



Valley Clean Energy Board Special Meeting – June 15, 2023

Item 15 – 2023 Mid-Year Financials Update



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Overview

VCE has transitioned to positive financial stability post COVID-19. VCE continues to payoff debt, build cash reserves, increase customer option programs while remaining competitive with PG&E. VCE Staff continues to monitor and update the Board on budget performance for long-term financial sustainability and customer affordability.

This presentation will provide:

- Background of 2023 Budget Development
- 2023 Financials Update and additional factors

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Key Factors included in the 2022 Budget Adoption

- CARE / FERA – Incorporated a 2.5% rate credit
- Power Cost Contingencies – increased from 2.5% in 2022 to 5% in 2023 for \$3.4M
- Financial Reserves. Incorporated a 2023 target of 180 days for operating cash
- PG&E Rate Adjustments – 3% increase – Approximately \$2M in revenue
- PCIA. PCIA: 88% reduction (net zero charge) – Approximately +\$17M in net revenue.
- 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 2023 Budget, 2024/25 offers greater financial stability

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2023 Budget Proforma Update (4 Months Actuals – unaudited)

Description	APPROVED 2023 BUDGET	2023 Proforma (4 Month Actuals + 8 Month Budget)	Variance
Revenue	\$ 109,500	\$ 107,373	\$ (2,127)
Power Cost	\$ 71,650	\$ 73,088	\$ (1,438)
Other Expenses	\$ 6,430	\$ 6,400	\$ 30
Net Income	\$ 31,420	\$ 27,885	\$ (3,535)

Note: The table does not account for anticipated increased power market price and resource adequacy costs

Key Highlights

- Revenues are lower than forecasted in January primarily due to: (1) model error which has been ID'd and corrected and (2) lower load during mild wet winter.
- Power Costs have been higher than budgeted due to higher natural gas prices and lower winter temperatures.

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Updated Multi-Year Forecast – 2023 Budget Adoption Forecast

Description	Actuals		2023 Proforma (4 Month Actuals + 8 Month Budget)		2023 Budget Forecast*	
	2022	2023	2024	2025		
Revenue	85,323	107,373	75,500	73,050		
Power Cost	75,130	73,088	54,150	57,100		
Other Expenses	4,469	6,400	6,800	7,100		
Net Income	5,724	27,885	14,550	9,300		

{ Reserve Building }
{ Maintain Margin Policy }

Key Highlights

- VCE expects additional 2023-2025 power cost increases due to higher resource adequacy and winter gas prices
- VCE has the ability to increase 2024/2025 revenues for cost recovery (incl. cash reserve) and remain competitive
- Decreased net income and cash reserves in 2023 could delay investment grade credit rating to 2025/2026



Note: The table does not account for updated forward power market price fluctuation and resource adequacy costs

*2023 Budget forecast include customer rates, PCIA, and power costs as forecasted in the VCE Budget Adoption

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Factors Impacting Forward Power Costs

- Supply chain & Interconnections have significantly delayed renewable projects expected to go online in 2022-2024. (Renewable Energy & RA Prices)
- Winter gas short squeeze crests in December 2022. Low Pacific Northwest water year compounding supply concerns for gas and power
- Geopolitical Climate. The conflict in Ukraine continues to impact current and forecast energy prices and availability. (Natural Gas Prices)

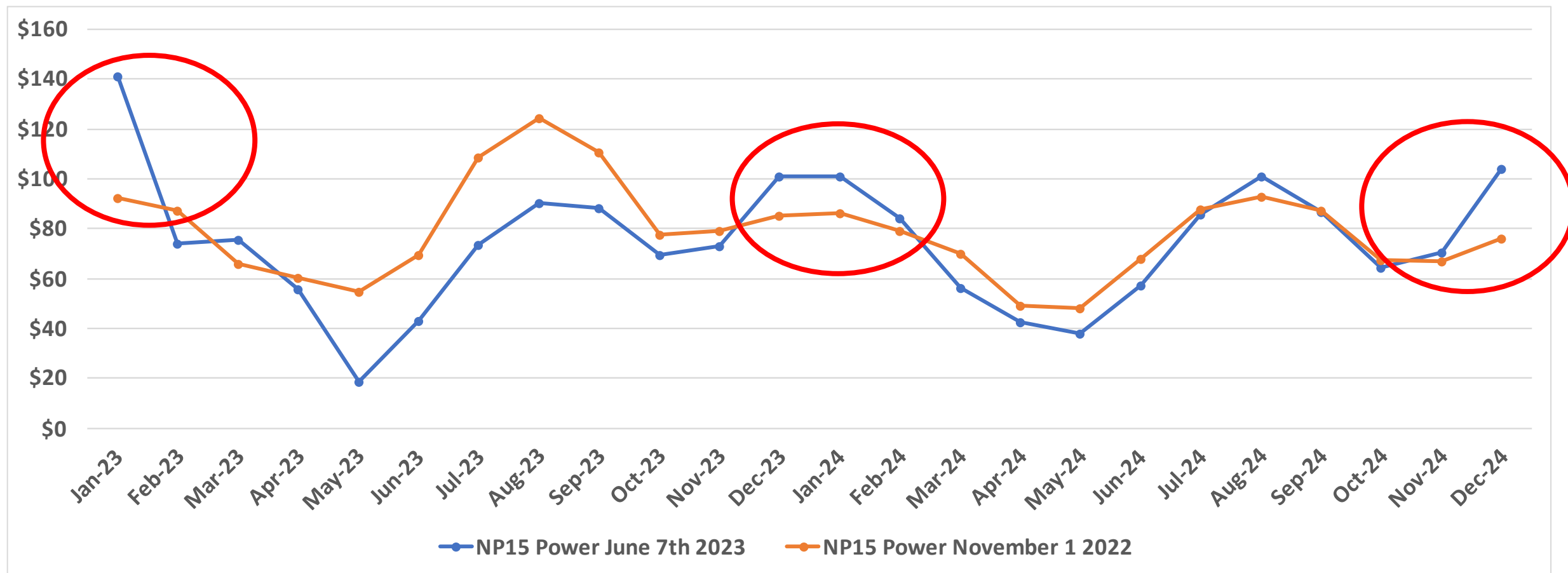
Other Considerations – Increased Power Market Prices

Continued high power costs result in stabilized PG&E rates and VCE's ability to set competitive rates for cost recovery.

- PCIA is currently forecasted to continue to decrease in 2024
- PG&E Bundled Rates are currently forecasted to decrease approximate 4% in 2024

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2023/24 Power Price Forecasts (Winter is the New Summer)



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Next Steps

- Review and update Revenue Model as required.
- Utilize 2023 Power Cost contingency \$3.4 for cost stabilization.
- Review increased power cost impacts through Rate Adjustment System
Likely deferral and maintain rate stabilization to prioritize affordability.
- September - Return to Board with Power Cost forecast update.
- October - Begin 2024 budget process.

Discussion