# Valley Clean Energy Board Meeting – Thursday, June 12, 2025

## Item 11 – Summer Preparedness Outlook

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# 2025 VCE SUMMER ASSESSMENT

ITEM 11 – VALLEY CLEAN ENERGY BOARD THURSDAY, JUNE 12, 2025 MEETING

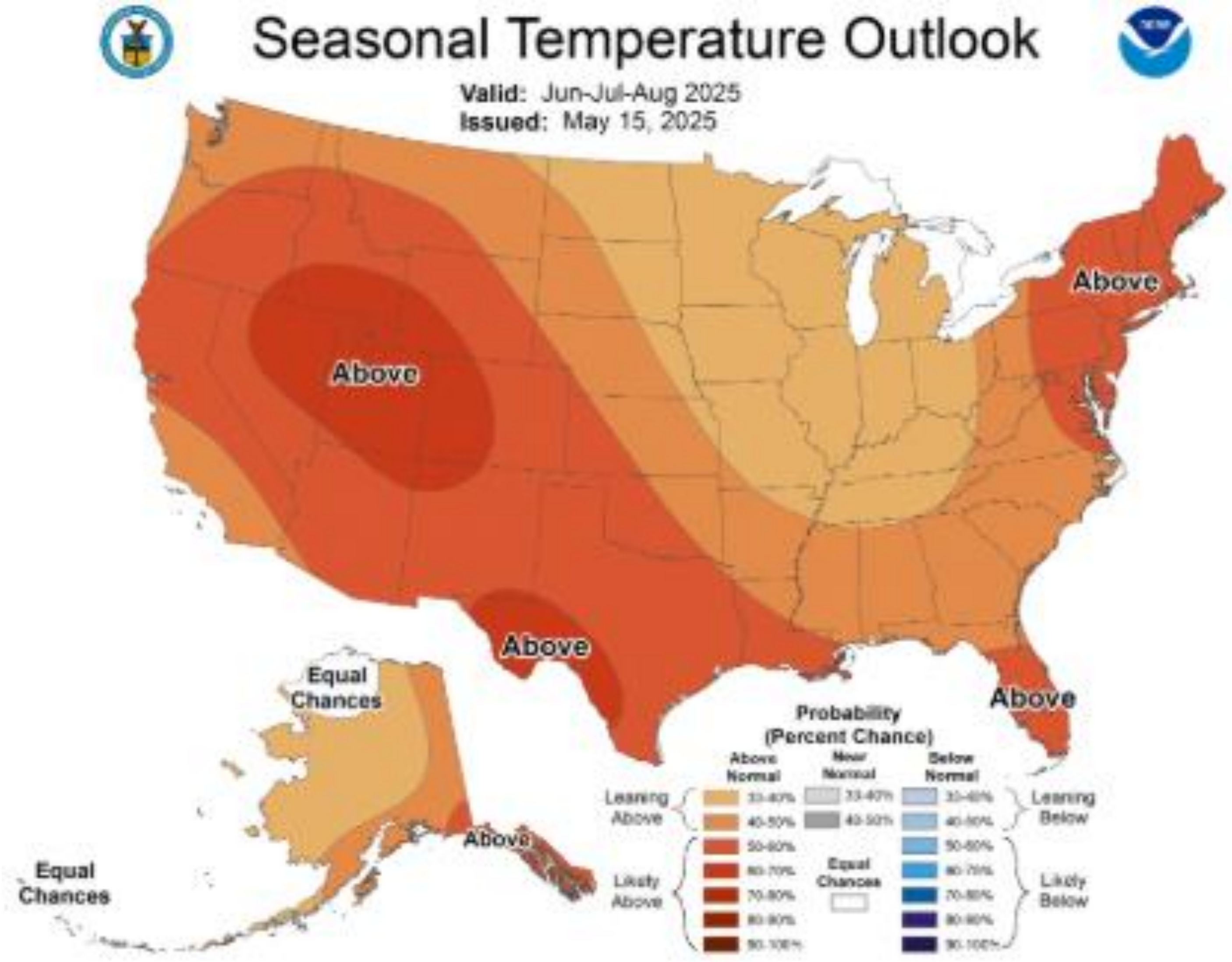
# California 2025 Summer Overview

- CAISO and CEC report an overall positive outlook for meeting peak summer demand
  - Peak load forecasted at 46,094 MW in September at HE18 (minimally less than last year)
    - Forecast is based on 1-in-2 weather year (also known as weather-normalized)
  - 5,534 MW of added nameplate capacity of solar, battery, and hybrid expected by June 30, 2025
  - Surplus of 1,451 MW above peak forecasted summer needs

- Warmer than normal temperatures are expected especially in Inland CA and PNW
  - California had an average water year, with reservoirs at healthy levels
  - Upper PNW has below normal runoff volumes and therefore less hydro generation available

- As always, there remain concerns regarding a west-wide heat events, wildfires, transmission interruption, and unexpected unit outages

# Summer (June – August) Temperature Outlook



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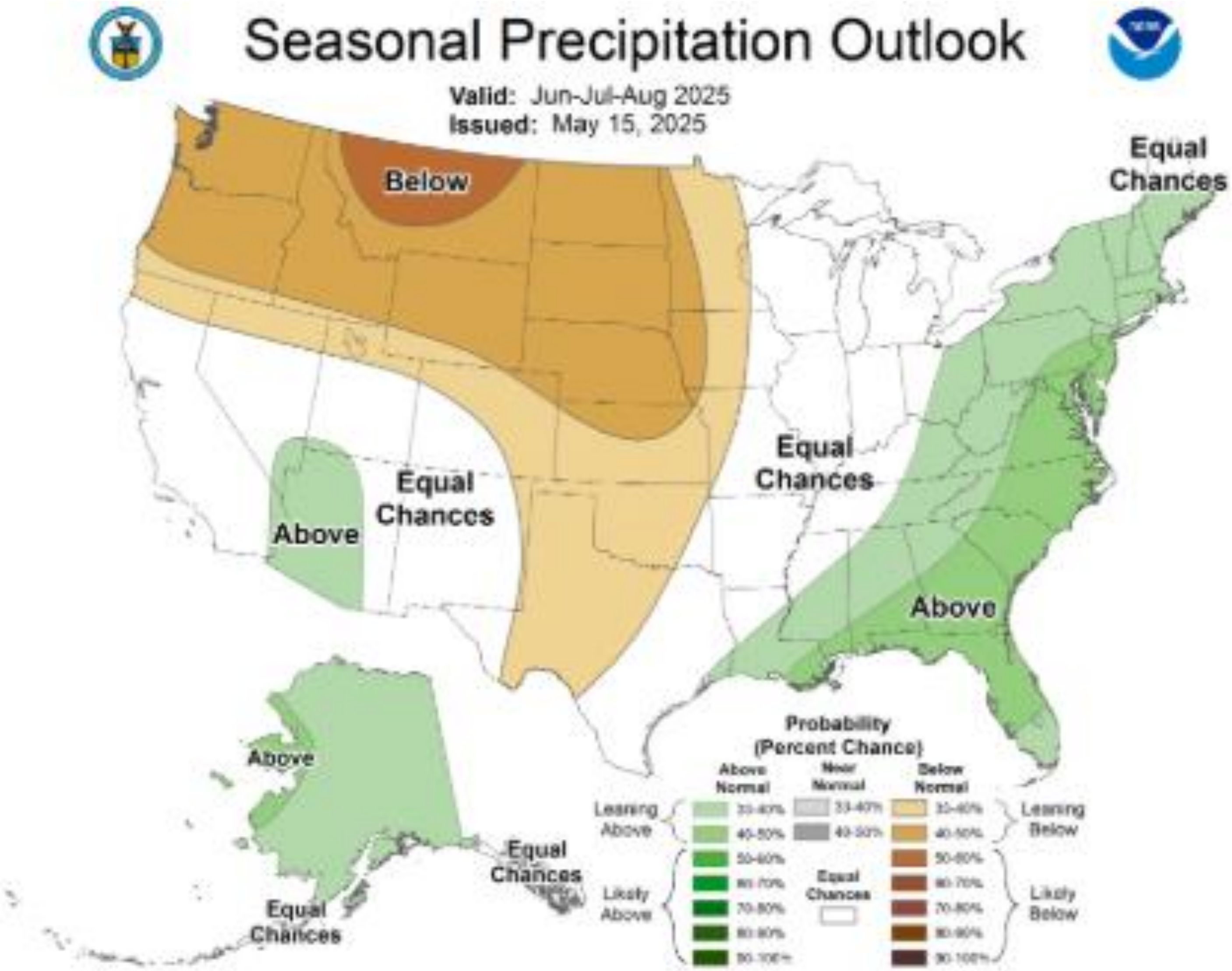
# Summer (June – August) Precipitation Outlook



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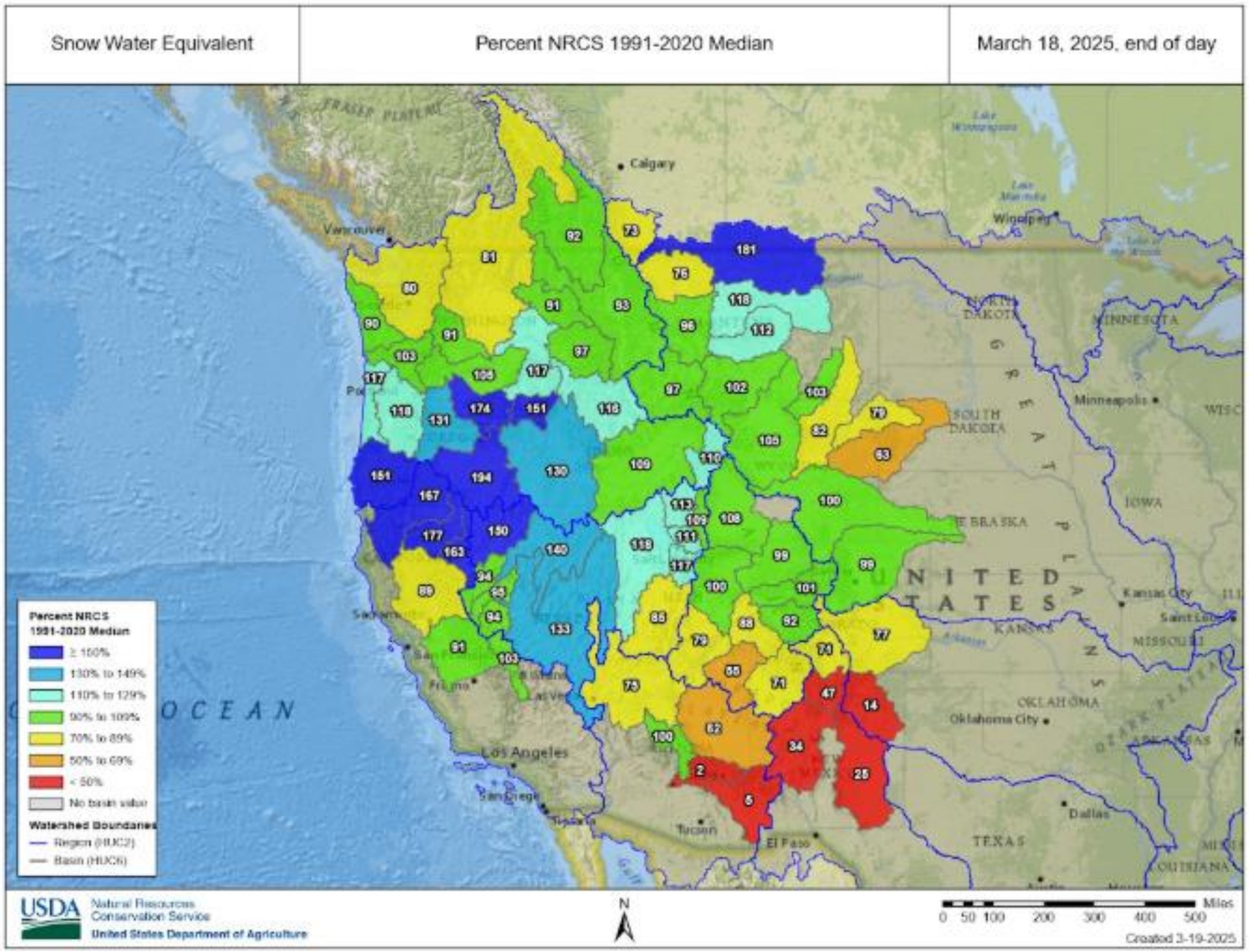
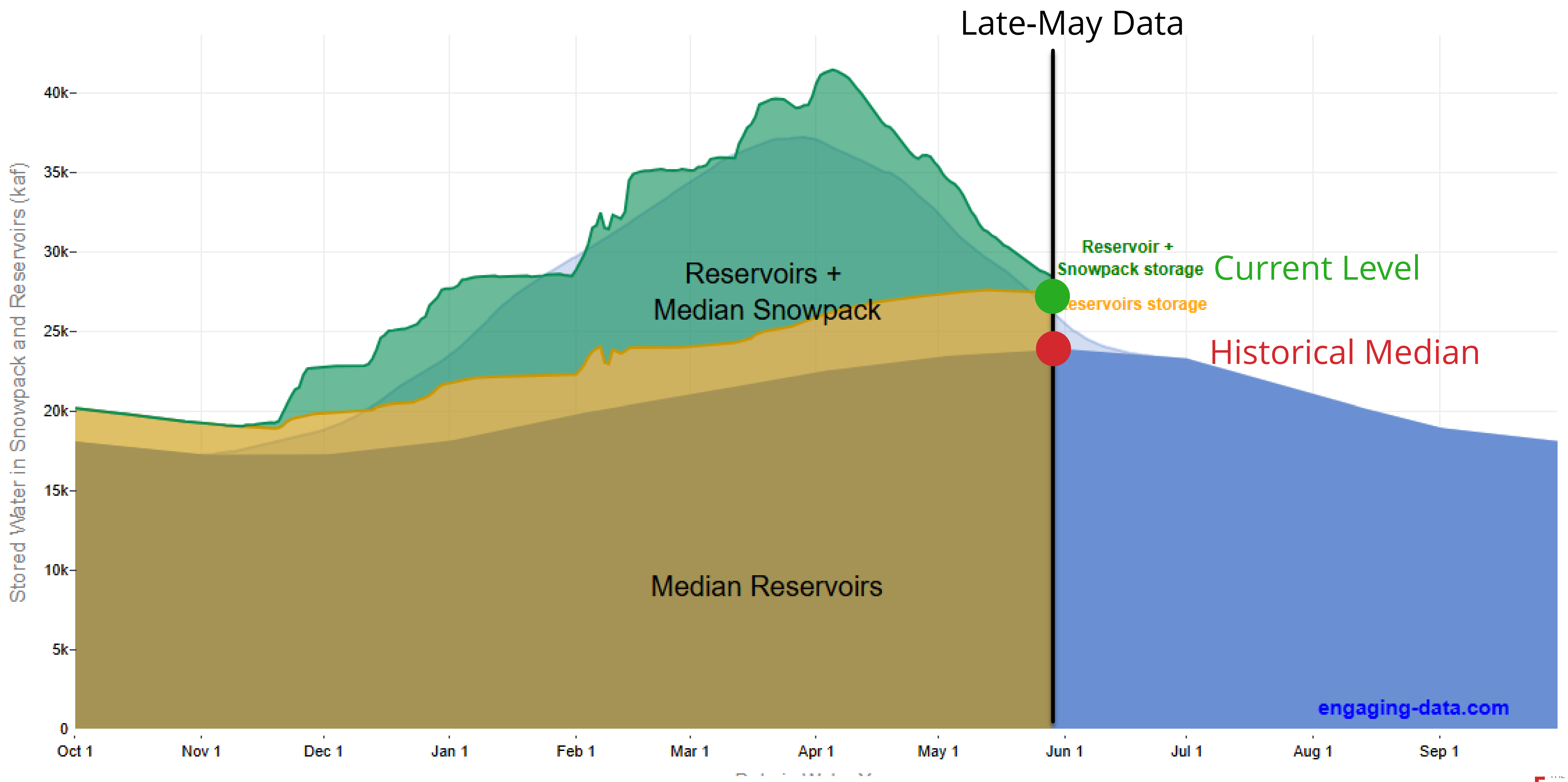
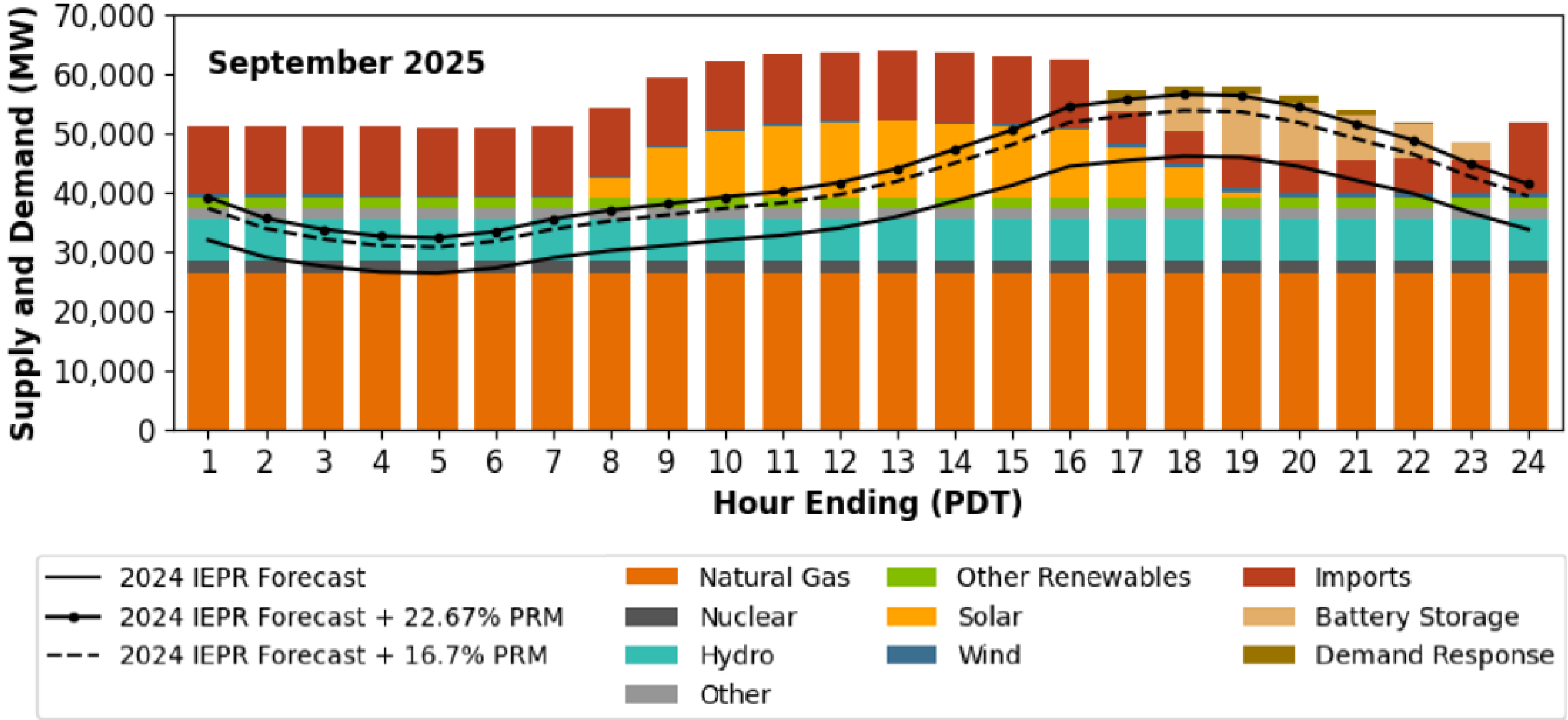
# Western US Hydro Outlook



# California Seasonal Water Storage



# CAISO 2025 September Peak Load & Resources Analysis



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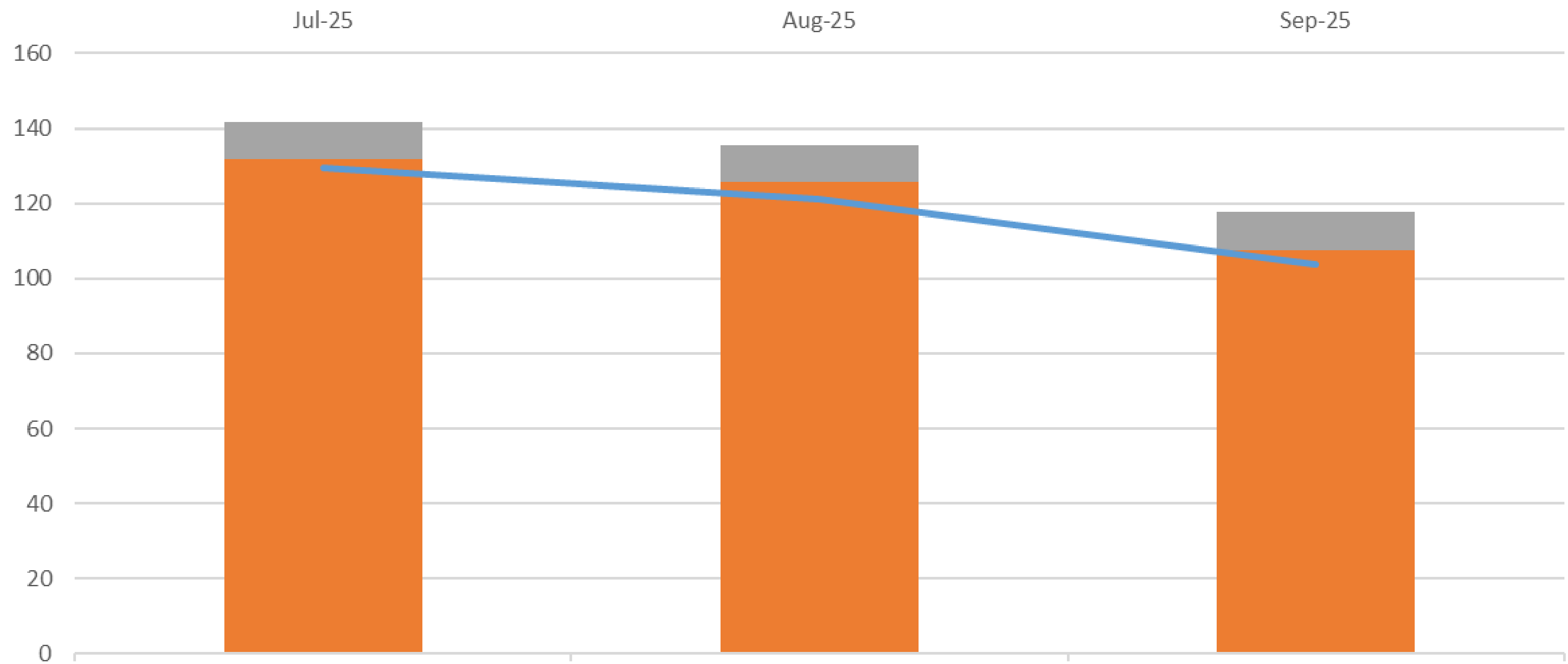
# VCE Summer Readiness Overview

- VCE has fully hedged its energy supply for Summer 2025
  - VCE's Wholesale Energy Procurement Risk Management Policy hedging requirements for the summer are 80% to 130% in Q3 with at least 100% in Heavy Load Hours (Monday – Saturday 6 am to 10 pm)
- VCE has fully procured all necessary RA to meet compliance for Q3
- VCE has multiple years of summer operating history to inform 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

# VCE Summer Energy Position

VCE Monthly Energy Position (Total HLH)




| | Jul-25 | Aug-25 | Sep-25 |
|---|---|---|---|
| HLH Hedge | 10 | 10 | 10 |
| HLH PPA | 132 | 126 | 108 |
| HLH Load | 130 | 121 | 104 |
| HLH % Hedged | 109% | 112% | 113% |

# VCE Contracted Generation

- **Aquamarine Solar**
  - **Type:** 50 MW PV (Solar Only)
  - **Status:** Generation is strong and expected to continue
- **Resurgence Solar + Storage**
  - **Type:** 90 MW PV + 75 MW BESS (Co-located Resource)
  - **Status:** Generation optimization is occurring as intended
- **Putah Creek Solar + Storage**
  - **Type:** 3 MW Hybrid
  - **Status:** Software issues are currently limiting generation optimization – developer working on resolution
- **Willy 9 Chap 2 (Willow Springs) Solar + Storage**
  - **Type:** 72 MW PV + 36 MW BESS (Hybrid)
  - **Status:** Solar generation strong; experiencing some start-up issues with new battery – developer working on resolution
- **Indian Valley Hydro**
  - **Type:** 3 MW Hydro
  - **Status:** Expected to generate through mid-June, with generation decreasing in July before going offline for the summer

Valley Clean Energy Board Meeting – Thursday, June 12, 2025

Item 12 – 2025 Mid-Year Financials Update

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# Item 12 – 2025 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:**

- 2025 load actuals have been lower than forecasted due to wet winter and lower spring temps.
- Regulatory actions are having significant impacts on forecasted 2026 revenues.

**This presentation includes:**

- Summary of 2025 Budget Development
- 2025 Financials Update
- Short-term 2026 Outlook
- Recommendation & Discussion

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# Item 12 – 2025 Mid-Year Financials Update : Budget Development

## 2025 Rates & Budget Summary: Key objectives

- **Operating Days Cash** – Achieve Board approved cash target of **+180 days**
- **Rate Stabilization Reserve –** Achieve Board Approved Target of **+60 days**
- **Customer Discounts (Increased)**
    - 5% Standard Green Discount
    - 10% Care/Fera Discount
- **Power Purchase Agreement (PPA) Covenants** – Maintain PPA covenants (no letters of credit)
- **Investment Grade Credit Rating** – Update Timeline (Possible 2025)

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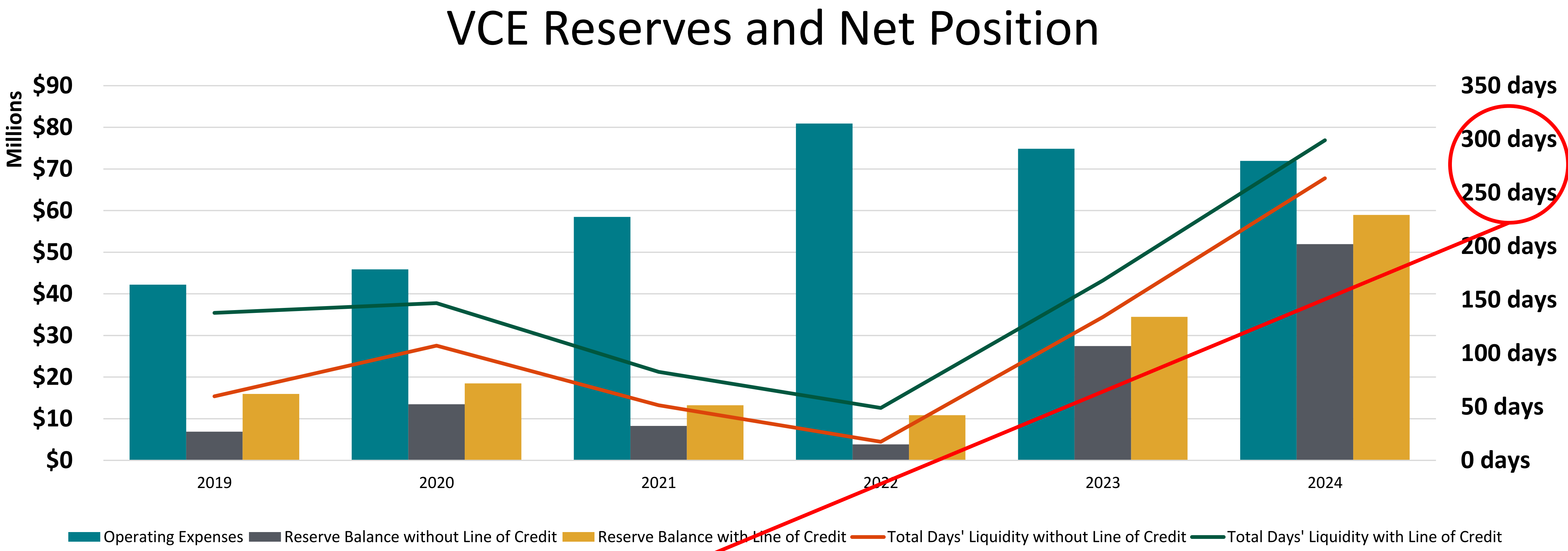
# Item 12 – Mid-Year Financials: 2024 VCE Reserve and Net Position 2024




| | Extremely Strong | Very Strong | Strong | Adequate | Vulnerable | Highly Vulnerable |
|---|---|---|---|---|---|---|
| **Total Days** | =>270 | 150 - 270 | 90 - 150 | 45 - 90 | 12 – 45 | <=15 |
| **Total Reserves ($MMs)** | =>250 | 100 - 250 | 50 - 100 | 10 - 50 | 2 – 10 | <=2 |

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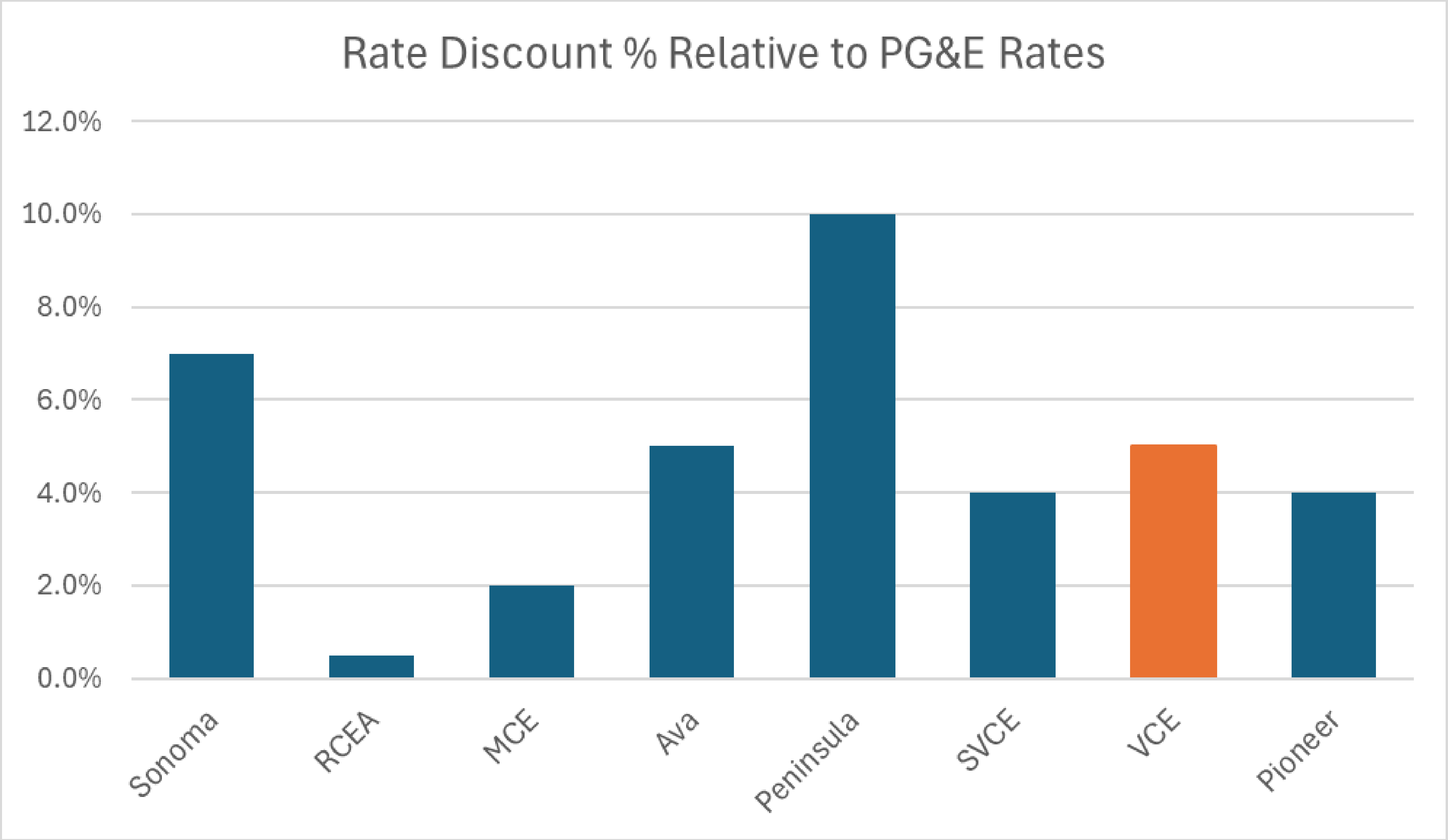
# Item 12 – Mid-Year Financials: VCE Reserve and Net Position

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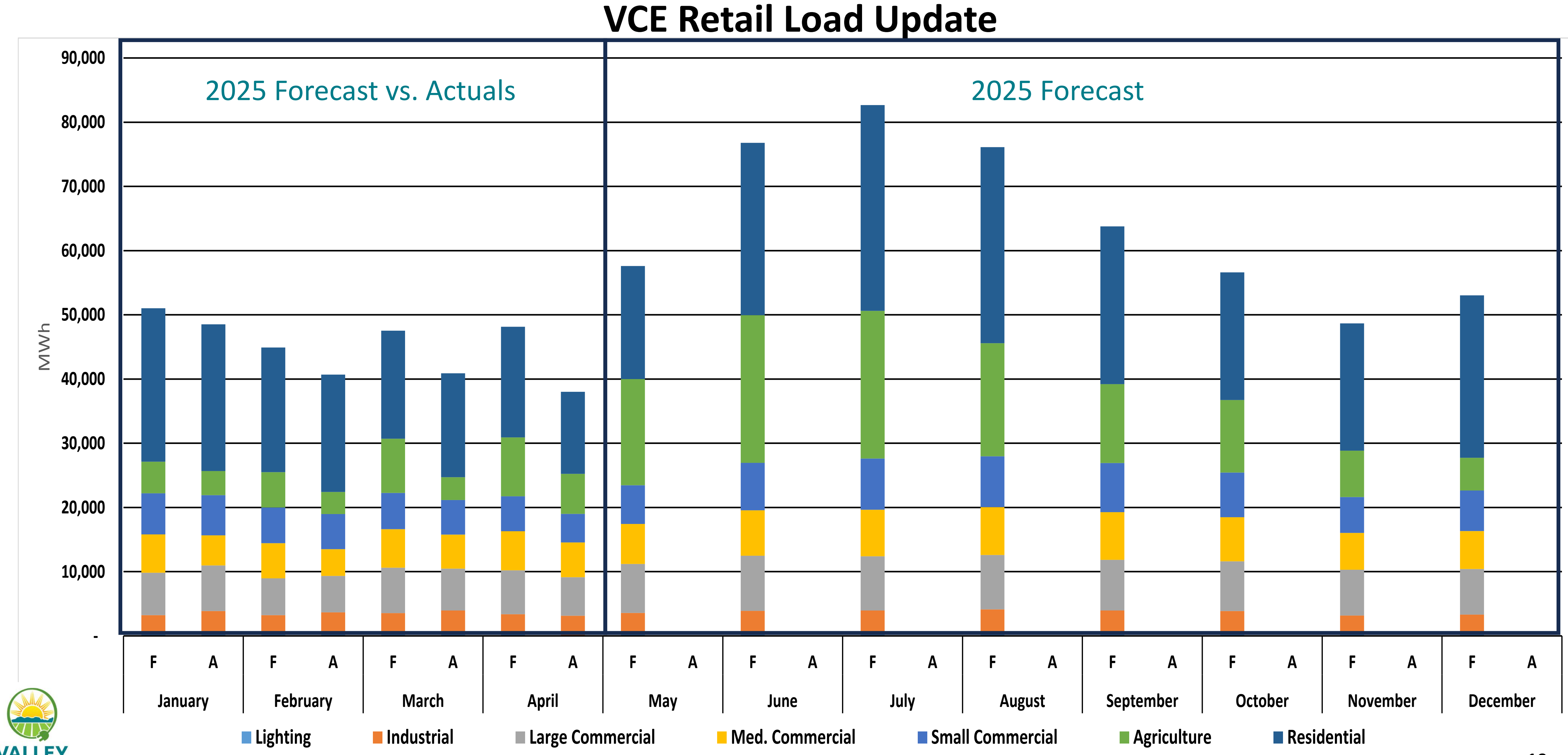
# Item 12 – 2025 Mid-Year Financials Update : Load Update



# Item 12 – 2025 Mid-Year Financials Update : Proforma

## 2025 Budget Proforma Update (4 Months Actuals – unaudited)

| Description | APPROVED 2025 BUDGET | | 2025 Proforma (8 Month Actuals + 2 Month Budget) | | Variance | |
|---|---|---|---|---|---|---|
| Revenue | $ | 102,146 | $ | 100,849 | $ | (1,297) |
| Power Cost | $ | 63,992 | $ | 64,728 | $ | (736) |
| Other Expenses | $ | 8,853 | $ | 7,560 | $ | 1,293 |
| Net Income | $ | 29,301 | $ | 28,561 | $ | (740) |

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 wet winter and cool spring.
- Power Costs have been higher than budgeted due to solar curtailment and lower winter temperatures.

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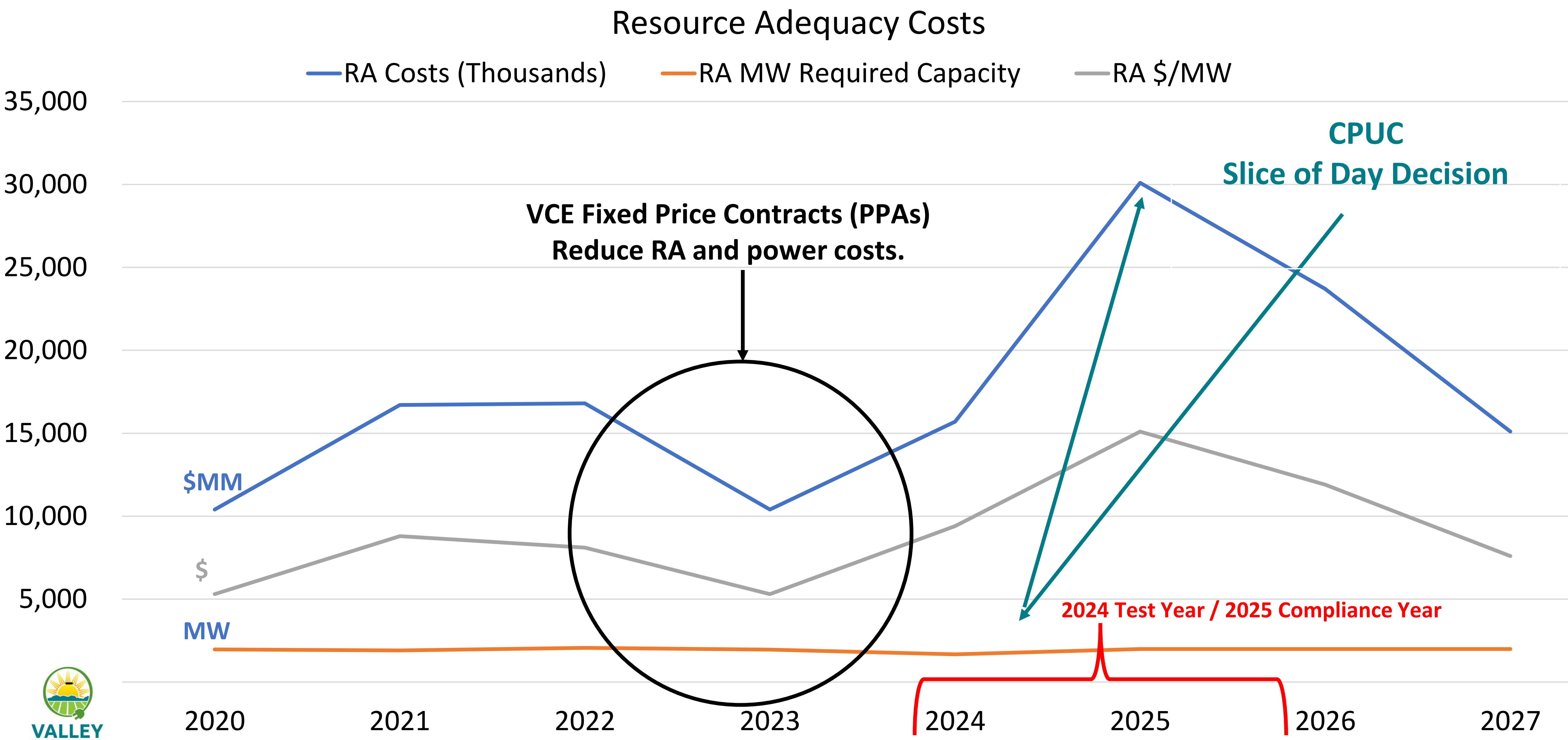
# Item 12 – 2025 Mid-Year Financials Update : RA Outlook (Example)

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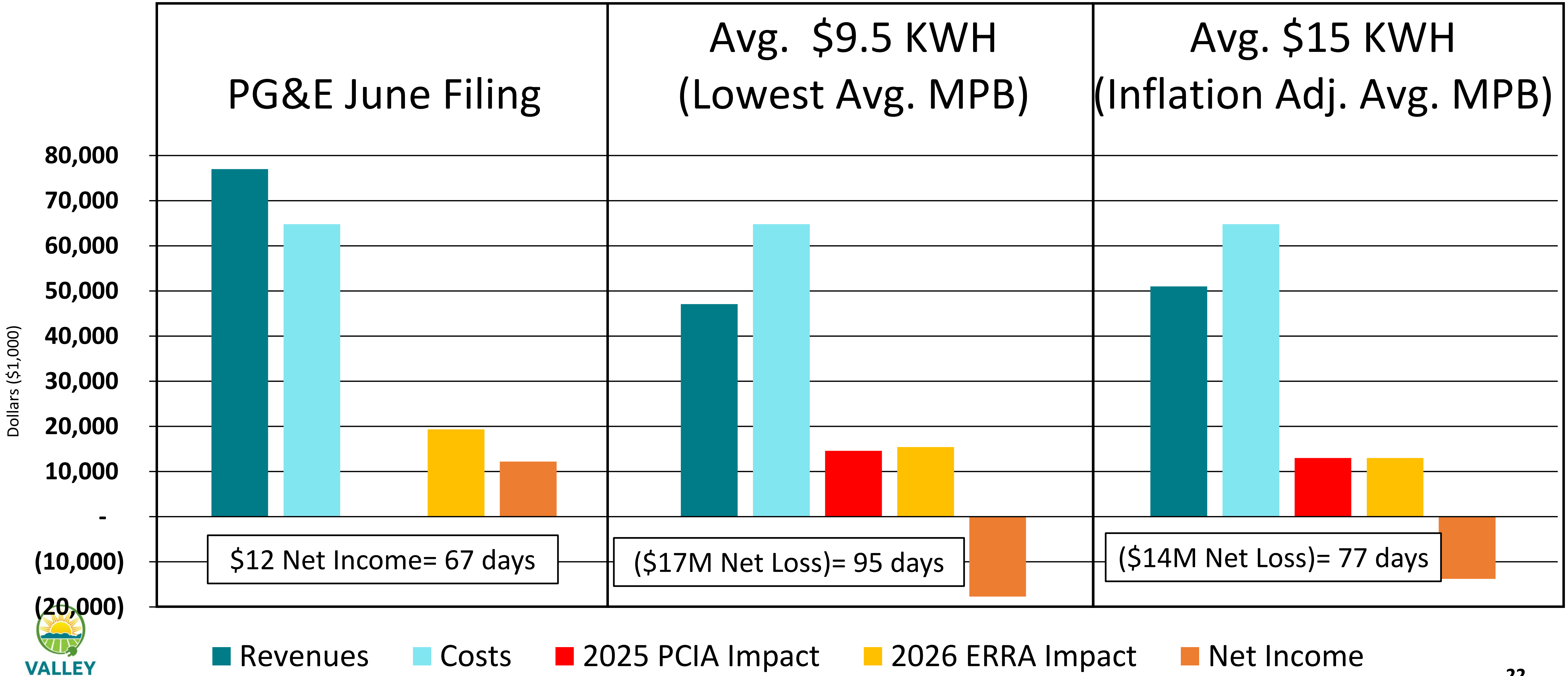
# Item 12 – 2025 Mid-Year Financials Update: 2026 MPB Impact Scenarios

## RA Market Price Benchmark - Financial Impacts

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# Item 12 – 2025 Mid-Year Financials: 2026 Outlook

**PG&E 2026 ERRA (IOU Rates) & RA MPB Order Instituting Rulemaking (OIR) - Retro to 2025**

Lower power costs reduce PG&E portfolio value, resulting in higher PCIA for CCA's.

- PCIA is currently forecasted to increase significantly in 2026
    - Key factor: CPUC's proposed decision in the OIR is to apply the RA Market Price Benchmarks retroactively to 2025 which will increase the PCIA in 2026
- PG&E Bundled Rates are currently forecasted to decrease significantly in 2026

**2026 Budget Outlook (No action needed)**

- VCE's Forecasted 2025 Net Position and Reserves allow us to maintain strong balances while absorbing a forecasted net loss ~$17M in 2026.
- VCE's forecasts include current approved customer rate discounts.
- Forecasted RA market price benchmarks are based on information currently available to VCE and its consultants.

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# Item 12 – 2025 Mid-Year Financials: 2026 Outlook

As part of the 2026 budget process, VCE has options to mitigate financial impacts from the current CPUC proposed decisions.

**Possible Mitigation Steps for 2026 budget (If needed):**

- Use Reserves (Rate Stabilization Fund)
- Reduce Customer Discounts in 2026 – Lower PG&E rates result in lower financial impacts of VCE discounts.
- Sell Long RA positions & Renewable Energy Credits – current market value has reduced from all-time highs in 2024 (Procurement Policy)
- Raise Rates for Power Costs (Standard Green higher than PG&E) (Rate Policy)

**Additional Considerations:**

- Provider of Last Resort Proceeding – Additional collateral requirements
- PCIA OIR Proceeding (Phase II) – There are additional unknown outcomes from the phase II. [e.g. Renewable Portfolio Standards Market Price Benchmark (MPB)]

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# Item 12 – 2025 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.
- Continue to Develop Financial Model for Rate & Reserve Forecasts with New Gen (VCE Consultant)
- October Update – Release of CPUC final decision and evaluate revenue /cost mitigation strategies.
- November – Preliminary Budget Update
- December 2025 – Proposed 2026 Customer Rates and Budget

## Recommendation & Discussion

Continue Current 2025 customer rate discounts:

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

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Item 13 – 2024 Net Margin Allocation

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# Item 13 – Allocation of 2024 Net Margin: Overview

**Overview**

In Q2 each year, VCE conducts a review and allocates its net margin from the previous fiscal year.

VCE's draft audited financial statements resulted in $26.9 M net income for FY 2024. 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 2024 Net Margin
- Present the 2024 Net Margin Allocation Scenarios

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# Item 13 – Allocation of 2024 Net Margin: Dividend Program Formula

The adopted Dividend Program formula recommends allocating the net margin as follows:

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

- At least 5% (of the 5%) goes to Local Programs Reserve (LPR) for program implementation
- The balance goes to cash reserves

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

- At least 75% to cash reserves – Operational and Stabilization
- Remainder allocated amongst customer dividends and LPR

## VCE Dividend Program Allocation - 2025

| Description | 2024 Financials ($1,000s) | Avg. Days Cash ($1,000s) |
|---|---|---|
| Electricity Sales | 98,929 | 197 |
| Operating Expense | 71,948 | |
| Operating Margin | 26,981 | |
| Principal Debt Payments | - | |
| Adjusted Net Margin less principal Debt Payments | 26,981 | |
| Adjusted Net Margin Percentage | 27.27% | |
| Allocation Amount <=5% | 4,946 | |
| Allocation Amount > 5% | 22,035 | |
| 2025 Beginning Reserves Balance | 26,395 | 134 |

| Allocation of Net Margin up to 5% | Percentage | Allocation Amount | Operating Days Cash | Total Operating Days Cash | |
|---|---|---|---|---|---|
| Operating Reserves Allocation | 95% | 4,699 | 24 | 158 | Minimum |
| Local Programs Allocation | 5% | 247 | 1 | 0 | Minimum |
| **Allocation of Net Margin above 5%** | **Percentage** | **Allocation Amount** | | | |
| Allocation to Operating Reserves | 20% | 4,407 | 22 | 180 | Minimum |
| Allocation to Rate Stabilization Reserves | 55% | 12,009 | 61 | 61 | Minimum |

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# Item 13 – Allocation of 2024 Net Margin: Discretionary Allocation

Staff considered the following factors in related to this recommendation.

**Cash Reserves Allocation**. VCE's strategic goal of obtaining its initial investment credit rating by 2028 will require a minimum of +180 days of operating cash reserves and +60 days of rate stabilization reserves.

**Customer Dividend Allocation**. Available funds for dividends would be designated to maintain, if possible, our current customer 5% rate discount for all customers and 10% for CARE/FERA customers beyond 2025.

## Scenario 1: Balanced Allocation (Staff Recommended)

| | Percentage | Allocation Amount | Operating Days Cash | Total Operating Days Cash | |
|---|---|---|---|---|---|
| Discretionary Allocation (After Cash Reserves) | 25% | 5,509 | 28 | 0 | Maximum |
| Allocation to Operating Reserves | 0% | - | 0 | 180 | |
| Allocation to Rate Stabilization Reserves | 5% | 275 | 1 | 62 | |
| Local Programs (Targeted 2025/26 Spend) | 25% | 1,377 | 7 | | |
| Customer Dividends (Targeted 2025/26 Spend) | 70% | 3,856 | 20 | | |

## Scenario 2: Increased Rate Stabilization

| | Percentage | Allocation Amount | Operating Days Cash | Total Operating Days Cash | |
|---|---|---|---|---|---|
| Discretionary Allocation (After Cash Reserves) | 25% | 5,509 | 28 | 0 | Maximum |
| Operating Reserves Allocation | 0% | - | 0 | 180 | |
| Allocation to Rate Stabilization Reserves | 15% | 826 | 4 | 65 | |
| Local Programs (Targeted 2025/26 Spend) | 25% | 1,377 | 7 | | |
| Customer Dividends (Targeted 2025/26 Spend) | 60% | 3,305 | 17 | | |

## Scenario 3: Equal Allocation

| | Percentage | Allocation Amount | Operating Days Cash | Total Operating Days Cash | |
|---|---|---|---|---|---|
| Discretionary Allocation (After Cash Reserves) | 25% | 5,509 | 28 | 0 | Maximum |
| Operating Reserves Allocation | 25% | 1,377 | 7 | 187 | |
| Allocation to Rate Stabilization Reserves | 25% | 1,377 | 7 | 68 | |
| Local Programs (Targeted 2025/26 Spend) | 25% | 1,377 | 7 | | |
| Customer Dividends (Targeted 2025/26 Spend) | 25% | 1,377 | 7 | | |

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# Item 13 – Allocation of 2024 Net Margin: Summary Discussion

## Summary

Staff believes that these scenarios represent a disciplined and financially prudent approach to building reserves and continue providing some additional level of rate relief.

## VCE Recommendation

Adopt a resolution approving the allocation of the $26.9M 2024 Audited Net Margin as follows:

a) $9,106,000 (34%) of Net Margin to operational cash reserves;
b) $12,284,000 (46%) of Net Margin to rate stabilization reserves;
c) $1,624,000 (6%) of Net Margin to the Local Programs Reserve (LPR).
d) $3,856,000 (14%) of Net Margin designated to the Dividends Program in the form Rate Credits

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