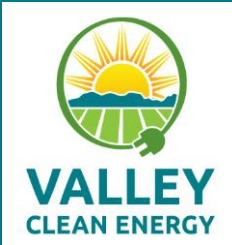




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Valley Clean Energy Board Meeting – October 10, 2024



Item 14 - Receive legislative update presented by Pacific Policy Group.

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

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

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Item 14 - Receive legislative update

2024 Session Look Back

- New Leadership and Assembly U&E Chair
- Budget Deficit of \$45 Billion
- Focus Shifts from Reliability to Affordability
 - Reliability improves
 - Rate increase after rate increase
 - Income Graduated Fix Charge “IGFC”
 - NEM changes
 - “Affordability Package”
- Special Session Once Again

Item 14 - Receive legislative update

2025-26 Session Look Ahead: Landscape

- Governor Newsom enters final two years
 - All state constitutional officer races
- Many new members coming in 2025
 - 2024 ends first cycle of new term limit rules
- Senator Dodd Terms Out
- Senate Leadership Transition?
 - Senate Pro Tem. Mike McGuire terms out in 2026
- Budget Stability

2025-26 Session Look Ahead: Considerations

- Affordability Still a Concern
 - AB 3264 Implementation
- Senate Energy and Assembly U&E Changes
 - Sens. - Chair Bradford, Eggman, Min, Skinner out
 - Asms. - Friedman, Holden, Ting, Wood out
- Regional Grid
 - West-Wide Governance Pathways Initiative



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VCE Board of Directors Meeting – October 10, 2024



Item 15 - 2024 Operating Budget Update / 2025 Preliminary Budget

Public Comments

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Item 15 – 2024 Operating Budget Update / 2025 Preliminary Budget

Overview

VCE's 2024 Operating Budget net financial results are than forecasted primarily due to a significantly lower load than forecast for 2024. VCE's short-term (2025) outlook indicates increased volatility in power market prices, Resource adequacy, and Renewable Energy Credits (RECs). VCE's Longer-term outlook (2026-2028) indicates healthy margins/reserves.

This presentation will provide:

- Key Factors influencing short-term operating budgets
- 2024 Financials Update
- 2025 Preliminary Budget and Multi-Year Forecast Update



1. Key Factors influencing short-term operating budgets

Key factors – Operating Budgets Results

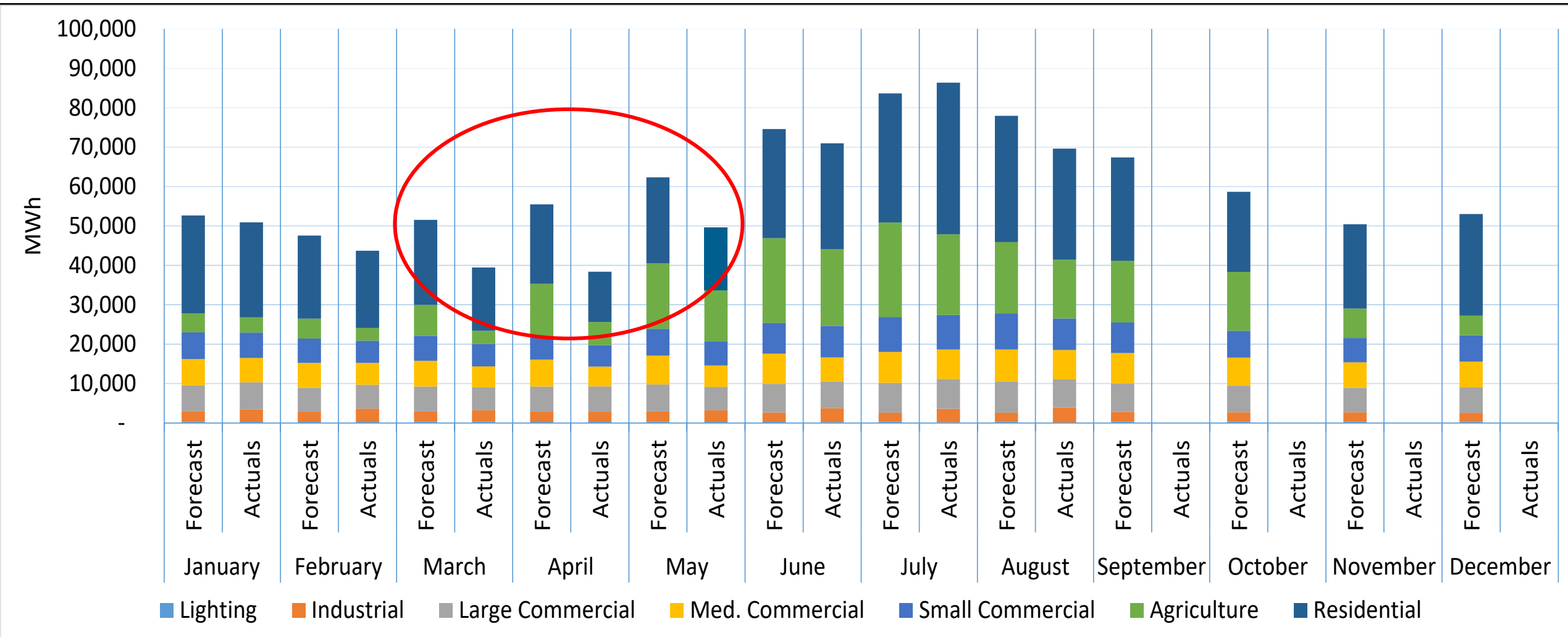
- Load Forecast - 2024 energy use has been significantly less than forecasts due to (1) residential and (2) commercial use related to agriculture due to wet and long winter, lower overall summer temperatures, and reduced heat events.
- Power Prices –
 - Average forward market power prices for energy have decreased from the high 2022/23 winter costs due to an abnormally wet winter and increased hydro production from 2023 and 2024.
 - Average forward market prices for portfolio attributes (Resource Adequacy and Renewable Energy Credits) remain at all time highs.
- Budgeted revenues - Budgeted normalized load revenues have not fully materialized due to the lower overall load as described above.

2. 2024 Financials Update



Item 15 – 2024 Operating Budget Update / 2025 Preliminary Budget

VCE Retail Load Update (Forecast v. Actual)



Item 15 – 2024 Operating Budget Update / 2025 Preliminary Budget

2024 Budget Proforma Update (8 Months Actuals – unaudited)

Description	APPROVED 2024 BUDGET	2024 Proforma (8 Month Actuals + 4 Month Budget)	Variance
Revenue	\$ 103,881	\$ 103,478	\$ (403)
Power Cost	\$ 75,200	\$ 80,490	\$ (5,290)
Other Expenses	\$ 6,800	\$ 6,250	\$ 550
Net Income	\$ 21,881	\$ 16,738	\$ (5,143)

Key Highlights

- Budgeted Revenues - Lower than normalized load has resulted in lower revenues.
- Power Costs – Lower near term power costs have been outpaced by RA and Renewable Energy Credits prices.

3. 2025 Preliminary Budget and Multi-Year Forecast Update

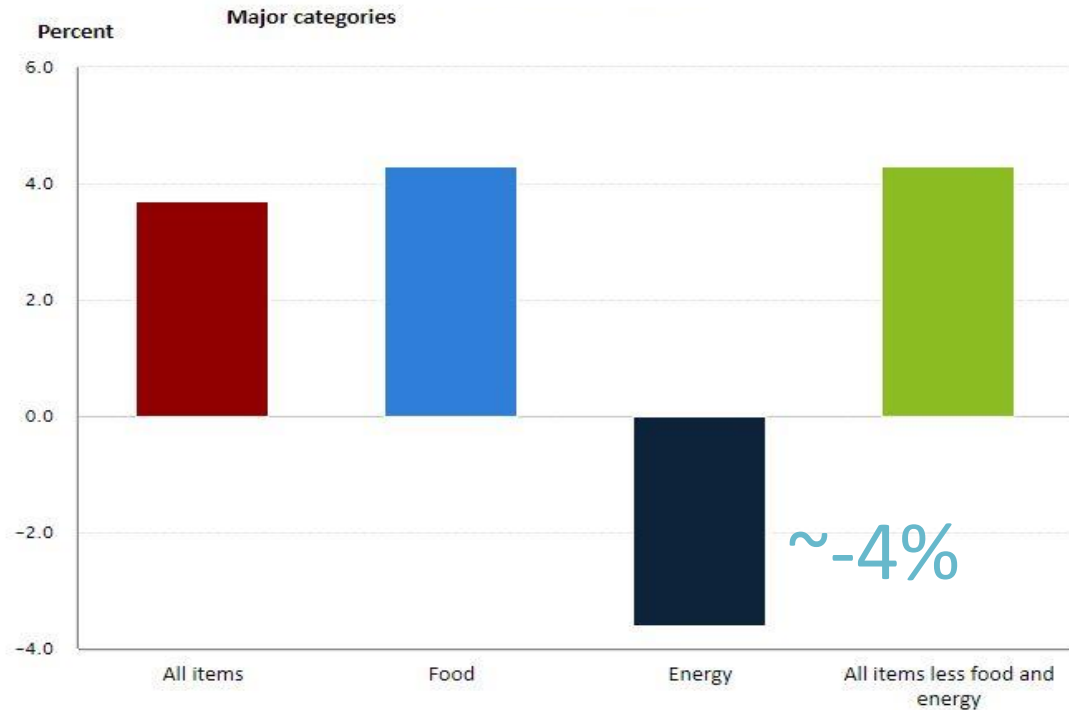
Item 15 – 2024 Operating Budget Update / 2025 Preliminary Budget

Inflation costs drivers have become more stable

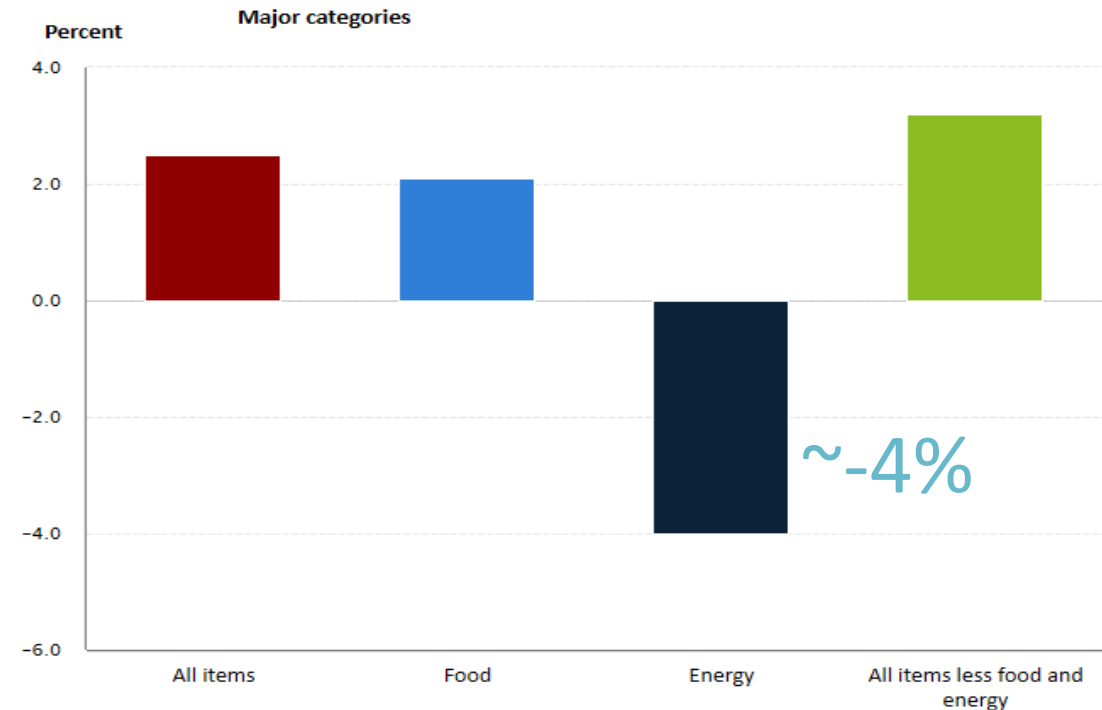
2023 CPI Trend (Prior Year)

2024 CPI Trend (Current Year)

12-month percentage change, Consumer Price Index, selected categories, August 2023, not seasonally adjusted



12-month percentage change, Consumer Price Index, selected categories, August 2024, not seasonally adjusted



Item 15 – 2024 Operating Budget Update / 2025 Preliminary Budget

Resource Adequacy (RA)

- RA Contributions from PPAs have been outpaced by RA cost increases
- Forecast for future years (2026-2028) reduced pricing
- CPUC is currently reviewing possible increases for Load Serving Entity (LSE) RA requirements

2023 RA Trend (Prior Year – Traditional RA Market)

	(8 Month Actuals + 4 Month Budget)	Preliminary Forecast*			
	2023	2024	2025	2026	2027
Resource Adequacy (in thousands)	11,940	12,500	3,700	3,900	4,095

2024 RA Trend (Current Year – Slice of Day Market)

	(8 Month Actuals + 4 Month Budget)	Preliminary Forecast			
	2024	2025	2026	2027	2027
Resource Adequacy (in thousands)	↑ 21,255	↑ 16,100	↑ 18,700	↑ 13,800	↑ 11,500

Item 15 – 2024 Operating Budget Update / 2025 Preliminary Budget

VCE Multi-Year Outlook

Description	Actuals		(8 Month Actuals + 4 Month Budget)	Preliminary Forecast*			
	2022	2023	2024	2025	2026	2027	2028
Customer Revenue	85,323	95,430	103,478	88,900	97,500	99,900	100,400
Power Cost	75,130	68,528	80,490	67,420	79,400	75,800	72,900
Other Expenses	4,469	6,030	6,250	7,200	7,200	7,920	8,712
Net Income	5,724	20,872	16,738	14,280	10,900	16,180	18,788

{ Reserve Building (+180 Minimum) }

{ Net Margin Policy Targets }

Key Highlights

- VCE expects continued 2025 power cost volatility due to higher resource adequacy.
- VCE has the ability to continue cost mitigation by adjusting RPS (sell RECS), Net Margin, and reserve targets.



*The table does not account for increased power market prices, heat-wave or drought load impacts, renewable energy credits, and resource adequacy costs above 5% budgeted contingencies.

Other Considerations

- Lower Power Prices - Generally, decreased power costs decrease PG&E rates, increase PCIA, and decrease VCE's ability to set competitive rates. These impacts are normalized by VCE's Power Purchase Agreements and hedging strategies.
- Budget Other operating expenses (not including power costs) are nearly flat compared to the 2023 budget, reflecting only a 3% increase
- 2025 Programs Expenditures – VCE continues to make significant contributions in support of customer programs. VCE anticipates spending \$1M in designated program funds in 2025 from non-reimbursable programs and \$2M including reimbursable programs (i.e. grants)

Next Steps and Discussion



Next Steps

2024 Budget

- ✓ October 2024 – Preliminary Update - Includes additional power cost activities for RA & energy
- November 2024 – Budget Update
 - Includes updated ERRR (PCIA and PG&E Bundled Rates) proceeding ?
 - Includes additional Budget Scenarios for discussion and feedback
- December 2024 – Recommended 2025 VCE Customer Rates and Budget for Adoption

Discussion