VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 19

TO:	Board of Directors
FROM:	Edward Burnham, Director of Finance & Internal Operations Mitch Sears, Executive Officer
SUBJECT:	2023 Operating Budget & Customer Rates
DATE:	December 8, 2022

RECOMMENDATIONS

1. Approve 2023 VCE Customer Rates:
    a. Standard Green Rates for 2023 to match PG&E 2023 generation rates.
    b. Base Green Rate discount of 2.5% to PG&E 2023 generation rates
        i. Automatically provide CARE and FERA customers Base Green Rate
2. Approve 2023 Budget with $109.5M of operating revenues and $78M of operating expenses for a net income of $31.4M.

OVERVIEW

The purpose of this staff report is to: (1) Update 2022 update actuals (10-Months) ending December 31, 2022, (2) present analysis of 2023 customer rates, and (3) the recommended 2023 Budget for Board consideration.

As detailed in the body of this report, the 2022 Budget is estimated to have a net positive income of $6M, which is $11M below the adopted Budget for reasons outlined in the analysis section below. The 2023 budget forecasts a positive net income of $31M, allowing VCE to reach its primary financial objectives of building reserves while maintaining competitive rates and executing local programs.

VCE's short-term outlook (2023-24) indicates continued volatility in power market prices and PCIA, which requires rate-setting to ensure cost recovery and the building of reserves. The longer-term outlook (2024+) indicates increased stability and cost certainty. VCE's long-term PPA's coming on-line combined with a cost-based rate structure will allow VCE to rebuild reserves and achieve positive margins.

BACKGROUND

Since early 2020, VCE has seen high volatility in the energy sector and overall economy. VCE's fiscal impacts were primarily driven by uncertainty associated with the COVID-19 pandemic, 2021 Power Charge Indifference Adjustment (PCIA) increases, resource adequacy and power market cost increases. This combination of factors have required VCE to draw against reserves in the past two years to stabilize customer rates and maintain its rate policy to be competitive with PG&E generation rates. Over this turbulent time period, VCE has taken the following actions to ensure financial and customer rate sustainability as part of the annual budget adoption and monitoring process.

- June 2020 - FY20-21 Budget adoption with fiscal mitigation policy
- November 2020 - FY20-21 Budget update to monitor Pandemic Impacts
- May 2021 – FY21-22 Budget update with load update.
- June 2021 **–** FY21-22 Budget adoption with extended fiscal mitigation
- October 2021 – Board adopted rate increase to preserve cash reserves
- November 2021 – Adopted change from fiscal year to calendar year
- February 2022 **–**Budget/Rates adoption with CARES/FERA discount
- March 2022 – Expanded RCB line of credit and term loan for liquidity
- July 2022 – Mid-Year Financials Update
- July 2022 – Adopted Base Green “least cost” options
- September 2022 – Mid-Year Customer Rates Review

With adoption of the 2023 Customer Rates and Budget, VCE is poised to continue to grow its financial strength (as envisioned in the Strategic Plan). The proposed budget incorporates key financial objectives driven by VCE’s Budget Policy, Financial Reserve Policy, Rate Policy, and the 2021-2023 Strategic plan. Key objectives considered by staff in developing the draft 2023 budget included:

- Recovery of 2022 Net Income variance - The decrease in net forecasted 2022 income of $11M would be recovered by the end of 2023 through a reduced PCIA and matching PG&E rates.
- Debt Repayments – Repayment of the line of credit with the county of Yolo in 2022 and term loan with River City Bank in early 2024. Possible early repayment in 2023.
- Power Cost Contingencies – Due to the inherent volatility in power costs, Staff included an increased power cost contingency in the 2023 budget, up from 2.5% in 2022 to 5% in 2023. The primary drivers of this increase are recent droughts, heat storms, and forward power market cost increases.
- Power Purchase Agreement (PPA) Covenants – VCE will maintain the required PPA covenants without relying on letters of credit for operational PPAs.
- Investment Grade Credit Rating – VCE and the Financial Advisor, PFM, will begin to establish VCE’s initial investment grade credit rating. An investment grade credit rating will reduce risks for member agency support requests, banking institution lines of credit, CPUC provider of last resort financial requirements (POLR), and overall capital costs for VCE.
- Rate Adjustment Policy (Companion Board Item 20) – VCE will implement a rate adjustment system to time rate adjustments with significant cost impacts (e.g. Heat Storms, Regulatory requirements, PG&E rate adjustments).
- Operating Days Cash – increase targeted operating days cash from 80+ days to 180 days as recommended by financial advisors for the credit rating.
- Customer Programs and Dividends – VCE will be able to continue to grow its customer programs in 2023. Additionally, VCE will monitor results for possible customer dividends for Q1 of 2024.

The primary driver of VCE’s ability to include the key objectives listed above is the current proposed decision on PG&E bundled rates. VCE's long-term fixed PPAs will bring long-term financial stability for VCE in the 2024-2026 long-term outlook.

2022 CPUC ERRA Proceeding (PG&E Rate setting - PCIA and Bundled Rates)

On November 28, 2022, the CPUC issued the proposed decision (PD) for 2023 bundled rates, inclusive of setting PCIA and generation rates for PG&E. Based on information from VCE and CalCCA's analysts, VCE has incorporated the following assumptions in its updated financial forecasts for 2023, including the assumption that 2023 PG&E rates/PCIA will be implemented on January 1, 2023:

Summary of CPUC ERRA Forecasts for January 2023

- PCIA: 88% reduction over 2022 PCIA (net zero charge) - Approximately $17M in additional net revenue compared to 2022
- PG&E Bundled rates (PCIA & Generation): 3% increase – Approximately $2M in additional revenue

Long-term Fixed Price Power Purchase Agreements

Renewable power and storage resource deliveries resulting from VCE's contracted long-term power purchase agreements (PPAs) began in 2021 and increased marginally in 2022. In the next two years these renewable resources are forecasted to increase by approximately 140% in 2023 and 114% in 2024. These additional fixed price long-term renewable contracts strengthen VCE's financial standing by providing cost stability and reducing exposure to short-term power market volatility.

As shown in Figure 1 below, the PPAs are projected to cover over 80% of VCE's annual load by 2024, reducing VCE costs compared to current RPS and RA market costs. The undesirable delay in acquiring higher levels of renewable resources during the during 2020-2022 time period and utilization of cash reserves have helped VCE stabilize customer rates and partially bridge the gap until the long-term PPAs begin full delivery in 2024.

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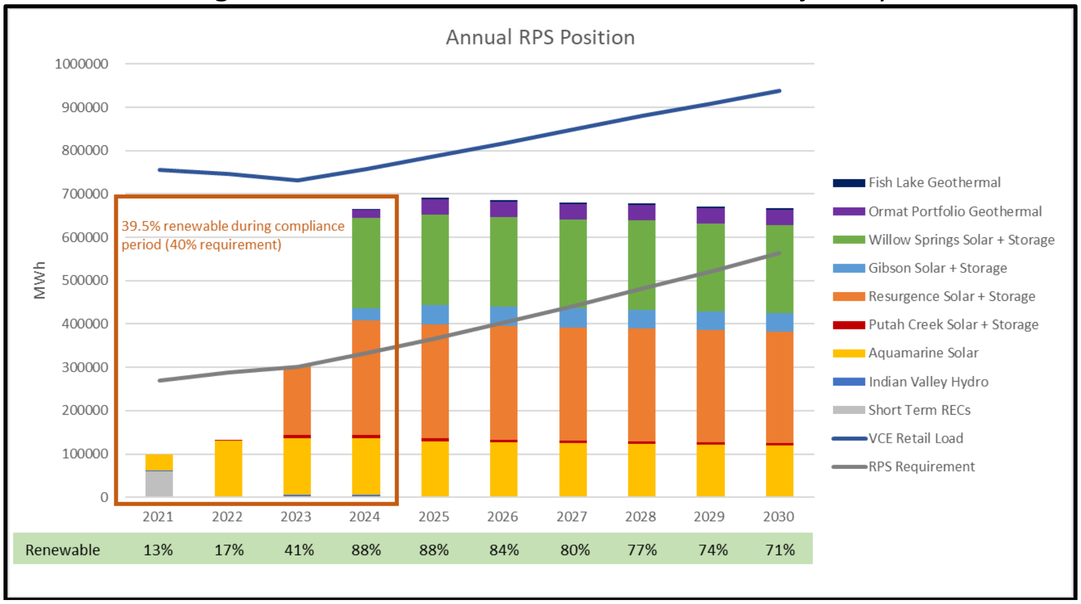
Figure 1 - VCE Current Renewable Portfolio Trajectory



The addition of these long-term renewable resources help mitigate financial volatility for VCE going forward. The proposed 2023 Rates, 2023 Budget, and multi-year outlook shown below are inclusive of the above factors.

ANALYSIS

This report updates the information provided to the Board on November 10, 2022 and provides the basis for the budget Analysis in Section 3 below. The sections below provide updates on: (1) the 2022 Operating Budget, (2) an overview of key factors influencing the operating budgets, and (3) analysis of the recommended 2023 budget.

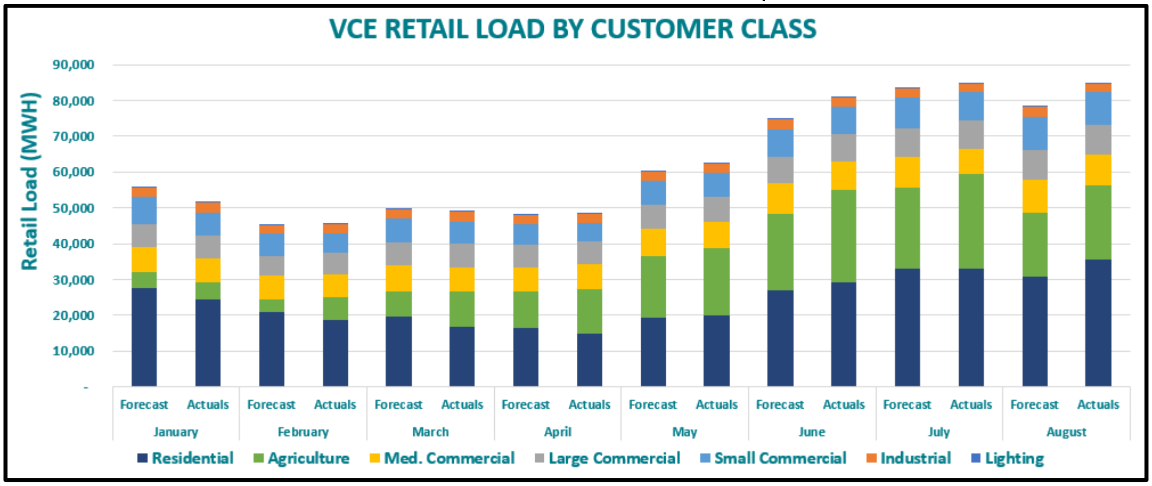
1. 2022 Operating Budget Update

As noted in the November Board staff report, the utility sector, including VCE, has experienced significant volatility during 2020-2022 in power market prices due to the COVID-19 pandemic, climate change impacts, and global events. These events have created financial challenges to maintain reserves and competitive customer rates. Most recently we outlined the impacts of September's historic 10-day heat storm. As a result of this combination of factors, VCE's short-term net income is approximately $11M lower than originally forecast for 2022.

The singular historic September heat event alone required approximately $5.5M in additional power purchases by VCE. This amount was above the hedged amount based on historical averages. Based on the most recent financials that incorporate the energy purchased during the September heat storm, the 2022 forecast has been revised downward by an additional $0.5 M. This revised net estimated income of $6M for 2022. To summarize, the primary drivers of the 2022 Operating Budget results include:

- Load Forecast. As shown in VCE retail load update (Table 1), in the first half of 2022, energy use in several sectors out-paced forecasts. For example, two large sectors showed higher than forecast energy use: (1) residential (e.g. TOU transition, return to work/hybrid, heat storms, etc.), and (2) commercial related to agriculture operations (e.g. droughts, mild winter, heat storms, etc.). Even after accounting for these factors, the 2022 actual vs. load forecast remains within 5% of the overall forecast.

Table 1 - VCE Retail Load Update



- PG&E Rate Adjustments – PG&E's 2022 filings were delayed by the CPUC until March 1, 2022, including the 33% rate increase and PCIA reduction of 57%.
- Power Costs and September heat storm. September energy demand resulting from the historic 10-day heat storm exceeded load hedges that required additional purchases in the relatively expensive day-ahead energy market for an additional $5.5M. Generally, rising power costs since early 2022 account for the remainder of the variance.
- Supply Chain interruptions. Covid-19 pandemic impacted manufacturing and supply chains causing delays in the construction and completion of renewable projects, including several large solar + storage projects under contract with VCE.
- Budgeted revenues. The 2022 Budget incorporated revenues associated with high temperatures and drought conditions. These revenues have not fully materialized in the actuals for 2022. The primary revenue variance is related to June, which was relatively mild when compared to expected energy usage and revenues. Staff will continue to evaluate the revenue forecasting model to normalize the accuracy of future forecasts.

The following Table 2 summarizes the 2022 Operating Budget results.

Table 2 – FY2021-22 Actuals vs. Budget

Description	APPROVED 2022 BUDGET	2022 Proforma (10 Month Actuals + 2 Month Budget)	Variance
Revenue	$ 89,750	$ 86,470	$ (3,280)
Power Cost	$ 66,990	$ 75,010	$ (8,020)
Other Expenses	$ 5,292	$ 5,400	$ (108)
Net Income	$ 17,468	$ 6,060	$ (11,408)

Note: The 2022 interim audit will begin in December 2022 and will be completed in March 2023. Adjustments, if any, will be included in the annual report.

High power market prices experienced in 2022 contributed to the zero to negative PCIA in 2023 and a slight 3% increase in PG&E generation rates in 2023. The net result is revenues that were initially forecast to occur in 2022 are pushed into 2023.

2. 2023 Customer Rates

As discussed at previous Board and Community Advisory Committee meetings, the CPUC is scheduled to adopt 2023 PG&E bundled rates at their December 15, 2022 meeting. The Commission may act then or postpone action until later, as we experienced in early 2022. The updated analysis shown below is based on the best available information as of the writing of this report, with an effective rate change date of January 1, 2023, and following our current rate policy and financial objectives.

<u>VCE Rate Policy (Updated November 10, 2021)</u>

Cost-Based Rate Policy: VCE will set customer rates to collect sufficient revenue from participating customers to fully fund VCE's Budget and establish sufficient operating reserve funds.

<u>2023 Customer Rates Drivers</u>

Based on information from VCE and CalCCA's analysts on the proposed PG&E rates decision outlined above, VCE has incorporated the following assumptions in its updated financial forecasts for 2023 (assuming PG&E rates/PCIA are implemented on January 1, 2023):

- PCIA: 88% reduction over 2022 PCIA (net zero charge)- Results in approximately $17M revenue for 2023
- PG&E Bundled rates (PCIA & Generation): 3% increase – Results in approximately $2M revenue for 2023

<u>VCE Rates Recommendation</u>

1. Standard Green Rates for 2023 to match PG&E 2023 generation rates.
2. Base Green Rate discount of 2.5% to PG&E 2023 generation rates
    a. Automatically provide CARE and FERA customers Base Green Rate

<u>Fiscal Effects</u>

The rates (and budget) approach outlined in this report allows VCE to recover reserves used in the past several years to help create more stable customer rates and prepare for future PCIA and power market volatility to achieve long-term rate stability.

The fiscal effects on VCE customers are relatively small at a 3% generation rate increase for an average of $2 per month for residential customers on VCE's default Standard Green rate. While the 2023 rate increases are less significant than in 2022 (33%), matching PG&E rates in 2023 is needed to recover the costs associated with the September heat event and overall rising power market costs. Staff recommends continuing rate credits for low income and vulnerable customers (CARE, FERA, and Medical Baseline) that makeup over 25% of VCE's residential customer base.

The VCE generation charges plus PCIA and franchise fees are approximately 40% of the total average residential electricity bill. PG&E's Transmission, Distribution, and other charges account for the remainder 60% of the total electricity bill. Therefore, a 3% increase in VCE's portion of the electricity bill equates to an approximate 1% increase in the total electricity charges for the average residential customer.

Customer Outreach & Communications

VCE continues a measured, transparent customer outreach strategy emphasizing VCE's additional benefits, such as more choice in electricity supply, local control, and community reinvestment through energy contracts and programs.

Based on VCE matching PG&E rates and other CCAs undertaking similar rate actions, Staff does not anticipate significant opt-out customer activity in response to the rate changes. VCE will continue to monitor customer activity as the rates are implemented for possible adjustments. If approved by the Board, these customer rates would help meet VCE's strategic financial objectives. The longer-term outlook (2024+) shows increased stability and cost certainty due to VCE's fixed price long-term renewable power purchase contracts coming on-line in 2023/24 and implementation of VCE's cost-recovery based rate structure.

3. 2023 Operating Budget

Staff has updated the forecasts to incorporate additional PG&E actuals, an error by PG&E in their cost information, and the impacts of September's heat storm on PG&E's power costs as included in the December CPUC proposed decision. As shown in Table 4 below, the changes to PCIA and VCE's long-term renewable PPA contracts are forecasted to provide near/long-term financial relief, allowing the establishment of more substantial reserves and increased ability to implement programmatic objectives. VCE's long-term renewable contracts will also have rate stabilization effects while significantly increasing VCE's renewable content.

Key Assumptions included in the 2023 Budget Summary (Table 3) and Multi-year forecast (Table 4):

- 2023 PCIA decrease Forecast –The updated PCIA decreased to zero. Although current PCIA rates are forecasted to go negative, this is slightly offset by additional balancing accounts related to total PCIA.
- 2023 Customer Rates Forecast – The updated forecast for PG&E rates results in an average increase of 3% increase for 2023 as discussed above.
- 2023-2025 Power Costs Contingencies – Staff has increased power cost contingencies from 2.5% for 2022 to 5% for 2023-2025. This results in an approximately $3.4M contingency that allows for additional buffers for impacts outside of VCE's control (e.g. power cost increases due to heat storms).

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Table 3 – 2023 Budget Summary

VALLEY CLEAN ENERGY 2023 DRAFT BUDGET SUMMARY	APPROVED 2022 BUDGET	ACTUAL (YTD) Oct. 31 2022 2022 Proforma	PROPOSED 2023 BUDGET
OPERATING REVENUE	$ 89,750	$ 86,470	$ 109,458
OPERATING EXPENSES:			
Cost of Electricity	66,990	75,010	71,650
Contract Services	2,640	2,519	2,807
Outreach & Marketing	248	182	264
Programs	175	1,185	834
Staffing	1,300	1,162	1,442
General, Administration and other	840	350	1,017
TOTAL OPERATING EXPENSES	**72,192**	**80,408**	**78,014**
TOTAL OPERATING INCOME	**17,558**	**6,062**	**31,444**
NONOPERATING REVENUES (EXPENSES)			
Interest income	17	36	42
Interest expense	(107)	(38)	(66)
TOTAL NONOPERATING REV/(EXPENSES)	**(90)**	**(2)**	**(24)**
NET MARGIN	**$ 17,468**	**$ 6,060**	**$ 31,420**
NET MARGIN %	**19.5%**	**7.0%**	**28.7%**

Table 4 – Multi-Year Forecast

	Actuals				2022 Proforma*	2023 Budget	Preliminary Forecast**	
Description	FY2019	FY2020	FY2021	FY2022	2022	2023	2024	2025
Revenue	51,035	55,249	54,657	29,366	86,470	109,500	75,500	73,500
Power Cost	38,540	41,538	54,234	30,139	75,010	71,650	54,150	57,100
Other Expenses	3,850	4,346	4,267	2,285	5,400	6,430	6,800	7,100
Net Income	8,646	9,365	(3,844)	(3,058)	6,060	31,420	14,550	9,300
					Reserve Building		Margin Policy	

*2022 Proforma includes ten months of actual financial results and 2 months of updated power cost forecasts.

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

Note: 2023, 2024, and 2025 forecasted financials are based on the most current available data and assumptions, as displayed in Table 4. These scenarios rely on future rate adjustments, reserves, or both to mitigate future power cost volatility.

Additional Considerations

Other Operating Expenses – Preliminary Budget Other operating expenses (not including power costs) are nearly flat compared to the 2022 budget, reflecting only a 5% increase – lower than 2021 CPI at ~7%. The primary factors of increased costs in this category of expenses include:

- Customer program related to AgFIT and other programs.
- Reduced interest expenses related to the use of credit lines
- Increased interest income with rising interest rates and cash deposits.
- 5% annual salary and contractor inflation rate based on the 2022 7% inflation rate.
- 5% administrative contingency rate for unanticipated expenses.
- Additional cost related to post covid operations (e.g. remote meeting technology) and Board stipends to match other local JPA stipends.

As shown in Table 4, the loss in net income during 2022 would be recovered by the end of 2023 due to PCIA decreases and matching PG&E's rates. Staff will provide additional detail in its informational presentation at the meeting, including background information associated with the projected net income for 2024 to 2025. Based on the updated information, Staff recommends that VCE establish a target of 180+ days of cash reserves by the end of 2023 to rebuild reserves and potion itself to achieve an investment grade credit rating by 2024.

CONCLUSION

Consistent with the adopted Rate and Budget policy, Staff is recommending that VCE set rates and adopt a budget for 2023 at a level that will fully fund the 2023 budget, continue to build reserves to achieve a credit rating, and provide a level of financial relief to VCE's low-income and at risk customers. Staff will continue to review and report operating results and propose adjustments upwards or downwards for reasons such as changes in operational requirements or reserves reaching 180+ days.

ATTACHMENTS

1. 2023 Operational Budget
2. Resolution 2022-XXX

VALLEY CLEAN ENERGY - OPERATING BUDGET
CALENDAR YEAR 2023

Description	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	TOTAL
Electric Revenue	$ 8,294,000	$ 6,654,000	$ 6,658,000	$ 6,172,000	$ 9,090,000	$ 12,050,000	$ 12,670,000	$ 12,230,000	$ 8,880,000	$ 7,018,000	$ 7,695,000	$ 11,387,000	$ 108,798,000
Reimbursable Program Revenue	$ 55,000	$ 55,000	$ 55,000	$ 55,000	$ 55,000	$ 55,000	$ 55,000	$ 55,000	$ 55,000	$ 55,000	$ 55,000	$ 55,000	$ 660,000
Interest Revenues	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 42,000
Purchased Power	$ 7,265,000	$ 5,536,000	$ 5,389,000	$ 3,855,000	$ 4,650,000	$ 5,520,000	$ 8,492,000	$ 8,507,000	$ 6,817,000	$ 5,076,000	$ 4,776,000	$ 5,767,000	$ 71,650,000
Purchased Power Base	$ 6,919,000	$ 5,272,000	$ 5,132,000	$ 3,671,000	$ 4,429,000	$ 5,257,000	$ 8,088,000	$ 8,102,000	$ 6,492,000	$ 4,834,000	$ 4,549,000	$ 5,492,000	$ 68,237,000
Purchased Power Contingency 2%	$ 346,000	$ 264,000	$ 257,000	$ 184,000	$ 221,000	$ 263,000	$ 404,000	$ 405,000	$ 325,000	$ 242,000	$ 227,000	$ 275,000	$ 3,413,000
Labor & Benefits	$ 120,200	$ 120,200	$ 120,200	$ 120,200	$ 120,200	$ 120,200	$ 120,200	$ 120,200	$ 120,200	$ 120,200	$ 120,200	$ 120,200	$ 1,442,400
Salaries & Wages/Benefits	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 1,200,000
Contract Labor	$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 30,000
Human Resources & Payroll	$ 17,700	$ 17,700	$ 17,700	$ 17,700	$ 17,700	$ 17,700	$ 17,700	$ 17,700	$ 17,700	$ 17,700	$ 17,700	$ 17,700	$ 212,400
Office Supplies & Other Expenses	$ 17,200	$ 17,200	$ 17,200	$ 17,200	$ 17,200	$ 22,000	$ 17,200	$ 17,200	$ 17,200	$ 17,200	$ 17,200	$ 17,200	$ 211,200
Technology Costs	$ 3,100	$ 3,100	$ 3,100	$ 3,100	$ 3,100	$ 7,900	$ 3,100	$ 3,100	$ 3,100	$ 3,100	$ 3,100	$ 3,100	$ 42,000
Office Supplies	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 2,400
Travel	$ 500	$ 500	$ 500	$ 500	$ 500	$ 500	$ 500	$ 500	$ 500	$ 500	$ 500	$ 500	$ 6,000
CalCCA Dues	$ 11,100	$ 11,100	$ 11,100	$ 11,100	$ 11,100	$ 11,100	$ 11,100	$ 11,100	$ 11,100	$ 11,100	$ 11,100	$ 11,100	$ 133,200
CC Power	$ 2,100	$ 2,100	$ 2,100	$ 2,100	$ 2,100	$ 2,100	$ 2,100	$ 2,100	$ 2,100	$ 2,100	$ 2,100	$ 2,100	$ 25,200
Memberships	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 2,400
Contractual Services	$ 224,400	$ 221,100	$ 249,300	$ 292,700	$ 285,000	$ 286,500	$ 212,000	$ 196,800	$ 196,900	$ 247,900	$ 197,000	$ 197,100	$ 2,806,700
Other Contract Services	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 26,400
Don Dame	$ 900	$ 900	$ 900	$ 900	$ 900	$ 900	$ 900	$ 900	$ 900	$ 900	$ 900	$ 900	$ 10,800
Credit Support	$ 45,600	$ 42,200	$ 45,400	$ 45,100	$ 37,300	$ 38,800							$ 254,400
Wholesale Energy Services	$ 51,300	$ 51,300	$ 76,300	$ 120,000	$ 120,000	$ 120,000	$ 70,000	$ 70,000	$ 70,000	$ 70,000	$ 70,000	$ 70,000	$ 958,900
Call Center	$ 69,100	$ 69,200	$ 69,200	$ 69,200	$ 69,300	$ 69,300	$ 70,400	$ 70,500	$ 70,600	$ 70,700	$ 70,700	$ 70,800	$ 839,000
Operating Services	$ 5,300	$ 5,300	$ 5,300	$ 5,300	$ 5,300	$ 5,300	$ 5,400	$ 5,400	$ 5,400	$ 5,400	$ 5,400	$ 5,400	$ 64,200
Commercial Legal Support	$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 30,000
Legal General Counsel	$ 13,600	$ 13,600	$ 13,600	$ 13,600	$ 13,600	$ 13,600	$ 13,600	$ 13,600	$ 13,600	$ 13,600	$ 13,600	$ 13,600	$ 163,200
Regulatory Counsel	$ 17,500	$ 17,500	$ 17,500	$ 17,500	$ 17,500	$ 17,500	$ 17,500	$ 17,500	$ 17,500	$ 17,500	$ 17,500	$ 17,500	$ 210,000
Joint CCA Regulatory counsel	$ 2,800	$ 2,800	$ 2,800	$ 2,800	$ 2,800	$ 2,800	$ 2,800	$ 2,800	$ 2,800	$ 2,800	$ 2,800	$ 2,800	$ 33,600
Legislative - (Lobbyist)	$ 5,500	$ 5,500	$ 5,500	$ 5,500	$ 5,500	$ 5,500	$ 5,500	$ 5,500	$ 5,500	$ 5,500	$ 5,500	$ 5,500	$ 66,000
Accounting Services	$ 2,400	$ 2,400	$ 2,400	$ 2,400	$ 2,400	$ 2,400	$ 2,400	$ 2,400	$ 2,400	$ 2,400	$ 2,400	$ 2,400	$ 28,800
Financial Consultant	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 42,000
Audit Fees	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 15,300	$ -	$ -	$ 50,900	$ -	$ -	$ 79,400
Marketing	$ 22,000	$ 22,000	$ 22,000	$ 22,000	$ 22,000	$ 22,000	$ 22,000	$ 22,000	$ 22,000	$ 22,000	$ 22,000	$ 22,000	$ 264,000
Marketing Collateral	$ 21,000	$ 21,000	$ 21,000	$ 21,000	$ 21,000	$ 21,000	$ 21,000	$ 21,000	$ 21,000	$ 21,000	$ 21,000	$ 21,000	$ 252,000
Community Engagement Activities & Sponsorships	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 12,000
Programs	$ 69,500	$ 69,500	$ 69,500	$ 69,500	$ 69,500	$ 69,500	$ 69,500	$ 69,500	$ 69,500	$ 69,500	$ 69,500	$ 69,500	$ 834,000
Program Costs	$ 14,500	$ 14,500	$ 14,500	$ 14,500	$ 14,500	$ 14,500	$ 14,500	$ 14,500	$ 14,500	$ 14,500	$ 14,500	$ 14,500	$ 174,000
AgFit	$ 55,000	$ 55,000	$ 55,000	$ 55,000	$ 55,000	$ 55,000	$ 55,000	$ 55,000	$ 55,000	$ 55,000	$ 55,000	$ 55,000	$ 660,000
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Rents & Leases	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 26,400
Hunt Boyer Mansion	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 26,400
Other A&G	$ 38,150	$ 38,150	$ 38,150	$ 38,150	$ 110,050	$ 38,150	$ 38,150	$ 38,150	$ 38,150	$ 40,550	$ 38,150	$ 38,150	$ 532,100
Development - New Members	$ 2,100	$ 2,100	$ 2,100	$ 2,100	$ 2,100	$ 2,100	$ 2,100	$ 2,100	$ 2,100	$ 2,100	$ 2,100	$ 2,100	$ 25,200
Strategic Plan Implementation	$ 12,000	$ 12,000	$ 12,000	$ 12,000	$ 12,000	$ 12,000	$ 12,000	$ 12,000	$ 12,000	$ 12,000	$ 12,000	$ 12,000	$ 144,000
PG&E Data Fees	$ 23,000	$ 23,000	$ 23,000	$ 23,000	$ 23,000	$ 23,000	$ 23,000	$ 23,000	$ 23,000	$ 23,000	$ 23,000	$ 23,000	$ 276,000
Insurance	$ 950	$ 950	$ 950	$ 950	$ 950	$ 950	$ 950	$ 950	$ 950	$ 950	$ 950	$ 950	$ 11,400
Banking Fees	$ 100	$ 100	$ 100	$ 100	$ 72,000	$ 100	$ 100	$ 100	$ 100	$ 2,500	$ 100	$ 100	$ 75,500
Miscellaneous Operating Expenses	$ 600	$ 600	$ 600	$ 600	$ 600	$ 600	$ 600	$ 600	$ 600	$ 600	$ 600	$ 600	$ 7,200
Contingency	$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 240,000
TOTAL OPERATING EXPENSES	$ 7,779,250	$ 6,046,950	$ 5,928,150	$ 4,437,550	$ 5,296,750	$ 6,101,150	$ 8,993,850	$ 8,993,650	$ 7,303,750	$ 5,616,150	$ 5,262,850	$ 6,253,950	$ 78,014,000
Interest on RCB loan	$ 2,200	$ 2,100	$ 1,800	$ 1,700	$ 1,600	$ 1,500	$ 1,400	$ 1,300	$ 1,200	$ 1,100	$ 1,000	$ 9,000	$ 25,900
Interest Expense - Line of Credit	$ 2,500	$ -	$ -	$ -	$ 12,500	$ 10,000	$ 10,000	$ 5,000	$ -	$ -	$ -	$ -	$ 40,000
NET INCOME	$ 568,550	$ 663,450	$ 786,550	$ 1,791,250	$ 3,837,650	$ 5,995,850	$ 3,723,250	$ 3,288,550	$ 1,633,550	$ 1,459,250	$ 2,489,650	$ 5,182,550	$ 31,420,100

VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2022-___

A RESOLUTION OF THE BOARD OF DIRECTORS OF VALLEY CLEAN ENERGY ALLIANCE ADOPTING THE CUSTOMER RATES AND OPERATING BUDGET FOR YEAR 2023

WHEREAS, the Valley Clean Energy Alliance ("VCE") was formed as a community choice aggregation agency ("CCA") on November 16, 2016, under the Joint Exercise of Power Act, California Government Code sections 6500 et seq., among the County of Yolo, and the Cities of Davis and Woodland, to reduce greenhouse gas emissions, provide electricity, carry out programs to reduce energy consumption, develop local jobs in renewable energy, and promote energy security and rate stability in all of the member jurisdictions. The City of Winters, located in Yolo County, was added as a member of VCE and a party to the JPA in December of 2019; and,

WHEREAS, beginning in 2020, VCE faced financial constraints associated with power market and regulatory volatility driven by forces outside VCE's direct control; and

WHEREAS, on November 10, 2021, the Board adopted a cost-based rate policy via Resolution 2021-023; and,

WHEREAS, to address volatility driven by forces outside of VCE's direct control there is a need to adopt rates and operational budgets to cover actual cost and reserve requirements.

WHEREAS, the VCE 2023 proposed Budget for the calendar year 2023 includes Operating Revenues totaling $109.5M and purchased power and other operating expenses totaling $78M for a net income of $31.4M;

WHEREAS, the VCE proposed Standard Green Rates for 2023 will match PG&E 2023 generation rates, and VCE Base Green Rate discount of 2.5% to PG&E 2023 generation rates, and VCE will automatically provide CARE and FERA customers the Base Green Rate; and,

NOW, THEREFORE, the Board of Directors of Valley Clean Energy Alliance hereby adopts the 2023 proposed Budget and Customer Rates for 2023.

PASSED, APPROVED AND ADOPTED, at a regular meeting of the Valley Clean Energy Alliance, held on the ____ day of December 2022, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

____
Jesse Loren, VCE Chair

____
Alisa M. Lembke, VCE Board Secretary

Attachment: 2023 Operating Budget