



vonnehunterphotography.com

Valley Clean Energy Board – November 10, 2022
via video/teleconference

Item 13 – Operating Budget Update



Public Comments

To Provide Public Comment on any agenda item please:

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

OR

Join the Public Comment Queue by

- “Raising Hand” on Zoom Meeting

OR

- Press *9 if joining by phone

Emailed comments received **before** the item has concluded will be read into the record.

Emailed comments received **after** the item has concluded but before the end of the meeting will not be read but will be included in the meeting record.

Item 13 – Operating Budget Update

Overview

VCE's short-term outlook (2022 and 2023) indicates continued volatility in power market prices due to global events outside VCE's control.

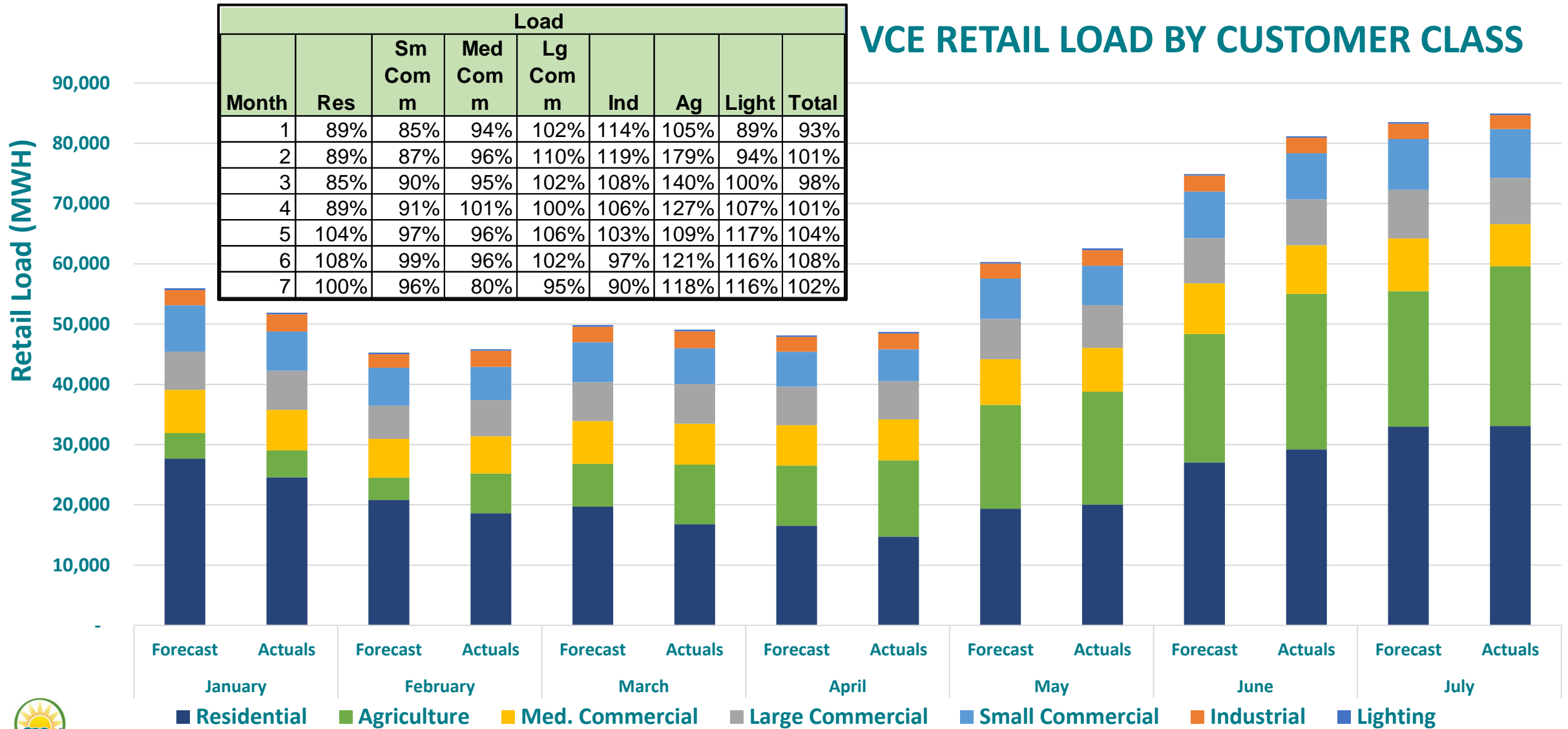
- September's 10-day heat storm; VCE's short-term net income impacted.
- The mid/longer term outlook (2023-2025) shows VCE recovers net income, building customer rate stability, reserves, and program funds.

This presentation will provide:

- Updated Load (July)
- Updated Factors & Multi-Year Forecast Update
- Discussion

Item 13 – Operating Budget Update

VCE RETAIL LOAD BY CUSTOMER CLASS



Key factors (Updated) – Operating Budgets Forecasts

- PCIA and PG&E Rates - Multi-Year Forecast includes a 100% PCIA decrease (“0”) in 2023 with no rate changes.
 - Analyst Forecasts are currently projecting negative PCIA rates and possible rate increases by PG&E.
- Power costs – Include ~\$3M in power cost contingencies for 2023. (Increase from 2.5% in 2022 to 5% for 2023)
- Long-term power contracts (PPAs) - When VCE’s two largest PPA’s begin full deliveries in 2023: ~60% of VCE’s load served, growing to 80%+ by 2024.

Item 13 – Operating Budget Update

Updated Multi-Year Forecast

Description	Actuals				2022 Proforma*	2023 Budget	Preliminary Forecast**	
	FY2019	FY2020	FY2021	FY2022	2022	2023	2024	2025
Customer Revenue	51,035	55,249	54,657	29,366	86,760	107,040	73,500	71,050
Power Cost	38,540	41,538	54,234	30,139	75,050	69,500	52,800	55,600
Other Expenses	3,850	4,346	4,267	2,285	5,080	5,938	6,100	6,178
Net Income	8,646	9,365	(3,844)	(3,058)	6,630	31,602	14,600	9,272
					RECOVER/BUILD RESERVES (180+ DAYS)		MAINTAIN MARGINS	

*2022 Proforma - 9 months of actual financial results and three months of updated power cost forecasts.

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

Key Factors in Multi-Year Forecast

- Multi-Year Forecast includes a 100% PCIA decrease (“0”) in 2023 with no rate changes.
 - Analyst Forecasts are currently projecting negative PCIA rates and possible rate increases by PG&E.
- Power costs – Include ~\$3M in power cost contingencies for 2023. (Increase from 2.5% in 2022 to 5% for 2023)
- Long-term power contracts (PPAs). When VCE’s two largest PPA’s begin full deliveries in 2023: ~60% of VCE’s load served, growing to 80%+ by 2024.
- Based on current forecast, 2024/25 offers greater financial stability.

Item 13 – Operating Budget Update

Operating Budget Outlook Summary (2024/2025)

- Generally, PG&E rates increase/PCIA decreases in times of rising market power costs; enhances VCE's ability to set competitive rates for full cost recovery.
- Increased market power costs result in deferred net income through PCIA
- Continued profitability and building of reserves, greater ability to provide customer programs and customer dividends.
- 2024 Credit rating - Decreases risk -> Finance Needs & Costs (Strategic Plan)
- Continued climate related risk (heat/drought) – Key mitigation: additional power cost contingency
- Continued market volatility – Key mitigation: PPAs decrease financial impact / stabilize costs

Item 13 – Operating Budget Update

Next Steps

- December 2022 – Adopt 2023 Budget & Rates
 - Rate Adjustment System

Discussion