

**VALLEY CLEAN ENERGY ALLIANCE****Staff Report – Item 5**

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**TO:** Board of Directors

**FROM:** Mitch Sears, Executive Director  
Edward Burnham, Finance and Operations Director

**SUBJECT:** Financial Update – October 31, 2023 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending October 31, 2023

**DATE:** December 14, 2023

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**RECOMMENDATION:**

Accept the following Financial Statements (unaudited) for the period of October 1, 2023 to October 31, 2023 (with comparative year to date information) and Actual vs. Budget year to date ending October 31, 2023.

**BACKGROUND & DISCUSSION:**

The attached financial statements are prepared in a form to satisfy the debt covenants with River City Bank pursuant to the Line of Credit and are required to be prepared monthly.

The Financial Statements include the following reports:

- Statement of Net Position
- Statement of Revenues, Expenditures and Changes in Net Position
- Statement of Cash Flows

In addition, Staff is reporting the Actual vs. Budget variances year to date ending October 31, 2023.

**Financial Statements for the period October 1, 2023 – October 31, 2023**

In the Statement of Net Position, VCE, as of October 30, 2023, has a total of \$20,566,948 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account, \$1,800,000 restricted assets related to supplier deposits, and \$2,596,549 restricted assets for the Power Purchases Reserve account. VCE has incurred obligations from Member agencies and owes as of October 30, 2023 a total of \$9,987. VCE member obligations are incurred monthly due to staffing, accounting, and legal services.

The term loan with River City Bank includes a current portion of \$271,108. On October 31, 2022, VCE's net position was \$27,828,963.

In the Statement of Revenues, Expenditures, and Changes in Net Position, VCE recorded \$ 9,069,660 of revenue (net of allowance for doubtful accounts), of which \$8,612,012 was billed in October, and \$4,883,354 represent estimated unbilled revenue. The cost of electricity for the October revenue totaled \$7,894,881. For October, VCE's gross margin was approximately 13% and the net income totaled \$853,259. The year-to-date change in net position was 12,418,429.

In the Statement of Cash Flows, VCE cash flows from operations were \$2,981,756 due to October cash receipts of revenues being more than the monthly cash operating expenses.

#### Actual vs. Budget Variances for the year to date ending October 31, 2023

Below are the financial statement line items with variances >\$50,000 and 5%

- Electric Revenue – (\$6,442,406) and -7% – Unfavorable variance due to retail load variance lower than forecasted due to mild winter and spring.
- Purchased Power – (\$786,459) and -1% – unfavorable variance due to gas prices driving short-term power market increases during winter offset by lower load than forecasted.
- Salaries – \$52,293 and 5% favorable variance open positions for part-time Regulatory Analyst and Office Support Specialist.
- CC Power – (\$59,263) and 282% unfavorable variance related to PPA contract participation.
- Wholesale Energy Services – (\$340,912) and -42% unfavorable variance related to the transition of services to TEA starting in Q123 budgeted for Q223.
- Credit Support Services (SMUD) – \$101,982 and 40% favorable variance related to lower retail load than forecasted due to mild winter and summer.
- Operational Support Services (SMUD) – (\$94,779) and -188% unfavorable variance related to Percentage of Income Payment Plan (PIPP) program implementation, bill presentment, and base green rate implementation.
- Legal General Counsel – \$113,424 and 83% favorable variance related to lower operational support requirements than budgeted.
- Strategic Plan Implementation – \$81,091 or 68% favorable variance due to timing difference.
- Contingency – (\$200,00) and (100%) – favorable variance to budget is due to not having a need yet to utilize the contingency funds set aside in the budget.

#### **Attachments:**

- 1) Financial Statements (Unaudited) October 1, 2023 to October 31, 2023 (with comparative year to date information.)
- 2) Actual vs. Budget for the year to date ending October 31, 2023



# **VALLEY CLEAN ENERGY**

**VALLEY CLEAN ENERGY ALLIANCE**

**FINANCIAL STATEMENTS**

**(UNAUDITED)**

**FOR THE PERIOD OF OCTOBER 1 TO OCTOBER 31, 2023**

**PREPARED ON DECEMBER 5, 2023**

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENT OF NET POSITION**  
**OCTOBER 31, 2023**  
(UNAUDITED)

**ASSETS**

Current assets:

Cash and cash equivalents	\$	20,566,948
Accounts receivable, net of allowance		12,178,830
Accrued revenue		564,497
Prepaid expenses		116,041
Inventory - Renewable Energy Credits		600,000
Other current assets and deposits		2,227,703
<b>Total current assets</b>		<u>36,254,019</u>

Restricted assets:

Debt service reserve fund		1,100,000
Power purchase reserve fund		2,596,549
<b>Total restricted assets</b>		<u>3,696,549</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>39,950,568</u></b>

**LIABILITIES**

Current liabilities:

Accounts payable	\$	381,777
Accrued payroll		76,136
Interest payable		1,108
Due to member agencies		9,987
Accrued cost of electricity		7,469,137
Other accrued liabilities		2,040,441
Security deposits - energy supplies		1,800,000
User taxes and energy surcharges		71,911
Limited Term Loan		271,108
<b>TOTAL LIABILITIES</b>	<b>\$</b>	<b><u>12,121,605</u></b>

**NET POSITION**

Net position:

Local Programs Reserve	\$	224,500
Restricted		3,696,549
Unrestricted		23,907,914
<b>TOTAL NET POSITION</b>	<b>\$</b>	<b><u>27,828,963</u></b>

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN NET POSITION**  
**FOR THE PERIOD OF OCTOBER 1, 2023 TO OCTOBER 31, 2023**  
**(WITH COMPARATIVE YEAR TO DATE INFORMATION)**  
**(UNAUDITED)**

	<b>FOR THE PERIOD ENDING OCTOBER 31, 2023</b>	<b>YEAR TO DATE</b>
<b>OPERATING REVENUE</b>		
Electricity sales, net	\$ 9,069,660	\$ 78,954,737
Other revenue	70,500	701,719
<b>TOTAL OPERATING REVENUES</b>	<b>9,140,160</b>	<b>79,656,456</b>
<b>OPERATING EXPENSES</b>		
Cost of electricity	7,894,881	61,969,245
Contract services	217,113	2,685,451
Staff compensation	107,036	1,170,963
General, administration, and other	110,013	1,630,871
<b>TOTAL OPERATING EXPENSES</b>	<b>8,329,043</b>	<b>67,456,530</b>
<b>TOTAL OPERATING INCOME (LOSS)</b>	<b>811,117</b>	<b>12,199,926</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	43,082	232,873
Interest and related expenses	(940)	(14,371)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>42,142</b>	<b>218,502</b>
<b>CHANGE IN NET POSITION</b>	<b>853,259</b>	<b>12,418,429</b>
Net position at beginning of period	26,975,704	15,410,534
Net position at end of period	<b>\$ 27,828,963</b>	<b>\$ 27,828,963</b>

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD OF OCTOBER 1 TO OCTOBER 31, 2023**  
**(WITH YEAR TO DATE INFORMATION)**  
**(UNAUDITED)**

	<u>FOR THE PERIOD ENDING OCTOBER 31, 2023</u>	<u>YEAR TO DATE</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from electricity sales	\$ 11,210,609	\$ 80,749,939
Payments received from other revenue sources	70,500	701,719
Payments to purchase electricity	(7,885,956)	(59,709,133)
Payments for contract services, general, and administration	(322,381)	(3,616,800)
Payments for staff compensation	(91,016)	(1,211,112)
Other cash payments	-	(268,507)
<b>Net cash provided (used) by operating activities</b>	<b>2,981,756</b>	<b>16,914,613</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Principal payments of Debt	(44,726)	(259,860)
Interest and related expenses	(939)	(15,505)
<b>Net cash provided (used) by non-capital financing activities</b>	<b>(45,665)</b>	<b>(275,365)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of nondepreciable assets		
Acquisition of capital assets		
<b>Net cash provided (used) by capital and related financing activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	43,082	232,872
<b>Net cash provided (used) by investing activities</b>	<b>43,082</b>	<b>232,872</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>2,979,173</b>	<b>16,603,613</b>
Cash and cash equivalents at beginning of period	21,284,324	108,877,956
<b>Cash and cash equivalents at end of period</b>	<b>24,263,497</b>	<b>125,481,570</b>
Cash and cash equivalents included in:		
Cash and cash equivalents	20,566,948	20,566,948
Restricted assets	3,696,549	3,696,549
<b>Cash and cash equivalents at end of period</b>	<b>\$ 24,263,497</b>	<b>\$ 24,263,497</b>

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD OF OCTOBER 1 TO OCTOBER 31, 2023**  
**(WITH YEAR TO DATE INFORMATION)**  
**(UNAUDITED)**

	<u>FOR THE PERIOD ENDING OCTOBER 31, 2023</u>	<u>YEAR TO DATE</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ 811,117	\$ 12,199,926
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense		
(Increase) decrease in net accounts receivable	2,707,766	(1,093,743)
(Increase) decrease in accrued revenue	(586,161)	2,865,900
(Increase) decrease in prepaid expenses	(21,918)	(116,041)
(Increase) decrease in inventory - renewable energy credits	(600,000)	(600,000)
(Increase) decrease in other assets and deposits	-	(268,507)
Increase (decrease) in accounts payable	14,910	(17,757)
Increase (decrease) in accrued payroll	16,020	(40,149)
Increase (decrease) in due to member agencies	-	(196,457)
Increase (decrease) in accrued cost of electricity	608,925	2,860,112
Increase (decrease) in other accrued liabilities	11,753	1,029,777
Increase (decrease) in user taxes and energy surcharges	19,344	23,045
<b>Net cash provided (used) by operating activities</b>	<u>\$ 2,981,756.00</u>	<u>\$ 16,646,106.07</u>

**VALLEY CLEAN ENERGY**  
**2023 YTD ACTUAL VS. BUDGET**  
**FOR THE YEAR TO DATE ENDING 10/31/23**

Description	YTD Actuals	YTD Budget	YTD Variance	% over/-under
Electric Revenue	\$ 83,273,594	\$ 89,716,000	\$ (6,442,406)	-7%
Other Revenues - Programs	\$ 701,719	\$ 550,000	\$ 151,719	28%
Interest Revenues	\$ 232,872	\$ 35,000	\$ 197,872	565%
<b>Purchased Power</b>	<b>\$ 61,893,459</b>	<b>\$ 61,107,000</b>	<b>\$ (786,459)</b>	<b>-1%</b>
Purchased Power Base	\$ 61,893,459	\$ 58,196,000	\$ (3,697,459)	-6%
Purchased Power Contingency 2%	\$ -	\$ 2,911,000	\$ 2,911,000	100%
<b>Labor &amp; Benefits</b>	<b>\$ 1,172,679</b>	<b>\$ 1,202,000</b>	<b>\$ 29,321</b>	<b>2%</b>
Salaries & Wages/Benefits	\$ 947,707	\$ 1,000,000	\$ 52,293	5%
Contract Labor (SMUD Staff Aug)	\$ -	\$ 25,000	\$ 25,000	100%
Human Resources & Payroll	\$ 224,972	\$ 177,000	\$ (47,972)	-27%
<b>Office Supplies &amp; Other Expenses</b>	<b>\$ 253,197</b>	<b>\$ 176,800</b>	<b>\$ (76,397)</b>	<b>-43%</b>
Technology Costs	\$ 39,028	\$ 35,800	\$ (3,228)	-9%
Office Supplies	\$ 9,107	\$ 2,000	\$ (7,107)	-355%
Travel	\$ 15,724	\$ 5,000	\$ (10,724)	-214%
CalCCA Dues	\$ 107,520	\$ 111,000	\$ 3,480	3%
CC Power	\$ 80,263	\$ 21,000	\$ (59,263)	-282%
Memberships	\$ 1,555	\$ 2,000	\$ 445	22%
<b>Contractual Services</b>	<b>\$ 2,501,051</b>	<b>\$ 2,412,600</b>	<b>\$ (88,451)</b>	<b>-4%</b>
Other Contract Services	\$ -	\$ 22,000	\$ 22,000	100%
Don Dame	\$ 3,364	\$ 9,000	\$ 5,636	63%
SMUD - Credit Support	\$ 152,418	\$ 254,400	\$ 101,982	40%
SMUD - Wholesale Energy Services	\$ 1,159,212	\$ 818,900	\$ (340,312)	-42%
SMUD - Call Center	\$ 717,209	\$ 697,500	\$ (19,709)	-3%
SMUD - Operating Services	\$ 148,179	\$ 53,400	\$ (94,779)	-177%
Commercial Legal Support	\$ 28,220	\$ 25,000	\$ (3,220)	-13%
Legal General Counsel	\$ 22,576	\$ 136,000	\$ 113,424	83%
Regulatory Counsel	\$ 139,651	\$ 175,000	\$ 35,349	20%
Joint CCA Regulatory counsel	\$ 25,719	\$ 28,000	\$ 2,281	8%
Legislative - (Lobbyist)	\$ 55,000	\$ 55,000	\$ -	0%
Accounting Services	\$ 10,542	\$ 24,000	\$ 13,458	56%
Financial Consultant	\$ -	\$ 35,000	\$ 35,000	100%
Audit Fees	\$ 38,960	\$ 79,400	\$ 40,440	51%
<b>Marketing</b>	<b>\$ 251,762</b>	<b>\$ 220,000</b>	<b>\$ (31,762)</b>	<b>-14%</b>
Marketing Collateral	\$ 220,980	\$ 210,000	\$ (10,980)	-5%
Community Engagement Activities & Sponsorships	\$ 30,782	\$ 10,000	\$ (20,782)	-208%
<b>Program Costs</b>	<b>\$ 936,101</b>	<b>\$ 695,000</b>	<b>\$ (241,101)</b>	<b>-35%</b>
Program Costs	\$ 169,596	\$ 145,000	\$ (24,596)	-17%
Programs - EV	\$ 115,105	\$ -	\$ (115,105)	100%
Programs - AgFIT	\$ 642,428	\$ 550,000	\$ (92,428)	-17%
Programs - Heat Pump	\$ 8,972	\$ -	\$ (8,972)	100%
<b>Rents &amp; Leases</b>	<b>\$ 23,076</b>	<b>\$ 22,000</b>	<b>\$ (1,076)</b>	<b>-5%</b>
Hunt Boyer Mansion	\$ 23,076	\$ 22,000	\$ (1,076)	-5%
<b>Other A&amp;G</b>	<b>\$ 349,925</b>	<b>\$ 455,800</b>	<b>\$ 105,875</b>	<b>23%</b>
Development - New Members	\$ -	\$ 21,000	\$ 21,000	100%
Strategic Plan Implementation	\$ 38,909	\$ 120,000	\$ 81,091	68%
PG&E Data Fees	\$ 198,748	\$ 230,000	\$ 31,252	14%
Insurance	\$ 29,400	\$ 9,500	\$ (19,900)	-209%
Banking Fees	\$ 82,868	\$ 75,300	\$ (7,568)	-10%
<b>Miscellaneous Operating Expenses</b>	<b>\$ 2,311</b>	<b>\$ 6,000</b>	<b>\$ 3,689</b>	<b>61%</b>
<b>Contingency</b>	<b>\$ -</b>	<b>\$ 200,000</b>	<b>\$ 200,000</b>	<b>100%</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 67,383,560</b>	<b>\$ 66,497,200</b>	<b>\$ (886,360)</b>	<b>-1%</b>
Interest on RCB loan	\$ 14,371	\$ 15,900	\$ (1,529)	-10%
Interest Expense - Bridge Loan	\$ -	\$ 40,000	\$ (40,000)	-100%
<b>NET INCOME</b>	<b>\$ 16,810,254</b>	<b>\$ 23,747,900</b>	<b>\$ (6,937,646)</b>	<b>-29%</b>