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VCE Community Advisory Committee Meeting – Thursday, November 16, 2023

Item 6 – Legislative Updates



PUBLIC COMMENTS

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Change is Afoot

- Many new legislators in 2023, many more to come in 2025
- Legislative Leadership:
 - New Assembly Speaker Robert Rivas
 - Incoming Senate Pro Tem Mike McGuire
- Budget Riches to Budget Decline
 - 2022 = \$97.5B Surplus | 2023 = \$31.5B Deficit
- Bonds
 - Energy funding for the first time in a legislative bond proposal
 - Mental health bond – March 2024 ballot

AB 1373 (Garcia) Central Procurement Entity

- Started out as Governor’s proposal in trailer bill
 - Did not identify CPE, allowed IOUs to play the role
 - Did not specify resources
 - Included IRP Enforcement
 - Burdensome RA Penalty Provisions

- Lobbied to move proposal into policy bill

- AB 1373 became the vehicle in the Spring – VCE Oppose Unless Amended

- Resolved IRP and RA penalty issues early – VCE moved to Neutral position

- CPE details refined through the end of session – PCE reaffirmed Neutral position

AB 1373 (Garcia) Continued

- Resources that DWR may procure are limited to resources that:
 - Are not fossil-fuel based
 - Are found by the PUC to not be under contract at sufficient levels
 - Have a construction and development lead time of at least five years
 - Does not use combustion

- Provisions provide clarity on how DWR will cover RA deficiencies of LSEs
 - Deficient LSEs will be assessed a capacity payment
 - Deficient LSEs may also be assessed a penalty, the capacity payment may cover all or a portion of the penalty

- Authorizes LSEs to voluntarily obtain incremental resources from DWR

Budget Woes

- After two years of surplus, state budget settled at a \$31.5 billion deficit
- Governor reduced, deferred, or shifted many aspects of climate budget, including energy programs
 - Governor has intimated a climate bond can backfill
- Budget may be in worse shape, tax filing deadline extended to October
- Budget outlook for FY 2024-25 is continued deficit

What's Ahead

- Climate Bond
 - Must be signed by Governor by June 27, 2024, to be placed on November 2024 ballot
 - Proposals right now around \$15.5 billion total with \$2 billion for clean energy programs

- Clean Energy Reliability Investment Program Funding
 - \$400 million in FY 24-25
 - \$500 million in FY 25-26

- Hydrogen Policy
 - How it's produced and how it's used

- Regional Grid
 - West-Wide Governance Pathways Initiative



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VCE Community Advisory Committee Meeting – Thursday, November 16, 2023

Item 8 – 2024 Budget update/preview



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Item 8 – 2024 Budget update/preview

Overview

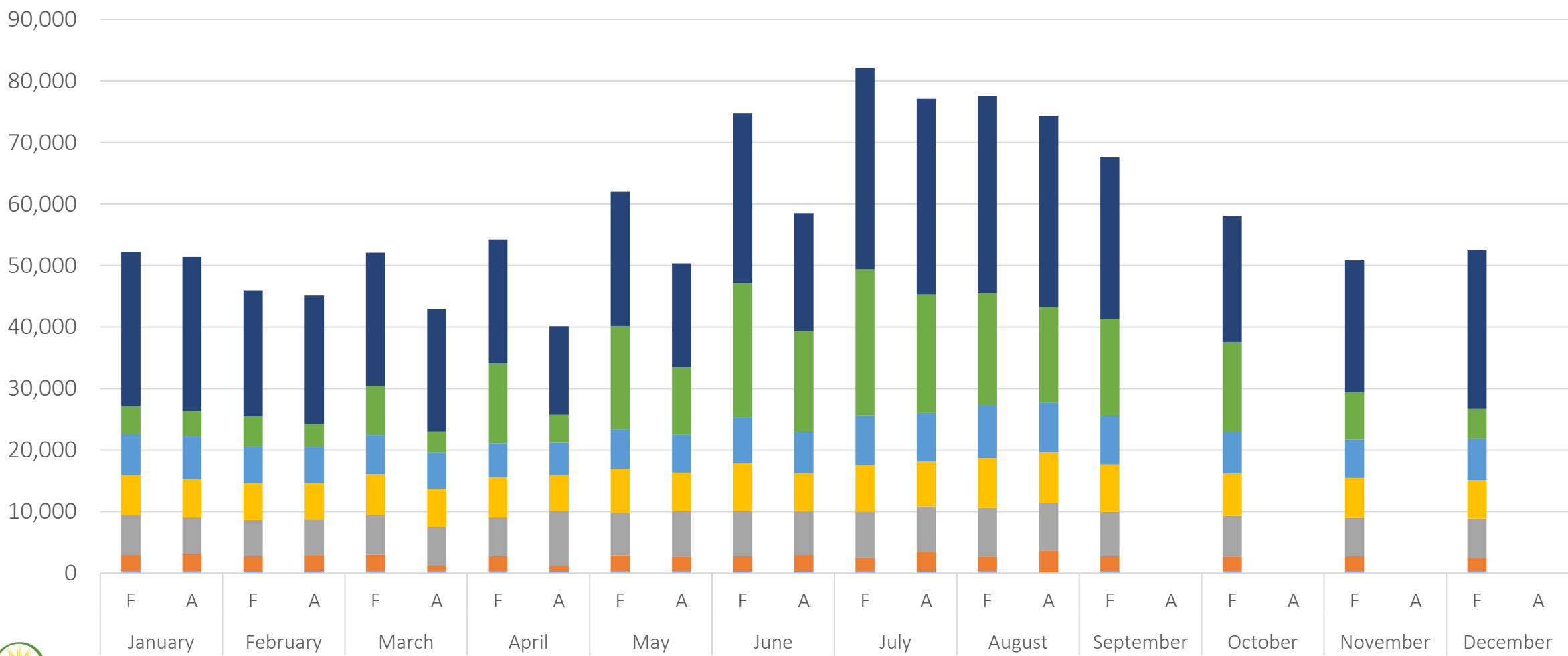
VCE's short-term (2024) outlook indicates some stability in power market prices and increased volatility for Resource adequacy and Renewable Energy Credits (REC's). VCE's Longer-term outlook (2025-2027) indicates healthy margins/reserves.

This presentation will provide:

- Key Factors influencing short-term operating budgets
- Financial Risks & Multi-Year Forecast Update
- Next Steps and Discussion

Item 8 – 2024 Budget update/preview : Retail Load

VCE RETAIL LOAD BY CUSTOMER CLASS



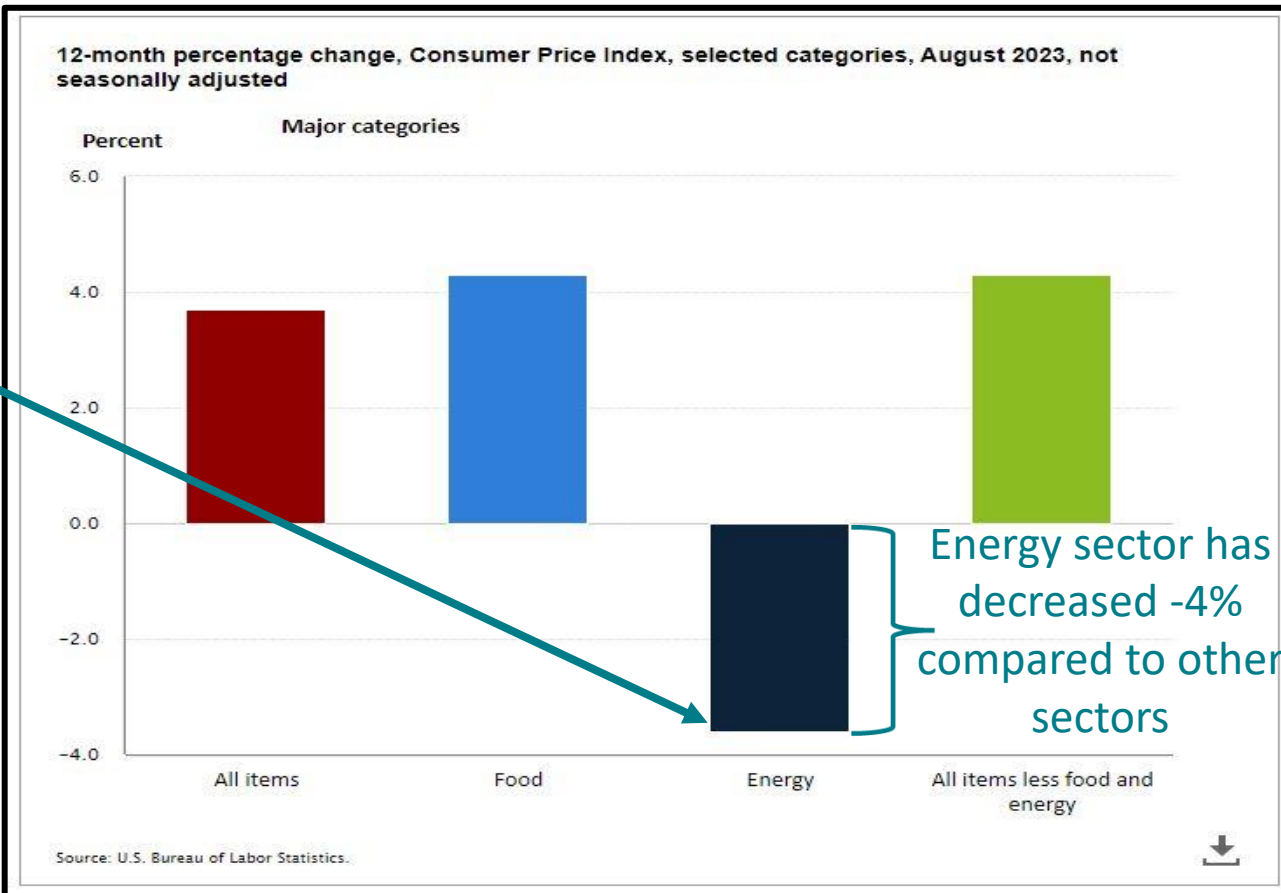
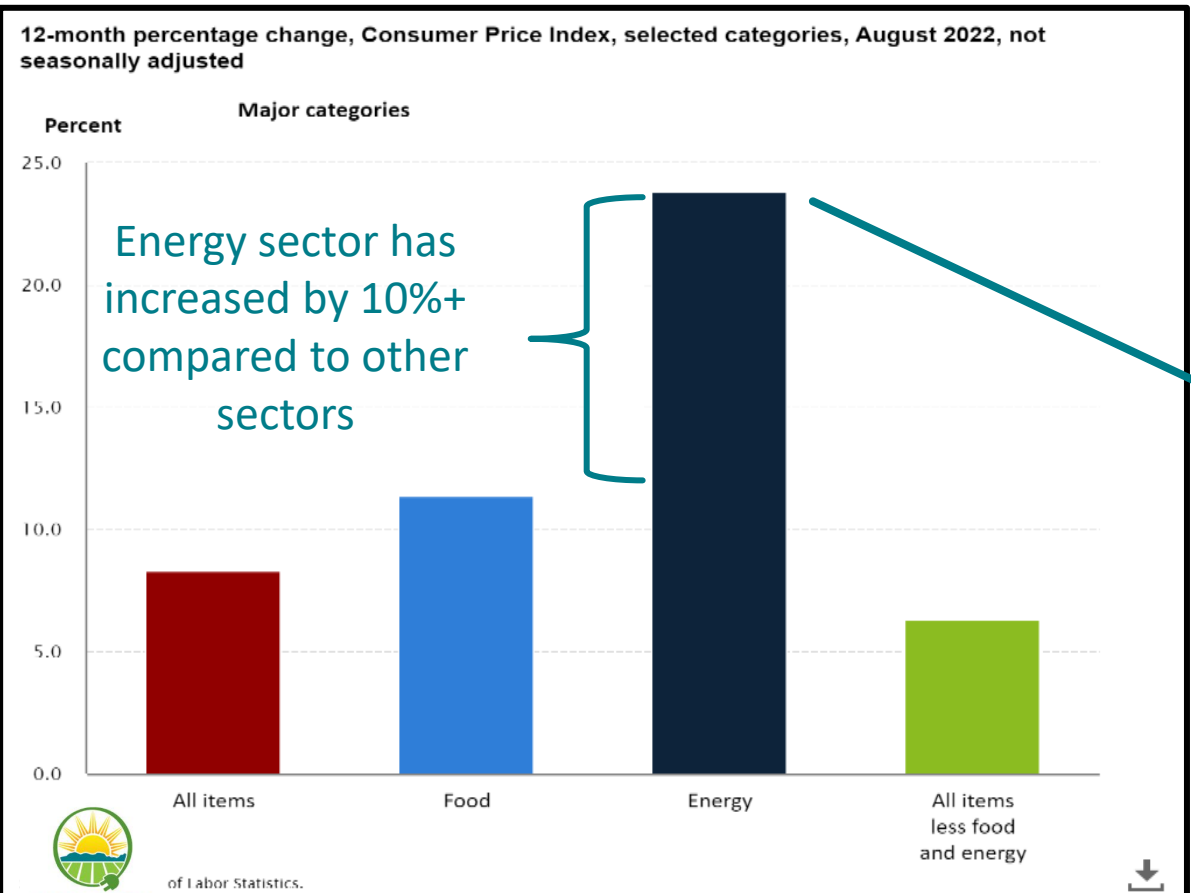
■ Lighting
 ■ Industrial
 ■ Large Commercial
 ■ Med. Commercial
 ■ Small Commercial
 ■ Agriculture
 ■ Residential

Item 8 – 2024 Budget update/preview: CPI Index

Net ~20% Overall Increase in Energy Sector for 2023 & 2024

2022 CPI Trend (Prior Year)

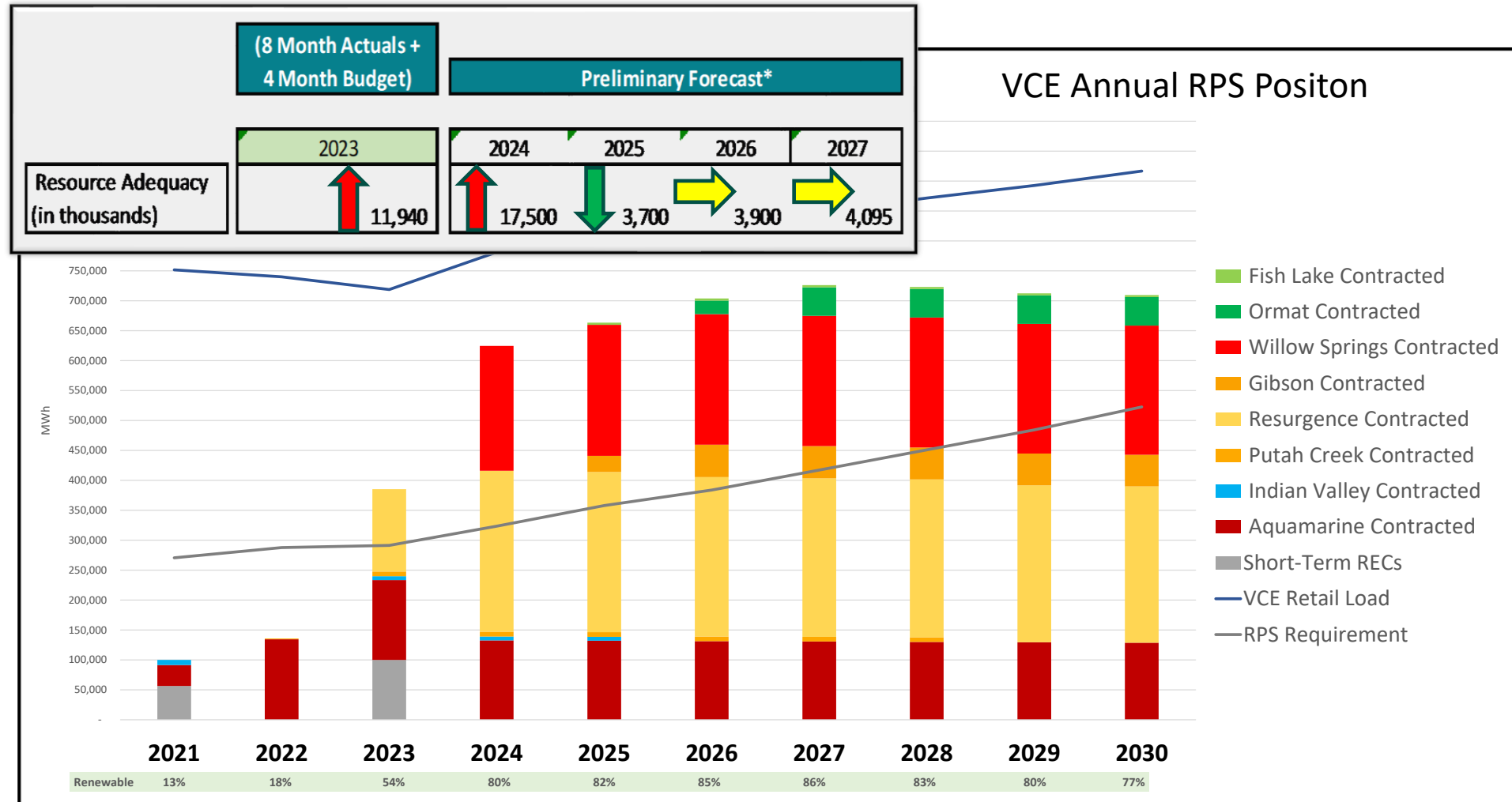
2023 CPI Trend (Current Year)



Item 8 – 2024 Budget update/preview : Resource Adequacy

Resource Adequacy (RA)

- VCE's Power Purchase Agreements have significantly increased in 2023 and 2024
- RA Contributions from PPAs have been outpaced by RA cost increases
- Forecast for 2025 and 2026 see reduced VCE RA requirements



Item 8 – 2024 Budget update/preview: Financial Risks

2023 & 2024 Financial Risk Summary

Description	2023	2024
Power Costs	Began 2023 with PPAs for ~150+ GWh (approx. 13% of VCE annual Load)	*Begin 2024 with PPAs for ~400+ GWh (approx. 50% of VCE annual Load)
Power Cost Contingencies	5% / \$3.4M	5% / \$3.7M
Cash Reserves	Began with ~\$6M 30+ Days Operating Cash (Min)	Begin with ~\$20M 90+ Days Operating Cash
Resource Adequacy	PPAs provide 75 MW RA (approx. 36% of VCE annual req.)	*PPAs provide 143 MW RA (approx. 70% of VCE annual req.)
Debts – Term Loan Due April 2024	\$700K Outstanding	\$180K Outstanding Balance

*Willy 9 Chap 2 (formerly Willow Springs Solar 3) Solar PV + Storage Project (72 MW PV /36 BESS / approx. 215,000+ MWhs) expected to come online in January of 2024

Item 8 – 2024 Budget update/preview : Multi-Year Forecast

Description	Actuals	(8 Month Actuals + 4 Month Budget)	Updated Multi-Year Forecast			
	2022	2023	2024	Preliminary Forecast*		
				2025	2026	2027
Customer Revenue	85,323	98,800	105,400	104,600	108,700	111,600
Power Cost	75,130	75,200	78,050	65,900	70,200	72,250
Other Expenses	4,469	6,600	6,800	7,100	7,500	7,900
Net Income	5,724	17,000	20,550	31,600	31,000	31,450
Gross Margin	12%	24%	26%	37%	35%	35%
Net Margin	7%	17%	19%	30%	29%	28%
	RECOVER/BUILD RESERVES (180+ DAYS)			MAINTAIN MARGINS		

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

Key Factors in Multi-Year Forecast

- 2024 PCIA Forecast –The updated PCIA increased from ~.002 KW/\$2M to .004 KW/\$4M
- 2024 Customer Rates Forecast – The updated forecast for PG&E rates results in a projected 6% generation rate increase (higher increases currently being considered by the CPUC are associated with non-VCE portions of the bill such as transmission and distribution charges).
- Incorporated a 2.5% rate credit for CARE/FERA and Medical Baseline customers
- Investment grade credit rating (estimated in 2028).

Item 8 – 2024 Budget update/preview : Outlook Summary

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.
- Continued profitability and building of reserves, greater ability to provide customer programs and customer dividends.
- Continued climate related risk (heat/drought) – Key mitigation: additional power cost contingency
- Continued market volatility – Key mitigation: PPAs decrease financial impact / stabilize costs
- Extending the rate credit program to additional customers would be approximately \$1,000,000 per 1%.

Item 8 – 2024 Budget update/preview : Next Steps / Discussion

Next Steps

- December 2023 - Monitor CPUC for ERRRA Rate Adoption
- December 2023 – Adopt VCE 2024 Budget & Customer Rates
- Customer Programs and Dividends ~ May 2024

Discussion