Item 16 – CC Power Long Duration Storage (LDS): Goal Line Project
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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
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
### Procurement Obligation in Net Qualifying Capacity (MW) for All LSEs by Category and Year

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

**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

<table>
<thead>
<tr>
<th>Procurement Category</th>
<th>2023</th>
<th>2024</th>
<th>2025 Indicative</th>
<th>2026 Indicative</th>
</tr>
</thead>
<tbody>
<tr>
<td>4-Hour Battery</td>
<td>96.3%</td>
<td>90.7%</td>
<td>74.2%</td>
<td>69.0%</td>
</tr>
<tr>
<td>6-Hour Battery</td>
<td>98.0%</td>
<td>93.4%</td>
<td>79.6%</td>
<td>75.1%</td>
</tr>
<tr>
<td>8-Hour Battery</td>
<td>98.2%</td>
<td>94.3%</td>
<td>82.2%</td>
<td><strong>78.2%</strong></td>
</tr>
<tr>
<td>8-Hour Pumped Storage Hydro</td>
<td>76.8%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12-Hour Pumped Storage Hydro</td>
<td>80.8%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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\textsuperscript{1}
- 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

\textsuperscript{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

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

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

<table>
<thead>
<tr>
<th>MTR Requirement NQC MW</th>
<th>MTR Obligation NQC MW</th>
<th>Tumbleweed Entitlement Nameplate MW</th>
<th>Remaining Need NQC MW</th>
<th>Goal Line Entitlement Nameplate MW</th>
<th>Net Open Position +Surplus/(-) Deficit NQC MW</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.0</td>
<td>5.1</td>
<td>2.86</td>
<td>2.25</td>
<td>2.25</td>
<td>0</td>
</tr>
</tbody>
</table>
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)

LDS Project

Scheduling Coordinator Agreement

Energy Storage Services Agreement

Developer

CC Power

Operations Agreement

Project Participation Share Agreement

CC Power

6 CCAs

Buyer Liability Pass Through Agreements

(Each participating CCA executes with Developer’s Seller entity and CC Power)
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.

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.

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

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)
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
• 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

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

- Electricity sales and costs for 6 month period versus 12 month
- Conscious pricing decisions
- COVID-19
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
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
• 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