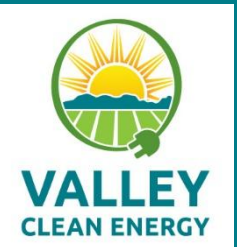




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Valley Clean Energy Board Meeting – Thursday, December 11, 2025



Item 11 – 2026 Customer Rates & Operating Budget

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Item 11 – 2026 Customer Rates & Operating Budget

Overview

VCE's longer-term fiscal outlook (2027+) indicates continued constraints due to both regulatory changes to Power Charge Indifference Adjustment (PCIA) calculations and a lower overall forward current price curve, which are driving higher PCIA rates. Existing tools, such as the Rate Stabilization Fund and rate adjustment mechanisms, provide financial management tools to help address projected volatility through 2030.

This presentation provides:

1. Background on 2026 Rates and Budget Development
2. Recommended 2026 Customer Rates
3. Proposed 2026 Budget






1. Background of 2026 Rates & Budget Development (Preliminary Information)

Item 11 – 2026 Customer Rates & Operating Budget

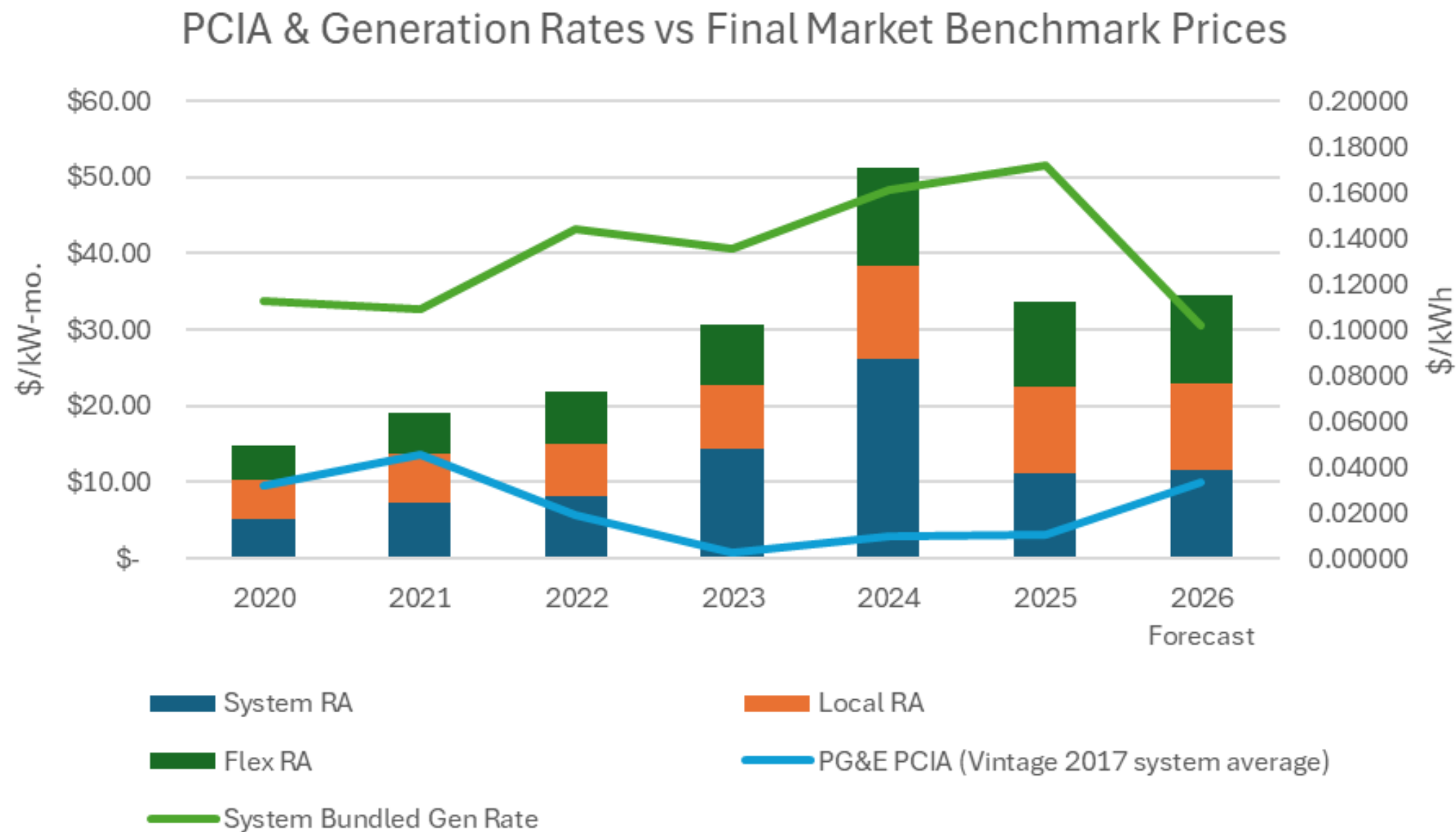
VCE's 2026 Rates and Budget Goals

Staff' recommended 2026 customer rates and Budget are based on adopted policies, strategic plan goals, and Board Feedback.

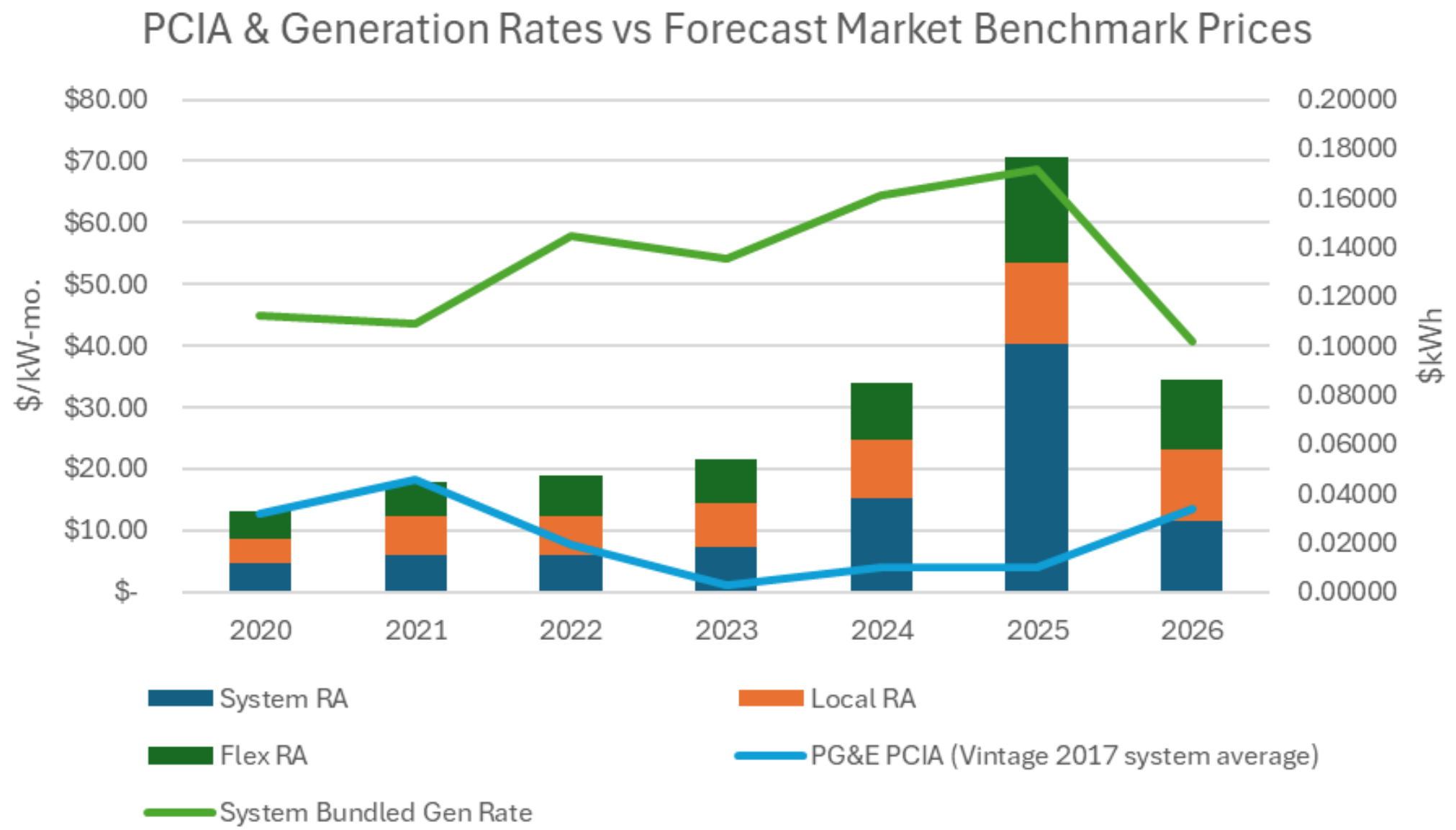
The proposed 2026 Customer Rates and Operational Budget include:

1.  **Reserves Policy**
 - Operational Financial Reserve minimum of 120 days
 - Operational Financial Reserve Target of 180 days
 - Rate Stabilization Reserve minimum of 60 days
2.  **Rates Policy**
 - Fully fund VCE's Budget including reserves
3.  **Strategic Plan - Financial Strength & Affordability**
 - Objective 1.4: Optimize VCE's financial goals while maintaining rate affordability and competitiveness with PG&E
 - Objective 1.2: Maintain investment-grade credit rating.
 - Objective 1.5: Develop a long range financial model for financial health and rate stability.
 - Objective 1.6: Develop a long term cash reserve and community investment strategy for reserve management

Item 11 – 2026 Customer Rates & Operating Budget

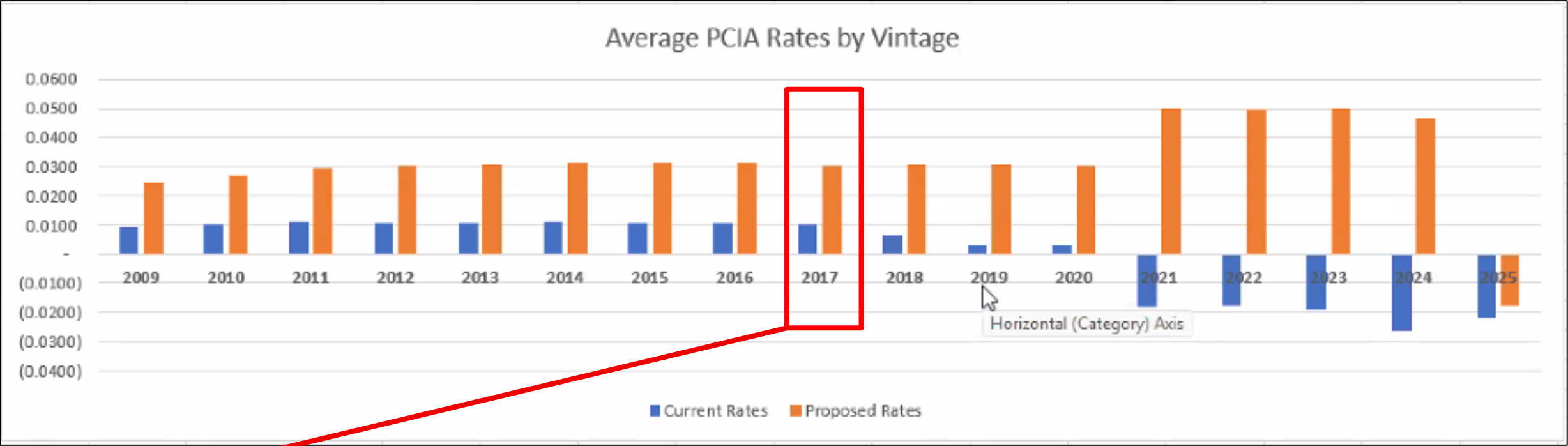


Item 11 – 2026 Customer Rates & Operating Budget



Item 11 – 2026 Customer Rates & Operating Budget

Key Factors - Preliminary draft Budget



VCE PCIA

Item 11 – 2026 Customer Rates & Operating Budget

2026 Preliminary Budget & Rate Scenarios

- Scenario 1: Continuation
 - 5% standard / 10% CARE/FERA/ Medical Baseline rate discounts to PG&E generation rate
 - approximately \$3.8M net revenue reduction
- Scenario 2: Slight Decrease
 - 2.5% standard / 5% CARE/FERA/Medical Baseline rate discounts to PG&E generation rate
 - Approximately \$1.9M net revenue reduction
- Scenario 3: Matching & CARE/FERA discount
 - Standard matching / 2.5% CARE/FERA/Medical Baseline discount to PG&E generation rate
 - approximately \$750K net revenue reduction

Item 11 – 2026 Customer Rates & Operating Budget

Table 5 – 2026 Preliminary Budget Scenario Comparison

			Actual YTD August 31 (8 MO) + Forecast (4 MO)	Proposed Budget	Preliminary Forecast*		
Scenario 1 5% Standard /10% CARE/FERA Discount	2023	2024	2025	2026	2027	2028	2029
Customer Revenue	95,430	97,979	88,670	45,010	68,100	66,180	63,750
Power Cost	68,528	64,723	57,100	53,550	54,380	58,380	60,200
Other Expenses	6,030	6,275	4,950	7,120	7,660	7,850	8,050
Net Income	20,872	26,981	26,620	(15,660)	6,060	(50)	(4,500)
Scenario 2 2.5% Standard /5% CARE/FERA Discount	2023	2024	2025	2026	2027	2028	2029
Revenue	95,430	97,979	88,670	46,910	70,270	68,470	66,150
Power Cost	68,528	64,723	57,100	53,550	54,380	58,380	60,200
Other Expenses	6,030	6,275	4,950	7,120	7,660	7,850	8,050
Net Income	20,872	26,981	26,620	(13,760)	8,230	2,240	(2,100)
Scenario 3 Standard Matching / 5% CARE/FERA Discount	2023	2024	2025	2026	2027	2028	2029
Revenue	95,430	97,979	88,670	48,810	72,430	70,490	67,950
Power Cost	68,528	64,723	57,100	53,550	54,380	58,380	60,200
Other Expenses	6,030	6,275	4,950	7,120	7,660	7,850	8,050
Net Income	20,872	26,981	26,620	(11,860)	10,390	4,260	(300)

* Revenues are highly subject to PG&E filings that impact generation rates and PCIA.



1. Background of 2026 Rates & Budget Development (Updated Information)

Item 11 – 2026 Customer Rates & Operating Budget

Recommended 2026 Rate & Budget – Updated

- As noted in the November draft budget, reduced forward power market prices have been outpaced by significant decreases in net revenues due to 2026 PCIA rate increases. The net result is a forecasted net loss of \$15.8M for 2026.

Key Assumptions included:

- 2026 Customer Rates (VCE & PG&E Comparison) - VCE will set customer rates lower than costs, using rate customer dividends funds and a portion of rate stabilization funds to fully fund VCE's Budget and maintain the investment-grade credit rating.
- 2026 PCIA Forecast –The updated PCIA increased from ~.0101 KW/\$6.5M to .031KW/\$22M
- 2026 Customer Rates Forecast – The updated forecast for PG&E rates results in a projected 31% generation rate decrease (offset by non-VCE portions of the bill such as transmission and distribution charges).

Item 11 – 2026 Customer Rates & Operating Budget

Updated Multi-Year Forecast

Recommended 5% Standard /10% CARE/FERA Discount			Actual YTD Sept. (9 MO) + Forecast (3 MO)	Proposed Budget	Preliminary Forecast*		
	2023	2024	2025	2026	2027	2028	2029
Customer Revenue	95,430	97,979	88,050	45,274	68,250	66,350	66,890
Power Cost	68,528	64,723	55,302	53,800	54,380	56,800	58,500
Other Expenses	6,030	6,275	4,950	7,220	7,660	7,850	8,050
Net Income	20,872	26,981	27,798	(15,746)	6,210	1,700	340
Programs, +180 Days Operating Cash, +60 Days Rate Stabilization				Maintain Customer Discounts, Program, Cash Reserve Targets			

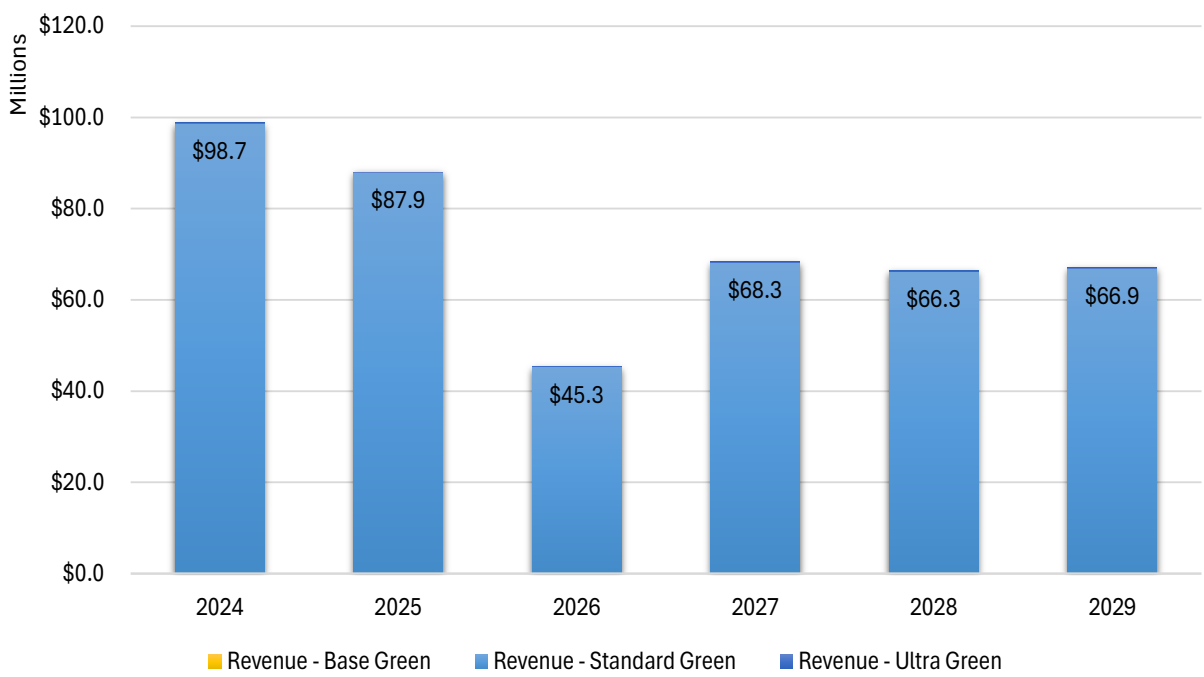
Note: Forecasted financials are based on the most current available data and assumptions. These scenarios rely on future rate adjustments, reserves, or both to mitigate future power cost volatility.



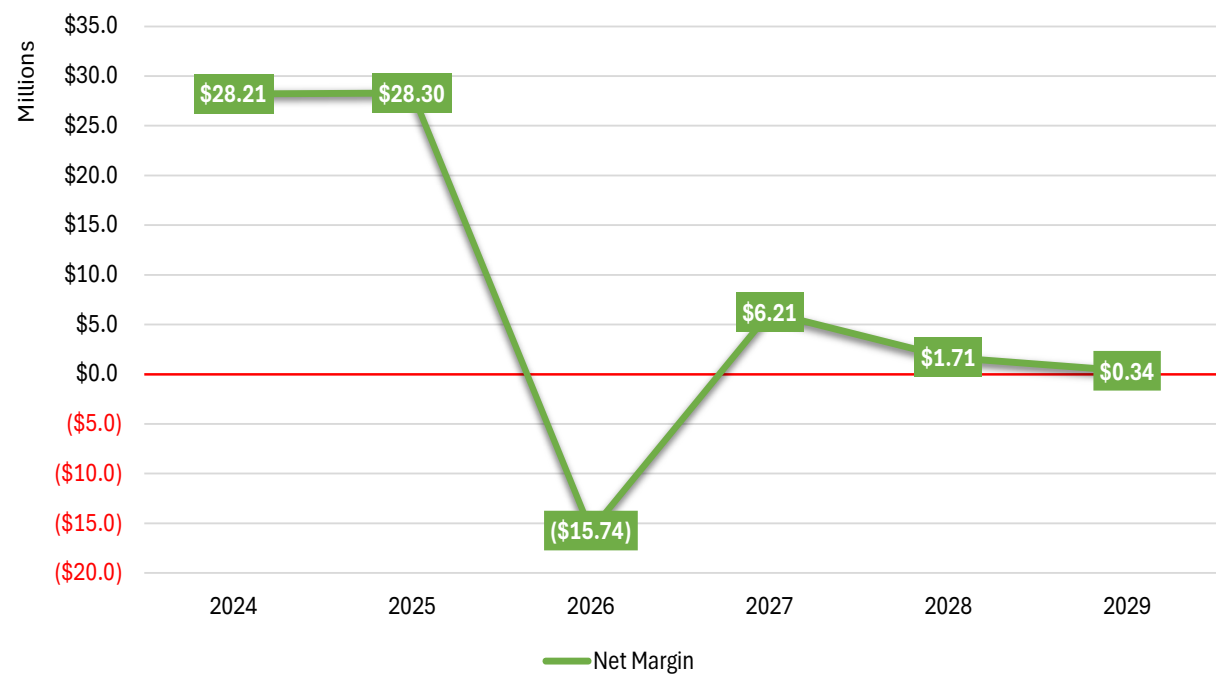
* The preliminary forecast is based on analysis by CalCCA, MRW, and TEA and power cost forwards.

Item 11 – 2026 Customer Rates & Operating Budget

Retail Revenue By Product

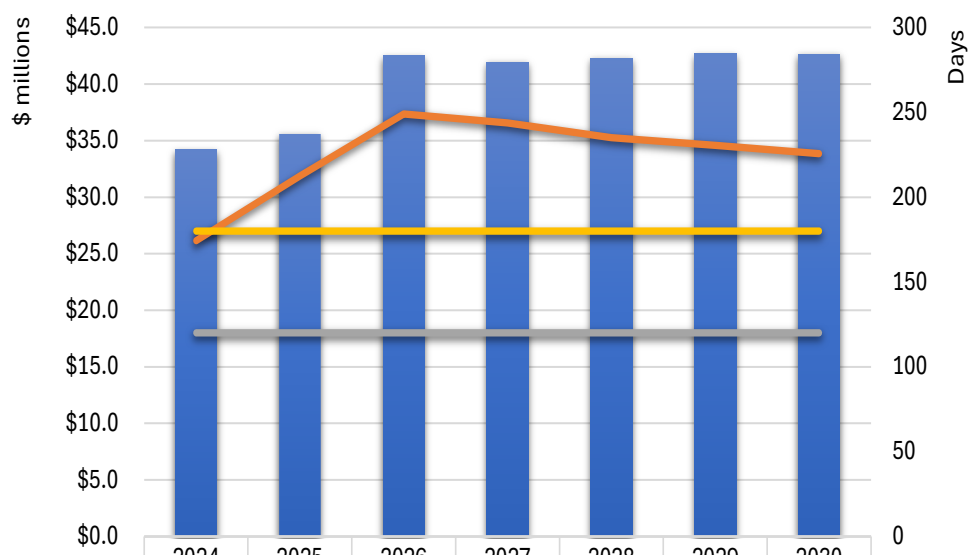


Annual Net Margin



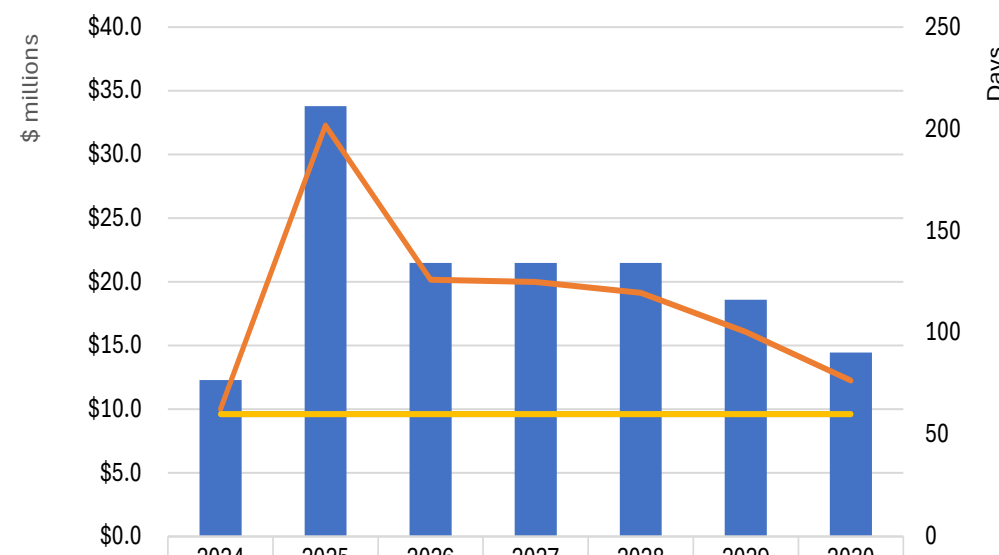
Item 11 – 2026 Customer Rates & Operating Budget

Operating Reserve Fund Balance



Fund Balance (\$million)	2024	2025	2026	2027	2028	2029	2030
Days Cash on Hand (Actual)	174	212	249	244	235	231	226
Days Cash on Hand (Minimum)	120	120	120	120	120	120	120
Days Cash on Hand (Target)	180	180	180	180	180	180	180

Rate Stabilization Reserve Fund Balance



Fund Balance (\$million)	2024	2025	2026	2027	2028	2029	2030
Days Cash on Hand (Actual)	63	202	126	125	120	100	77
Days Cash on Hand (Minimum)	60	60	60	60	60	60	60
Days Cash on Hand (Target)	60	60	60	60	60	60	60

2. Recommended 2026 Customer Rates

Item 11 – 2026 Customer Rates & Operating Budget

VCE 2026 Proposed Rates - Key Drivers

VCE has incorporated the following assumptions in its updated financial forecasts for 2026 (assuming PG&E rates/PCIA are implemented on January 1, 2026):

- **PCIA:** 201% increase over 2025 PCIA - Results in approximately -\$15.5M in revenue for 2026
- **PG&E Bundled rates (PCIA & Generation):** 31% decrease – Results in approximately -\$23M lower revenue for 2026

NOTE: The VCE generation charges, plus PCIA and franchise fees, are approximately 40% of the average residential electricity bill. PG&E's Transmission, Distribution, and other charges account for the remaining 60% of the total electricity bill. The total charges to customers in 2026 may not decrease due to higher charges for transmission and distribution

Item 11 – 2026 Customer Rates & Operating Budget

VCE 2026 Rates Summary

The rates (and budget) approach allows VCE to offer more affordable customer rates and higher renewable content than PG&E while positioning itself to maintain its investment-grade credit rating, meet operational and rate stabilization minimum targets, execute VCE programs, and absorb the forecasted PCIA increases and power market volatility to achieve long-term rate stability.

VCE 2026 Rates Recommendation

Approve 2026 VCE Customer Rates:

1. Standard Green Rates (default rate): 5% Discount to PG&E's 2026 generation Rates
 - i. 10% Discount to PG&E 2026 Rates for CARE/FERA and Medical Baseline customers
 - i. Base Green Rate (Opt-down rate option): discount of 2.5% to PG&E 2026 generation

3. Proposed 2026 Operating Budget

Item 11 – 2026 Customer Rates & Operating Budget

2026 Budget (Proposed) & Multi-Year Forecast - Key Factors

- 2026 Customer Rates (VCE & PG&E Comparison) VCE will set customer rates to collect sufficient revenue from participating customers to fully fund VCE's Budget using customer dividends and a portion of rate stabilization funds.
- 2026 PCIA Forecast –PCIA increased from ~.0101 KW/\$6.5M to .031KW/\$22M 2026
- Customer Rates Forecast –The updated forecast for PG&E rates results in a projected 31% generation rate decrease (offset by non-VCE portions of the bill such as transmission and distribution charges).

Item 11 – 2026 Customer Rates & Operating Budget

2026 Budget (Proposed)

VALLEY CLEAN ENERGY 2026 BUDGET SUMMARY RECOMMENDED			
	APPROVED BUDGET 2025	ACTUAL YTD SEPT. (9 MO) + FORECAST (3 MO) 2025	RECOMMENDED BUDGET 2026
OPERATING REVENUE	\$ 101,200	\$ 86,950	\$ 45,274
OPERATING EXPENSES:			
Cost of Electricity	64,000	55,900	53,800
Contract Services	2,640	2,390	2,750
Outreach & Marketing	370	350	400
Programs	2,170	520	1,250
Staffing	2,100	1,850	2,180
General, Administration and other	1,560	990	1,890
TOTAL OPERATING EXPENSES	72,840	62,000	62,270
TOTAL OPERATING INCOME	28,360	24,950	(16,996)
NONOPERATING REVENUES (EXPENSES)			
Interest income	990	1,358	1,250
Interest expense			
TOTAL NONOPERATING REV/(EXPENSES)	990	1,358	1,250
NET MARGIN	\$ 29,350	\$ 26,308	\$ (15,746)
NET MARGIN %	29%	30%	-35%

- 5% rate discount for Standard Green (Total Bill)
- 10% rate discount for CARE/FERA and Medical Baseline customers
- Maintains ~180+ days cash operating reserves and +60 days cash Rate Stabilization Reserves through 2026.
- \$1.5 M in Customer Programs

Item 11 – 2026 Customer Rates & Operating Budget

Other Considerations – Other Operating Expenses

Proposed costs in this category of expenses include:

- Maintain VCE's investment grade credit rating
- \$1.25M in customer programs related to Charge Your Ride, Panasonic, and other programs to be allocated to specific programs throughout the year.
- \$500K estimated IT enhancements for ERP and Programs support
- Additional costs related to the scheduled Marketing and Programs Plan Updates, including customer focus groups
- 3.5% annual salary/benefits, and contractor inflation rate based on the 2025 3.5% inflation rate.
- 5% administrative contingency rate for unanticipated expenses.

Item 11 – 2026 Customer Rates & Operating Budget

Operating Budget Outlook Summary

Staff is recommending a **2026 Budget** at a level that will be **fully funded** by using a **portion of the rate stabilization fund**, offer more **affordable rates** to VCE customers with additional financial relief to CARE/FERA and Medical Baseline customers, while **maintaining VCE's A-investment grade credit rating**.

VCE 2026 Operating Budget Recommendation

Approve 2026 Budget with \$46.5 M of operating revenues and \$62.3 M of operating expenses for a net loss of \$15.8 M.



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Valley Clean Energy Board Meeting – Thursday, December 11, 2025



Item 12 – GHG Free Attributes (2026)

Public Comments

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Item 12 – GHG Free Attributes (2026)

Agenda:

- Background and Site Locations
- Hydropower Reform
- VCE's Allocation History
- Benefits and Key Points
- Staff's Recommendation



Item 12 – GHG Free Attributes (2026)

Background Information:

In 2019, following discussions with CCAs, PG&E offered to allocate GHG-free resources to CCAs and other eligible LSEs.

GHG-free resources:

- 1) Large hydroelectric – 30 MW or more
- 2) Nuclear
 - Diablo Canyon

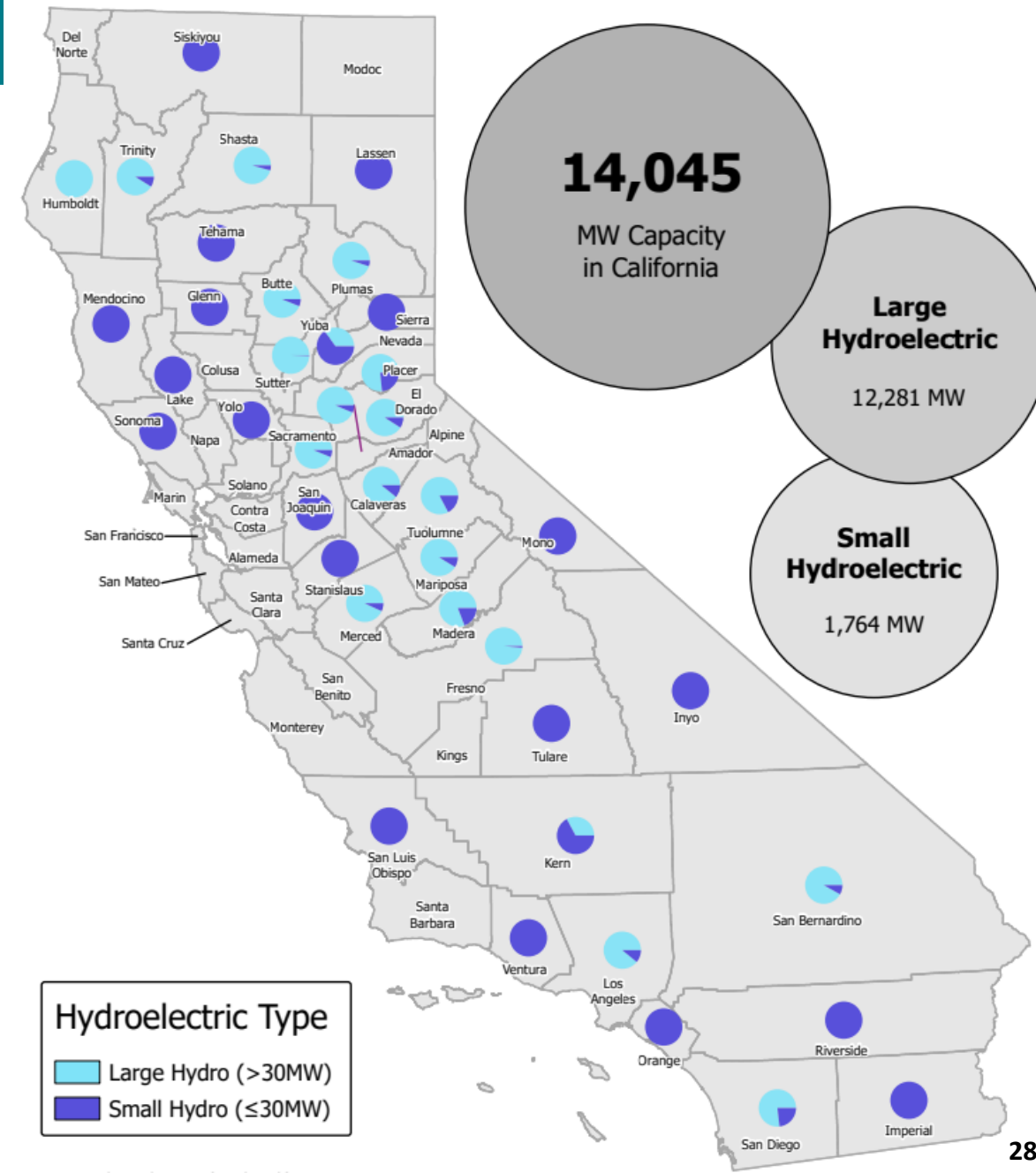


Item 12 – GHG Free Attributes (2026)

PG&E's Allocated Resources:

- 27 large hydro resources
- Located in Nevada, Amador, Shasta, Fresno, and Plumas County
- 2 top resources: North Fork Feather River in Plumas and Pit River in Shasta

Utility Hydroelectric Capacity by Size and County: 2023



Item 12 – GHG Free Attributes (2026)

Example of Hydropower Reform:

Pit River

- Largest River in Northeastern CA
- Heavily dammed for hydropower
- In the early 90's PG&E had few environmental requirements
- Starting in 2003, PG&E has minimum flow requirements, natural run requirements, and stewardship funding/management duties

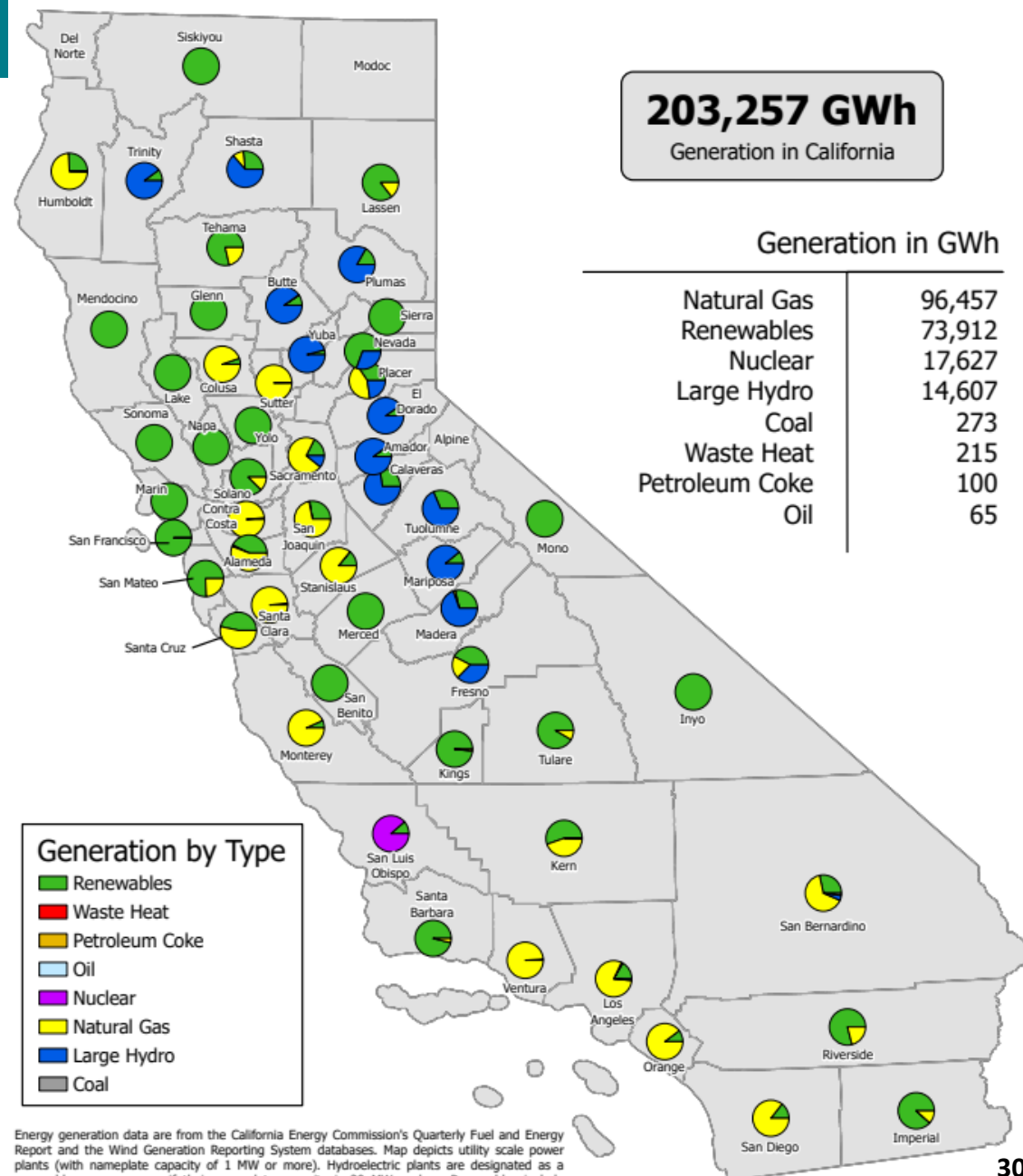


Item 12 – GHG Free Attributes (2026)

PG&E's Allocated Resources Continued:

- 1 nuclear resource
 - Diablo Canyon near San Louis Obispo
 - Over 2000 MW capacity
- 5 other nuclear power plants have been decommissioned over the last several decades

Total Generation by Type and County: 2022



Item 12 – GHG Free Attributes (2026)

VCE's Allocation History:

- 2020 – 24,000 MWh - First year of attributes
- 2021 – 37,382 MWh
- 2022 – 53,886 MWh
- 2023 – 83,073 MWh
- 2024 – 79,109 MWh
- 2025 – 111,882 MWh (Estimated)
- 2026 – Forecast available in Mid-December

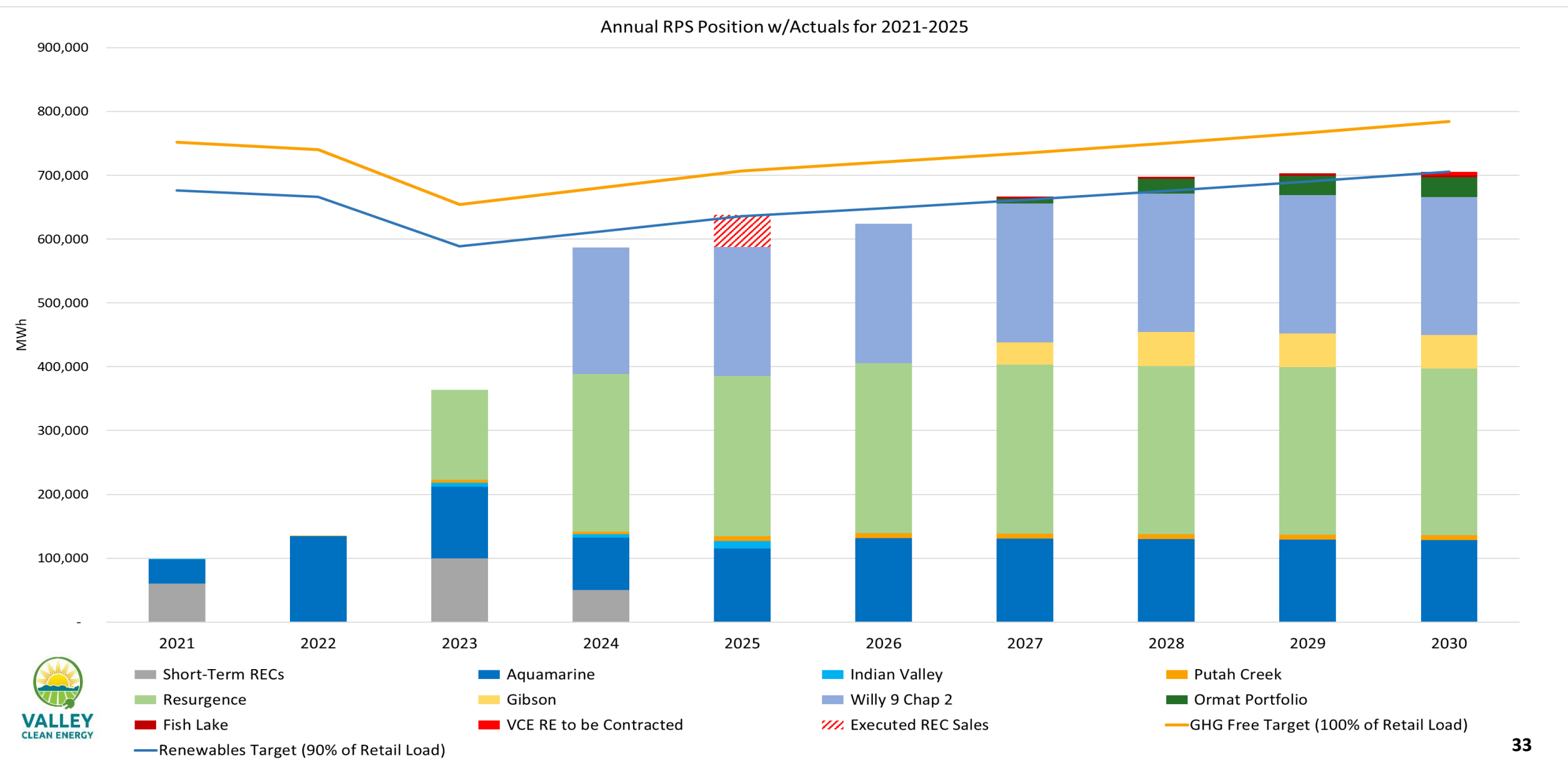


Item 12 – GHG Free Attributes (2026)

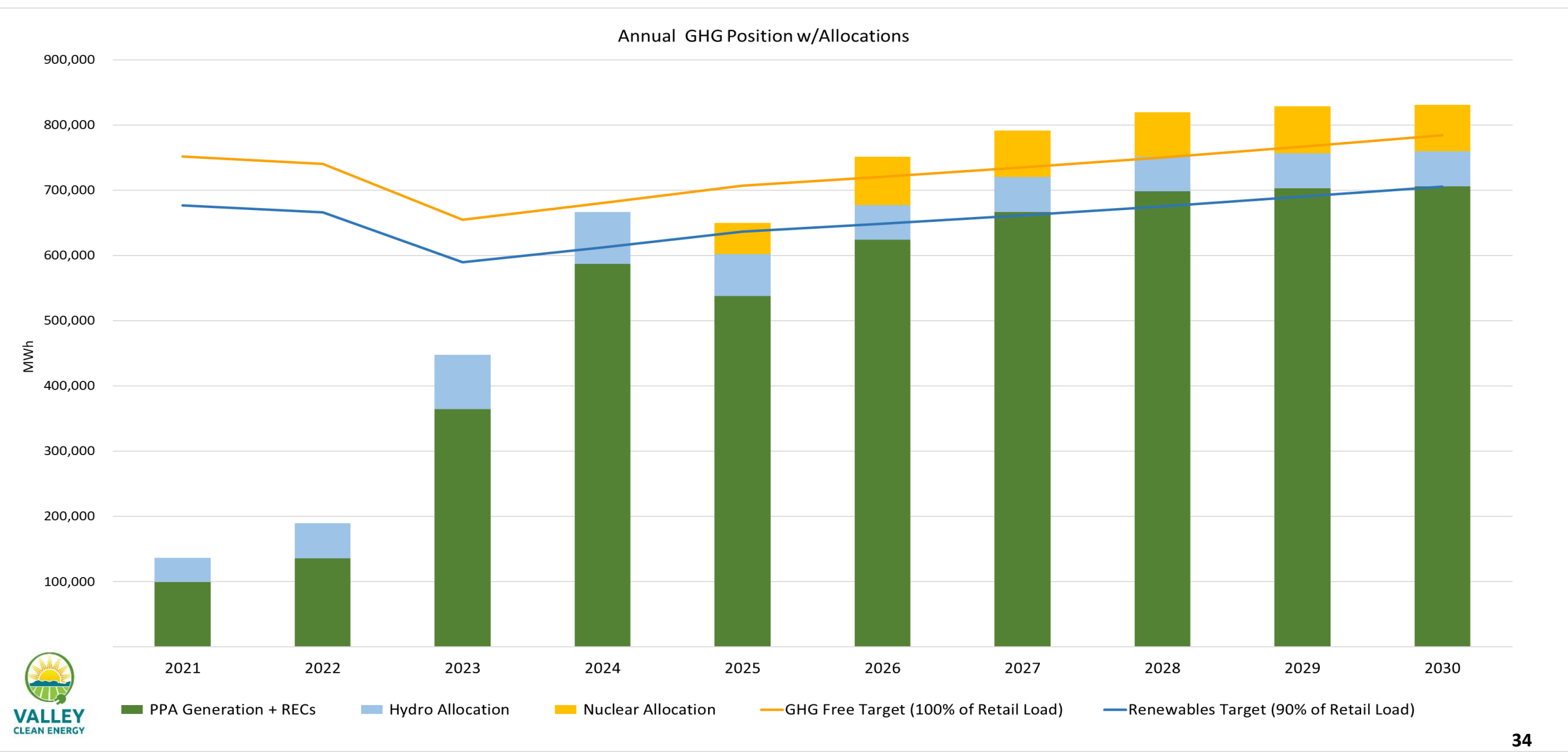
Attribute Allocation:

- Allocation amount is the amount of GHG-Free Energy generated from the non-RPS-eligible resources at each LSE's allocation ratio
- Allocation ratio is the monthly % share allocated to each LSE using the LSE's load forecast for PCIA-paying customers responsible for the cost of the non-RPS-eligible resources and the total forecasted load for PCIA-paying customers responsible for the cost of the resources

Item 12 – GHG Free Attributes (2026)



Item 12 – GHG Free Attributes (2026)



Item 12 – GHG Free Attributes (2026)

Key Points:

- Free product: no additional cost to VCE (VCE customers already paying for it)
- Will increase VCE's carbon free position and improve our emissions rate
- VCE staff has the option of selling the large hydro allocations
 - Made \$250,000 in 2025
- Many CCAs – including MCE, SCP, PCE, Ava, DCE, Pioneer, RCEA, and SVCE – continue to accept the nuclear attributes
- Prior years nuclear was not allocated to LSEs for RA purposes. Now LSEs must take the nuclear RA allocations.

Item 12 – GHG Free Attributes (2026)

CAC Recommendation:

At the November 20th CAC Meeting, the committee moved to accept the staff recommendation of accepting both the hydro and nuclear allocations from PG&E

- The vote was 5-1-0 with 5 ayes, 1 no, and 0 abstains

Item 12 – GHG Free Attributes (2026)

Staff Recommendation:

- Accept the 2026 allocation of large hydro GHG-free attributes and the 2026 allocation of nuclear power GHG-free attributes;
- Allow the Executive Officer to enter into an agreement(s) with PG&E to accept the 2026 Large Hydro and Nuclear GHG-free allocations.

