VALLEY CLEAN ENERGY ALLIANCE
Staff Report – Item 10

TO: Board of Directors

FROM: Mitch Sears, Chief Executive Officer
Girish Balachandran, Workshop Facilitator

SUBJECT: Report on the October 23, 2026 Board Strategy Workshop and Proposed Next Steps

DATE: November 12, 2026

RECOMMENDATION

1. Receive report on the October 23, 2026 Board Strategy Workshop.
2. Direct Staff to work with the Chair and Vice Chair to implement Tier 1 adjustments in 2027 that were identified at the workshop and consider additional adjustments noted in this report as needed to support Board effectiveness.

BACKGROUND

The Board held a Strategy Workshop on Friday, October 23, 2026, at Hotel Winters. Five directors and one alternate took part, along with the Chief Executive Officer, the Chief Financial Officer, General Counsel, and VCE's power, programs and administration staff. The purpose of this report is to summarize the discussion and key outcomes of the workshop.

Girish Balachandran of GB Endeavors LLC facilitated the workshop and was supported by staff. Three directors were not able to attend. The workshop discussions and exercises showed that VCE and its Board function effectively overall and that modest adjustments can help maintain that function and provide targeted improvements in the information that supports Board function and decisions. Recommendations resulting from the workshop focus on near-term (Tier 1), and additional adjustments.

<u>What directors read before the workshop</u>

The packet sent to directors had a two-page memo and four documents:

- 2026–2029 Strategic Plan
- the annual Strategic Plan Report of February 12, 2026
- the Enterprise Risk Management Report of October 8, 2026; and
- the Board's long-range calendar of October 8, 2026.

The workshop memo described the workshop process and follow up.

Workshop Outline

The workshop had six parts.

1. Opening. The Chair opened the item. The Chief Executive Officer spoke about VCE's mission, where VCE stands, and the year ahead. Each director wrote down the one thing VCE has done since 2018 that they are proudest of, and read it aloud.

2. A short team exercise outside the room, followed by a few minutes on what it showed about planning, roles and pacing.

3. Where VCE stands. The Chief Financial Officer recapped what VCE has done since 2018, what the four member communities have in common, the pressures on VCE, and the choices the Board controls.

4. How a board like VCE's governs well. The facilitator described five things a board like this one does:
    a) it sets goals;
    b) it delegates to staff and checks results;
    c) it works with the CEO;
    d) it acts as one board; and
    e) it looks at how it is working as a board.

    Directors wrote down one thing they know well about their own city and one thing that they wish they knew as well about VCE, and read it aloud. Directors also wrote which of the five general activities they want the Board to spend more time on in 2027 and posted it on the wall. There was no discussion of those notes.

5. Three key reports. For the Strategic Plan Report, the Enterprise Risk Management Report and the long-range calendar, Directors were prompted to note what to keep, what to change and what to start, and posted the notes on a twelve-month strip of the Board's calendar on the wall.

6. A hard year. The Chief Financial Officer explained the two Board policies that decide where a year's net margin goes (to customer discounts, programs or reserves), where the 2025 net margin went, and what the next few years look like at the current discount. Each director then wrote the principle they would hold to in a hard year, and what they would need to see from staff before deciding where to cut.

The morning closed with a round of comments from directors, public comment, and the Chair's note that a staff report summarizing the workshop and key outcomes would be included on the Board's November meeting agenda.

As designed, in order to facilitate open dialog, the workshop focused on Board discussion and general direction but did not include specific decisions. Workshop notes are included as Attachment 1.

ANALYSIS

1. Key Board Direction (Tier 1)
Taken together, the notes and Board discussion conveyed three key directives below that staff will be implementing in the first half of 2027 – these are the recommended Tier 1 directions. In addition, staff will work with the 2027 Board Chair and Vice Chair to consider implementation of additional feedback received during the workshop.

1. **Three key VCE reports**.
   - The Strategic Plan Report should convey whether the year was good or hard, and to connect the goals to the budget.
   - The Enterprise Risk Management Report should be a regular agenda item with a plain language expansion of the discussion of each major risk and what staff is doing to mitigate that risk.
   - Add additional items to the long-range calendar as outlined in Attachment 2.

   Additional information on the discussion about these three reports is included in Attachment 3.

2. **About learning, and about the Board itself.** Directors asked for regular, short education items on the topics they wish they had understood in their first year. For example: how VCE is regulated, information on VCE's programs, and what happens when money moves among the customer discount, programs and reserves. Directors also requested a regular time each year when the Board talks about how well it is working. Staff and the workshop facilitator are drafting a framework that can be helpful in future Board discussions on this topic.

3. **About a hard year.** Directors wrote down the principles they would hold to if a challenging year or multi-year period is forecasted. For example: protection of low-income customers, keeping rates below PG&E, protecting VCE's financial health. A key consideration identified during the discussion was that before deciding where to cut, they would benefit from an analysis that shows the effect on low-income customers, the options and what each action would mean, a comparison across program areas, and the reasons for the reserve level.

<u>Potential additions to reports</u>
In addition to the Tier 1 items above, staff is considering the incorporation of one or more of the following sections in reports when the additional information would assist the Board on key policy or implementation decisions.

Description
Staff reports on major items: include a description on which Strategic Plan goal it is linked to.
A glossary of acronyms: update the existing acronym glossary posted on the VCE website and link to it in staff reports.
The Strategic Plan Report add a one-page scorecard, one row per goal, with staff's view of whether the year was good or difficult, and specifically note which goals the adopted budget funds.

Description
The rates and budget staff report shows the four things the Board asked for: the effect on low-income customers, the options and what each would mean, a comparison across program areas, and the reasons for the reserve level.

Potential Items for the 2027 minor update of the Strategic Plan

Staff propose to bring several items noted in the Board workshop discussion to the 2027 minor update.

- Timing of the Strategic Plan Report. Board notes suggested that the Plan update be brought before the budget so that it can guide the budget – typically the Strategic Plan updates have occurred in Q3 and budget takes place in Q4. The Strategic Plan sets when the report is due, so a change belongs in the 2027 update.
- How the Board weighs discounts, programs, reserves and clean power in a hard year. The six principles in Attachment 1 are the Board's first direction on this topic. Objective 1.6 of the Strategic Plan, a long-term reserve and community investment strategy, could be amended to address these issues.
- What customers think of VCE. Develop better understanding related to customer satisfaction and related engagement strategies.

CONCLUSION

The workshop produced a clearer understanding of how the Board receives information and ways to make that information more useful in the decision-making process. Staff will be reviewing the feedback received at the workshop and work with the Chair and Vice Chair in 2027 on any changes in addition to the noted Tier 1 adjustments that should be incorporated going forward.

Next steps:

- **November 12, 2026.** The Board receives this report.
- **Closing out 2026.** The facilitator's engagement ends with a debrief with the Chief Executive Officer by the end of 2026.
- **Quarter 1 2027.** Staff implements Tier 1 adjustments outlined in Section 1 of this report.
- **First half of 2027.** In consultation with the Board Chair and Vice Chair, staff implements any additional adjustments to staff reports and the 2027 Minor Strategic Plan update.
- **2027.** Board Chair and staff schedule Board discussion of how it is working together.

ATTACHMENTS

1. Facilitator's summary of the October 23, 2026 Board Strategy Workshop, with every note from the wall typed word for word
2. Proposed additions to Long Range Calendar
3. Summary of Board comments on three key VCE reports

ATTACHMENT 1

Facilitator's Summary of the October 23, 2026 Board Strategy Workshop

Prepared by Girish Balachandran, GB Endeavors LLC, for the Board of Directors. This is the written session summary under Phase 3 of the facilitation agreement.

1. What the workshop was for

The Board set aside a morning to step back from the regular agenda and look at three things: whether the Board is getting what it needs from the reports it already receives; how a small, part-time, appointed Board keeps up with a complex business; and how the Board would act when a year turns hard. The goal was ideas and options, with nothing decided. The notes directors wrote and posted are the product of the morning.

2. How the morning ran

Time	Part	What happened
9:05	Opening	The Chair opened item 4. The Chief Executive Officer spoke about the mission, VCE's operating foundation, and the year ahead. Each director wrote the thing VCE has done since 2018 that they are proudest of, and read it aloud.
9:25	Team exercise	A short exercise outside the room, followed by a few minutes on what it showed about planning, roles, pacing, and watching what others are doing.
9:35	Where VCE stands	The Chief Financial Officer recapped what VCE has done since 2018, what the four member communities have in common, the pressures on VCE, and the choices the Board controls.
9:50	How a board governs well	The facilitator described five things a board like this one does: it sets goals; it delegates to staff and checks the results; it works with the CEO; it acts as one board; and it looks at how it is working as a board. Directors wrote one thing they know well about their own city that they wish they knew as well about VCE, and read it aloud. Directors also wrote which of the five things they want more Board time on in 2027 and posted it. Those notes were not discussed.
10:20	The three reports	For the Strategic Plan Report, the Enterprise Risk Management Report and the long-range calendar, each director wrote what to keep, what to change and what to start, and posted it on a twelve-month strip of the Board's calendar.
10:55	Break	
11:05	A hard year	The Chief Financial Officer explained the two Board policies that decide where a year's net margin goes, where the 2025 net margin went, and what the next few years look like at the current discount. Directors asked about the consequences of decisions three to five years out and about showing uncertainty inside the reports. Each director then wrote the principle they would hold to when things are tough, and what they would need to see from staff before deciding where to cut.
11:40	Close	A round of comments from directors, public comment, and the Chair's note that a staff report on the workshop would come to the November meeting.

Rules kept all morning: write first, then post, then talk; everything in the open; nothing decided; and a sheet by the door for things outside VCE's control.

3. What the Board said, by topic

What the Board is proud of. Eight notes, all about money, rates and keeping promises: becoming a CCA and lowering rates; financial stability with rates below PG&E; clean audits and the credit rating; the 10 percent discount for CARE and FERA customers; the move toward carbon-free power; the day VCE started service in June 2018; and "doing what we said we would do."

What directors wish they had understood in their first year. Ten notes. Nearly all are about how VCE is regulated (the CEC, the CPUC and the CAISO), the acronyms, what VCE's programs do and what local control means at VCE, the Strategic Plan as the basis for decisions, and what happens when money moves among the discount, programs and reserves. Two are about the outside world: what customers think of VCE, and which legislative items carry risk. Aloud, directors said that city government has known rules and VCE's world does not; that an alternate who steps in has a hard time; that everyone has a limit to what they can absorb, so repeating the basics is good; and that one director wished they had read the Strategic Plan in detail before their first meetings.

The three reports. Nineteen notes. The long-range calendar is fine as it is. The Strategic Plan Report is good as it is but should state a conclusion, good year or hard year, perhaps as a scorecard, and should connect the goals to the budget. The Enterprise Risk Management Report is the one the Board wants to discuss: twice a year as a discussion item, with what staff are doing about each risk clearly explained, the PCIA in plain language, legislation tied to risk, and new risks such as AI and data centers.

The Board itself. Four notes asked for a regular time when the Board discusses how it is working: during meetings, perhaps quarterly; in January; or along with the CEO's review. Directors also asked staff to keep bringing scenarios and to keep teaching the Board about energy purchases, asked to take one Strategic Plan goal at a time through the year, and asked for a way to report back to their councils.

A hard year. Six principles, in two groups. One group: protect low-income customers, keep rates below PG&E, reduce the difference only as a last resort, and do not go backwards on renewables. The other group: protect VCE's financial health, keep focus, "skinny down" where possible, communicate with ratepayers, think long term, and be ready to spend less on programs or to slow progress toward carbon-free power. Between the two: offer customers something more tangible than lower rates, as other CCAs do; and "keep talking." Nobody wrote "cut the discount first" or "protect programs first."

What the Board would need from staff before a hard-year decision. Seven notes: the effect of rate changes on low-income customers; known unknowns, the different options, and the consequences of changing the cash on hand; a review of the dividend program; comparisons between program areas before setting priorities; clear evidence of a threat before the rate difference is reduced; complete honesty along with a way to reduce harm; and a glossary of acronyms. Aloud: the consequences of today's decisions three to five years out; uncertainties shown inside the reports; and every staff report tying its item to the Strategic Plan and the trade-offs.

Outside VCE's control. The CPUC and the PCIA were discussed as things VCE can watch but cannot control.

4. Decisions

None. The workshop was noticed for discussion only. The Board's ideas will be included in the November 12 staff report.

5. Next steps, as the facilitator sees them

1. On November 12, the Board receives the staff report and directs staff to carry out the changes to the reports, using their judgment on how and when.
2. Staff change the next reports as the staff report describes, beginning with the December rates and budget item as far as time allows.
3. At the first meeting of 2027, the long-range calendar comes with proposed dates for the education items, the orientation, the Board's yearly discussion of how it is working, and the risk report as a discussion item.
4. The Board uses a framework developed with the Facilitator as the starting point when it first discusses how it is working in 2027, and rewrites it as it wishes.
5. The items that would change the Strategic Plan or its schedule go to the 2027 minor update.

Appendix: every note from the wall, typed word for word

Every note from the morning, typed from the photographs taken at the end of the workshop. Nothing is reworded. No names. A word that could not be read is marked [unclear]. For the calendar strip, the month and row are where each note sat. Where a note fit more than one month or row, directors were told to post it anywhere on the sheet.

A. The three reports: Keep, Change, Start (19 notes)

Month	Row	Text
Feb	Keep	Long Range Calendar. No issues with current practice
Feb	Keep	STRATEGIC PLAN RPT. · it's good as is. · perhaps semi-annual updates · how we are going to achieve full municipalization
Feb	Keep	STRAT. PLAN: IT DOES give an indication but one must draw the conclusion. Perhaps staff could offer a pro opinion.
Feb	Keep	L.R. Calendar: Feb, Apr, Jun, July, Sept – Dec. Not apparent to me.
Feb	Change	ADD TIME DURING MTGS. TO ASSESS SELF (BOARD): PERHAPS QUARTERLY · SELF REFLECTION
Jan	Start	Board self reflection in Jan
Feb	Start	SET GOALS: Relationship between goals and budgetary / policy choices – how are we deviating, given shifting market conditions, etc.? Do we need to update goals or budget accordingly?
Feb	Start	Strategic Plan report could just add a synopsis as to whether the previous year was a good year or a hard year. (Perhaps it could be a scorecard.)
Apr	Keep	RISK: – PCIA: as I understand it though all that can be done is to pay attention which staff does.
Apr	Start	More on AI / data centers, how it's impacting energy markets; and what possibilities exist for cross-CCA cooperation / bargaining, esp. with hyper-scalers.

Month	Row	Text
Apr	Start	always worried about PCIA
Jun	Start	probably a good idea to schedule some occasional refresher educational items to keep the board always learning more.
Jul	Keep	Work with CEO · Keep the scenarios coming. · Keep educating us on complexities of energy purchases
Jul	Start	How did we do as a board? Can we chat along w/ CEO review? After
Jul	Start	5 elements: I'd like our board to discuss risk report 2x year. Review a goal from strategic plan 2-6 x year.
Oct	Keep	Risk report. · I need to pay more attention to them. · volatility of energy marketplace · how did PG&E make so many bad decisions?
Oct	Change	I feel VCE and CCA's are "half a loaf." We should all be working towards full municipalization
Oct	Start	Risk – volatility – mitigation measures are clearly explained
Oct	Start	Strategic Plan Report – before budget – not 2 mo. after. Then we know where we are & it drives budget

B. Since 2018, what I am proudest of (8 notes)

Text
10% CARE/FERA discount
Financial strength. Clean audits + credit rating – 100% GHG Free by 2028
VCE's success in launching and maturing into a CCA
June 1, 2018 – the day we flipped the switch…
Renewable / carbon free % trajectory / continued commitment
We are financially stable with rates 5%! below the I.O.U.
Ensured fiscal health despite market volatility (since 2023 when I joined)
Doing what we said we would do.

C. Topics I wish I had understood in my first year (10 notes)

Text
Are customers of VCE truly satisfied w/ VCE, or what more do they desire, want to see offered?
City – implications of shifting budget to different policy priorities. VCE – given energy market volatility, what are the implications of shifting budget across rate disc./programs/reserve etc.
I feel well informed having learned from staff and CCA conferences. I also don't like CPUC.
I understand city gov. very well; wish I had some understanding on regulatory framework that applies to VCE.
Annual City Bdgt = $21M [unclear]. What is VCE tools to comprehend a complex subject.
Know programs more – how they support our brand. Local control
Know strategic plan better and how it is base for decision.
Legislative reports need a context of how they impact risk.
details on CA regulatory (a primer) structure – CEC, CPUC, CAISO
Wish we had definitions of the many acronyms and how they are relevant / intersect decisions.

D. Principles for a hard year (6 notes)

Text
Principle: protect low-income consumers [2ndary: don't go backwards on renewable]
Might have to spend less on local programs or slow progress in meeting carbon free [unclear]
1.) Financial stability – kind of general but overarching the financial health of the org. 2.) From staff: analysis of what cuts would do.
Keep talking
in my opinion, we need to offer customers something more tangible than lower rates… other CCAs are doing more programming.
· maintain focus · skinny down wherever possible · communicate with rate payers · emphasize long term

E. What I would need to see from staff (7 notes; one is a principle that was posted on this sheet)

Text
From staff: – more information about the impacts & rates on low-income customers (in "hard year") – e.g. poverty elasticity of energy rates
What do I need to see from staff – Known unknowns, anticipated influences. Different options. Dividend program review. Consequences of changing $ on hand.
Acronym glossary w/ brief definition of what significance of what it represents?
Complete & brutal honesty along with way to mitigate harm
Comparisons between each program area before we decide how to prioritize
PRINCIPLE: Struggle to maintain rate below I.O.U. Reduce △ only as a last result.
What I need to see: To eliminate rate differential, I would need to see significant evidence of threat to justify level of reserves.

F. Outside VCE's control. Nothing was posted on this sheet. The CPUC was discussed aloud as outside VCE's control.

ATTACHMENT 2

Proposed additions to the long-range calendar

No dates are set. Staff, working with the Board Chair and Vice Chair, should evaluate these items and incorporate them into the 2027 long-range calendar at the first Board meeting of 2027. The list below shows what each item is and where it came from.

Proposed item	What it is	Where it came from
Board education items	A short item at some regular meetings on one topic the Board needs for a decision ahead. The first topics come from what directors wished they had known in their first year: how VCE is regulated; VCE's programs and local control; how money moves among the discount, programs and reserves; Resource Adequacy and energy purchases. The Board can choose between items inside regular meetings and separate sessions in months with no regular meeting.	Ten "first year" notes; one note on the calendar strip; comments aloud
Orientation for new directors and alternates	A short session and a short packet in January, after appointments: the Strategic Plan, the three reports, the glossary, the calendar, and who to call with questions.	The "first year" notes
A yearly meeting on goals and priorities, before the budget is built	VCE's 2018 Budget Policy calls for setting goals and priorities before building the budget. Today the Strategic Plan does this: staff builds each budget from the Plan's priorities and progress reports. Staff will highlight these priorities in the budget adoption and incorporate an outlook into the Strategic Plan annual report.	Two Strategic Plan notes; the 2018 Budget Policy
A time each year when the Board discusses how it is working	About thirty minutes in open session: are the meetings worth the time, is the Board getting what it needs from staff, and what should change. Notes suggested January, December, or a shorter version each quarter. The Board chooses.	Four notes
The Enterprise Risk Management Report as a discussion item, twice a year	The April and October reports come as discussion items with time to talk. In a hard year, more often.	Three notes
One Strategic Plan goal at a time	A short look at one goal at two to six meetings a year, between the annual reports.	Two notes
A short note directors can take to their councils	After each major Board action, a short plain-language note a director can use with their own council. Once a year, a one-page account of what VCE did for each member community.	One director's comment
Review dates for key policies	Key Board policies that need a review date get one, starting with the 2018 Enterprise Risk Management Policy, which has not been reviewed since it was adopted.	Raised by the facilitator

Proposed item	What it is	Where it came from
A review of the dividend program	Along with the yearly decision in June on how to use the net margin.	One hard-year note

ATTACHMENT 3
Summary of Board comments on three key VCE reports

What the Board said about each report

The long-range calendar. Keep it. Directors differed on how many meetings to hold. One wants fewer regular meetings, with education sessions in the months between. Another does not want fewer meetings, because complex topics need to be repeated. Directors agreed that education items belong on the calendar.

The Strategic Plan Report. Keep it. Three notes asked the report to state a conclusion: was the year good or hard, perhaps as a scorecard, with staff's professional opinion. Two notes asked the report to connect the goals to the budget: deliver the report before the budget rather than after it, and say whether goals and spending are moving apart as market conditions change. One note asked the Board to review one goal at a time through the year. One note asked for the report twice a year. Two notes raised full municipalization.

The Enterprise Risk Management Report. This is the report the Board most wants to discuss. Notes asked for the Board to discuss the risk report twice a year, and more often in a hard year; for the report to explain clearly what staff is doing to reduce each major risk; for a plain explanation of the PCIA, since "all that can be done is to pay attention"; for legislative reports to say which risk each bill affects; and for coverage of new risks, such as AI and data centers, and whether CCAs could work together on them.