

## VALLEY CLEAN ENERGY ALLIANCE

### Staff Report – Item 14

---

**TO:** Board of Directors

**FROM:** Edward Burnham, Chief Financial Officer  
Mitch Sears, Chief Executive Officer

**SUBJECT:** 2026 VCE Mid-Year Financials Update

**DATE:** June 11, 2026

---

#### RECOMMENDATION

Continue current customer rate discounts of 5% for all and 10% for CARE/FERA customers for the remainder of 2026.

#### Overview

This report provides a mid-year financial update for 2026 actuals and the anticipated outcomes from the California Public Utilities Commission's (CPUC) Order Instituting Rulemaking (OIR) on changes to the Power Charge Indifference Adjustment (PCIA) and Energy Resource Recovery Account (ERRA) proceedings.

Based on current long-term forecasts and potential regulatory outcomes, staff recommends maintaining VCE's existing rate discounts using VCE's rate stabilization and customer dividend funds for the remainder of 2026.

#### DISCUSSION & ANALYSIS

VCE has built a solid long-term renewable energy portfolio and taken a disciplined fiscal approach, which has positioned it well to offer competitive rates, including discounts, launch programs, and exceed compliance requirements for renewable content, while maintaining regulatory compliance. As of mid-year 2026, VCE remains in a stable financial position with an expected net loss as forecasted in the 2026 Budget Adoption Process.

Key highlights include:

- Revenues are tracking slightly lower than projections with a normalized load and weather conditions.

- Operating expenses remain within budget, with power costs benefiting from favorable market and load usage conditions.
- Cash reserves are healthy and exceed the Board-approved minimum thresholds.

While VCE's financial position has improved significantly in recent years, driven by high energy market prices, the recent OIR proceeding on PCIA and lower power market prices have created upward pressure on the PCIA. THE OIR proceeding has resulted in 3 individual proceedings.

- **PCIA OIR Track 1 (concluded)** - The results adopted in track 1 OIR have changed the Resource Adequacy (RA) benchmark calculation, leading to a forecasted net loss of \$15M for 2026.
- **PCIA OIR Track 2 (final decision pending)** - The proposed decision in track 2 is expected to have additional impacts on the renewable energy credits (RECs) values included in the 2027 ERRRA proceeding, leading to a forecast of an additional net loss.
- **PCIA OIR Track 3 (future decision)** – Is proposed as a comprehensive review to consider updates and reforms to the ERRRA and PCIA rules and processes, with the objectives of improving existing rules, mitigating rate volatility, and ensuring indifference among bundled and departing customers.

Thus far, the OIR proceeding has resulted in increased PCIA and lower net revenues. VCE relies on rate stabilization and customer dividend funds to maintain rate competitiveness with discounts. Based on analysis by CalCCA and TEA, additional regulatory changes in the OIR proceeding could further increase PCIA. VCE's approach to building its long-term renewable energy portfolio has been the primary driver, shielding VCE from additional market price volatility and increasing VCE's overall renewable portfolio, exceeding compliance requirements in the years to come.

As noted, over the past several years VCE has established healthy reserves and a customer rate stabilization fund. By design, this fiscal approach allows VCE to account for the PCIA uncertainty discussed above while maintaining rate stability. Therefore, staff recommends continuing the current 2026 customer discounts of 5% for standard green and 10% for CARE/FERA/Medical baseline at this time. Staff recommends postponing rate adjustments until VCE's 2027 Rates and Budget adoption in December.

By December, VCE will receive the OIR's proposed decisions and updated PG&E ERRRA filings for PCIA and bundled generation rate changes. Additionally, the energy market remains uncertain, with risks from summer peak demand, reduced hydropower availability, wildfire-related costs, and additional CPUC regulatory decisions as the primary drivers.

Preserving financial flexibility is essential to navigate these uncertainties without compromising service or stability. Increasing discounts now could erode the financial cushion needed to maintain rate stability and support future investments in renewable energy, local programs, and grid resilience. A consistent and predictable rate structure helps build customer trust and supports long-term retention. Maintaining current discounts provides VCE with the ability to continue to meet its strategic goals (e.g., rate affordability, renewable goals, etc.), without sacrificing long-term sustainability.

### Reasons for Maintaining Robust Cash Reserves:

- **Credit Rating and Financing Costs:** Strong reserves support VCE's current "A-" credit rating, which is essential for securing favorable terms in power procurement contracts and future financing for potential load growth and reduced operating costs. VCE's strategic goals will require additional procurement, and our credit rating will reduce borrowing costs and enhance VCE's ability to invest in long-term clean energy initiatives.
- **Rate Stabilization:** Cash reserves act as a primary financial buffer against market volatility, regulatory changes, and unexpected cost increases. This stability allows VCE to avoid sudden rate hikes and maintain competitive/discounted rates for customers, which is especially important in a dynamic energy market.
- **Customer Dividends:** Dividend Reserves safeguard rate competitiveness and rate stability for all VCE customers with emphasis on VCE's at-risk community.
- **Regulatory Compliance and Risk Management:** Adequate reserves ensure compliance with financial risk management policies and provide flexibility to respond to unforeseen events, such as extreme weather impacts or supplier defaults.

### Timeline/Next Steps

- October CPUC Meeting – Receive updated OIR decisions and PG&E's updated ERRR forecasts for PCIA and generation rates.
- November Board Meeting - Incorporate updated load forecasts and power costs into the 2027 preliminary Budget.
- December Board Meeting - Provide updated year-end financial report and recommendations for 2027 rate adjustments.

### **CONCLUSION**

Staff recommends maintaining the current rate discounts for all customer classes through the end of 2026.