

VCE Board of Directors Meeting – November 12, 2026

Item 14 – VCE Customer Rates & PCIA Workshop

VALLEY CLEAN ENERGY

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.

VALLEY CLEAN ENERGY

Item 14 – VCE Customer Rates & PCIA Workshop: Overview

Overview

What it is and why it moves

PCIA 101

Set in PG&E's annual ERRA filings; rises as market prices fall

2027 headroom per kWh

–0.7¢

Lower PG&E rates and a high PCIA squeeze VCE revenue

CPUC PCIA rulemaking

2025–2028

Annual ERRA updates plus a multi-year review of PCIA rules

In this presentation

1. Rates & PCIA 101
2. PCIA & Net Income
3. Regulatory Outlook

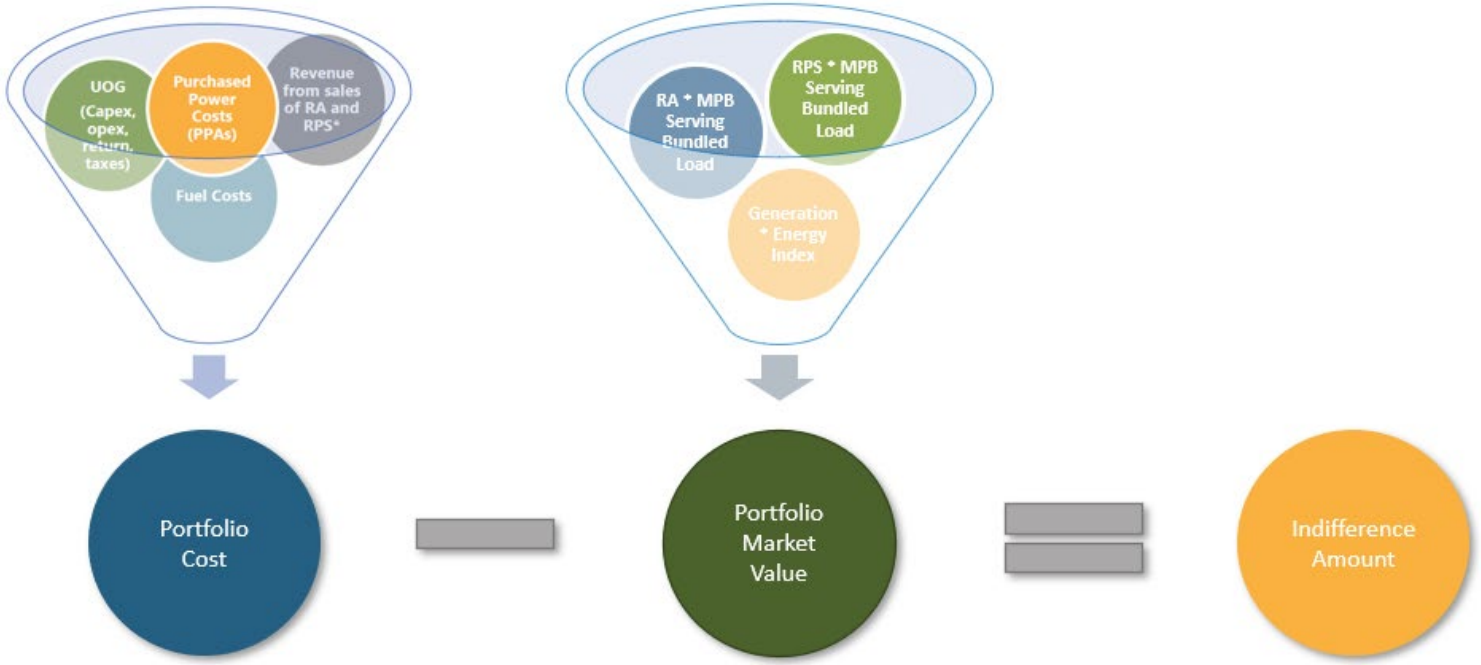
VALLEY CLEAN ENERGY

VCE Customer Rates & Power Charge Indifference Adjustment (PCIA) 101

Item 14 – VCE Customer Rates & PCIA Workshop: PCIA 101

Power Charge Indifference Adjustment (PCIA)

- Customers that leave IOU generation service must continue to pay their share of resources procured on their behalf so that remaining IOU customers are 'indifferent' (i.e., no costs are shifted between customer groups)
- Indifference Amount, or PCIA, is often referred to as the 'above-market cost' of generation



Source: CalCCA

Definitions

UOG – Utility Owned Generation

PPA – Purchase Power Agreement

RA – Resource Adequacy

RPS – Renewable Portfolio Standard

MPB – Market Price Benchmark

PCIA – Power Charge Indifference Adjustment

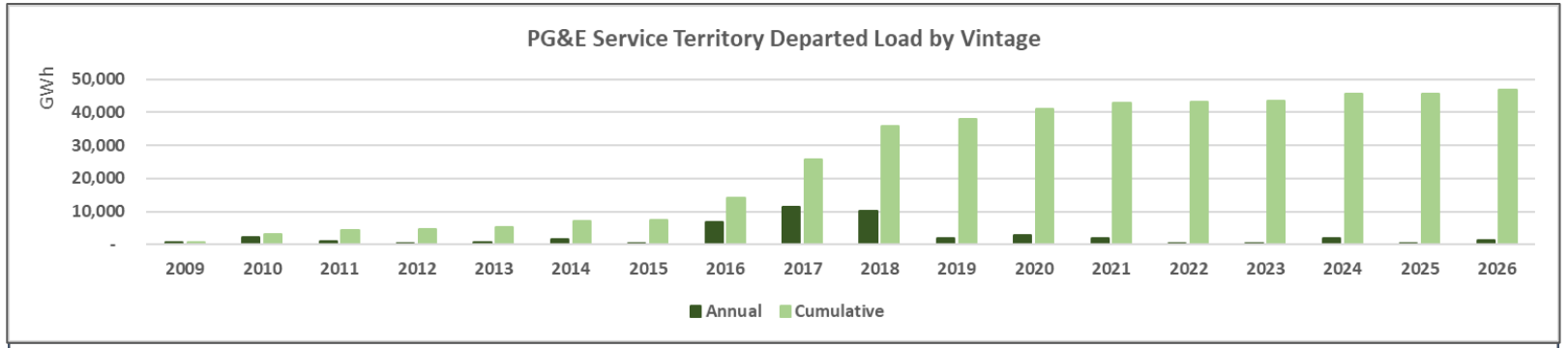
IOU – Investor-Owned Utility

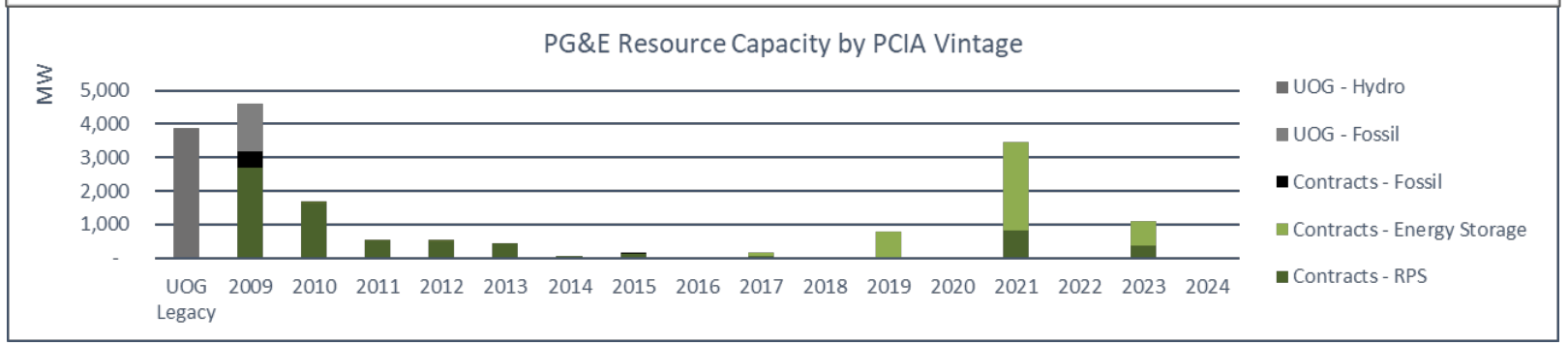
VALLEY CLEAN ENERGY

Item 14 – VCE Customer Rates & PCIA Workshop: Rates/PCIA 101

Generation resources and customers are assigned vintages

- Customer vintage = date of unbundled service.
- Generation vintage = date of contract execution or Commission approval.
- Departed load continues to pay for resources in vintages prior to and including the customer vintage.
- Customers in different vintages may have very different PCIA rates due to new resource procurement.

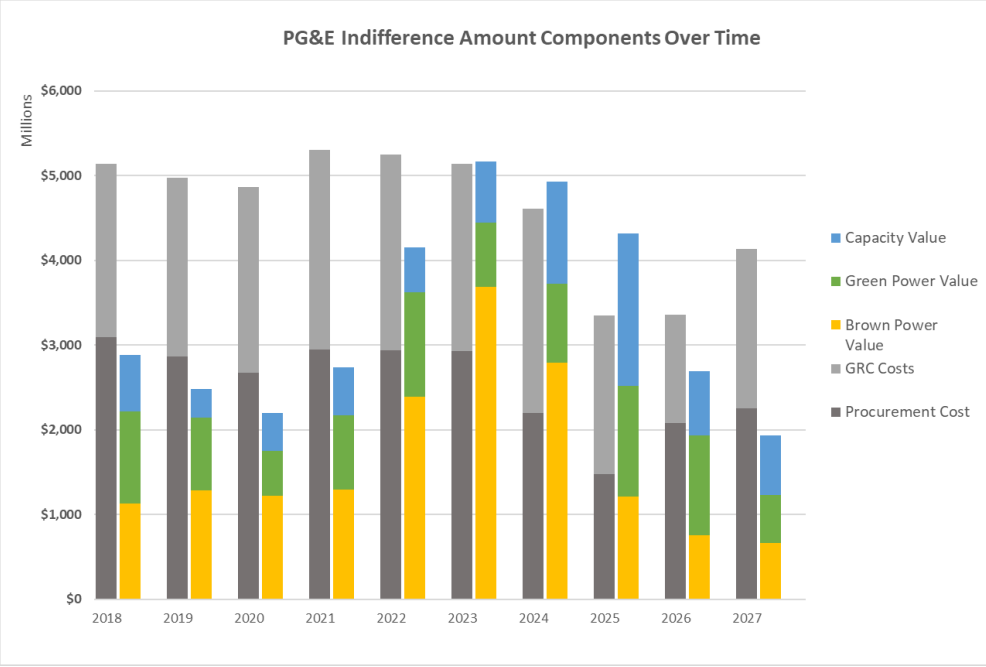


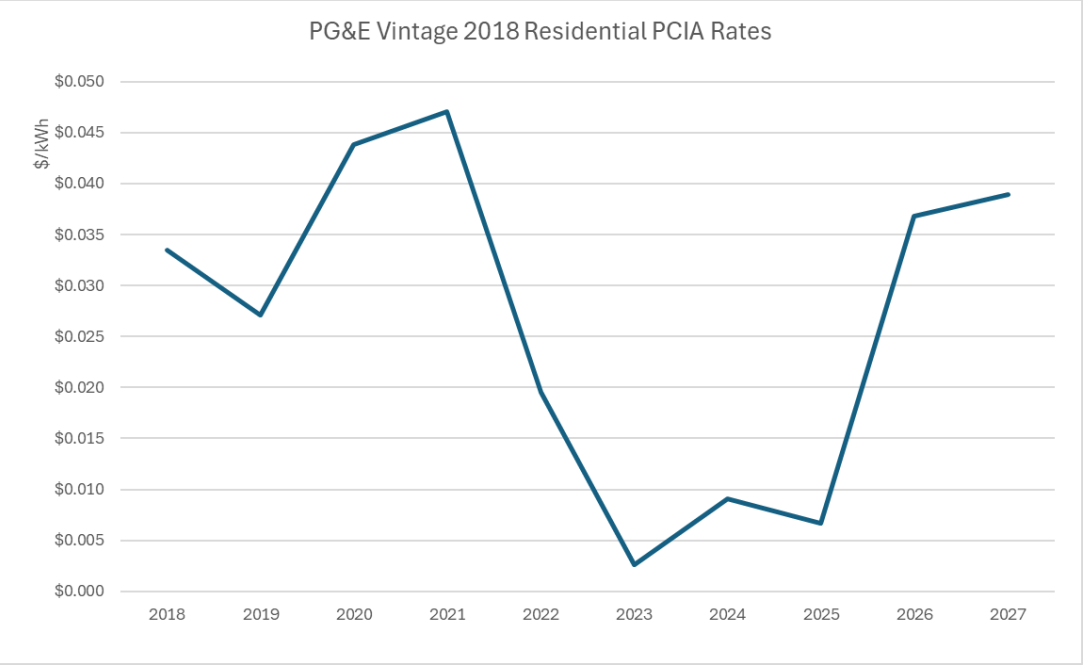


VALLEY CLEAN ENERGY

Item 14 – VCE Customer Rates & PCIA Workshop: Rates/PCIA 101

- Fluctuations in market prices for energy, capacity (RA) and green environmental attributes (RPS) drive changes in PCIA rates
- Current PCIA rates have bounced back from historically low levels.
  - Sharp increases in energy, RPS, and RA prices increased value and reduced PCIA rates starting in 2022.
  - Falling prices for energy, RPS and RA attributes drove value lower and PCIA rates higher in 2026.

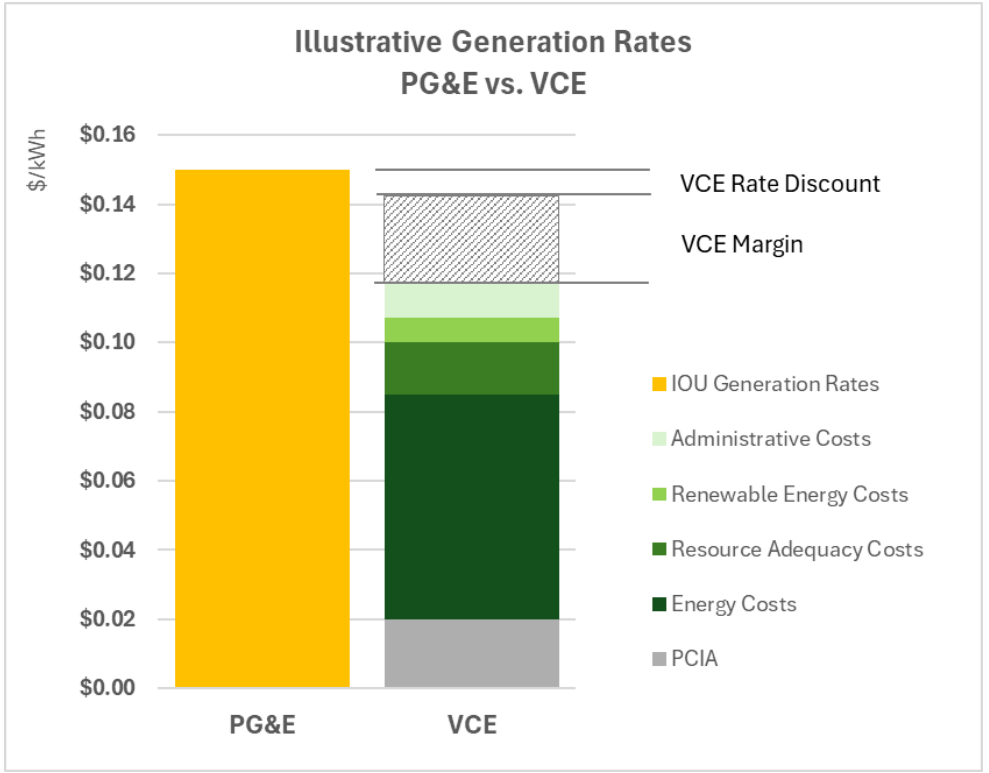




VALLEY CLEAN ENERGY

Item 14 – VCE Customer Rates & PCIA Workshop: Rates/PCIA 101

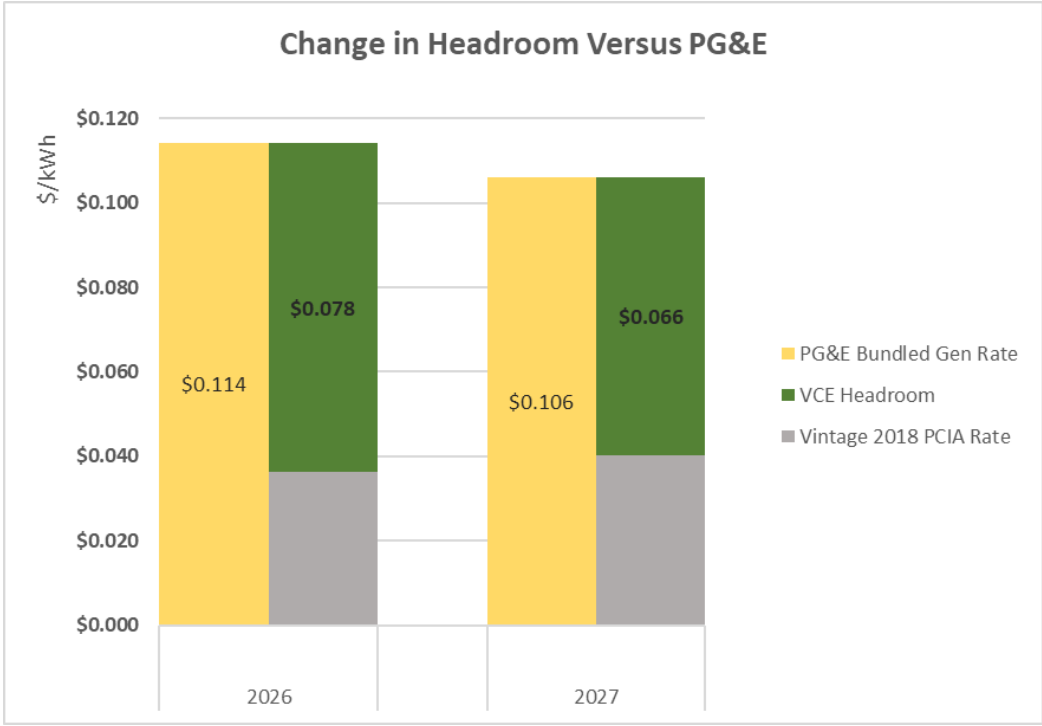
- VCE rates are determined relative to PG&E generation rates
- VCE customers pay VCE rates (to VCE) and the PCIA (to PG&E)
- VCE rates are set at a discount to PG&E
  - VCE + PCIA = 5% less than PG&E generation rates
  - If PCIA shrinks, VCE revenue increases
  - If PCIA grows, VCE revenue decreases
- Revenue from VCE generation rates must cover VCE's costs



VALLEY CLEAN ENERGY

Item 14 – VCE Customer Rates & PCIA Workshop: Rates/PCIA 101

- Difference between PG&E's bundled customer generation rate and PCIA rates is VCE's competitive differential (aka 'headroom')
- For VCE to stay competitive, headroom must cover VCE costs and margin
- Headroom is shrinking in 2027 due to higher PCIA rates and lower PG&E generation rates

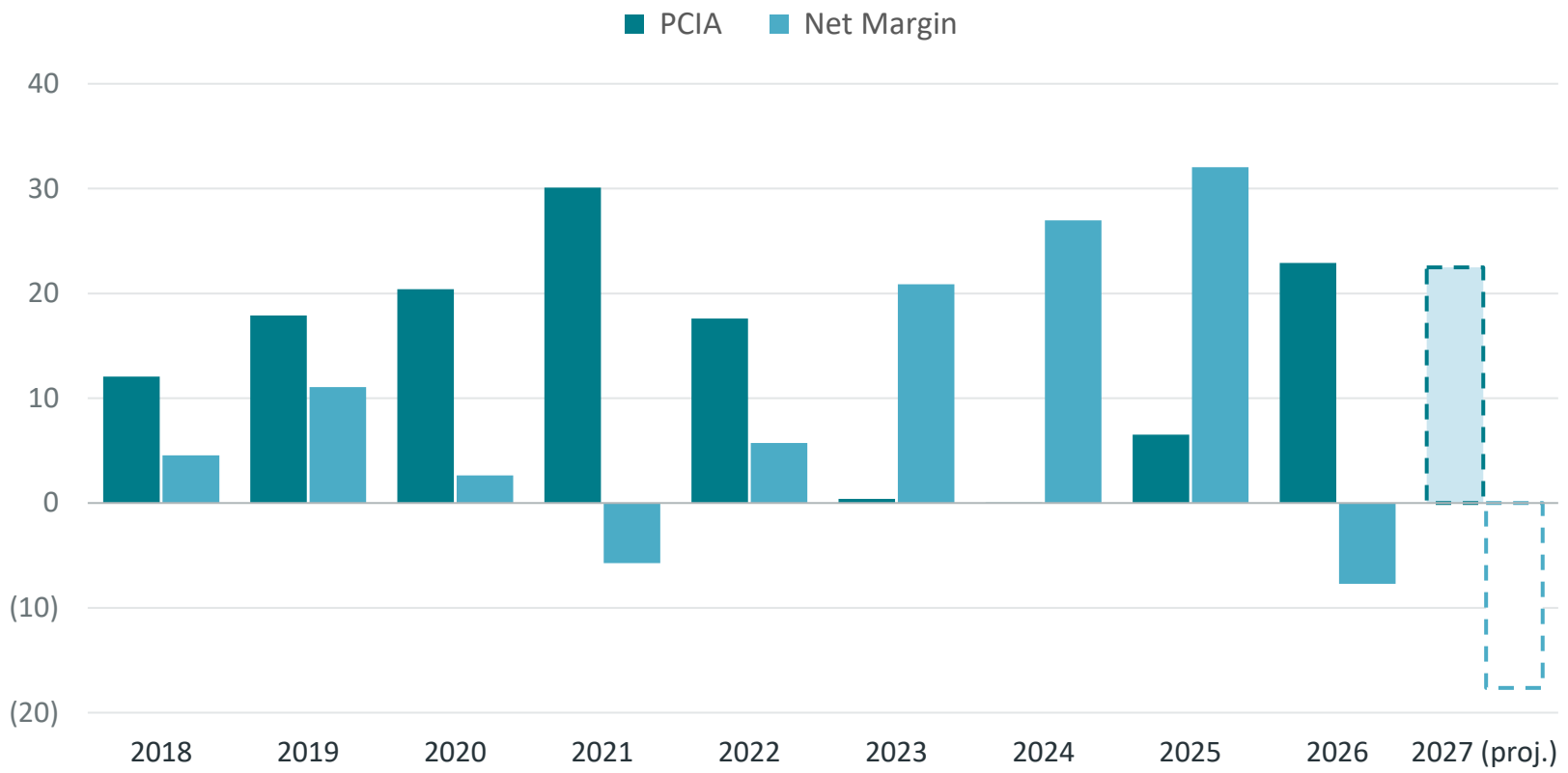


VALLEY CLEAN ENERGY

Item 14 – VCE Customer Rates & PCIA Workshop: PCIA & Net Income

When the PCIA rises, VCE's net margin falls

PG&E PCIA charges on VCE customers vs. VCE net margin, $ millions



2027 projected (Scenario 1, dashed). 2026 = proforma (9 months actuals + 3 months forecast).

2021

PCIA peaks at $30.1M; net margin ($5.7M)

2023–25

PCIA near zero to $6.5M; margins of $20.9M to $32.0M

2026–27

PCIA back to ~$23M; margin ($7.7M) and ($17.6M) projected

VALLEY CLEAN ENERGY

Item 14 – VCE Customer Rates & PCIA Workshop: Regulatory Policy

Annual Energy Resource Recovery Account (ERRA) filings at the CPUC

- PCIA rates are determined in an annual regulatory proceeding
  - Initial ERRA Forecast filings are filed May 15 annually
  - Updated in October with the latest Market Price Benchmarks
  - Updated in November and December to roll in latest true up months
- New PCIA and bundled generation rates are effective January 1 annually

VALLEY CLEAN ENERGY

Item 14 – VCE Customer Rates & PCIA Workshop: PCIA Changes

CPUC PCIA Policy Proceeding (PCIA Order Instituting Rulemaking (OIR))

- Short term: Changes to RA and RPS value
  - RA MPB calculation now averages three years of market prices rather than one
    - High RA prices in 2025 are still in the current RA MPB, preventing even lower PCIA value
    - Low RA prices in 2026 will persist in the MPB for three years
    - The MPB will be less volatile than previously
  - CPUC is assigned zero value to RPS attributes generated and banked by the IOUs prior to 2019
    - After PG&E uses its newer RPS attributes, it will be able to rely on older RECs at no cost to bundled customers
- Long term: Revisit the broader PCIA framework
  - Next up: discussions on re-vintaging resources and changes to RPS MPB
  - CPUC will then consider “improvements to existing ERRA and PCIA rules, mechanisms, and processes.”
  - Three-year process – 2025-2028

VALLEY CLEAN ENERGY

Item 14 – VCE Customer Rates & PCIA Workshop: Summary & Discussion

Summary & discussion

1. The PCIA is set annually through PG&E's ERRA filings and is outside VCE's control
2. VCE rates plus the PCIA are set relative to PG&E generation rates — a higher PCIA means lower VCE revenue
3. Headroom shrinks in 2027: lower PG&E generation rates and a PCIA near 2026 levels (~$22.5M)
4. The CPUC PCIA rulemaking continues through 2028; staff will monitor and report back

These factors inform the 2027 budget and customer rate scenarios presented in Item 15.

VALLEY CLEAN ENERGY



VCE Board of Directors Meeting – November 12, 2026

Item 15 – 2026 Operating Budget Update / 2027 Preliminary Budget

VALLEY CLEAN ENERGY

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.

VALLEY CLEAN ENERGY

Item 15 – 2026 Operating Budget Update / 2027 Preliminary Budget

Overview

2026 better than budget

$8.0M

Proforma net loss of ($7.7M) vs. ($15.8M) adopted budget

2027 Budget scenarios net loss range

($14.2–17.6M)

Three rate discount scenarios; all keep Operating Reserve above 180 days

Planned mid-year evaluation

May 2027

Final PG&E rates, energy prices and updated forecasts

In this presentation

1. 2026 Financials Update
2. 2027 Preliminary Budget & Multi-Year Outlook
3. Next Steps

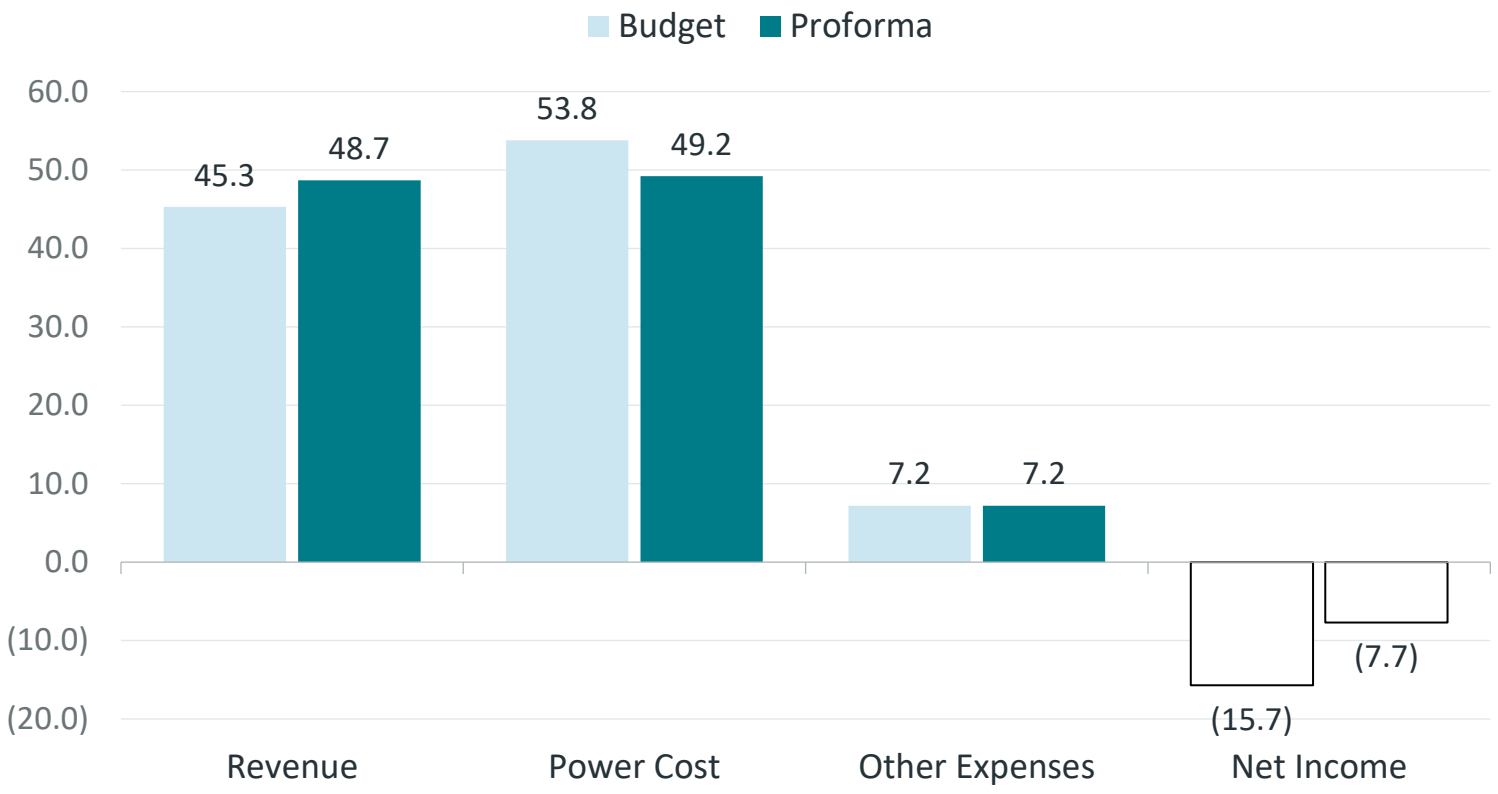
VALLEY CLEAN ENERGY

1. 2026 Financials Update

Item 15 – 2026 Operating Budget Update / 2027 Preliminary Budget

2026 Proforma: ($7.7M) net loss, $8.0M better than budget

2026 budget vs. proforma (9 months actuals + 3 months forecast, $ millions, unaudited)



+$3.4M
Revenue vs. budget
PCIA true-up in PG&E's 2026 rates

–$4.6M
Power cost vs. budget
Lower load, prices; unused contingency

–$2.3M
Other expenses YTD vs. budget
Programs –$0.9M · Admin –$1.4M

+$8.0M
Net income vs. budget

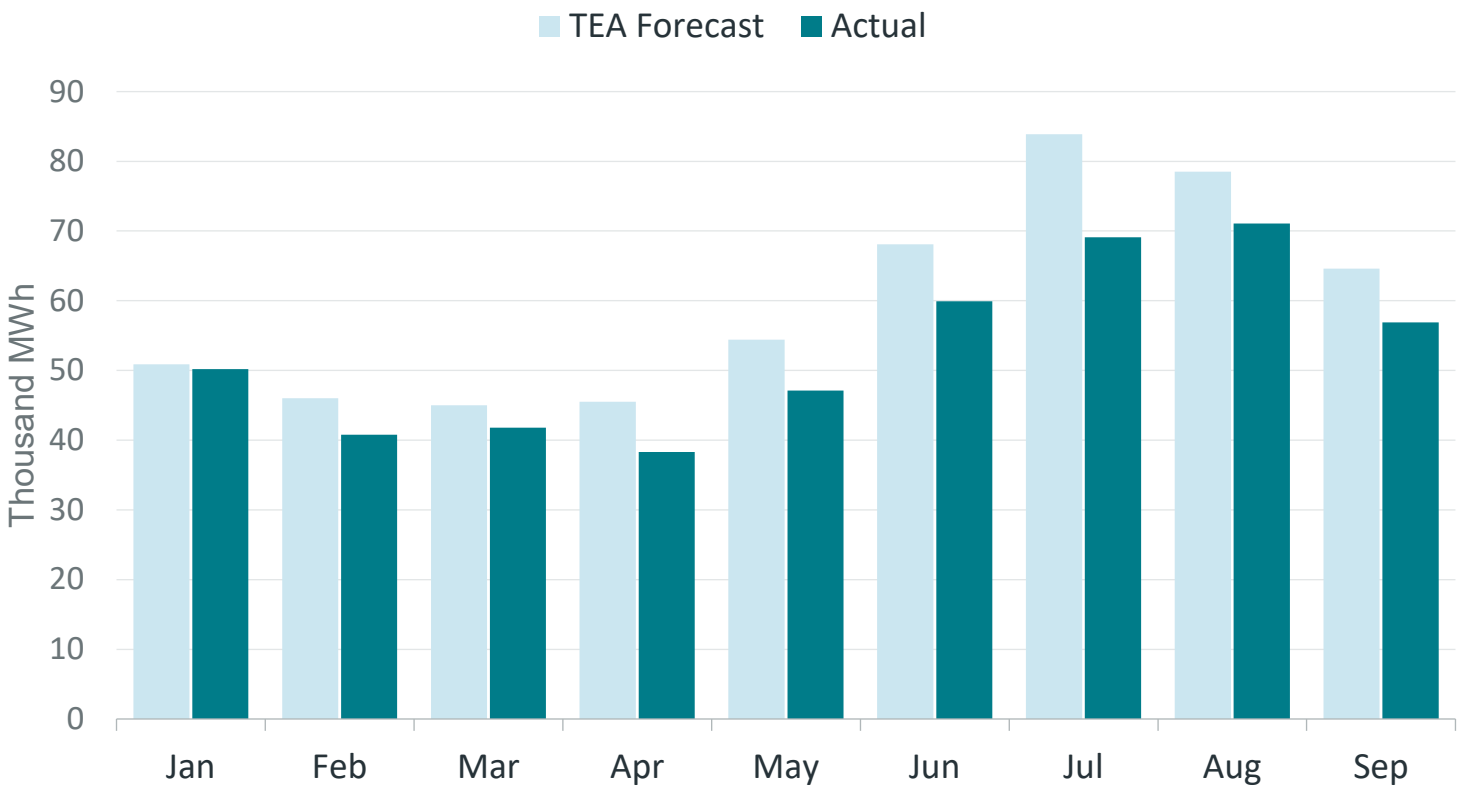
Source: VCE 2026 proforma; other expenses card is January–September YTD actuals vs. budget (unaudited).

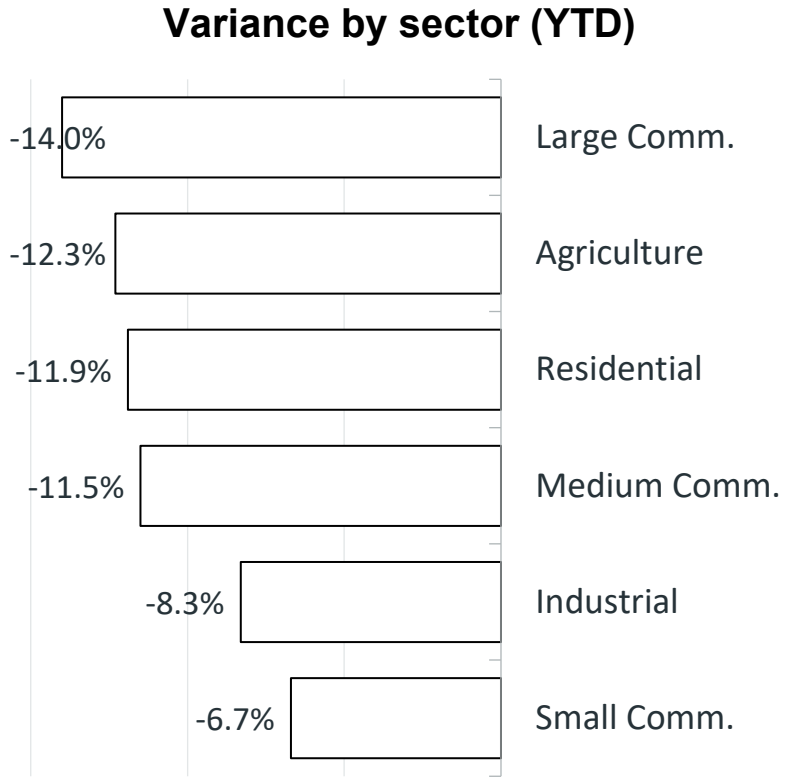
VALLEY CLEAN ENERGY

Item 15 – 2026 Operating Budget Update / 2027 Preliminary Budget

2026 load running 11.5% below forecast

Wet winter, cooler average temperatures and higher NEM adoption





Source: TEA load forecast to actual, January–September 2026. Lighting (<1% of load) excluded from sector chart.

VALLEY CLEAN ENERGY

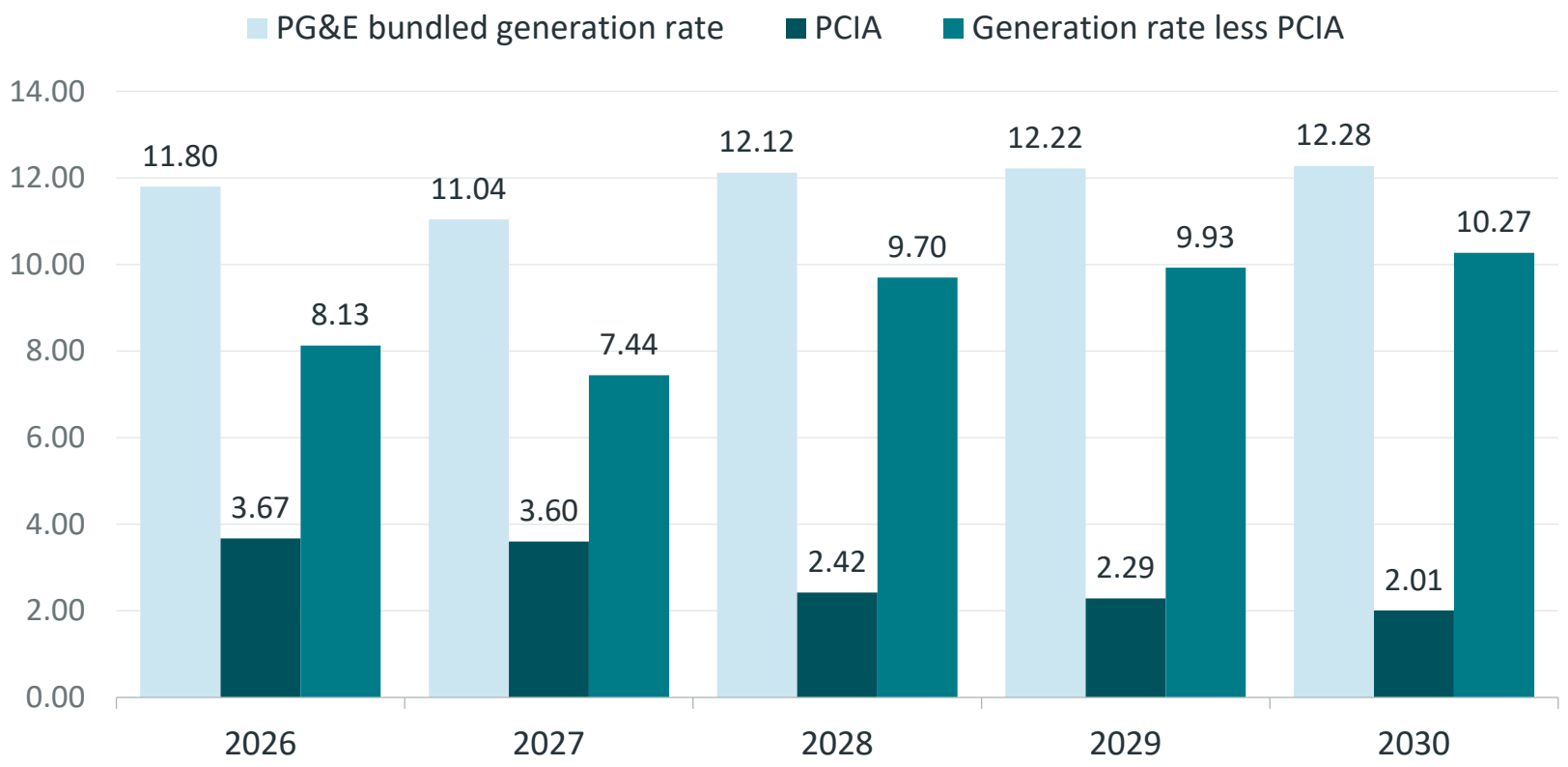
2. 2027 Preliminary Budget and Multi-Year Forecast Update

VALLEY CLEAN ENERGY

Item 15 – 2026 Operating Budget Update / 2027 Preliminary Budget

2027: PG&E generation rate down ~6%, PCIA stays elevated

Residential rates, ¢/kWh (PCIA 2017 vintage)



–0.7¢

Generation rate less PCIA, 2027 vs. 2026 (–8.5%)

$22.5M

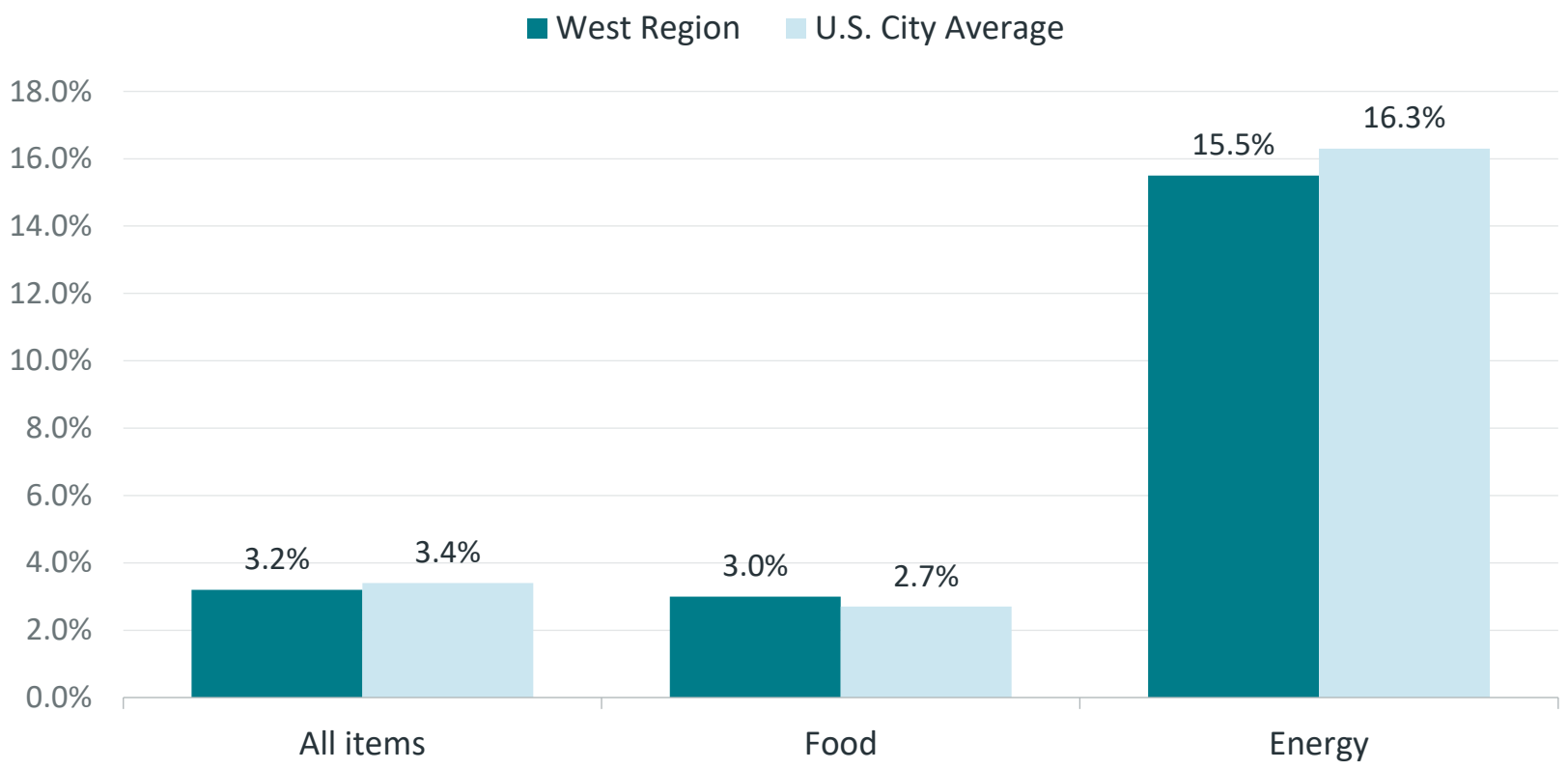
PCIA charges on VCE customers in 2027; ~$15M in 2028

VALLEY CLEAN ENERGY

Item 15 – 2026 Operating Budget Update / 2027 Preliminary Budget

Energy prices up ~16% vs. ~3% overall inflation

12-month change in CPI-U, August 2026



3.2%

West Region inflation (all items)

2.5%

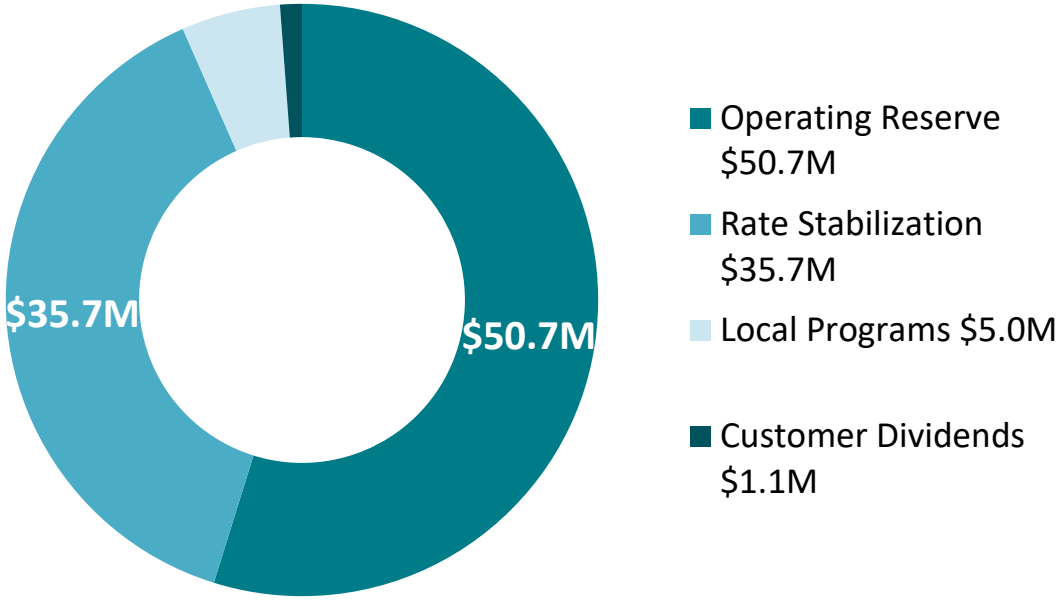
Preliminary 2027 non-power expense growth vs. 2026 budget

Source: U.S. Bureau of Labor Statistics, Sacramento Area Economic Summary (updated October 5, 2026).

VALLEY CLEAN ENERGY

Reserves projected at $92.4M at end of 2026

Projected reserve balances by fund, December 31, 2026 ($ millions)



Reserve policy	Minimum	Target	End 2026
Operating Reserve	120 days	180 days	327 days
Rate Stabilization	60 days	–	230 days

Policy adopted Dec. 12, 2024. 75% of net margin above 5% allocated to financial reserves. 2025 net margin of $32.0M allocated June 2026 ($23.4M to Rate Stabilization).

VALLEY CLEAN ENERGY

Item 15 – 2026 Operating Budget Update / 2027 Preliminary Budget

What a 1% discount means in 2027

$640K

Net income per 1% standard discount

$1.25

Per month, average residential bill

$3.25

Per month, average small commercial bill

Revenue can be "invested" in rate discounts, programs or additional clean energy procurement.
Timing: discounts are best implemented with PG&E rate changes (e.g., January) to minimize billing effort, errors and customer confusion.

VALLEY CLEAN ENERGY

Item 15 – 2026 Operating Budget Update / 2027 Preliminary Budget

Three 2027 budget/rate scenarios

Discount to PG&E generation rate: standard / CARE-FERA-Medical Baseline

Scenario 1

5% / 10%

$3.6M
revenue reduction vs. parity

($17.6M)
2027 net margin

Scenario 2

2.5% / 5%

$1.8M
revenue reduction vs. parity

($15.8M)
2027 net margin

Scenario 3

Parity / 5%

$235K
revenue reduction vs. parity

($14.2M)
2027 net margin

VALLEY CLEAN ENERGY

Item 15 – 2026 Operating Budget Update / 2027 Preliminary Budget

Scenario comparison

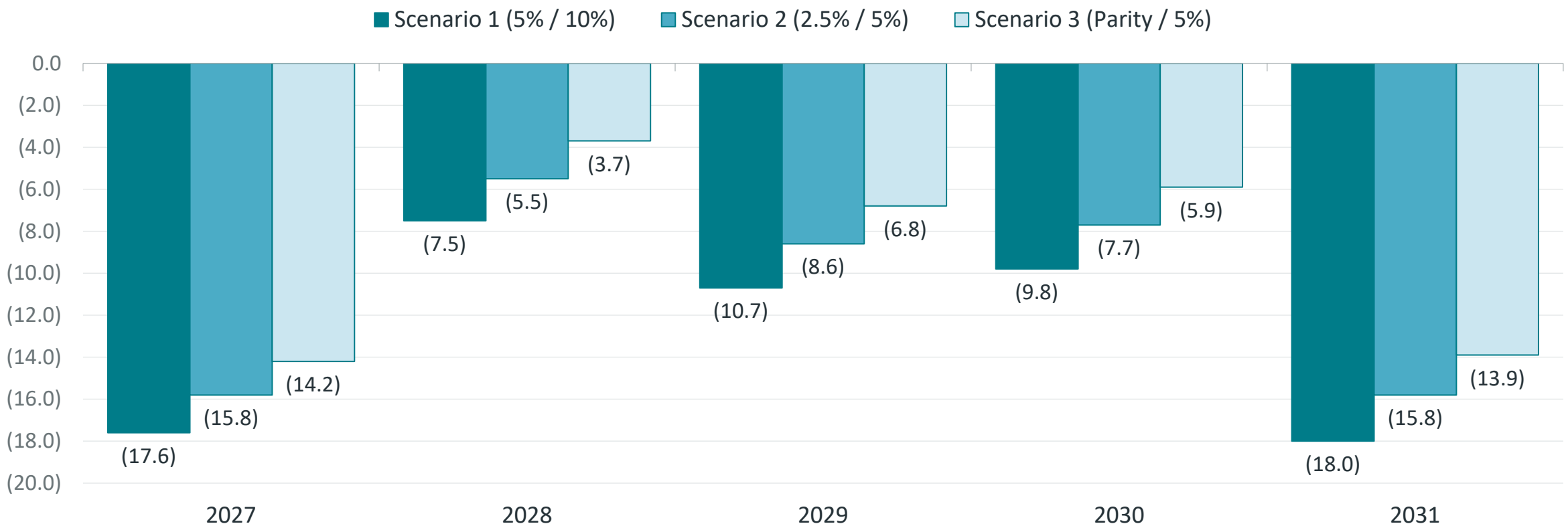
$ millions unless noted

	Scenario 1 5% / 10%	Scenario 2 2.5% / 5%	Scenario 3 Parity / 5%
2027 operating revenue	42.5	44.3	45.9
2027 net margin	**(17.6)**	**(15.8)**	**(14.2)**
Days of cash used in 2027	106	95	85
2027 year-end reserves – all funds	75.5	77.1	78.4
2027 year-end Operating Reserve (days)	308	307	305
2027 year-end Rate Stabilization Reserve (days)	115	125	135
Cumulative net margin 2027–2031	(63.6)	(53.4)	(44.5)
Rate Stabilization below 60 days	2029	2029	2030

VALLEY CLEAN ENERGY

Net losses continue in every scenario through 2031

Annual net margin by scenario ($ millions)

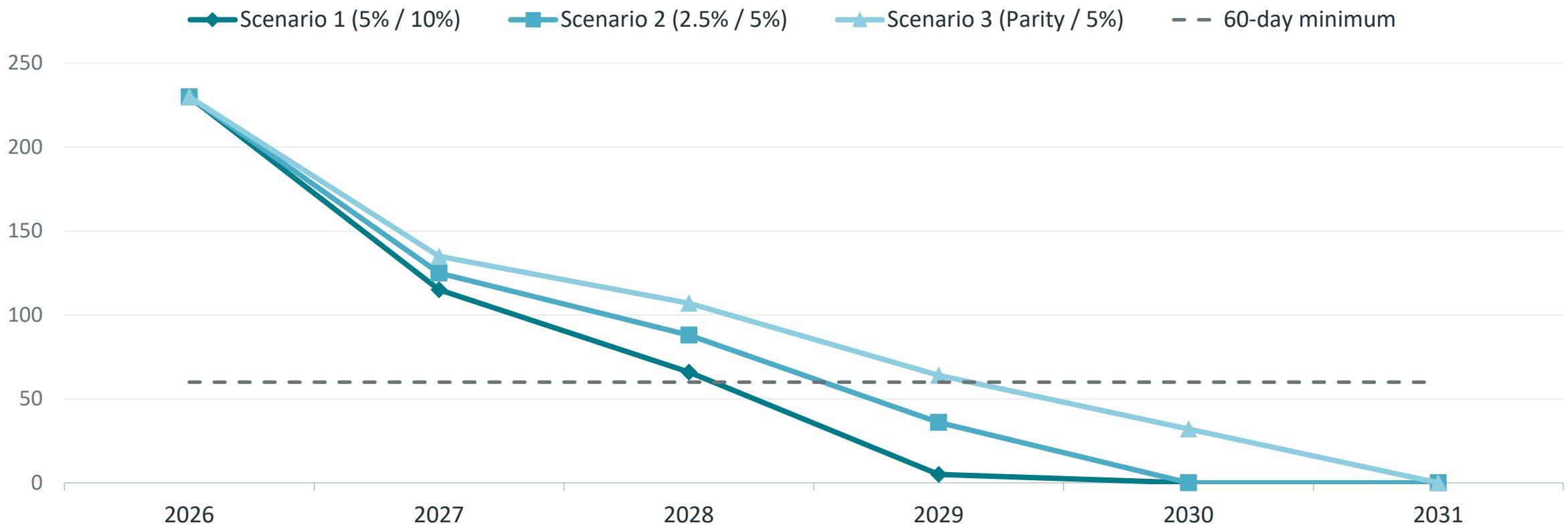


Source: VCE Financial Model. Expenses reflect the model's preliminary forecast (TEA power supply update 10/30/26).

VALLEY CLEAN ENERGY

Rate Stabilization Reserve falls below 60 days by 2029–2030

Rate Stabilization Reserve only – year-end days cash on hand (Operating Reserve and Local Programs not shown)



VALLEY CLEAN ENERGY

Next Steps and Discussion

Item 15 – 2026 Operating Budget Update / 2027 Preliminary Budget

Holding discounts in 2027 keeps options open while costs are uncertain

Energy prices change quickly

Prices rose ~16% against ~3% inflation and can shift again within months; a cut now may react to costs that don't last

2027 closes a compliance period

Buyers closing out the 2025–2027 renewable compliance period could raise demand and prices for renewable supply

PG&E actuals may come in better

Final PG&E rates and PCIA true-ups could beat forecast, as they did in 2026, reducing the reserve draw

The political landscape is changing

State and federal policy shifts could change costs and rate-setting before the end of 2027

Tradeoff: a larger draw on reserves, but the Operating Reserve stays above its 180-day target in every scenario, and the May 2027 evaluation allows a mid-year change

VALLEY CLEAN ENERGY

Item 15 – 2026 Operating Budget Update / 2027 Preliminary Budget

Next steps

Today: Board feedback on scenarios to inform the December recommendation

1

Nov 12, 2026

Preliminary 2027 rates & budget scenarios

2

Dec 10, 2026

Recommended 2027 rates & budget for adoption

3

Jan–Apr 2027

2026 financial audit

4

May 2027

Net margin allocation & mid-year rate/discount evaluation

VALLEY CLEAN ENERGY

Item 15 – 2026 Operating Budget Update / 2027 Preliminary Budget

Summary & discussion

Next: Staff will return with an updated budget and rate recommendation on Dec 10, 2026

1. All scenarios keep the Operating Reserve above its 180-day target in 2027 and beyond
2. Net losses continue through 2031; Rate Stabilization Reserve below 60 days by 2029–2030
3. Staff is considering a recommendation focused on Scenario 1 (current 5% / 10% discounts)
4. Planned May 2027 evaluation could support reducing discounts mid-year

VALLEY CLEAN ENERGY