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**Valley Clean Energy Board Meeting – April 14, 2022**  
**via video/teleconference**



**Item 16 – CC Power Long Duration Storage (LDS): Goal Line Project**

# Public Comments

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# Item 16 – CC Power LDS Goal Line Project: Overview

1. Long Duration Storage Procurement Goals
2. CPUC Mid-term Reliability Procurement Order
3. Onward Energy's Goal Line Project Overview
4. CC Power Participating Members
5. Allocations and Authority
6. Contract Structure
7. Conclusion / Recommendation

# Item 16 – CC Power LDS Goal Line Project: LDS Joint Procurement Goals

- Enhance portfolio value via cost-effective resources: value of energy + capacity > costs
- Integrate intermittent resources (solar + wind)
- Support grid reliability
- Share development and project performance risk via new joint powers agency → California Community Power (CC Power)
- “Right-size” project subscription
- Meet potential CPUC procurement mandates

# Item 16 – CC Power LDS Goal Line Project: Mid-term Reliability Procurement Order (MTR)

## **D.21-06-035 adopted by CPUC on June 24, 2021 to address mid-term reliability**

- LSEs required to collectively procure 11,500 MW NQC of new resources
- Follow-on to November 7, 2019 CPUC decision mandating 3,300 MW NQC procurement for 2021-2023 to maintain reliability
- Contract of at least 10 years
- Allocated to LSEs by load share
- Resources must be zero-emission or RPS eligible (no fossil resources)
- 4,500 MW of obligation subject to specific category requirements

# Item 16 – CC Power LDS Goal Line Project: Procurement Order Timing

## Procurement Obligation in Net Qualifying Capacity (MW) for All LSEs by Category and Year

Procurement Category	2023	2024	2025	2026	Total
Zero-emissions generation, generation paired with storage, or demand response resources	-	-	2,500	-	2,500
Firm zero-emitting resources	-	-	-	1,000	1,000
Long-duration storage resources	-	-	-	1,000	1,000
Remaining New Capacity Required			-	-	7,000
<b>Total Annual Capacity Requirements</b>	<b>2,000</b>	<b>6,000</b>	<b>1,500</b>	<b>2,000</b>	<b>11,500</b>

### 1,000 MW of LDS ordered by CPUC

- Technology agnostic
- 8-hour minimum discharge duration
- COD June 2026 – demonstrate reasonable effort by February 2023
- 10-year minimum term
- Subject to Effective Load Carrying Capability (ELCC) adjustments

### CPUC Interim ELCCs

Procurement Category	2023	2024	2025 <i>Indicative</i>	2026 <i>Indicative</i>
4-Hour Battery	96.3%	90.7%	74.2%	69.0%
6-Hour Battery	98.0%	93.4%	79.6%	75.1%
8-Hour Battery	98.2%	94.3%	82.2%	<b>78.2%</b>
8-Hour Pumped Storage Hydro				76.8%
12-Hour Pumped Storage Hydro				80.8%

# Item 16 – CC Power LDS Goal Line Project: Project Overview

## Goal Line was one of the highest-ranking LDS projects out of the Joint RFO issued in October 2020

- **Seller** - Goal Line BESS 1, LLC
- **Developer** – Onward Energy
- **Technology** –Lithium-ion, 8 hours discharge duration
- **Project size** - 50 MW/400 MWh
- **Product** – Tolling Agreement w/full capacity rights
- **Location** – Escondido, CA
- **COD** – June 2025
- **Price** - fixed \$/kw-mo, no escalation
- **Term** – 15 years



# Item 16 – CC Power LDS Goal Line Project: Member Participation

## 6 CCAs agreed to move forward with joint LDS procurement for Goal Line

- MTR LDS procurement mandate for the 6 CCAs is 77.5 MW<sup>1</sup>
- 99.1 MW adjusted by ELCC
- Goal Line is 50 MW nameplate – meeting nearly 50% of ELCC adjusted need under the MTR
- Capacity to be allocated based on MTR share obligation



1) PCE participated in the Tumbleweed project but is not a participant in the Goal Line proj.



# Item 16 – CC Power LDS Goal Line Project: Allocations & Authority

Each CCA will seek their respective governing body authority to participate

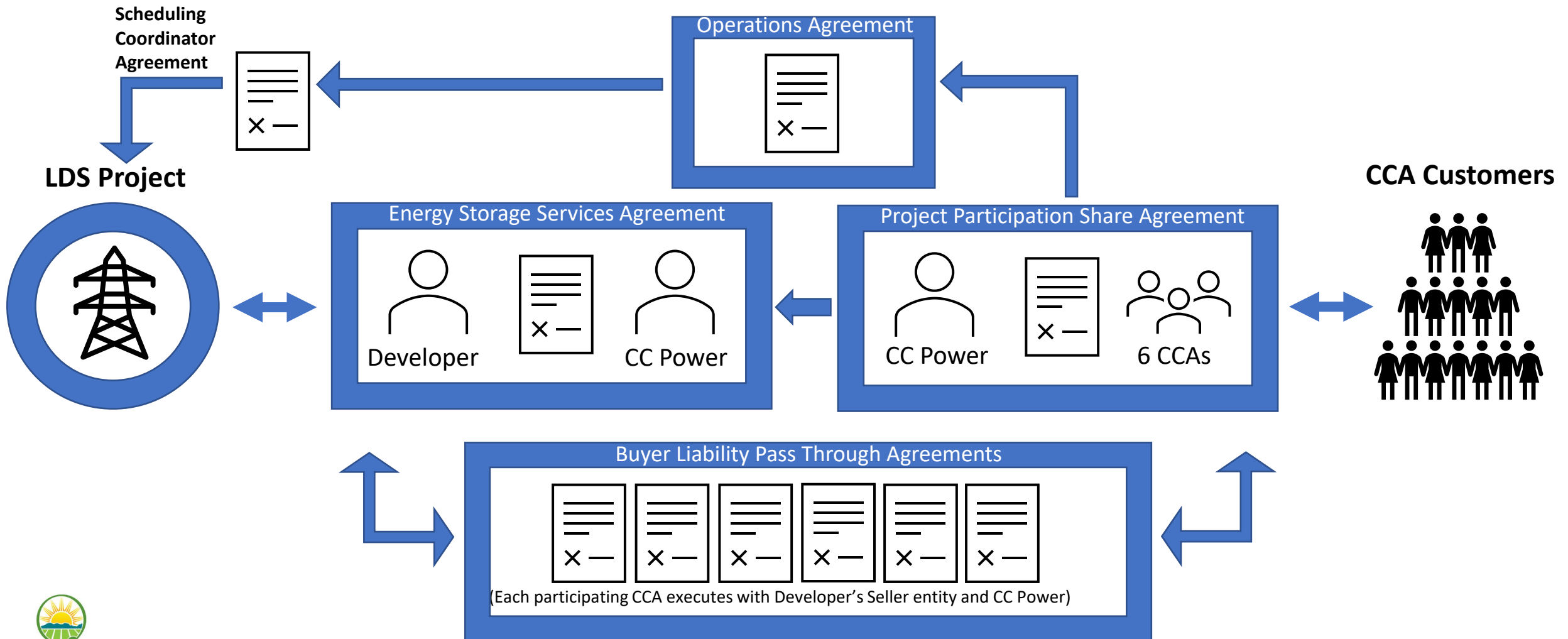
CCA	Entitlement Share %	Expected Entitlement Share MW
CPSF	21.50%	10.75
RCEA	4.00%	2.00
SJCE	24.22%	12.11
SVCE	28.42%	14.21
SCPA	17.36%	8.68
VCE	4.50%	2.25
<b>Total</b>	<b>100%</b>	<b>50</b>

VCE will satisfy the MTR obligation through participation in the Tumbleweed & Goal Line LDS projects

MTR Requirement NQC MW	MTR Obligation NQC MW	Tumbleweed Entitlement Nameplate MW	Remaining Need NQC MW	Goal Line Entitlement Nameplate MW	Net Open Position +Surplus/(-) Deficit NQC MW
4.0	5.1	2.86	2.25	2.25	0

# Item 16 – CC Power LDS Goal Line Project: Contract Structure

VCE to execute the PPSA and the BLPTA (the Operating Agreement will be signed at a later date)



# Item 16 – CC Power LDS Goal Line Project: Conclusion/Recommendation

- Goal Line was selected through a robust and competitive solicitation process
- Goal Line NPV to participating CCAs is highly uncertain
- Project is expected to include project labor agreement
- Contracting Structure includes a “step-up” provision which exposes VCE to taking up to additional capacity (based on contract share) in the event a participant defaults<sup>1</sup>
- Procurement of Long Duration Storage (8-hours or more) is mandated through MTR order
- VCE’s expected share of Goal Line is 2.25 MW (nearly 50% of obligation)
- VCE’s has a need for additional long duration storage<sup>2</sup>
- **Recommendation:** Authorize the Executive Officer to execute the following agreements:
  - Project Participation Share Agreement (PPSA)
  - Energy Storage Service Agreement (ESSA) - Buyer Liability Pass Through Agreement (BLPTA)



1) Staff will seek approval from the VCE Board for a maximum authorized amount of 3.61MW.

2) Per the Carbon Neutral study VCE has a need beyond the mandate which can be procured at a later date.



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**Item 17 – 7/1/21 to 12/31/21 Audit – James Marta & Company**

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VALLEY CLEAN ENERGY ALLIANCE  
SUMMARY OF AUDIT RESULTS  
DECEMBER 31, 2021

Presented by

James Marta CPA, CGMA, ARPM



# Agenda

- Communications with Those Charged with Governance
- December 31, 2021 Valley Clean Energy Alliance (VCE) Financial Information and Auditor's Report



# COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE





Professional standards require that we provide you with information related to our audit of VCE. This information is summarized as follows:

- Responsibilities and Opinion
  - Financial statements are the responsibility of management
  - Our responsibility is to express an audit opinion
  - We issued an unmodified opinion (the best and auditor can give)



# REPORT TO YOU - INTERACTIONS WITH MANAGEMENT



Management Consultations  
with Other Independent  
Accountants:

✓ None



Disagreements with  
Management of Difficulties  
Encountered:

✓ None



Management  
Representations:

✓ Received

# REPORT TO YOU

## QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

- Significant Accounting Policies and Changes in Those Policies - No changes
- Management Judgments and Accounting Estimates
  - Accounts receivable, unbilled revenues, allowance for uncollectible accounts
  - Appropriate and in-line with standards



# AUDIT PROCEDURES

- An Audit is more than just assurance regarding the fairness of presenting financial statements. An Audit involves gaining an understanding of the organization's systems and controls.
  - Understanding; systems, policies and procedures
  - Tests of control
  - Gathering other audit evidence, review of details, performing test calculations
  - Review of accounting methods and reporting

# RESULTS OF THE AUDIT

Consideration Area	Result
Planned Scope and Timing	Scope as anticipated Audit was not performed within the agreed timeline
Findings Identified in Performing the Audit	2021-01 Closing Entries: There were adjustments identified during the audit that were not identified by management as part of their standard closing process.
Significant Adjustments or Disclosures Not Reflected in the Financial Statements	None

FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT



# INDEPENDENT AUDITOR'S REPORT

- Pages 1-3 of the Audited Financial Statements
- Unmodified opinion (Page 1), the best opinion that we can provide



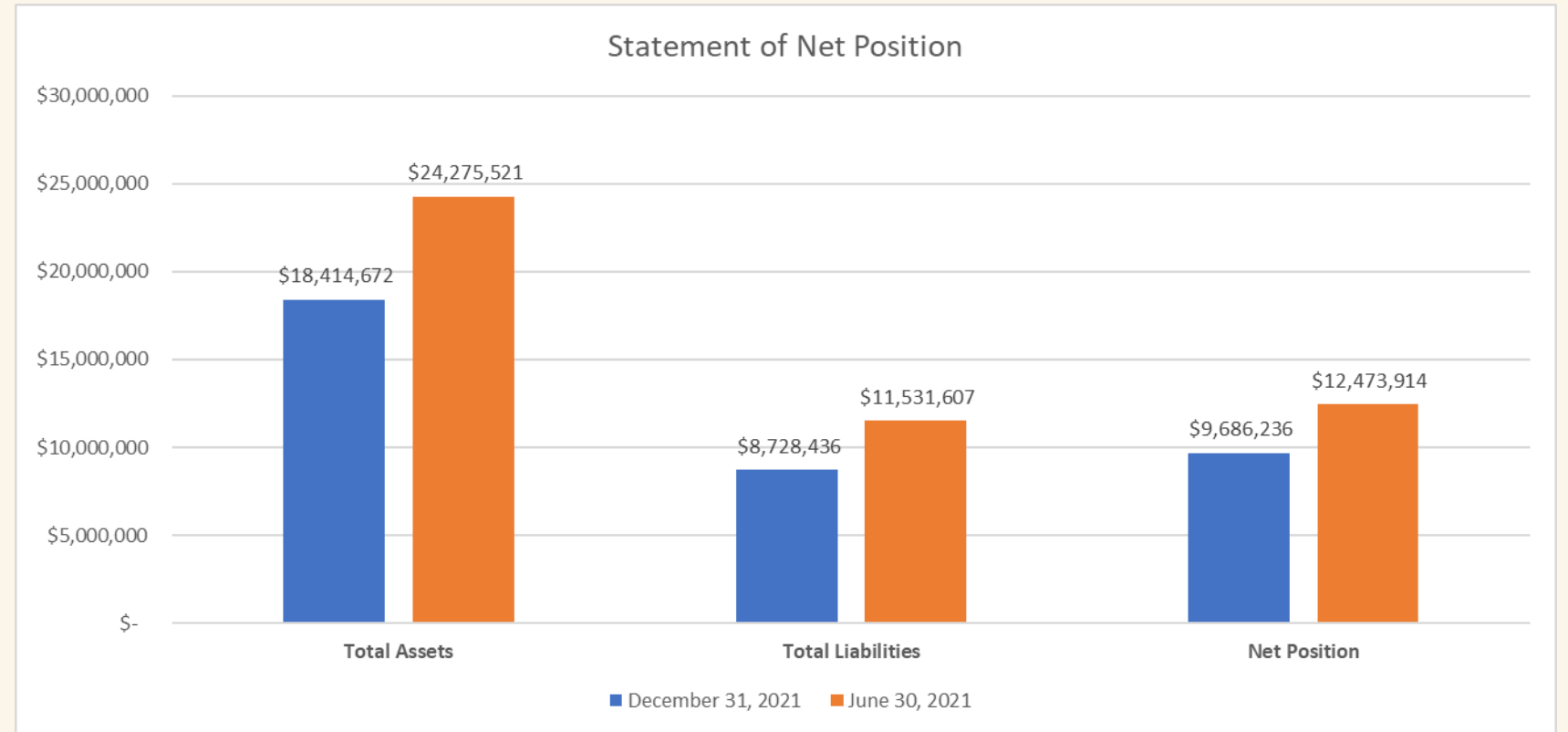
# MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)

- Pages 4-8
  - Financial Highlights
  - Condensed financial statements and graphs plus narrative about why balances changed from prior years
  - Analysis of balances and transactions
  - Facts or conditions that are expected to have a significant effect



# STATEMENT OF NET POSITION

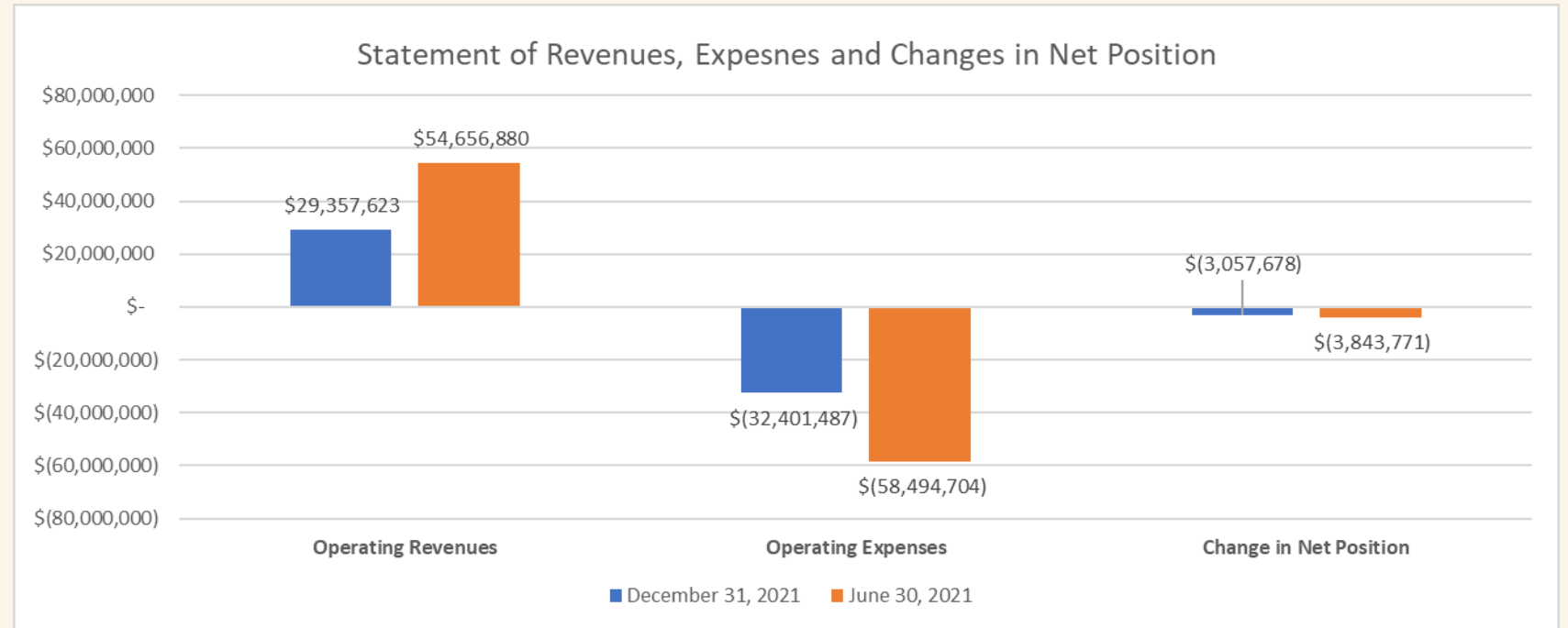
- ↓ Cash decreased \$4.1M
- ↓ Accounts Receivable are down by \$1.7M
- ↓ Liabilities are down by \$2.8M
- ↓ Largest factor is Accrued cost of electricity – down \$2.1M
- ↓ Net position is down \$3.1M



# STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

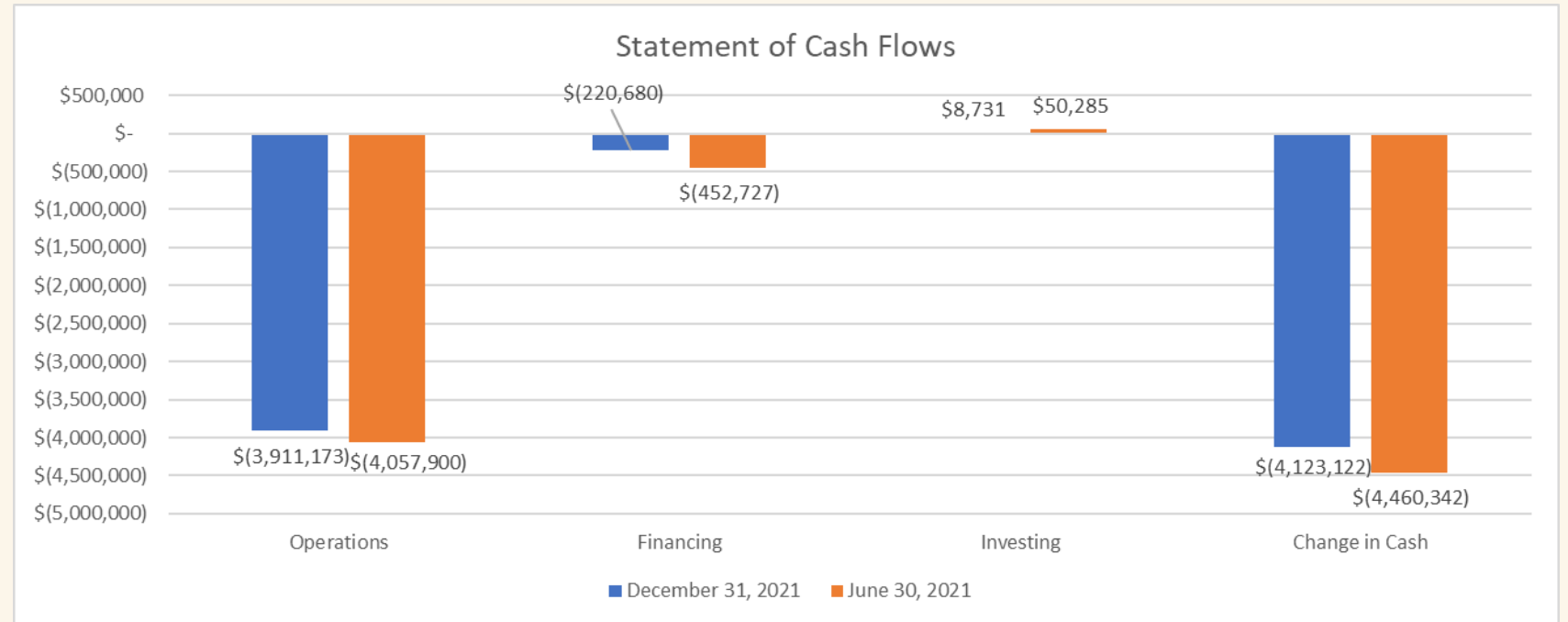
Primary drivers:

- Electricity sales and costs for 6 month period versus 12 month
- Conscious pricing decisions
- COVID19



# STATEMENT OF CASH FLOWS

- ▾ Operation used \$3.9M of cash
- ▾ Financing used \$220k of cash
- ▾ Net cash used in the 6 months was \$4.1M

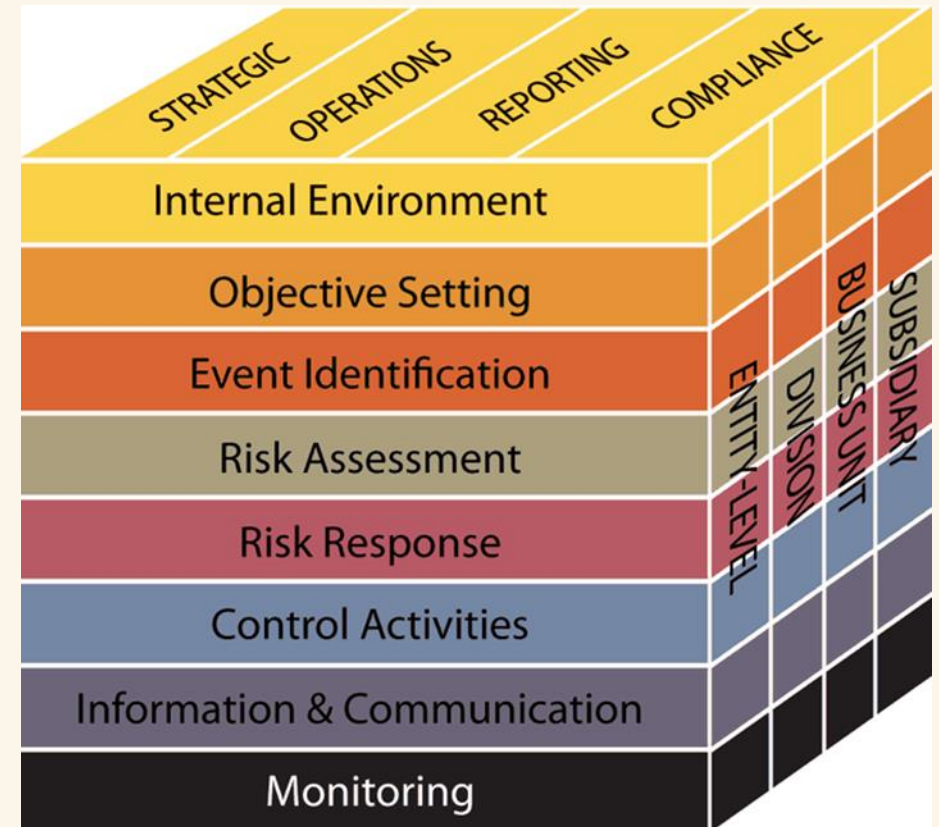


# NOTES

- Pages 12-18
  - Note 1, page 12 describes the change in fiscal year end
  - Note 1, page 14 summarizes restricted and unrestricted net position
  - Note 3, page 15 shows receivables and accrued; the allowance assumes certain reimbursements from the state for customer delinquent accounts.
  - Note 4 page 16, Line of Credit; balance at year end was zero
  - Note 4 page 16, chart shows payments made on term loan from River City Bank
  - Note 6 page 17, describes management consideration of GASB 87 implementation for leases
  - Note 10 page 18, describes management plans regarding future changes in customer rates

# INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL AND COMPLIANCE

- One Material Weaknesses identified
  - 2021-01 Closing Entries
- No instances of noncompliance identified



Thank you to  
Valley Clean Energy Alliance staff  
for the partnership  
in completing this engagement.

# QUESTIONS?

James Marta CPA, CGMA, ARPM

