



#### **Staff Report Item 4**

**TO:** 3CE Community Advisory Council

**FROM:** Robert M. Shaw, Chief Executive Officer

**SUBJECT:** CEO Report (Discussion Item)

**DATE:** June 7, 2023

#### **CalCCA ANNUAL CONFERENCE**

3CE staff attended the CalCCA 2023 Annual Conference in San Diego. Speakers included California Energy Commission Vice Chair Siva Gunda, California State Treasurer Fiona Ma, California Public Utilities Commission President Alice Reynolds, and California Independent System Operator Senior VP and COO Mark Rothleder. Manager of Energy Programs Dan Bertoldi served on a well-received panel on “How CCAs Put “Community in “Community Choice.” I served on a panel along with seven other CCA CEOs focusing on how CCAs plan for and deliver innovation in the energy space.

#### **MARKET OUTLOOK**

Energy prices are temporarily depressed due to increasing hydropower plant production. Current forward prices are 21% higher than when 3CE established rates last summer. Additionally, Resource Adequacy prices have skyrocketed 300% since last summer, and are projected to represent about 25% of 3CE’s overall cost of energy, compared to 9% a year ago. In response to these unprecedented market changes, staff is undertaking analysis of energy costs and evaluating rate adjustment recommendations as part of next year’s Budget process. Any adjustment would continue 3CE’s commitment to ensuring revenues fairly recover the cost of operations, transparently provide customers predictability in their energy rates, and maintain our competitive advantage to the IOUs.

#### **DEMAND SIDE MANAGEMENT INITIATIVE**

As part of a 3CE demand side management initiative, staff have conducted research, received vendor demos, and investigated regarding potential demand response and load modification program concepts implemented by other CCAs. These efforts informed staff’s recently issued Request for Information, and will further inform the design and implementation of, and outreach for a demand side management program in FY 2023-24.

### **GRANT APPLICATION FOR RURAL MICROGRIDS**

3CE has submitted a concept paper to the Department of Energy seeking funding to develop microgrids in rural and disadvantaged communities, which provide resiliency, improve environmental performance, and reduce the energy burden for customers. Two projects are included in the concept paper – one in the Salinas Valley, and one in the City of San Juan Bautista, where a 5-megawatt array of PV solar, paired with an eight-hour, eight-megawatt battery, is proposed. The projects would provide their respective communities with 15-80 hours of resiliency depending on solar production.

If the Department of Energy approves the concept, 3CE will be invited to submit a grant application. The grant monies, if awarded in full and combined with support from the California Public Utilities Commission Self-Generation Incentive Program Equity Funds, would reduce the total project cost for 3CE from \$40 million to \$8 million.

### **IOU INCOME GRADUATED FIXED CHARGES FOR DELIVERY**

The 2022 omnibus energy bill, AB 205, included a requirement for the California Public Utilities Commission (the “Commission”) to design and approve an income graduated fixed charge (“IGFC”) for all residential electric utility customers by July 1, 2024. The goal is to reduce energy costs for low-income Californians by creating a monthly fixed charge that increases with income, allowing the volumetric charge to be lower.

AB 205 requires that the IGFC include at least three income brackets. 3CE and other stakeholders are proposing in comments that the Federal Poverty Level (FPL) is not an accurate representation of poverty in California and should not be used to create the income brackets. Implementation of these fixed charges will be carried out by the investor-owned utilities. It is unclear how income verification will be conducted, although several proposals favor a statewide third-party administrator.