

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 20

TO: Valley Clean Energy Board of Directors

FROM: Mitch Sears, Interim General Manager

SUBJECT: VCE Strategic Plan Development Process

DATE: February 13, 2020

RECOMMENDATIONS

1. Approve the strategic plan development process and timeline contained in this staff report;
2. Direct the VCE Board Subcommittee and staff to develop a strategic plan for consideration by the full Board by mid-2020.

BACKGROUND and ANALYSIS

After several years of feasibility analysis and study, Valley Clean Energy (VCE), formed in December 2016. At its initial meeting, the VCE Board adopted a mission statement to help direct the formation and early operations of the organization. The mission statement was supplemented with the November 2017 adoption of a more detailed vision statement intended to provide both short and longer-term guidance for the organization. At the January 2020 Board meeting staff provided a review of the VCE Vision statement and general progress toward VCE's Vision. During the presentation, staff noted the interest expressed by Board members (and shared by staff and the Community Advisory Committee), to develop a multi-year strategic plan to guide VCE as the organization transitions from early operations.

The Board subcommittee and staff met in mid-January to discuss the potential development of a 3 to 5-year strategic plan for VCE. Following a review of the Vision and Mission statements, the Subcommittee discussed a broad outline for development of a strategic plan. The Board subcommittee and staff agreed that as VCE matures and becomes more established, adoption of a multi-year strategic plan will make VCE more effective in achieving its vision and mission.

Key outcomes of the discussion between the Board subcommittee and staff which have informed the recommendations in this report included:

- The scope of VCE's initial strategic plan should have a tight focus on core policy questions and use the Vision and Mission statements as a starting point
- The development process should be efficient with a goal to develop a draft plan for consideration by the full Board by mid-2020 to help inform the 2020/21 fiscal year budget
- Utilize the subject matter expertise of the Community Advisory Committee, SMUD,

VCE's consultants, and VCE member jurisdictions in the development and review of the plan as it is being drafted

- Solicit input and feedback from members of key customer classes

The purpose of this report is to: (1) provide a summary of early stage activities related to the development and eventual adoption of a strategic plan and (2) propose a plan development process and timeline for consideration by the Board. Board direction will help frame the effort and allow for initiation of the planning process.

Early Stage Activities

The following early stage activities are included for reference. They are not intended to limit Board discussion but may be useful as a starting point for the strategic plan discussion.

- VCE Vision Statement. <https://valleycleanenergy.org/wp-content/uploads/VCEA-Vision-Statement-11-16-17.pdf>
- VCE Mission Statement. <https://valleycleanenergy.org/wp-content/uploads/Resolution-2016-001-VCEA-Name-Mission.pdf>
- Staff analysis. In early 2019 staff initiated an internal exercise to assess VCE's progress toward stated Board objectives that are captured in the VCE Vision and Mission statements. Staff (including SMUD contract staff), utilized a technique that assesses an organization's strengths, weaknesses, opportunities, and threats (SWOT analysis). The objective of this exercise was to evaluate and calibrate staff work and resources to align with the VCE's guiding statements. The summary of this exercise is included as Attachment 1 and can help inform the Board's discussion regarding development of a strategic plan for VCE.
- Board Subcommittee briefing. The following suggestions were provided to the Board subcommittee in mid-January to help frame the initial discussion on strategic plan development.
 - VCE should maintain a multi-year Strategic Plan, updated at a consistent cadence, and encompassing all key areas of the business.
 - The plan should be the basis for:
 - Annual organization and individual goals
 - Annual budgets
 - Key decisions and priorities
 - The potential cadence of plan and organizational review could be:
 - Strategic Plan update every two years
 - Mission & Vision to be reviewed and updated every three years, or as business changes demand
 - Organization and employee goals updated annually
 - Organization budgets updated annually
- Integrated Resource Plan (IRP). VCE is required to submit an updated IRP to the CPUC on a two-year rolling cycle. The original IRP submitted in 2018 is currently being updated for submission to the CPUC by July 1, 2020. The IRP update process is

underway and can help inform the strategic planning process generally and specifically with regard to the power procurement and portfolio goals/objectives/strategies that would be a central feature of the strategic plan. The current IRP is posted to the VCE website at: <https://valleycleanenergy.org/wp-content/uploads/Reso-2018-021-VCEA-Int-Resrc-Plan-.pdf>

Proposed Plan Development Process and Timeline

The following planning process outline and timeline are suggested if the Board’s goal is to adopt a strategic plan by mid-2020. If the Board selects a different goal date for plan consideration/adoption, adjustments to dates and activities can be made. Based on Board direction, staff will develop a detailed project calendar based on the desired plan adoption date. The project calendar would be based on the following key activities and milestones:

Key activities/milestones outline:

- Board direction – February 13, 2020 (current action). Board direction on strategic plan development process and timeline.
- Board Workshop – mid Q1. Conduct Board workshop on strategic plan in late February to establish strategic objectives to guide development of draft plan. This would be a special meeting of the Board organized in a facilitated workshop format.
- Board subcommittee. Direct the Board subcommittee to coordinate with staff to complete development of a working draft plan by late Q1 2020.
- CAC. Activate a CAC Taskgroup to provide input and feedback to staff in the development of the working draft plan (note: CAC Taskgroup formed in late January).
- Stakeholder feedback. Identify members of key customer classes in mid-Q1 2020 and begin draft plan feedback/input collection process in early Q2 2020.
- Draft plan. Present Draft to CAC and Board for review and feedback in mid-Q2 2020.
- Final draft plan. Present final draft to CAC and Board for consideration in late Q2 2020 for adoption by mid-2020 (beginning of FY).

To meet these process milestones the following meetings would be required:

Date	Meeting/Milestone	Purpose
2/13/20	Board	Adopt development process and timeline
Last week of Feb 2020	Board (Special meeting)	Establish strategic objectives to guide development of draft plan
2/27/20	CAC	Process update; Taskgroup direction
3/12/20	Board	Process update
3/26/20	CAC	Process update; Taskgroup report
Late Q1 2020	Milestone	Completion of working draft plan end of Q1 2020
Early Q2 2020	Milestone	Begin collection of stakeholder feedback
4/9/20	Board	Process update; report on working draft
4/23/20	CAC	Process update; Taskgroup report on working draft
Mid Q2 2020	Milestone	Complete initial draft plan
5/14/20	Board	Review/provide direction on draft plan

5/28/20	CAC	Review/provide feedback and recommendation on final draft plan
Late Q2 2020	Milestone	Complete final draft plan
6/11/20	Board	Consider adoption of final plan

Staff believes that this schedule represents an aggressive but achievable goal of adoption of a strategic plan by June 2020.

ATTACHMENTS

1. VCE Staff SWOT Analysis Summary – 2019

VCE Internal SWOT Analysis Summary (March 2019)

STRENGTHS

Rank from A to Z (A being the strongest strength of VCE)

- A. Local Control - make decisions quickly, nimbleness
- B. Customer default into VCE
- C. Price Competitive
- D. Leveraging SMUD expertise
- E. Strong customer base that align with mission
- F. Strong alignment with jurisdictions
- G. Location – relative to energy usage/solar applicability (sunny/hot)
- H. Local expertise – legislature, CAC, energy efficiency
- I. Diversity of customer base (Ethnicity and Customer class)

WEAKNESSES

Rank 1-6 (1 being the most dangerous to VCE's success)

1. Finances:
 - Lack of Financial Reserves
 - No control over revenues – PG&E rates/PCIA exit fees
 - Difficult to obtain credit rating/financing
2. Lack of brand awareness
3. Lack of full access to our customer data
4. Lack of VCE employees
 - Limited staff
 - Thin structure – no employee/knowledge depth
5. Uncertainty in customers opt out
 - Direct Access
 - General
6. Steep learning curve of electric utility industry for decision makers

OPPORTUNITIES

Priority 1 – 1 to 2 years (July 2019-June 2021)

Priority 2 – 2 to 3 years (July 2020-June 2022)

Priority 1:

Cost reduction of LT renewable resources

Design Local customer programs

Adding new member jurisdictions

- Discussions/preparations
- Operational (1-2)

Build reputation and loyalty

Regional efforts

- Partner with regional organizations (i.e. SACOG grant)

Grow electric revenues through electrification within the jurisdictions (i.e. electric vehicles, building electrification) -

- Planning

Increase understanding of electric utility industry for our stakeholders (customers, board)

Coordinate with other jurisdictions on assisting with recovery from disasters

PG&E Bankruptcy – (prepare a separate SWOT analysis)

OPPORTUNITIES

Priority 1 – 1 to 2 years (July 2019-June 2021)

Priority 2 – 2 to 3 years (July 2020-June 2022)

Priority 2:

Offer Local customer programs (as financial resources become available)

Regional efforts

- Improve regional economic vitality (i.e. Reinvest in the community – energy efficiency, EV infrastructure, job creation)

Coordinate with other jurisdictions to obtain state/local funds for energy efficiency programs for our customers (i.e. loans/grants)

Grow electric revenues through electrification with in the jurisdictions (i.e. electric vehicles, building electrification) -

- Implementation

Obtain grants for energy efficiency programs or infrastructure

THREATS

Uncertainty of annual PG&E rates/PCIA fee

Regulatory Uncertainty - CPUC

New legislation

Negative publicity of CCA's

Direct Access – SB 237

PG&E Bankruptcy

Other CCA's adding new member agencies in central valley