCE's fiscal year runs from April 1st through March 31st. Before the beginning of every fiscal year, staff present budgets to the Executive Committee and Board of Directors for consideration. MCE currently has four funds. The Operating Fund Budget captures activities related to MCE's core functions including sales of electricity, cost of energy, operating expenses, non-operating revenues and expenses, and capital outlay. Staff work with internal subject matter experts and external technical consultants to prepare forecasts for energy revenue and cost of energy. Staff also work with department heads to forecast operating expenses. The Program Development Fund is funded by 50% of the Deep Green premium, grants, and additional transfers from the Operating Fund, subject to your Board's approval. This fund allows MCE to run several transportation electrification programs that help customers adopt electric vehicles (EVs) and install charging stations at workplaces and multifamily residences. Other electrification programs are also supported by this fund. The Resiliency Virtual Power Plant Fund focuses on scaling MCE's virtual power plant efforts and customer energy storage. This fund may also include grants and Board approved transfers from

the Operating Fund. Lastly, the Energy Efficiency Budget is entirely funded by the California Public Utilities Commission for energy efficiency programs.

A key decision for FY 2026/27 will involve selecting among five rate options, each with implications for energy revenue, cost of energy, and withdrawals from MCE's Operating Reserve Fund (ORF) which currently holds \$70 million in deferred income. Under the options being presented, the projected budget for operating, non-operating revenues, and program expenses remains the same. However, the change in net position for the fiscal year will depend on which scenario your Board selects, as each reflects different revenue assumptions and energy cost projections. For further analysis and impact on customer bills for the options being presented, please see the staff report for Agenda Item #08.

Energy Revenue, Net

Energy revenue captures income generated from sales of electricity to customers. Electricity consumption is forecasted based on MCE's customer accounts, incorporating historical usage, weather patterns and applicable rates. Actual revenue may vary depending on future weather conditions, customer behavior, and broader economic trends. For FY 2026/27, load forecasts have been adjusted downward to align with the mild summer weather observed during the last two summers in MCE's service area.

For FY 2026/27, energy revenue will vary based on the rate scenario selected by your Board. All figures presented are net of uncollectible amounts, which are forecasted at 1.2% of sales based on customer payment data, and assume stable customer participation.

Status Quo: \$772,440,000 (5.1% decrease from FY 2025/26 Approved Budget¹)

Under the status quo, MCE would maintain its current rate structure for the coming fiscal year. Energy revenue would decline by \$41.2 million year over year compared with the current Approved Budget. The decline reflects the downward adjustment to load forecasts mentioned above. This would generate sufficient energy revenue to pay for the cost of energy and other expenses. No withdrawals from the Operating Reserve Fund (ORF) would be required to generate a positive change in net position.

Rate Option 1: \$683,373,000 (16.0% decrease from FY 2025/26 Approved Budget)

Under Option 1, MCE would reduce its generation rate by 1.73¢/kWh or 12%. Energy revenue would decline by \$130.3 million year over year compared with the current Approved Budget. Revenue would be set equal to MCE's projected total expenses to achieve a break-even change in net position. No withdrawal from the ORF would be needed.

¹ The FY 2025/26 Approved Budget includes a \$13 million ORF withdrawal. The year over year percent change is calculated on the amount before the ORF withdrawal to highlight the revenue shortfalls tied to the rate options.

Rate Option 2: \$668,919,000 (17.8% decrease from FY 2025/26 Approved Budget)

Under Option 2, MCE would reduce its generation rate by 2¢/kWh or 14%. Energy revenue would decline by \$144.8 million year over year compared with the current Approved Budget. A withdrawal of \$14.5 million from the ORF would be required to generate a break-even change in net position. Absent the ORF withdrawal, MCE's net position would show a loss of \$14.5 million.

Rate Option 3: \$616,464,000 (24.2% decrease from FY 2025/26 Approved Budget)

Under Option 3, MCE would reduce its generation rate by 3¢/kWh or 21%. Energy revenue would decline by \$197.2 million year over year compared with the current Approved Budget. A withdrawal of \$66.9 million from the ORF would be required to generate a break-even change in net position. Absent the ORF withdrawal, MCE's net position would show a loss of \$66.9 million.

Rate Option 4: \$588,957,000 (27.6% decrease from FY 2025/26 Approved Budget)

Under Option 4, MCE would reduce its generation rate by 3.51¢/kWh or 24%. Energy revenue would decline by \$224.7 million year over year compared with the current Approved Budget. A withdrawal of \$70 million from the ORF would be required. Despite the withdrawal, the change in net position would show a loss of \$24.4 million as the transfer would be insufficient to cover all the costs.

Rate Option 5: \$564,009,000 (30.7% decrease from FY 2025/26 Approved Budget)

Under option 5, MCE would reduce its generation rate by 4¢/kWh or 27%. Energy revenue would decline by \$249.7 million year over year compared with the current Approved Budget. A withdrawal of \$70 million from the ORF would be required. Despite the withdrawal, the change in net position would show a loss of \$32.4 million as the transfer would be insufficient to cover all the costs.

Table 1: Summary of Proposed Energy Revenue and year over year change.

	FY 2025/26	FY 2026/27		
	Approved	Proposed	Variance \$	Variance %
Status Quo	\$ 813,689,500	\$ 772,440,000	\$ (41,249,500)	(5.1%)
Option 1	813,689,500	683,373,000	(130,316,500)	(16.0%)
Option 2	813,689,500	668,919,000	(144,770,500)	(17.8%)
Option 3	813,689,500	616,464,000	(197,225,500)	(24.2%)
Option 4	813,689,500	588,957,000	(224,732,500)	(27.6%)
Option 5	813,689,500	564,009,000	(249,680,500)	(30.7%)

Operating Reserve Fund

Options 2 through 5 would require withdrawals from the ORF, also known as the Rate Stabilization Fund. Your Board approved contributions of deferred revenue into the fund in previous years in accordance with Policy 16. The ORF currently holds \$70 million of deferred

income². This is income that MCE did not recognize in previous fiscal years and can recognize in future fiscal years where net revenues are projected to be negative. By drawing on deferred revenue in years with lower energy margins, such as the upcoming fiscal year, MCE can maintain rate stability and mitigate abrupt changes in relative cost competitiveness resulting from PG&E rate changes.

Table 2: Summary of Proposed Energy Revenue with ORF withdrawals.

	Energy Revenue	ORF Withdrawal	Total
FY 2025/26	\$ 813,689,500	\$ 13,000,000	\$ 826,689,500
Status Quo	772,440,000	-	772,440,000
Option 1	683,373,000	-	683,373,000
Option 2	668,919,000	14,454,000	683,373,000
Option 3	616,464,000	66,909,000	683,373,000
Option 4	588,957,000	70,000,000	658,957,000
Option 5	564,009,000	70,000,000	634,009,000

Cost of Energy

The cost of energy represents the largest expense for MCE. This category includes costs for portfolio content category 1 (PCC1) renewable energy, market hedges, and carbon-free energy from large hydroelectric or asset-controlling suppliers. Resource adequacy and net CAISO costs are also included. Energy costs fluctuate based on market conditions, including CAISO electricity prices, hydro availability, renewable generation output, and congestion in CAISO markets. These factors can materially increase or decrease MCE's procurement costs from year to year.

The cost of energy will vary depending on whether your Board selects Rate Option 5. As shown on the Staff Report for Agenda Item #08, your Board has options that could be utilized to reduce the cost of energy by up to \$17 million.

Status Quo: \$631,944,000 (17.5% decrease from FY 2025/26 Approved Budget)

Under the status quo, the cost of energy is projected to decline year over year. This decrease is driven primarily by lower forward prices for renewable energy, resource adequacy, and hedge contracts. MCE procures a decreasing share of its energy needs through forward contracts over time, which means that as older, higher-priced contracts expire, new procurement is occurring at more favorable market prices. As a result, the average cost of energy is trending downward. This reflects a reversal of the conditions experienced in the current fiscal year when rising market prices contributed to increase in MCE's cost of energy.

² Although the ORF balance is recorded as deferred income on MCE's financial statements, this is strictly an accounting treatment. The underlying \$70 million is actual cash that MCE already collected in prior years. These funds remain available for liquidity needs and can be invested in accordance with MCE's investment policy.

Table 3: Cost of energy breakdown.

Cost of Energy	FY 2025/26		FY 2026/27	
	Approved Budget	Proposed Budget	Variance \$	Variance %
Energy Contracts	\$ 534,745,000	\$ 438,275,000	\$ (96,470,000)	(18.0%)
Resource Adequacy	145,713,000	105,565,000	(40,148,000)	(27.6%)
Net CAISO Costs	85,084,000	88,104,000	3,020,000	3.5%
Total	765,542,000	631,944,000	(133,598,000)	(17.5%)

A breakdown of the energy contracts category will be provided at the upcoming Budget Workshop on February 11, 2026.

Options 1 through 4 assume the same cost of energy under the status quo.

Rate Option 5: \$614,000,000 (19.7% decrease from FY 2025/26 Approved Budget)

Under Option 5, MCE would need to reduce the cost of energy by \$17 million to mitigate the impact of the revenue drop caused by the 4¢/kWh generation rate reduction. However, even after cost reductions and withdrawal from the ORF, MCE's change in net position would show a loss of \$32.4 million.

Operating Expenses: \$55,586,000 (10.6% increase from FY 2025/26 Approved Budget)

Operating expenses encompass a broad set of activities that support MCE's core operations. This includes:

- Data manager costs for billing and customer data management.
- Technical and Scheduling consultants for CAISO market participation and load forecasting.
- PG&E service fees for customer data processing and billing coordination.
- Legal and policy services from external providers.
- Communication services, including marketing and community engagement.
- Other professional services ranging from accounting to consultants developing MCE's CRM and data analytics infrastructure.
- General and Administrative including software costs, recruitment, and industry memberships.
- Occupancy costs for MCE's offices.
- Personnel costs such as wages, taxes, and benefits.
- A contingency allocation to address unforeseen expenses across these categories.

The proposed budget for operating expenses is rising in several key areas.

- Data management costs for billing are increasing due to higher than anticipated accounts served following the enrollment of the City of Hercules and high general customer retention rates.

- Technical and scheduling consultant costs are growing because MCE is potentially transitioning to a new scheduling services provider, resulting in temporary vendor overlap and one-time transition expenses.
- PG&E service fees are increasing as the per-account charge has risen from 35 to 42 cents, and FY 2026/27 will reflect the first full year of this higher rate.
- General and administrative expenses are also increasing, driven by higher software and data platform costs. The proposed increase also brings the budget for recruitment-related expenses in line with actual costs being incurred.
- Personnel costs are increasing due to the full year impact of vacant positions that were filled late in the current fiscal year amidst increasing workload in many staff departments. Similarly, the coming fiscal year will see the full year impact of the cost of living and health benefit adjustments made in this fiscal year. Four new positions are also needed to balance the increased workload being experienced by staff.

Non-Operating Revenues Net: \$13,457,000 (8.9% decrease from FY 20225/26 Approved Budget)

Non-operating revenues, net is the difference between non-operating revenues and non-operating expenses. Nonoperating revenues include interest and investment income from MCE's cash and fixed income portfolio. Staff is conservatively assuming an average annual yield of 2.5% on the beginning balance of MCE's holdings. Nonoperating expenses include bank fees associated with MCE's credit facility.

Program Development Fund: \$6,926,000 (10.8% increase from FY 2025/26 Approved Budget)

The Program Development Fund Budget focuses on transportation electrification programs and other electrification efforts. It is financed by a transfer from the Operating Budget equal to 50% of the 1.25¢/kWh Deep Green premium plus additional amounts approved by your Board. In addition to the transfer, the fund may contain grant funding from external grantors.

The proposed spend for FY 2026/27 is \$6.9 million, of which \$5.9 million would be allocated to EV-related programs. This allocation would allow MCE to increase the rebate amount for Level 1 charging outlets and increase implementer budgets to provide greater customer project support. The proposed budget would also allow MCE to provide over 870 rebates for purchasing an EV to income qualified customers.

Resiliency Virtual Power Plant (VPP) Fund: \$2,374,000 (18.9% decrease from FY 2025/26 Approved Budget)

Your Board approved the creation of the Resiliency VPP Fund in 2019 in response to power outages which significantly impact the safety, health, and welfare of MCE's customers, especially our vulnerable populations. Since then, the fund has expanded its scope to help scale MCE's virtual power plants efforts. Like the Program Development Fund, this fund is financed by a transfer from the Operating Fund. Your Board has approved and transferred \$9 million from the Operating Fund since its inception. In addition to the transfer, the fund may contain grant funding from external grantors.

The budget would also support incentives for installing heat pump water heaters and other electrification efforts.

The proposed budget would allow MCE to meet the \$1 million match requirement under the VPP Flex grant from the California Energy Commission (CEC). It would also allow MCE to allocate \$927 thousand to the MCE Sync program which helps customers shift their EV charging from peak hours and encourages charging during solar daytime hours through MCE's proprietary app. The budget would also support MCE's energy storage program, VPP pilot, and other grant match requirements.

Change in Net Position

The change in net position is the bottom line and reflects all revenues minus all expenses. The change in net position will vary subject to the rate option your Board selects.

Under the status quo MCE's change in net position would show a gain of \$89 million.

	Status Quo
Energy Revenue, Net	\$ 772,440,000
ORF Withdrawal	0
Cost of Energy	(631,944,000)
Operating Expenses	(55,586,000)
Non-Operating Revenues, Net	13,457,000
Program Expenses	(9,300,000)
Consolidated Change in Net Position	<u><u>89,067,000</u></u>

Assumptions:

ORF Withdrawals	0
Cost of Energy Reduction	0

Under Option 1, MCE's change in net position would be \$0 (breakeven). Revenues would be set equal to costs.

	Option 1
Energy Revenue, Net	\$ 683,373,000
ORF Withdrawal	0
Cost of Energy	(631,944,000)
Operating Expenses	(55,586,000)
Non-Operating Revenues, Net	13,457,000
Program Expenses	<u>(9,300,000)</u>
Consolidated Change in Net Position	<u><u>0</u></u>

Assumptions:

ORF Withdrawals	0
Cost of Energy Reduction	0

Under Option 2, MCE's change in net position would be \$0 (breakeven) by withdrawing \$14.5 million from the ORF.

	Option 2
Energy Revenue, Net	\$ 668,919,000
ORF Withdrawal	14,454,000
Cost of Energy	(631,944,000)
Operating Expenses	(55,586,000)
Non-Operating Revenues, Net	13,457,000
Program Expenses	<u>(9,300,000)</u>
Consolidated Change in Net Position	<u><u>0</u></u>

Assumptions:

ORF Withdrawals	14,454,000
Cost of Energy Reduction	0

Under Option 3, MCE's change in net position would be \$0 (breakeven) by withdrawing \$66.9 million from the ORF.

Option 3	
Energy Revenue, Net	\$ 616,464,000
ORF Withdrawal	66,909,000
Cost of Energy	(631,944,000)
Operating Expenses	(55,586,000)
Non-Operating Revenues, Net	13,457,000
Program Expenses	(9,300,000)
Consolidated Change in Net Position	0

Assumptions:

ORF Withdrawals	66,909,000
Cost of Energy Reduction	0

Under Option 4, MCE's change in net position would show a loss of \$24.4 million even after withdrawing \$70 million from the ORF.

Option 4	
Energy Revenue, Net	\$ 588,957,000
ORF Withdrawal	70,000,000
Cost of Energy	(631,944,000)
Operating Expenses	(55,586,000)
Non-Operating Revenues, Net	13,457,000
Program Expenses	(9,300,000)
Consolidated Change in Net Position	(24,416,000)

Assumptions:

ORF Withdrawals	70,000,000
Cost of Energy Reduction	0

Under Option 5, MCE's change in net position would show a loss of \$32.4 million even after withdrawing \$70 million from the ORF and reducing cost of energy by \$17 million.

Option 5	
Energy Revenue, Net	\$ 564,009,000
ORF Withdrawal	70,000,000
Cost of Energy	(614,944,000)
Operating Expenses	(55,586,000)
Non-Operating Revenues, Net	13,457,000
Program Expenses	(9,300,000)
Consolidated Change in Net Position	<u><u>(32,364,000)</u></u>

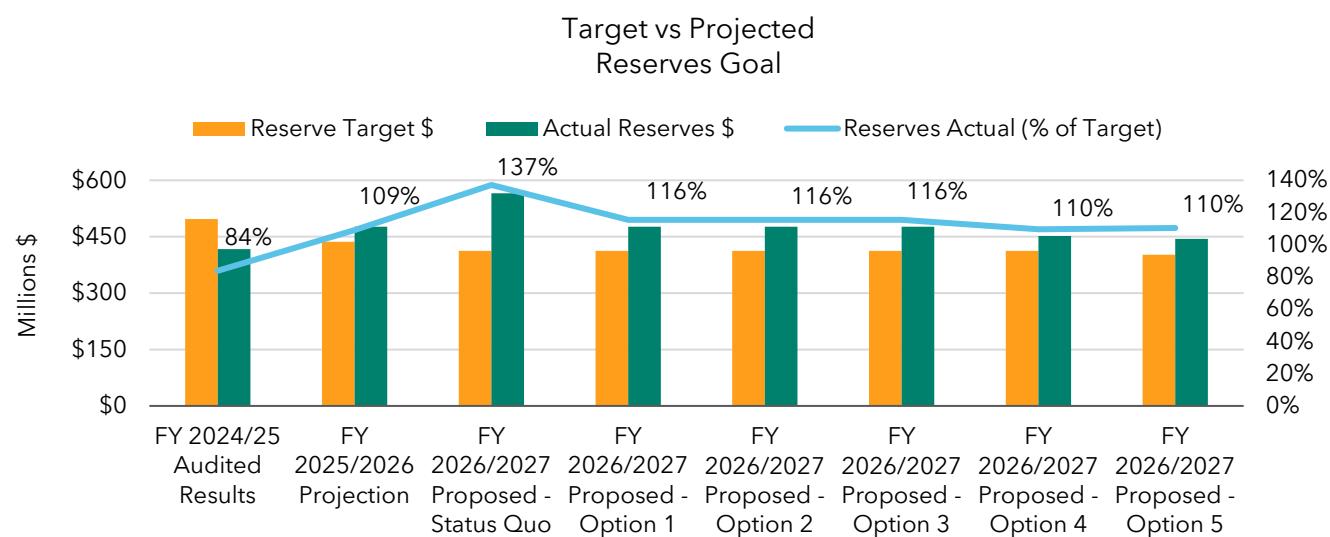
Assumptions:

ORF Withdrawals	70,000,000
Cost of Energy Reduction	17,000,000

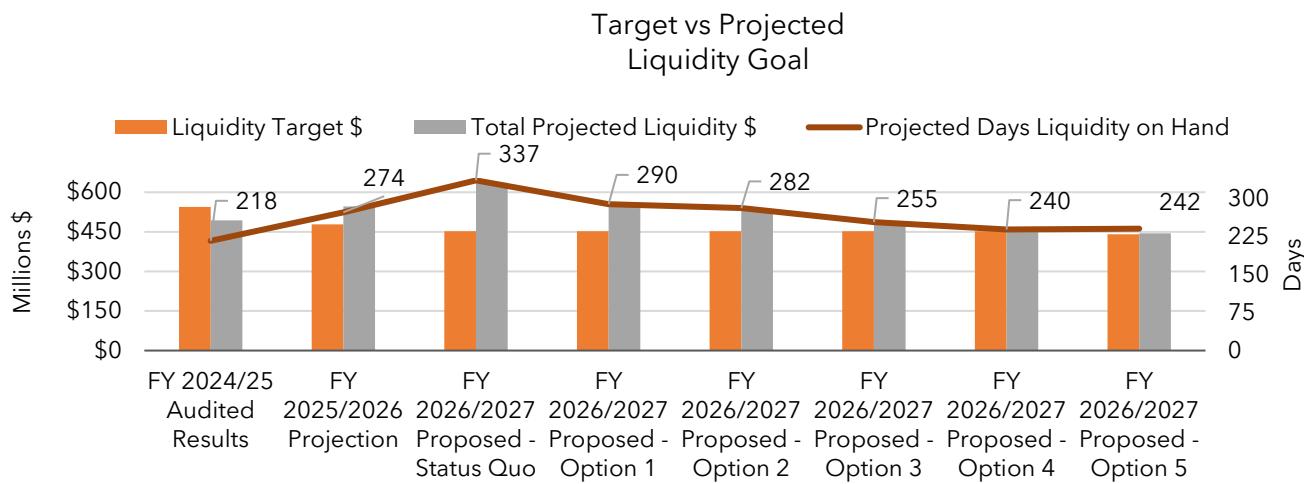
Although MCE would experience a negative change in net position in Option 4 and 5, the agency would still meet its reserve and liquidity targets as shown below.

Reserves and Liquidity

MCE's reserve target is to have 60% of expected cost of energy and operating expenses. Reserves are accounted for as the Net Position in MCE's financial statements. The reserve goals are satisfied under each of the proposed options outlined above.



From a liquidity³ perspective, MCE would have sufficient cash to run the operations and no external funding sources would be required even under Options 4 and 5, which would generate a negative change in net position. Reserves were intentionally built to provide financial stability during periods of volatility and timing related impacts.



Like reserve goals, MCE would meet its liquidity target of 240 days on hand under each of the proposed options outlined above.

Fiscal Impacts:

None at this time.

Recommendation:

Discussion only.

³ Days cash on hand is based on unrestricted cash and investments x 365/ (operating expenses + cost of energy, each for the current fiscal year). Projections are based on the forecasted net position.



Proposed Fiscal Year 2026/27 Budget Elements

MCE Executive Committee
February 2, 2026



Meet the Presenter



Maíra Strauss

Chief Financial Officer and Treasurer

Maíra leads all of MCE's financial operations and strategies, which include FP&A, Strategic Finance, Accounting and Risk Management.

Maíra brings over 15 years of experience in financial management and strategic planning to her role. Prior to joining MCE, she consulted on strategic business practices for various international foundations and startups and worked in the energy industry in Brazil. Maíra holds a bachelor's degree in business administration from SFSU and a post-baccalaureate certificate in business strategies from ESPM- RJ in Rio de Janeiro, Brazil.

Meet the Presenter



Efren Oxlaj

Manager of Finance

Efren has been with MCE since 2019. He is responsible for financial planning, modeling, reporting and general financial operations. He played a key role in the issuance of more than \$2.5 billion in prepay bonds and currently represents MCE on the California Community Choice Financing Authority Working Group.

Efren holds a BS in Economics from Santa Clara University and is currently enrolled in its MS in Finance & Analytics program.

Context for FY 2026/27 Budget Setting

Current Situation (2026)

Bundled Gen + PCIA temporarily < MCE Gen Rate + PCIA

- Increase driven by PCIA reforms and improper retroactive ratemaking; CalCCA has filed an appeal
- This is an anomaly, not a true cost trend

MCE Position

- Lower current power costs → rate-reduction headroom
- Staff has developed rate-reduction options

Looking Ahead (2027+)

- PCIA values expected to converge, eliminating the temporary distortion
- MCE's cost-of-service-based rates are projected to be below PG&E's

(Generation + PCIA) Rate Comparison



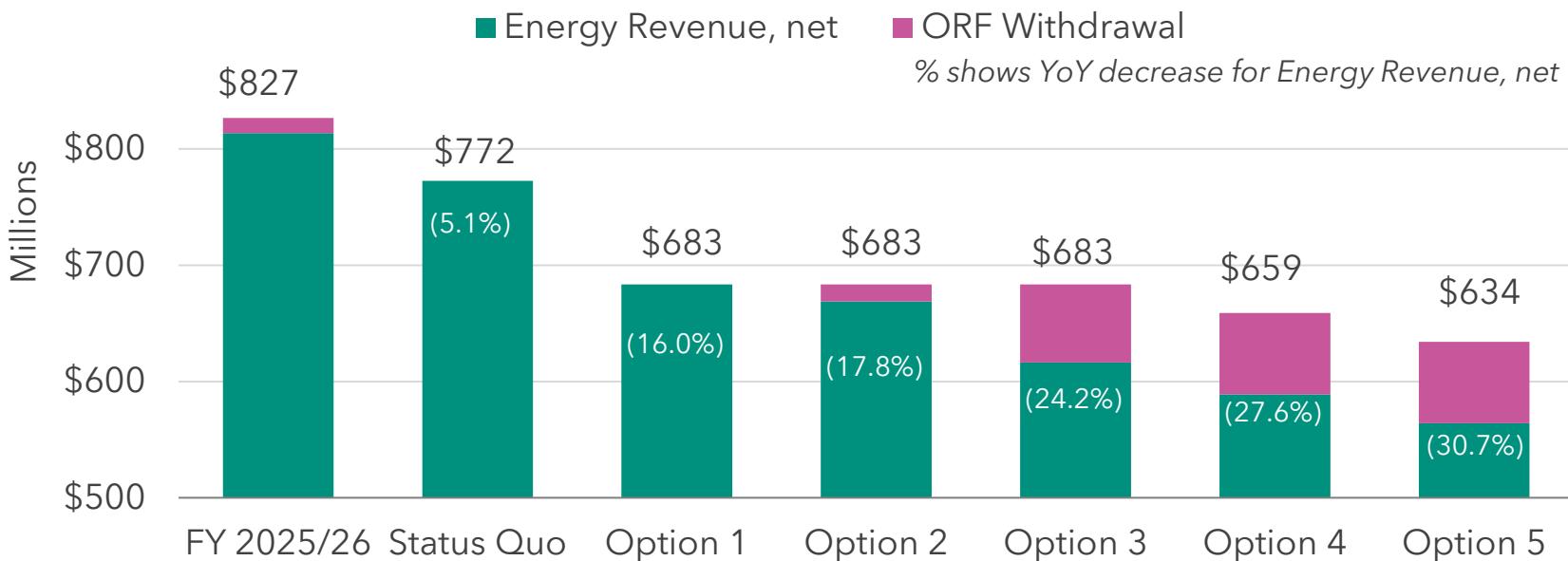
- Based on Residential E-TOU-C and MCE's 2017 PCIA vintage
- Future PG&E generation rates are assumed to remain at 2026 levels, while PCIA values for 2027 and beyond rely on California electricity market projections

Context for FY 2026/27 Budget Setting

- The budget for FY 2026/27 will be shaped by the rate reduction option your Board selects
 - Option 1 - reduce rates by **1.73¢/kWh** or **12%**
 - Option 2 - reduce rates by **2¢/kWh** or **14%**
 - Option 3 - reduce rates by **3¢/kWh** or **21%**
 - Option 4 - reduce rates by **3.51¢/kWh** or **24%**
 - Option 5 - reduce rates by **4¢/kWh** or **27%**
- Options 2 and 3 would create a deficit, which could be covered by withdrawing from the Operating Reserve Fund (ORF)
- Options 4 and 5 would create a deficit **despite** ORF withdrawals and reductions in the cost of energy
- The ORF has **\$70 million** in deferred income
- Reserve and Liquidity goals are **met** across all options
- Numbers presented are preliminary estimates and subject to change

Energy Revenue

FY 2026/27 Proposed Energy Revenue

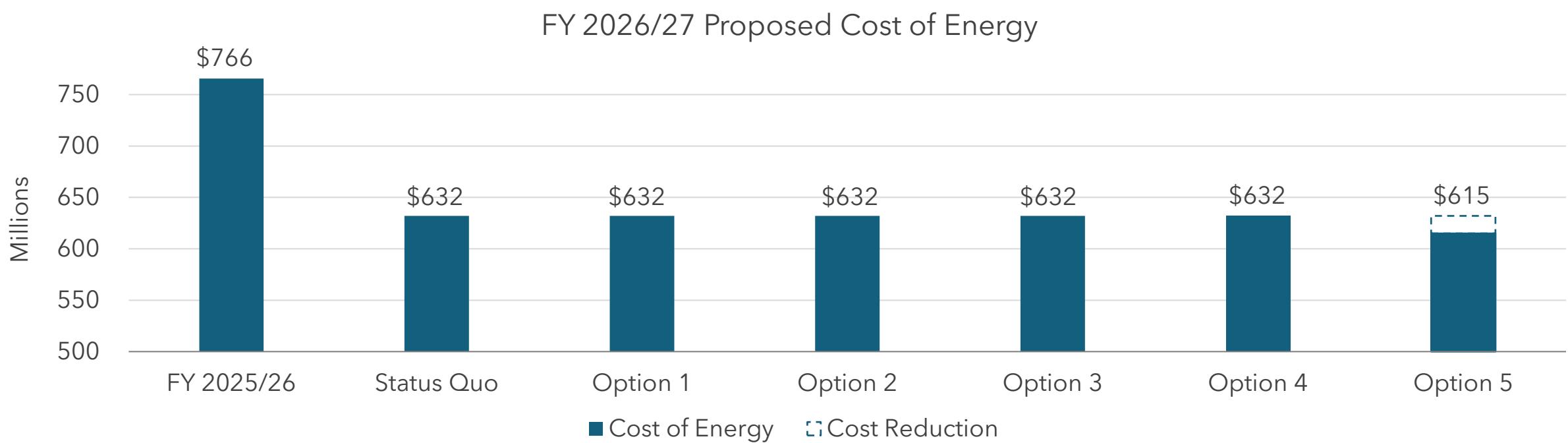


- Option 2 would require a \$14 ORF million withdrawal
- Option 3 would require a \$67 ORF million withdrawal
- Option 4 and 5 would require a \$70 million ORF withdrawal
 - This would bring the ORF balance to \$0

	Energy Revenue, net	ORF Withdrawal	Total
FY 2025/26	\$ 813,689,500	\$ 13,000,000	\$ 826,689,500
Status Quo	\$ 772,440,000	-	\$ 772,440,000
Option 1	\$ 683,373,000	-	\$ 683,373,000
Option 2	\$ 668,919,000	14,454,000	\$ 683,373,000
Option 3	\$ 616,464,000	66,909,000	\$ 683,373,000
Option 4	\$ 588,957,000	70,000,000	\$ 658,957,000
Option 5	\$ 564,009,000	70,000,000	\$ 634,009,000

- Load forecasts have been adjusted downward to align with the mild summer weather observed over the last two years
- Figures are shown net of uncollectibles

Cost of Energy



Cost of Energy	FY 2025/26	FY 2026/27	Variance \$	Variance %
	Approved	Proposed		
Status Quo	\$ 765,542,000	\$ 631,944,000	\$ (133,598,000)	(17.5%)
Option 1	765,542,000	631,944,000	(133,598,000)	(17.5%)
Option 2	765,542,000	631,944,000	(133,598,000)	(17.5%)
Option 3	765,542,000	631,944,000	(133,598,000)	(17.5%)
Option 4	765,542,000	631,944,000	(133,598,000)	(17.5%)
Option 5	765,542,000	614,944,000	(150,598,000)	(19.7%)

- Options 1 through 4 would preserve the status quo
- Option 5 would require a reduction of \$17 million
- YoY decrease driven by lower forward prices for renewable energy, resource adequacy, and hedge contracts

Operating Expenses

FY 2025/26	FY 2026/27	Approved	Proposed	Variance \$	Variance %
\$ 50,249,000	\$ 55,586,000	\$ 5,337,000		10.6%	

Data Management:

- Increased billing activity after City of Hercules enrollment

Technical & Scheduling Consultants:

- Transition to new scheduling services provider
- Temporary vendor overlap + one-time transition costs

PG&E Service Fees:

- Per-account charge rising from \$0.35 → \$0.42
- FY 2026/27 reflects first full year at new rate

General & Administrative:

- Higher software and data platform costs
- Recruitment budget aligned with actual spending

Personnel:

- Full year impact of vacant positions that were filled late in the current fiscal
- Full year impact of the cost of living and health benefit adjustments made in this fiscal year
- New positions are also needed to balance the increased workload being experienced by staff

Non-operating Revenue, Net

FY 2025/26 Approved	FY 2026/27 Proposed	Variance \$	Variance %
\$ 14,775,000	\$ 13,457,000	\$ (1,318,000)	(8.9%)

- Non-operating revenues, net = non-operating revenues **minus** non-operating expenses
- Non-operating revenues come from interest and investment earnings on MCE's cash and fixed-income portfolio
- Budget assumes a conservative **2.5%** annual yield on MCE's holdings
- Non-operating expenses consist primarily of bank fees tied to MCE's credit facility

Program Expenses

FY 2025/26	FY 2026/27		
Approved	Proposed	Variance \$	Variance %
\$ 9,181,000	\$ 9,300,000	\$ 119,000	1.3%

Program Development Fund

Proposed budget: **\$6.9 million**

- Most of the budget would be allocated towards EV related programs (incentives for charging stations and purchases for income qualified customers)

Resiliency Virtual Power Plant (VPP) Fund

Proposed budget: **\$2.4 million**

- Would support MCE's energy storage program, VPP, and additional grant match commitments

Change in Net Position

	Status Quo	Option 1	Option 2	Option 3	Option 4	Option 5
Energy Revenue, Net	\$ 772,440,000	\$ 683,373,000	\$ 668,919,000	\$ 616,464,000	\$ 588,957,000	\$ 564,009,000
ORF Withdrawal	0	0	14,454,000	66,909,000	70,000,000	70,000,000
Cost of Energy	(631,944,000)	(631,944,000)	(631,944,000)	(631,944,000)	(631,944,000)	(614,944,000)
Operating Expenses	(55,586,000)	(55,586,000)	(55,586,000)	(55,586,000)	(55,586,000)	(55,586,000)
Non-Operating Revenues, Net	13,457,000	13,457,000	13,457,000	13,457,000	13,457,000	13,457,000
Program Expenses	(9,300,000)	(9,300,000)	(9,300,000)	(9,300,000)	(9,300,000)	(9,300,000)
Consolidated Change in Net Position	89,067,000	0	0	0	(24,416,000)	(32,364,000)

Assumptions:

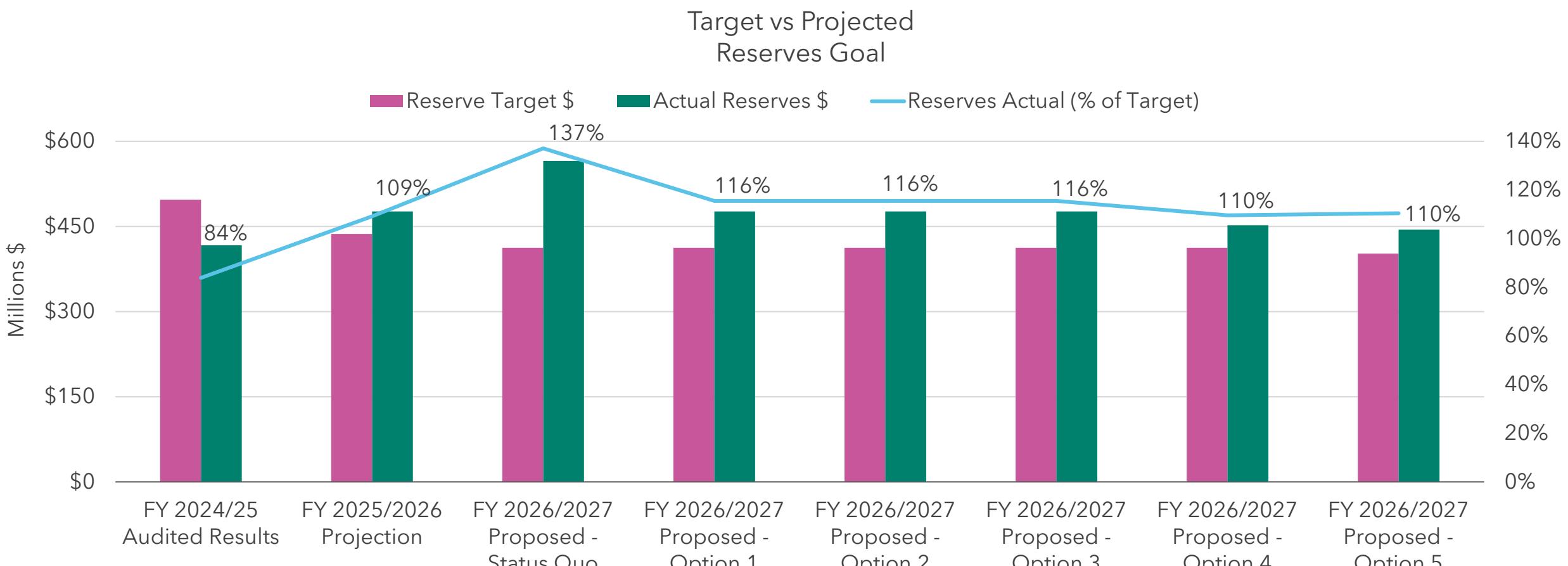
ORF Withdrawals	0	0	14,454,000	66,909,000	70,000,000	70,000,000
Cost of Energy Reduction	0	0	0	0	0	17,000,000

The agency has sufficient cash to run the operations and no external funding sources would be required, even under options 4 and 5.



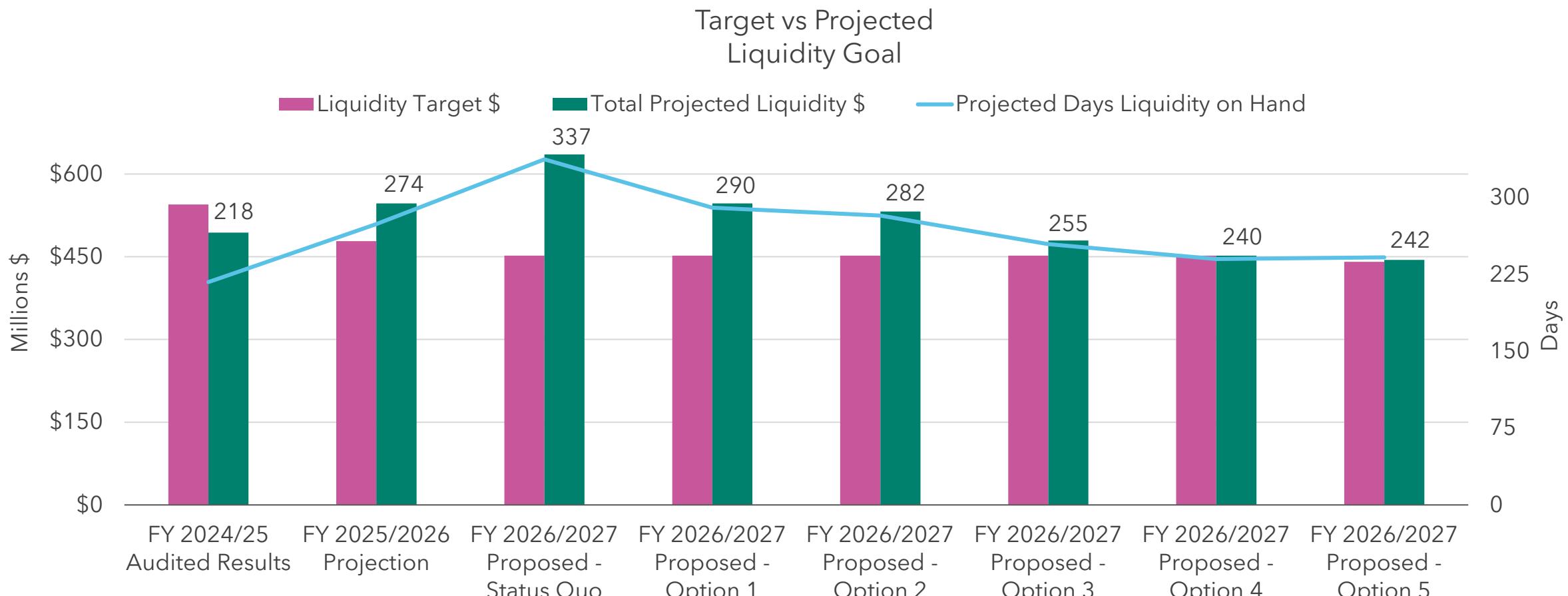
**Progress towards
Reserves and
Liquidity Goals**

Reserves



- Reserves target is **met** across all options.
- Numbers are inclusive of cost of energy reductions and withdrawals from the ORF

Liquidity



- Liquidity target is **met** across all options.
- Numbers are inclusive of cost of energy reductions and withdrawals from the ORF



Thank you!



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