



Board of Directors

April 26, 2023

Bapu Vaitla
Davis City Council

The Honorable Eduardo Garcia
Chair, Assembly Utilities & Energy Committee
1021 O St., Ste. 8120
Sacramento, CA 95814

Richard Casavecchia
Winters City Council

Will Arnold
Davis City Council

Re: AB 1373 (Garcia) – OPPOSE UNLESS AMENDED

Jesse Loren
Winters City Council

Dear Assemblymember Garcia,

Gary Sandy
*Vice Chair
Yolo County Board of
Supervisors*

On behalf of Valley Clean Energy (VCE), a community choice aggregation (CCA) program serving Yolo County, I write to convey our opposition absent certain amendments to your AB 1373, a bill that seeks to establish a central procurement entity (CPE) as well as make other changes with the goal of improving energy reliability.

Lucas Frerichs
*Yolo County Board of
Supervisors*

Tom Stallard
*Chair
Woodland City Council*

VCE is the not-for-profit public electricity provider serving over 120,000 customers in unincorporated Yolo County and the cities of Woodland, Davis, and Winters. As a locally governed public entity we are focused on providing cost effective clean electricity while improving the communities we serve through local reinvestment of our revenues.

Mayra Vega
Woodland City Council

We applaud your commitment and leadership to improve the state's energy security, particularly after the challenges that our extreme weather events have posed for all Californians over the last few years. Without question, extreme weather events will be our future and we must plan and execute accordingly. VCE is committed to play its part in resolving the reliability challenges that face California as we transition to clean energy sources, as this bill also aims to address, whether it be our diverse portfolio of resources, piloting load shifting in the agricultural sector to reduce peak load, or participating in CC Power to partner with other CCAs to procure long duration energy storage. However well intended, we believe AB 1373, as currently drafted, will create unintended market disruptions that could lead to a procurement lag and create more costs for ratepayers.

Specifically, VCE raises significant concerns with the following:

1) Central Procurement. VCE questions the need for a central procurement entity. As detailed later in our letter, we have seen no evidence to suggest that our fellow CCAs and other existing load serving entities (LSEs) are incapable of procuring the necessary resources to meet the state's energy needs. Instead, insufficient infrastructure is the number one threat to meeting the state's clean energy goals. VCE, for example, is scheduled to bring more than 170 MWs of a mix of resources including solar, battery storage, small hydro, and geothermal to supply our customers with greater than 80% renewable energy. We are currently experiencing a delay bringing a portion of one solar PV project online because of an interconnection issue.

However, if policy makers believe that a CPE should be established, it must be designed to prevent market disruptions and it must make protecting ratepayers from unnecessary cost increases a top priority. To accomplish these goals, the bill should establish clear criteria around the types of projects that may be procured and under what conditions. Specifically, the CPE led procurement should be limited to the following circumstances:

- a) Development and construction of the resource requires a lead time of at least five years.
- b) Procurement of the resource will either accelerate needed transmission construction into a resource-rich region or accelerate further resource development by other load-serving entities where substantial regional infrastructure is required.
- c) Other means of procuring the resource or accelerating the needed transmission or infrastructure development are unavailable, would cause significant delay, or would result in higher costs to ratepayers.
- d) Procurement of the resource will not interfere with publicly disclosed plans of any load-serving entity to procure resources with similar characteristics in the same region.

Sharpening the focus of central procurement in this way will better prevent market disruptions by ensuring the CPE's activities do not interfere with other planned LSE procurement. It will also ensure the tool is directed toward bringing online the types of projects that offer the greatest value to the state: opportunities that may not yet be available to other LSEs due to infrastructure constraints or unusually high costs.

AB 1373 must also limit central procurement to DWR and not permit the investor-owned utilities (IOUs) to take on this role. IOUs now only serve 47% of the California Public Utilities Commission (CPUC) jurisdictional load, and that load is declining annually. If a resource is centrally procured to meet state climate goals, tasking only DWR with the responsibility best enables cost sharing among all customers who benefit, not just those customers in an IOU service territory.

2) Expansion of CPUC Jurisdiction Over Local Authority. AB 1373 proposes to give the CPUC expanded, ill-defined Integrated Resource Plan (IRP) jurisdiction over CCA procurement autonomy by making CCAs subject to the "same requirements... that apply to electrical corporations." The IRP statute, Section 454.52, already applies in large measure directly to all LSEs, including CCAs. The bill's limited scope expansion creates ambiguity and potentially overrides the right – stated multiple times in statute -- of local CCAs and the communities they serve to choose the mix of resources procured to meet the CPUC's procurement orders. Moreover, there is no rational basis for any expansion of IRP authority over CCAs; CCAs have demonstrated their ability to meet IRP requirements, collectively meeting their 2022 new build requirements (while the IOUs fell short) and on target to meet the 2023 requirements. The bill's expanded IRP jurisdiction will do nothing to ensure reliability or reach our clean energy goals and

will only override local authority and substantially limit CCAs' ability to keep rates low for their customers.

3) Capacity Penalty Payment for Resource Adequacy (RA) Deficiencies. The bill proposes that LSEs who are short on their year-ahead RA requirements must pay a capacity payment to the state's Strategic Reliability Reserve (SRR) if the state needs to dip into the reserves. While penalizing LSEs for failing to adhere to RA requirements may sound good, the proposal fails to recognize that there is a shortage of RA supply in the market that will persist into 2026. Many LSEs will not be able to comply despite their best efforts and willingness to pay excessive prices for the resource. Additionally, the RA program already requires LSEs to pay a penalty so this proposal will result in customers paying twice for the same deficiency. Consequently, any new RA penalties must be supported by a discretionary CPUC-penalty waiver process to avoid heaping unnecessary penalties on customers when the RA market is insufficient.

VCE is concerned that AB 1373 may be focused on the wrong problem, as we are on a procurement trajectory to serve our customers with greater levels of renewable energy than required by law. The true problem challenging reliability is a lack of infrastructure and processes to deliver new resources to the market.

We appreciate your continued efforts to address the state's reliability challenges, but we are concerned with the approach of AB 1373 as stated above. We look forward to working with you on this important measure.

Sincerely,



Mitch Sears
Executive Officer
Valley Clean Energy

cc: The Honorable Members of the Assembly Utilities & Energy Committee
The Honorable Cecilia Aguiar-Curry