



DESERT COMMUNITY ENERGY BOARD MEETING AGENDA

**Friday, May 12, 2023
3:00 p.m.**

**Palm Springs City Hall
Large Conference Room
3200 E. Tahquitz Canyon Way
Palm Springs CA 92262**

Members of the public may use the following link for listening access and ability to address the Desert Community Energy Board when called upon:

<https://us02web.zoom.us/j/86546435441?pwd=NHdiRnNmRkpVR05GaFpYWWTZINDQ2QT09>

Dial In: +1 669 900 9128 US

Webinar ID: 865 4643 5441

Password: 136772

**IF YOU ARE UNABLE TO CONNECT VIA DIAL IN OPTION,
PLEASE CALL 760-346-1127.**

Members of the public are encouraged to submit comment in connection with the Desert Community Energy meeting by email to: cvag@cvag.org by 5:00 p.m. on the day prior to the Board meeting. Comments intended to be read aloud into the record should be no more than 300 characters in length.

**THIS MEETING IS HANDICAPPED ACCESSIBLE.
ACTION MAY RESULT ON ANY ITEMS ON THIS AGENDA.**

1. **CALL TO ORDER** – Chair Lisa Middleton, Councilmember, City of Palm Springs

2. **ROLL CALL**

A. **Member Roster**

P4

3. **AGENDA MODIFICATIONS (IF ANY)**

4. **PUBLIC COMMENTS ON AGENDA ITEMS**

Any person wishing to address the Desert Community Energy Board on items appearing on this agenda may do so at this time. Please limit comments to 3 minutes. At the discretion of the chair, additional public comment time and/or opportunities during the meeting may be granted.

5. **BOARD MEMBER / EXECUTIVE DIRECTOR COMMENTS**

6. **CONSENT CALENDAR**

A. **Approve Minutes from the April 5, 2023 Board Meeting**

P5

B. **Adopt DCE’s General Order 156 Supplier Diversity Goals to meet California Public Utilities Commission requirements and diversify procurement efforts**

P8

7. **DISCUSSION / ACTION**

A. **DCE Financial Outlook** – Jaclyn Harr, The Energy Authority

B. **Rate Stabilization Schedule Amendment** – Don Dame, DCE Energy Consultant

P10

Recommendation: Adopt DCE Resolution 2023-01, approving the Amended Rate Stabilization Schedule effective June 1, 2023

C. **DCE Fiscal Year 2023/24 Budget Preview** – Claude Kilgore

P17

Recommendation: Information

8. **INFORMATION**

A) Attendance Record

P20

B) Unaudited Year-to-Year Financial Report as of March 31, 2023

P21

C) SCE Green Rate Update

P23

9. **PUBLIC COMMENTS ON NON-AGENDA ITEMS**

Any person wishing to address the Board on items not appearing on this agenda may do so at this time. Please limit comments to 2 minutes. At the discretion of the chair, additional public comment time and/or opportunities during the meeting may be granted.

10. **ANNOUNCEMENTS**

The next DCE meeting will be held June 27, 2023 at 3:00 p.m. at the Large Conference Room at Palm Springs City Hall, 3200 E. Tahquitz Canyon Way, Palm Springs, 92262.

11. **CLOSED SESSION**

Conference with Legal Counsel – Existing Litigation

Initiation of litigation pursuant to Government Code Section 54956.9(d)(1)
Name: CPUC Resource Adequacy Proceeding

12. **ADJOURNMENT**



DESERT COMMUNITY ENERGY BOARD MEMBER ROSTER

Voting Members	Seat on Committee	Representative
City of Palm Desert	Vice Chair	Veronica Chavez Finance Director <i>Alternate: Mayor Kathleen Kelly</i>
City of Palm Springs	Chair	Lisa Middleton Councilmember <i>Alternate: Mayor Pro Tem Jeffrey Bernstein</i>
DCE Staff		
Tom Kirk, Executive Director		
David Freedman, Program Manager		
Liz Barnwell, Management Analyst		
Emily Langenbahn, Program Specialist		
Janice Reitman, Accounting Manager		

ITEM 6A

**Desert Community Energy Board
Meeting Minutes
April 5, 2023**



The audio file for this meeting can be found at: <http://www.desertcommunityenergy.org>

1. CALL TO ORDER

The meeting of the DCE Board was called to order by Chair Middleton at 3:07 p.m. at Palm Springs City Hall's Large Conference Room, at 3200 E. Tahquitz Canyon Way, Palm Springs, 92262.

2. ROLL CALL

Roll call was taken, and it was determined that a quorum was present.

Members Present

Councilmember Lisa Middleton
Finance Director Veronica Chavez

Member Jurisdiction

City of Palm Springs
City of Palm Desert

3. AGENDA MODIFICATIONS (IF ANY)

None

4. PUBLIC COMMENTS ON AGENDA ITEMS

None

5. BOARD MEMBER / DIRECTOR COMMENTS

Chair Middleton welcomed all back to the first in-person meeting for this committee. Assistant Executive Director Erica Felci thanked Chair Middleton and the City of Palm Springs for hosting today's meeting.

6. CONSENT CALENDAR

IT WAS MOVED BY FINANCE DIRECTOR CHAVEZ AND SECONDED BY CHAIR MIDDLETON TO:

A. Approve Minutes from the February 6, 2023 Board Meeting

B. Receive and file the Triennial Data Privacy Audit Report

THE MOTION CARRIED WITH 2 AYES.

Councilmember Middleton
Finance Director Chavez

Aye
Aye

7. DISCUSSION / ACTION

A. SCE's Market Offer of Long-Term Renewable Energy

Program Manager David Freedman presented SCE's market offer to the committee. Member discussion ensued, including comments by Chair Middleton regarding long-term financial commitments related to the bid.

IT WAS MOVED BY FINANCE DIRECTOR CHAVEZ AND SECONDED BY CHAIR MIDDLETON TO APPROVE DCE'S PARTICIPATION IN SOUTHERN CALIFORNIA EDISON'S LONG TERM MARKET OFFER OF ITS POWER CHARGE INDIFFERENCE ADJUSTMENT LONG-TERM RENEWABLE ENERGY PORTFOLIO AND THE LONG TERM ENERGY AS WELL AS THE REC SALES AGREEMENT WITH SOUTHERN CALIFORNIA EDISON IN CONNECTION WITH THE OFFER, AND AUTHORIZE THE EXECUTIVE DIRECTOR TO EXECUTE THE NECESSARY DOCUMENTS SHOULD DCE'S BID BE ACCEPTED.

THE MOTION CARRIED WITH 2 AYES.

Councilmember Middleton
Finance Director Chavez

Aye
Aye

B. Carbon Free Commercial Customer Recognition Program

Ms. Felci introduced provided an overview and history of the program. Brian Rix of Burke Rix Communications provided an update on launching the recognition efforts. Member discussion ensued, including discussion of marketing and the availability of metrics to track progress.

This item was an informational item with no action taken.

8. INFORMATION

The following items were included in the agenda packet for members' information :

A. Attendance Record

B. Unaudited Year-to-Year Financial Report as of February 28, 2023

C. 2022 Annual Supplier Diversity Report

D. Renewable and Mid-Term Reliability 2023 Request for Proposals

9. PUBLIC COMMENT ON NON-AGENDA ITEMS

None.

11. ANNOUNCEMENTS

The next DCE Meeting is scheduled for May 15, 2023 at 3:00 p.m. at the Large Conference Room at Palm Springs City Hall, 3200 E. Tahquitz Canyon Way, Palm Springs, 92262.

Director Chavez commented that she has a scheduling conflict with the May meeting date and will not be able to attend. Chair Middleton acknowledged and DCE committee will work to coordinate a new meeting date for May.

12. ADJOURNMENT –

Chair Middleton adjourned the meeting at 3:42 p.m.

Respectfully submitted,

Elysia Regalado, Management Analyst

ITEM 6B

Desert Community Energy Board
May 12, 2023



The POWER of choice

STAFF REPORT

Subject: Goal Setting related to the Annual Supplier Diversity Report

Contact: Elizabeth Barnwell, Management Analyst (ebarnwell@cvag.org)

Recommendation: Adopt DCE's General Order 156 Supplier Diversity Goals to meet California Public Utilities Commission requirements and diversify procurement efforts

Background: As reported to the DCE Board at its previous meeting, Community Choice Aggregators (CCAs) like DCE are required to submit an Annual Supplier Diversity Report to the California Public Utilities Commission (CPUC) that details a plan for increasing procurement from small, local, and diverse business enterprises as well as details procurement efforts related to Women, Minority, Disabled Veteran, Lesbian Gay Bisexual Transgender (LGBT) Business Enterprises. The CPUC oversees the voluntary Supplier Diversity Program, under General Order 156 (GO 156), which promotes efforts to increase the number of utility contract dollars spent on underserved or marginalized groups.

GO 156 also requires that each utility and other covered entity (e.g., CCAs like DCE) set substantial and verifiable short-term (one year), mid-term (three years), and long-term (five years) goals for the utilization of eligible suppliers under the CPUC's Supplier Diversity Program. On March 1, 2023, DCE submitted its 2022 Annual Supplier Diversity Report to the CPUC, as required by GO 156. The Annual Report, which was provided to the Board at its April 2023 meeting, included an annual plan for 2023 to increase procurement from certified, as well as local, small, and diverse businesses.

As a result of preparing that report, DCE staff have identified two specific short-term supplier diversity goals for 2023:

Goal 1: Proficiency of DCE staff in supplier diversity.

This will be achieved by:

- Training DCE staff in supplier diversity requirements and registry submission processes;
- Attending Marin Clean Energy's (MCE) Amplify and Certify virtual workshops to help develop DCE's diversity supplier education and outreach program;
- Participating in quarterly supplier diversity training provided by CPUC; and
- Reviewing training videos available on the Supplier Clearinghouse website.

Goal 2: Become the Supplier Clearinghouse go-to for local and county business entities.

This will be achieved by:

- Developing strategies for outreach and education;
- Creating a user-friendly online registration form on DCE's website for certified contractors to be included in upcoming contract and procurement opportunities;
- Creating an online Supplier Clearinghouse certification training based on MCE's Certify and Amplify program;
- Training prime suppliers in certification requirements so they can educate and assist their subcontractors with certification;
- Answering questions on and assisting new registrants with submission of required materials;
- Speaking at diverse organizations and chambers of commerce; and
- Hosting virtual supplier diversity events.

Section 8.2 of GO 156 requires each utility and other covered entities to establish minimum long-term procurement goals for each major category of products and services purchased from eligible suppliers of not less than the following: 15% for minority business enterprises; 5% for women business enterprises; 1.5% for disabled veteran business enterprises; and 0.5% for 2022, 1.0% for 2023, and 1.5% for 2024 and beyond for LGBT business enterprises.

Based on the GO 156 requirements, and in line with how other CCAs are working to promote supplier diversity, DCE staff has identified the following mid- and long-term goals:

Mid-term goals are identified as:

- Researching and conducting outreach to local diverse businesses to inform them of the Clearinghouse and aiding with registration, especially in underserved communities;
- Partnering with local chambers of commerce and other organizations in messaging and outreach; and
- Increasing DCE's own use of diverse suppliers, such as marketing, printing, and website services.

Long-term goals are identified as:

- Creating a supplier diversity working group with the aim of increasing awareness and opportunities locally; and
- Partnering with other regional CCAs in developing a network to pool resources to expand outreach, such as regional events or workshops.

As part of the reporting requirements to the CPUC, staff recommends that the Board adopt the short-, medium and long-term GO 156 supplier diversity goals identified above. Staff will update the Board on DCE's progress in achieving these goals. It should be noted that, in compliance with Proposition 209, CCAs as local government entities do not explicitly give preferential treatment to bidders based on race, sex, color, ethnicity, or national origin.

Fiscal Analysis: There is no cost to DCE for this item. The cost of performing supplier diversity activities is covered in the DCE budget.

ITEM 7B

Desert Community Energy Board
May 12, 2023



STAFF REPORT

Subject: Rate Stabilization Schedule Amendment

Contact: Don Dame, DCE Energy Consultant

Recommendation: Adopt DCE Resolution 2023-01, approving the Amended Rate Stabilization Schedule effective June 1, 2023

Background: A primary DCE operating objective is to maintain adequate revenues to fully recover business operating costs including financial reserves. As a Community Choice Aggregation (CCA) energy provider, DCE's advantages include local control and the ability to timely develop and implement revenue structures to meet financial policies and goals. Revenue forecasts and rate levels that are developed in advance of retail sales, however, will inevitably be either above or below actual revenues attained throughout the operating year. This is especially true in the electric power business due to weather events, load variability, power cost volatility, and similar unpredictable circumstances – all of which may result in actual costs above or below forecast costs. To provide the ability to adjust for such changing operating and financial conditions, the DCE Board on November 16, 2020 approved DCE's Rate Stabilization Schedule (RSS) to more efficiently balance revenues and costs. Most utilities and CCAs have similar mechanisms to mitigate revenue and cost uncertainties.

The current RSS provides for revenue/rate adjustments as a function of three cost categories outside DCE's direct control:

1. Energy Cost Adjustment (ECA), to address wholesale power supply costs.
2. Energy Subsidy Adjustment (ESA), to address customer enrollment shifts between Desert Saver and Carbon Free products.
3. IOU/CPUC Cost Adjustment (ICA), to address Southern California Edison (SCE) rate changes and or regulatorily actions affecting DCE's revenues.

The RSS has functioned as planned since its adoption. But after two-and-a-half years, DCE staff is recommending a clarifying amendment. The proposed amendment removes ESA related language from the RSS because the Board suspended this subsidy in April 2021. If DCE were to reinstitute this subsidy, it would be adequately addressed within the annual budget process. In addition to removing ESA language, the proposed RSS amendment clarifies that any RSS adjustment may be calculated as either a separate surcharge or melded within applicable generation rates. The amendment also formalizes that RSS adjustments are to be discussed and accepted by DCE's Risk Management Team (RMT) prior to implementation. Additional minor consistency and readability edits were made as well. Adjustment formulas and calculations are unchanged, and implementation remains subject to the Board-approved Desert Saver discount and 100% Carbon Free premium guidelines. These established rate policies include designing Desert Saver rates within a 0-1% average total bill discount versus SCE's comparable bundled base product average total bill and designing DCE's 100% Carbon Free rates such that DCE's

largest residential rate class, "Domestic," does not exceed a 14% average total bill premium versus SCE's comparable bundled base product average total bill.

In sum, DCE has utilized the RSS several times since adoption to timely respond to power supply cost fluctuations, SCE rate changes and regulatory actions. Any changes made under the RSS policy are reported at the next Board meeting. If adopted with Resolution No. 2023-01, the amended RSS will become effective as of June 1, 2023.

Fiscal Analysis: Adoption of the attached amended Rate Stabilization Schedule will continue to provide timely balancing of DCE costs and revenues and is cost neutral. Further, maintaining revenue adequacy complies with DCE's existing policies and will help achieve CCA program goals and objectives.

Attachments:

1. Resolution No. 2023-01 approving DCE's Amended Rate Stabilization Schedule
2. Amended Rate Stabilization Schedule

RESOLUTION NO. 2023-01

A RESOLUTION OF THE BOARD OF DIRECTORS OF DESERT COMMUNITY ENERGY AMMENDING RATE STABILIZATION SCHEDULE

- A. Desert Community Energy (DCE) is a joint powers authority established on October 30, 2017 for the purpose of implementing Community Choice Aggregation (CCA) programs under Public Utilities Code Section 366.2.
- B. Under Recital D of DCE's Joint Powers Agreement (JPA), DCE's mission includes building "... a Community Choice Aggregation program that is locally controlled and delivers cost-competitive clean electricity, product choice, price stability, energy efficiency and greenhouse gas emission reductions".
- C. Under Section 2.5.12 of the JPA, DCE has the power to adopt Operating Rules and Regulations.
- D. Under Section 3.11.9 of the JPA, the DCE Board of Directors (Board) has the power to set rates for power sold by DCE and to set charges for any other category of service provided by DCE.
- E. The Board has established CCA program policies and goals that provide for meeting all operating costs and building operating and financial reserves.
- F. The Board has established CCA rate setting parameters providing for an average total bill discount on DCE's Desert Saver product and an average total bill premium on DCE's 100% Carbon Free product when compared to SCE's average total base product bill.
- G. On November 16, 2020, the Board authorized and approved a Rate Stabilization Schedule (RSS) that allows DCE to adjust rates upward or downward in response to external cost and revenue fluctuations not subject to DCE's direct control.
- H. The Board desires to amend the current RSS to remove one adjustment category and clarify application of implemented rate adjustments to continue to provide for timely adjustment of DCE rates within Board-authorized parameters to maintain revenue sufficiency, build reserves and achieve DCE's financial policies and objectives.

NOW THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF DESERT COMMUNITY ENERGY, AS FOLLOWS:

Section 1. Approval of amended Rate Stabilization Schedule. The Board of Directors hereby approves DCE's amended Rate Stabilization Schedule with an effective date of June 1, 2023.

Section 2. Affirmation of bill comparison parameters. The Board of Directors hereby affirms DCE's current average total bill comparison parameters, which provide for designing Desert Saver rates within a 0-1% average total bill discount versus Southern California Edison (SCE)'s comparable bundled base product and designing DCE's 100% Carbon Free rates such that DCE's largest residential rate class, "Domestic," does not exceed an average 14% total bill premium versus SCE's comparable bundled base product.

Section 3. Resolution Effective Date. This resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED at a meeting of the Board of Directors of Desert Community Energy held on this May 12, 2023.

ATTEST:

Lisa Middleton, Chair
Desert Community Energy

Tom Kirk, Secretary
Desert Community Energy

AYES: _____ NAYS: _____ ABSENT: _____ ABSTAIN: _____

Rate Stabilization Schedule (RSS)

Energy Cost Adjustment (ECA) and IOU/CPUC Adjustment (ICA)

A. ENERGY COST ADJUSTMENT (ECA)

1. An ECA may be included in DCE's generation rate to customers under CCA service schedules as part of DCE's per kWh generation charge or as a separate surcharge. The ECA is intended to recover the costs of purchased power including renewable resources, energy and energy hedges, resource and capacity adequacy products, demand side management (DSM) costs (including revenue losses), and other energy and/or capacity products not otherwise included in DCE's retail generation rates or current total revenue requirement. ECA related DCE rate adjustments shall be subject to Board-authorized Desert Saver discount and 100% Carbon Free premium levels in effect at the time of such ECA. The Desert Saver discount and 100% Carbon Free premium levels may be changed from time-to-time by the Board.

2. The ECA shall be calculated no more often than monthly and expressed in \$ per kWh to five decimal places. In order to apply any calculated ECA pursuant to this RSS, such ECA, when added or subtracted from DCE's current generation rate, shall not result in a 100% Carbon Free average total bill premium for DCE's largest residential rate class, "Domestic," exceeding 14% greater than Southern California Edison's (SCE's) bundled base product monthly average total bill. Any single ECA which results in a total 100% Carbon free product average total bill premium for the "Domestic" rate exceeding 14% above SCE's bundled base product average total bill is to be brought to the Board for further consideration and approval and may not be implemented subject to this RSS. The Desert Saver discount and Carbon Free product average total bill premium guidelines may be revised from time-to-time by the DCE Board. Any ECA implemented pursuant to this RSS shall be subject to the most current Desert Saver discount and Carbon Free premium levels approved by the Board. Application of a calculated ECA resulting in an average DCE generation rate change of less than +/- 2.0% may be delayed and combined with a subsequent ECA calculation. DCE's Risk Management Team (RMT) must review and concur with any ECA prior to implementation.

The ECA formula, expressed to the nearest \$0.00001 per kilowatt-hour (kWh):

$$\text{ECA} = \frac{(a)+(b)+(c)+(d)}{(e)}$$

Where:

(a) is the estimated change in total wholesale power supply cost for the 12-month period commencing with either: i) the current 12-month budget, or ii) the effective date of ECA implementation. This cost increase or decrease is to be measured from the next prior ECA calculation date, if any. This expense shall include all charges associated with resource adequacy and other capacity requirements, transmission service, CAISO charges and fees, energy purchased by CCA from all sources including the CAISO, and any energy purchase prepayment expenses for which expenditures have been approved in advance by the DCE Board for inclusion in the purchased power component of the ECA.

(b) is the estimated change in total costs/expenses associated with procurement and acquisition of renewable portfolio standard (RPS) resources for the 12-month period commencing with either: i) the current 12-month budget, or ii) the effective date of ECA implementation. This cost increase or decrease is to be measured from the next prior ECA or the current rate calculation date, if any. This expense shall include all charges associated with renewable resource energy, capacity, RPS related prepayment expense, operation and maintenance, depreciation, and interest expenses for generation

and or transmission as and which have been approved in advance by the DCE Board for inclusion in the RPS component of DCE's revenue requirement.

(c) is the estimated change in total Demand-Side Management (DSM) cost, reduced by funding received from other sources, for qualified DSM projects for the 12-month period commencing with either: i) the current 12-month budget, or ii) the effective date of the ECA implementation. This increase or decrease is to be measured from the next prior ECA calculation date, if any. DSM costs are those incurred for the acquisition and installation of devices and systems, including incentive payments, audit costs related to DSM, and administrative costs, which are part of those programs or projects designed to lower and control power system demand or consumption, and for which expenditures have been approved in advance by the DCE Board for inclusion in the Demand-Side Management component of the ECA.

(d) any unallocated balance in the ECA account, subject to currently approved rate discount and premium guidelines.

3. An RSS implementation history log shall be established and maintained by DCE staff.
4. Any given ECA may result in an upward or downward adjustment to DCE average generation rates given the then existing economic and financial circumstances at the time of such ECA calculation. ECA implementation will utilize best reasonable efforts to maintain the same or similar relative DCE retail product average total bill differentials (discounts, surcharges and or premiums) versus corresponding SCE bundled base product average total bills.
5. The ECA does not generally directly apply to DCE's Desert Saver retail generation rate. The Desert Saver generation charge is currently derived to attain a 0.0% – 1.0% average total residential bill discount versus SCE's average total base bundled residential bill, which is independent from, and may be unaffected by, the calculated ECA. The Desert Saver average total bill discount guideline may be revised from time-to-time by the DCE Board.
6. An information report describing any implemented ECA will be provided to the Board at the next regularly scheduled Board Meeting following such implementation.

B. IOU/CPUC ADJUSTMENT (ICA)

1. An ICA may be included in DCE customer retail electric generation rates under CCA service schedules on the basis of energy use. Such ICA may be included as part of applicable generation rates or as a separate surcharge. The ICA is intended to recover and adjust DCE revenues and rates to maintain Board-authorized revenue requirements, Desert Saver average total bundled bill discounts, and Carbon Free average total bundled bill premiums versus corresponding SCE average total bundled base product bills for SCE customers. Such adjustments may be necessary if and when SCE revises its costs and or other factors affecting the PCIA, SCE retail rate changes, collection of SCE balancing account charges, and or other SCE and or California Public Utilities Commission (CPUC) related regulatory actions which directly impact DCE's applicable discounts or premiums, and or DCE revenue requirements. Comparisons of DCE and SCE retail products shall be based on estimated average total residential customer bills for both DCE's Desert Saver and 100% Carbon Free retail product categories and attainment of necessary total DCE revenue requirements associated with DCE's Desert Saver and Carbon Free products. ICA-related rate adjustments shall be subject to Board-authorized Desert Saver discount and 100% Carbon Free premium levels in effect at the time of such ICA. The Desert Saver discount and 100% Carbon Free premium levels may be changed from time-to-time by the Board.

The ICA shall be calculated as warranted following such actions by SCE and or CPUC which result in material changes to DCE revenue levels, Desert Saver discount and / or Carbon Free premium. DCE intends to calculate and implement any such ICA within 90 days following SCE's implementation of any such action. The timing, frequency, and financial impact of CPUC and SCE actions which may affect the ICA are not typically known in advance and may occur multiple times during any given year. DCE's RMT must review and concur with any ICA prior to implementation.

2. Board approved discount / premium ranges and revenue targets by DCE retail product:
 - (a) Desert Saver Product: the current average total bill discount guideline for DCE's Desert Saver product is 0.0% to 1.0% below SCE's corresponding bundled base product average total bill. The average total bill discount range may be changed from time to time by the DCE Board.
 - (b) 100% Carbon Free Product: DCE's 100% Carbon Free default product is for customers not otherwise opting down to DCE's Desert Saver product. DCE's 100% Carbon Free generation rate component is cost based and designed to recover DCE's cost of service for this product category including reserve accumulation and any required cost offsets and or credits associated with serving Desert Saver customers. The objective of the ICA is to maintain required DCE 100% Carbon Free total revenue levels following any SCE / CPUC actions which materially impact DCE revenues subject to complying with the 100% Carbon Free average total bill premium authorized by the Board, currently up to a 14% premium for the "Domestic" rate, when compared with SCE average total bundled base product bill. The 100% Carbon Free average total average bill premium percentage versus SCE's bundled average total base product bill may be changed from time to time by the DCE Board.

Note that due to the particulars of rate design, existing SCE rate schedules, and customer class and consumption characteristics, actual discounts, premiums, and rates experienced by any specific DCE customer may vary somewhat from overall average discount and premium percentages.

3. Any given ICA may result in an upward or downward adjustment to DCE generation rates given the particular impacts of any one or combination of CPUC / SCE actions resulting in such ICA calculation.
4. ICA calculation and implementation are intended to maintain current Desert Saver product discount and the relative revenue requirement contributions of DCE's 100% Carbon Free customers.
5. A summary of any implemented ICA will be included in DCE's RSS implementation history log.
6. An information report describing any implemented ICA will be provided to the Board at the next regularly scheduled Board Meeting following such implementation.

ITEM 7C

Desert Community Energy Board May 12, 2023



STAFF REPORT

Subject: DCE Fiscal Year 2023/24 Budget Preview

Contact: Claude T. Kilgore, Director of Finance/Administration (ckilgore@cvag.org);

Recommendation: Information

Background: Each spring, DCE staff typically provides an update on budget preparation progress. Then, by the end of June of each year, DCE staff prepares a detailed forthcoming fiscal year budget for Board review and approval. DCE staff is currently finalizing DCE's Fiscal Year 2023/24 Budget, covering the period from July 1, 2023 through June 30, 2024. This budget will pertain to DCE's fourth full year of operations for its electricity customers in the City of Palm Springs. At the May meeting for the DCE Board, staff will provide a high-level overview of the budget as described below. The full budget will be presented in detail at the June DCE Board meeting.

While the format of the FY 2023/24 budget largely resembles past DCE budgets, there will be some updates to make it more engaging for the general public, including aligning visual aesthetics with financial data. The proposed FY 2023/24 budget will include the current expected business outcome for the fiscal year and utilizes information from relevant subject matter experts, including The Energy Authority.

As with any budget, yet particularly with one related to wholesale power purchasing and resale, many uncertainties remain and DCE staff will be using the "most likely" case for forecast information and notes that actuals will likely vary from budget forecasts. Some key factors DCE staff will be considering when building out the budget forecasts include evaluation of residual economic impacts from the COVID-19 pandemic, analysis of the western United States' hydrology and weather conditions as well as national and global geo-political events. Other relevant factors considered related to weather patterns include heats storms, wildfires and other climate impacts which affect load variability as well as power market price volatility. DCE staff continues to monitor power purchase agreements and their performance as well as aging of accounts receivable on revenue generated. Now that DCE has received the last anticipated COVID-19 relief for customer accounts (under the 2022 California Arrearage Payment Plan), staff has better information related to collections and anticipates presenting the Board with an update on its Bad Debt Policy at the June meeting in conjunction with the budget.

In addition to these factors, all CCAs must work in tandem with regulations from the California Public Utilities Commission (CPUC) and, in DCE's case, with Southern California Edison (SCE) as transmission and delivery provider to DCE's customers. SCE retail rates and the Power Charge Indifference Adjustment (PCIA, or exit fee) play heavily into DCE's budgeted figures and will be adjusted as further revisions and regulatory actions occur. Largely in response to SCE changes, DCE, under its Rate Stabilization Schedule, adjusted its retail rates effective October 1, 2022, and January 1, 2023. It is important to note the proposed budget is a planning document and staff will continue to coordinate with The Energy Authority (TEA) to update power supply costs, retail

sales receipts, climate impacts, regulatory mandates and other factors throughout the year as actual revenues/expenses occur and more reliable projections can be made.

DCE's FY 2023/24 major budget assumptions will include:

1. Full accrual accounting practices are implemented in line with US Generally Accepted Accounting Principles (GAAP) for enterprise type funds.
2. Palm Springs is the only city where DCE is actively serving CCA customers.
3. Projected loads, resources, revenues, and costs will utilize TEA's June 1, 2023 financial model output.
4. An opt-out rate of about 16 percent (those customers remaining with SCE bundled service), and an opt-down rate of about 11 percent (those DCE customers that choose Desert Saver as opposed to the 100% Carbon Free default product).
5. Board approved rate-setting objectives are met: the residential Desert Saver customer bill, on average, is to be about 0-1.0% less than SCE's bundled base customer bill and meets full California Renewables Portfolio Standard compliance. DCE's 100% Carbon Free residential product is priced, on average, not to exceed a 14% total bill premium when compared with SCE's bundled base product for customers enrolled in DCE's largest residential rate class, "Domestic."
6. DCE continues to suspend the subsidy for the Carbon Free energy to customers enrolled in low-income assistance programs continues, and that these customers, who represent about 16% of DCE's total customer base, are enrolled in the Desert Saver product.
7. Rates are sufficient to recover wholesale supply costs, yield positive net margin, build cash reserves and meet applicable loan terms, conditions, and financial covenants.
8. TEA will continue to provide credit support functions to DCE during FY 2023/24 with a goal of reevaluating this function throughout the upcoming fiscal year and moving into the FY2024/25 budget.
9. Non-energy costs will be estimated with increases between 3-15% on a budget-line level to reflect budgetary conservatism in a high-inflation market.
10. Cost allocation and rate setting is based on cost recovery, fairness and equity.
11. DCE meets regulatory, legislative and operating requirements.
12. DCE continues ongoing collaboration with CalCCA, other CCAs and public power groups.
13. DCE maintains necessary and adequate internal staffing and continues the contract support relationship with the Coachella Valley Association of Governments (CVAG).
14. DCE will monitor and adjust forecast retail loads, revenues and costs based on actual experience and revise expectations accordingly throughout the forthcoming year.
15. DCE follows adopted Board policies and objectives.

While the May meeting of the Board provides a high-level overview as described above, the June Board meeting will provide an opportunity for a detailed presentation of the budget as well as a forum to address any questions and comments, and for the Board to consider budget approval as prescribed by the DCE Joint Powers Agreement. In the meantime, DCE staff is providing current year budget to actuals as an attachment to this staff report.

Fiscal Analysis: This is an information item with no cost to DCE barring staff time and overhead related to budget preparation.

Attachments:

1. FY 2022/23 Budget to Actuals


Desert Community Energy
Unaudited Changes to Net Position Budget vs. Actual
July 2022 through March 2023

	Jul '22 - Mar 23 Actual	Jul '22 - Mar 23 Budget	Actual v Budget \$	% of Budget
Revenue				
5010 · Electricity Sales				
5011 · Carbon Free	37,804,813	40,322,949	(2,518,136)	94%
5012 · Carbon Free- CARE / FERA	(326)	0	(326)	100%
5013 · Desert Saver	8,034,284	5,354,265	2,680,019	150%
Total 5010 · Electricity Sales	45,838,771	45,677,214	161,557	100%
5100 · Other Revenue				
5120 · Energy Market Settlements	963,179	0	963,179	100%
5125 · Resouce Adequacy	172	0	172	100%
5150 · Other Revenue	460,346	500,000	(39,654)	92%
Total 5100 · Other Revenue	1,423,697	500,000	923,697	285%
5900 · Investment Revenue	11,451	5,400	6,051	212%
Total Revenue	47,273,920	46,182,614	1,091,306	102%
Expense				
4100 · Cost of Electricity				
4105 · Electricity Purchase	23,445,270	22,769,465	675,805	103%
4110 · Resource Adequacy Settlement	7,398,713	6,107,684	1,291,029	121%
4115 · Low Carbon Settlement	0	2,013,051	(2,013,051)	
4120 · Renewable Energy Cr. Settlement	134,106	1,144,840	(1,010,734)	12%
4125 · Market Charges	4,928,211	3,881,969	1,046,242	127%
Total 4100 · Cost of Electricity	35,906,299	35,917,009	(10,710)	100%
4200 · Accounting / Bank Services	24,748	30,610	(5,862)	81%
4353 · Insurance	6,630	7,540	(910)	88%
4423 · Office Supplies	1,200	0	1,200	100%
4425 · Legal Services	70,563	66,425	4,138	106%
4431 · Professional Services	112,428	63,709	48,719	176%
4432 · Consultants	1,799,656	1,823,254	(23,598)	99%
4433 · Outreach Services	41,530	34,291	7,239	121%
4435 · Technology Costs (IT)	2,932	1,501	1,431	195%
4440 · Postage	12,400	14,307	(1,907)	87%
4441 · Printing	15,740	16,569	(829)	95%
4450 · Sponsorships	1,603	0	1,603	100%
4452 · Marketing	7,647	0	7,647	100%
4455 · Customer Programs	0	21,188	(21,188)	0%
4500 · Registrations/Memberships	63,497	81,869	(18,372)	78%
4600 · Miscellaneous	283	0	283	100%
4610 · Interest Expense	46,655	52,785	(6,130)	88%
4750 · Bad Debt Expense	1,375,298	1,370,316	4,982	100%
Total Expense	39,489,108	39,501,373	(12,265)	100%
Excess fo Revenue over Expenses	7,784,811	6,681,241	1,103,570	117%

ITEM 8A

**DESERT COMMUNITY ENERGY BOARD
FY2022-2023 ATTENDANCE RECORD**

Voting Members	JUL*	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE
City of Palm Desert	✓	*	✓	✓	✓	*	*	✓	*	✓		
City of Palm Springs	✓	*	✓	✓	✓	*	*	✓	*	✓		

Absent 
No Meeting *

* July was a special meeting. The regular July meeting was cancelled.

Desert Community Energy
Unaudited Statement of Net Position Prev Year Comparison
As of March 31, 2023

	<u>Mar 31, 23</u>	<u>Mar 31, 22</u>	<u>\$ Change</u>	<u>% Change</u>
ASSETS				
Current Assets				
Checking/Savings				
1100 · Unrestricted Funds				
1105 · Operating Account -8099	200,000	1,009,969	(809,969)	(80%)
1107 · ICS Account -0995	0	519,427	(519,427)	(100%)
1109 · DDM Marketplace Sweep - 0991	1,696,779	0	1,696,779	100%
1115 · Lockbox -4446	878,903	4,901	874,002	17,833%
Total 1100 · Unrestricted Funds	<u>2,775,683</u>	<u>1,534,297</u>	<u>1,241,386</u>	<u>81%</u>
1199 · Restricted Funds				
1110 · Money Market -5470	405,430	1,747,432	(1,342,001)	(77%)
1120 · FSR Letter of Credit Collateral	147,000	147,000	0	0%
Total 1199 · Restricted Funds	<u>552,430</u>	<u>1,894,432</u>	<u>(1,342,001)</u>	<u>(71%)</u>
Total Checking/Savings	<u>3,328,113</u>	<u>3,428,728</u>	<u>(100,615)</u>	<u>(3%)</u>
Accounts Receivable				
1221 · Accounts Receivable	12,655,247	8,588,135	4,067,112	47%
1223 · Accrued Accounts Receivable	2,034,120	1,353,165	680,955	50%
Total Accounts Receivable	<u>14,689,368</u>	<u>9,941,300</u>	<u>4,748,067</u>	<u>48%</u>
Other Current Assets				
1225 · Allowance for Doubtful Accounts	(2,719,194)	(1,414,052)	(1,305,142)	(92%)
1240 · Prepaid Expenses	2,210	0	2,210	100%
Total Other Current Assets	<u>(2,716,984)</u>	<u>(1,414,052)</u>	<u>(1,302,932)</u>	<u>(92%)</u>
Total Current Assets	<u>15,300,497</u>	<u>11,955,976</u>	<u>3,344,520</u>	<u>28%</u>
Other Assets				
1170 · Deposits/Bonds	310,584	0	310,584	100%
Total Other Assets	<u>310,584</u>	<u>0</u>	<u>310,584</u>	<u>100%</u>
TOTAL ASSETS	<u><u>15,611,081</u></u>	<u><u>11,955,976</u></u>	<u><u>3,655,104</u></u>	<u><u>31%</u></u>
LIABILITIES & NET POSITION				
Liabilities				
Current Liabilities				
Accounts Payable				
2110 · Accounts Payable	2,060,046	3,633,631	(1,573,584)	(43%)
2112 · Accrued Accounts Payable	0	66,858	(66,858)	(100%)
2120 · Due to Other Governments	390,808	477,473	(86,665)	(18%)
Total Accounts Payable	<u>2,450,855</u>	<u>4,177,962</u>	<u>(1,727,107)</u>	<u>(41%)</u>
Other Current Liabilities				
2230 · Taxes payable				
2231 · Utility Users Tax (UUT)	96,134	1,428,750	(1,332,616)	(93%)
2232 · Electric Energy Surcharge	2,892	3,921	(1,029)	(26%)
Total 2230 · Taxes payable	<u>99,026</u>	<u>1,432,671</u>	<u>(1,333,646)</u>	<u>(93%)</u>
2260 · Vendor Security Deposits				
2262 · PPA Development Security	225,000	1,680,000	(1,455,000)	(87%)
2263 · Contract Development Deposit	180,000	0	180,000	100%
Total 2260 · Vendor Security Deposits	<u>405,000</u>	<u>1,680,000</u>	<u>(1,275,000)</u>	<u>(76%)</u>
Total Other Current Liabilities	<u>504,026</u>	<u>3,112,671</u>	<u>(2,608,646)</u>	<u>(84%)</u>
Total Current Liabilities	<u>2,954,880</u>	<u>7,290,633</u>	<u>(4,335,752)</u>	<u>(59%)</u>
Long Term Liabilities				
2300 · Non-current Liability				
2350 · Loans Payable - Long Term	0	3,367,848	(3,367,848)	(100%)
Total 2300 · Non-current Liability	<u>0</u>	<u>3,367,848</u>	<u>(3,367,848)</u>	<u>(100%)</u>
Total Long Term Liabilities	<u>0</u>	<u>3,367,848</u>	<u>(3,367,848)</u>	<u>(100%)</u>
Total Liabilities	<u>2,954,880</u>	<u>10,658,481</u>	<u>(7,703,600)</u>	<u>(72%)</u>
Net Position				
31000 · Restricted Net Position	147,000	147,000	0	0%
32000 · Unrestricted Net Position	4,724,389	5,127,861	(403,472)	(8%)
Net Income	<u>7,784,811</u>	<u>(3,977,366)</u>	<u>11,762,177</u>	<u>296%</u>
Total Net Position	<u>12,656,200</u>	<u>1,297,496</u>	<u>11,358,705</u>	<u>875%</u>
TOTAL LIABILITIES & NET POSITION	<u><u>15,611,081</u></u>	<u><u>11,955,976</u></u>	<u><u>3,655,104</u></u>	<u><u>31%</u></u>

1 Development Security deposits were returned when the projects launched in January 2023. Letters of credit have been accepted for the Performance Security.

Desert Community Energy
Unaudited Changes to Net Position Prev Year Comparison
July 2022 through March 2023

	<u>Jul '22 - Mar 23</u>	<u>Jul '21 - Mar 22</u>	<u>\$ Change</u>	<u>% Change</u>
Revenue				
5010 · Electricity Sales				
5011 · Carbon Free	37,804,813	26,667,681	11,137,133	42%
5012 · Carbon Free- CARE / FERA	(326)	1,715,206	(1,715,532) ¹	(100%)
5013 · Desert Saver	8,034,284	2,896,480	5,137,805	177%
Total 5010 · Electricity Sales	<u>45,838,771</u>	<u>31,279,366</u>	<u>14,559,405</u>	<u>47%</u>
5100 · Other Revenue				
5120 · Energy Market Settlements	963,179	886,444	76,735	9%
5125 · Resouce Adequacy	172	0	172	100%
5150 · Other Revenue	460,346	609,655	(149,309)	(24%)
Total 5100 · Other Revenue	<u>1,423,697</u>	<u>1,496,099</u>	<u>(72,402)</u>	<u>(5%)</u>
5900 · Investment Revenue	11,451	3,029	8,422	278%
Total Revenue	<u>47,273,920</u>	<u>32,778,495</u>	<u>14,495,425</u>	<u>44%</u>
Expense				
4100 · Cost of Electricity				
4105 · Electricity Purchase	23,445,270	21,551,799	1,893,471	9%
4110 · Resource Adequacy Settlement	7,398,713	5,695,781	1,702,931	30%
4115 · Low Carbon Settlement	0	2,379,317	(2,379,317)	(100%)
4120 · Renewable Energy Cr. Settlement	134,106	1,020,667	(886,561)	(87%)
4125 · Market Charges	4,928,211	3,003,228	1,924,983	64%
Total 4100 · Cost of Electricity	<u>35,906,299</u>	<u>33,650,792</u>	<u>2,255,507</u>	<u>7%</u>
4200 · Accounting / Bank Services	24,748	31,592	(6,844)	(22%)
4353 · Insurance	6,630	7,793	(1,163)	(15%)
4423 · Office Supplies	1,200	0	1,200	100%
4425 · Legal Services	70,563	59,571	10,992	18%
4431 · Professional Services	112,428	61,194	51,234	84%
4432 · Consultants	1,799,656	1,754,427	45,229	3%
4433 · Outreach Services	41,530	34,495	7,035	20%
4435 · Technology Costs (IT)	2,932	1,552	1,380	89%
4440 · Postage	12,400	14,238	(1,838)	(13%)
4441 · Printing	15,740	16,438	(699)	(4%)
4450 · Sponsorships	1,603	0	1,603	100%
4452 · Marketing	7,647	0	7,647	100%
4455 · Customer Programs	0	21,899	(21,899)	(100%)
4500 · Registrations/Memberships	63,497	63,169	329	1%
4600 · Miscellaneous	283	0	283	100%
4610 · Interest Expense	46,655	100,299	(53,644)	(53%)
4750 · Bad Debt Expense	1,375,298	938,400	436,898	47%
Total Expense	<u>39,489,108</u>	<u>36,755,860</u>	<u>2,733,248</u>	<u>7%</u>
Excess of Revenue over Expenses	<u>7,784,811</u>	<u>(3,977,366)</u>	<u>11,762,177</u>	<u>296%</u>

¹ CARE/FERA was discontinued and converted to Desert Saver.

Item 8C

Desert Community Energy Board
May 12, 2023



The POWER of choice

STAFF REPORT

Subject: SCE Green Rate Update

Contact: David Freedman, Program Manager (dfreedman@cvaq.org)

Recommendation: Information

Background: California Public Utility Commission (CPUC) rules require Investor-Owned Utilities (IOUs) and the Community Choice Aggregators (CCAs) in their service territories to post a Joint Rate Comparison (JRC) showing their respective key residential and commercial rates on a per kilowatt hour and monthly basis. The JRC must be posted on the respective websites of the IOU and CCA within 60 days of a rate change by either the IOU or the CCA. CPUC rules also require the IOUs and CCAs to send an annual Joint Rate Mailer (JRM) to all customers in a CCA’s territory with this rate information. The CPUC’s Public Advocates Office (PAO) reviews and approves the wording of the JRMs before they are distributed to customers and posted on the CPUC’s website.

Since the launch of Desert Community Energy (DCE) in April 2020, the JRCs and JRMs have included SCE’s Green Rate for its 50% and 100% renewable products. SCE ceased offering its Green Rate to new customers in June 2022. Beginning with the JRC reflecting SCE rates effective June 1, 2022, the PAO approved the following text for the JRCs and JRMs of SCE and the CCAs in SCE’s service territory, including DCE:

The volume of interest for both the 50% and 100% Green Rate program has currently exceeded the amount of capacity available from approved Green Rate resources. SCE will maintain a waitlist for customers interested in participating in the Green Rate program, and as capacity becomes available, SCE will enroll customers on the Green Rate on a first-come, first-served basis.

By September 2022, the SCE Green Rate had been unavailable for four months and the unavailability of this rate led to the question of how many customers/ratepayers have enrolled in the Green Rate. The following chart provides a recap of how those numbers compare with DCE:

	DCE	SCE ¹
Total Customers	32,858	3,500,000
DCE Desert Saver Customers	8,919	
SCE 50% Green Customers		585
DCE 100% Carbon Free Customers	23,939	
SCE 100% Green Rate Customers		2,293

As shown in the table, SCE has more than 100 times as many total customers as DCE, but DCE has more than 10 times as many customers who are enrolled in a 100% Green/Carbon free program.

¹ SCE has approximately 5,000,000 total customers, but approximately 1,500,000 are served by CCAs like DCE.

The number of DCE's 100% Carbon Free customers has continued to grow. As of March 2023, DCE had a total of 24,521 customers enrolled in the Carbon Free Energy Product.

In the summer of 2022, the PAO denied a request from another CCA in SCE's service territory that the CCAs no longer be required to include in their JRCs and JRMs an unavailable SCE rate. The CCAs all viewed having to make that comparison as unfair competition, since SCE showed rates for its Green Rate products as being below its base rate and the base rates of all the CCAs in SCE's service territory, which have a much lower renewable energy content.

However, on March 10, SCE informed DCE and the other CCAs in SCE's territory that it will remove all Green Rates from the JRC, effective with the JRC reflecting SCE's March 1 rate change. DCE posted the new JRC on its website on April 12. SCE will resume including Green Rates on the JRC once the CPUC renders a decision on SCE's application to increase its Green Rate capacity. That proceeding is ongoing, and the CPUC currently expects to issue a Proposed Decision this summer.

Staff will continue to track the issue and provide updates to the Board as they are available.

Fiscal Analysis: There is no cost to DCE for this information item.