VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 7

TO: Community Advisory Committee

FROM: Sierra Huffman, Sr. Financial Analyst

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: November 19, 2026

RECOMMENDATION

Recommend that the VCE Board of Directors:

1. Accept the 2027 allocation of large hydro GHG-free attributes;

2. Accept the 2027 allocation of nuclear power GHG-free attributes;

3. Authorize the Executive Officer to enter into an agreement(s) with PG&E to accept the 2027 Large Hydro and Nuclear GHG-free allocations

BACKGROUND and ANALYSIS

PG&E owns or contracts for several GHG-free resources including nuclear from Diablo Canyon Power Plant. Together these resources are counted on PG&E's power content label (PCL) to meet their GHG-free targets. Historically load serving entities (LSEs) including VCE, paid for these same assets through the Power Charge Indifference Adjustment (PCIA), yet did not receive the GHG-free benefits.

In mid-2019, CCAs approached PG&E to discuss whether PG&E would be agreeable to selling energy from their large hydro facilities. PG&E refused to make sales but subsequently offered to allocate GHG-free resources (nuclear and large hydro) to both CCAs and other eligible LSEs. Beginning in 2020, the allocations became available and the VCE Board elected to receive the large hydro attributes.

In earlier years, VCE did not elect to receive the PG&E nuclear GHG-free allocation. But in 2024, regulatory and energy market changes prompted staff to reassess their recommendation and ultimately accept both the hydro and nuclear allocation. The changes that led to staff recommending to elect nuclear in both 2025 and 2026 are still in effect today. These changes include that all CPUC-jurisdictional LSE customers pay the operational cost of Diablo Canyon (i.e. regardless of whether VCE accepts or rejects the nuclear attribute, VCE customers still pay for it) and if an LSE does not accept the allocation, then PG&E will count their share of the GHG-free energy attributes on its PCL.

There is no obligation to accept the 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.

TENTATIVE SCHEDULE

2027 GHG-Free Energy Sales (Allocation) Tentative Timeline	
Tuesday, November 3, 2026	· Notice and form 2027 Sales Agreement issued.
Friday, November 6, 2026 (***ACTION REQUIRED***)	· Feedback on form Sales Agreement due to PG&E.
Up to Week of December 14, 2026 (***ACTION REQUIRED***)	· PG&E will provide Eligible LSEs Offers and a final version of 2027 Sales Agreement · PG&E and Eligible LSEs will execute 2027 Sales Agreement
January 1, 2027 (*pending execution of Sales Agreement*)	· Expected start of Delivery Period under 2027 Sales Agreement
Week of June 14, 2027 (*approximation*)	· First Quarterly Report with estimated Allocation Amount will be distributed
On or about April 15, 2028	· Final Report will be distributed to participating LSEs

Staff's position on both the large hydro and nuclear allocations are consistent with the 2026 recommendation. Key factors include:

- VCE is using capacity from Diablo for resource adequacy (RA); many of VCE's counterparts continue to elect to receive nuclear attributes; large hydro and nuclear improve VCE's emission rate.
- The monetary value has improved over prior years. The large hydro allocations can be resold, but per the CPUC decision the nuclear attributes cannot be resold.

RECOMMENDATION

Based on these factors, staff believes that VCE is better served by accepting both the hydro and nuclear allocations for 2027. Staff are looking for the CAC's recommendation for the VCE Board to approve the following:

1. Accept the 2027 allocation of large hydro GHG-free attributes;

2. Accept the 2027 allocation of nuclear power GHG-free attributes;

3. Recommend the Executive Officer enter into an agreement(s) with PG&E to accept the 2027 Large Hydro and Nuclear GHG-free allocations.