Valley Clean Energy Board Meeting – October 13, 2022
via video/teleconference

Item 13 – 2022 Integrated Resource Plan (IRP) & Action Plan

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Item 13 – 2022 IRP & Action Plan: Background

- Docket No. R.20-05-003.
- Filing due November 1, 2022 (New IRP developed every two years).
- Commission (CPUC) Objective: reduce the cost of achieving greenhouse gas (GHG) reductions and evaluate existing and planned resource types in individual LSE portfolios to identify solutions to reliability, cost, or other concerns.
- IRP filings are the vehicle by which the CPUC and stakeholders gain insight into individual LSEs' plans for meeting state goals and how LSEs show compliance with their requirements under PUC 454.52(a)(1).
- The 2022 IRP is forward looking through 2035 with target years of 2030 and 2035.
- Resource procurement plan optimized to meet variety of planning objectives at lowest cost.

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Note: LSE = Load Serving Entity

Item 13 – 2022 IRP & Action Plan: Modeling

- VCE's IRP is developed using a suite of fundamental modeling tools that provide capacity expansion modeling, production cost modeling, and local portfolio optimization.
- For this IRP cycle, VCE has configured its models to align with the official inputs and assumptions made by the CPUC when available and has also included internal forecasts on expected market prices for capacity and energy in the future.
- The CPUC assigns VCE forecasted values for energy consumption, peak demand, behind-the-meter solar, and electrification/demand-modification programs for each year through 2035.
- VCE's existing portfolio of contracted resources is included in the model
- The model outputs a future resource portfolio that meets all the planning objectives and identifies the timing, quantity, and type of future resource needs.
- VCE's influence over the model output is limited to establishing constraints on the quantity, timing, and type of resources selected by the model.

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Modeling Assumptions & Constraints

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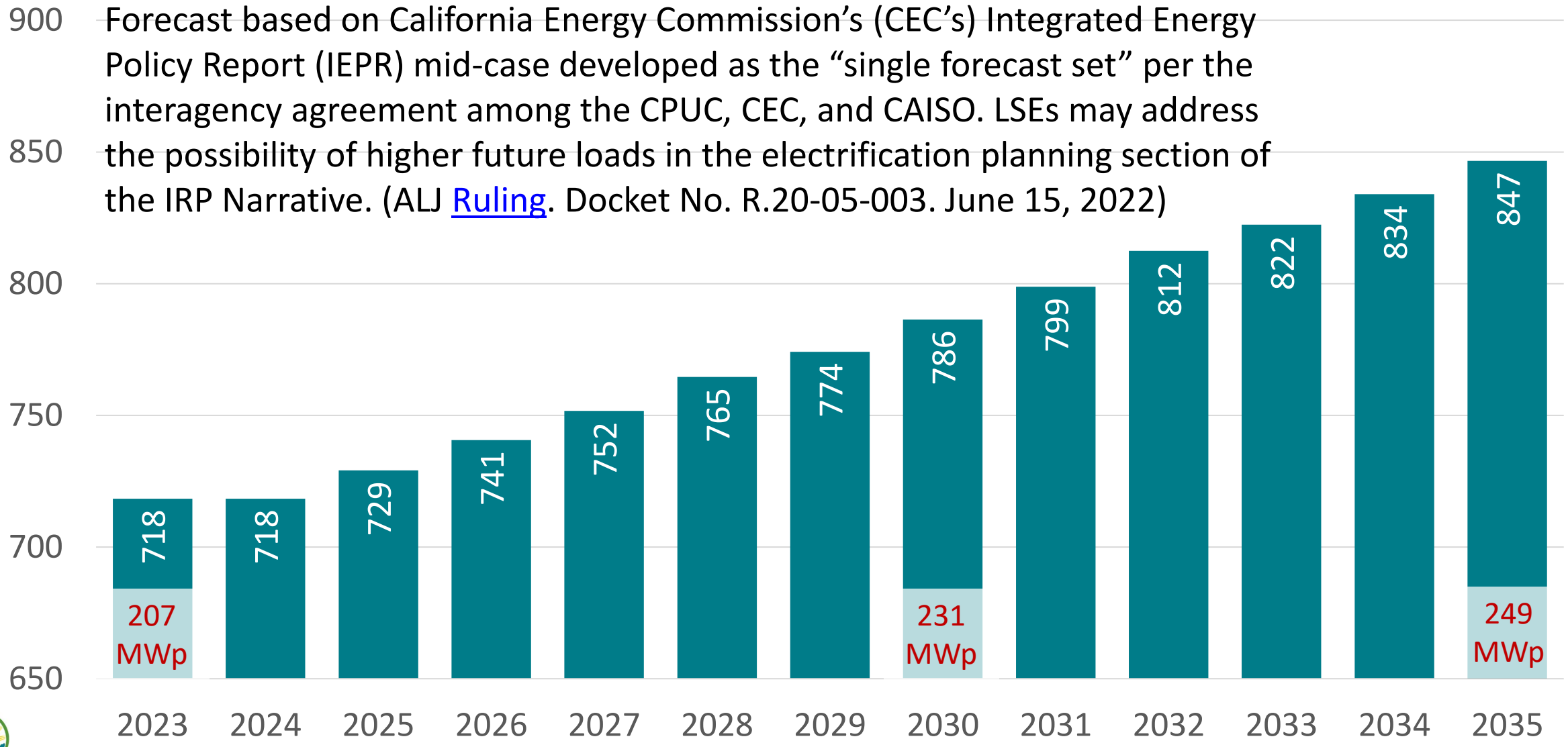
Item 13 – 2022 IRP & Action Plan: CPUC Retail Energy Sales Forecast (GWh) for VCE

Forecast based on California Energy Commission's (CEC's) Integrated Energy Policy Report (IEPR) mid-case developed as the "single forecast set" per the interagency agreement among the CPUC, CEC, and CAISO. LSEs may address the possibility of higher future loads in the electrification planning section of the IRP Narrative. (ALJ Ruling. Docket No. R.20-05-003. June 15, 2022)



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Item 13 – 2022 IRP & Action Plan: CO_2 Emission Targets

- GHG targets for CO_2 emissions are based on LSEs' share of forecasted statewide retail energy sales
- LSEs are required to submit a portfolio meeting 2030 and 2035 targets for each scenario, but may submit a single portfolio that achieves the 2035 target of the "30 MMT in 2030 Scenario"
- VCE intends to submit a single portfolio that satisfies the most stringent planning target

38 MMT in 2030 Scenario	30 MMT in 2030 Scenario
• Based on Preferred System Portfolio (PSP) adopted in D.22-02-004 • VCE 2030 target (share of 38 MMT) = 112,000 metric tons • VCE 2035 target (share of 30 MMT) = 88,000 metric tons	• Based on Core Scenario in the SB 100 Joint Agency Report • VCE 2030 target (share of 30 MMT) = 85,000 metric tons • **VCE 2035 target (share of 25 MMT) = 70,000 metric tons**

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Item 13 – 2022 IRP & Action Plan: Marginal Reliability Need & Marginal ELCC values- 30 MMT Scenario

Modeled Year (results complete) | Interpolated Year

Resource Class	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
In-state Wind (SoCal)	12%	14%	15%	11%	6%	8%	9%	8%	7%	6%	5%	4%
In-state Wind (NorCal)	24%	27%	31%	21%	12%	15%	19%	17%	15%	13%	11%	9%
Out-of-state Wind (WY/ID)	47%	45%	44%	38%	32%	33%	34%	33%	32%	31%	31%	30%
Out-of-state Wind (WA/OR)	29%	28%	27%	23%	20%	20%	21%	20%	20%	19%	19%	18%
Out-of-state Wind (AZ/NM)	42%	41%	40%	34%	29%	30%	30%	30%	29%	28%	28%	27%
Offshore Wind	67%	62%	56%	56%	55%	58%	61%	55%	49%	44%	38%	32%
Utility PV	12%	12%	12%	10%	8%	8%	7%	7%	7%	7%	7%	6%
BTM PV	5%	5%	4%	5%	6%	5%	5%	5%	5%	5%	5%	6%
4-hr Battery Storage	85%	86%	87%	85%	82%	85%	89%	79%	69%	60%	50%	40%
8-hr Battery Storage	89%	89%	88%	87%	86%	87%	89%	85%	81%	77%	73%	70%
Pumped Hydro Storage	90%	89%	88%	87%	86%	87%	89%	86%	83%	80%	76%	73%
Demand Response	77%	80%	82%	77%	73%	80%	86%	72%	58%	43%	29%	14%
Hydro (large)	51%	52%	53%	52%	51%	53%	54%	52%	50%	48%	45%	43%
Hydro (small)	36%	37%	38%	38%	37%	38%	39%	37%	36%	34%	32%	31%
Firm*	85%	86%	87%	87%	86%	85%	84%	86%	87%	88%	89%	90%

Marginal Reliability Need	47,112	48,652	50,193	49,099	48,005	49,369	50,732	49,261	47,790	46,318	44,847	43,376

Source: Reliability Filing Requirements for Load Serving Entities' 2022 Integrated Resource Plans-Results of PRM and ELCC Studies. Energy Division. July 29, 2022

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IRP Results

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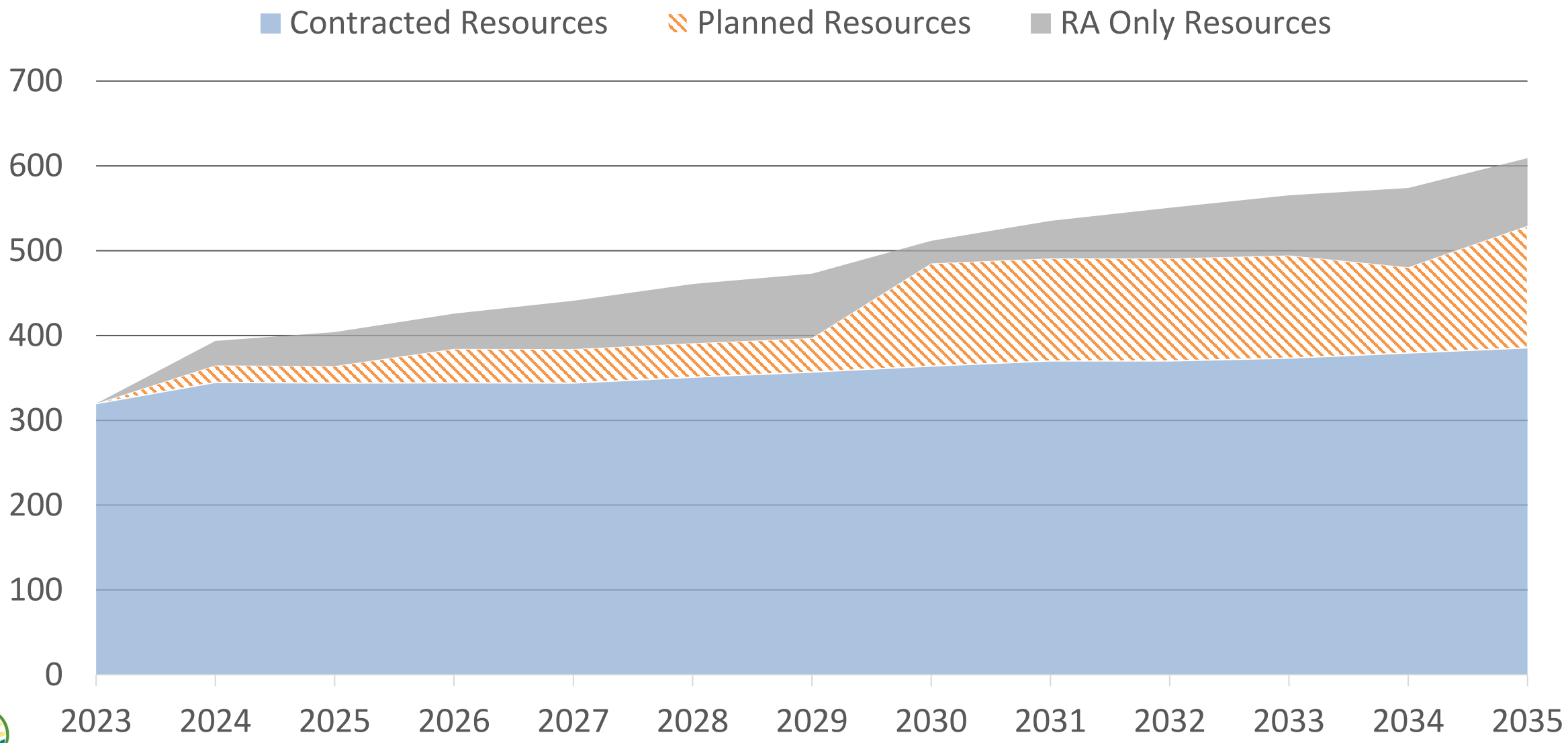
Item 13 – 2022 IRP & Action Plan: VCE Contracted and Planned Resource Capacity, MW



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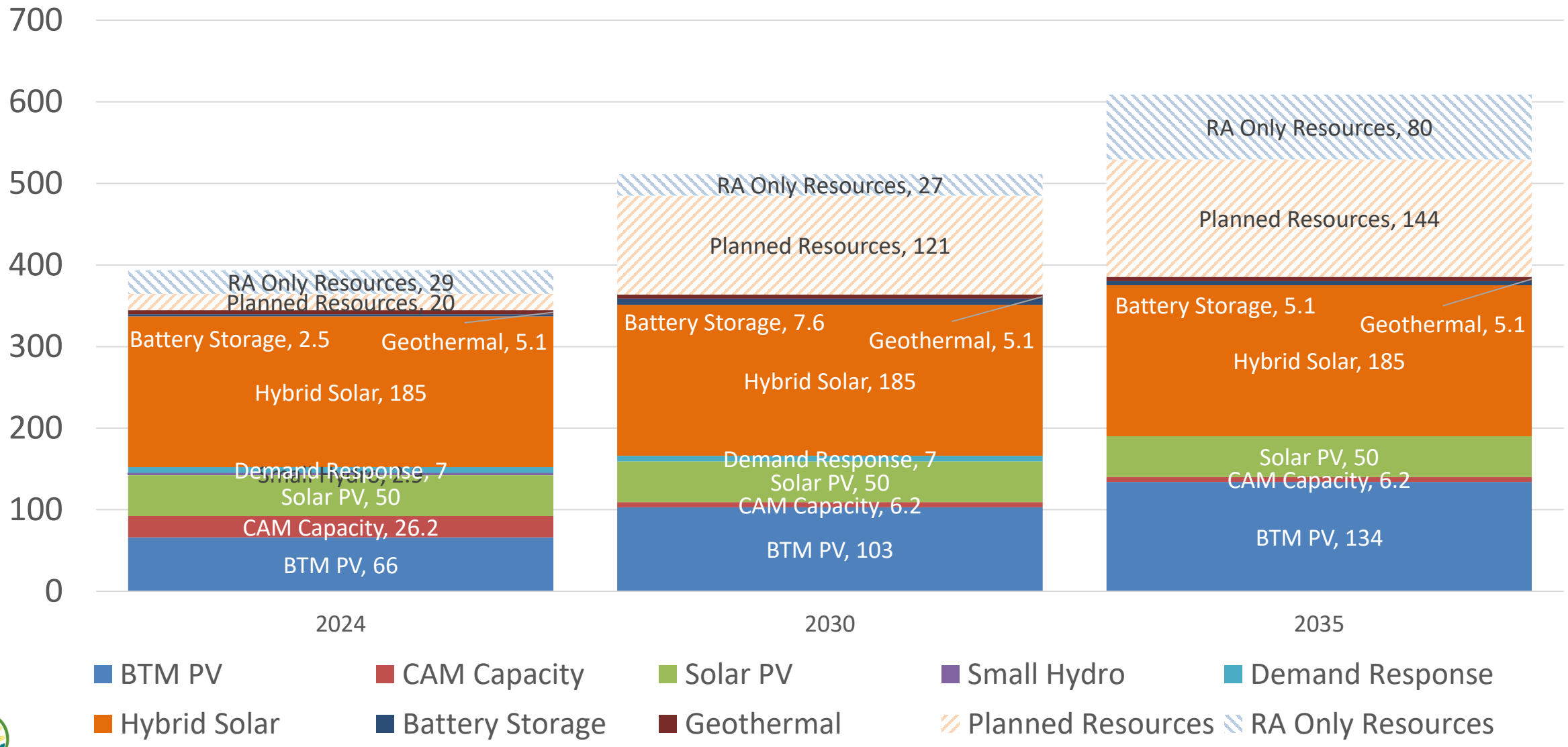
Item 13 – 2022 IRP & Action Plan: VCE Portfolio Resources by Type, MW



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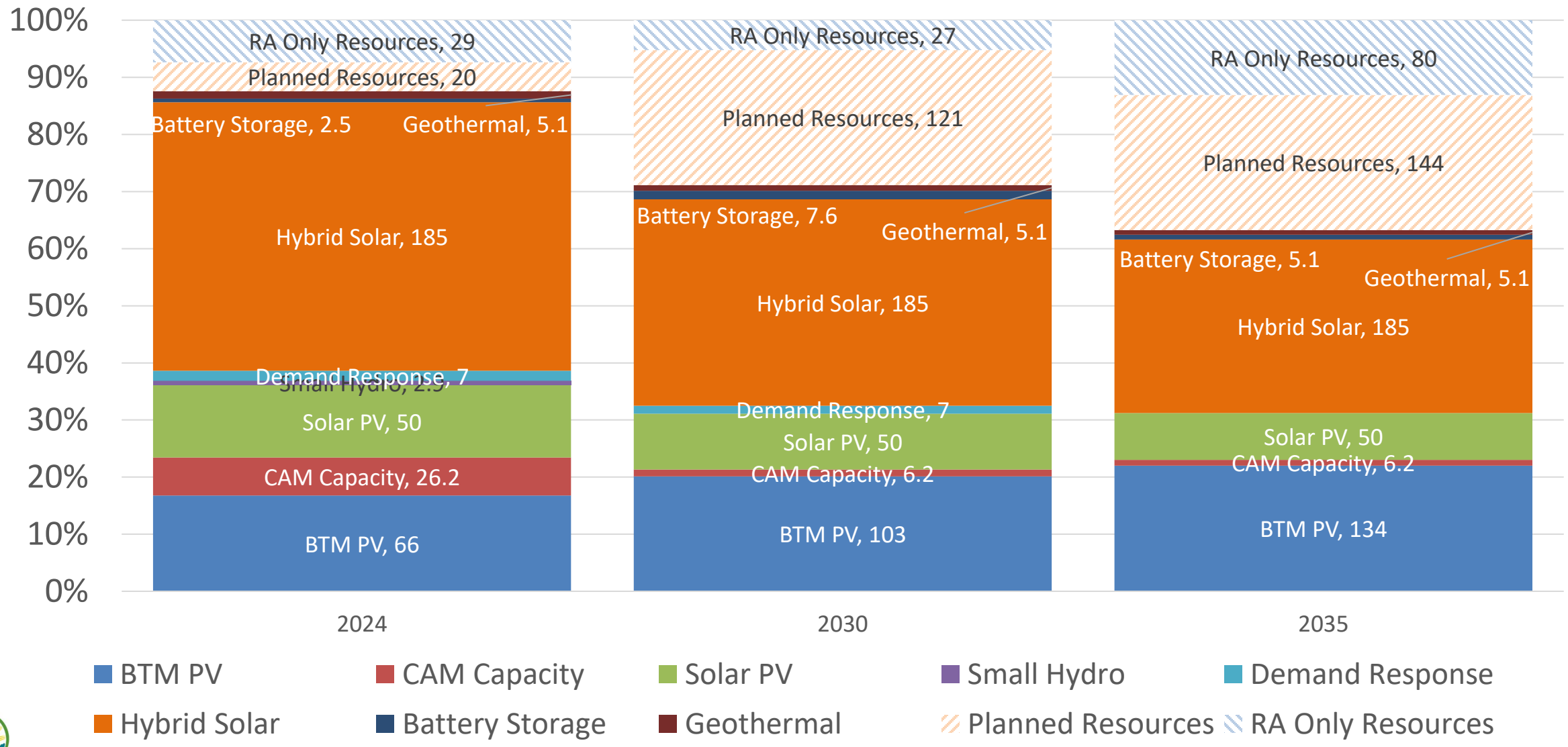
Item 13 – 2022 IRP & Action Plan: VCE Portfolio Resources by Type, % share of portfolio



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Item 13 – 2022 IRP & Action Plan: VCE Portfolio (Cumulative MW Nameplate Capacity)

Year		2024	2026	2030	2035
Estimated Resources	BTM PV	66	77	103	134
	CAM Capacity[1]	26	12	6	6
	RA Only Resources	29	42	27	80
Operational Resources	Solar PV	50	50	50	50
	Small Hydro	3	0	0	0
	Demand Response	7	7	7	0
	Battery (4-hr)	3	3	3	0
In-Development Contracted Resources	Solar PV + Storage	185	185	185	185
	Geothermal	5	5	5	5
	Battery (8-hr)	0	5	5	5
IRP-Identified Future Resources	Battery (4-, 6-, 8-hr)	20	20	73	70
	Onshore Wind	0	20	39	39
	Offshore Wind	0	0	9	35
Cumulative Total Resources		**394**	**426**	**512**	**609**

1. Cost Allocation Mechanism (CAM) for legacy PG&E resources

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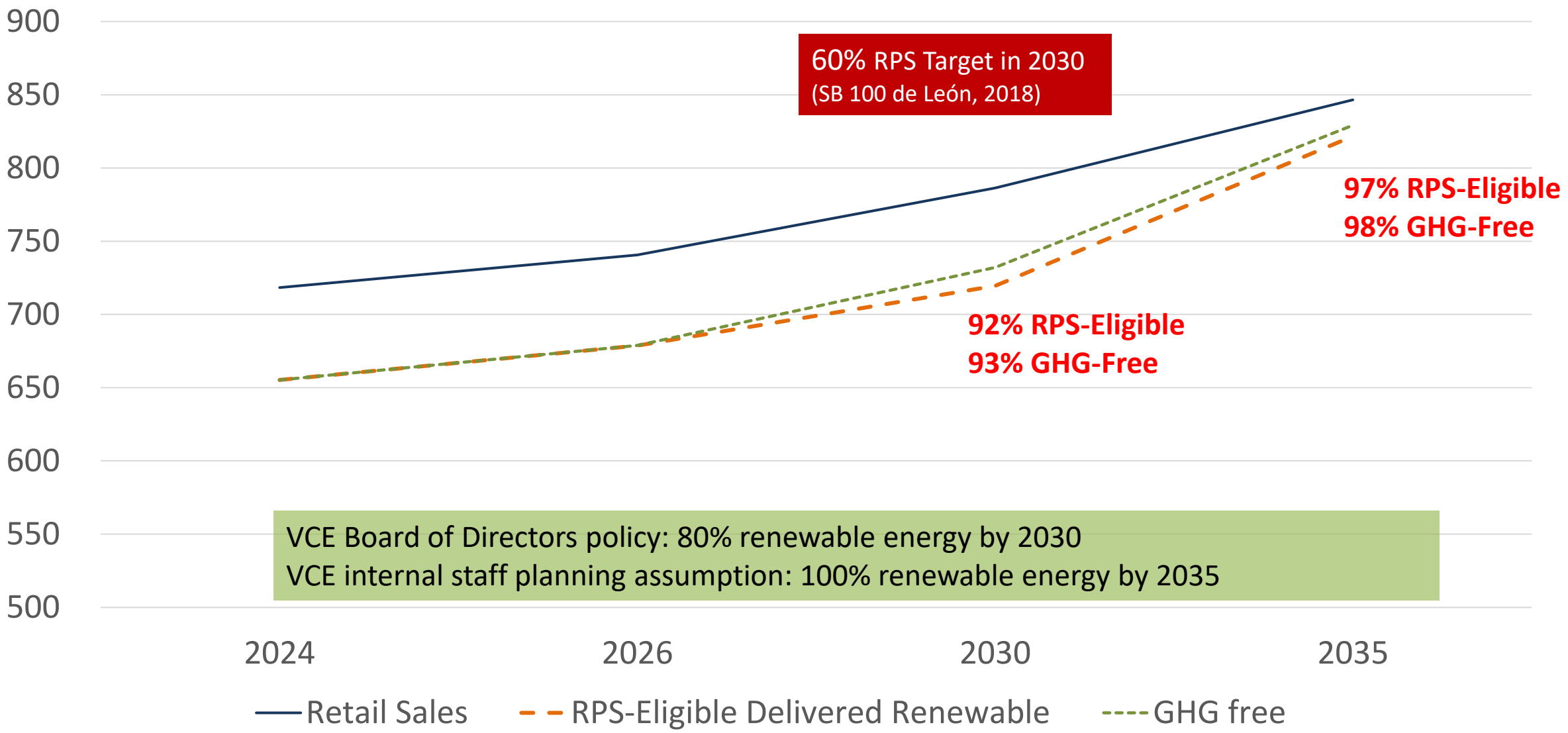
Item 13 – 2022 IRP & Action Plan: VCE Portfolio Results – Renewable & GHG-Free Energy, GWh



Results from 25 MMT Clean System Power Calculator

RPS target is 100% by 2045

Item 13 – 2022 IRP & Action Plan: VCE Portfolio Results – Emissions & Supply/Demand

Emissions	*Unit*	2030	2035
CO_2	*tonnes/yr*	74,000	62,000
PM2.5	*tonnes/yr*	2.661	2.128
SO_2	*tonnes/yr*	0.261	0.207
NOx	*tonnes/yr*	6.532	4.183

VCE 2030 emissions are 12.9% below 2030 target of 85,000 metric tons

VCE 2035 emissions are 11.4% below 2035 target of 70,000 metric tons

Supply Demand Balance Summary	*Unit*	2030	2035
LSE Supply, before curtailment and exports	*GWh*	*810*	*904*
Net Purchases, before curtailment and exports	*GWh*	*39*	*10*
Curtailment	*GWh*	(86)	(95)
Exports	*GWh*	(18)	(23)
Zero Emissions Power From System	*GWh*	13	8
Net System Power (incurs emissions)	***GWh***	**132**	**120**

Results from 25 MMT Clean System Power Calculator

Item 13 – 2022 IRP & Action Plan: Conclusion

- IRP provides forward-looking guidance for planning power portfolio needs to meet GHG, RPS, reliability, supply, and other goals.
- Process & modeling incorporate many assumptions that:
  - Do not always reflect VCE's actual circumstances
  - Are limited in consideration of both changing technology and market dynamics
- Actual procurement may differ from the IRP results:
  - Actual project costs
  - Technological performance and developments
  - Changes in VCE customer base or energy profile
  - Ongoing changes in regulatory approaches (e.g., reliability, resource adequacy, electrification, and future unknown changes
- VCE is on track to achieve its goals of providing 100% renewable, carbon-free electricity at competitive prices for its customers well ahead of state requirements.

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Item 13 – 2022 IRP & Action Plan: Recommendation

Staff recommends that the Board adopt a resolution establishing the following:

- Approving the Integrated Resource Plan (IRP) in substantially the form attached and selects the “25MMT Portfolio” as Valley Clean Energy’s (VCE’s) preferred conforming resource portfolio and the Action Plan identified therein, for submission to the California Public Utilities Commission (CPUC).

- Authorizing staff to make any non-substantial changes necessary to finalize the IRP as well as supplemental documents and work products to be submitted to the CPUC by November 1, 2022.

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Valley Clean Energy Board Meeting – October 13, 2022
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Item 14 – VCE Strategic Plan

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Background & Overview

- The Board ratified the VCE Three-Year Strategic Plan (Plan) for 2021-2023 at the November 12, 2020, meeting. The strategic plan is the basis for developing annual organization and individual goals, annual budgets, key decisions, and priorities.
- Significant progress has been made in each goal area. The VCE Strategic plan continues to serve the overall intended purpose of aligning organizational activities with policy priorities. VCE's current three-Year Strategic Plan Strategic Plan runs through the end of 2023. Staff is seeking early Board feedback on to identified options on the approach for extending the strategic plan beyond the end of 2023.

Item 14 – Strategic Plan Update

GOAL 1 - FINANCIAL STRENGTH

Maintain a strong financial foundation and manage costs to achieve long-term organizational health.

1.1 - Maintain consistently healthy cash reserves to fund VCE's mission, vision, and goals
1.2 - Achieve an investment grade credit rating by end of 2024.
1.3 - Commit to fiscal efficiencies to build a program foundation from which to deliver customer and community value.
1.4 - Manage customer rates to optimize VCE's financial health while maintaining rate competitiveness with PG&E.

- VCE maintained cash reserves and liquidity with lines of credit through the initial launch, COVID-19 pandemic, and power market volatility to optimize VCE's financial health and competitiveness with PG&E.
- New & Updated VCE Policies - Cost recovery-based customer rate policy, expanded customer rate options (UltraGreen, Standard Green, & Base Green), collections policy, and debt policy to support establishing a credit rating by 2024.
- Credit Rating – 4 years of "Clean" audited Financials, credit line facilities for liquidity, and PFM as financial Advisor
- Customer Financial Support – Rate discounts (CARES, FERA, & Medical baseline), California Arrearage Payment Program (CAPP), Percentage of Income Payment Plan (PIPP) Pilot, Arrearage Management Program (AMP),etc.

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Item 14 – Strategic Plan Update

GOAL 2 - PROCUREMENT & POWER SUPPLY

Manage power supply resources to consistently exceed California's Renewable Portfolio Standard (RPS) while working toward a resource portfolio that is 100% carbon neutral by 2030.

2.1 - Continue to identify and pursue cost effective local renewable energy resources.
2.2 - Acquire sufficient bundled energy and renewable resources to achieve VCE's greenhouse gas reduction targets.
2.3 - Deploy storage and other strategies to achieve renewable, carbon neutral, resource adequacy, and resiliency objectives.
2.4 - Identify and pursue cost effective, local distributed energy (e.g., behind the meter rooftop Solar + storage) resources to help meet reliability needs.
2.5 - Study and present options for achieving a 100% carbon neutral resource portfolio as well as 100% carbon free resource portfolio (carbon free hour by hour) by 2030.
2.6 - Optimize the hedging strategy to mitigate risk in accordance with the energy risk guidelines and procurement plan.

- ***12*** Power Purchase Agreements (PPAs) - >85% renewable content by 2024
  - Local Power Content – Putah Creek (Winters/Yolo County), Gibson (Yolo County), & Tierra Buena Battery Storage Facility
  - 4 through California Community Power, PV plus storage, long duration storage, and geothermal technologies 243 MW Renewables, 128 MW BESS, and 7 MW Demand Response.
- Performed portfolio analysis for 100% carbon neutral and carbon-free hour-by-hour with Energeia.
- Completed Integrated Resource Plan (IRP) reflecting 80% renewables by 2030 (Board policy) and nearly 100% by 2035

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Item 14 – Strategic Plan Update

GOAL 3 - CUSTOMERS & COMMUNITY

Prioritize VCE's community benefits and increase customer satisfaction and retention.

3.1 - Develop engagement strategies to increase awareness of, and participation in, local control of VCE's energy supply and programs with a particular focus on engaging disadvantaged and historically marginalized communities.
3.2 - Develop programs and initiatives to better support community goals, including supporting member agency achievement of energy-sector emissions reduction targets.
3.3 - Design and implement a strategy to more effectively engage local business and agricultural customers.
3.4 - Build awareness and trust of the VCE brand through direct engagement with customers, communities and organizations.
3.5 - Develop customer programs and initiatives that prioritize decarbonization, community resiliency and customer savings.
3.6 - Measure and increase customer satisfaction, using tools such as surveys and focus groups, while maintaining an overall participation rate of no less than 90%.
3.7 - Integrate and address the concerns and priorities of emerging and historically marginalized communities in the design and implementation of VCE's services and programs.

- AgFIT pilot development and implementation designed to provide VCE agricultural customers with hourly price signals and incentives for irrigation automation and scheduling software to better manage energy costs.
- Maintained customer participation rate of over 90% for service territory through VCE's launch phase and expansion to include Winters
- Customer Programs – 3-Year Programs Plan adopted by Board; 4 new programs launched and 3 maintained (2021-2022)
- Customer Opt-Ups – Member Agency (Yolo County) Opt-up, Partnership with Davis Food Co-op
- Significant improvements to the VCE website and materials, including adding content on carbon-free vs. renewables, highlighting key UltraGreen customers on the homepage, updating FAQs, updating the financial resources page, adding the VCE Power Contract map, translating virtually everything into Spanish and improving Spanish website navigation

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Item 14 – Strategic Plan Update

GOAL 4 - DECARBONIZATION & GRID INNOVATION

Promote and deploy local decarbonization and grid innovation programs to improve grid stability, reliability, community energy resilience, and safety.

4.1 - Working with a variety of local, regional and state partners, develop a grid innovation roadmap for VCE's service territory that supports community energy resilience and reliability.
4.2 - Develop a VCE decarbonization roadmap to guide near and long-term program decisions and offerings.
4.3 - Increase participation in VCE's UltraGreen 100% renewable product.
4.4 - Identify external funding sources to support decarbonization and grid-related programs and initiatives.

- Completed portfolio analysis for 100% carbon neutral and carbon-free hour-by-hour by 2030 (Goal 4 – Decarbonization & Grid Innovation)
- Engaging member jurisdiction staff for UltraGreen Analysis & opt-up adoption; worked with Yolo County to opt up all muni accounts not covered by existing renewable energy to 100% renewable UltraGreen
- Awarded $3.25M in funds for the 3-year pilot funding from CPUC under the Reliability OIR to develop and deploy an agricultural auto demand response.
- Worked w/ the CAC on a building electrification statement. The Board adopted a statement supporting and encouraging the electrification of new buildings

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Item 14 – Strategic Plan Update

GOAL 5 - REGULATORY & LEGISLATIVE AFFAIRS

Strongly advocate for public policies that support VCE's Vision/Mission.

5.1 - Work with CalCCA and other partners to proactively engage State regulators, legislators, and other State authorities in developing policy that furthers VCE's mission and facilitates our contributions to decarbonization, grid reliability, energy resiliency, affordability, local programs and social equity.
5.2 - Develop relationships with community stakeholder organizations that foster support for VCE's mission and vision.
5.3 - Optimize regulatory compliance activities.

- Actively participated in the CPUC Summer Reliability proceeding (AgFit Pilot) and PG&E Regionalization Proceeding. Active in the recently concluded legislative session for 2022
- Engaged and supported CalCCA sponsored legislation on PCIA – SB 612 (Portantino) and AB 843 (Aguiar-Curry) – access for CCA's to BioMat resources
- Engaged with CalCCA PCIA forecasting team to make more informed forecasts of PCIA and PG&E rates for

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Item 14 – Strategic Plan Update

GOAL 6 - ORGANIZATION, WORKPLACE & TECHNOLOGY

Analyze and implement optimal long-term organizational, management, and information technology structure at VCE.

6.1 - Develop a roadmap to evaluate and guide future steps toward formation of a local Publicly Owned Utility (POU).
6.2 - Evaluate and pursue opportunities for shared services with other CCAs for certain functions.
6.3 - Develop an evaluation framework to guide future expansion opportunities beyond the existing service territory.
6.4 - Identify optimal management, staffing and contracting structure of VCE in the near and long term; factors include balance of internal staff vs. consultant support services, transition of leadership positions to permanent internal employees.
6.5 - Promote diversity, equity and inclusion in leadership, hiring, promotion, and contracting policies.
6.6 - Support health, wellness and a productive workplace.
6.7 - Create an innovation-focused culture that rewards proactive participation, problem solving, new ideas, and creative use of partnerships.
6.8 - Deploy a modernized IT infrastructure that enables knowledge management, analytics and collaboration through robust use of data and information resources.

- Recruited and retained key personnel for leadership and operational positions.
- Joined California Community Power joint powers authority to optimize shared CCA platform to execute multiple PPAs to meet regulatory requirements.
- Partnered with County of Yolo GIS team on VCE platform for Dashboard and GIS mapping
- Continue to promote, support, and provide annual diversity reports (GO 156) for CPUC.
- Actively monitor POU formation activities and funding options in PG&E service territory.

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Item 14 – Strategic Plan Update

Summary

VCE's current three-Year Strategic Plan Strategic Plan runs through the end of 2023. Staff is seeking early Board feedback on the approach for extending the strategic plan beyond the end of 2023. Staff has identified two basic options:

1. Multi-year Strategic Plan (Current Model)
   - Plan Update Required by the end of the current planning period (end of 2023)
   - More formal/traditional approach that allows for a longer look ahead (Less frequent)

2. One year "rolling" Strategic Plan
   - Extensions each year so that the Plan is always 1+ years from expiration.
   - Frequent updates associated with the "rolling" approach

Staff believes that either approach can serve VCE's objectives but is leaning toward the rolling approach to maintain the Plan's relevance in a fast-changing energy sector. Guidance from the Board at this early date will help Staff organize for the Plan update.

Discussion

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Valley Clean Energy Board Meeting - October 13, 2022
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Item 15 – Receive progress update on VCE 3-Year Programs Plan and 2023 program concepts

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Item 15 – Progress Report on 3-Year Programs Plan and 2023 Program Concepts

This informational presentation will provide:

- Update on progress made on evaluating and launching programs

Background

- 3-Year Programs Plan (3YPP) was approved in June 2021
- PTG and CAC provided a lot of feedback on program concepts and evaluation methodology
- Evaluation methodology criteria include
  - Greenhouse gas (GHG) mitigation
  - Ease of implementation
  - Customer satisfaction
- Staff and the Programs Task Group (PTG) also evaluate other CCA programs

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Item 15 – Progress Report on 3-Year Programs Plan and 2023 Program Concepts

Update

- Since Board approval in June 2021, VCE has launched 4 new programs and continued 3 programs, for a total of 7 active programs

New Programs:

Heat Pump Program

- Launched in June 2022; Staff held first contractor-focused webinar
- Webinar focused on:
  - Getting customers access to rebates and incentives for heat pump water heaters
  - Demystifying heat pumps
  - Dispelling misinformation.
- Well-attended; video is live on VCE's website
- Staff will evaluate Phase 2 of Heat Pump Program in Q2 2023

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Item 15 – Progress Report on 3-Year Programs Plan and 2023 Program Concepts

Agricultural Flexible Irrigation Technology (AgFIT)

- Launched in July 2022 with 8 pumps; enrolling remaining pumps
- Preliminary data indicates possible modest savings for customers
- 1.8MW (out of 5MW cap) are enrolled
- Recruitment underway for 2023 growing season

Figure 1: August 2021 AgFIT Customer Electricity Usage[4]

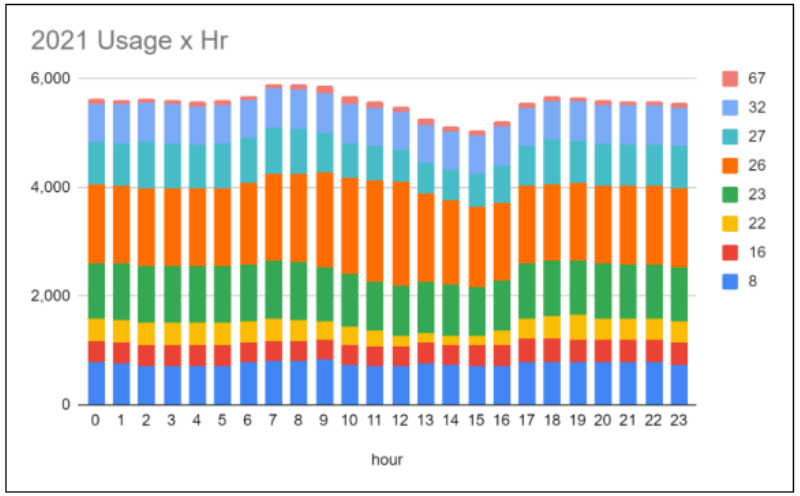
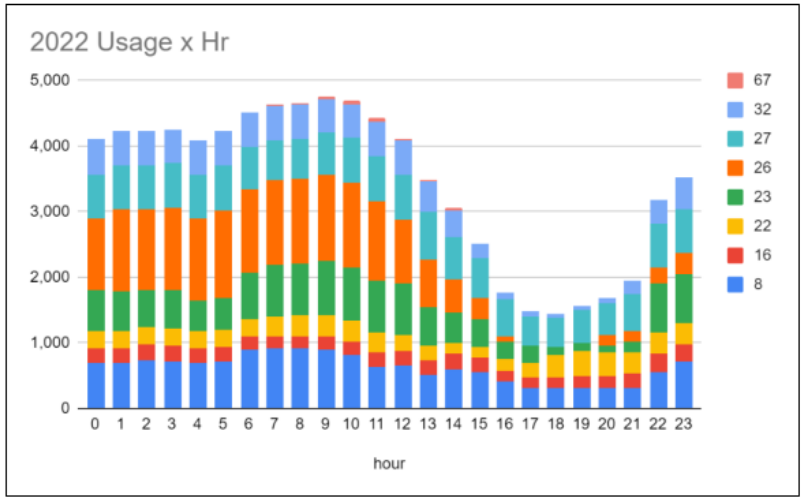


Figure 2: August 2022 AgFIT Customer Electricity Usage[5]



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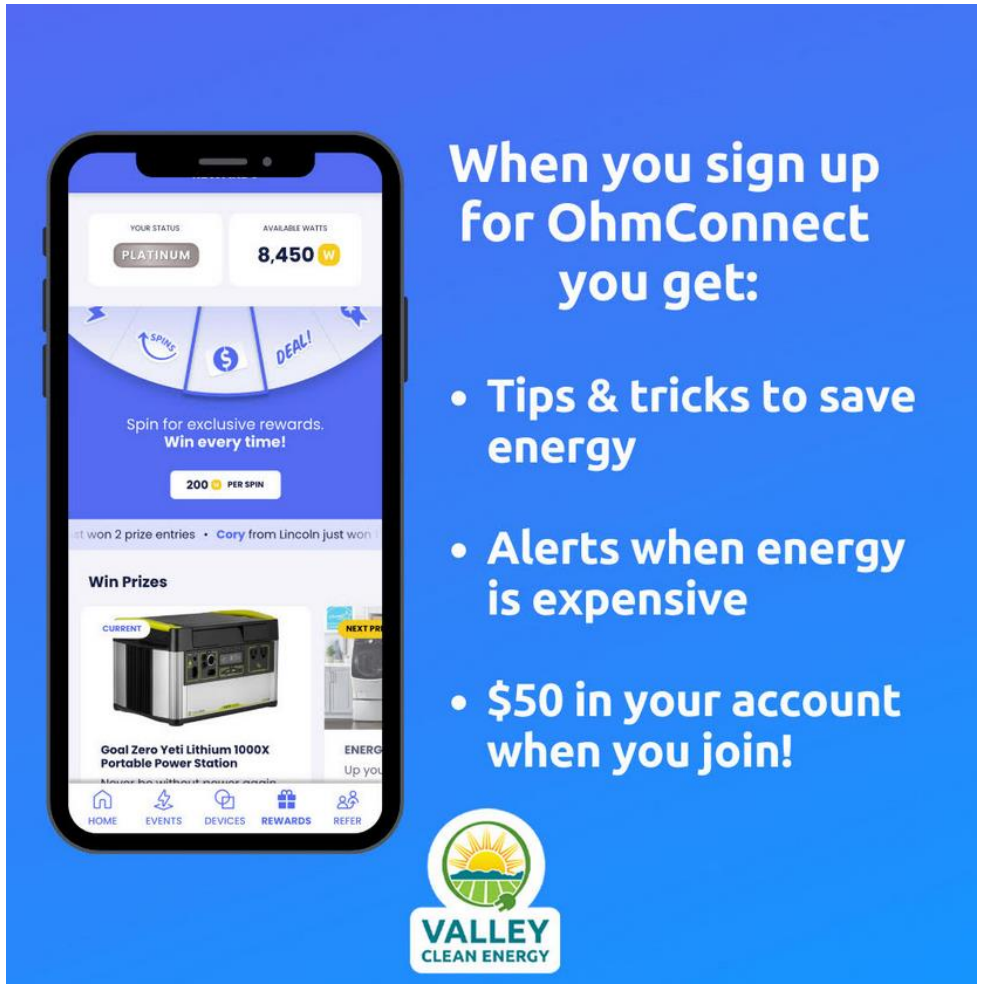
Item 15 – Progress Report on 3-Year Programs Plan and 2023 Program Concepts



OhmConnect

- Continued 2nd year of outreach/marketing partnership
- Customers shift usage for “OhmHour” events of peak stress on the grid
- 2022 Spring Campaign yielded 132 utility connected accounts
- Higher Summer Campaign incentives: $50 sign-up bonus, ongoing cash and rewards
- Overall very low unsubscribe rates

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Item 15 – Progress Report on 3-Year Programs Plan and 2023 Program Concepts

Electric Vehicle (EV) Rebate Program

- Launched September 19, 2022
- Higher incentives for low-income customers: $4,000 for battery electric (BEV) or plug-in hybrid vehicles. Standard applicants: $2,500 for BEV; $2,000 plug-in hybrids
- Wide promotion: social media, print ads, digital ads, posters, new collateral and new swag. Staff is working with community partners to spread the word.

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Item 15 – Progress Report on 3-Year Programs Plan and 2023 Program Concepts

Continuing Programs:

Electrify Yolo (SACOG Grant) for EV Chargers

- Program active; all jurisdictions making progress toward installing chargers
- Despite delays, project is projected to reach completion on time (December 2023).

Energy Efficiency Graphic

- Educational program active
- Graphic updated and translated into Spanish (Summer 2022)

Electric Vehicle Information

- Informational program active in English and Spanish; regularly updated
- Customers can compare EV models, estimate savings, learn about EV benefits and carbon reduction, find EV chargers and evaluate rebates and incentives

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Item 15 – Progress Report on 3-Year Programs Plan and 2023 Program Concepts

2023 Program Concepts Under Consideration

Staff will return to CAC Q1 2023 for feedback on concepts before concepts go to Board for consideration

- Continuing OhmConnect partnership
- Phase 2 of the EV Rebate Program
  - Potentially including used vehicles for rebates
- Phase 2 of the Heat Pump Program
  - Potentially including rebates for heat pump installations
- Energy efficiency rebates for low-income customers
- Home energy ratings
- Agricultural electrification
- Self-Generation Incentive Program (SGIP)
- Workforce Development

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Item 16 – Operating Budget Update

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Item 16 – 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 significantly impacted.
- The mid/longer term outlook (2023-2025) shows VCE recovers net income.

This presentation will:

- Key Factors influencing short-term operating budgets
- 2022 Financials Update and additional factors
- Multi-Year Forecast Update
- Discussion

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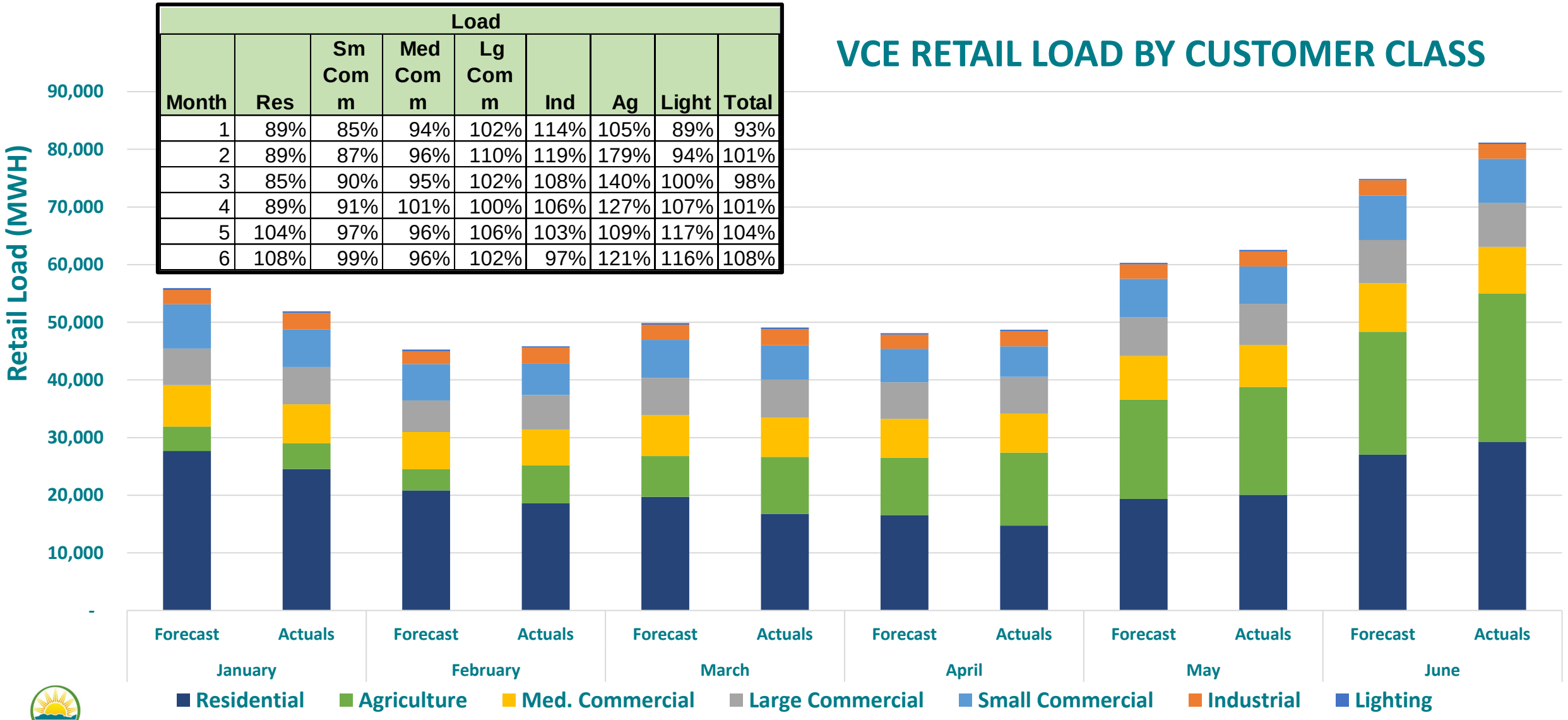
Key factors – Operating Budgets Results

- Load Forecast - 2022 energy use has out-paced forecasts.
  - Residential energy - TOU transition, return to work/hybrid, heat storms, etc.
  - Commercial energy use related to agriculture - droughts, mild winter, heat storms, etc.
  - 2022 actual vs. load forecast remains within 5% overall
- Power Prices - Geopolitical climate resulting from the Ukraine conflict and multiple heat storm events
- Supply Chain interruptions – Manufacturing and import supply chains have been consistently interrupted.

Item 16 – Operating Budget Update

Load								
Month	Res	Sm Comm	Med Comm	Lg Comm	Ind	Ag	Light	Total
1	89%	85%	94%	102%	114%	105%	89%	93%
2	89%	87%	96%	110%	119%	179%	94%	101%
3	85%	90%	95%	102%	108%	140%	100%	98%
4	89%	91%	101%	100%	106%	127%	107%	101%
5	104%	97%	96%	106%	103%	109%	117%	104%
6	108%	99%	96%	102%	97%	121%	116%	108%



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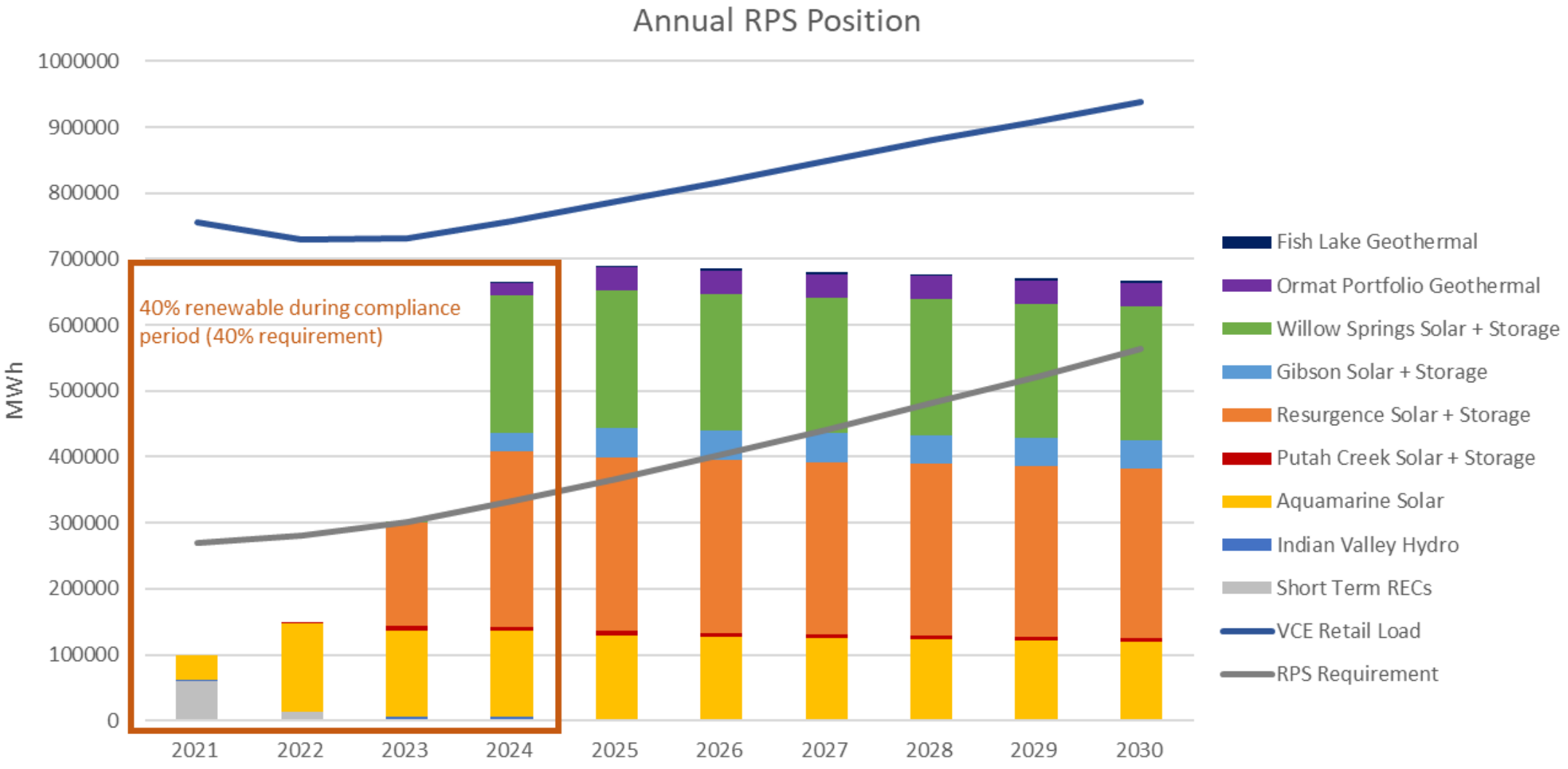
Item 16 – Operating Budget Update



Renewable	13%	20%	41%	88%	88%	84%	80%	77%	74%	71%

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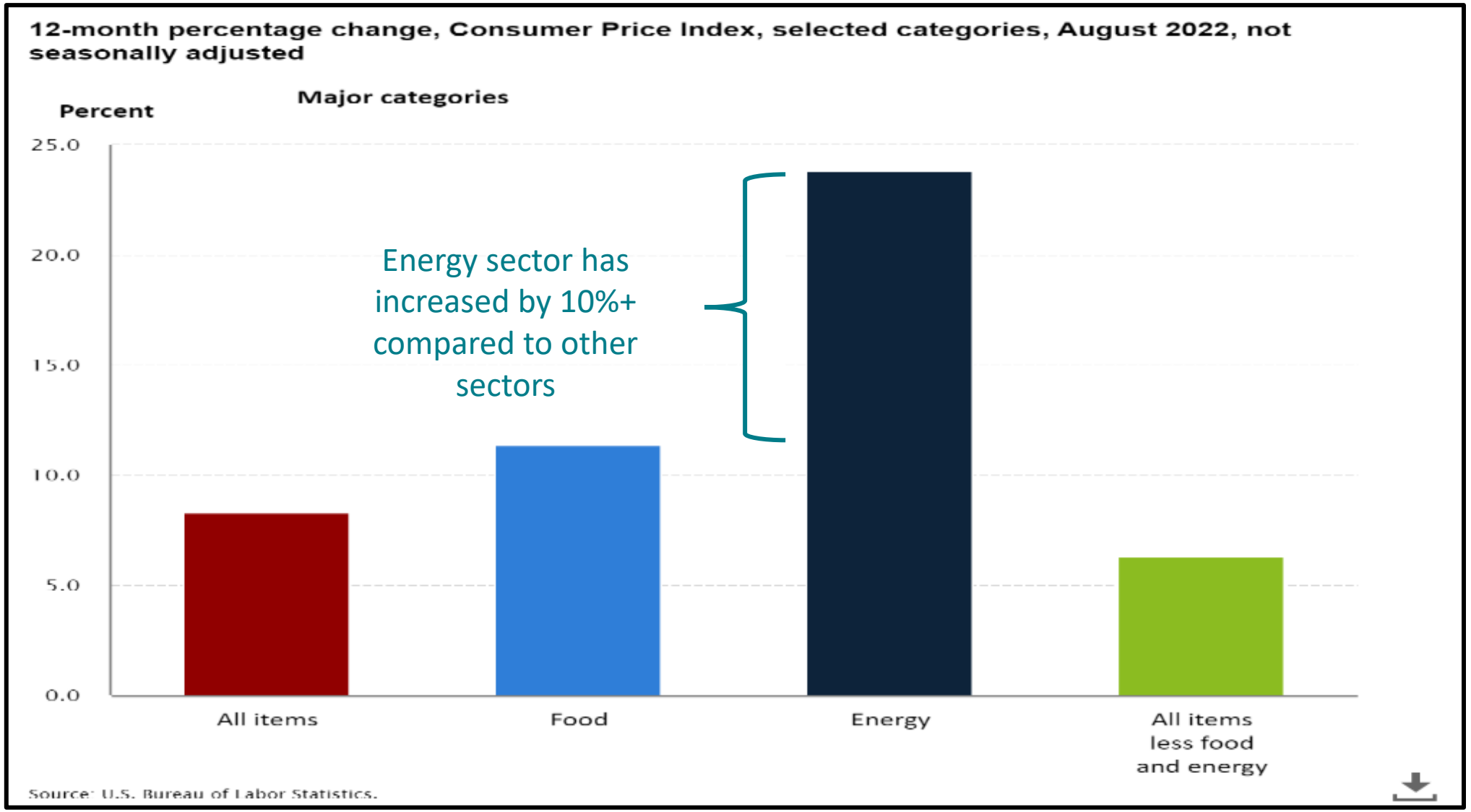
Item 16 – Operating Budget Update



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Item 16 – Operating Budget Update

2022 Budget Proforma Update (8 Months Actuals – unaudited)

Description	APPROVED 2022 BUDGET	2022 Proforma (8 Month Actuals + 4 Month Budget)	Variance
Revenue	$ 89,750	$ 86,760	$ (2,990)
Power Cost	$ 66,990	$ 75,050	$ (8,060)
Other Expenses	$ 5,292	$ 5,080	$ 212
Net Income	$ 17,468	$ 6,630	$ (10,838)

Key Highlights

- Power Costs – Overall Rising Power Costs Market. September Heat Storm power costs $5M
- Budgeted Revenues – Incorporated Drought/heat wave - revenues have not fully materialized in the actuals for 2022.

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Item 16 – Operating Budget Update

Updated Multi-Year Forecast

	Actuals				2022 Proforma (8 Month Actuals + 4 Month Budget)	Preliminary Forecast*		
Description	FY2019	FY2020	FY2021	FY2022	2022	2023	2024	2025
Customer Revenue	51,035	55,249	54,657	29,366	86,760	96,800	73,500	71,050
Power Cost	38,540	41,538	54,234	30,139	75,050	68,880	53,500	50,820
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	21,982	13,900	14,052

Key Factors in Multi-Year Forecast

- *Multi-Year Forecast includes a 60% PCIA decrease in 2023 with no rate changes.
- Geopolitical Climate. The conflict in Ukraine and consequent Russian energy supply disruptions have significantly impacted current and forecast energy prices and availability. (Natural Gas Prices ⬆)
- 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.
- 2022 drought conditions continued from 2021 impacting agriculture sector pumping loads. (Short-term Energy)

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Item 22 – 2022 Mid-Year Financials Update

Other Considerations – Increased Power Market Prices -> Increased Net Revenues for VCE

Generally, increased power costs increase PG&E rates and VCE's ability to set competitive rates for full cost recovery.

- 2022 power cost increases are forecasted to decrease 2023 PCIA (over collection) by more than 60%
- PG&E Bundled Rates are forecasted to have minimal +-5% changes to current rates for 2023

Operating Budget Outlook Summary

- Additional power costs result in deferred net income through PCIA
- Continued profitability and building of reserves
  - Credit rating forecasted for 2024 (Strategic Plan)
- Continued climate related impacts (heat/drought)
- Continued market volatility that
- Rate Adjustment System (December) Normalizing rate impacts from extreme events

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Item 16 – Operating Budget Update

Next Steps

- October 17th – PG&E filing for PCIA & Rates
- November 2022 – Preliminary 2023 Budget
- December 2022 – Adopt 2023 Budget & Rates
  - Rate Adjustment System

Discussion

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