

## VALLEY CLEAN ENERGY ALLIANCE

### Staff Report – Item 8

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**TO:** Community Advisory Committee

**FROM:** 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:** November 17, 2022

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#### RECOMMENDATION

1. Accept the 2023 allocation of large hydro carbon free attributes paid for by VCE customers;
2. Reject the 2023 allocation of nuclear power carbon free attributes;
3. Recommend the Executive Officer enter into agreement(s) with PG&E to accept only the Large Hydro portion of the 2023 GHG free 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.

In mid-2019, CCAs approached PG&E to discuss whether PG&E would be agreeable to selling energy from their large hydro facilities<sup>1</sup>. 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).

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 received approximately 24,000 MWHs in 2020 and for 2021, VCE received 32,614 MWHs (note: VCE will not know the final 2022 numbers until Q2 2023).

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

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<sup>1</sup> 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.

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**

<b>2023 Carbon Free Sales Tentative Timeline</b>	
November 4, 2022	<ul style="list-style-type: none"> <li>• Notice Issued</li> </ul>
Up to Week of November 14, 2022	<ul style="list-style-type: none"> <li>• PG&amp;E will provide Eligible LSEs with 2023 Sales Agreement for review</li> </ul>
Wednesday, November 23, 2022 <i>(ACTION REQUIRED)</i>	<ul style="list-style-type: none"> <li>• Feedback on form Sales Agreement due to PG&amp;E</li> </ul>
Up to Week of December 12, 2022 <i>(ACTION REQUIRED)</i>	<ul style="list-style-type: none"> <li>• PG&amp;E will provide Eligible LSEs Offers and a final version of 2023 Sales Agreement</li> <li>• PG&amp;E and Eligible LSEs will execute 2023 Sales Agreement</li> </ul>
January 1, 2023 <i>(pending execution of Sales Agreement)</i>	<ul style="list-style-type: none"> <li>• Expected start of Delivery Period under 2023 Sales Agreement</li> </ul>
Week of June 19, 2023 <i>(approximation)</i>	<ul style="list-style-type: none"> <li>• First Quarterly Report for 2023 with estimated Allocation Amount will be distributed</li> </ul>
On or about April 15, 2024	<ul style="list-style-type: none"> <li>• Final Report for 2023 will be distributed to participating LSEs</li> </ul>

**RECOMMENDATION / CONCLUSION**

As was discussed with the CAC and Board in the past on this same topic, 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.

In addition, staff mentioned last year on this topic that going forward this item would be presented on future consent agendas unless there were some material changes. For 2023, there appears to be no material changes in staff’s opinion.

In summary, the staff’s recommendation is:

1. Accept the 2023 allocation of large hydro carbon free attributes paid for by VCE customers;
2. Reject the 2023 allocation of nuclear power carbon free attributes;
3. Recommend the Executive Officer enter into agreement(s) with PG&E to accept only the Large Hydro portion of the 2023 GHG free allocations.