

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 17

TO: Board of Directors

FROM: Edward Burnham, Director of Finance & Internal Operations
Mitch Sears, Executive Officer

SUBJECT: VCE Strategic Plan Minor Update and Extension through 2025

DATE: September 14, 2023

RECOMMENDATION

Approve the minor update of the VCE Strategic Plan and extended current end of the planning period to the end of 2025.

OVERVIEW

The purpose of this report is to present the proposed minor update of the 2021-2023 Strategic Plan to extend the current planning period to the end of 2025.

BACKGROUND & DISCUSSION

The Board ratified the VCE Three-Year Strategic Plan (Plan) for 2021-2023 at its November 12, 2020 meeting ([VCE-Strategic-Plan-Final.pdf \(valleycleanenergy.org\)](#)). The purpose of the Strategic Plan “Plan” is to focus VCE on achieving better energy outcomes for its customers and communities by guiding the organization’s actions. The Strategic Plan is aligned with VCE’s mission and vision and guides the organization’s efforts over a multi-year time horizon. The Plan is the basis for developing annual organization goals, staff work plans, annual budgets, key decisions, and priorities. The Plan also informs the development of VCE’s compliance documents, including the Integrated Resource Plan (IRP) required by the California Public Utilities Commission, a document that sets out a 10-year roadmap for energy procurement that is updated on a 2-year basis.

The initial Strategic Plan covered a fixed period from 2021 to 2023. At the July 13, 2023 meeting, the Board adopted the strategic plan guidelines ([Item 12](#)) that set out the process and timeline for Plan updates. The Guidelines included a proposed timeline for extending the 2021-23 plan through 2025 with a minor update as part of that process. The Guidelines also established that Strategic Plan major updates would occur every four years. This cadence is set for future updates to fall on years that do not require updates to VCE’s Integrated Resource Plan (IRP). This overall schedule is shown in the Strategic Plan Update Schedule below. Note: Staff will also review and report annually to the Board and CAC on the status of Plan goals, objectives and metrics.

Strategic Plan Update Schedule

Extension of 2021-2023 Plan			Strategic Plan				Strategic Plan			
2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Minor Update		Major Update		Minor Update		Major Update		Minor Update		Major Update
	IRP WORK		IRP WORK		IRP WORK		IRP WORK		IRP WORK	

2021-2023 Minor Update for 2024-2025

As outlined in VCE’s strategic plan guidelines, the minor update is a relatively high-level review/update to existing goals and objectives performed by Staff to incorporate plan adjustments associated with changing legislative, regulatory, customer, and economic requirements, and to reflect plan milestones achieved.

Staff, in coordination with the CAC Strategic Plan Task Group, have developed the minor updates to the strategic plan included in Attachment 1 – 2021-2023 Strategic Plan Draft Minor Update that includes the following key updates (shown in redline highlights in the attachment):

- General update replacing “VCEA” with “VCE”
- Investment Grade Credit Rating (Objective 1.2) – This section has been updated to extend the date from 2024 to 2028 due financial impacts from the COVID-19 pandemic, for example, continued volatility and increase with PCIA and PG&E rates.
- Manage Customer Rates (Objective 1.4) – This section has been updated to include the lowering customer costs.
- Long Range Financial Model (Objective 1.5) – This section has been added to develop a model focused on VCE’s financial health (Reserves) and rate stability.
- Renewables Update (Goal 2 / Objective 2.1) – This section has been updated to include Board approval of Item 14 on July 13, 2023 to increase the renewable goal to 100% and to procure local storage resources.
- Customers and Community (Goal 3) – This section has been updated to include implementation of items during the extension period.

Community Advisory Committee Recommendation

The CAC recommended approval of the strategic plan minor update extension with no recommended changes.

CONCLUSION

Staff believes the recommended 2021-2023 strategic plan minor update represent a balanced approach for extending the 2021-23 plan through 2025. Staff is seeking Board approval of the 2021-2023 strategic plan minor update and extension of the plan through 2025. As outlined in the strategic plan guidelines, Staff will continue to review and update the Plan on an annual basis to ensure that VCE remains on track and course corrects if necessary.

ATTACHMENT

1. 2021-2023 Strategic Plan Draft Minor Update (Redlined)
2. 2021-2023 Strategic Plan draft Minor Update (Clean)



Valley Clean Energy Strategic Plan

Approved by VCE Board October 8, 2020

January 2021 - December 2023

2024-2025 Extension and Minor Update (Draft)

VCE MISSION

Deliver cost-competitive clean electricity, product choice, price stability, energy efficiency, and greenhouse gas emission reductions.

VCE VISION

Valley Clean Energy Alliance (~~VCEAVCE~~) is a joint-powers authority working to implement a state-authorized Community Choice Energy (CCE) program. Participating ~~VCEAVCE~~ governments include the City of Davis, the City of Woodland, the City of Winters, and County of Yolo. The purpose of VCE is to enable the participating jurisdictions to determine the sources, modes of production and costs of the electricity they procure for the residential, commercial, governmental, agricultural and industrial users in ~~their area~~ the VCE territory. PG&E ~~would~~ continues to deliver the electricity procured by ~~VCEAVCE~~ and performs billing, metering, and other electric distribution utility functions and services. Customers within the participating jurisdictions ~~would~~ have the choice not to participate in the ~~VCEAVCE~~ program.

Near-Term¹ Vision

The near-term vision for ~~VCEAVCE~~ is to provide electricity users with greater choice over the sources and prices of the electricity they use, by:

- Offering basic electricity service with higher renewable electricity content, at a rate competitive with PG&E;
- Developing and offering additional low-carbon or local generation options at modest price ~~premiums~~ differentials;
- Establishing an energy planning framework for developing local energy efficiency programs and local energy resources and infrastructure; and
- Accomplishing the goals enumerated above while accumulating reserve funds for future ~~VCEAVCE~~ energy programs and mitigation of future energy costs and risks.

Long -Term Vision

The future vision for ~~VCE~~VCE is to continuously improve the electricity choices available to ~~VCE~~VCE customers, while expanding local energy-related economic opportunities, by:

- Causing the deployment of new renewable and low carbon energy sources;
- Evaluating and adopting best practices of the electricity service industry for planning and operational management;
- Substantially increasing the renewable electricity content of basic electricity service, with the ultimate goal of achieving zero carbon emissions electricity;
- Developing and managing customized programs for energy efficiency, on-site electricity production and storage;
- Accelerating deployment of local energy resources to increase localized investment, employment, innovation and resilience;
- Working to achieve the climate action goals of participating jurisdictions to shape a sustainable energy future;
- Saving money for ratepayers on their energy bills; and
- Remaining open to the participation of additional jurisdictions.

¹ Launch Phase and First Year

STRATEGIC PLAN

This ~~VCE~~VCE Strategic Plan ~~is~~ ~~is~~ ~~focuses~~ ~~VCE~~ on achieving better energy outcomes for its customers and communities by guiding the organization's actions ~~over the next three years~~. The Plan ~~and minor update~~ maps a route to VCE's goals and allows for course correction as new information and learning occurs. The energy sector in California is in a transformational period and VCE allows local energy priorities and needs to be heard and ultimately acted upon. This plan helps VCE build a strong foundation from which to identify and guide strategic actions ~~over the next three years~~, being mindful of the longer-term aspirations of the Agency. ~~It is anticipated that this~~ ~~The Plan is designed to be reviewed periodically will be ready for implementation in 2021 and reviewed annually~~ to ensure that ~~the Agency~~VCE remains on track and course corrects if necessary.

METHODOLOGY AND ORGANIZATION

VCE's ~~initial~~ strategic plan ~~is was~~ based on the experience of the Agency's first two years in operation as well as current energy market conditions. ~~The original Plan incorporated~~, a strengths/weaknesses/opportunities/threats (SWOT) analysis which was completed in 2019, and detailed feedback from the Board of Directors, Community Advisory Committee (CAC) members and VCE staff. The Plan ~~update continues to~~ covers six topical categories which are most relevant to VCE's operations. Within each category, the Plan specifies a set of aspirational goals and follows with strategies to achieve or make progress toward those goals ~~over the next three years~~. ~~During the planning period of 2021-2025. After that, Strategic Plan major updates will occur every four years to set the cadence for future updates to fall on years that do not require updates to VCE's Integrated Resource Plan (IRP) shown in the below Strategic Plan Update Schedule.~~

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VCE's STRATEGIC GOALS

A) FINANCIAL STRENGTH

A successful CCA program requires disciplined fiscal strategies and financially sound policies. VCE is committed to managing its financial resources responsibly and setting a standard of transparency and accountability, ensuring efficiency and strong stewardship of the agency's financial resources. At VCE, our commitment to fiscal and operational excellence will ensure that all processes and operations are clearly defined and efficiently designed to align people, systems, and policies to maximize productivity and improve efficiency. Adhering to these policies and actively examining and assessing risk will help earn a high credit rating and a healthy position from which to deliver customer and community value.

Goal 1: Maintain and grow a strong financial foundation and manage costs to achieve long-term organizational health.

- 1.1. Objective: Maintain consistently healthy cash reserves to fund VCE's mission, vision, and goals.
- 1.2. Objective: Achieve an investment grade credit rating by end of ~~2024~~2028.
- 1.3. Objective: Commit to fiscal efficiencies to build a program foundation from which to deliver customer and community value.
- 1.4. Objective: Manage customer rates to optimize VCE's financial health goals while maintaining rate competitiveness with PG&E and lower customer costs.
- 1.5. Objective: Develop a long range financial model for financial health and rate stability.

B) PROCUREMENT AND POWER SUPPLY

Navigating the world of wholesale power markets and state-mandated power mix and reliability requirements while fulfilling our commitment to sourcing low/no-carbon electricity requires a constant search for the right resources to meet sustainability and value proposition goals. The threat of losing load to Direct Access presents new challenges and opportunities to enhance product offerings to meet VCE's decarbonization goals and our customers' own environmental goals while considering financial and risk impacts. VCE is committed to providing carbon free electricity through a balanced approach that considers cost, risk, long-term value and best fit in meeting community goals while exceeding California's RPS mandates.

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~~renewable by 2030.

- 2.1. Objective: Continue to identify and pursue cost effective local renewable energy and storage resources.
- 2.2. Objective: Acquire sufficient bundled energy and renewable resources to achieve VCE's greenhouse gas reduction targets.
- 2.3. Objective: Deploy storage and other strategies to achieve renewable, carbon neutral, resource adequacy, and resiliency objectives.
- 2.4. Objective: Identify and pursue cost effective, local distributed energy (e.g., behind the meter rooftop solar+storage) resources to help meet reliability needs.

- 2.2 Objective: 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 2030.²
- 2.6 Objective: Optimize the hedging strategy to mitigate risk in accordance with the energy risk guidelines and procurement plan.

C) CUSTOMERS AND COMMUNITY

VCE is a customer and community focused organization. We will use all available channels and platforms to cultivate relationships with and bring customer value to all segments of the communities we serve – including those that have been historically underserved/under resourced. These channels include leveraging existing outlets established by our member agencies, partnering with commercial customers to enhance their community presence, and re-engaging with those who have opted out. Partnerships with commercial and agricultural customers are particularly important to building VCE’s brand in a region rooted in food production and innovation. Communicating our competitive rates and product and service benefits in clear and accessible ways will strengthen customer loyalty and enhance our financial standing, enabling us to better serve our communities.

Goal 3: Prioritize VCE’s community benefits and increase customer satisfaction and retention.

- 3.1 Objective: Develop **and implement** 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.
- 3.2 Objective: Develop **and implement** programs and initiatives to better support community goals, including supporting member agency achievement of energy-sector emissions reduction targets.
- 3.3 Objective: Design and implement a strategy to more effectively engage local business and agricultural customers.
- 3.4 Objective: Build awareness and trust of the VCE brand through direct engagement with customers, communities and organizations in VCE’s service territory.
- 3.5 Objective: Develop **and implement** customer programs and initiatives that prioritize decarbonization, community resiliency and customer savings.
- 3.6 Objective: Measure and increase customer satisfaction, using tools such as surveys and focus groups, while maintaining an overall participation rate of no less than 90%.
- 3.7 Objective: Integrate and address the concerns and priorities of emerging and historically marginalized communities in the design and implementation of VCE’s services and programs.

D) DECARBONIZATION AND GRID INNOVATION

One of the key factors driving the formation of VCE was to address climate change and improve local resiliency. We will play a vital role in this decades-long endeavor, with the ongoing support of our community and our Board. In addition to providing carbon-free electricity, we are reinvesting in our region and expanding our toolset for furthering emissions reductions and energy resiliency by launching decarbonization and grid innovation programs. These programs represent the next stage in VCE’s maturity and are the mechanism by which VCE will further engage our communities to achieve our mission. We will leverage partnerships, prioritize innovation and use data science to manage and influence carbon-free energy use. We will embody the entrepreneurial and innovative spirit of the community in which we live and work, the spirit of Yolo County, to bend the carbon curve downwards and improve the lives of our community members.

² Carbon neutral electricity is net zero carbon electricity that may include the use of carbon credits and/or higher production of carbon free electricity that averages out to provide a carbon free portfolio over a period of time whereas carbon free hour-by-hour means all electricity consumed by VCE customers will be from carbon free and/or renewable resources.

Goal 4. Promote and deploy local decarbonization and grid innovation programs to improve grid stability, reliability, community energy resilience, and safety.

- 4.1 Objective: 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.
- 4.2 Objective: Develop a VCE decarbonization roadmap to guide near and long-term program decisions and offerings.
- 4.3 Objective: Increase participation in VCE’s UltraGreen 100% renewable product.
- 4.4. Objective: Identify external funding sources to support decarbonization and grid-related programs and initiatives.

E) STATEWIDE ISSUES: REGULATORY AND LEGISLATIVE AFFAIRS

The regulatory and legislative processes wield critical influence over VCE’s ability to serve our customers and fulfill our core goals and mission. Working with CalCCA and other operating CCAs, VCE will actively engage with the regulatory and legislative communities in order to advance a positive narrative on the value of CCA, manage operational risk, protect the interests of our customers, enhance our ability to mitigate greenhouse gas emissions, and help build a regulatory framework that supports innovation and customer choice in an equitable and cost-effective manner while preserving reliability and universal access.

Goal 5. Strongly advocate for public policies that support VCE’s Vision/Mission.

- 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.
- 5.2 Objective: Develop relationships with community stakeholder organizations that foster support for VCE’s mission and vision.
- 5.3 Objective: Optimize regulatory compliance activities.

F) ORGANIZATION, WORKPLACE, AND TECHNOLOGY

Human capital is a successful organization’s greatest asset, and at VCE we’ve built a highly talented and dedicated team that will ensure the success and prosperity of our organization. Contracting with Sacramento Municipal Utility District (SMUD) to deliver high quality services and personnel support during launch and early operations has allowed VCE to realize these objectives from the outset. Over the period of this strategic plan, VCE will explore transition from a contract dependent organization to one that balances the values and efficiencies of development and retention of high-quality in-house staff supported by high-quality outside services. Building, valuing, and nurturing this team’s talent will require a start-up culture that supports creativity, open communication, and the free flow of ideas to spur innovation. We will provide an infrastructure within VCE that supports and cultivates our employees through professional and personal development, recognizes and rewards their contributions to achieving our mission, and offers opportunities that position our people, as well as VCE, for success. In attracting and maintaining skilled employees, VCE will continue to provide a rewarding workplace experience.

VCE will develop a decision support system that will enable it to nimbly assess and react to expansion opportunities as they arise. In addition, VCE will assess opportunities for shared services with other CCAs to optimize function and efficiency of service.

We also take customer information, privacy, and security seriously. Our systems and processes follow best practices and industry standards. Performance metrics are in place to ensure resiliency and high system

availability on standard and mobile platforms. Periodic upgrades to IT resources will ensure continued adherence to these high standards. This strategic plan provides the approach that VCE is taking to address the challenges of delivering IT services in a dynamic environment with new regulations and continuous advancements in science and technology.

Goal 6: Analyze and implement optimal long-term organizational, management, and information technology structure at VCE.

- 6.1 Objective: Develop a roadmap to evaluate and guide future steps toward formation of a local Publicly Owned Utility (POU).
- 6.2 Objective: Evaluate and pursue opportunities for shared services with other CCAs for certain functions.
- 6.3 Objective: Develop an evaluation framework to guide future expansion opportunities beyond the existing service territory.
- 6.4 Objective: 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.
- 6.5 Objective: Promote diversity, equity and inclusion in leadership, hiring, promotion, and contracting policies.
- 6.6 Objective: Support health, wellness and a productive workplace.
- 6.7 Objective: Create an innovation-focused culture that rewards proactive participation, problem solving, new ideas, and creative use of partnerships.
- 6.8 Objective: Deploy a modernized IT infrastructure that enables knowledge management, analytics and collaboration through robust use of data and information resources.

TIMING, MEASUREMENT AND UPDATES

VCE's Strategic Plan is a living document that will be revisited and updated regularly. At a minimum, staff will review and update the Plan on an annual basis, including goals, objectives and metrics. In addition, staff will establish an implementation timeline and appropriate reporting format to use in reporting performance against the Plan's goals and objectives to VCE leadership and Board. The reports, commencing in 2021, will show metrics, status and mitigations where appropriate. Consolidated summary 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 ~~Executive Officer~~ ~~Interim General Manager~~ on the status of goals, objectives and metrics for which they are responsible.
- **Annual Report to Board and CAC**
Staff will report annually to the Board and CAC on the status of goals, objectives and metrics, and will recommend any mitigations or amendments as may be necessary for Board approval.



**Valley Clean Energy
Strategic Plan
Approved by VCE Board October 8, 2020
January 2021 - December 2023
2024-2025 Extension and Minor Update (Draft)**

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VCE will develop a decision support system that will enable it to nimbly assess and react to expansion opportunities as they arise. In addition, VCE will assess opportunities for shared services with other CCAs to optimize function and efficiency of service.

We also take customer information, privacy, and security seriously. Our systems and processes follow best practices and industry standards. Performance metrics are in place to ensure resiliency and high system availability on standard and mobile platforms. Periodic upgrades to IT resources will ensure continued adherence to these high standards. This strategic plan provides the approach that VCE is taking to address the challenges of delivering IT services in a dynamic environment with new regulations and continuous advancements in science and technology.

Goal 6: Analyze and implement optimal long-term organizational, management, and information technology structure at VCE.

- 6.1 Objective: Develop a roadmap to evaluate and guide future steps toward formation of a local Publicly Owned Utility (POU).
- 6.2 Objective: Evaluate and pursue opportunities for shared services with other CCAs for certain functions.

- 6.3 Objective: Develop an evaluation framework to guide future expansion opportunities beyond the existing service territory.
- 6.4 Objective: 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.
- 6.5 Objective: Promote diversity, equity and inclusion in leadership, hiring, promotion, and contracting policies.
- 6.6 Objective: Support health, wellness and a productive workplace.
- 6.7 Objective: Create an innovation-focused culture that rewards proactive participation, problem solving, new ideas, and creative use of partnerships.
- 6.8 Objective: Deploy a modernized IT infrastructure that enables knowledge management, analytics and collaboration through robust use of data and information resources.

TIMING, MEASUREMENT AND UPDATES

VCE's Strategic Plan is a living document that will be revisited and updated regularly. At a minimum, staff will review and update the Plan on an annual basis, including goals, objectives and metrics. In addition, staff will establish an implementation timeline and appropriate reporting format to use in reporting performance against the Plan's goals and objectives to VCE leadership and Board. The reports, commencing in 2021, will show metrics, status and mitigations where appropriate. Consolidated summary 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 Executive Officer on the status of goals, objectives and metrics for which they are responsible.
- **Annual Report to Board and CAC**
Staff will report annually to the Board and CAC on the status of goals, objectives and metrics, and will recommend any mitigations or amendments as may be necessary for Board approval.