


# SJCE 2024 RATES - INTRODUCTION

Clean Energy Community  
Advisory Commission

November 2, 2023

Zach Struyk, Assistant Director

**SAN JOSE**   
**CLEAN ENERGY**  
A Program of the City of San José

# AGENDA

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- SJCE Financial Update
- Cost of Service (COS)
- SJCE 2024 Rate Strategy and Power Mix
- Next steps

# SJCE FINANCIAL UPDATE

Slide from 12/2/2022 Council meeting

\$136M  
6/30/23



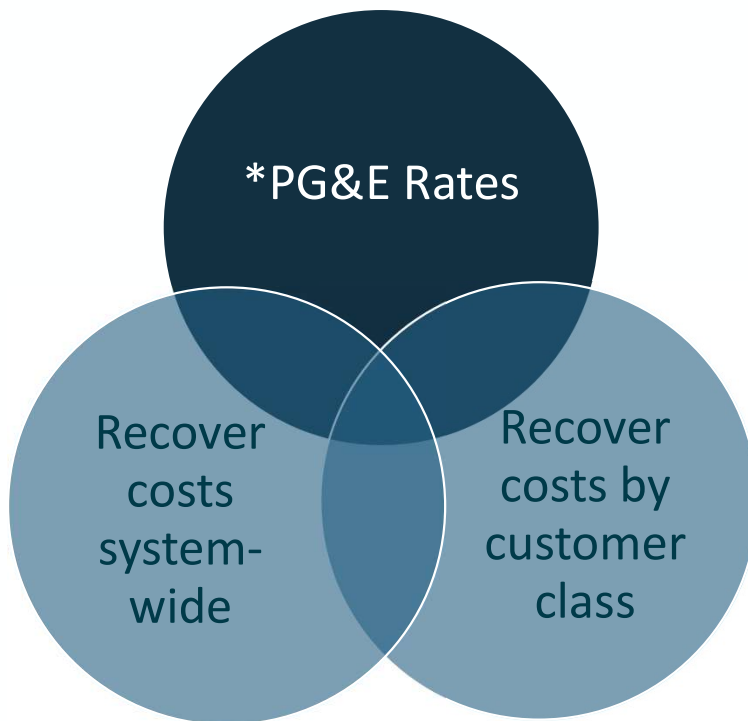
	Forecasted CY 2023 Ending Balances (Millions)		
	Better	<i>Expected</i>	Worse
<b>CY 2023 Unrestricted Cash</b>	<b>\$230</b>	<b>\$185</b>	<b>\$133</b>
<b>Operating Reserve in Days @\$1M per day, Dec 2023</b>	<b>230</b>	<b>185</b>	<b>133</b>

On track

*The CY 2023 Unrestricted Cash is comprised of CY 2022 Unrestricted Cash, Contribution to Reserves in 2023, net of Commercial Paper loan repayment.*

# DESIGNING RATES IN COMPETITIVE MARKET

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- Complete cost of service study to ensure all costs are recovered and meet financial goals
- Review current rates to determine if they recover costs
- Consider all competitive service options (i.e., compare to PG&E)
- Design competitive rates

\*PG&E rates are not necessarily representative of SJCE's cost to serve.



# **SJCE 2024 COST OF SERVICE RESULTS**

# 2024 SJCE REVENUE REQUIREMENT

All costs that need to be recovered from customers determine the projected SJCE revenue requirement

	Forecasted CY 2024 Total Revenue Requirement (Millions)		
	Better	<i>Expected</i>	Worse
Power Supply Payments	\$450	\$470	\$500
Operations, General, Administrative and Interest Payments	\$32	\$32	\$32
Contribution to Reserve*	\$16	\$16	\$16
<b><i>Total Revenue Requirement</i></b>	<b>\$498</b>	<b>\$518</b>	<b>\$548</b>

\*Operating costs increased, \$1M/day → \$1.3M/day. Meaning \$48M gap to get to 180 days

# 2024 CONTRIBUTION TO OPERATING RESERVE

	Forecasted CY 2024 Contribution to Operating Reserve (Millions)		
	Better	<i>Expected</i>	Worse
Total Revenue Requirement	\$498	\$518	\$548
Cash Collected from Energy Sales at <u>Tentative</u> Rates	\$550	\$550	\$550
Potential <u>Additional</u> Contribution to Operating Reserves	\$52	\$32	\$2
Contribution to Operating Reserve (part of Revenue Requirement)	\$16	\$16	\$16
<b><i>Total Contribution to Reserves <u>at Tentative Rates</u></i></b>	<b>\$68</b>	<b>\$48</b>	<b>\$18</b>

# 2024 ENDING BALANCES

The CY 2024 Unrestricted Cash is comprised of CY 2023 Unrestricted Cash, Contribution to Reserves in 2024, net of \$20M Commercial Paper loan repayment.

	Forecasted CY 2024 Ending Balances (Millions)		
	Better	<i>Expected</i>	Worse
<b>CY 2023 ending Unrestricted Cash</b>	<b>\$190</b>	<b>\$185</b>	<b>\$175</b>
<b>CY 2024 contribution to reserves at Tentative Rates</b>	<b>\$68</b>	<b>\$48</b>	<b>\$18</b>
<b>CY 2024 Unrestricted Cash</b>	<b>\$258</b>	<b>\$233</b>	<b>\$193</b>
<b>Operating Reserve in Days @\$1.3M per day, Dec 2024</b>	<b>198*</b>	<b>180</b>	<b>148</b>

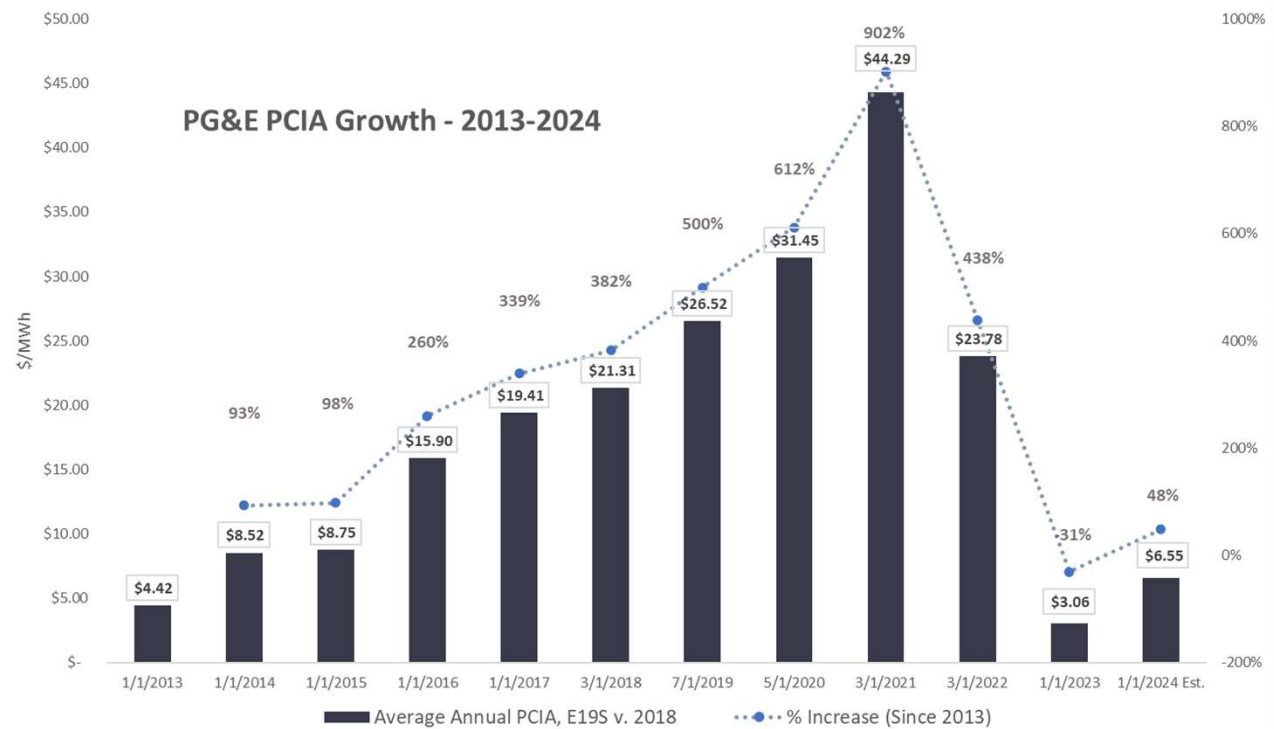




# SJCE 2024 RATE STRATEGY

# PCIA VOLATILITY

- In 2024, the PCIA is estimated to be ~\$6.55/MWh
- Implies \$13M more collected by PG&E from SJCE customers than in 2023



Note that the PCIA value is the average PCIA for the year. The date is when the PCIA changed to reflect the new rate for the rest of the calendar year.

# BUILD RESERVES, OFFER COMPETITIVE RATES

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*Use forecasted gap between the SJCE cost of service + PG&E added fees and expected PG&E generation rates in 2024 to build operating reserve to 180 days of expenses.*

- **GreenSource** – Charges (rates + PCIA) flat to slightly higher than 2023, **expected to stay at small discount to PG&E**. Maintain 60% renewable energy content.
- **TotalGreen** – Currently \$0.005 or \$0.01 per kWh above GreenSource. 100% renewable energy.
- **SJ Cares** – Maintain the discount at 10% below GreenSource, maintain the same power mix as GreenSource.

SJCE customers expected to see ~0-3% increase in monthly generation charges (\$0-\$1.50/month for typical residential customer)

# INPUT REQUESTED

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- Rates: Additional discount for SJ Cares? 1% discount ~\$550k annually
- Power mix: In 2024, no “free” nuclear allocation. Spend \$5-7M to buy GHG-free attributes to maintain ~95% carbon-free?
- Programs: Current budget assumes ~\$4M for programs beyond SJ Cares in CY 2024. More? Less?
- Reduce GreenSource rates – 1% reduction ~\$5.8M ~ 4.5 days SJCE operating reserve

Additional spending → higher rates and/or less operating reserve

More discounts → fewer programs and/or less clean power and/or less operating reserve

# NEXT STEPS

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- Staff will further refine this year's Cost of Service model and evaluate implications of PG&E's PCIA filings
- CPUC decision on PCIA expected Dec 15
- Final PG&E rates expected ~ Dec 20
- Staff to bring SJCE power mix and rates recommendations for consideration at the Jan 23, 2024 City Council meeting