VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 12

TO: Board of Directors

FROM: Edward Burnham, Chief Financial Officer
Mitch Sears, Chief Executive Officer

SUBJECT: 2025 VCE Mid-Year Financials Update

DATE: June 12, 2025

RECOMMENDATION

Continue current customer rate discounts of 5% for all and 10% for CARE/FERA customers for the remainder of 2025.

Overview

This report provides a mid-year financial update for 2025 actuals and the anticipated outcomes of recent regulatory developments for 2026, particularly the California Public Utilities Commission's (CPUC) decisions in the 2025 Power Charge Indifference Adjustment (PCIA) and Energy Resource Recovery Account (ERRA) proceedings. Based on current forecasts and regulatory outcomes, staff recommend maintaining VCE's existing rate discounts for the remainder of 2025.

DISCUSSION & ANALYSIS

VCE has taken a discipled fiscal approach and built a solid long-term renewable energy portfolio which has positioned it well to offer competitive rates and renewable content energy while maintaining regulatory compliance. As of mid-year, 2025, VCE remains in a stable financial position as forecasted.

Key highlights include:

- Revenues are tracking slightly lower than projections with a normalized load and weather conditions.
- Operating expenses remain within budget, with power costs benefiting from favorable market and load usage conditions.
- Cash reserves are healthy and exceed the Board-approved minimum thresholds.

While VCE's financial position has improved significantly since Covid-19, recent regulatory proposed decisions on PCIA and lower power market prices have created upward pressure on the Power Charge Indifference Adjustment (PCIA). Based on these likely regulatory outcomes, staff in not recommending an increase in customer discounts at this time. The energy market remains uncertain, with risks from summer peak demand, wildfire-related costs, and additional CPUC regulatory decisions being primary drivers.

Preserving financial flexibility is essential to navigate these uncertainties without compromising service or stability. Increasing discounts now could erode the financial cushion needed for rate stability and future investments in renewable energy, local programs, and grid resilience. A consistent and predictable rate structure helps build customer trust and supports long-term retention. Maintaining current discounts provides VCE with the ability to continue to meet its strategic goals (e.g. rate affordability, renewable goals, etc.), without sacrificing long-term sustainability.

Reasons for Maintaining Robust Cash Reserves:

- **Credit Rating and Financing Costs:** Strong reserves support VCE's creditworthiness, which is essential for securing favorable terms in power procurement contracts and future financing. A higher credit rating reduces borrowing costs and enhances VCE's ability to invest in long-term clean energy initiatives.

- **Rate Stabilization:** Cash reserves act as a financial buffer against market volatility, regulatory changes, and unexpected cost increases. This stability allows VCE to avoid sudden rate hikes and maintain competitive/discounted rates for customers, which is especially important in a dynamic energy market.

- **Regulatory Compliance and Risk Management:** Adequate reserves ensure compliance with financial risk management policies and provide flexibility to respond to unforeseen events, such as extreme weather impacts or supplier defaults.

Timeline/Next Steps

- October CPUC Meeting – Receive updated marker price benchmarks and PG&E's updated ERRA forecasts for PCIA and generation rates.
- November Board Meeting - Incorporate updated load forecasts and power costs into the 2026 preliminary Budget
- December Board Meeting - Provide updated year-end financial report and with recommendations for 2026 rate adjustments

CONCLUSION

Staff recommend maintaining the current rate discounts for all customer classes through the end of 2025. This approach supports stability, customer satisfaction, and VCE's long-term financial sustainability.