



yvonnehunterphotography.com

Valley Clean Energy Board Meeting – Thursday, June 13, 2024



Item 12 - Receive legislative update presented by Pacific Policy Group

Public Comments

To Provide Public Comment on any agenda item please:

- E-mail 300 words or less to: meetings@valleycleanenergy.org

OR

Join the Public Comment Queue by

- “Raising Hand” on Zoom Meeting

OR

- Press *9 if joining by phone

Emailed comments received **before** the item has concluded will be read into the record.

Emailed comments received **after** the item has concluded but before the end of the meeting will not be read but will be included in the meeting record.

Item 12 - Receive legislative update

Dates & Deadlines

- June 15 – Last day for the Legislature to pass Budget Bill
- June 27 – Last day to submit ballot measures to the Attorney General
- July 3 – Last day for policy committees to hear fiscal bills (2nd House)
- July 4 – August 5 – Summer Recess
- August 31 – Last day of 2024 Legislative Session
- October 1 – Last day for Gov. Newsom to sign or veto bills
- November 5 – Election Day
- December 2 – Legislature convenes the 2025 session

Item 12 - Receive legislative update

Legislation Letup

- Significant Energy Legislation over past few years
- Budget problems impact bill decisions
- Bills on bills – legislation looking into reducing rates
- Can't reverse PUC decisions
 - NEM Bills
 - IGFC Bills

Budget – From Bad to Worse

- Total budget deficit of \$45 billion
- More deficit projected for the FY 2025-26
- Energy programs reduced and deferred
 - Funding reduced for Reliability Reserve and Central Procurement Entity
 - Questions on Diablo Canyon loan
- Future Opportunities
 - Clean Energy Reliability Investment Plan
 - Clean Transportation Program
 - Climate Bond



yvonnehunterphotography.com

Valley Clean Energy Board Meeting – Thursday, June 13, 2024



Item 13 - Receive PPA Energy Prepayment Overview by PFM Financial Advisors

To Provide Public Comment on any agenda item please:

- E-mail 300 words or less to: meetings@valleycleanenergy.org

OR

Join the Public Comment Queue by

- “Raising Hand” on Zoom Meeting

OR

- Press *9 if joining by phone

Emailed comments received **before** the item has concluded will be read into the record.

Emailed comments received **after** the item has concluded but before the end of the meeting will not be read but will be included in the meeting record.



Energy Prepayment Overview

June 13, 2024

PFM Financial Advisors LLC

1150 S. Olive Street
10th Floor
Los Angeles, CA 90015

213.489.4075



Prepayment Transaction Overview

- ◆ **Goal** – Reduce cost of power purchases by 8% or more
- ◆ **How** – Leverage use of tax-exempt bonding capacity to secure long-term supply

Background

- ◆ Codified in the U.S. tax law
- ◆ Used since the 1990s largely for natural gas transactions
- ◆ Over 100 transactions totaling over \$75 billion completed in the U.S. – mostly for gas
- ◆ Eleven energy prepayment transactions totaling \$9.8 billion completed last few years for six California Community Choice Aggregators
 - East Bay Community Energy
 - Silicon Valley Clean Energy
 - Marin Clean Energy
 - Pioneer Community Energy
 - Clean Power Alliance
 - Central Coast Community Energy



Prepayments That Have Been Completed by CCAs in California

Date	Amt. (\$000)	Issuer	Description	Beneficiary
09/2021	1,234,720	California Community Choice Fin Auth	Elec (Green)	SVCE, EBCE
11/2021	602,655	California Community Choice Fin Auth	Elec (Green)	MCE
06/2022	931,120	California Community Choice Fin Auth	Elec (Green)	EBCE
12/2022	459,640	California Community Choice Fin Auth	Elec (Green)	Pioneer
01/2023	841,550	California Community Choice Fin Auth	Elec (Green)	SVCE
02/2023	998,780	California Community Choice Fin Auth	Elec (Green)	CPA
06/2023	958,290	California Community Choice Fin Auth	Elec (Green)	CPA
08/2023	997,895	California Community Choice Fin Auth	Elec (Green)	EBCE
10/2023	647,750	California Community Choice Fin Auth	Elec (Green)	CCCE
12/2023	1,038,285	California Community Choice Fin Auth	Elec (Green)	MCE
01/2024	1,101,625	California Community Choice Fin Auth	Elec (Green)	SVCE
Total	\$9,812,310			

All transactions to date have achieved @9.5% savings or better.

Most recent transactions have been over 12%



Prepayments That Have Been Completed by Municipal Utilities in California

Date	Amt. (\$000)	Issuer	Description	Beneficiary
06/2006	230,845	Vernon Nat. Gas Fin Auth	Nat Gas	City of Vernon Elec
01/2007	209,350	Roseville Natural Gas Fin Auth	Nat. Gas	City of Roseville Elec
05/2007	757,055	Northern Ca Gas Auth No. 1	Nat. Gas	SMUD
09/2007	887,360	Long Beach Bond Fin Auth	Nat. Gas	City of Long Beach
10/2007	504,445	So. Ca. Pub. Power Auth	Nat. Gas	Multiple MOUs
10/2007	251,695	Long Beach Bond Fin. Auth	Nat. Gas	City of Long Beach
08/2009	901,620	M-S-R Energy Authority	Nat. Gas	MID/Redding/SVP
10/2009	514,160	So. Ca Pub Power Auth (Windy Flats)	Elec (Wind)	LADWP, Mult. MOUs
04/2010	778,665	Cal. Statewide Comm Dev Auth	Nat. Gas	SMUD
2010/11	394,700	So. Ca Pub Power Auth (Milford 1 & 2)	Elec (Wind)	LADWP, Mult. MOUs
12/2018	539,615	Northern Ca Energy Auth	Gas/Elec	SMUD
5/2024	592,270	So. Ca Pub Power Auth (Energy Prepay)	Elec	Anaheim
Total	\$6,561,780			

SCPPA/APU transaction last month saved over 15% on old/expensive PPAs



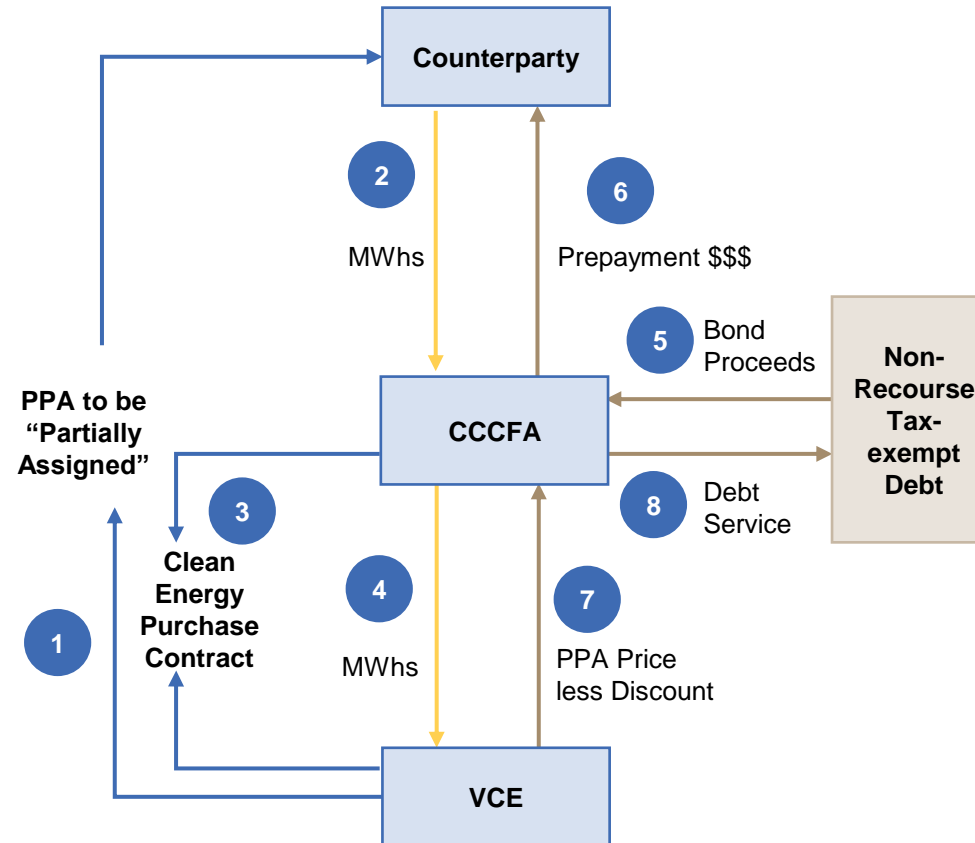
Entities Involved in an Energy Prepayment Transaction

- ◆ **VCE** – Has existing Power Purchase Agreement(s) for clean energy
- ◆ **Prepay Counterparty** – Typically a financial institution with a commodity presence or a financial institution partnered with a commodity market participant
- ◆ **Issuer** – Bond issuing entity formed for sole purpose of selling the prepayment bonds, typically a Joint Powers Authority (“JPA”). CCAs to date have used the California Community Choice Financing Authority (“CCCFA”).
- ◆ **Existing Power Supply Counterparty** – Agrees to limited assignment of the existing PPA
- ◆ **Bond Investors** – Purchase the non-recourse tax-exempt prepayment bonds



Summary of Energy Prepayment Structure Mechanics

- 1) VCE limited assigns PPA to Counterparty
- 2) The Counterparty delivers power to CCCFA via a Master Power Supply Agreement
- 3) VCE and CCCFA execute a Clean Energy Purchase Contract
- 4) CCCFA delivers power to VCE
- 5) CCCFA issues non-recourse tax-exempt bonds
- 6) CCCFA makes a prepayment to the Counterparty for power supply
- 7) VCE makes payments to CCCFA net of >8% savings
- 8) CCCFA makes debt payments with payments from VCE





How are the Savings Generated?

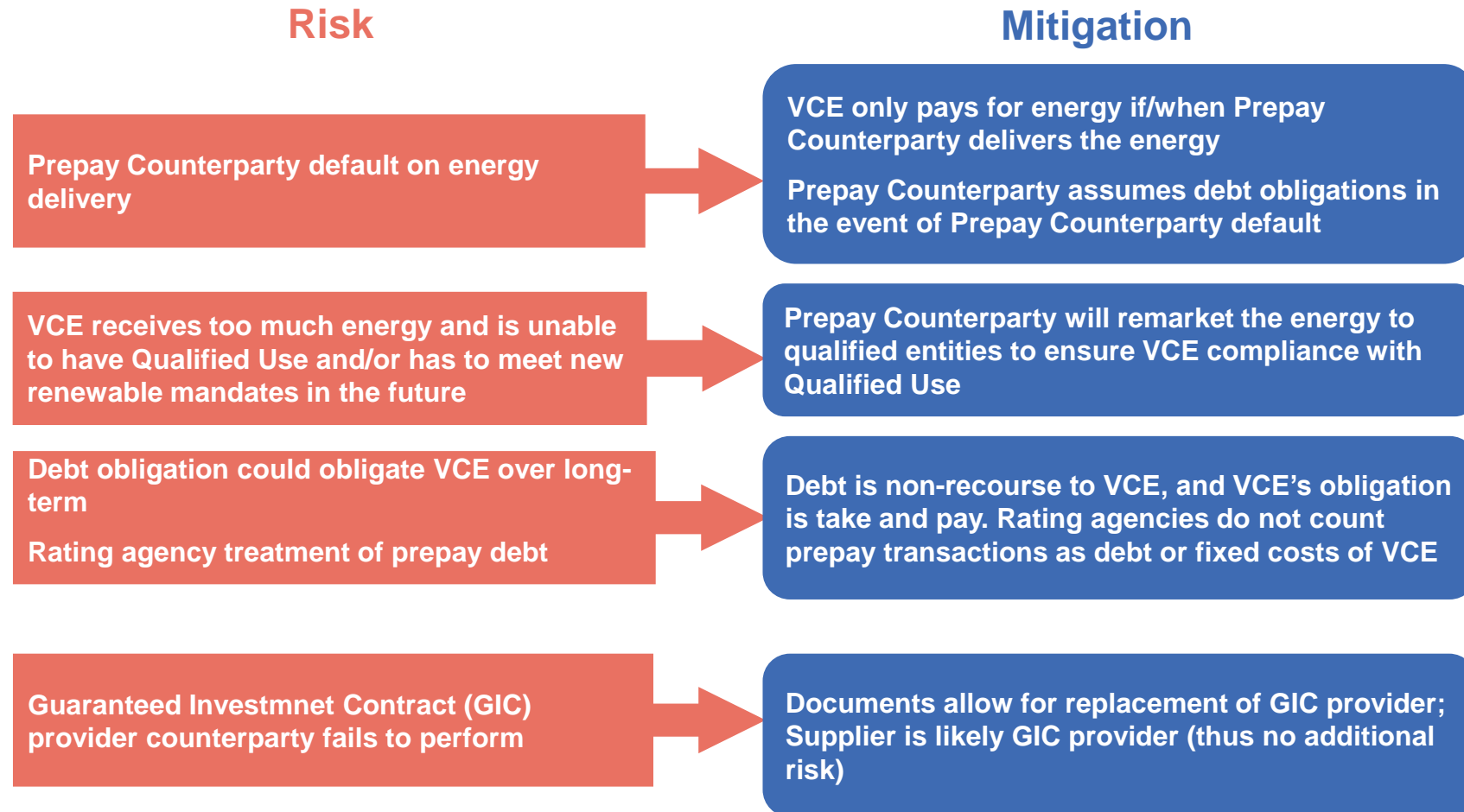
- ◆ The Counterparty values prepayment as an alternate source of capital funding at its higher cost of capital ~ 5%
- ◆ PPA fixed price cash flows of ~\$45MM annually over the life of the deal are discounted at that 5% rate to establish the upfront prepayment amount
- ◆ CCCFA issues tax-exempt bonds to pay the upfront prepayment at a lower interest cost ~ 4.25% versus the counterparty's funding rate of ~5%
- ◆ CCCFA bond payments ~\$40MM annually are lower than the existing ~\$45MM PPA payments
- ◆ ~\$5MM in cashflow savings are generated
- ◆ Savings are quoted net of all upfront and annual transaction expenses

Numbers are for illustration purposes only.



Favorable Risk Allocation – “Take-and-Pay” Structure

Key Risk – Transaction terminates and VCE no longer receives expected savings





pfm



Valley Clean Energy Board Meeting – Thursday, June 13, 2024

Item 14 – 2024 Mid-Year Financials Update



Public Comments

To Provide Public Comment on any agenda item please:

- E-mail 300 words or less to: meetings@valleycleanenergy.org

OR

If in person, complete a COMMENT CARD

OR

Join the Public Comment Queue by

- “Raising Hand” on Zoom Meeting

OR

- Press *9 if joining by phone

Emailed comments received **before** the item has concluded will be read into the record.

Emailed comments received **after** the item has concluded but before the end of the meeting will not be read
will be included in the meeting record.

Overview

VCE Staff continues to monitor and update the Board on budget performance for long-term financial sustainability and customer affordability. 2024 load actual have been lower than forecasted due to wet winter and lower spring temperatures.

This presentation will provide:

- Background of 2024 Budget Development
- 2024 Financials Update
- Short-term Outlook and Considerations
- Next Steps and Discussion

Item 14 – 2024 Mid-Year Financials Update : Budget Development

2024 Rates & Budget Background: Key objectives

- **Operating Days Cash** – Maintain Board approved cash target of +180 days
- ✓ **Debt Repayments** – Early repayment of term loan with River City Bank in 2023. (Completed)
- **Power Cost Contingencies** – (Increased)
 - Operational Contingency 5%/ \$3.6 M
 - \$1.5M for 2024 Resource Adequacy (RA) and Renewable Energy Certificates (RECs)
- **Power Purchase Agreement (PPA) Covenants** – Maintain PPA covenants (no letters of credit)
- **Investment Grade Credit Rating** – Update Timeline (Possible 2025)
- **Customer Programs and Dividends (Increased)**
 - \$2M in programs budgeted for 2024
 - ✓ **Customer Programs and Dividends Policy** - Q2 of 2024 (2023 audited financials)

Long-term Outlook: Fixed Price PPAs

- Will increase by ~114% in 2024
- 80%+ of VCE’s annual load by 2024
- Reduced VCE costs compared to current RPS and RA market costs
- Significantly reduce volatility as VCE moves forward (smaller open position) – Note: new RA “Slice of Day” regimen begins in 2025 increasing RA market uncertainty.

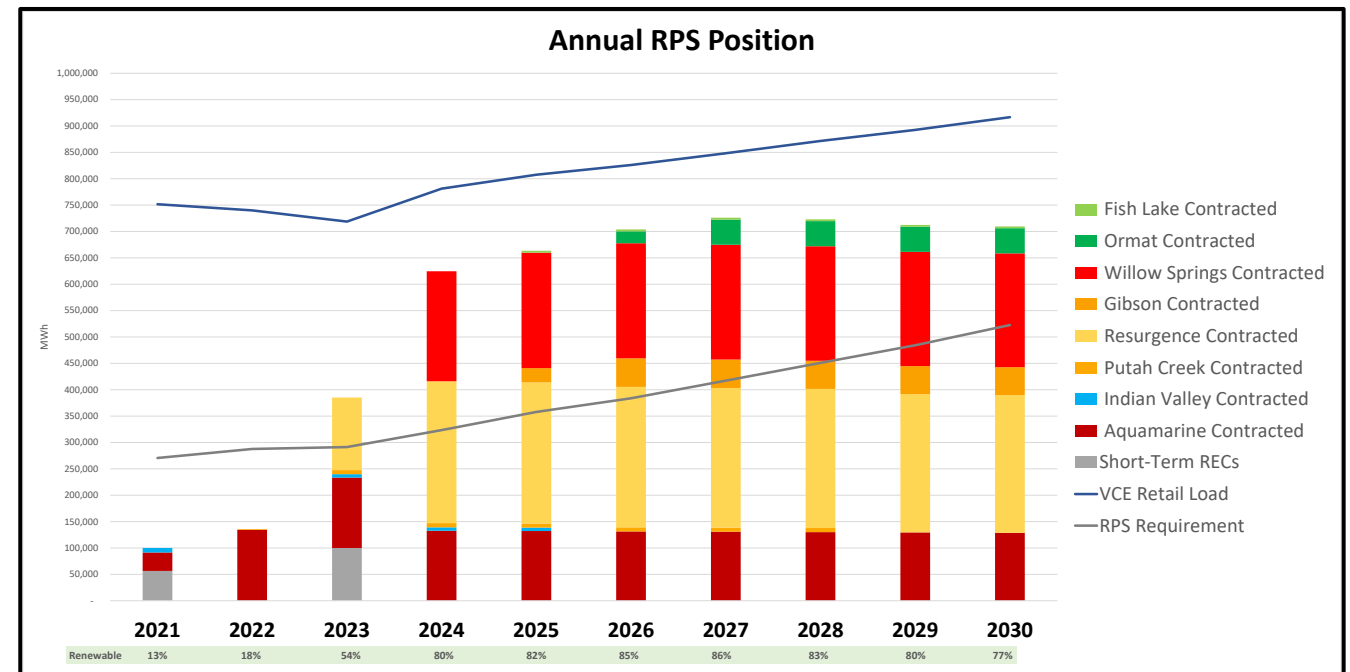
VCE PPA Contributions (Risk Reduction)

Description	2023	2024
Power Costs	Began 2023 with PPAs for ~150+ GWh (approx. 13% of VCE annual Load)	*Begin 2024 with PPAs for ~400+ GWh (approx. 50% of VCE annual Load)
Power Cost Contingencies	PPAs provide 75 MW RA (approx. 36% of VCE annual req.)	PPAs provide 143 MW RA (approx. 70% of VCE annual req.)



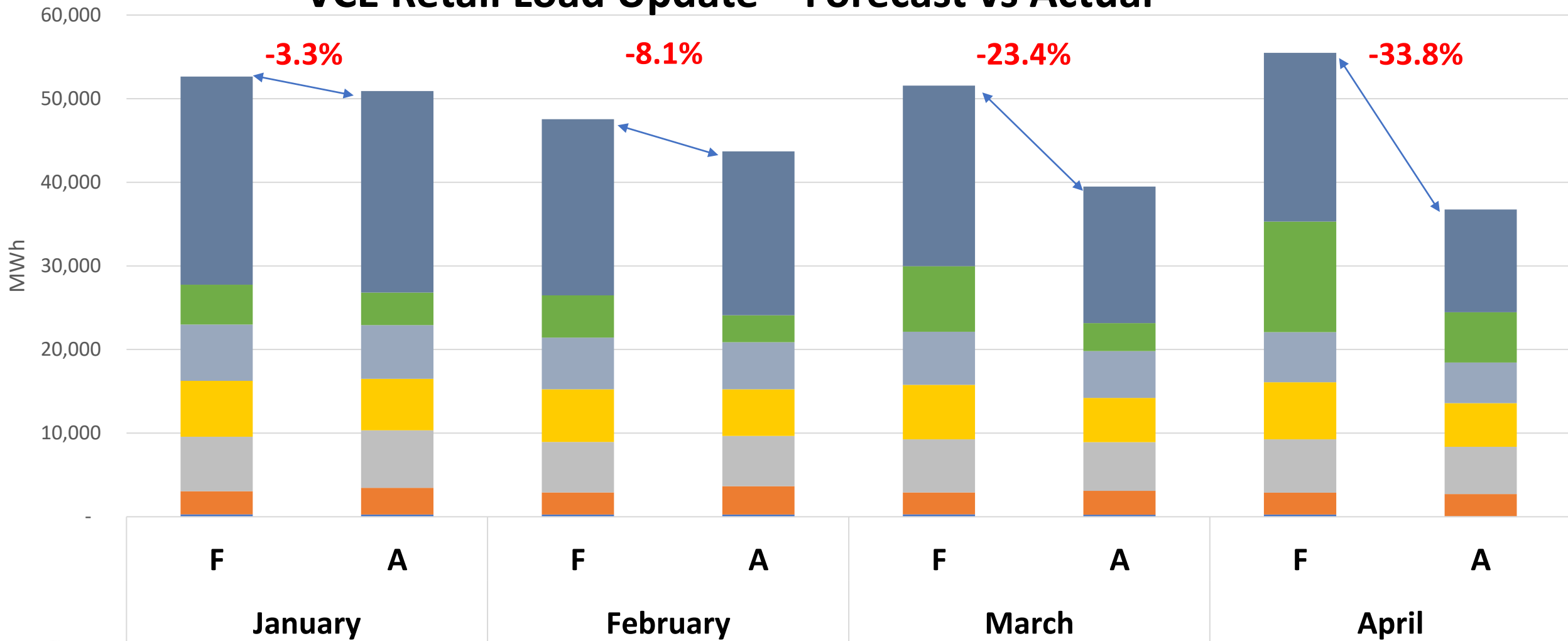
*Willy 9 Chap 2 Solar PV + Storage Project (72 MW PV /36 BESS / approx. 215,000+ MWhs)

VCE Current Renewable Portfolio Trajectory



Item 14 – 2024 Mid-Year Financials Update : Load Update

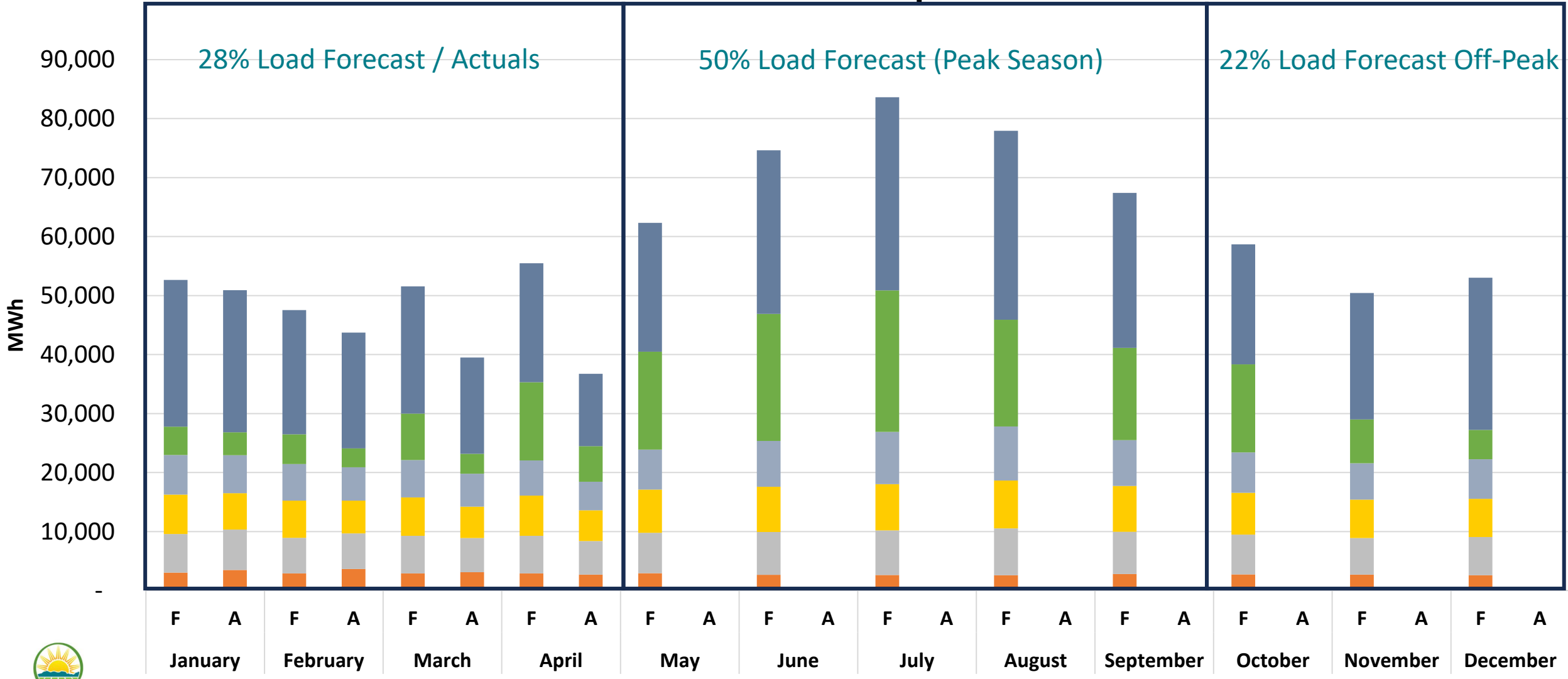
VCE Retail Load Update – Forecast vs Actual



■ Lighting
 ■ Industrial
 ■ Large Commercial
 ■ Med. Commercial
 ■ Small Commercial
 ■ Agriculture
 ■ Residential

Item 14 – 2024 Mid-Year Financials Update : Load Update

VCE Retail Load Update



Item 14 – 2024 Mid-Year Financials Update : Proforma

2024 Budget Proforma Update (4 Months Actuals – unaudited)

Description	APPROVED 2024 BUDGET	2024 Proforma (4 Month Actuals + 8 Month Budget)	Variance
Revenue	\$ 107,050	\$ 104,519	\$ (2,531)
Power Cost	\$ 75,200	\$ 76,634	\$ (1,434)
Other Expenses	\$ 7,350	\$ 7,350	\$ -
Net Income	\$ 24,500	\$ 20,536	\$ (3,964)

Note: The table does not account for anticipated increased power market price, renewable energy credits, and resource adequacy costs

Key Highlights

- Revenues are lower than forecasted primarily due to lower load during mild wet winter and cool spring.
- Power Costs have been higher than budgeted due to solar curtailment and lower winter temperatures.

Item 14 – 2024 Mid-Year Financials Update : 2024/25 Outlook

Factors Impacting Forward Power Costs

2024 Mild Weather & Spring → Lower Energy Costs for 2024/2025

- Increased supply of hydro power → increase RECs / decreased energy prices
- Increased curtailment of solar → decreased PPAs value / increase REC costs
- Increased supply of natural gas storage → lower winter energy forwards

Resource Adequacy Costs Higher - 2025 Slice of Day (Next Slide)

- Increase demand for compliance – offset cost reductions / increase total costs
- RA costs are forecasted to normalize over the long-term (+3 years)

PG&E 2025 PCIA & Rates Proceeding

Lower power costs result in increased volatility in competitive rates for cost recovery.

- PCIA is currently forecasted to increase significantly in 2025 (2024 under-collection) ~\$14M Revenue Impact
- PG&E Bundled Rates are currently forecasted to decrease 2025 ~\$10M Revenue Impact

Item 14 – 2024 Mid-Year Financials Update : 2024/25 Outlook

2025 Slice of Day (SOD) Compliance Outlook

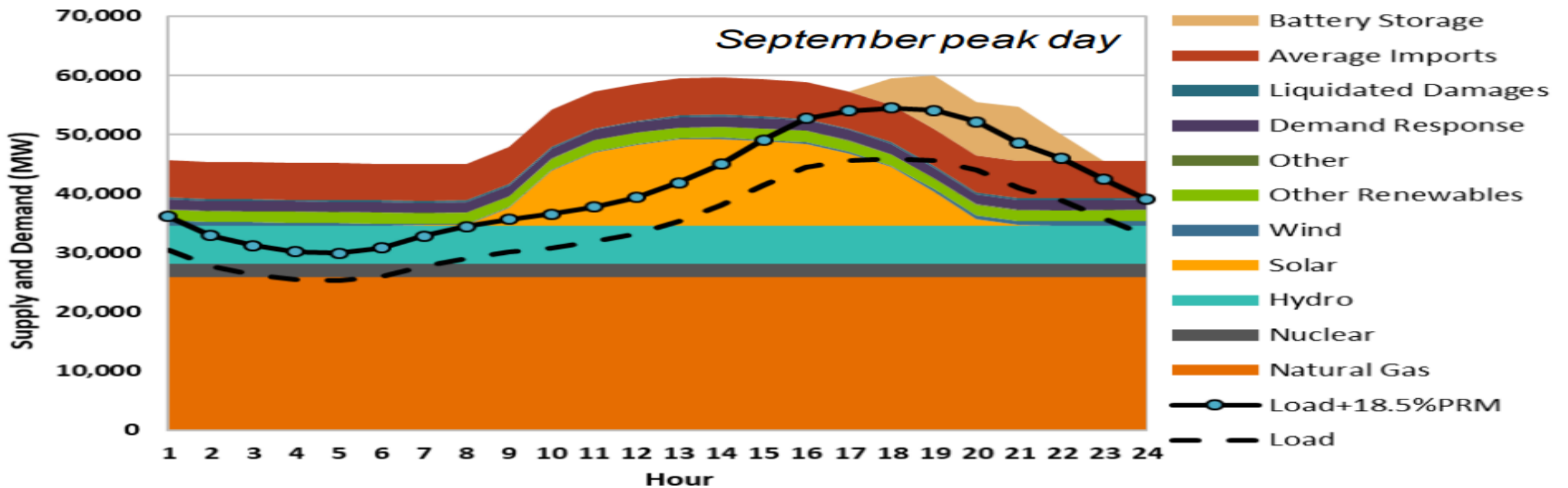
- Slice of Day Transactability (Hourly) - no trading or SWAP market currently allowed
- California Public Utilities Commission (CPUC) planning reserve margin of 17%
- Increased demand for base Load – shift from peak load
- New resources constrained by IOUs transmission systems (interconnection backlog)
- Final CPUC SOD decisions / allocations to be released in July
- Increased Power Costs → increase power cost trading collateral (cash or letters of credit)

2025 Other Considerations – Possible Mitigation Strategies (Reduce Costs)

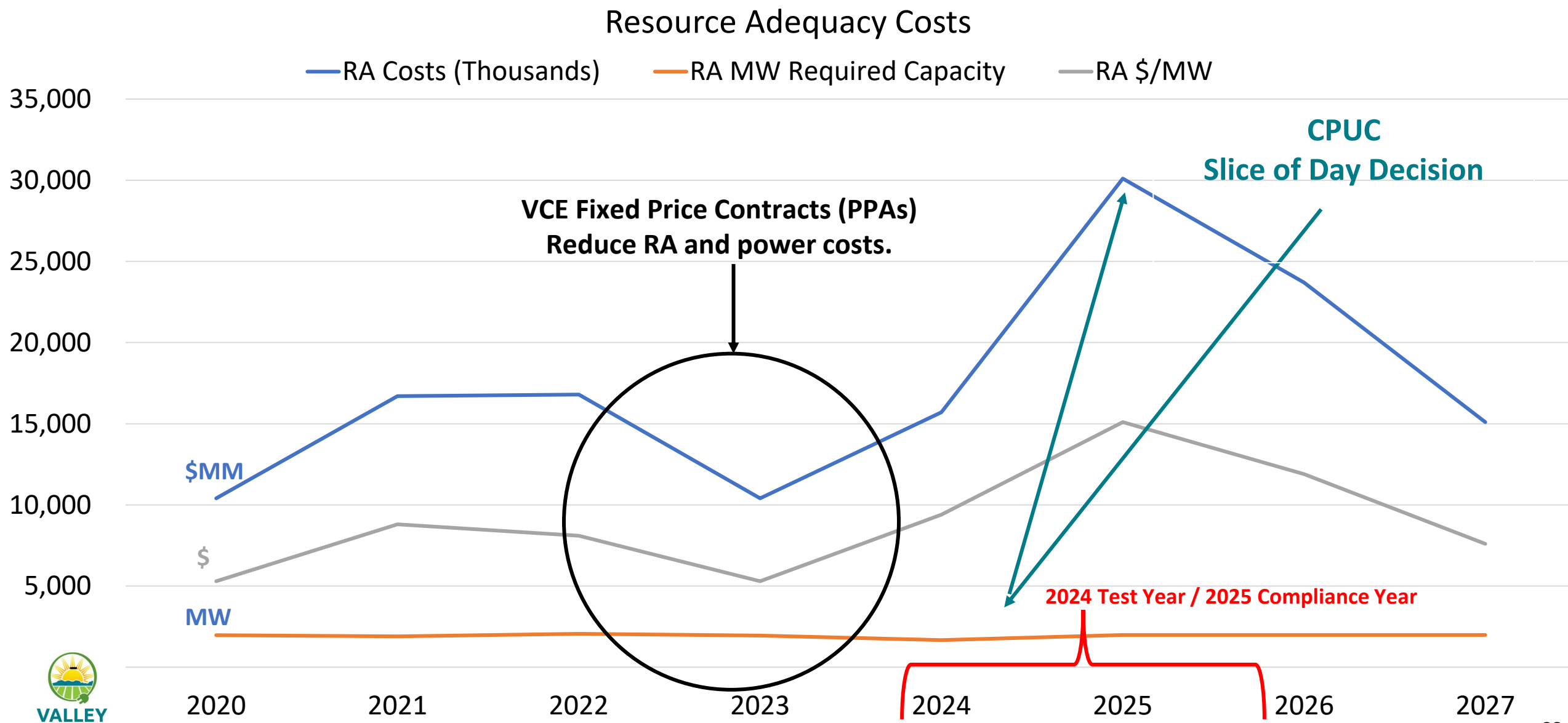
- Power Purchase Agreement Prepay – decrease overall power costs (Debt Policy)
- Sell Long RA positions & Renewable Energy Credits - market value at all-time high (Procurement Policy)
- Raise Rates for Power Costs (Standard Green higher than PG&E) (Rate Policy)
- Increased timeline for initial investment grade credit rating (2028 Strategic Plan Goal)

Item 14 – 2024 Mid-Year Financials Update : CAISO 2024 RA Outlook

Multi-hour stack analysis indicates that expected resources are sufficient to meet forecasted demand plus an 18.5 percent reserve margin in all summer months



Item 14 – 2024 Mid-Year Financials Update : RA Outlook (Example)



Item 14 – 2024 Mid-Year Financials Update : Next Steps / Discussion

Next Steps

- June 2024 – Issuance of RFP for PPA pre-payment (July RFP Award)
- July 2024 – Release of CPUC final decision and evaluate power cost mitigation strategies.
- September 2024 - Return to Board with power cost mitigation and financial forecast update.
- October – December 2025 budget process.

Discussion