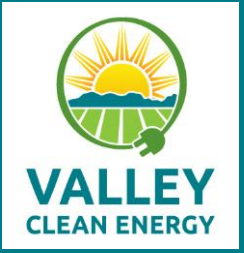




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# Valley Clean Energy Board Meeting – Thursday, June 11, 2026

## Item 12 – 2026 Summer Preparedness Outlook



# Public Comments

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# 2026 Summer Assessment



# California 2026 Summer Overview

- CAISO and CEC report an overall positive outlook for meeting peak summer demand
  - Peak load forecasted at 46,844 MW on September 2 at HE18 (slightly higher than last year)
    - Forecast is based on 1-in-2 weather year (also known as weather-normalized)
  - 8,321 MW of added nameplate capacity of battery, wind, and solar expected by June 30, 2026
    - Includes CAISO's 3,167 MW share of the SunZia Wind project in New Mexico, expected online May 1, 2026
  - Surplus of 2,547 MW above peak forecasted summer needs
- Warmer than normal temperatures expected across the Western U.S., especially the Intermountain West and PNW
- Dry water year across the West tightens hydro contributions to summer reliability
  - California snowpack was just 18% of average on April 1, 2026 — second lowest on record
  - PNW also facing below normal runoff and reduced hydro availability raising risk to imports during peak hours
- As always, there remain concerns regarding a west-wide heat events, wildfires, transmission interruption, and unexpected unit outages

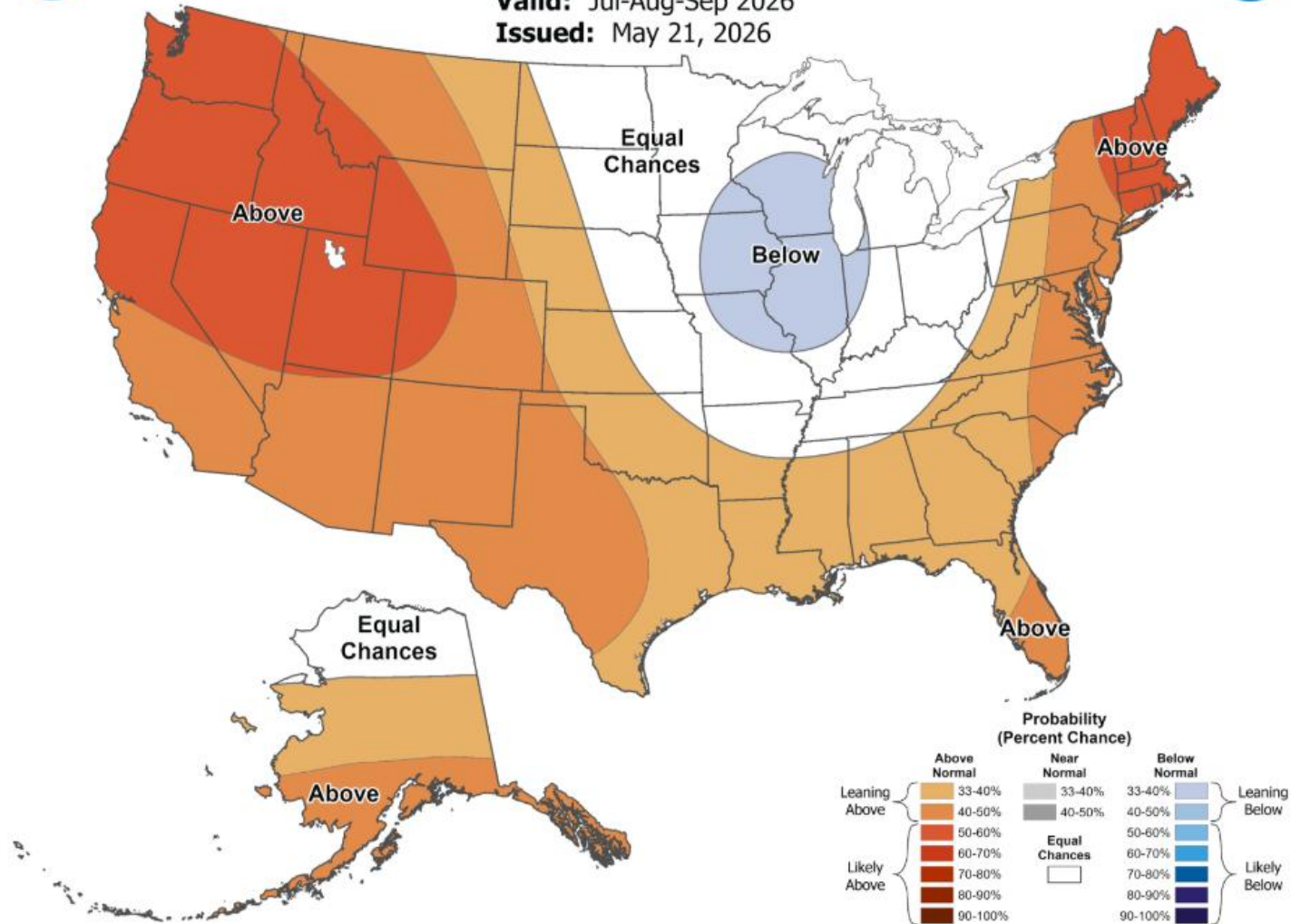
# Q3 2026 Summer Temperature Outlook



## Seasonal Temperature Outlook



Valid: Jul-Aug-Sep 2026  
Issued: May 21, 2026



# Q3 2026 Summer Precipitation Outlook

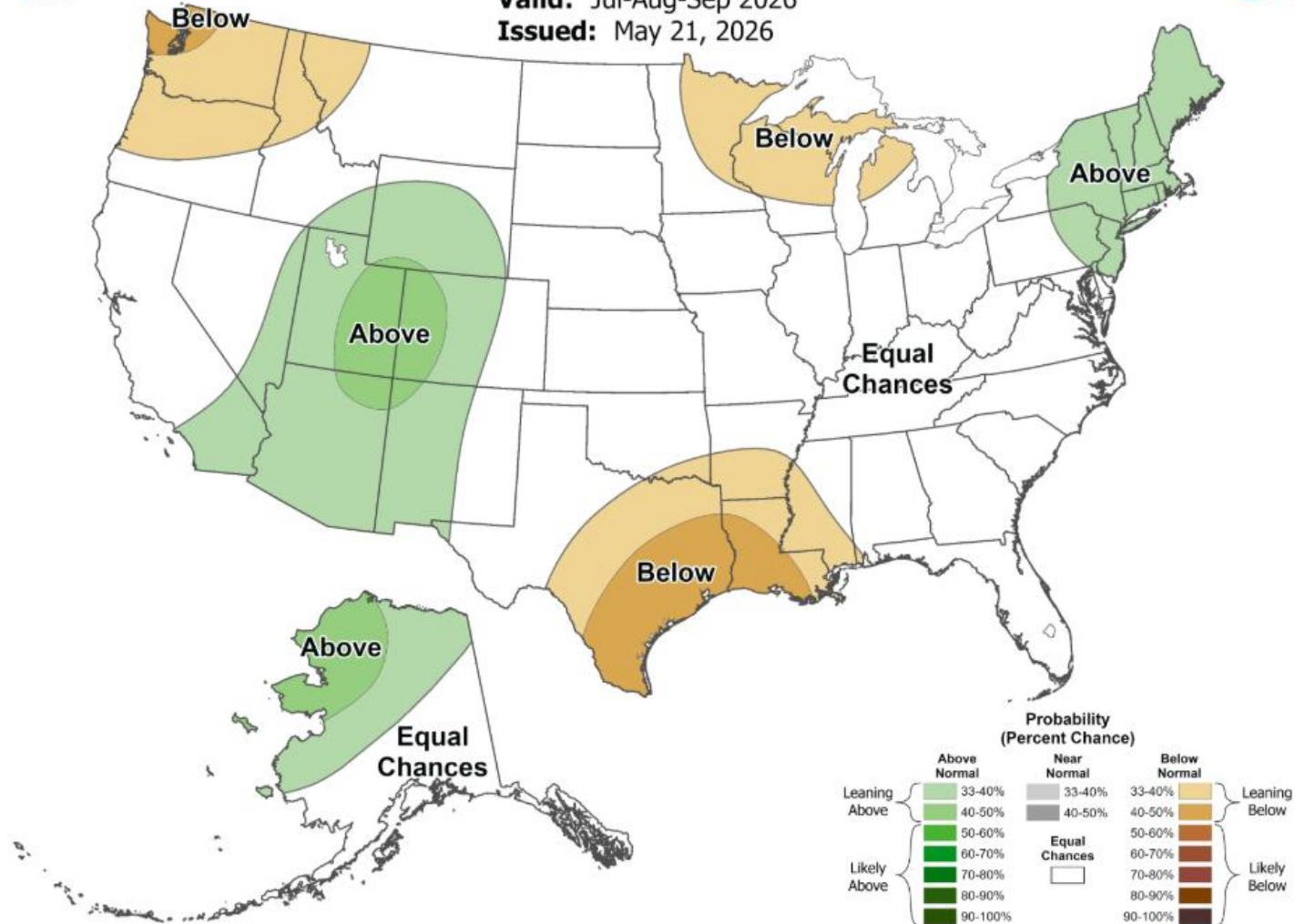


## Seasonal Precipitation Outlook

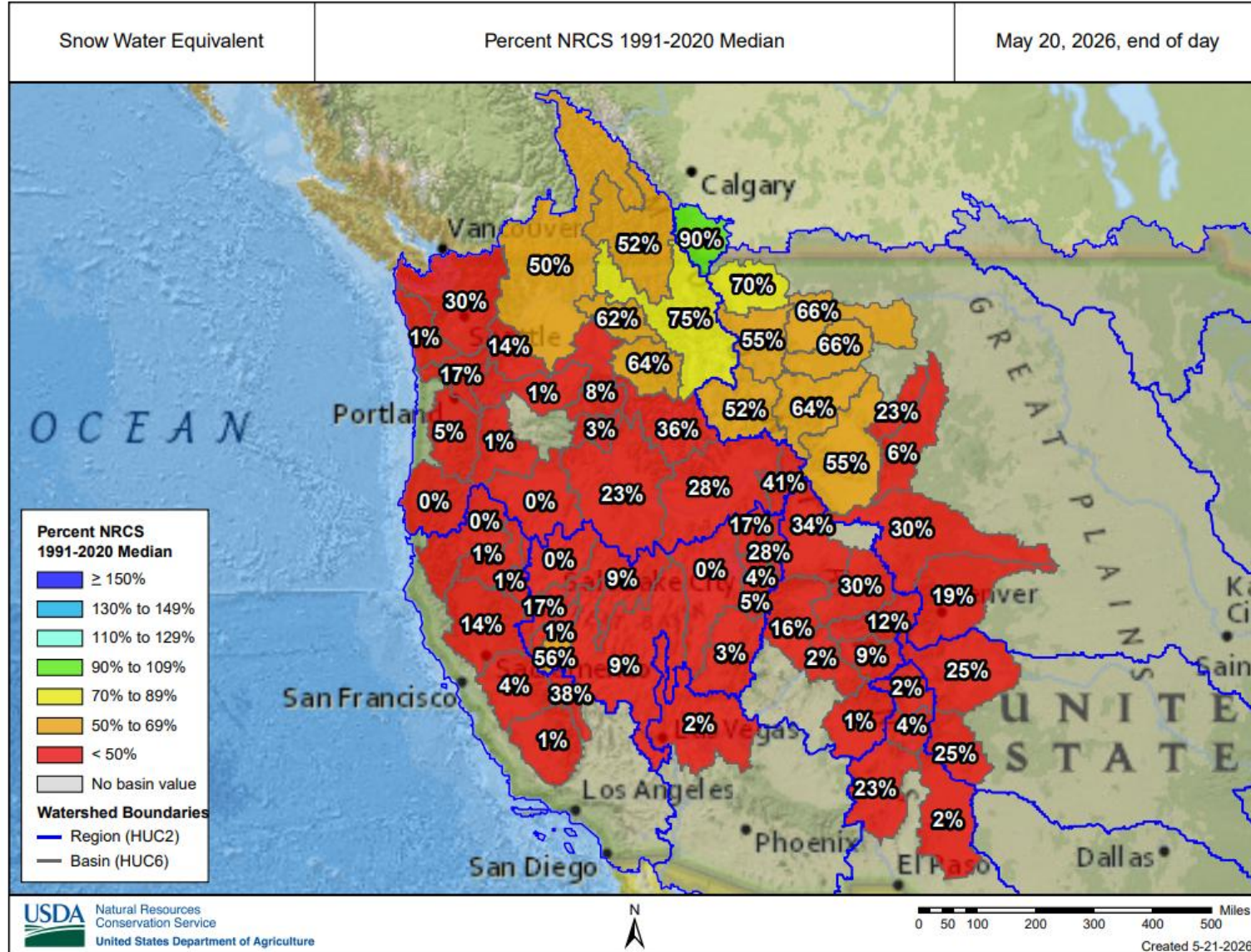


Valid: Jul-Aug-Sep 2026

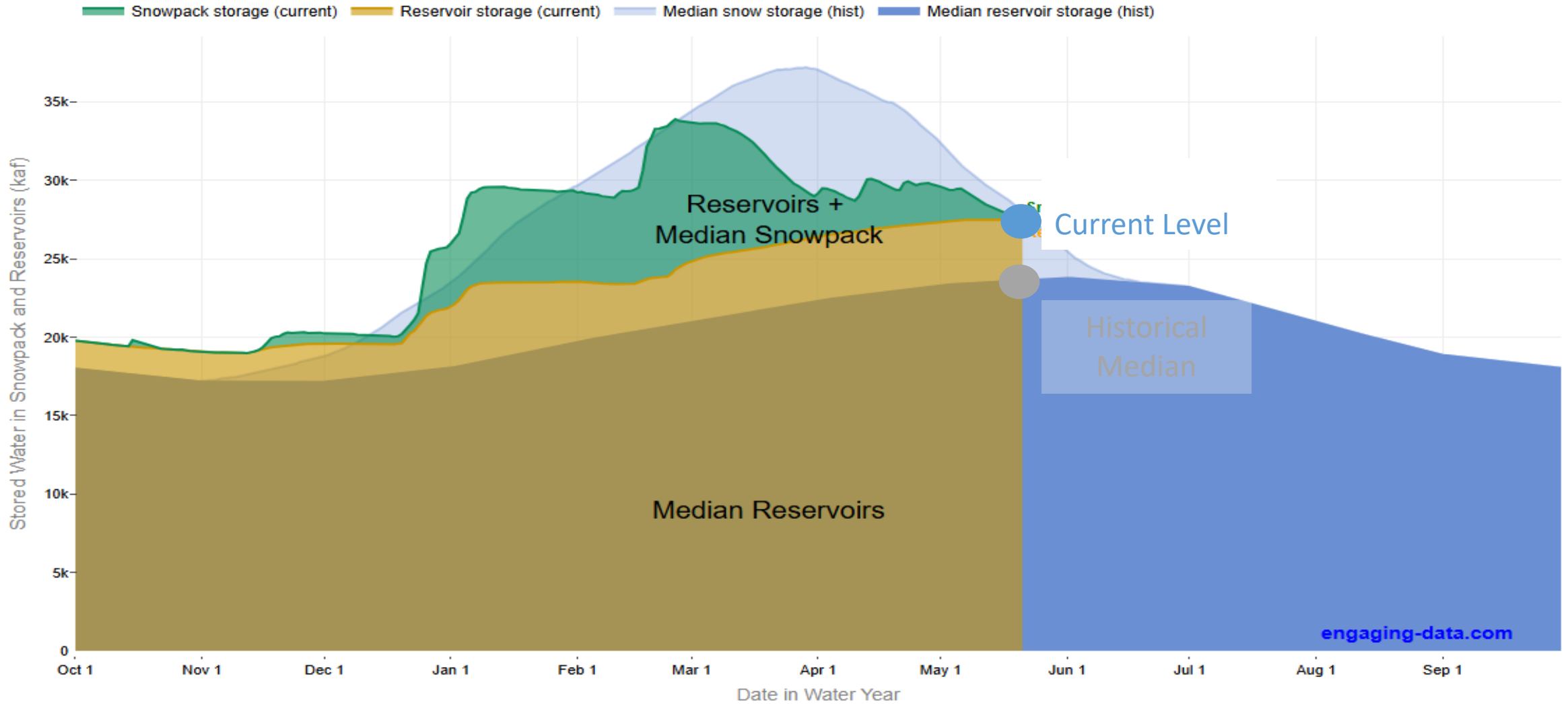
Issued: May 21, 2026



# Summer 2026 Western US Hydro Outlook



# California Seasonal Water Storage

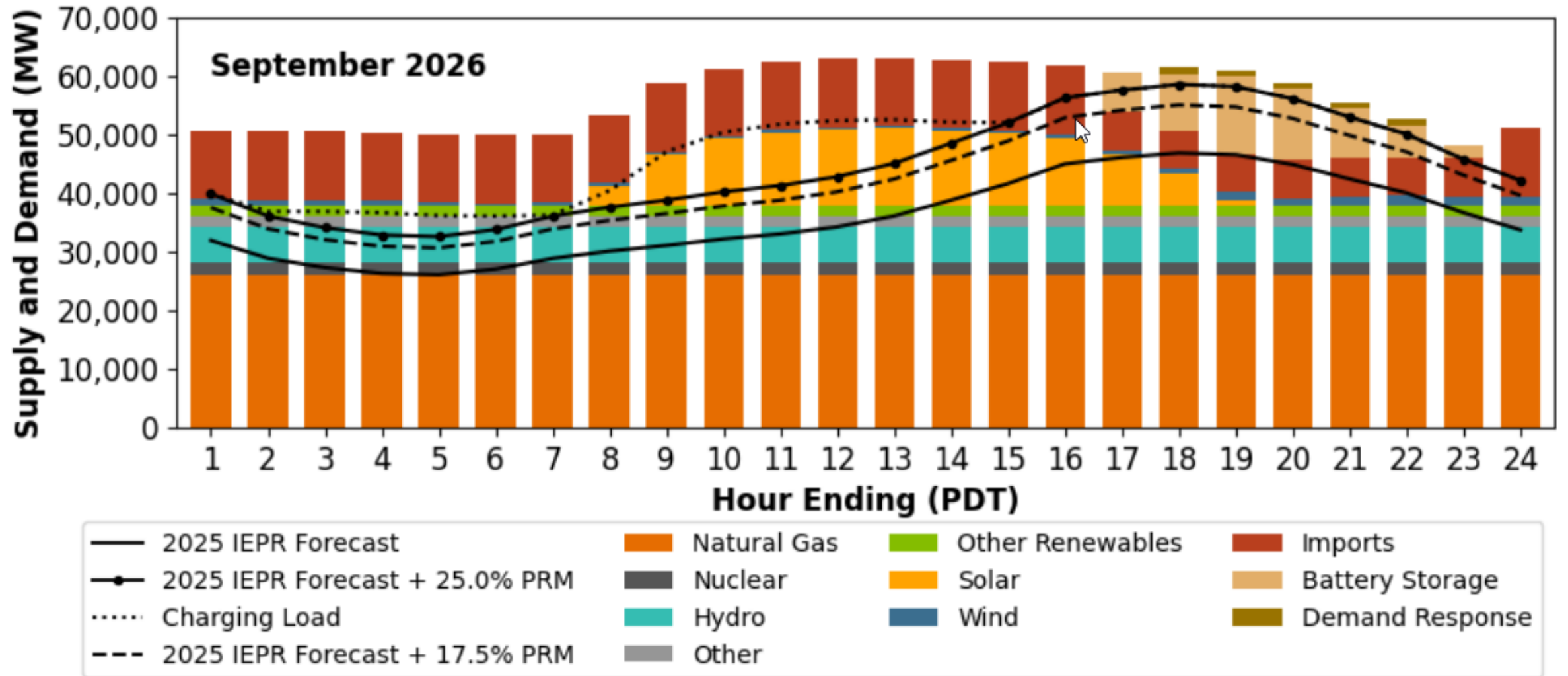


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# VCE Summer Readiness Overview

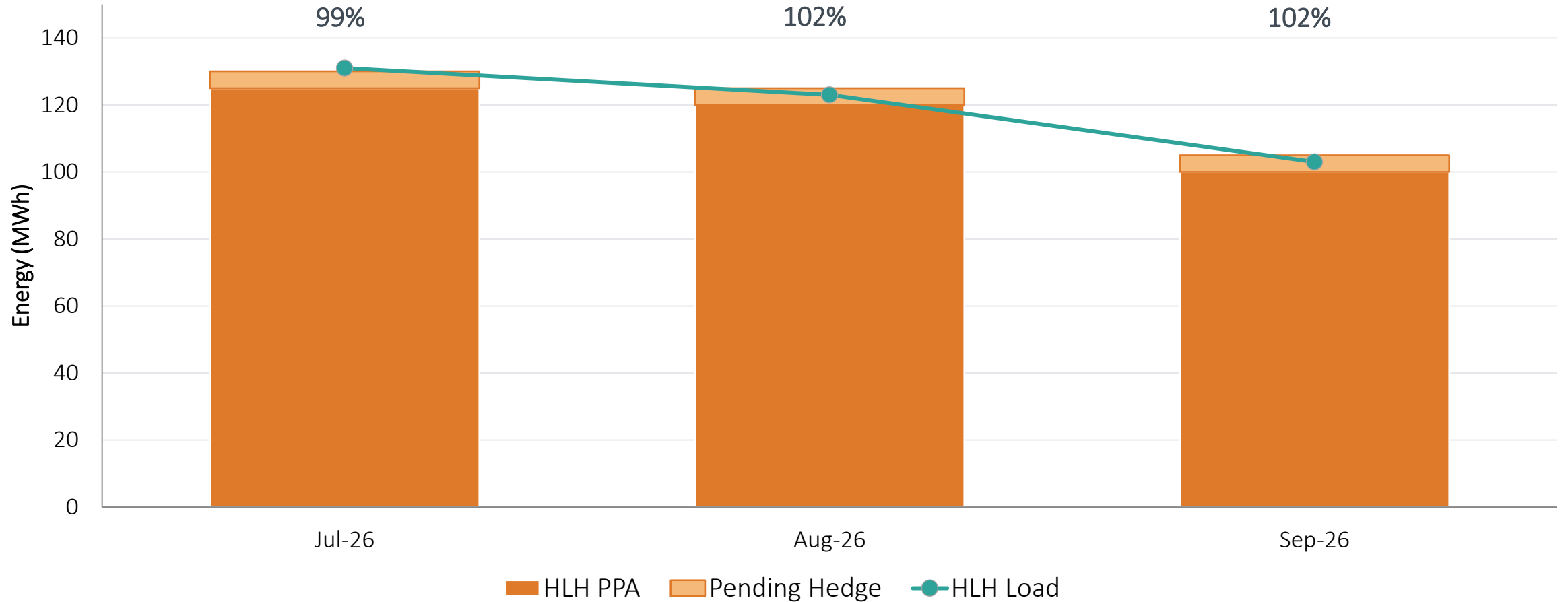
- VCE has met its Q3 2026 hedging policy requirements, with one pending position to further strengthen its summer coverage
  - VCE's Wholesale Energy Procurement Risk Management Policy hedging requirements for the summer are 80% to 130% in Q3 with at least 95% in Heavy Load Hours (Monday – Saturday 6 am to 10 pm)
- VCE has fully procured all necessary RA to meet CPUC and CAISO compliance for Q3
- VCE has multiple years of summer operating history to inform hedging, risk, and procurement decisions, including both challenging and relatively mild summers
- VCE and TEA have an established procedure for Volatile Incoming Pricing Event Response (VIPER) to ensure alignment on CAISO market operations and reporting in the case of a summer pricing event caused by heat or other conditions

# CAISO 2026 September Peak Load & Resources Analysis



# VCE 2026 Summer Energy Position

## VCE Q3 2026 Monthly Energy Position (HLH)



# VCE Contracted Resources

- **Aquamarine Solar**
  - **Type:** 50 MW PV (Solar Only)
  - **Status:** Operating as expected
- **Indian Valley Hydro**
  - **Type:** 3 MW Hydro (short-term PPA through September 31, 2026)
  - **Status:** Expected to generate through summer
- **Putah Creek Solar + Storage**
  - **Type:** 3 MW PV + 3 MW 4-hour BESS Hybrid
  - **Status:** Operating as expected
- **Resurgence Solar + Storage**
  - **Type:** 90 MW PV + 75 MW 4-hour BESS (Co-located Resource)
  - **Status:** Operating as expected
- **Tierra Buena BESS**
  - **Type:** 2.5 MW share of RA-Only 4-hour BESS
  - **Status:** Operating as expected
- **Tumbleweed BESS**
  - **Type:** 75 MW 8-hour Battery Storage (VCE share: 4.15% / 2.86 MW)
  - **Status:** Entered VCE portfolio on June 1, 2026; will provide RA and dispatch capacity for summer 2026
- **Willy 9 Chap 2 (Willow Springs) Solar + Storage**
  - **Type:** 72 MW PV + 36 MW BESS (Hybrid)
  - **Status:** Operating as expected



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# Valley Clean Energy Board Meeting – Thursday, June 11, 2026

## Item 13 – 2025 Financial Audit presented by James Marta



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VALLEY CLEAN ENERGY ALLIANCE  
SUMMARY OF AUDIT RESULTS  
DECEMBER 31, 2025

Presented by

James Marta CPA, CGMA, ARPM



# Team Members



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# Agenda

- Communications with Those Charged with Governance
- December 31, 2025, Valley Clean Energy Alliance (VCE) Financial Information and Auditor's Report
- Independent Auditor's Report on Internal Control Over Financial Reporting



# COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE



# SCOPE OF THE ENGAGEMENT

- Financial Audit
- Report on Internal Control Over Financial Reporting
- Report to Those Charged With Governance



Professional standards require that we provide you with information related to our audit of VCE. This information is summarized as follows:

- Responsibilities and Opinion
  - Financial statements are the responsibility of management
  - Our responsibility is to express an audit opinion
  - We issued an unmodified opinion (the best and auditor can give)



## Planning and Communication

- Worked closely with Mitch Sears, Edward Burnham, and the Valley Clean Energy Alliance staff.
  - Preliminary questions and opinions
  - Ongoing accounting and allocation issues
  - Compliance



# Independence

Auditor remained independent under AICPA rules

No prohibited non-audit services provided

- We assist in drafting the financial statement



# REPORT TO YOU - INTERACTIONS WITH MANAGEMENT



Management Consultations  
with Other Independent  
Accountants:

✓ None



Disagreements with  
Management of Difficulties  
Encountered:

✓ None



Management  
Representations:

Received

# REPORT TO YOU

## QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

- Significant Accounting Policies and Changes in Those Policies - No changes
- Management Judgments and Accounting Estimates
  - Receivables, Allowance for Doubtful Accounts
  - Appropriate and in-line with standards



# AUDIT PROCEDURES

- An Audit is more than just assurance regarding the fairness of presenting financial statements. An Audit involves gaining an understanding of the organization's systems and controls.
  - Understanding; systems, policies and procedures
  - Tests of control
  - Gathering other audit evidence, review of details, performing test calculations.
  - Review of accounting methods and reporting

# RESULTS OF THE AUDIT

Consideration Area	Result
Planned Scope and Timing	Scope and timing as anticipated
Findings Identified in Performing the Audit	None
Significant Adjustments or Disclosures Not Reflected in the Financial Statements	<ul style="list-style-type: none"><li>• RJE #1: PBC - To record Nem Q4 Activity and adjust reclass RCB - RLOC NON-USE FEE 2025 and RCB AQUAMARINE SBLC RENEWAL</li><li>• RJE #2: PBC - To reclass Power Costs</li></ul>

# Significant Adjustments

Account	Description	Debit	Credit
<b>Reclassifying Journal Entries JE # 1</b>			
PBC - To record Nem Q4 Activity and adjust reclass RCB - RLOC NON-USE FEE 2025 and RCB AQUAMARINE SBLC RENEWAL			
45370-0000	BANKING FEES	7,103.00	
45370-0000	BANKING FEES	75,250.00	
45970-0000	HEAT PUMP		7,103.00
45970-0000	HEAT PUMP		75,250.00
<b>Total</b>		<b>82,353.00</b>	<b>82,353.00</b>
<b>Reclassifying Journal Entries JE # 2</b>			
PBC - To reclass Power Costs			
45321-0000	SMUD - WHOLESALE ENERGY SERVIC	69,500.00	
41510-0000	POWER PURCHASES		69,500.00
<b>Total</b>		<b>69,500.00</b>	<b>69,500.00</b>

FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT



# INDEPENDENT AUDITOR'S REPORT

- Pages 1-3 of the Audited Financial Statements
- Unmodified opinion (Page 1), the best opinion that we can provide.



# MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)

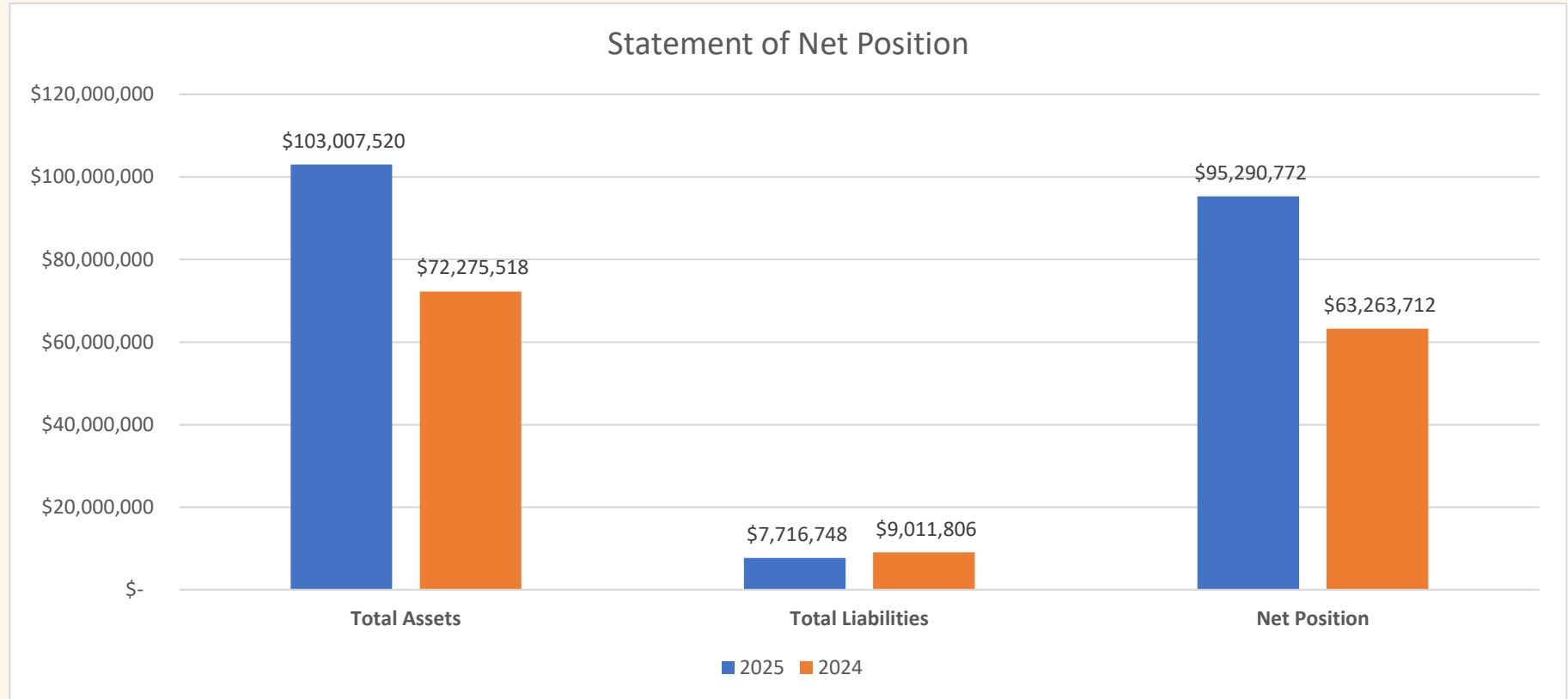
- Pages 4-7
  - Financial Highlights
  - Condensed financial statements and graphs plus narrative about why balances changed from prior years
  - Analysis of balances and transactions
  - Facts or conditions that are expected to have a significant effect

# STATEMENT OF NET POSITION

↑ Assets up \$30.7M (Better rates, cost management, and positive operation of \$32M)

↓ Liabilities down \$1.3M (decrease in accrued cost of electricity reduced in overall cost and PY penalties)

↑ Net position is up \$32M



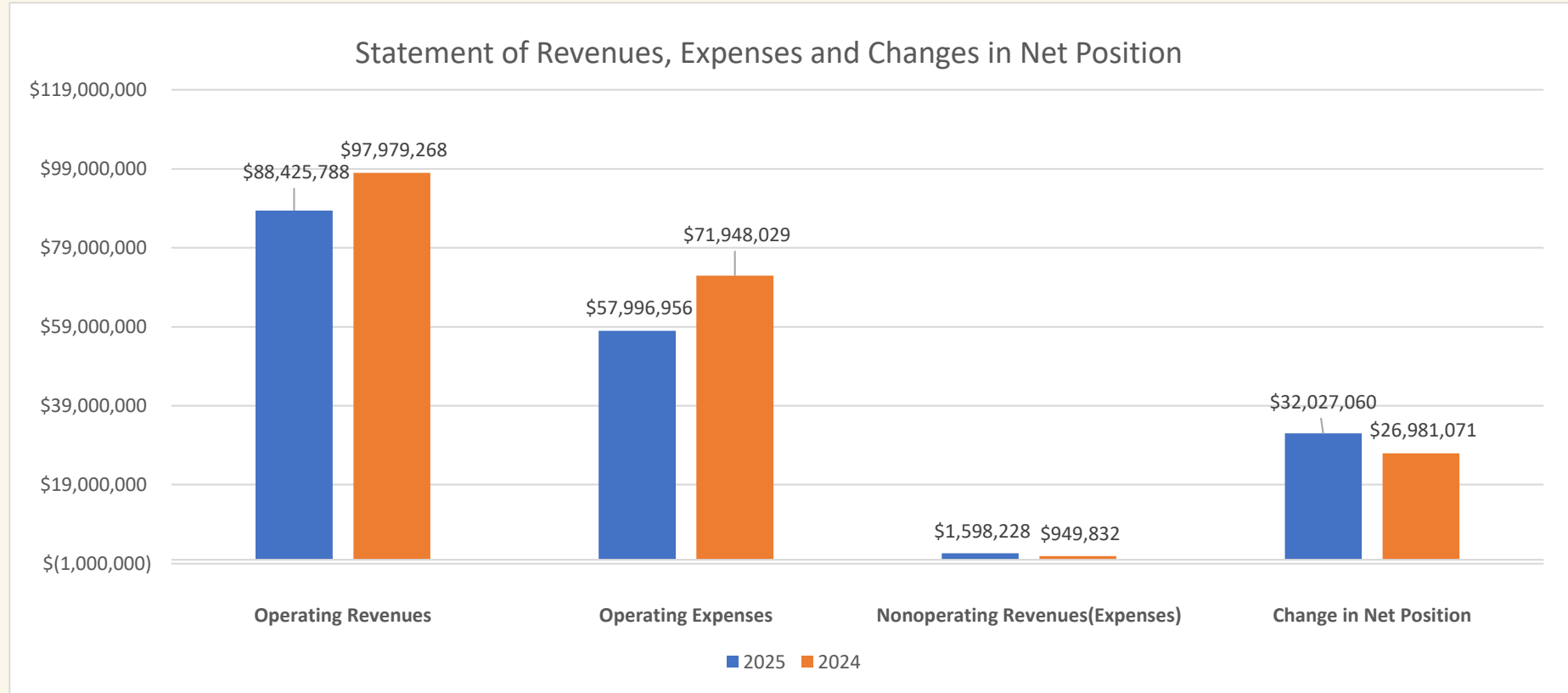
# STATEMENT OF NET POSITION

	<u>2025</u>	<u>2024</u>
<b>ASSETS</b>		
Current assets		
Unrestricted Cash	\$ 78,634,729	\$ 51,943,413
Accounts receivable, net of allowance	10,162,025	8,769,456
Accrued revenue	3,763,678	3,449,298
Prepaid expenses	194,033	100,022
Other current assets and deposits	1,806,883	1,806,883
Total Current Assets	<u>94,561,348</u>	<u>66,069,072</u>
Restricted assets:		
Cash in - debt service reserve fund	1,100,000	1,100,000
Total Restricted assets	<u>1,100,000</u>	<u>1,100,000</u>
Noncurrent Assets		
Other noncurrent assets and deposits	7,346,172	5,106,446
Total Noncurrent Assets	<u>7,346,172</u>	<u>5,106,446</u>
<b>TOTAL ASSETS</b>	<u>\$ 103,007,520</u>	<u>\$ 72,275,518</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	\$ 292,537	\$ 749,431
Accrued cost of electricity	3,510,965	4,504,376
Accrued payroll	120,845	151,475
Other accrued liabilities	3,792,401	3,606,524
Total Current Liabilities	<u>7,716,748</u>	<u>9,011,806</u>
<b>NET POSITION</b>		
Net position		
Restricted	1,100,000	1,100,000
Unrestricted	94,190,772	62,163,712
<b>TOTAL NET POSITION</b>	<u>\$ 95,290,772</u>	<u>\$ 63,263,712</u>

# STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Primary drivers:

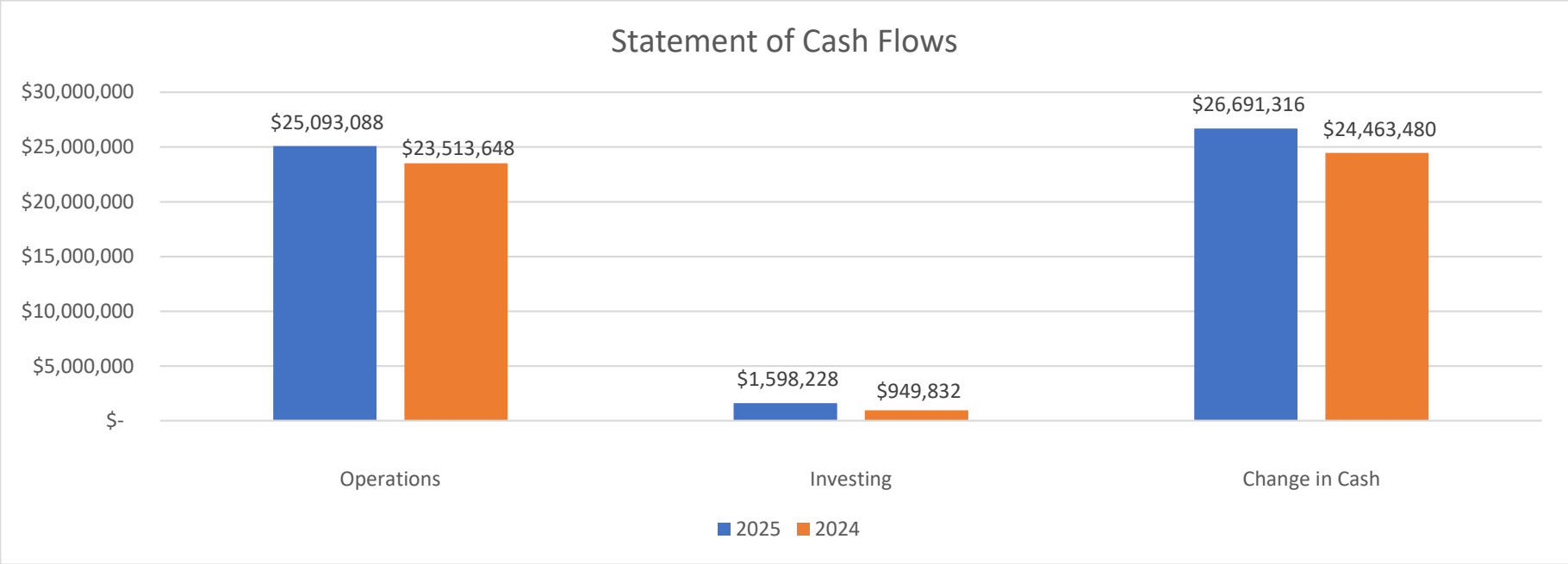
- Electricity sales and costs
- Conscious pricing decisions
- Management of electricity cost
- As you build capital, investment revenue may contribute more.



# STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	<u>2025</u>	<u>2024</u>
<b>OPERATING REVENUE</b>		
Electricity sales, net	\$ 88,399,258	\$ 97,905,798
Other revenue	26,530	73,470
<b>TOTAL OPERATING REVENUES</b>	<u>88,425,788</u>	<u>97,979,268</u>
<b>OPERATING EXPENSES</b>		
Cost of electricity	52,406,469	64,722,705
Contractors	2,579,679	3,132,155
Staff compensation	1,708,045	1,700,719
Program expenses	140,509	1,328,152
General and administrative	1,162,254	1,064,298
<b>TOTAL OPERATING EXPENSES</b>	<u>57,996,956</u>	<u>71,948,029</u>
<b>TOTAL OPERATING INCOME (LOSS)</b>	<u>30,428,832</u>	<u>26,031,239</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	1,598,228	949,832
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>1,598,228</u>	<u>949,832</u>
<b>CHANGE IN NET POSITION</b>	32,027,060	26,981,071
Net position at beginning of period	63,263,712	36,282,641
Net position at end of period	<u>\$ 95,290,772</u>	<u>\$ 63,263,712</u>

# STATEMENT OF CASH FLOWS

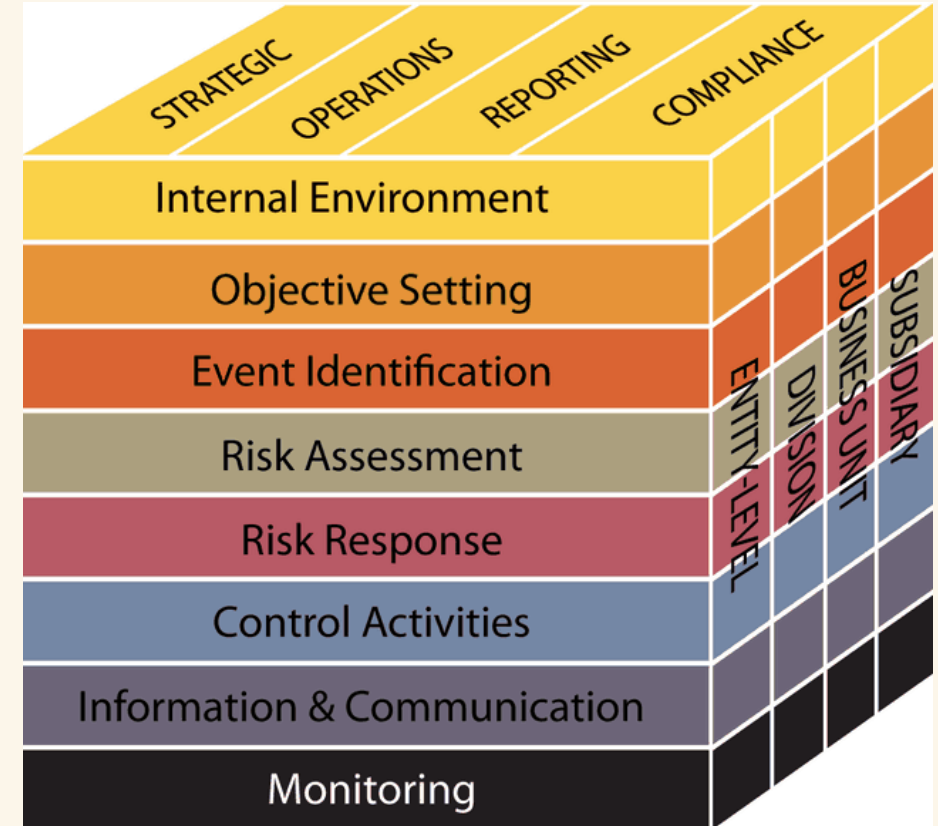


# STATEMENT OF CASH FLOWS

	<u>2025</u>	<u>2024</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from electricity sales	\$ 86,689,468	\$ 99,737,078
Payments for security deposits with energy suppliers	(2,239,726)	(3,212,842)
Payments to purchase electricity	(53,397,039)	(65,977,872)
Payments for contract services, program expenses, general, and administration	(4,247,470)	(5,498,575)
Payments for staff compensation	(1,738,675)	(1,607,611)
Other cash payments	26,530	73,470
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>25,093,088</u>	<u>23,513,648</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	1,598,228	949,832
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>1,598,228</u>	<u>949,832</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents at beginning of period	26,691,316	24,463,480
	53,043,413	28,579,933
Cash and cash equivalents at ending of period	<u>\$ 79,734,729</u>	<u>\$ 53,043,413</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 30,428,832	\$ 26,031,239
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Increase) decrease in net accounts receivable	(1,392,569)	1,830,526
(Increase) decrease in net accrued revenue	(314,380)	(15,264)
(Increase) decrease in prepaid expense	(94,011)	(57,853)
(Increase) decrease in other assets and deposits	(2,239,726)	(3,212,842)
Increase (decrease) in accounts payable	(456,894)	303,375
Increase (decrease) in accrued payroll	(30,630)	93,108
Increase (decrease) in due to member agencies	-	(4,132)
Increase (decrease) in accrued cost of electricity	(990,570)	(1,255,167)
Increase (decrease) in other accrued liabilities	185,877	(215,360)
Increase (decrease) in user taxes and energy surcharges	(2,841)	16,018
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 25,093,088</u>	<u>\$ 23,513,648</u>

# INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL AND COMPLIANCE

- No Material Weaknesses identified
- No instances of noncompliance identified



We would like to thank Mitch Sears, Edward Burnham, and the Valley Clean Energy Alliance staff for their assistance during the audit process.

# QUESTIONS?

James Marta CPA, CGMA, ARPM





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# Valley Clean Energy Board Meeting – Thursday, June 11, 2026

## Item 14 – Mid-Year Financials Update



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# Item 14 – 2026 Mid-Year Financials Update : Overview

## Overview

VCE Staff continues to monitor and update the Board on budget performance for long-term financial sustainability and customer affordability.

### **Mid-year financial findings:**

- 2026 load actuals have been lower than forecasted due to wet winter and lower spring temps.
- Regulatory actions are having a significant impact on Revenue forecasts.




### **This presentation includes:**

- Summary of 2026 Budget Development
- 2026 Financials Update
- Long-term Financial Forecast
- Recommendation & Discussion

Note: Technical abbreviations are defined on slide 11

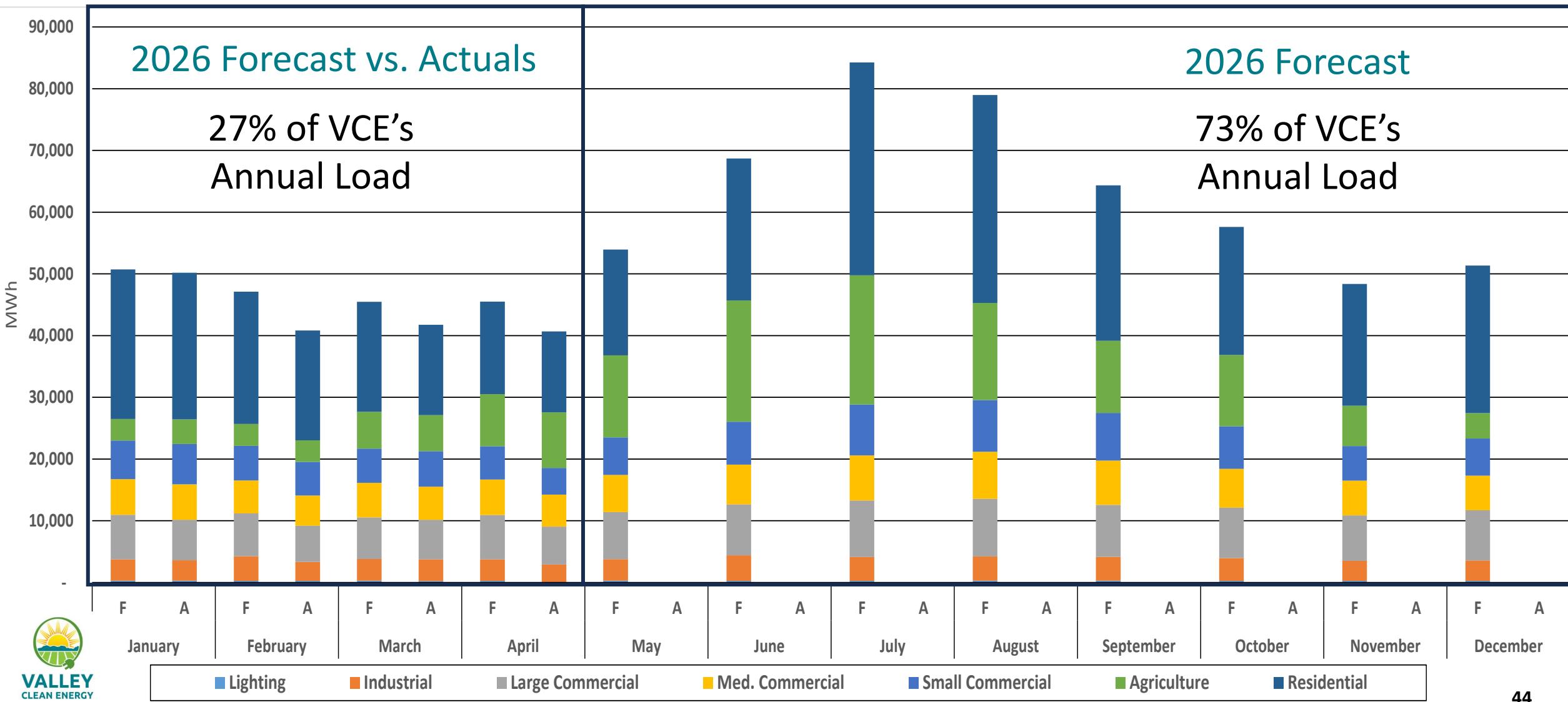
## 2026 Rates & Budget Summary: Key objectives

The 2026 customer Rates and Budget were based on adopted policies, strategic plan goals, and Board Feedback.

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, using rate stabilization funds
  
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 14 – 2026 Mid-Year Financials Update : Load Update

## VCE Retail Load Update



# Item 14 – 2026 Mid-Year Financials Update : Proforma

## 2026 Budget Proforma Update (4 Months Actuals – unaudited)

Description	APPROVED 2026 BUDGET	2026 Proforma (4 Month Actuals + 8 Month Budget)	Variance
Revenue	\$ 45,274	\$ 49,721	\$ 4,447
Power Cost	\$ 53,800	\$ 53,280	\$ 520
Other Expenses	\$ 7,220	\$ 7,220	\$ -
<u>Net Income</u>	<u>\$ (15,746)</u>	<u>\$ (10,779)</u>	<u>\$ 4,967</u>

### Key Highlights

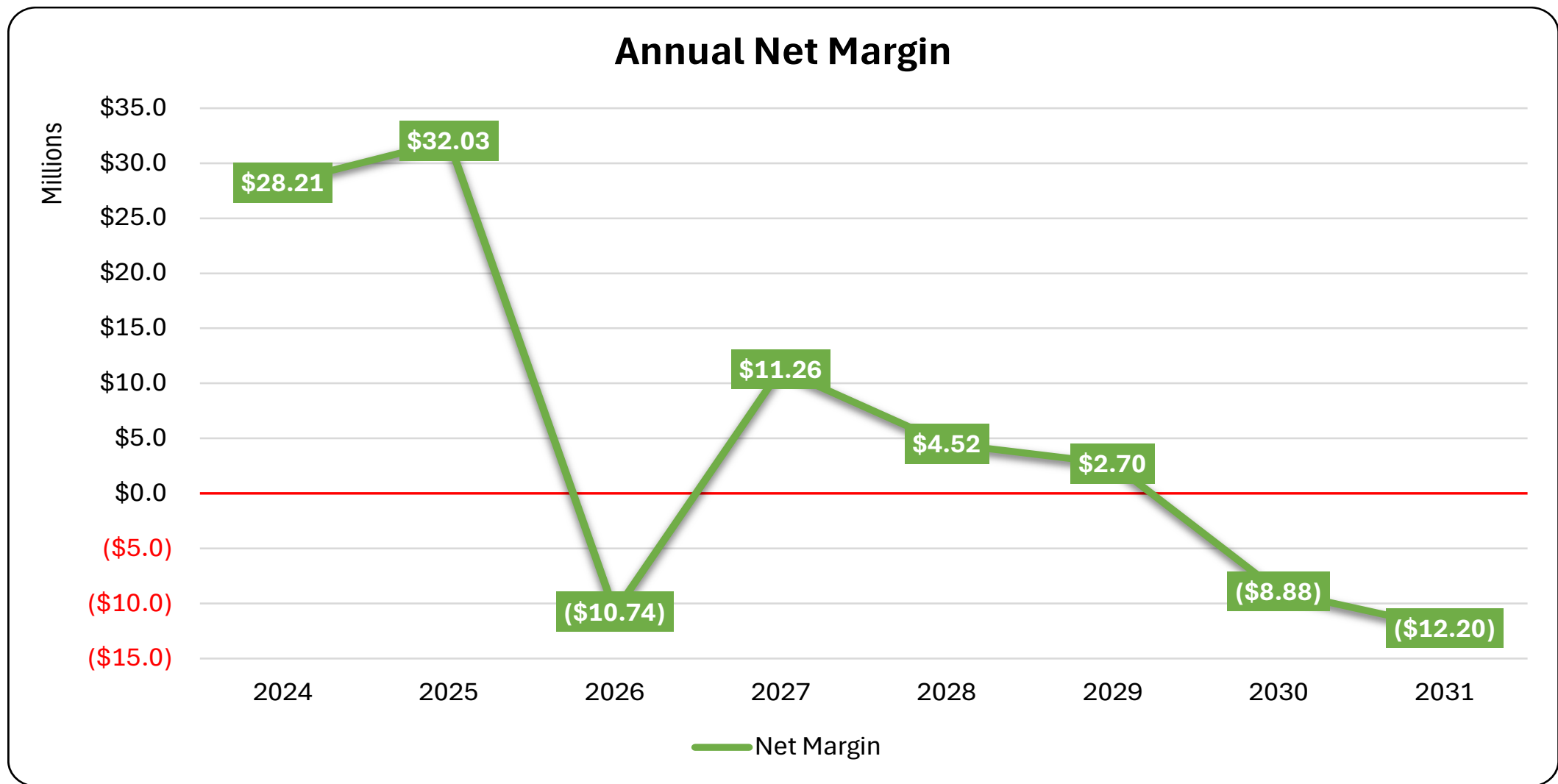
- Revenues are more favorable than forecasted primarily due to final rates and a cool spring.
- Power costs are in line with the budget due to mild temperature variations in winter and lower energy prices.

# Item 14 – 2026 Mid-Year Financials: Long-term Forecast

## Long-term Outlook (No action recommended)

- Current forecasts have improved, but are expected to be less favorable
  - PCIA OIR Track 2 - The proposed decision in Track 2 is expected to have additional impacts on the REC values included in the 2027 ERRR proceeding.
  - PCIA OIR Track 3 – “comprehensive review” to consider updates and
    - Improving existing rules (Including recent decisions)
    - Mitigating rate volatility
    - Ensuring indifference (PG&E bundled vs CCA unbundled)
- Lower Energy Prices = Higher PICA & Lower PG&E Gen - *Decline in Energy price projections (~36% decrease since 2026 budget adoption) risk rate competitiveness*
- VCE’s Reserves allow us to maintain strong balances while absorbing a forecasted net loss of up to ~\$16M in 2026 (Updated forecasted at ~\$10.7M).
- PPA Extensions / Renewals – Current market prices for PPAs are significantly higher than those currently contracted.

# Item 14 – 2026 Mid-Year Financials: Long-term Forecast



Note: VCE's forecasts include current approved customer rate discounts and updated third-party analyst information.

# Item 14 – 2026 Mid-Year Financials: Long-term Forecast

## Additional Considerations for Reserve Balances

**Credit Rating and Financing Costs:** Strong reserves support VCE’s current “A-” credit rating, which reduces borrowing costs and enhances 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.

**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.

# Item 14 – 2026 Mid-Year Financials: Next Steps / Discussion

## Next Steps

- Monitor and update the Board on current year financial performance and decisions impacting PCIA and Generation rates.
- October Update – Release of CPUC proposed decisions to evaluate revenue/cost impacts for long-term financial strength.
- November – Preliminary 2027 Budget Update
- December 2026 – Proposed 2027 Customer Rates and Budget

## Recommendation & Discussion

Continue Current 2026 customer rate discounts:

- 5% for all (Standard Green/Ultra Green)
- 10% for CARE/FERA customers for the

# Item 14 – 2026 Mid-Year Financials Update : Abbreviations

- **Power Charge Indifference Adjustment (PCIA)** – An exit fee calculated by the Investor-Owned Utility / PG&E.
- **Energy Resource Recovery Account (ERRA)** –ERRA tracks the difference between the utilities’ authorized revenue recovered in customer rates and the actual cost of power.
- **California Public Utilities Commission (CPUC)** – Primary regulator for electric utilities in the state of California.
- **Order Instituting Rulemaking (OIR)** is an active proceeding initiated by the CPUC to update and reform PCIA and ERRA policies.
- **Resource Adequacy (RA)** – To ensure load-serving entities have enough power contracted to meet demand.
- **Market Price Benchmarks (MPB)** – Average price of tradable commodities, such as RECs, RA, and energy, that are used in the annual ERRA proceeding forecast.
- **Renewable Energy Certificates (RECs)** – A certificate of proof that electricity was generated from an eligible renewable source.



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**Valley Clean Energy Board Meeting – Thursday, June 11, 2025**

**Item 15 – 2025 Draft Net Margin Allocation**



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# Item 15 – Draft Allocation of 2025 Net Margin: Overview

## Overview

Annually, VCE conducts a review and allocates its net margin from the previous fiscal year. VCE's audited 2025 financial statements resulted in \$32 M net income. Taking into account the Dividend Program parameters, as well as available and forecast cash reserves, Staff is recommending allocations towards cash reserves, programs, and continued customer rate discounts.

### **This presentation will provide:**

- Summary of 2025 Net Margin
- Present the 2025 Net Margin Allocation Scenarios

# Item 15 – Draft Allocation of 2025 Net Margin: Dividend Program

## Dividend Program Formula:

- Every year, the audited Net Margin (Less Principal Debt Payments) is to be allocated amongst Cash Reserves, Local Programs Reserve, and Customer Dividends, at the Board’s discretion
- Require a minimum 5% net margin before considering if any dividends are paid

Based on the audited 2025 Financial Statements, the conditions above have been met, including our Reserve Policy Minimums.

**Table 1 - 2025 Beginning Reserve Balance**

Description	2025 Beg. Cash Balance	Days Cash	Minimum Reserve Policy
Operating Reserves - 2025 Beginning Balance	43,314	220	120*
Local Programs Reserves - 2025 Beginning Balance	2,709	14	0
Customer Dividend Reserves - 2025 Beginning Balance	3,856	20	0
Rate Stabilization Reserves - 2025 Beginning Balance	12,284	62	60
<b>Total Unrestricted Cash</b>	<b>62,163</b>	<b>316</b>	<b>180</b>



\*VCE Operational Cash Reserve Target is 180 days.

# Item 15 – Draft Allocation of 2025 Net Margin: Dividend Program Formula

The dividend program formula is as follows:

Net margin up to 5% is to be allocated as follows:

- At least 5% (of the 5%) to LPR for program implementation
- Up to 95% (of the 5%) to Operational Cash Reserves (Until 180-day Target is met)

Net margin over 5% is to be allocated as follows:

- 50% to Operational Cash Reserves (Until 180-day target is met)
- 25% to Rate Stabilization (Until 60-day minimum is met)
- Board Discretionary Allocation after minimums have been met

## VCE Dividend Program – Draft 2025 Allocation (Table 2)

Valley Clean Energy	
Description	2025 Financials (\$1,000s)
Electricity Sales	90,024
Operating Expense	57,997
Operating Margin	32,027
Principal Debt Payments	-
Adjusted Net Margin less principal Debt Payments	32,027
Adjusted Net Margin Percentage	35.58%
Allocation Amount <=5%	4,501
Allocation Amount > 5%	27,526

# Item 15 – Draft Allocation of 2025 Net Margin: Key Considerations

## Key Considerations:

- Rate Competitiveness - Current forecasts from analysts show additional changes in PCIA (increasing) and PG&E rates (decreasing)
- Power Costs - regulatory pressures (increased costs = decreased days cash on hand)
- VCE's current minimum 120-day (180 Target ) operating cash reserve target and minimum 60-day rate stabilization reserves
- Continues VCE's current renewable standard green portfolio with discounts.

# Item 15 – Draft Allocation of 2025 Net Margin: Net Margin up to 5%

## Allocation of Net Margin up to 5%

- VCE's minimum allocations result in \$245,000 to Local Programs.
- Additional discretionary \$2,025,000 to Local Programs
- Additional discretionary \$2,251,000 to Operational reserves

### Allocation of Net Margin up to 5% (Table 3)

Allocation of Net Margin up to 5%	Percentage	Allocation Amount	Operating Days Cash	Total Operating Days Cash
Operating Reserves Allocation	50%	2,251	11	231
Local Programs Allocation	50%	2,251	11	25

Note: Additional operational reserves provide flexibility and help maintain VCE's credit rating. Additional local programs reserve allows for multi-year planning during years that no allocation may be made.

# Item 15 – Draft Allocation of 2025 Net Margin: Net Margin above to 5%

**Table 4 - Scenario 1 - Allocation of Net margin above 5%**

Allocation of Net Margin above 5%	Percentage	Allocation Amount	Operating Days Cash	Total Operating Days Cash
Operating Reserves Allocation	0%	-	0	230
Local Programs Allocation	0%	-	0	25
Customer Dividends	0%	-	0	20
Rate Stabilization Allocation	100%	27,526	140	202

Note: Rate Stabilization reserves provide the most flexibility. Rate Stabilization funds can be reallocated during the 2027 Rates and Budget process. The 2026 adopted budget forecasts a (\$15.8M) net loss using a part of this forecasted allocation. Current 2027 forecasts do not include market price benchmarks or peak-season usage.

# Item 15 – Draft Allocation of 2025 Net Margin: Net Margin above to 5%

**Table 4 - Scenario 2 - Allocation of Net margin above 5%**

Allocation of Net Margin above 5%	Percentage	Allocation Amount	Operating Days Cash	Total Operating Days Cash
Operating Reserves Allocation	0%	-	0	0
Local Programs Allocation	0%	-	0	0
Customer Dividends	15%	4,129	21	31
Rate Stabilization Allocation	85%	23,397	119	130

Scenario 2 decreases the Rate Stabilization allocation in Scenario 1 and increases the customer dividend fund proportionately. This approach strengthens expectations that VCE may continue its discount program into 2027, providing added reassurance regarding rate stability and ongoing customer benefits despite a challenging market outlook.

# Item 15 – Draft Allocation of 2025 Net Margin: Summary Discussion

## Summary

Staff believe that both scenarios represent a disciplined and financially prudent approach to building reserves and preserving long-term rate relief.

## Staff Recommendation (Scenario 2)

Adopt a resolution approving the allocation of the \$32M 2025 Audited Net Margin as follows:

1. Minimum allocation of \$225,000 to the Local Programs Reserve (LPR)
2. Discretionary allocation of \$2,026,000 to the LPR
3. Discretionary allocation of \$2,251,000 to Operational Reserves
4. Discretionary allocation of \$4,129,000 to Customer Dividend Reserves
5. Discretionary allocation of \$23,397,000 to Rate Stabilization Reserves