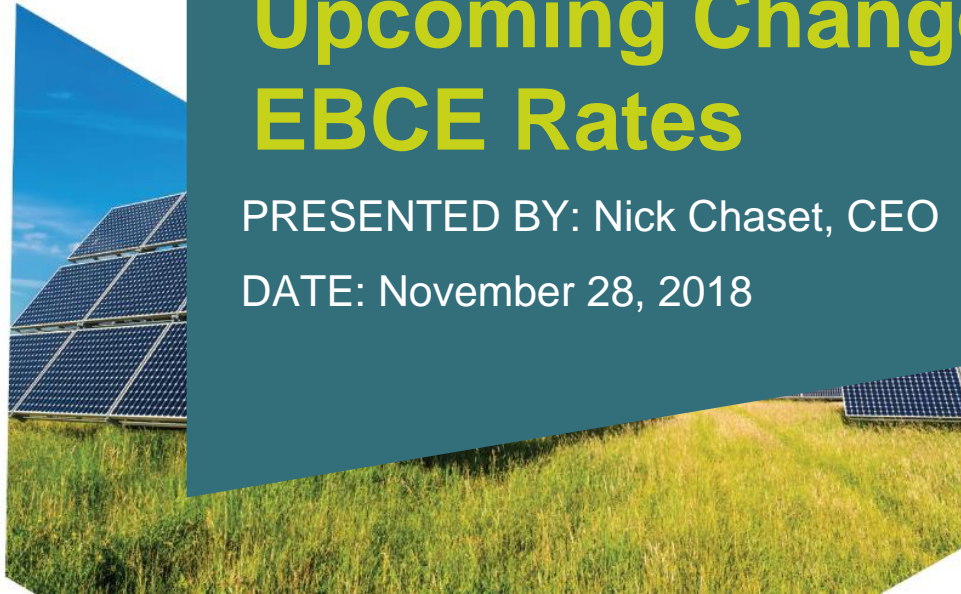




# Upcoming Changes to EBCE Rates

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# Introduction

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- Two major cross-currents are driving changes to PG&E and EBCE rates in 2019
  - Significant Increase in the PCIA as a result of CPUC Decision
    - PCIA increasing by an average of 29% for EBCE as a whole
  - Reduction in PG&Es overall cost of generation service
    - PG&E generation cost of service decreasing by 4% to 5%
- At EBCE's current rates – 1.5% below PG&E – an increased PCIA and decreasing PG&E rates creating a compounding effect resulting in a roughly 13% reduction in EBCE's projected 2019 revenue
- Difference between Customer Rates and EBCE Rates
  - Customer Rates are used to calculate customer bills and reflect EBCEs rates + the PCIA and franchise fees
  - EBCE Rates are the values used to calculate EBCEs revenue and are calculated based upon PG&Es rates, the PCIA and EBCEs discount rate

# Uncertainty and Inputs

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- One of the on-going challenges facing all CCAs is the fact that PG&E has yet to produce a consolidated forecast of its 2019 rates, including a final assessment of 2019 PCIA
- As a result, this analysis is largely based on forecasts developed for EBCE by outside consultants who have taken multiple PG&E data sources to produce a ‘best guess’ estimate of PG&Es 2019 rates

# PCIA

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Change in the PCIA			
PCIA Class	2018 PCIA	2019 PCIA	% Change in PCIA
A1	\$ 0.02466	\$ 0.03278	24.8%
A10	\$ 0.02502	\$ 0.03459	27.7%
AGR	\$ 0.02463	\$ 0.02953	16.6%
E19	\$ 0.02104	\$ 0.03133	32.8%
E20P	\$ 0.01888	\$ 0.02853	33.8%
E20S	\$ 0.02025	\$ 0.03012	32.8%
E20T	\$ 0.01735	\$ 0.02669	35.0%
RES	\$ 0.03346	\$ 0.03282	-2.0%
STR	\$ 0.00589	\$ 0.02667	77.9%

- The CPUC's recent changes to the PCIA are expected to result in significant increases to EBCE customer PCIA's in all classes except residential. Overall EBCE's average PCIA is forecast to increase by just under 30%

# PG&E Rates and Customer Bills

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	Current Rates	2019 Projected Rates	% Change
<b>Rate Class</b>	<b>Base PG&amp;E Rates</b>	<b>Base PG&amp;E Rates</b>	
A1	\$ 0.110	\$ 0.104	-5.8%
A10	\$ 0.111	\$ 0.106	-4.7%
AGR	\$ 0.080	\$ 0.076	-5.3%
E19	\$ 0.099	\$ 0.094	-5.3%
E20P	\$ 0.091	\$ 0.088	-3.4%
E20S	\$ 0.093	\$ 0.090	-3.3%
E20T	\$ 0.088	\$ 0.085	-3.5%
RES	\$ 0.104	\$ 0.099	-5.1%
STR	\$ 0.089	\$ 0.085	-4.7%

- Our analysis of PG&Es current generation rate forecasts for 2019 suggest that PG&Es rates are going to decrease between 3.5% to 6% depending on the customer class

# EBCE Rates (PG&E Rates – PCIA) and Revenue

	Current Rates	2019 Projected Rates	% Change
Rate Class	EBCE Rates	EBCE Rates	
A1	\$ 0.0826	\$ 0.07121	-13.8%
A10	\$ 0.0840	\$ 0.07026	-16.4%
AGR	\$ 0.0540	\$ 0.04625	-14.3%
E19	\$ 0.0757	\$ 0.06070	-19.8%
E20P	\$ 0.0702	\$ 0.05733	-18.3%
E20S	\$ 0.0712	\$ 0.05788	-18.7%
E20T	\$ 0.0684	\$ 0.05627	-17.8%
RES	\$ 0.0682	\$ 0.06531	-4.2%
STR	\$ 0.0812	\$ 0.05727	-29.5%

- EBCE Rates are calculated as follows:
  - $PG\&E\ Rates * (1 - EBCE\ Discount) - PCIA / Franchise\ Fee$
- Increasing PCIA and declining PG&E rates has a compounding effect on EBCE's underlying rates, pushing them down from 4% up to almost 30%
- Across all rate classes, the average reduction in EBCE rates is forecast to be 12.6%
- This reduction in rates corresponds to a 12.6% in EBCE's forecast 2019 revenue

# Isolating PCIA Increase Impact of Revenue

PCIA Class	2018 PCIA	2019 PCIA	% Change in PCIA	Change in revenue
A1	\$ 0.02466	\$ 0.0322	\$ (0.0076)	7.5% reduction in 2019 forecast revenue
A10	\$ 0.02502	\$ 0.0335	\$ (0.0085)	
AGR	\$ 0.02463	\$ 0.0290	\$ (0.0044)	
E19	\$ 0.02104	\$ 0.0316	\$ (0.0106)	
E20P	\$ 0.01888	\$ 0.0287	\$ (0.0098)	
E20S	\$ 0.02025	\$ 0.0303	\$ (0.0101)	
E20T	\$ 0.01735	\$ 0.0268	\$ (0.0094)	
RES	\$ 0.03346	\$ 0.0332	\$ 0.0003	
STR	\$ 0.00589	\$ 0.0267	\$ (0.0208)	

Increases to the PCIA are forecast to reduce EBCE's revenue by over 7.5% in 2019, which represents over 60% of EBCEs total forecast 2019 reduction in revenue

# Options for Mitigating Impacts

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- EBCE has a number of levers to mitigate the impacts of the increased PCIA and the associated PG&E rate reduction
  - Adjust EBCE Discount
  - Delay Certain Local Development Activities
  - Adjust 2019/2020 overhead expenses



# Options for Mitigating Impacts – Discount

Revenue Impact of Adjustments to Discount		
Discount	Increased Revenue	
1.50%		
1.25%	.38%	\$ 1,511,860
1%	.76%	\$ 3,023,720
0.75%	1.143%	\$ 4,535,580
0.5%	1.5%	\$ 6,047,440
0.25%	1.898%	\$ 7,559,300

- EBCE customer are forecast to benefit from a drop in their rates of 3.5% to 5% as a result of reductions in PG&Es rates.
- An adjust to EBCE’s discount will increase revenue while still offering customer bill reductions and savings relative to PG&E.
- Each incremental reduction of .25% discount increases revenue by roughly \$1.5m.
- Adjusting EBCE discount to .5% below PG&E rates would result in a revenue increase of \$6m.

# Options for Mitigating Impacts – Local Development Activities

Local Development Early Actions Budget Impacts				
	Direct Annual Job per \$1m invested	2018/2019 Budget	On-Going Incremental Costs per MW	Expected MWs
EE	5.8	\$100,000	No expected on-going costs due to focus on leveraging existing sources of funding	Not yet able to quantify
Building Electrification	4.3	\$50,000		
DR	4	\$100,000		
CA/Alameda County RFP	2.9	\$0	\$43,000/MW	20 MWs
Enhanced NEM	2.8	\$104,596	\$33,357/MW	6 MWs
MuniFIT	3	\$223,368	\$76,593/MW	10-15 MWs
Community Shared Solar	3	\$150,000	\$127,655/MW	3 MWs
Community NEM + storage	2.8	\$225,000	\$90,000/MW	5 MWs
Oakland Clean Energy Initiative (energy storage)	1.2	\$0	Details still under review	TBD
Transportation Electrification	1.2	\$500,000	Details still under review	n/a
Community Investment	n/a	\$450,000	n/a	n/a
C&I RE Pilot	2.9	\$100,000	No expected incremental costs to EBCE	TBD
Total		\$2,002,964		

- EBCE's 2018-2019 Budget included \$2m for Local Development actions.
- Each Local Development action carries varying costs to EBCE and community impact
- LDBP Analysis of Job Creation per \$1m invested found that EE, DR and Building Electrification created the most jobs per dollar expended. Next was development of local renewables projects, followed by energy storage and transportation electrification
- EBCE staff analysis of the expected cost of each Local Development action found that EE, DR, Building Electrification, CA/Alameda County RFP and Enhanced NEM are the most cost effective Local Development actions
- Delay to certain local development actions could save \$1m to \$2m in 2019 and 2020

# Options for Mitigating Impacts – Adjust Overhead Expenditures

Local Development Early Actions Budget Impacts			
	Forecast 2019 Overhead	Adjustable?	Adjustment Impact
IOU Fees (including Billing)	\$ 1,386,696	NO	
Consultants	\$ 4,391,333	YES	\$1m
Uncollected accounts	\$ 5,065,655	NO	
Staffing	\$ 5,926,049	YES	\$1m
General & Admin	\$ 1,784,669	YES	\$250k
Interest Payments	\$ 1,531,626	YES	\$1.5m
SMUDPayment (Data management)	\$ 6,864,244	NO	
		TOTAL	Up to \$3.75m

- EBCE Staff have identified between \$10m and \$13.25m in measures to increase revenue and deliver cost savings that are expected to have relatively small impacts on EBCE operations, customer experience and community impact

# Options for Mitigating Impacts – Cumulative Impact of Mitigation Measures

Local Development Early Actions Budget Impact Mitigation Opportunities	
Modifying Discount	\$6m - \$7.5m
Delayed Local Development	\$1m - \$2m
Adjusting Overhead	\$3.75m
Total Increased Revenue/Cost Savings	<b>\$10m - \$13.25m</b>

- EBCE Staff have identified between \$10m and \$13.25m in measures to increase revenue and deliver cost savings that are expected to have relatively small impacts on EBCE operations, customer experience and community impact