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VCE Community Advisory Committee Meeting – June 27, 2024

Item 6 – 2024 Summer Preparedness



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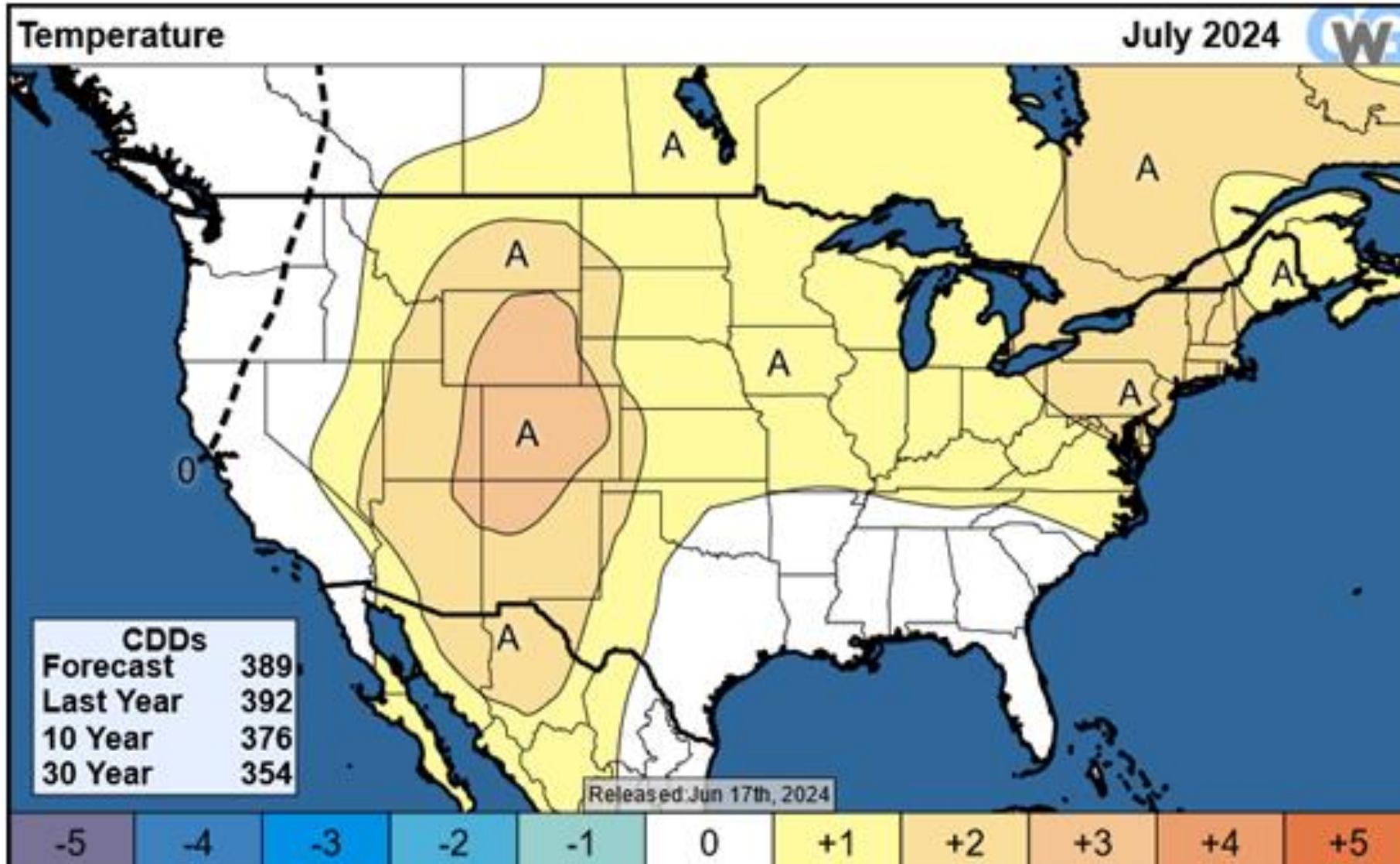
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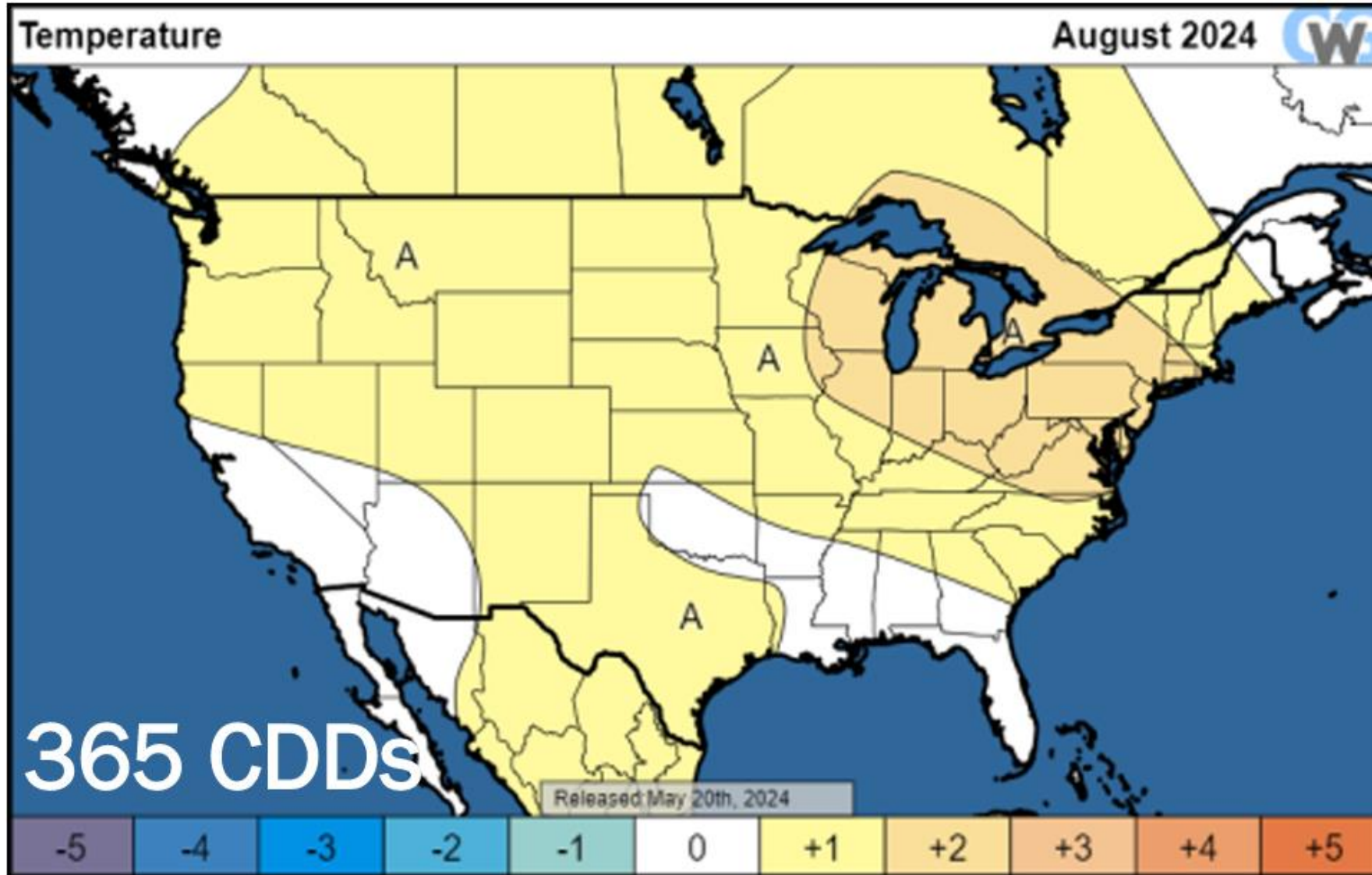
CAISO and VCE Summer Readiness

- Present summer weather outlooks suggest hotter forecast than 2023
 - Generally average to above average temperatures
- CAISO reports a surplus of 2.5 GW above forecasted 2024 peak summer needs
 - Surplus includes estimates of imports from other states
- VCE is over 100% hedged on average for Summer 2024
 - Fully compliant with Wholesale Energy Procurement Risk Management Policy hedging requirements for the summer (80% to 130% in Q3, at least 100% in Heavy Load Hours, meet hedging procurement requirements by June 15th)
 - Currently considering a “final layer” of Q3 energy hedge procurement
- VCE commercially agreed on all RA procurement for Q3 to reach 100% compliance
- VCE has multiple years of summer operating history, including both challenging and relatively mild summers, to inform decisions
- TEA currently running a drill on its “Volatile Incoming Pricing Event Response” process to ensure alignment between TEA and VCE on CAISO market operations and reporting in the case of a summer heat event

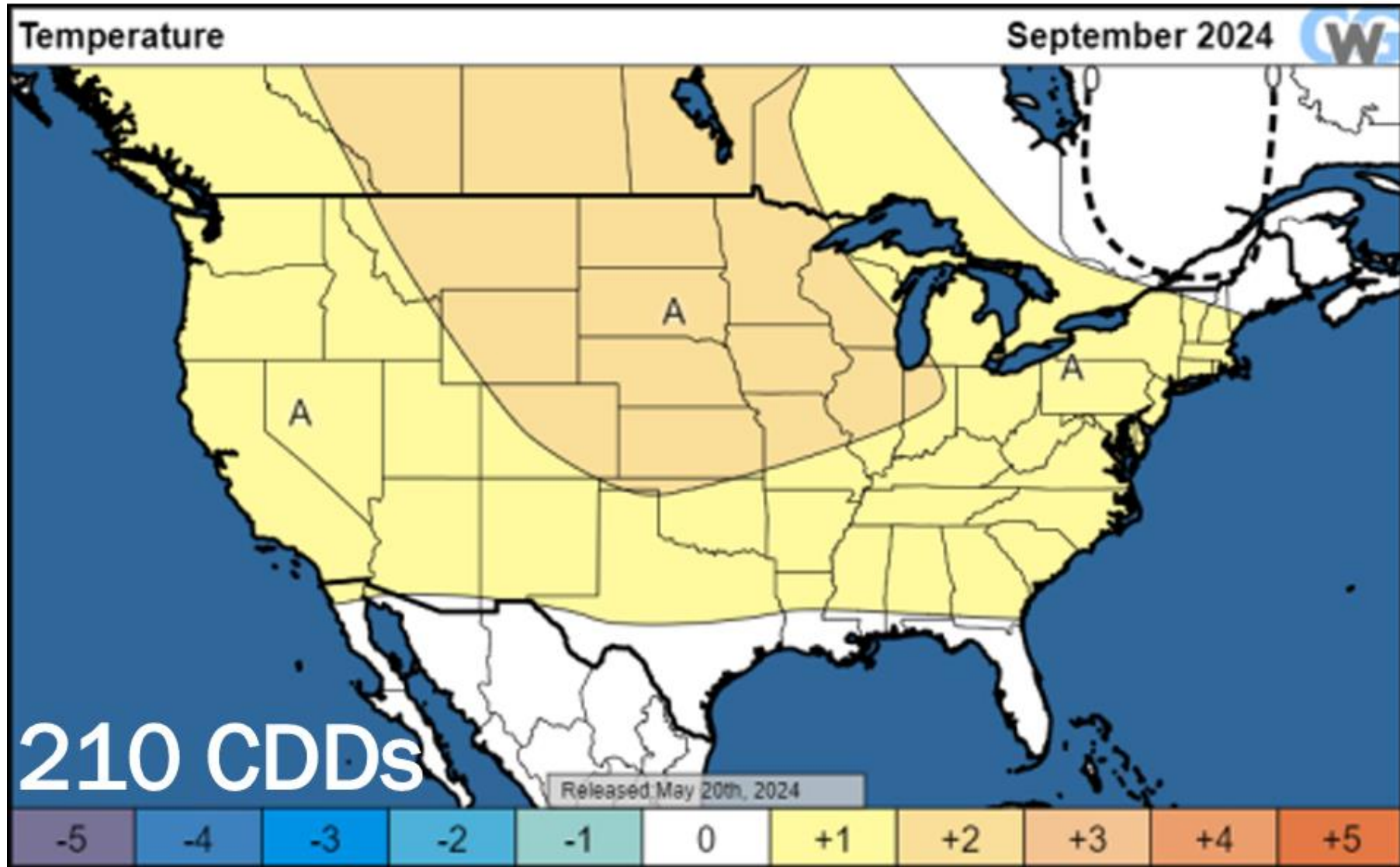
July Weather Forecast



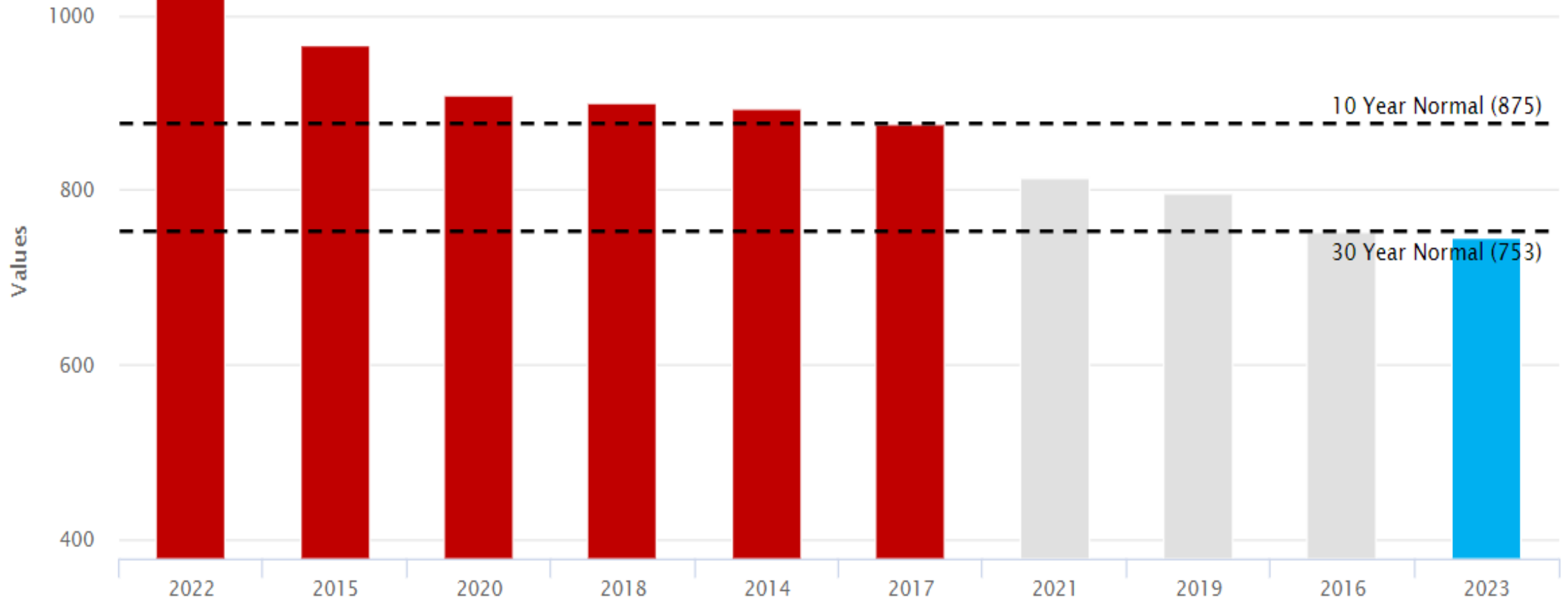
August Weather Forecast



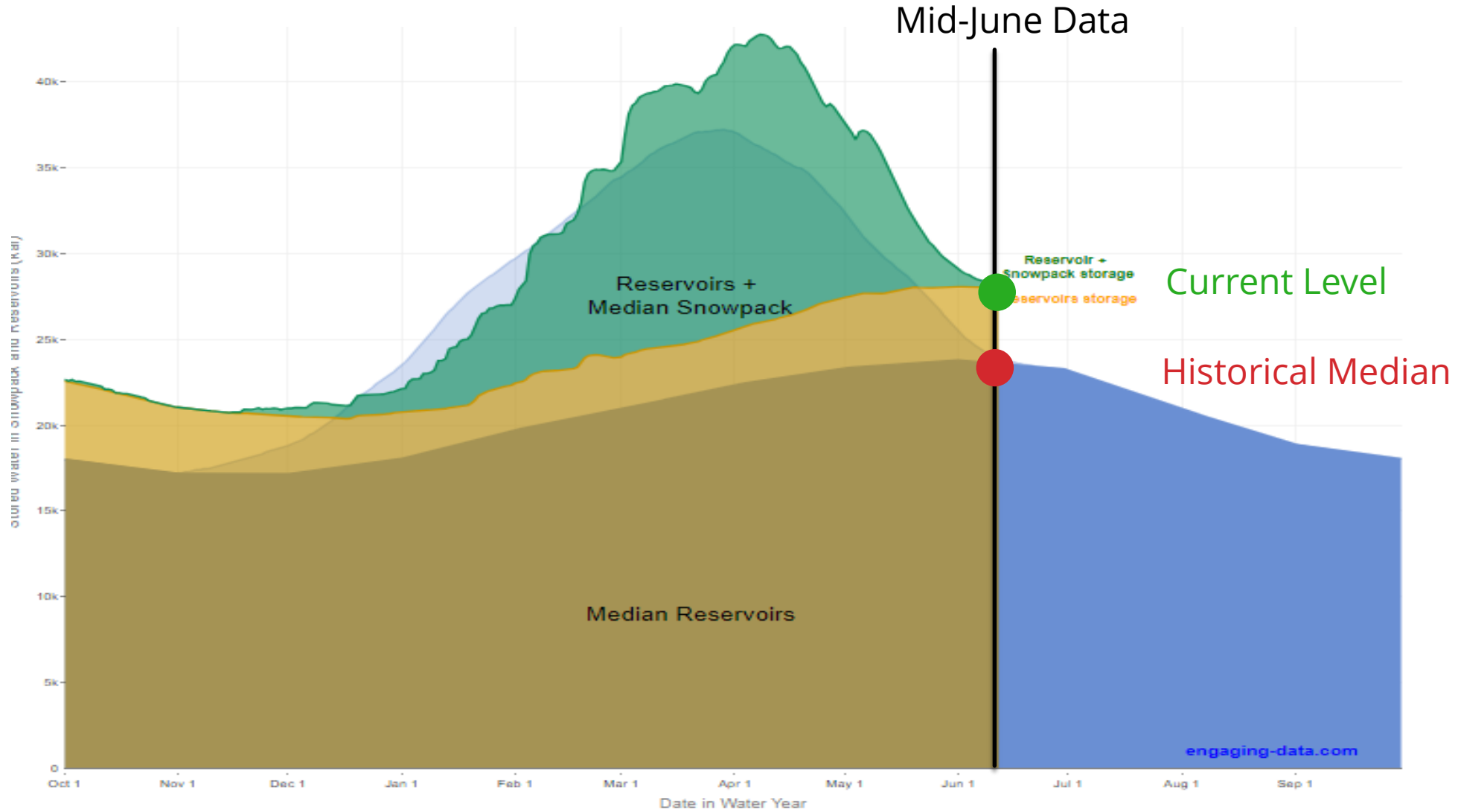
September Weather Forecast



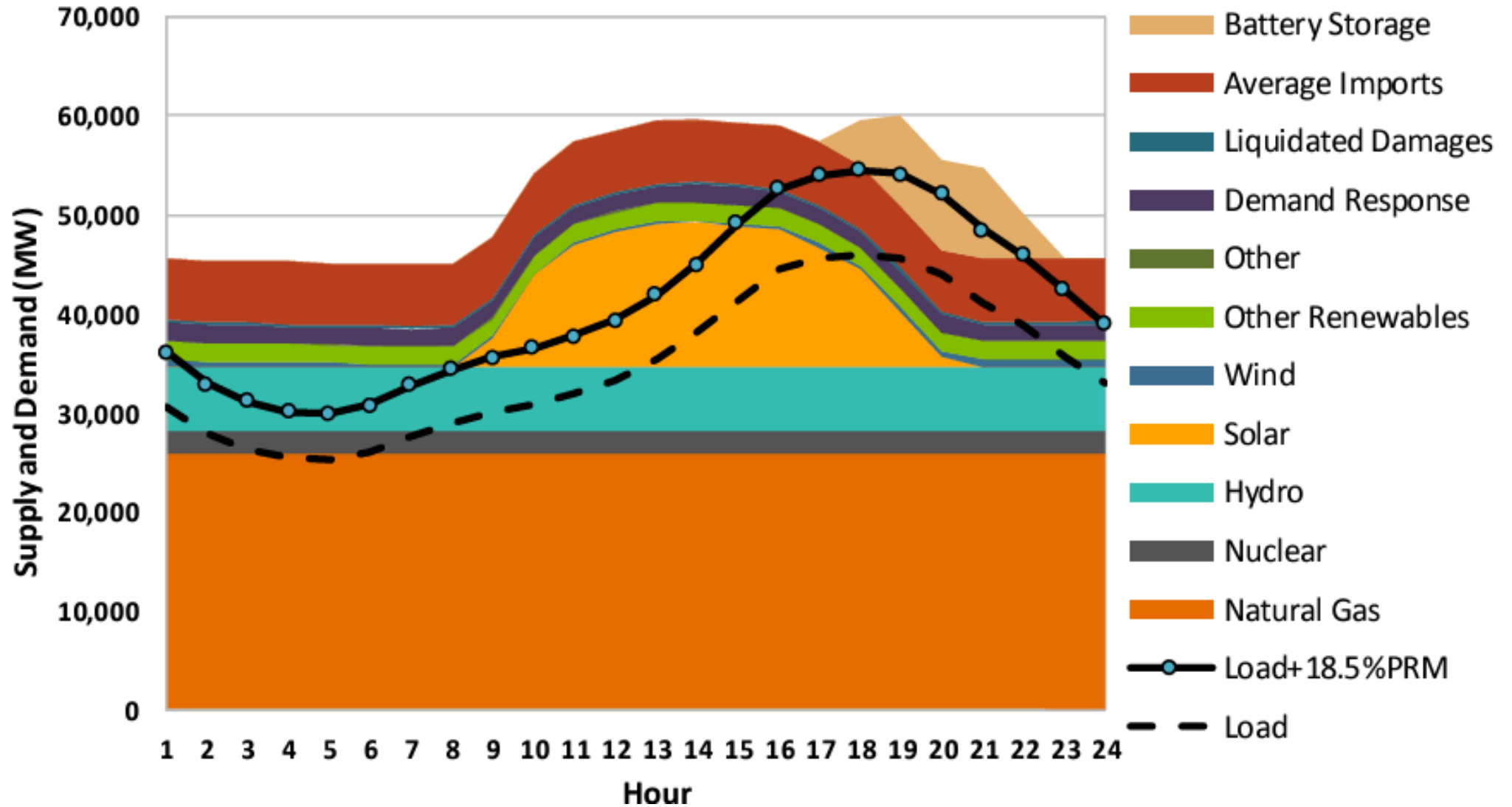
Q3 CAISO Historical Population Weighted CDDs



California Seasonal Water Storage

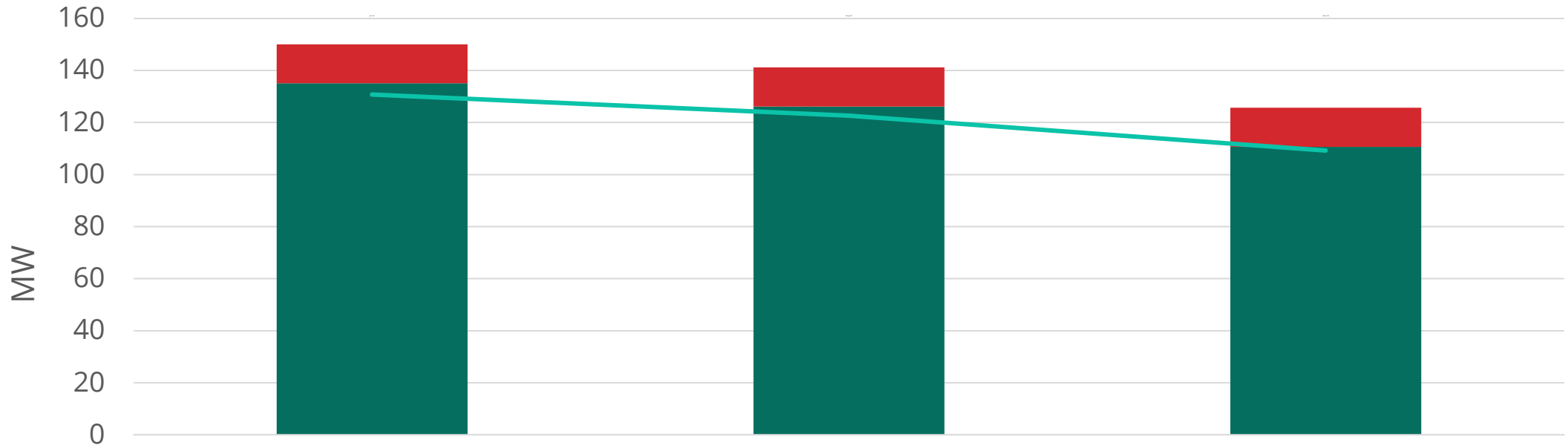


CAISO 2024 September Peak Analysis



VCE Summer Energy Position

VCE Monthly Energy Position (Total HLH)



	Jul-24	Aug-24	Sep-24
HLH Hedge	15	15	15
HLH PPA	135	126	111
HLH Load	131	123	109
HLH % Hedged	115%	115%	115%



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Item 7 – 2024 Power Procurement/RPS Update



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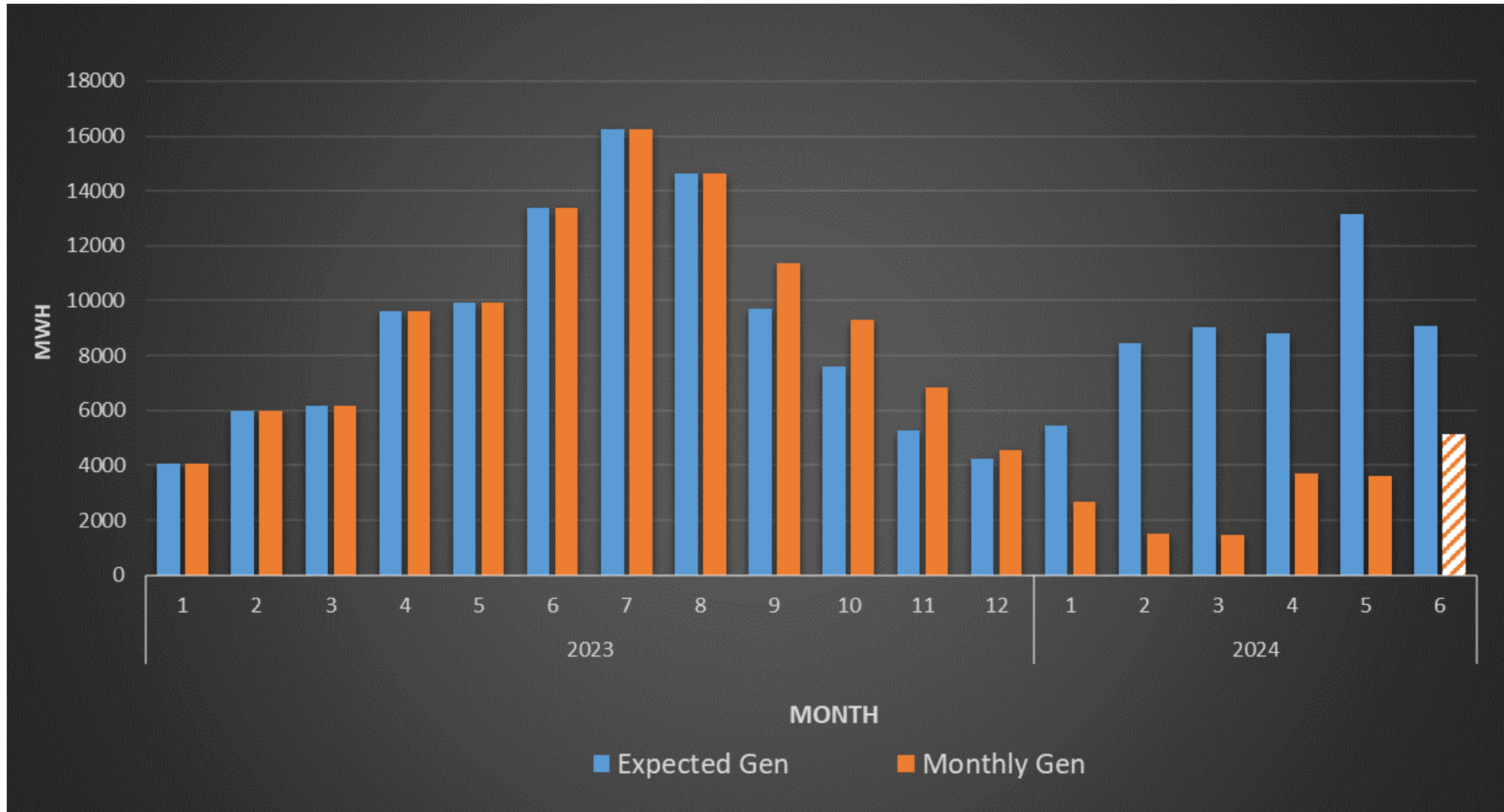
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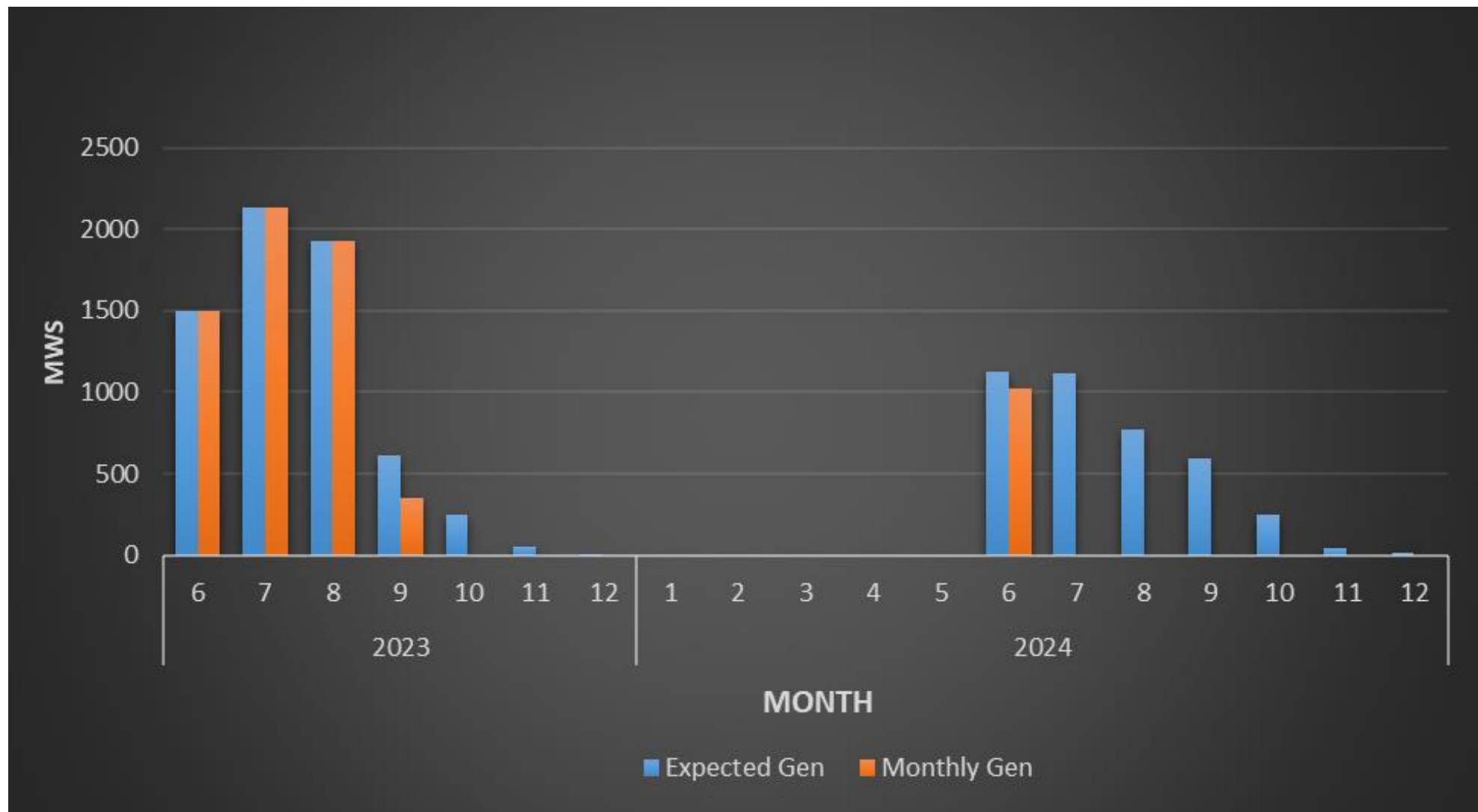
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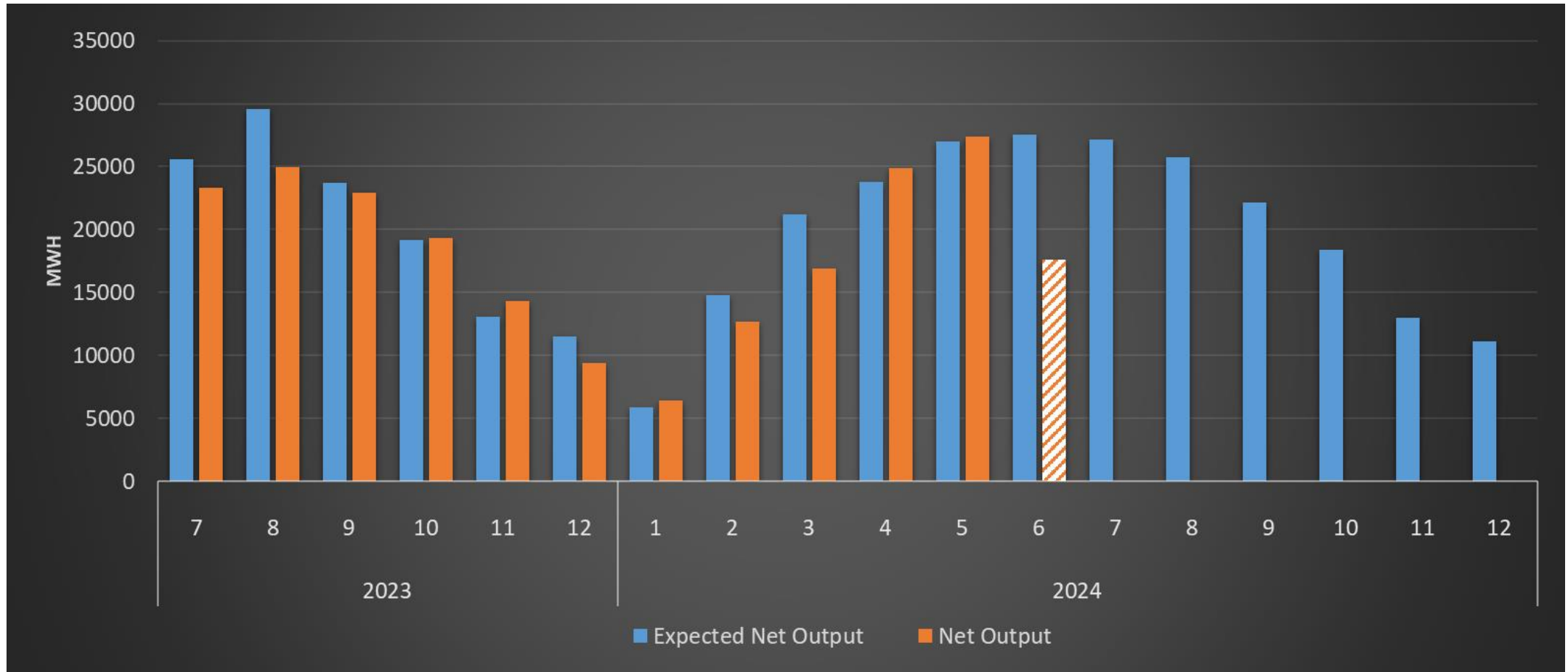
Item 7 – Power Procurement/RPS Update: Aquamarine



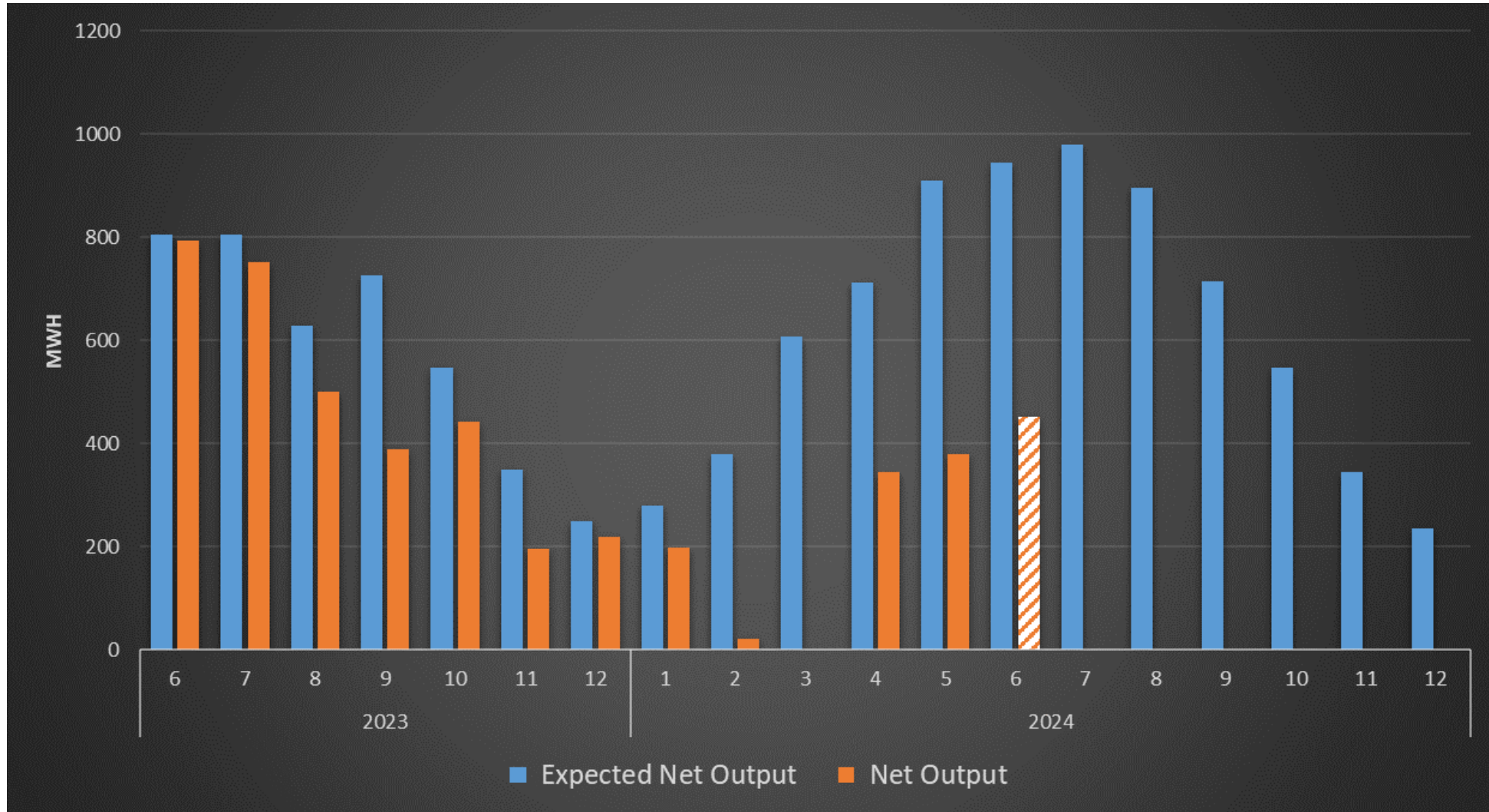
Item 7 – Power Procurement/RPS Update: Indian Valley



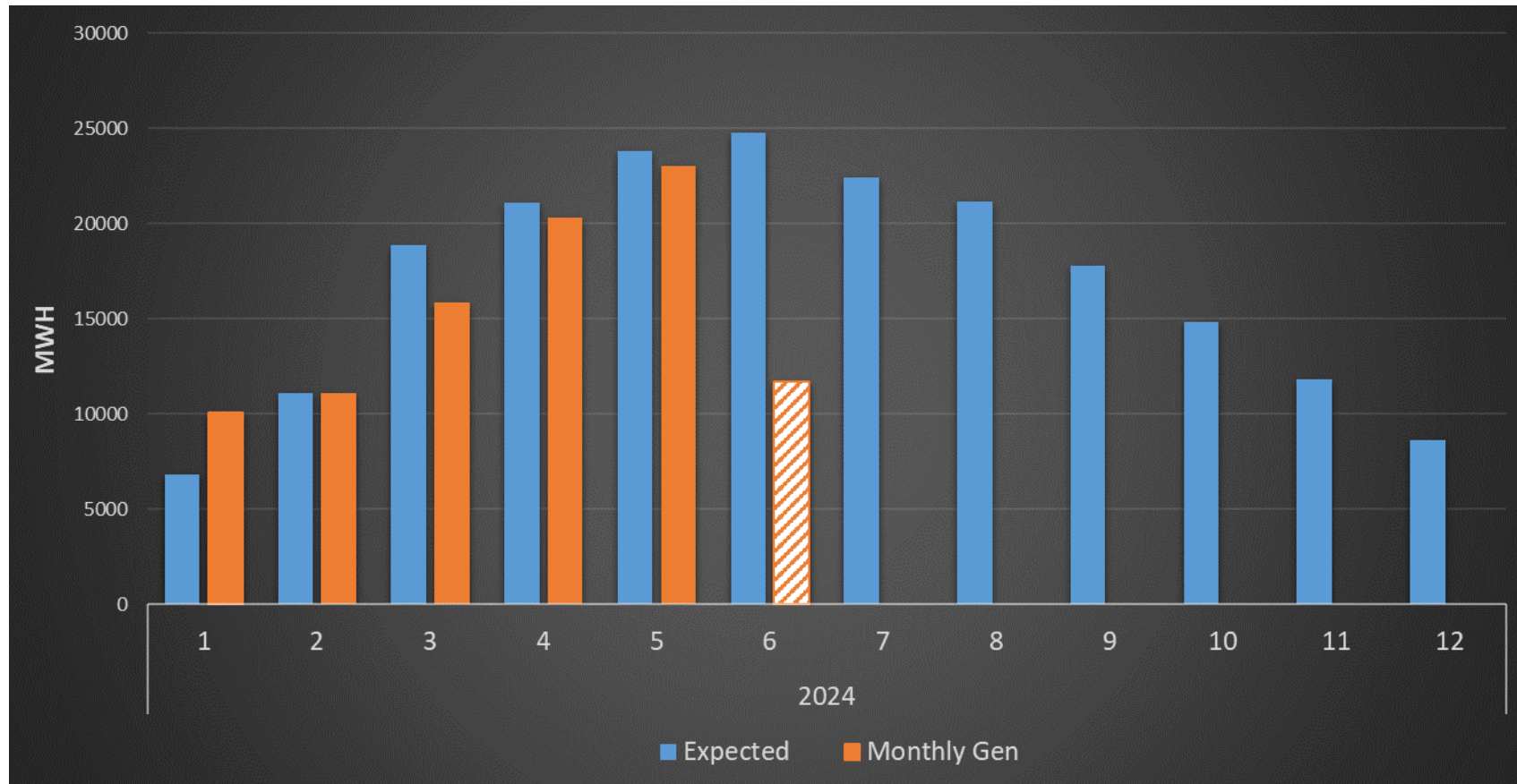
Item 7 – Power Procurement/RPS Update: Resurgence



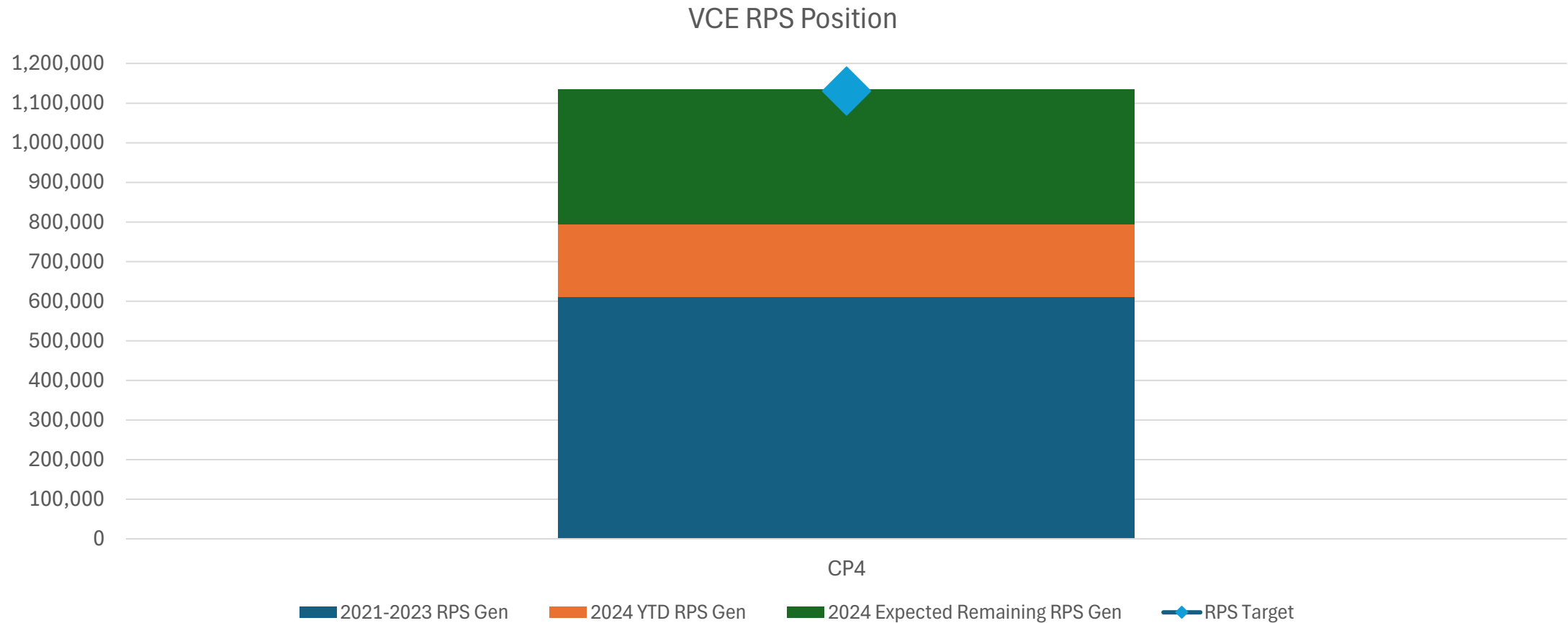
Item 7 – Power Procurement/RPS Update: Putah Creek



Item 7 – Power Procurement/RPS Update: Willy 9 Chap 2



Item 7 – Power Procurement/RPS Update: CP 4 Compliance



1) 2024 Projected RPS is 77%

2) 2024 RPS will be met from VCE's PPAs as well as the procurement of short-term RECs



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VCE Community Advisory Committee Meeting – June 27, 2024

Item 8 – Renewable Energy Credit Optimization



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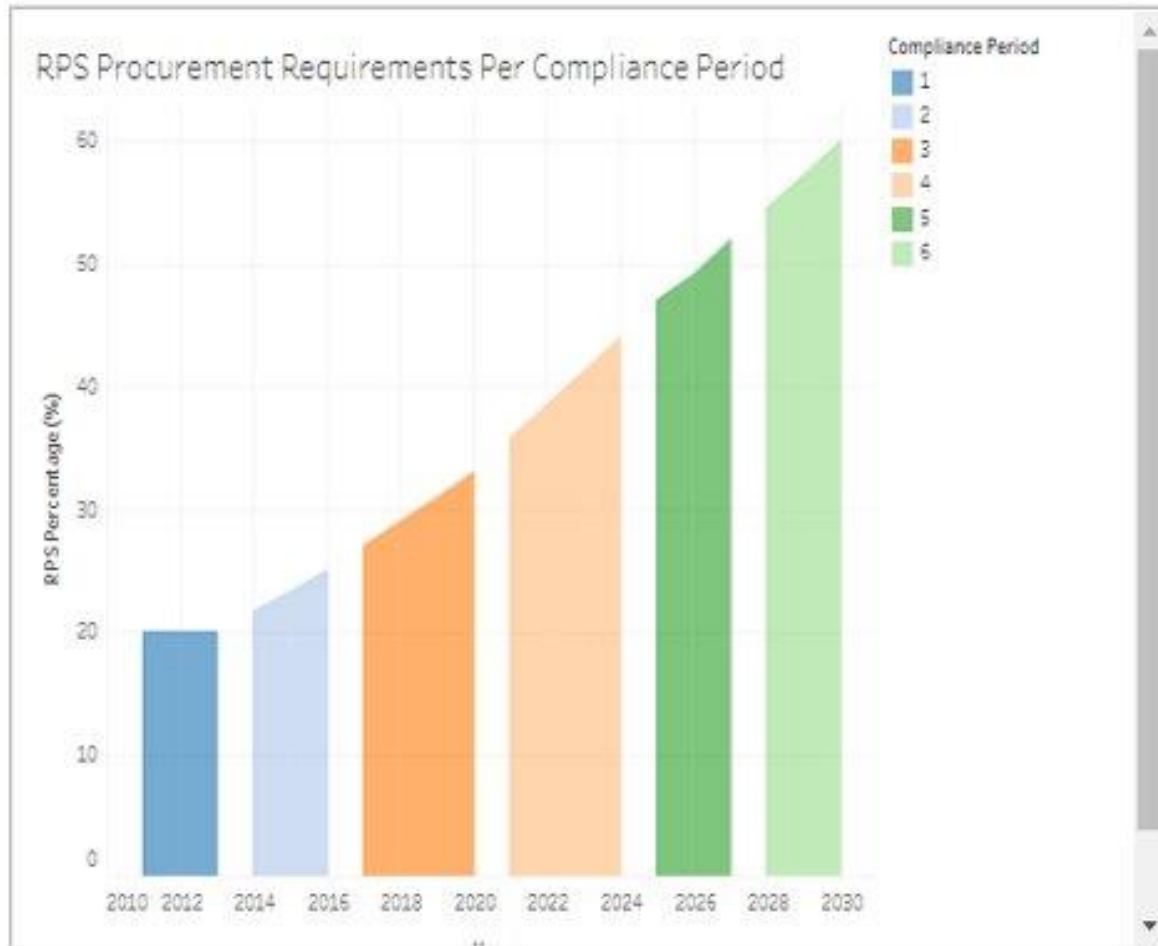
RECOMMENDATION

1. Receive presentation and provide feedback on VCE Renewable Portfolio optimization
2. Present to the VCE Board at their July 2024 meeting with a recommendation on optimization actions

WHAT IS THE RENEWABLE PORTFOLIO STANDARD?

- California requires entities that serve retail electric load to procure a minimum percentage of eligible renewable energy
- There are multiple bills that have shaped this program; but, most recently, SB 100 increased the RPS target to 60% by 2030
- There are multiple eligible renewable fuel types: wind, solar, biomass, small hydro ($\leq 20\text{MW}$), etc.
- An instrument called a REC is used to capture this eligibility and is “retired” to show compliance
 - A REC contains the “Green Attributes” of a unit of energy and represents that the energy was generated with an eligible renewable fuel type
- VCE’s power purchase agreements are all with eligible renewable resources

WHAT ARE THE TARGETS?



- RPS compliance happens over multi-year periods: "Compliance Period X/CPX"
- It is currently Compliance Period 4 (CP4), which goes from 2021-2024.
 - VCE's total RPS requirement during CP4 is ~40% of its retail load
- Targets increase over time, and compliance periods shorten to three years starting in 2025 (CP5)
 - VCE's total RPS requirement during CP5 is ~50% of its retail load

*VCE's 2025 Linear RPS Requirement is 47%

PCC & CONTRACTING REQUIREMENTS IN THE RPS

- California has “Portfolio Content Categories” (PCC) of RECs defined in state law:
 - PCC 1: Eligible renewable resources directly connected to California’s grid
 - PCC 2: Out of state eligible renewable resources imported into California’s grid
 - PCC 3: Eligible renewable resources not brought to California’s grid (REC only)
- Beginning in Compliance Period 4, as a percentage of VCE’s RPS requirement:
 - 75% of RECs used must be from PCC 1
 - 65% of RECs used must be from contracts that are at least 10 years in duration (Long-Term)
 - No more than 10% of RECs used can be from PCC 3

ENVIRONMENTAL ACCOUNTING CONSIDERATIONS

- VCE has long-term offtake contracts for large volumes of renewable energy resources inside California
- These resources will continue to produce and be associated with VCE's portfolio for the life of its offtake contracts
- Selling surplus attributes from these projects to other parties helps them meet their environmental goals while VCE gains greater financial security
- Overall emissions in California are unchanged, Valley simply can not "count" the attributes it sells any longer in compliance filings – the buyer is paying for that right

REC PRICING

Portfolio Content Category	2018 Average Price	2023 Average Price	2024 Forward Price	2025 Forward Price
PCC 1	\$16.50/REC	\$52.00/REC	\$73.00/REC	\$83.00/REC
PCC 2	\$6.50/REC	\$38.00/REC	\$67.00/REC	\$70.00/REC
PCC 3	\$1.50/REC	\$7.00/REC	\$7.00/REC	\$8.00/REC

- REC prices have risen substantially since VCE's launch
- All types display upward trends with PCC 1 and PCC 2 exhibiting the greatest year-over-year increases
- The penalty for any shortfall is \$50/REC for each "missing" REC
- 2025 PCC 1 bids observed in \$80-85 range presently

2025 OPTIMIZATION

- VCE's renewable project offtake provides attributes well above its needs for compliance
- Option A: VCE maintains compliance with Linear RPS Compliance of 47% in 2025
 - Sell 160,000 PCC 1 RECs at \$83.00/REC = \$13.28MM in revenue
- Option B: VCE targets RPS percentage of 50% in 2025
 - Sell 140,000 PCC 1 RECs at \$83.00/REC = \$11.62MM in revenue
- Option C: VCE does not sell any length in 2025
 - 2025 RPS Compliance will be ~70-80%

*Option A and Option B have built in “buffers” for potential resource outages, curtailment, and higher than expected load.

CONCLUSION

- Staff believes it is prudent to optimize VCE's portfolio by selling length without jeopardizing state compliance, or VCE's long-term goals
- Staff believes actions like Options A and B should generally be used as:
 1. The profit from the length sale is material and will be used to fund other procurement needs in VCE's portfolio
 2. VCE has ample remaining attributes to meet or exceed state RPS compliance consistent with Board direction



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Item 9 – Cool Davis MOU Collaboration



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What is Cool Davis?

- Cool Davis is a Davis non-profit dedicated to creating community resiliency through equitable and inclusive strategies that reduce GHG emissions and help the region adapt to climate change.
- Since its founding in 2010, Cool Davis has been conducting outreach and developing programs to encourage households to take action on energy conservation, energy efficiency and home electrification.
- VCE has co-sponsored and participated in several past Cool Davis workshops and events and received positive feedback from participants.

Item 9 – Cool Davis MOU Collaboration

- Why an MOU?
 - Accomplish shared goals by collaborating
 - Workshops, resources high quality
- How?
 - More formal arrangement (MOU) augmented by Scopes of Work
 - One project designed & implemented to test the process
 - E.g. EE/HVAC Replacement, “Make a Plan” Workshops
 - High priority: entire VCE service area (not just Davis)
 - Re-brand in process

Staff Recommendation

- Provide feedback on the proposed collaboration with Cool Davis and recommend that the VCE Board of Directors support staff proceeding with the effort

Next Steps

- Finalize MOU, bring before VCE Board of Directors