



Valley Clean Energy Board Meeting – October 8, 2020 Via Teleconference



Item 12 – FY 2019/2020 Financial Audit: James Marta & Co.

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Item 12 – Fiscal Year 19/20 Financial Audit

Presented by
Jesse Deol, CPA, ARM
Partner

Item 12 - Audit Highlights

- Audit opinion is unmodified
- Management's Discussion & Analysis
- Internal control letter – no material weaknesses or significant deficiencies.
- Audit covers years ending June 30, 2020 and 2019



Item 12 - Financial Results

- Operating revenues of \$55.2M, a \$4.2M increase from \$51M in the prior year
- Operating expenses were \$45.9, a \$3.7M increase from \$42.2M in the prior year
- Net Position increased by \$9.4M
- Total assets of \$24.9M, a \$6.7M increase from \$18.2M in the prior year
 - \$6M in accounts receivable
 - \$3M in accrued revenues
 - \$2.3M in restricted assets
- Total liabilities \$8.3M
 - Accrued cost of electricity \$4.7M
 - Converted Line of Credit \$1.7M



Item 12 - Statement of Net Position

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets	\$ 22,407,057	\$ 16,372,294
Restricted assets:	<u>2,345,520</u>	<u>1,755,745</u>
Noncurrent Assets	<u>100,000</u>	<u>100,000</u>
TOTAL ASSETS	<u>\$ 24,852,577</u>	<u>\$ 18,228,039</u>
LIABILITIES		
Current Liabilities	\$ 6,914,208	\$ 9,505,607
Noncurrent Liabilities	<u>1,350,684</u>	<u>1,500,000</u>
TOTAL LIABILITIES	<u>\$ 8,264,892</u>	<u>\$ 11,005,607</u>
NET POSITION		
Net position		
Restricted - local program reserves	\$ 136,898	\$ 86,463
Restricted	2,345,520	-
Unrestricted	<u>14,105,267</u>	<u>7,135,969</u>
TOTAL NET POSITION	<u>\$ 16,587,685</u>	<u>\$ 7,222,432</u>

Item 12 - Statement of Revenues, Expenses and Changes in Net Position

	<u>2020</u>	<u>2019</u>
OPERATING REVENUE		
Electricity sales, net	\$ 55,248,868	\$ 51,035,167
TOTAL OPERATING REVENUES	<u>55,248,868</u>	<u>51,035,167</u>
 OPERATING EXPENSES		
Cost of electricity	41,538,258	38,539,605
Contractors	2,854,222	2,309,962
Staff compensation	1,059,829	981,805
General and administrative	435,647	392,897
TOTAL OPERATING EXPENSES	<u>45,887,956</u>	<u>42,224,269</u>
 TOTAL OPERATING INCOME (LOSS)	<u>9,360,912</u>	<u>8,810,898</u>
 NONOPERATING REVENUES (EXPENSES)		
Interest income	102,954	37,943
Interest and related expenses	(98,613)	(202,557)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>4,341</u>	<u>(164,614)</u>
 CHANGE IN NET POSITION		
Net position at beginning of period	7,222,432	(1,423,852)
Net position at end of period	<u>\$ 16,587,685</u>	<u>\$ 7,222,432</u>

Item 12 - Letter

- **Communication to those Charged with Governance**
 - No disagreements with management
 - Audit conducted as planned
 - No material weaknesses identified
 - No significant deficiencies identified



Item 12 - Conclusion

- The Alliance is in a good financial position moving into the future
 - Management continues to make sound decisions
- Thank you George, Mitch and all of the staff at Valley Clean and Yolo County!

Jesse Deol, CPA, ARM
Partner

James Marta & Company LLP
Certified Public Accountants

www.jpmmcpa.com
jdeol@jpmmcpa.com



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Item 13 – Three-Year Strategic Plan



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Item 13 - Overview

- Latest Developments
- Proposed 2021-2023 Strategic Plan – Topics, Goals, Objectives
- Board Approval

Purpose: Board consideration/adoption of the 2021-2023 Strategic Plan

Item 13 - Latest Developments – Strategic Planning

- The revised Plan has been modified based on September Board direction and feedback from the September CAC meeting, to produce a more forward-looking approach and tighter focus
 - The number of goals reduced from 20 to 6
 - Key feedback from the Board and CAC has been incorporated; including information from other sources
 - At their Sept. meeting the CAC adopted a Statement in support of the progress and direction of the Plan

Item 13 - Latest Developments – Strategic Planning

- In developing the 2021-2023 Strategic Plan, staff has considered a variety of other plans and resources, including:
 - The Climate Crisis Declaration in Yolo County
 - The SMUD Climate Emergency Resolution
 - The Peninsula Clean Energy Strategic Plan
 - Other documents
- Municipalization is not a strongly expressed element/priority in Plan development; however, a foundation exists from recent and past efforts for further exploration.

Item 13 - Draft Strategic Plan – Topic Areas

Plan Topic Areas

- A. Financial Strength
- B. Procurement and Power Supply
- C. Customers and Community
- D. Decarbonization and Grid Innovation
- E. Statewide Issues: Regulatory & Legislative Affairs
- F. Organization, Workplace & Technology

Item 13 - Topic A: Financial Strength

A) Financial Strength

- **Goal 1: Maintain and grow a strong financial foundation and manage costs to achieve long-term organizational health.**
 - Objective 1.1: Maintain consistently healthy cash reserves to fund VCE's mission, vision, and goals.
 - Objective 1.2: Achieve an investment grade credit rating by end of 2024.
 - Objective 1.3: Commit to fiscal efficiencies to build a program foundation from which to deliver customer and community value.
 - Objective 1.4: Manage customer rates to optimize VCE's financial health while maintaining rate competitiveness with PG&E.

Item 13 - Topic B: Procurement & Power Supply

B) Procurement & Power Supply

- **Goal 2: 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.**
 - Objective 2.1: Continue to identify and pursue cost effective local renewable energy resources.
 - Objective 2.2: Acquire sufficient bundled energy and renewable resources to achieve VCE's greenhouse gas reduction targets.
 - Objective 2.3: Deploy storage and other strategies to achieve renewable, carbon neutral, resource adequacy, and resiliency objectives.
 - Objective 2.4: Identify and pursue cost effective, local distributed energy (e.g., behind the meter rooftop solar + storage) resources to help meet reliability needs.
 - Objective 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.
 - Objective 2.6: Optimize the hedging strategy to mitigate risk in accordance with the energy risk guidelines and procurement plan.

Item 13 - Topic C: Customers & Community

C) Customers & Community

- **Goal 3: Prioritize VCE's community benefits and increase customer satisfaction and retention.**
 - Objective 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.
 - Objective 3.2: Develop programs and initiatives to better support community goals, including supporting member agency achievement of energy-sector emissions reduction targets.
 - Objective 3.3: Design and implement a strategy to more effectively engage local business and agricultural customers.

Item 13 - Topic C: Customers & Community (continued)

C) Customers & Community *(continued)*

- **Goal 3: Prioritize VCE's community benefits and increase customer satisfaction and retention.**
 - Objective 3.4: Build awareness and trust of the VCE brand through direct engagement with customers, communities and organizations in VCE's service territory.
 - Objective 3.5: Develop customer programs and initiatives that prioritize decarbonization, community resiliency and customer savings.
 - Objective 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%.

Item 13 - Topic D: Decarbonization & Grid Innovation

D) Decarbonization & Grid Innovation

- **Goal 4. Promote and deploy local decarbonization and grid innovation programs to improve grid stability, reliability, community energy resilience, and safety.**
 - Objective 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.
 - Objective 4.2: Develop a VCE decarbonization roadmap to guide near and long-term program decisions and offerings.
 - Objective 4.3: Increase participation in VCE's UltraGreen 100% renewable product.
 - Objective 4.4: Identify external funding sources to support decarbonization and grid-related programs and initiatives.

Item 13 - Topic E: Statewide Issues: Reg/Leg Affairs

E) Statewide Issues: Regulatory & Legislative Affairs

- **Goal 5: Strongly advocate for public policies that support VCE's Vision/Mission.**
 - Objective 5.1: Objective: 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.
 - Objective 5.2: Develop relationships with community stakeholder organizations that foster support for VCE's mission and vision.
 - Objective 5.3: Optimize regulatory compliance activities.

Item 13 - Topic F: Organization, Workplace & Technology

F) Organization, Workplace & Technology

- **Goal 6: Analyze and implement optimal long-term organizational, management and information technology structure at VCE.**
 - Objective 6.1: Evaluate and pursue opportunities for shared services with other CCAs for certain functions.
 - Objective 6.2: Develop an evaluation framework to guide future expansion opportunities beyond the existing service territory.
 - Objective 6.3: 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.

Item 13 - Topic F: Organization, Workplace & Technology (continued)

F) Organization, Workplace & Technology (*continued*)

- **Goal 6: Analyze and implement optimal long-term organizational, management and information technology structure at VCE.**
 - Objective 6.4: Promote diversity, equity and inclusion in leadership, hiring, promotion, and contracting policies.
 - Objective 6.5: Support health, wellness and a productive workplace.
 - Objective 6.6: Create an innovation-focused culture that rewards proactive participation, problem solving, new ideas, and creative use of partnerships.
 - Objective 6.7: Deploy a modernized IT infrastructure that enables knowledge management, analytics and collaboration through robust use of data and information resources.

Item 13 - Updating the Plan and Measuring Performance

Adaptive Management

- Regular cadence of reporting and review
- Return with implementation calendar for Board consideration in Q1 2021
- Reporting on the status of all high-priority enterprise goals and objectives will be reported out as follows:

Quarterly Report to VCE Management

- Staff will report quarterly to the Interim General Manager on the status of goals, objectives and metrics for which they are responsible.

Annual Report to Board

- Staff will report annually to the Board on the status of goals, objectives and metrics, and will recommend any mitigations or amendments as may be necessary for Board approval.

Item 13 - Supplemental Slides



Item 13 - VCE Strategic Planning Process

Date	Meeting/Milestone	Purpose
7/9/20	Board	Revised development process and timeline
7/23/20	CAC	Process update
Mid/Late July	Milestone	Complete Strategic Plan Worksheet Analysis
Late July/Early Aug.	Milestone	Conduct feedback interviews with Board and CAC members
8/13/20	Board	Progress update; report on draft plan
8/27/20	CAC	Progress update and feedback from Strategic Planning Task Group and CAC
Early September	Milestone	Complete initial draft plan
9/10/20	Board	Review/provide direction on draft plan
9/24/20	CAC	Recommendation on draft plan
10/8/20	Board	Consider adoption of draft plan

Item 13 - CAC Statement in Support of Strategic Plan

The CAC adopted this Statement at its September 24 meeting:

- At its September 24 meeting, the CAC spent over an hour discussing the draft Strategic Plan. Committee members offered observations, made suggestions for changes and engaged in thoughtful exchange about different items. In addition, individual CAC members shared their own observations, suggestions and amendments with staff through emails and conversations. Given the complexity of the task and the multitude of suggested changes, it is not feasible for the CAC to take action tonight on an agreed upon, newly amended version of the Strategic Plan.
- Thus, the CAC adopts this “sense of the CAC” statement regarding the Strategic Plan to forward to the VCE board.
- The CAC believes the Strategic Plan definitely is moving in the right direction. The current draft reflects the input and comments from the VCE board members and CAC members that were raised at previous meetings. Given the timeframe set by the board for adopting the Strategic Plan, it is not feasible to have the CAC review the next iteration of the Plan at its October meeting. Thus, the CAC encourages VCE staff, as it revises the current draft, to consider all of the items raised by CAC members, either at this meeting or separately, and to incorporate as many of them into the next draft of the Strategic Plan as possible. The CAC appreciates the opportunity to be engaged in the Strategic Plan process and stands ready to work with the Board and staff to implement it once a Plan is adopted.



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Item 14 – Environmental Justice Statement



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Item 14 –Environmental Justice (EJ) Statement

Background:

Board formed an EJ Working Group in June to help craft an EJ statement on behalf of VCE.

Key elements of final draft Statement:

- Action-oriented
- Adopts official EPA definition of EJ: *“The fair treatment and meaningful involvement of all people regardless of race, color, national origin, or income with respect to the development, implementation and enforcement of environmental laws, regulations and policies.”*
- Integrates concerns of Disadvantaged Communities (DACs) in program and service design
- Strategic outreach and engagement of low-income and DACs
- Better integrating tenets of Diversity, Equity and Inclusion (DEI) into CAC and Board recruitment, hiring and contracting

Item 14 – Environmental Justice (EJ) Statement

Process:

- Draft Statement has gone through 2 reviews by the CAC and 2 reviews by the Board of Directors
- CAC recommended that the Board adopt the EJ Statement once feedback was incorporated

Feedback incorporated into Draft EJ Statement:

- Added the formal EPA definition of Environmental Justice to ensure inclusion of racial and climate justice issues; and
- Added “emerging and” to “emerging and **historically disadvantaged communities**” to ensure inclusion of communities that may become disadvantaged over time
- All feedback incorporated into current draft

Item 14 – Environmental Justice (EJ) Statement

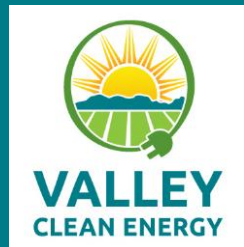
Recommendation

- The Board of Directors review the integrated changes; and
- Adopt VCE's Statement on Environmental Justice



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Item 15 – Update: Long Term Energy Procurement



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Item 15 – Update: Long Term Energy Procurement – Local RFO Status

	Original response (5/26/2020)	Initial Short-list (mid July 2020)	Current list for negotiations
Bidders	12	6	4
Proposals	31	16	6
Technology types	PV, PV + Storage (BESS), Geothermal, Hybrid (combination of wind, PV and BESS)	PV, PV + Storage (BESS), Geothermal, Hybrid (combination of wind, PV and BESS)	PV + Storage (BESS)
Counties	Colusa, Lake, Solano, Yolo	Lake, Solano, Yolo	Yolo

- 1) 4 remaining entities have entered into exclusivity with VCE for these projects.
- 2) Shortlist deposits have also been provided by the 4 entities.
- 3) Targeting end of Oct to have completed PPAs; ready for Board approval (11/12).

Item 15 – Update: Long Term Energy Procurements

1. 50MW Aquamarine PV project remains on schedule – COD by Q2 '21.
2. Power purchase agreement (PPA) w/ Rugged Solar (72MW) was executed in mid June 2020.
 - Counterparty did not provide material item required as part of the terms of the PPA.
 - VCE informed counterparty of the event of default in late June 2020 and terminated the agreement in mid July 2020.
 - VCE staff has been actively engaging reputable developers to fill the resource void.
 - 10 entities have been engaged identifying 12 opportunities.
 - Projects range in size from 50-100MW, all CAISO interconnected (in-state and out-of-state), wind, PV, PV+Storage, and index+ products.
 - Based on analysis w/SMUD, PV+Storage provides the most value to VCE customers.
 - PPA negotiations will be commencing very soon with a goal of bringing a replacement PPA to the VCE Board for consideration on 11/12/2020.

Item 15 – Update: Long Term Energy Procurement

QUESTIONS ??????