
# VCE Community Advisory Committee Meeting – May 28, 2026

# Item 8 - Allocation of 2025 Net Margin

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# Public Comments

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- E-mail 300 words or less to: meetings@valleycleanenergy.org

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# Item 8 – Draft Allocation of 2025 Net Margin: Overview

VCE's 2025 audited financial statements resulted in a net margin of $32.0 million. Taking into account the Dividend Program parameters, as well as available and forecast cash reserves, Staff has developed a Draft 2025 Net Margin Allocation to be presented to the Board at the June 11, 2026 meeting.

**This presentation will provide:**

- Background of 2025 Net Margin
- Present Draft 2025 Net Margin Allocation

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# Item 8 – Draft Allocation of 2025 Net Margin: Background

**Key aspects of the Dividend Program are:**

- 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

## VCE – 2025 Cash Reserve Beginning Balances (Table 1)

| 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 |
| **Total Unrestricted Cash** | **62,163** | **316** | **180** |

*VCE Operational Cash Reserve Target is 180 days.

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# Item 8 – 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)

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| 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 |

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# Item 8 – 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.

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# Item 8 – 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.

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# Item 8 – Draft Allocation of 2025 Net Margin: Net Margin above to 5%

## Allocation of Net Margin above to 5% (Table 4)

| 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.

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# Item 8 – Draft Allocation of 2025 Net Margin: Summary Discussion

- Staff believes that the scenarios examined each represent a disciplined and financially prudent approach to building reserves and providing some sustainable rate relief.
- Staff is presenting this information to the Community Advisory Committee (CAC) for discussion and feedback.

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# VCE Community Advisory Committee Meeting – Thursday, May 28, 2026

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## Item 9 – Update on 2026 Integrated Resource Plan

# Item 9 – Update on 2026 Integrated Resource Plan

**Agenda:**

- Overview
- Modeling Assumptions
- Results
- Next Steps

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# Item 9 – IRP Update: Overview

## Overview:

- The IRP is a resource procurement plan optimized to meet variety of planning objectives at lowest cost
- Modeling incorporates assumptions that may not always reflect VCE's actual circumstances
- Key inputs include:
  - Existing contracted resources
  - Load forecasts, resource costs, statewide resource potential, and generation profiles
- Model outputs include:
  - Additional long-term resources
  - Modeled resource portfolios
  - Short-term purchases and sales of RA, REC, GHG-free attributes and energy
  - Positions against requirements for RA, RPS, GHG-free and energy

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# Item 9 – IRP Update: Overview

## Overview:

- VCE is well positioned to meet its regulatory requirements and its goals of providing 90% renewable and 100% carbon-free electricity at competitive prices for its customers
- To meet these goals, VCE will need to procure additional long-term and short-term resources, and replace expiring contracts
- Actual procurement may differ from the modeled portfolios depending on:
  - Actual resource availability and cost
  - Project performance
  - Changes in VCE customer base or energy profile
  - Technical, regulatory and policy developments

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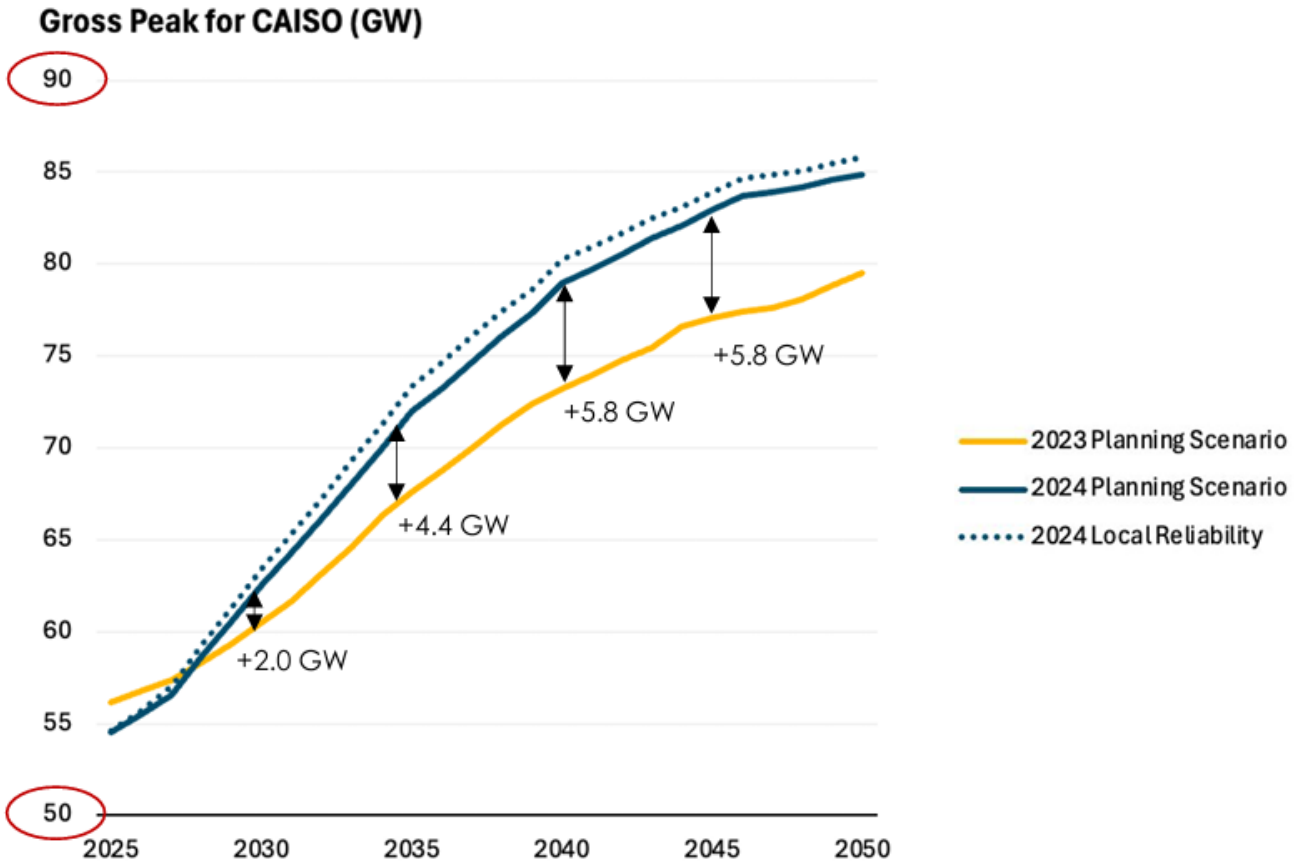
# Modeling Assumptions

# Item 9 – IRP Update: Modeling Assumptions - Load Forecast (IEPR)

CPUC Staff used the 2024 IEPR Planning Scenario load forecast

- In the 2024 IEPR, CAISO gross peak (sales + losses + BTM PV impact) rises from ~55 GW in 2025 to ~85 GW in 2050
- This is a significant increase compared to previous forecasts
- Primary drivers of increased load are data centers, electric vehicles, building electrification (including new space cooling adoption)
- These outpace load reductions from additional BTM PV and energy efficiency




Source: [Reliability Filing Requirements for Load Serving Entities' 2024-26 Integrated Resource Plans- Results of Marginal ELCC Studies February 2026]

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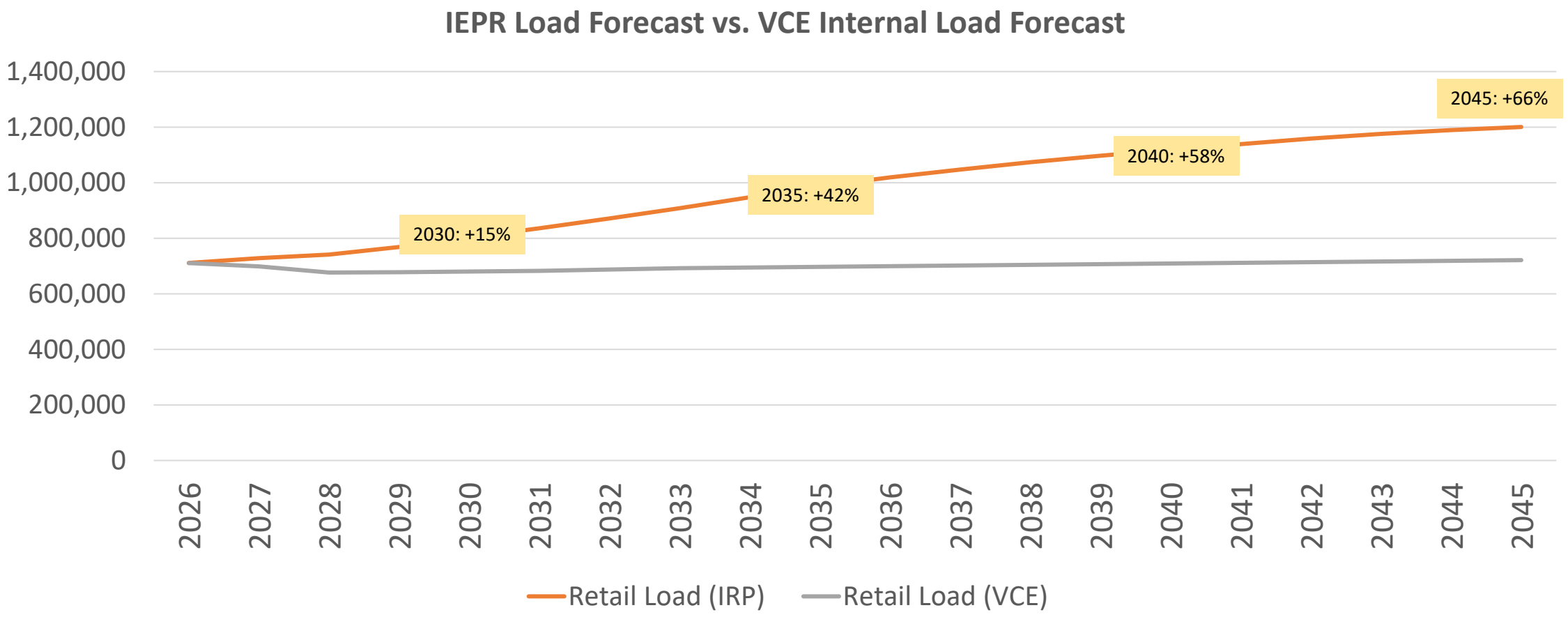
# Item 9 – IRP Update: Modeling Assumptions – IEPR Load Forecast vs. VCE Internal Load Forecast

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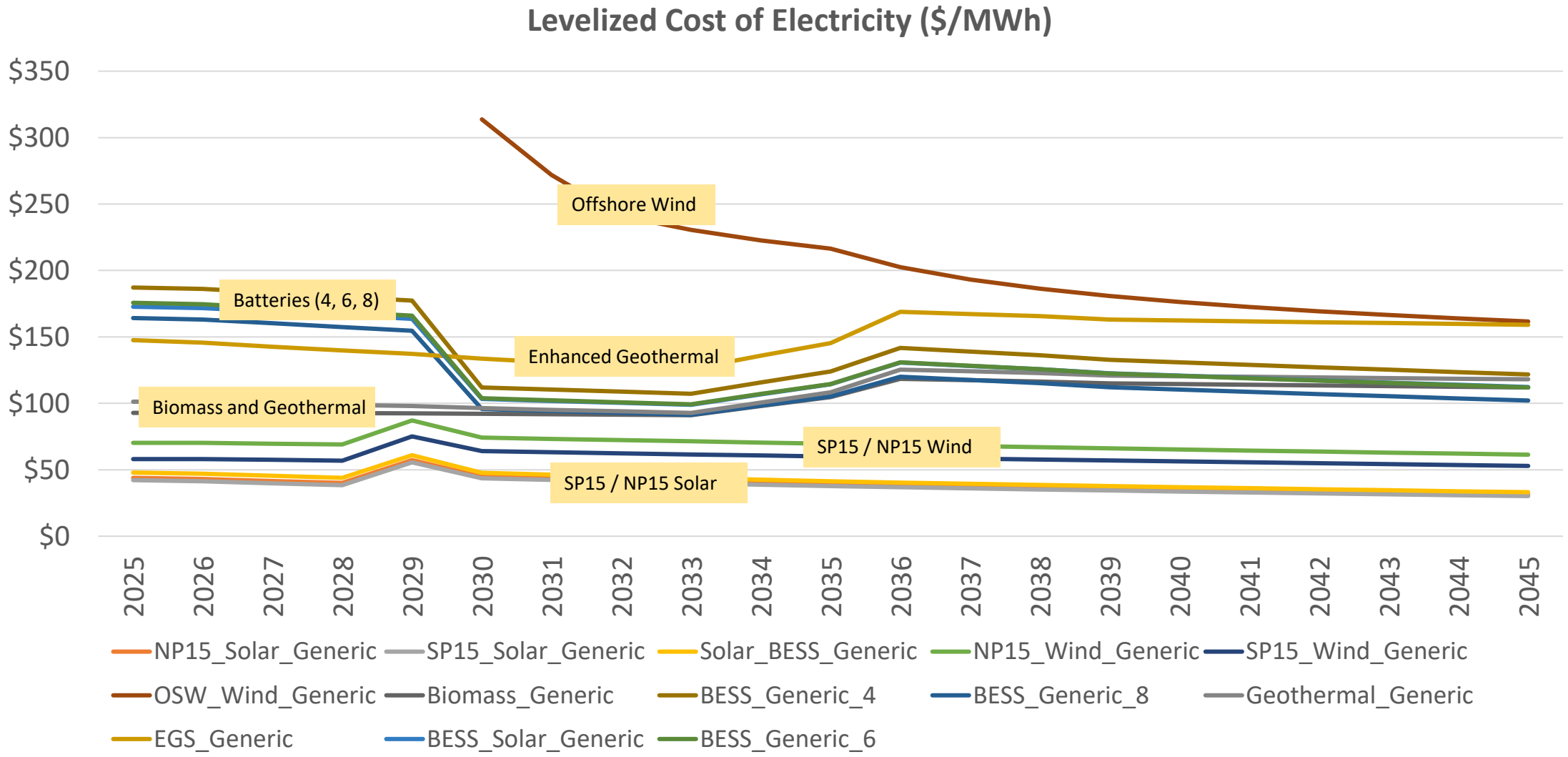
# Item 9 – IRP Update: Modeling Assumptions - Resource Costs

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# Results

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# Item 9 – IRP Update: Results – Portfolios

- VCE has modeled two portfolios:
  - Preferred confirming portfolio (to be filed for the IRP):
    - VCE's share of statewide targets of GHG emissions of 25 MMT by 2035 and 8 MMT by 2045
    - Uses higher IEPR load forecast
  - VCE strategic plan (internal planning purposes only):
    - 90% renewable and 100% carbon free by 2030
    - Uses VCE internal load forecast

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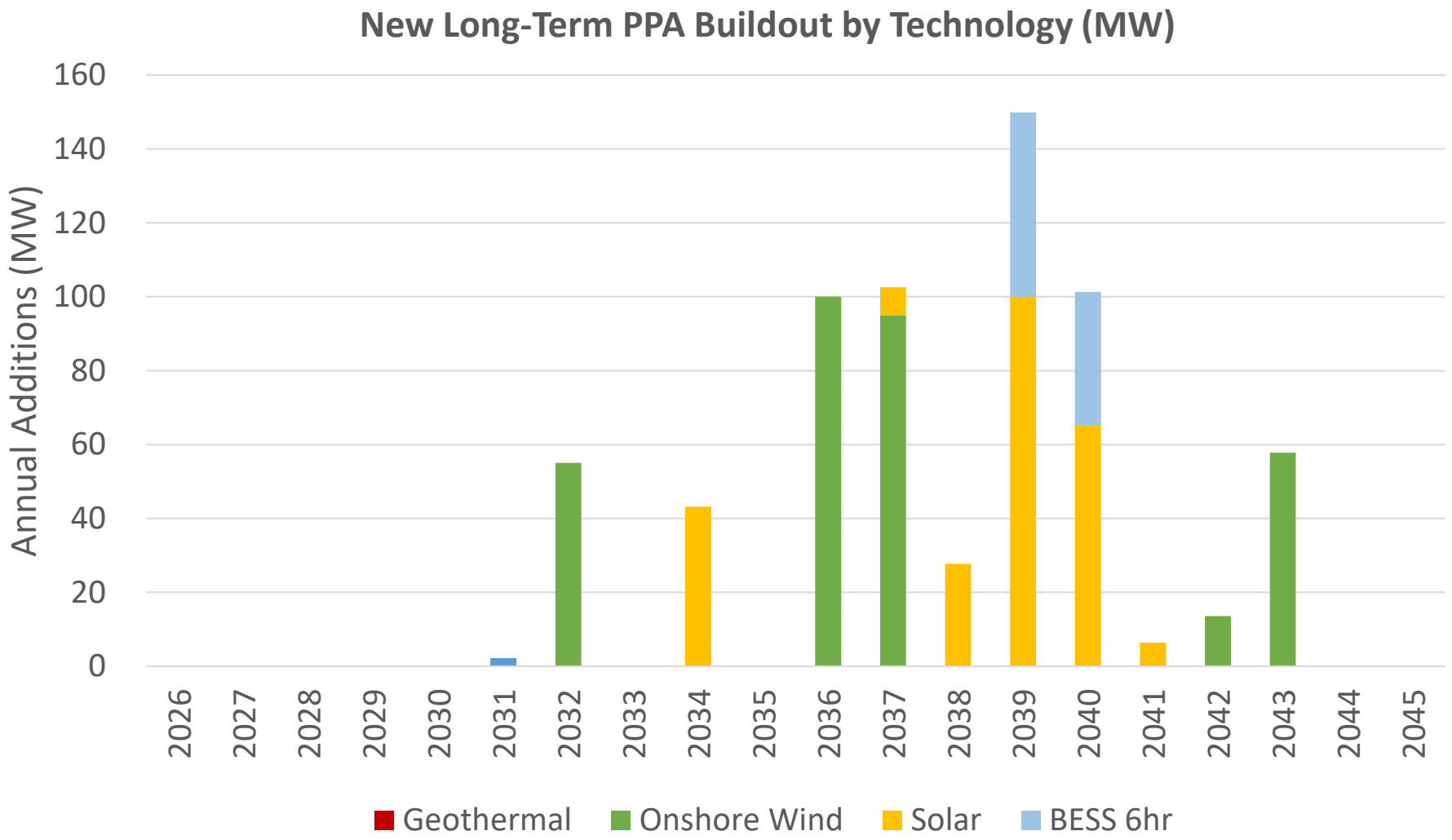
# Preferred Conforming Portfolio

# Item 9 – IRP Update: Long-Term PPA Annual Buildout by Technology (Preferred Conforming Portfolio)

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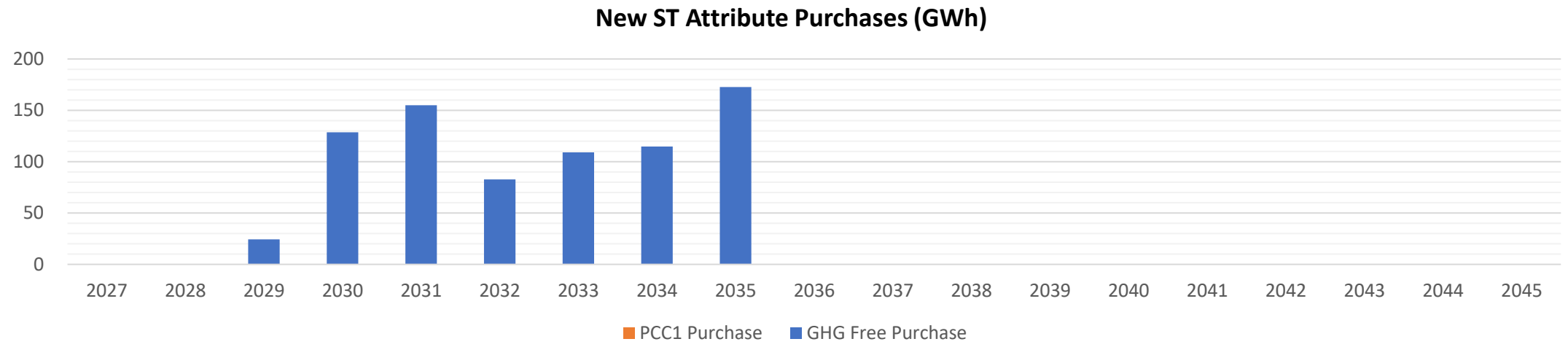
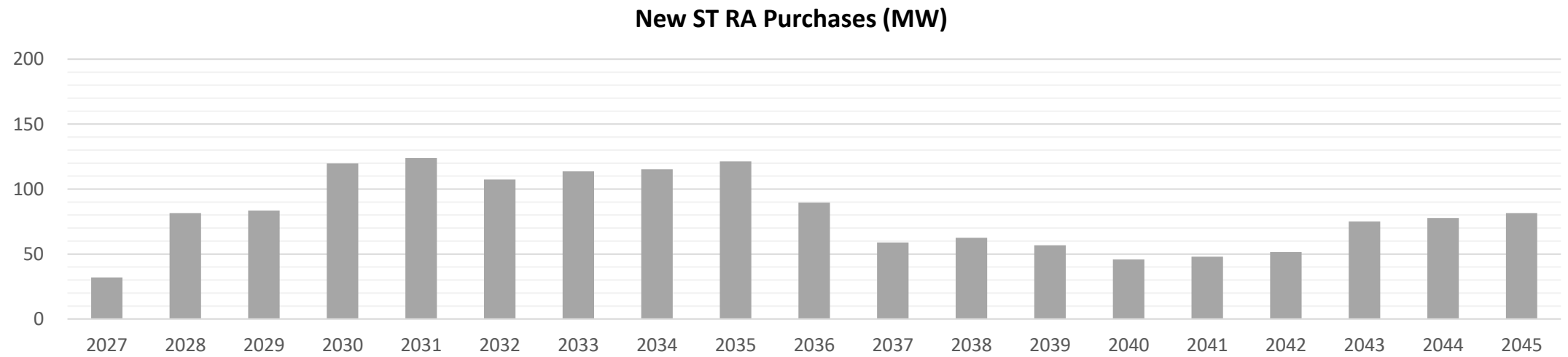
# Item 9 – IRP Update: Short-Term Purchases (Preferred Conforming Portfolio)

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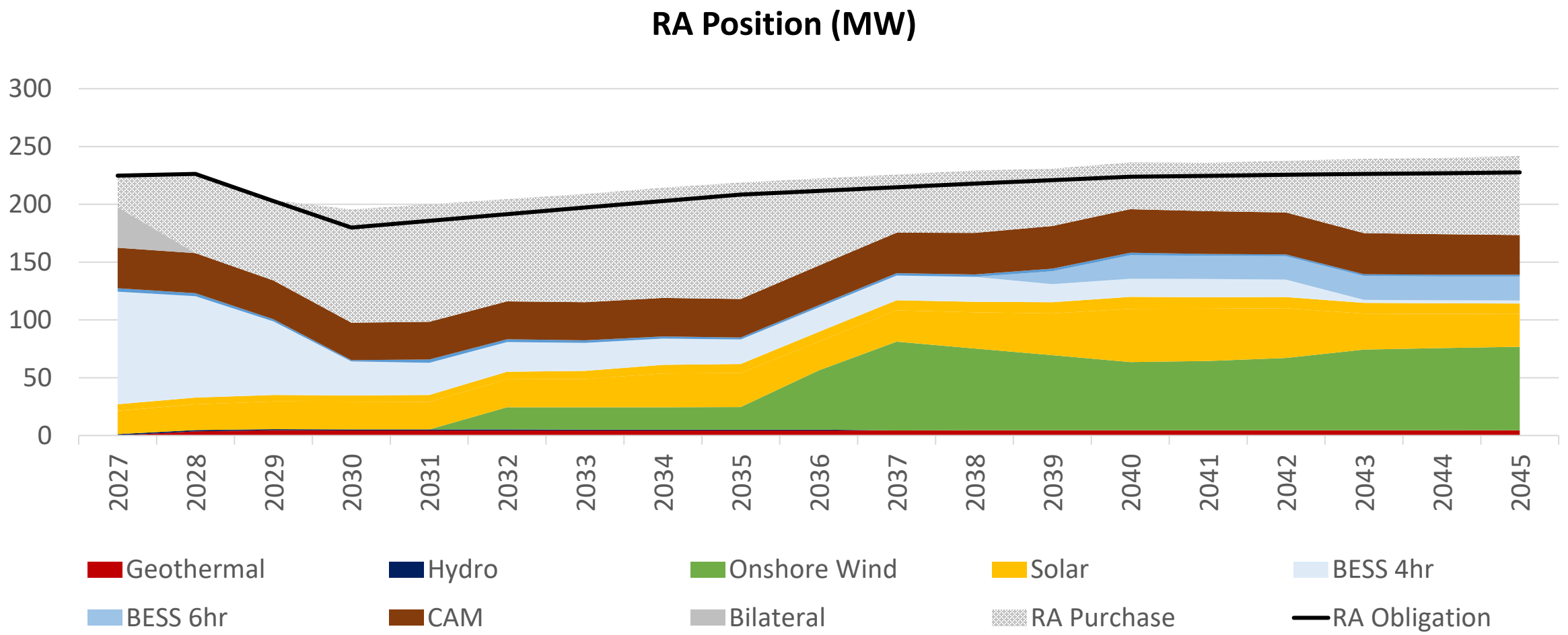
# Item 9 – IRP Update: RA Position (Preferred Conforming Portfolio)

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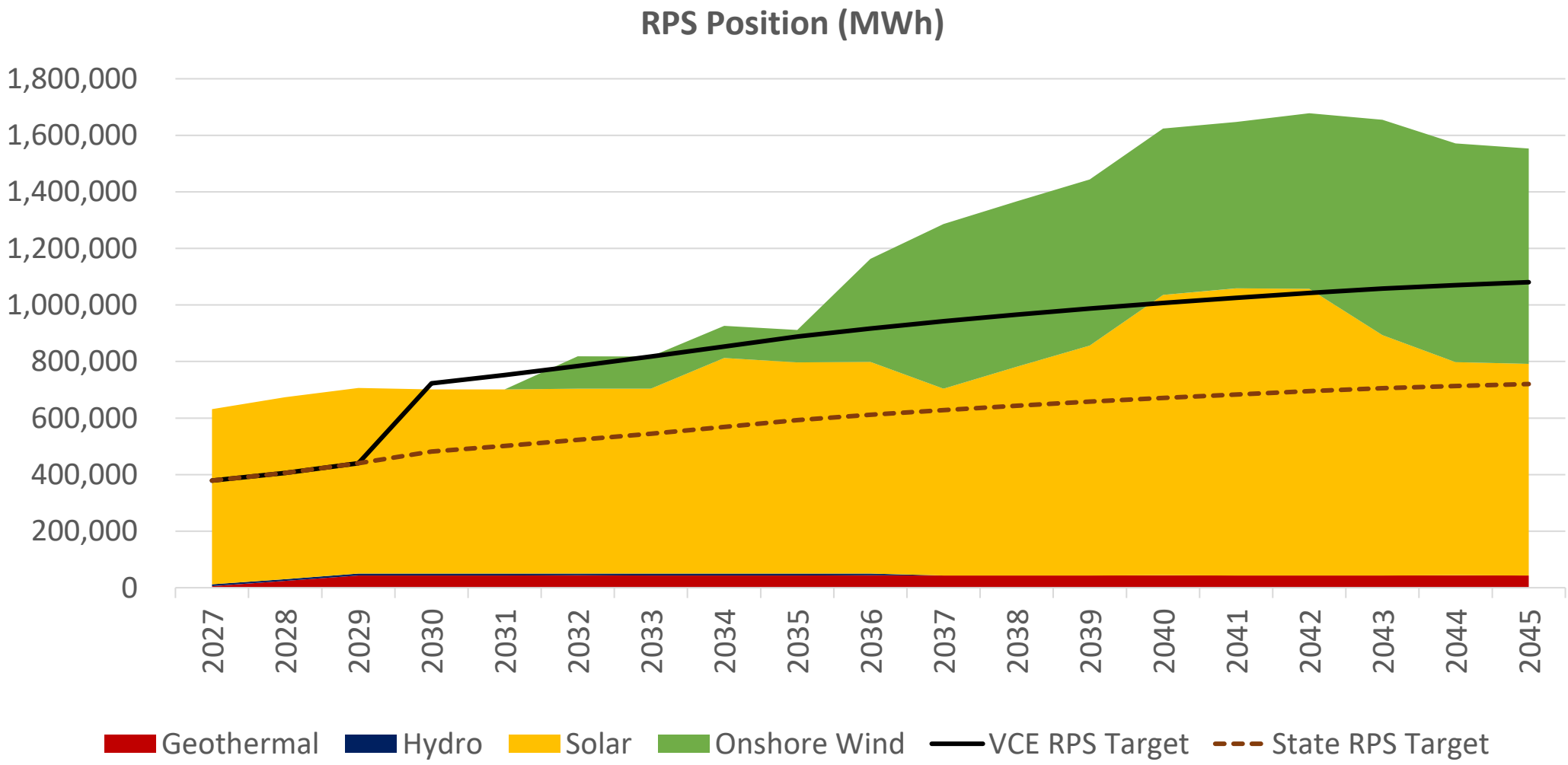
# Item 9 – IRP Update: RPS Position (Preferred Conforming Portfolio)

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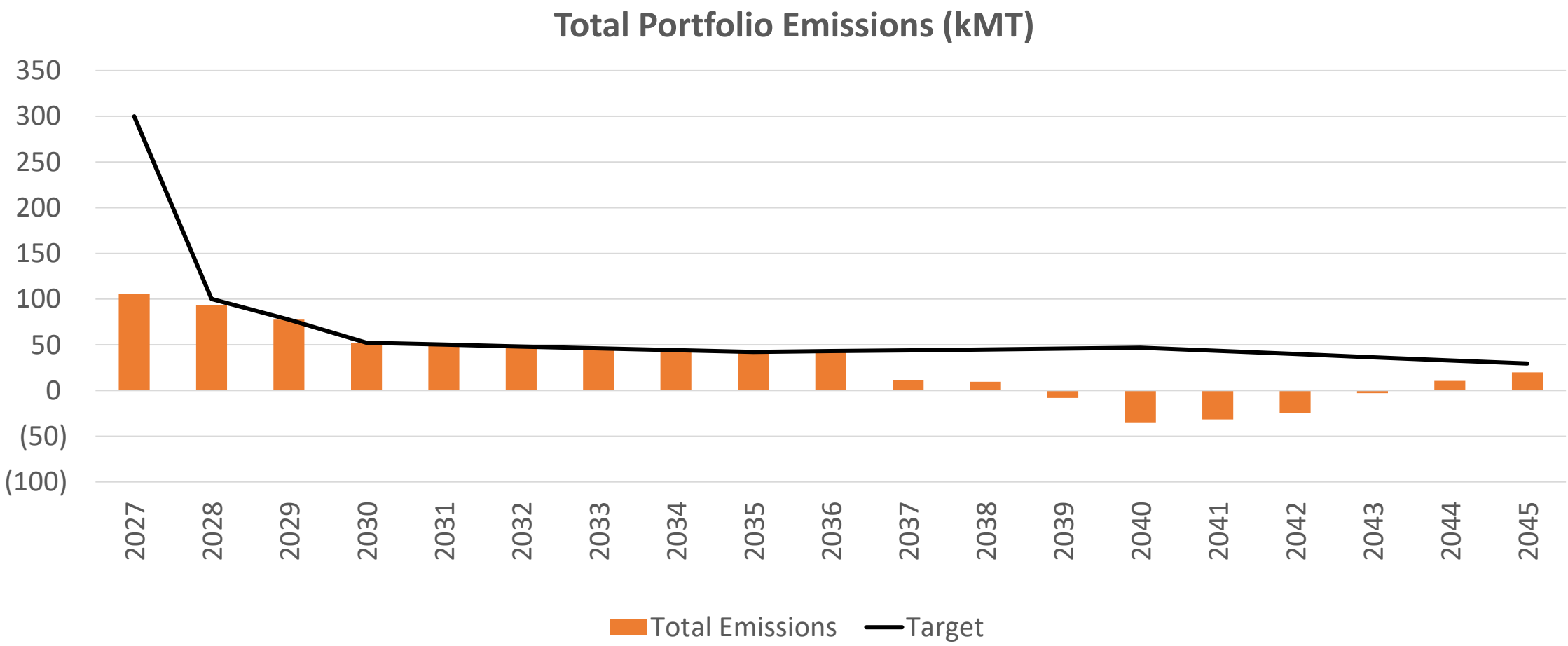
# Item 9 – IRP Update: Total Portfolio Emissions (Preferred Conforming Portfolio)

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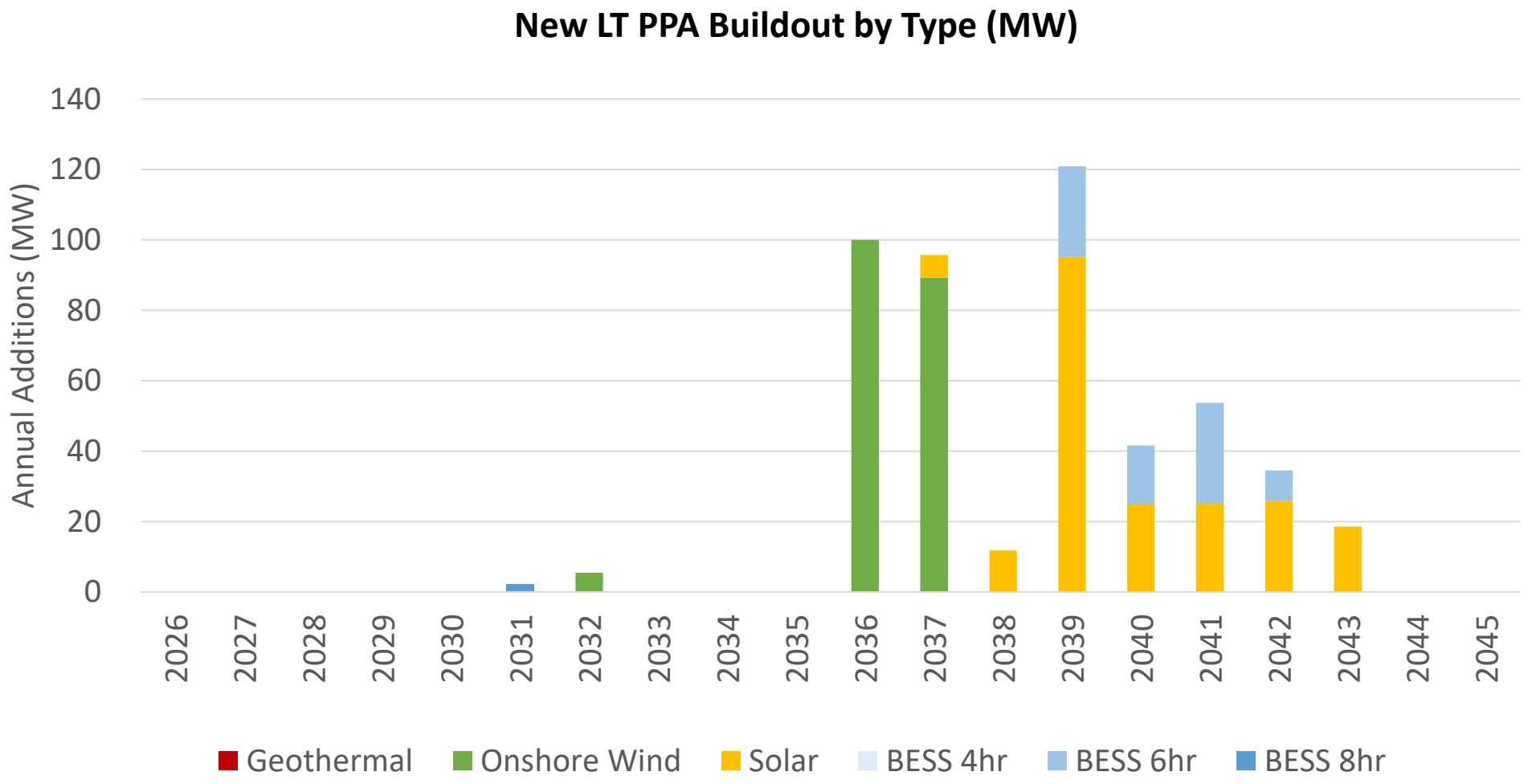
# VCE Strategic Plan / VCE Load Forecast

# Item 9 – IRP Update: Long-Term PPA Annual Buildout by Technology (VCE Strategic Plan and Load Forecast)

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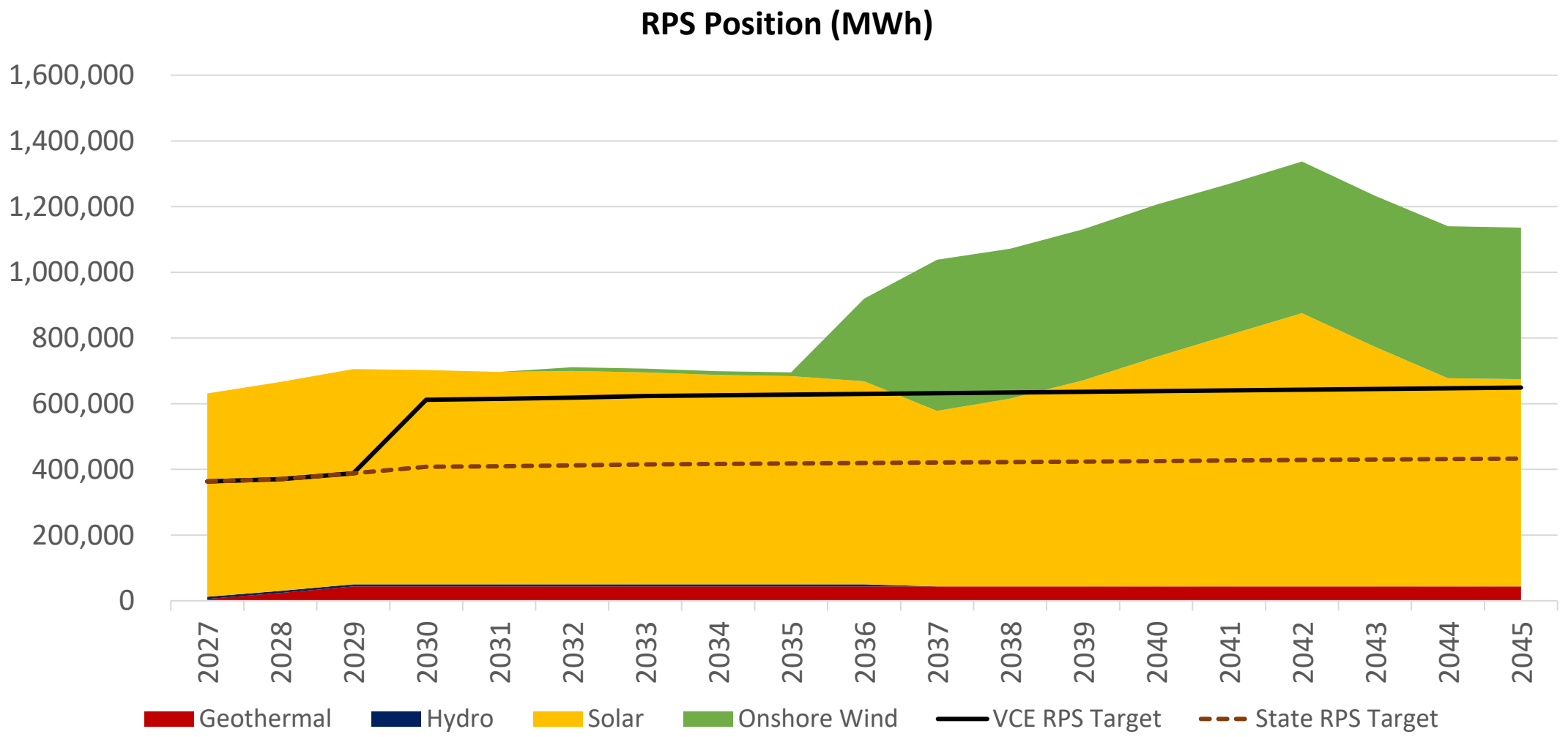
# Item 9 – IRP Update: RPS Position (VCE Strategic Plan and Load Forecast)

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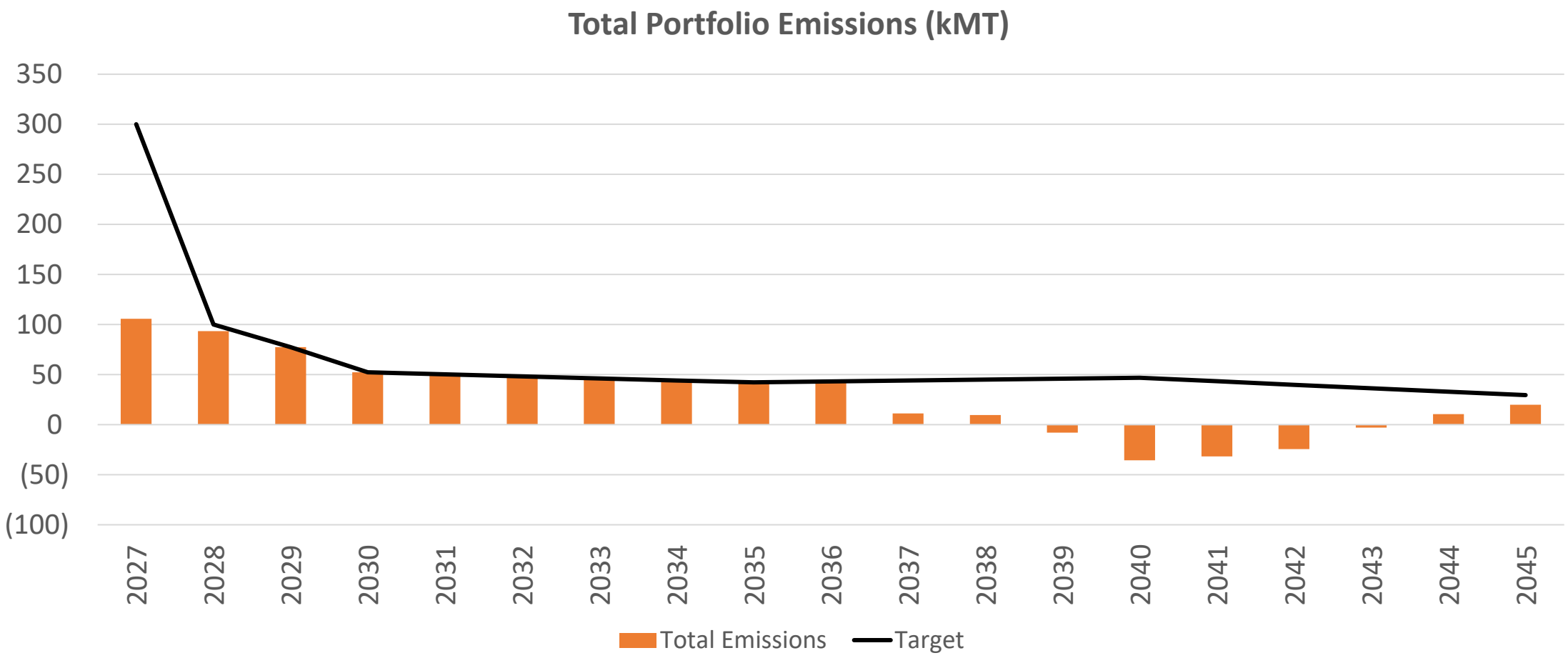
# Item 9 – IRP Update: GHG Free Position (VCE Strategic Plan and Load Forecast)

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# Item 9 – IRP Update: Next Steps

## Next Steps:

- ~~**May 28, 2026** - Staff presents initial IRP analysis to the CAC~~
- **June 25, 2026** –Staff seeks additional feedback from the CAC (if necessary)
- **July 9, 2026** – Staff presents and seeks approval to file the IRP from the Board
- **August 10, 2026** – IRP due to be filed at the CPUC

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# Questions and Feedback

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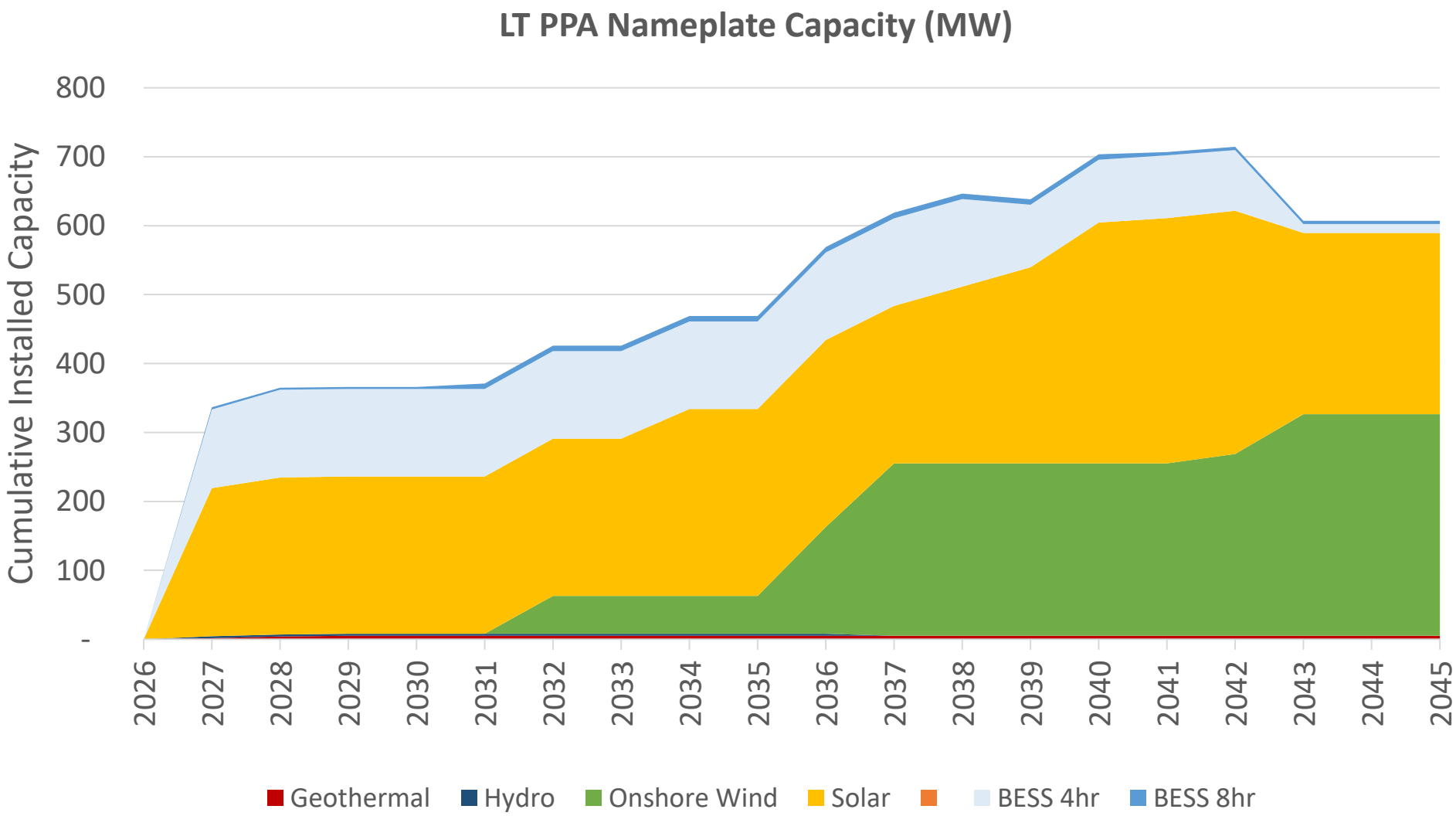
# Item 9 – IRP Update: Long-Term PPA Cumulative Buildout by Technology (Preferred Conforming Portfolio)

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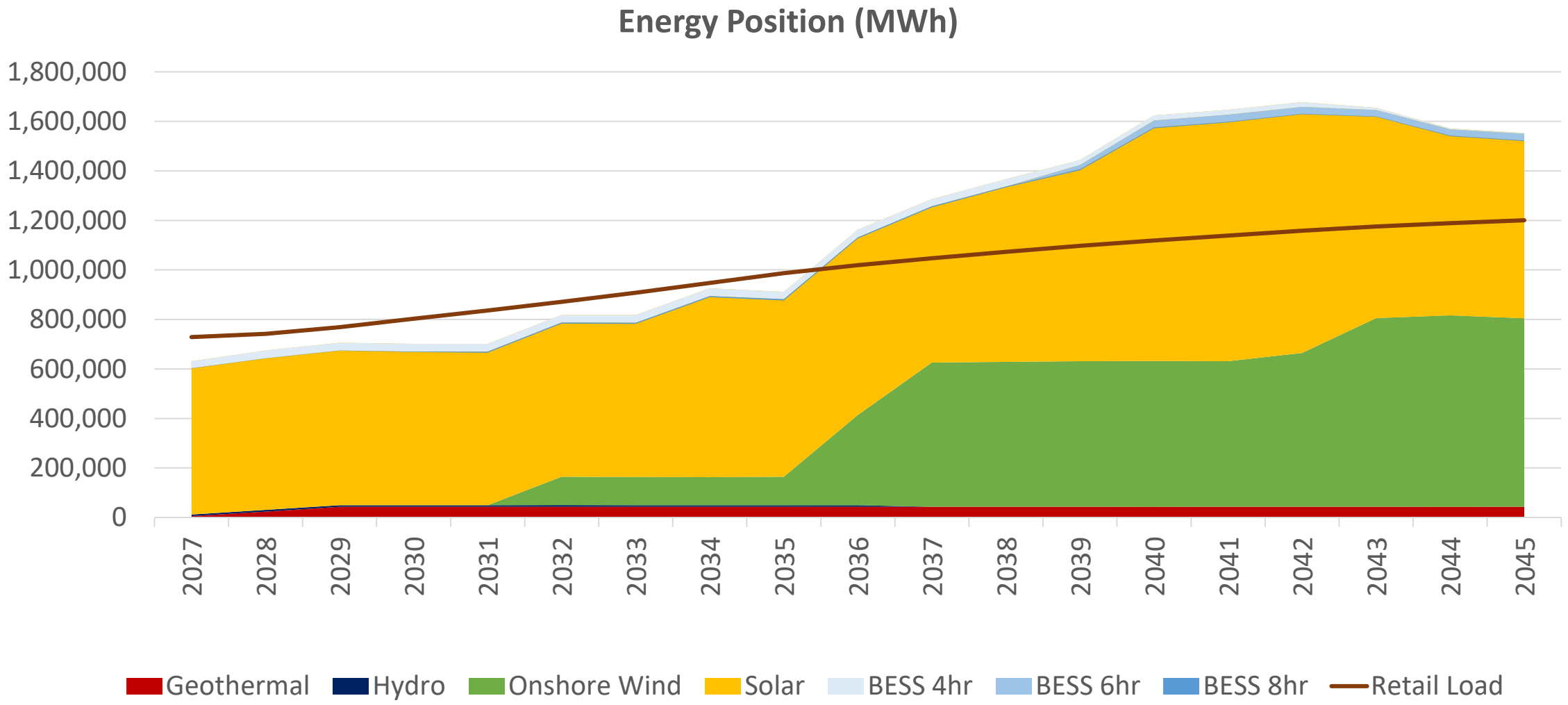
# Item 9 – IRP Update: Energy Position (Preferred Conforming Portfolio)

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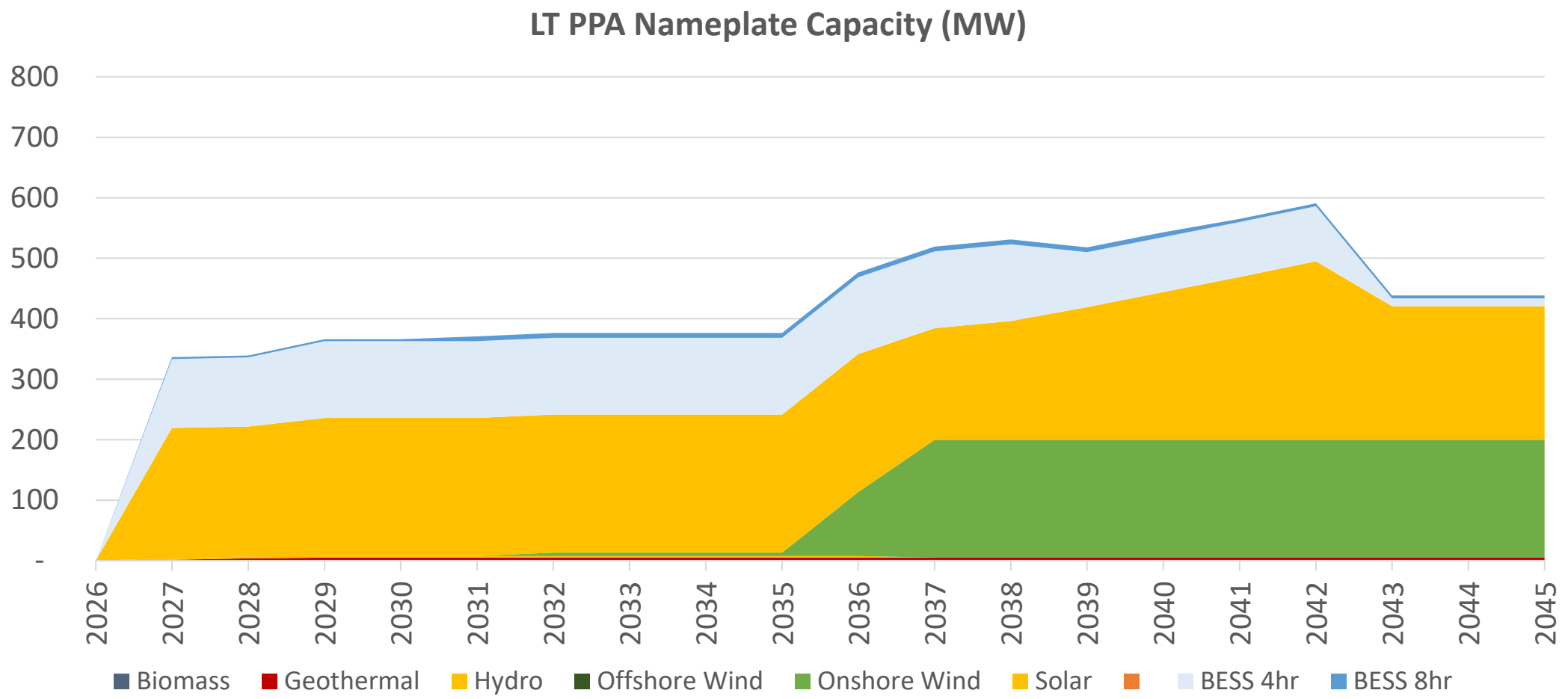
# Item 9 – IRP Update: Long-Term PPA Cumulative Buildout by Technology (VCE Strategic Plan and Load Forecast)

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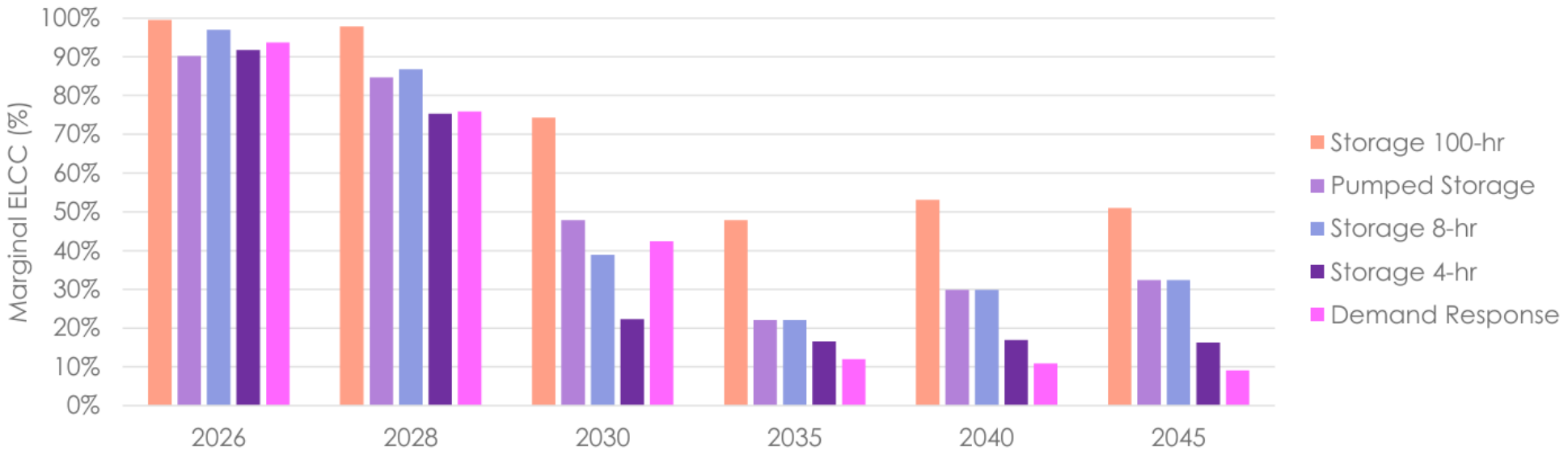
# Item 9 – IRP Update: ELCCs

Renewable, Hydro, Thermal ELCCs Stable Over Time

- Solar marginal ELCCs remain low (but not zero) for all modeled years
- Out-of-state and in-state wind provide higher marginal ELCCs than solar and remain stable across the modeled years
- Offshore wind ELCCs start high but declines over time as more wind and energy limited resources are added to the portfolio (Humboldt ELCCs higher than Morro Bay)
- Hydro ELCCs decline over time as well as system becomes more energy constrained by 2035
- Firm ELCCs generally stable at 85-90




Source: Reliability Filing Requirements for Load Serving Entities' 2024-26 Integrated Resource Plans- Results of Marginal ELCC Studies February 2026

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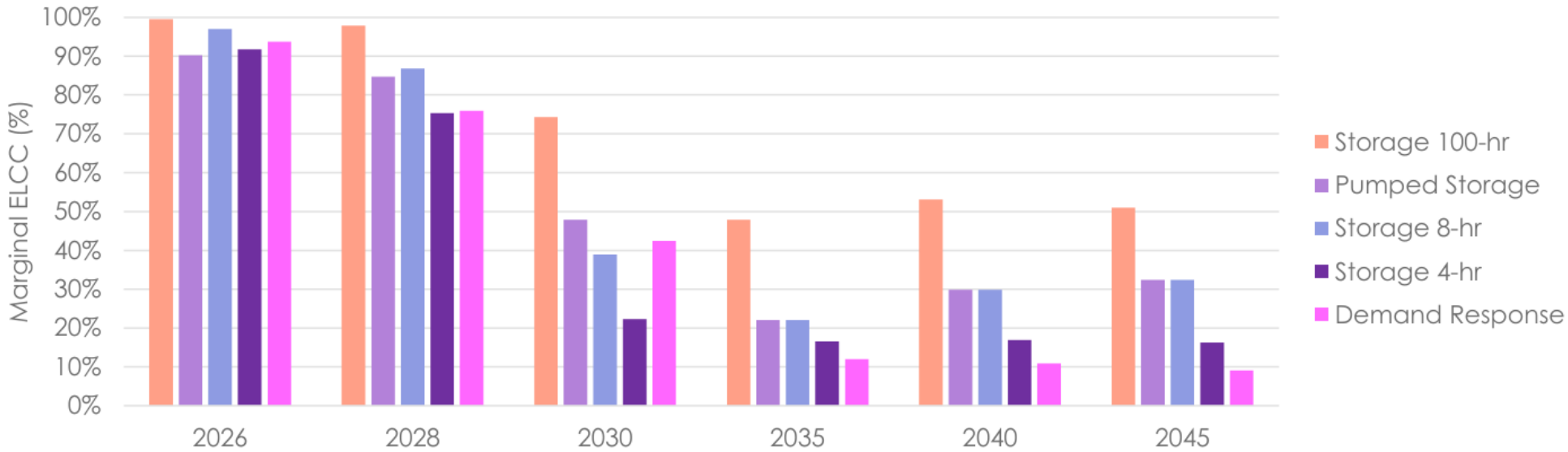
# Item 9 – IRP Update: ELCCs

## Storage and DR ELCCs Decline in Future Years

- Storage marginal ELCCs remain high in the near term amidst large solar additions but decline as storage saturates and critical hours spread out in an energy constrained system
- Significant decrease in 2030 as large amount of solar and storage are added to meet GHG reduction requirements
- Long-term value post 2035 driven by continued solar and wind capacity additions, load shape changes, and increasing winter loss of load risk

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