

2022 RATES AND POWER MIX

Clean Energy Community Advisory
Commission

November 18, 2021





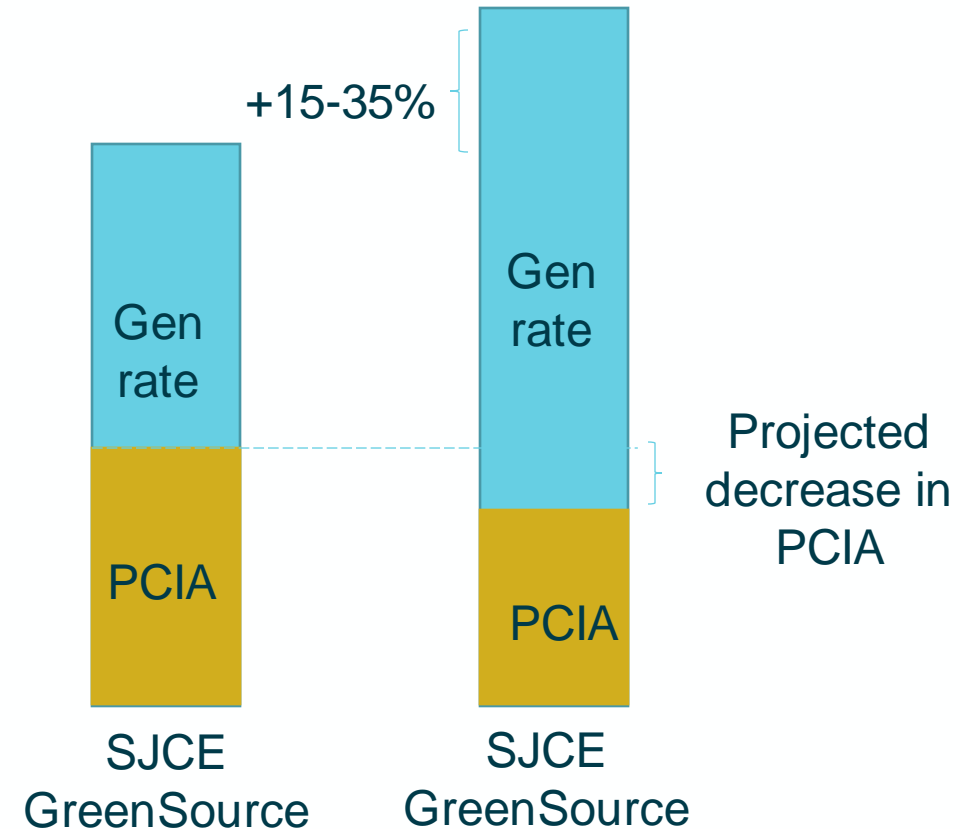
OBJECTIVE

Discuss and comment on recommendation for SJCE's
2022 rates and power mix.

(Heard at Dec 14 Council Meeting)

OPPORTUNITY IN 2022

- PG&E projected to increase generation rates by 15-35% on Jan 1, 2022
 - SJCE rates are pegged to PG&E rates
 - More clarity on final rates expected by mid-December
 - Unprecedented; lots of uncertainty
- PCIA expected to decrease by \$0.034/kWh
- Opportunity to set SJCE's rates and power mix to address the climate emergency, promote equity, and improve SJCE's financial resiliency



STAFF RECOMMENDATION

- Effective Jan 1, 2022:
 - Amend GreenSource service:
 - Increase renewable content from 55% to 60%
 - Continue to set rates at 8% above PG&E*
 - Amend GreenValue power mix:
 - Increase renewable content from 36% to 40%
 - Continue to set at parity with PG&E*
 - Amend SJ Cares program:
 - Decrease rates from parity with PG&E to 5% below*
 - Increase renewable content from 55% to 60%

*SJCE rates include generation charges, PCIA and Franchise Fee Surcharge



ADDRESSING THE CLIMATE EMERGENCY

- On November 8, San Jose became the largest city to adopt a carbon neutral by 2030 goal
 - Climate Smart goal: 100% renewable by 2045
- Recommendation puts us in good shape to meet both goals
 - GreenSource: 60% renewable; 90% carbon-free
 - GreenValue: 40% renewable; 80% carbon-free
 - Most carbon-free power comes from PG&E PCIA resource allocation
 - Long-term power purchase agreements coming online 2022-2023 will help reduce energy costs



CUSTOMER BILL IMPACTS – PROMOTING EQUITY

PG&E Generation Rate Increase	2022 GreenSource total bill compared to PG&E 2022*		2022 SJ Cares total bill compared to PG&E 2022*	
Low (15%)	+ 3%	+ \$5	- 3%	- \$3
High (35%)	+ 4%	+ \$6	- 3%	- \$4

*for average residential customer consuming 465 kWh/month. Total bill includes generation and delivery charges. PG&E delivery rates are also expected to increase by ~10%, or an additional \$8 monthly for the average residential customer.

NEED TO STRENGTHEN FINANCIAL RESILIENCY

- In June, Council authorized SJCE to borrow no more than \$95 M in Commercial Paper Notes
 - Due to high power costs and PCIA increase
- Goal is to build 180 days' worth of operating expenses in reserves to protect against volatility and provide rate stability for customers
 - Power prices projected to be high and more volatile 2022-2025
 - PCIA expected to increase in 2023
 - PG&E generation rates expected to decrease in 2023

RECOMMENDATION IMPROVES SJCE'S FINANCIAL POSITION

- Recommendation allows SJCE to:
 - Pay back commercial paper by mid to late 2022
 - Build 90+ days of operating expenses in reserves by late 2022 to early 2023
 - End 2023 with ~110-205 days of operating expenses in reserves



COMMUNICATING WITH OUR RATEPAYERS

- Rate notices were sent to all customers via mail or email starting Nov 12
 - Trilingual (English, Spanish, Vietnamese)
 - 3 versions: Residential, Low-income (CARE/FERA), Commercial
 - Reflected information that was available at the time (8-15% PG&E generation increase)
- Direct outreach to key accounts
- Should PG&E's rate increase be on the higher end of the 15-35% range, SJCE would alert customers to expect higher bill impacts and share resources to help customers lower their bill

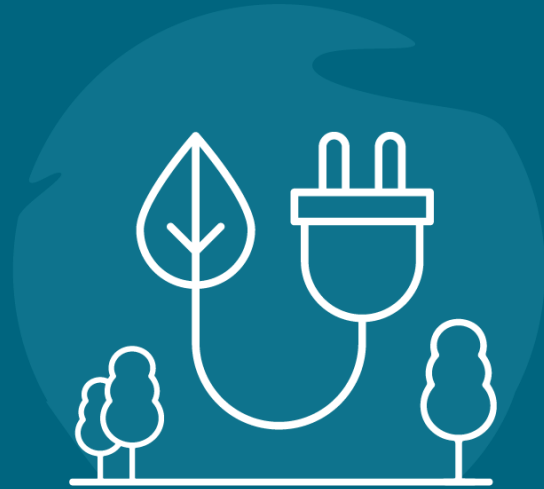
SJCE SERVICE OPTIONS DESIGNED TO MITIGATE OPT OUTS

- We recognize customer price sensitivity
 - PG&E expected to raise transmission & distribution charges by ~10% January 1, 2022 (\$8 more for average residential customer) – will drive higher opt outs
 - Inflation driving consumer prices higher
 - Other utilities increasing rates (water)

GreenValue	GreenSource	TotalGreen	SJ Cares
<p>Cost conscious GreenValue will cost the same as PG&E and meets the CA requirements for Renewable Energy Content</p>	<p>Better value GreenSource is SJCE's standard service that will provide 25%+ more renewable energy than standard PG&E service and CA requirements</p>	<p>Climate conscious TotalGreen is an easy, cost-effective way to power homes and businesses with 100% renewable energy</p>	<p>For San José's lowest income earners Customers enrolled in the CARE or FERA state programs (<200% of federal poverty guidelines) receive higher renewable content for our lowest rate</p>

DISCUSSION & DRAFT CECAC RECOMMENDATION

- During the November 18, 2021, meeting, the Clean Energy Community Advisory Commission (CECAC) agreed with staff recommendations on the 2022 power mix and rate setting. This includes the recommendation to set the 2022 power content for GreenValue at 40%, GreenSource at 60%, and SJ Cares at 60%. However, the CECAC urged staff to continue to increase the renewable and carbon-free content of the power mix in following years. The CECAC was also supportive of the importance of accumulating financial reserves to provide financial resiliency and providing a discount of 5% to customers participating in the SJ Cares program.



**THANK YOU
COMMENTS? QUESTIONS?**