



**VCE Community Advisory Committee Meeting – February 23, 2023
via video/teleconference**

Item 8 – VCE Strategic Plan



Public Comments

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Item 8 – Strategic Plan Update

Background & Overview

-  • VCE is a mission-driven organization
-  • The VCE Three-Year Strategic Plan aligns organizational efforts with policy priorities.
 - Plan Adopted November 2020 for the years 2021 through 2023
 - Plan is the basis for developing annual organization and individual goals, annual budgets, key decisions, and priorities.
-  • Significant progress has been made in each goal area.
-  • Outline a process and timeline for extending beyond the current end of the planning period (end of 2023)

Item 8 – Strategic Plan Update

FINANCIAL STRENGTH



Goal: Maintain and grow a strong financial foundation and manage costs to achieve long-term organizational health.

PROCUREMENT & POWER SUPPLY



Goal: 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.

CUSTOMERS & COMMUNITY



Goal: Prioritize VCE's community benefits and increase customer satisfaction and retention.

DECARBONIZATION & GRID INNOVATION



Goal: Promote and deploy local decarbonization and grid innovation programs to improve grid stability, reliability, community energy resilience, and safety.

STATEWIDE ISSUES: REGULATORY & LEGISLATIVE AFFAIRS



Goal: Strongly advocate for public policies that support VCE's Vision/Mission.

ORGANIZATION, WORKPLACE & TECHNOLOGY



Goal: Analyze and implement an optimal long-term organizational, management, and information technology structure at VCE.

Item 8 – Strategic Plan Update

FINANCIAL STRENGTH



Key Accomplishments (2022):

PROCUREMENT & POWER SUPPLY



CUSTOMERS & COMMUNITY



DECARBONIZATION & GRID INNOVATION



STATEWIDE ISSUES: REGULATORY & LEGISLATIVE AFFAIRS



ORGANIZATION, WORKPLACE & TECHNOLOGY



- Maintained cash reserves and liquidity with lines of credit through the initial launch, COVID-19 pandemic, and power market volatility to optimize VCE's financial health and competitiveness with PG&E.
- Repaid/Closed \$5M Line of credit to the County of Yolo
- New & Updated Policies - Cost recovery-based customer rate policy, expanded customer options (UltraGreen, Standard Green, & Base Green), collections policy, debt policy, Rate adjustment system to support establishing a credit rating by 2024.
- Credit Rating – 4 years of “Clean” audited Financials, credit line facilities for liquidity, and PFM as financial Advisor
- Customer Financial Support – Rate discounts (CARES, FERA, & Medical baseline), California Arrearage Payment Program (CAPP), Percentage of Income Payment Plan (PIPP) Pilot, Arrearage Management Program (AMP), etc.

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STATEWIDE ISSUES: REGULATORY &
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ORGANIZATION, WORKPLACE &
TECHNOLOGY



Key Accomplishments (2022):

- 12 Power Purchase Agreements (PPAs) - >85% renewable content by 2024
 - Local Power Content – Putah Creek (Winters/Yolo County), Gibson (Yolo County), & Tierra Buena Battery Storage Facility
 - 4 through California Community Power, PV plus storage, long duration storage, and geothermal technologies
 - Totals: 243 MW Renewables, 128 MW BESS, and 7 MW Demand Response.
- Performed portfolio analysis for 100% carbon neutral and carbon-free hour-by-hour.
- Completed Integrated Resource Plan (IRP) reflecting 80% renewables by 2030 (Board policy) and nearly 100% by 2035

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ORGANIZATION, WORKPLACE &
TECHNOLOGY



Key Accomplishments (2022):

- AgFIT pilot development and implementation designed to provide VCE agricultural customers with hourly price signals and incentives for irrigation automation and scheduling software to better manage energy costs.
- Maintained customer participation rate of over 90% for service territory.
- Customer Programs – 3-Year Programs Plan adopted by Board; 4 new programs launched and 3 maintained (2021-2022)
- Customer Opt-Ups – Member Agency (Yolo County, City of Davis)
- Significant improvements to the VCE website and materials, including adding content on newly launched programs, carbon-free vs. renewables, highlighting key UltraGreen customers on the homepage, updating FAQs, updating the financial resources page, adding the VCE Power Contract map, translating virtually everything into Spanish and improving Spanish website navigation.

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Key Accomplishments (2022):

- Completed portfolio analysis for 100% carbon neutral and carbon-free hour-by-hour by 2030 (Goal 4 – Decarbonization & Grid Innovation)
- Engaging member jurisdiction staff for UltraGreen Analysis & opt-up adoption; worked with Yolo County and City of Davis to opt up all muni-accounts not covered by existing renewable energy to 100% renewable UltraGreen.
- Awarded \$3.25M in funds for the 3-year pilot funding from CPUC under the Reliability OIR to develop and deploy an agricultural auto demand response (AgFIT).
- Exploring options for improved localized grid reliability (e.g. local solar + storage + microgrid).

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Key Accomplishments (2022):

- Actively participated in the CPUC Summer Reliability proceeding (AgFit Pilot) and PG&E Regionalization Proceeding. Active in the recently concluded legislative session for 2022.
- Briefed regulatory agencies on 1st season of AgFIT results – load shifted and engagement on sources of funding for pilot expansion.
- Engaged with CalCCA PCIA forecasting team to make more informed forecasts of PCIA and PG&E rates for budget forecasting.
- Sept. 22 Heat Storm - Participated in Statewide efforts led by Governor's Office to reduce/shift load during historic week-long heat event; direct engagement with member jurisdictions and customers to reduce/shift load during critical peak hours.
- Engaged/Supported CalCCA priority legislative efforts, including becoming more directly involved with CalCCA's Leg. Committee.
- Adopted support and oppose positions on three bills of importance to VCE and engaged in lobbying through VCE's lobbyist.
- Secured CalCCA leadership to sponsor an effort to include funding in the 2023 state budget to expand the AgFIT pilot to other CCAs.

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Key Accomplishments (2022):

- Transitioned Wholesale Energy Services role to The Energy Authority.
- Transitioned Customer Outreach support to REACH Strategies.
- Recruited and retained key personnel for leadership and operational positions.
- Lead California Community Power joint powers authority Board subcommittee in the development and adoption of it's first multi-year strategic plan - optimize shared CCA platform to execute multiple PPAs to meet regulatory requirements.
- Continue to promote, support, and provide annual diversity reports (GO 156) for CPUC.
- Actively monitor POU formation activities and funding options in PG&E service territory.

Item 8 – Strategic Plan Update

“Rolling” Strategic Plan Concept (Beyond 2023)

- Current Strategic Plan runs through the end of 2023.
- The proposed one-year “rolling” action plan
 - Maintain a three-year outlook.
 - Extensions each year so that the Plan is always 1+ years
 - 2024-2025 Strategic Plan Objectives – Completed in 2023. Addition of two years
 - 2026 Strategic plan objectives – Completed in 2024. First year of rolling 1+ year development

Item 8 – Strategic Plan Update

Tentative development milestones and timeline: Strategic “Rolling” Plan development calendar:

- **February 23, 2023 - CAC (Current).** Present rolling strategic plan process and timeline to CAC. Recommend that the CAC form a Task Group to provide feedback related to the development of a rolling strategic plan.
- **March–June 2023** – CAC Task Group to provide input and feedback to staff in developing the working draft plan.
- **June – July 2023** – Draft Plan. Present Draft to CAC/Board for feedback in Q3 2023.
- **August – September 2023** – Final draft plan. Present final draft to CAC/Board for consideration for adoption by Q4 2023.

Discussion

Staff is recommending the CAC form a Strategic Plan Task Group.



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Item 10 – Inflation Reduction Act (IRA)



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OVERVIEW AND ITEMS OF INTEREST TO VCE CUSTOMERS

- Signed into law in August 2022
- Total of \$739 billion
- About \$300 billion for energy security and climate change programs over ten years
- Also includes prescription drug pricing reform, Medicare changes, as well as other non-energy/climate provisions

PARTIAL LIST OF IRA FUNDED CLIMATE/ENERGY PROGRAMS

- \$1 billion for improving energy efficiency, water efficiency, or climate resilience of affordable housing.
- \$1 billion to update to the latest building energy code and zero energy/stretch codes.
- \$3 billion for loans to build new clean vehicle manufacturing facilities and \$2 billion in grants to retool existing auto manufacturing facilities to manufacture clean vehicles.
- \$3 billion for Environmental and Climate Justice Block Grants for community-led projects in disadvantaged communities and community capacity-building centers to address the disproportionate environmental and public health harms caused by pollution and climate change.
- \$5 billion in grants to support healthy, fire resilient forests, forest conservation, and urban tree planting.
- \$4 billion for drought mitigation.
- \$1.8 billion for hazardous fuels reduction projects on National Forest System land within the wildland-urban interface.
- \$27 billion for a Greenhouse Gas Reduction Fund to support the rapid deployment of low- and zero-emission technologies, with 40 % allocated for low-income and disadvantaged communities.

Item 10 – Inflation Reduction Act (IRA)

- **FEDERAL TAX CREDITS AVAILABLE NOW FOR HOMEOWNERS AND BUSINESSES**
 - Tax credits for various energy efficiency projects and clean energy projects
 - Significant changes for non-profits and local governments related to tax credits
- **STATE REBATES COMING SOON WITH IRA FUNDING FOR ENERGY EFFICIENCY PROJECTS**



FEDERAL TAX CREDIT

Electric Vehicles – Passenger Vehicles

- Extends existing \$7500 tax credit but adds criteria to qualify
- Vehicles must be assembled in North America and contain certain material content
- Includes hybrids
- Adds EV charging stations to eligibility



Electric Vehicles – Commercial Vehicle Tax Credits

Commercial EV Tax Credits do **NOT** include the same limiting criteria as those for passenger vehicles; vehicle must be used for business purposes

Amount of Tax Credit

- Lesser of 30 percent of the sales price or the incremental cost of the vehicle
 - Up to \$7,500 for vehicles weighing less than 14,000 pounds
 - Up to \$40,000 for vehicles weighing more than 14,000 pounds

Item 10 – Inflation Reduction Act (IRA)

Tax Credits for Commercial Electric Vehicle Charging Infrastructure

- 30 percent up to \$100,000 per charger



Item 10 – Inflation Reduction Act (IRA)

RESIDENTIAL ROOF TOP SOLAR

- 30% of cost to purchase and install (increased from 26%) for ten years
- Decreases to 26% in 2033 and 22% in 2034
- Adds battery storage paired to panels to eligibility



HOME ENERGY EFFICIENCY TAX CREDITS

- Heat Pumps
- Home energy efficiency improvements
 - Covers qualified windows, doors, HVAC systems, water heaters and other energy efficiency equipment that meet specified criteria
 - Begins in 2023; continues through 2033
 - Anticipates rebates distributed through states beginning in 2023



Item 10 – Inflation Reduction Act (IRA)

OTHER TAX CREDITS CHANGED BY THE IRA

- Investment Tax Credit extension for certain types of projects
- Production Tax Credit for eligible projects
- Production Tax Credit for Electricity Produced from Renewables (such as solar arrays)
- Special tax credits for renewable energy generation projects located in low-income communities and tribes



Item 10 – Inflation Reduction Act (IRA)

COMING SOON – ENERGY EFFICIENCY REBATES

- Funds for energy efficiency and other rebates sent to States for distribution
- California Energy Commission and CPUC two lead agencies
- Funds for existing and new programs
- Tentative timeline:
 - DOE engaged in “listening” sessions
 - Funds expected to reach states’ “Energy Office” in Spring 2023
 - Other IRA funds may go to other state agencies
 - State agencies distribute funds through existing and new programs – not sure yet when available



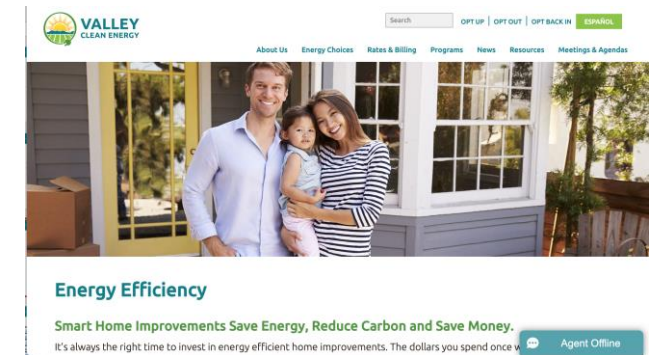
BIG CHANGES FOR TAX-EXEMPT ENTITIES

Before the IRA, local governments and other tax-exempt entities could not take advantage of Federal tax credits because they do not pay taxes.

- Tax-exempt entities now can receive tax credit benefits with a direct payment option in lieu of tax credits for certain projects.
 - Purchase of EVs and charging infrastructure (same as for commercial EVs)
 - Renewable Energy Production Tax Credits

PLANNED VCE ACTIVITIES

- Update website with EV and home energy efficiency tax credit information
- Update website with rebate information as it becomes available
- Reach out to member agencies with information about what is applicable to them (i.e., Commercial EVs and direct payment option in lieu of tax credits, rebates)
- Consider applying for IRA-related funding or using tax-exempt opportunities for new renewable energy projects



Item 10 – Inflation Reduction Act (IRA)

RESOURCES TO LEARN MORE

- **WHITE HOUSE IRA PORTAL**
<https://www.whitehouse.gov/cleanenergy/>
- **WHITE HOUSE GUIDEBOOK ABOUT IRA**
<https://www.whitehouse.gov/cleanenergy/inflation-reduction-act-guidebook/>
- **IRS FAQs ABOUT IRA RESIDENTIAL TAX CREDITS**
<https://www.irs.gov/pub/taxpros/fs-2022-40.pdf>
- **IRS FACT SHEET ABOUT IRA TAX CREDITS**
<https://home.treasury.gov/system/files/136/Fact-Sheet-IRA-Equitable-Clean-Energy-Economy.pdf>
- **NATIONAL LEAGUE OF CITIES ARTICLE ABOUT TAX CREDITS FOR LOCAL GOVERNMENTS**
<https://www.nlc.org/article/2022/09/23/inflation-reduction-act-clean-energy-project-eligibility-for-local-governments/>
- **ENERGY STAR INFORMATION ON IRA FOR HOMEOWNERS, BUILDERS, COMMERCIAL BUILDINGS**
https://www.energystar.gov/about/federal_tax_credits