

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 16

TO: Board of Directors

FROM: Mitch Sears, Interim General Manager
Gordon Samuel, Assistant General Manager & Director of Power Services

SUBJECT: Valley Clean Energy's Policy regarding PG&E allocation of Greenhouse Gas (GHG)-free (Large Hydro and Nuclear) resources to Community Choice Aggregators

DATE: January 21, 2021

RECOMMENDATION

1. Authorize the Interim General Manager to enter into an agreement with PG&E to accept only the Large Hydro portion of the 2021 GHG free allocations.

PURPOSE

The purpose of this report is to update the VCE Board on the GHG-free allocations that are being offered from PG&E for 2021. In addition, staff is seeking Board approval to authorize the Interim General Manager to enter into an agreement with PG&E to accept the hydro only portion of the 2021 allocations.

BACKGROUND

PG&E owns or contracts for a number of GHG-free resources (including large hydro and nuclear from Diablo Canyon Power Plant). PG&E has been able to count these resources on its power content label (PCL) to meet its GHG-free targets. Load serving entities (LSEs), on the other hand, have been paying for those same assets through Power Charge Indifference Adjustment (PCIA), yet do not receive any of the GHG-free benefits – this includes VCE and other CCA's in PG&E's service territory.

In mid-2019, CCAs approached PG&E to discuss whether PG&E would be agreeable to selling energy from their large hydro facilities¹. PG&E ultimately refused to make sales in 2019, but subsequently approached CCAs and offered to allocate GHG-free resources (nuclear and large hydro) to CCAs and other eligible load serving entities (LSEs).

¹ Large hydro and nuclear resources count as GHG-free on the power content label (PCL), and investor-owned utilities (IOUs) have been benefiting from counting those resources to meet their GHG-free targets. LSEs, on the other hand, have been paying for those same assets through PCIA, yet do not receive any of the GHG-free benefits through the PCL.

Eventually the allocations became available in 2020, and the VCE Board elected to receive the large hydro only attributes. This became effective in the third quarter of 2020 and VCE will receive approximately 30,000-35,000 MWHs in 2020 (note: VCE will not know the final numbers until Q2 2021). This allocation includes the power resource in addition to the GHG free energy attributes and represented approximately 5% of VCE’s annual load in 2020. Due to the variability of hydro production in any given year (i.e wet v. normal v. dry), it is not practical to forecast load offset for 2021 or future years.

There is no obligation to accept this allocation of GHG-free attributes. An LSE can choose to accept neither resource pool, one or the other, or both. The volume that each LSE receives will ultimately depend on the volume of electricity generated by each resource pool and the proportion of PG&E’s load served by the LSE.

Staff discussed this 2021 allocation with the Community Advisory Committee (CAC) at the December 2020 meeting. The majority of the CAC members were supportive of accepting only the hydro allocations and the CAC recommended that the Board to only approve 2021. That is, beyond 2021 potential allocations should continue to be brought forward to discuss in the event conditions change. Staff is supportive of this approach as well.

TENTATIVE SCHEDULE

Tentative Timeline (<i>assumes December 17, 2020 CPUC approval of Draft Resolution 5111-E without modification</i>)	
Week of November 16, 2020	• Notice Issued (complete)
Week of November 30, 2020	• PG&E will provide Eligible LSEs with 2021 Sales Agreement for review (complete)
Thursday, December 10, 2020 (ACTION REQUIRED)	• Feedback on form Sales Agreement due to PG&E [Note: VCE submitted on 12/8/2020]
Thursday, December 17, 2020	• Scheduled CPUC Voting Meeting (complete)
Thursday, January 14, 2021	• VCE Board Action (PENDING)
Monday, January 18, 2021	• Expected final and non-appealable date of CPUC approval (30 days following issuance of approval via Resolution, assuming no applications for rehearing are filed)
Up to Week of January 25, 2021 (ACTION REQUIRED)	• PG&E will provide Eligible LSEs Offers and a final version of 2021 Sales Agreement • PG&E and Eligible LSEs will execute 2021 Sales Agreement
Monday, February 1, 2021 (<i>pending execution of Sales Agreement</i>)	• Expected start of Delivery Period under 2021 Sales Agreement
Week of June 14, 2021 (<i>approximation</i>)	• First Quarterly Report with estimated Allocation Amount will be distributed
On or about April 15, 2022	• Final Report will be distributed to participating LSEs

RECOMMENDATION

As discussed with the Board in mid-2020 on this same topic related to 2020 allocations, staff continues to believe that:

- The potential reputational risk from accepting the nuclear allocation as part of our GHG-free target is greater than the potential savings for accepting this allocation.
- The monetary savings for either of these allocations is very low.
- Generally nuclear is not considered a clean fuel source due to risks associated with spent fuel and practical long-term disposal options.

Based on these factors, staff believes that VCE is better served by accepting the hydro allocation for 2021, but not the nuclear allocation, and should revisit this topic for 2022 and beyond.

In summary, the staff recommendation to the Board is:

1. Accept the 2021 allocation of large hydro carbon free attributes paid for by VCE customers;
2. Reject the 2021 allocation of nuclear power carbon free attributes; and
3. The Interim General Manager is authorized to finalize, execute, and sign all agreements with PG&E on behalf of VCE and in consultation with legal counsel to implement the Board's decision.

ATTACHMENT: Resolution – Accept 2021 allocation of large hydro carbon free attributes

VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2021-___

A RESOLUTION OF THE VALLEY CLEAN ENERGY ALLIANCE ACCEPTING THE 2021 ALLOCATION OF LARGE HYDRO POWER GHG ATTRIBUTES FROM PACIFIC GAS & ELECTRIC AND AUTHORIZING THE INTERIM GENERAL MANAGER IN CONSULTATION WITH LEGAL COUNSEL TO FINALIZE AND EXECUTE RELATED AGREEMENTS

WHEREAS, the Valley Clean Energy Alliance (“VCE”) is a joint powers agency established under the Joint Exercise of Powers Act of the State of California (Government Code Section 6500 et seq.) (“Act”), and pursuant to a Joint Exercise of Powers Agreement Relating to and Creating the Valley Clean Energy Alliance between the County of Yolo (“County”), the City of Davis (“Davis”), the City of Woodland and the City of Winters (“Cities”) (the “JPA Agreement”), to collectively study, promote, develop, conduct, operate, and manage energy programs;

WHEREAS, large hydro and nuclear do not directly emit any GHG emissions, but do not qualify under the state’s RPS program;

WHEREAS, Pacific Gas and Electric (PG&E) owns and contracts for a number of GHG-free resources (including large hydro and nuclear) and count these resources on its power content label to meet its GHG-free targets;

WHEREAS, Load serving entities (LSEs), including Community Choice Aggregators (CCAs) such as VCE, have been paying for those same assets through Power Charge Indifference Adjustment (PCIA), but do not receive any of the GHG-free benefits;

WHEREAS, in 2020 PG&E approached CCAs and offered to allocate GHG-free resources to CCAs and other eligible LSEs requiring no payment, and limited in the resources to which it applies (in-state, large hydroelectric, and nuclear);

WHEREAS, in May 2020 VCE Board elected to accept the large hydroelectric GHG-free attributes for calendar year 2020;

WHEREAS, for calendar year 2021 PG&E is again offering LSEs large hydro and nuclear GHG-free attributes.

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NOW, THEREFORE, the Board of Directors of the Valley Clean Energy Alliance resolves as follows:

1. Accept the 2021 allocation of large hydro carbon free attributes paid for by VCE;
2. Reject the 2021 allocation of nuclear power carbon free attributes; and
3. The Interim General Manager is authorized to finalize, execute, and sign all agreements with PG&E on behalf of VCE and in consultation with legal counsel to implement the Board's decision.

PASSED, APPROVED AND ADOPTED, at a regular meeting of the Valley Clean Energy Alliance, held on the ____ day of _____, 2021, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Dan Carson, VCE Chair

Alisa M. Lembke, VCEA Board Secretary