

Alisa Lembke

Subject: FW: VCE Agenda Item 15 - GHG-free attributes

Begin forwarded message:

From: Richard McCann <mccann@mcubed-econ.net>
Subject: RE: VCE Agenda Item 15
Date: May 11, 2020 at 5:22:53 PM PDT
To: Dan Carson <DCarson@cityofdavis.org>
Cc: Mitch Sears <mitch.sears@valleycleanenergy.org>, Alisa Lembke <Alisa.Lembke@valleycleanenergy.org>

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Responses below

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From: Dan Carson <DCarson@cityofdavis.org>
Sent: Monday, May 11, 2020 4:26 PM
To: Richard McCann <mccann@mcubed-econ.net>
Cc: Mitch Sears <mitch.sears@valleycleanenergy.org>; Alisa Lembke <Alisa.Lembke@valleycleanenergy.org>
Subject: vCE Agenda Item 15

Richard,

Thanks for sharing your thoughts on this issue. A few quick questions:

1. You stopped short of making an explicit recommendation in your email to us. But the implication of your note is that you are recommending we accept the nuclear allocation. Is that right?

[RMC] I've stopped short of a recommendation because there may be other reasons for the Board to act one way or the other. However, I've seen arguments claiming as reasons to reject the allocation that it would put financial pressure on PG&E and could hasten the closure of Diablo Canyon. As I stated, neither of those reasons are true. The Board will have to decide if the other reasons are sufficient to reject the allocation.

2. You did not mention the large hydro allocation which some CAC members recommended to us. I assume you do not disagree with them on this point, am I correct?

[RMC] The large hydro allocations have the same properties as from Diablo Canyon. I see no reason to reject those allocations at this time.

3. VCE staff has indicated that one option for us is to receive the nuclear and large hydro allocations and resell them, but have indicated that it is pretty uncertain whether resale is possible in the current marketplace. What is your view on this issue?

[RMc] The question is whether the GHG attributes have added value in the market. The CARB allowance price has been rising recently so those attributes could have value. However, electricity demand probably has fallen 10% or more with the pandemic crisis, so both the energy market and the GHG allowance markets likely have dropped substantially and it's a buyers' market. Selling these attributes are likely much more difficult than 2 months ago. PG&E would have the same problem and these costs would show up in the PCIA instead if PG&E retains those shares of Diablo Canyon.

4. Part of the reason we and other CCAs are taking a close look at this offer is because of the potential impacts of recent CPUC decisions on the PCIA for VCE and of course on other community choice aggregator agencies like ours. In your view, would the action you suggest on this VCE agenda item provide any significant fiscal mitigation for PCIA fiscal impacts on VCE?

[RMc] It would take Diablo Canyon out of the PCIA calculation, and Diablo represents a sizeable amount of the PCIA (more than a quarter). Hydro is largely a 'break even' resource that has little effect on the PCIA. VCEA can use the GHG attributes to offset allowance costs incurred as an LSE which can lower its portfolio costs. Of course, this will increase VCEA's portfolio cost, so there will still be a squeeze, but VCEA may manage its portfolio differently if that cost is directly on its books rather than buried in the PCIA as a nonbypassable charge.

5. One staff concern about accepting the nuclear allocation is that it could have a negative effect on our reputation as a clean energy agency in our marketplace. For example, it might effect opt-outs from VCE. Please comment on whether this is a valid concern and the potential impact on VCE of opt-outs if we accept this allocation.

[RMc] That issue is why I'm not making a direct recommendation. The effect on public image is beyond what I've assessed on this issue. Understanding what motivates VCEA's customers is key to answering that question.

6. Do you have any other thoughts on this matter?

[RMc] No, I just wanted to make it clear that this decision turns on a single issue—how important is the perception of customers on maintaining VCEA's customer base? Other issues of finances and accelerated plant closure are not relevant, and even cut against rejecting the allocation.

Thanks, Richard McCann

My intention is to share any responses you wish to offer with my VCE board colleagues — not directly, but via VCE staff — in keeping with our protocols. I will ask Alisa Lembke, whom I have cc:d on this email, to distribute any further information you may have on this matter in my behalf.

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Davis, CA 95616



From: Meetings @ Valley Clean Energy

Sent: Monday, May 11, 2020 8:39 AM

To: Richard McCann <mccann@mcubed-econ.net>

Cc: Mitch Sears <Mitch.Sears@valleycleanenergy.org>; Don Saylor <Don.Saylor@yolocounty.org>; Dan Carson <DCarson@cityofdavis.org>; tom.stallard@cityofwoodland.org; wade.cowan@cityofwinters.org; Gary Sandy

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Subject: RE: Comment on May 14 meeting item 15

Good morning Mr. McCann – we are in receipt of your written public comment on Item 15 – “Receive analysis of PG&E’s offer to allocate Greenhouse gas (GHG)-free attributes to CCAs; and, approve recommendation to accept large hydro attributes only and decline nuclear resource attributes”. By way of this e-mail, I am distributing your public comment on Item 15 to the Valley Clean Energy (VCE) Board Members and Staff.

In addition, your comment will be read into the record during the Board’s Thursday, May 14, 2020 (4 p.m.) special meeting.

Thank you, Alisa

Alisa Lembke
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From: Richard McCann <mccann@mcubed-econ.net>
Sent: Friday, May 8, 2020 5:21 PM
To: Meetings @ Valley Clean Energy <Meetings@valleycleanenergy.org>
Cc: Mitch Sears <Mitch.Sears@valleycleanenergy.org>
Subject: Comment on May 14 meeting item 15

15. Receive analysis of Pacific Gas & Electric’s offer to allocate Greenhouse gas (GHG)-free attributes to Community Choice Aggregators; and, approve recommendation to accept large hydro attributes only and decline nuclear resource attributes. (Action)

I am a consultant to both CalCCA and the Joint CCAs that are participating in PG&E’s ERRRA proceedings where the PCIA is established. I also consulted to CalCCA on the Diablo Canyon retirement application in 2016. In making a decision on this matter, the Board should be aware of two aspects of this case based on the analyses I have prepared in these CPUC proceedings:

- 1) Rejecting allocation of the GHG allowances from Diablo Canyon will place no financial pressure on PG&E. VCEA will continue to receive power from Diablo Canyon in the form of generation bid by PG&E into the CAISO market (and nuclear power is a must take resource under CAISO tariffs so it is not dispatched on the basis of price) and pay PG&E for that power at the CAISO price. In addition, VCEA will continue to pay for its full share of Diablo Canyon costs above the market value through the PCIA. PG&E’s revenues accruing to its nuclear asset will largely be unchanged.
- 2) Diablo Canyon will not close any sooner due to rejecting a share of the GHG allowance. The CPUC already agreed to the retirement of the plant in 2024 and 2025 and to an extensive employee compensation program. Any

action to hasten retire would take at least three years to implement, which takes this out to 2023 at best. Winding down plant operations would take another year.

The state already has a prohibition on building new nuclear plants in state.



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