

VALLEY CLEAN ENERGY ALLIANCE**Staff Report – Item 10**

TO: Community Advisory Committee

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

SUBJECT: CC Power Goal Line Energy Storage Project

DATE: March 24, 2022

Recommendation

1. Recommend that VCE participate in the California Community Power (CC Power) Goal Line Energy Storage Project.

Background**Joint CCA Request for Information and Offers**

In June 2020, Valley Clean Energy along with 10 other CCAs issued a request for information (RFI) from long duration storage (LDS) technology providers and project developers (LDS >=8hrs). The information collected through the RFI was used to develop a request for offers (RFO). This RFO was issued on October 15, 2020, and bids were due on December 1, 2020.

The joint CCAs received a robust response with 51 entities submitting offers representing over 9,000 MW. In collaboration with staff from the participating CCAs, these projects were evaluated through a two round evaluation process. Projects were scored based on value to the CCAs, locational value, development status, project viability and ability to meet resource adequacy requirements, technology viability, project team experience, compliance with workforce policy and environmental impact. The top 17 projects were moved to a second round of evaluation. All 17 projects were sent a follow-up questionnaire on labor, environmental and developer experience. Developers representing non-Li-Ion projects (such as: Emerging technologies defined as non-Li-Ion including 2nd life EV, Gravity, Hydrogen, Liquid Air, Compressed Air, Iron Redox Flow, and Pumped Storage Hydro) were interviewed about their project and technology as well.

Formation of CC Power

In 2020, a group of CCAs came together to discuss forming a joint powers authority (JPA) called California Community Power (CC Power) to leverage their combined buying power to provide cost effective joint services, programs, and procurement of energy resources and products. In February 2021, Valley Clean Energy's Board voted for VCE to become a member of CC Power (topic was presented to the CAC in January 2021). The other CCAs that are members of CC Power include MCE, 3CE, SVCE, SJCE, RCEA, VCE, SCP, EBCE, and CPSF. Once CC Power was formed, CC Power as an organization took over the LDS RFO work that had been underway.

CPUC Mid-Term Reliability Procurement Mandate

On June 24, 2021, the California Public Utilities Commission (CPUC) adopted D.21-06-035. This decision is commonly known as the mid-term reliability (MTR) procurement mandate. It directs load serving entities (LSEs) to collectively procure 11,500 MW of new resources between 2023 to 2026 to meet mid-term grid reliability needs. The requirement is measured as net qualifying capacity (NQC) rather than nameplate capacity. The CPUC issued a report identifying what percent of a technology’s nameplate capacity would count toward this requirement. This means that each LSE’s nameplate capacity is higher than the requirement identified in the decision. The decision requires that contracts have a term of at least 10 years and that resources be zero-emission or eligible under the California renewable portfolio standard (RPS).

| Procurement Category | 2023 | 2024 | 2025 | 2026 | Total |
|---|--------------|--------------|--------------|--------------|---------------|
| Zero-emissions generation, generation paired with storage, or demand response resources | - | - | 2,500 | - | 2,500 |
| Firm zero-emitting resources | - | - | - | 1,000 | 1,000 |
| Long-duration storage resources | - | - | - | 1,000 | 1,000 |
| Remaining New Capacity Required | | | - | - | 7,000 |
| Total Annual Net Qualifying Capacity (NQC) Requirements | 2,000 | 6,000 | 1,500 | 2,000 | 11,500 |

One of the categories identified in the decision was long duration energy storage. Once this decision was issued, the CCAs focused the RFO negotiations to ensure that the identified project and contract terms would allow the project to count toward each of the CCAs obligations under this decision.

The requirements were allocated to each LSE based on load share. Under the decision, VCE was allocated a requirement for 4 MW of LDS NQC, which is approximately equivalent to 5.1 MW of nameplate capacity.

Shortlist and Negotiations

Staff conducted an extensive analysis of projects submitted through the LDS RFO to identify a shortlist of projects. The Goal Line project was determined to be in the top tier of projects that would provide the most value to the CCAs. This shortlist was identified in June 2021 and at that time CC Power entered exclusivity with shortlisted projects and began negotiations.

CC Power conducted a solicitation process to identify counsel and a key negotiator to represent CC Power in its negotiations with counterparties identified through the LDS RFO process. CC Power retained Keyes and Fox and Gridwell Consulting to conduct the negotiations.

Representatives from each of the participating CCAs met with the CC Power General Manager and the negotiating team on a weekly basis to receive updates on negotiating status and provide input to the negotiating process.

In February 2022, VCE Board authorized participation in Tumbleweed project, the first CC Power approved LDS project resulting from the Joint LDS RFO. The other six CCAs participating in Tumbleweed have either gained or are in process gaining the necessary approvals to fully approve the Tumbleweed LDS project.

In addition to Tumbleweed, the Joint LDS RFO, shortlisted two other projects for consideration, Goal Line is the second LDS project. VCE along with five other CCAs have agreed to participate in the Goal Line LDS Project including:

1. Clean Power San Francisco (CPSF)
2. Redwood Coast Energy Authority (RCEA)
3. San Jose Clean Energy (SJCE)
4. Silicon Valley Clean Energy (SVCE)
5. Sonoma Clean Power Authority (SCPA)

Overview of Project

| | |
|----------------------------------|--|
| Project Name | Goal Line BESS 1, LLC |
| Technology | Li-Ion Storage – 8 hr discharge duration |
| Storage Capacity | 50 MW / 400 MWh |
| Commercial Operation Date | 6/1/2025, 15 yrs |
| Developer | Onward |
| Location | Escondido, CA in San Diego County |

The Goal Line project is a 50 MW / 400 MWh lithium-ion battery storage facility located near Escondido, CA in San Diego County. The Commercial Operation Date is June 1, 2025. VCE’s share of this project is 2.25 MW / 18 MWh.

Goal Line is in process of achieving an executed interconnection agreement with the California Independent System Operator (CAISO) for Full Capacity Deliverability Status (FCDS), meaning it will provide resource adequacy attributes in addition to energy and ancillary service benefits. The project will interconnect to one of San Diego Gas & Electric’s substations.

Under the contract, CC Power will pay for the use of the storage project at a fixed-price rate per kW-month, with no escalation, for the full term of the contract (15 years). CC Power is entitled to all

product attributes from the facility, including energy arbitrage, ancillary services, and resource adequacy.

Developer

The project is being developed by Onward Energy an independent power generator that owns and operates 43 projects in 16 states across North America including solar, wind, and methane gas electric generation plants. In California, Onward has developed over 2,300 MW of renewable and methane gas projects that are in operation today. Onward currently has 200 MW of battery storage in development in California.

Workforce Requirements

Consistent with the CC Power Board direction for enhanced contracting conditions, the developer will construct the project under a project labor agreement, thus assuring payment of prevailing wages and use of apprenticeship programs. The project will also adhere to CC Power environmental and environmental justice conditions.

Participating CCAs

Six of the CC Power CCAs are participating in this contract. The CCAs and their shares of the project are identified in the table below. The project’s capacity was allocated to the CCAs based on their obligation under the CPUC MTR procurement mandate.

| CCA | Entitlement Share % | Expected Entitlement Share MW |
|-------|---------------------|-------------------------------|
| CPSF | 21.50% | 10.75 |
| RCEA | 4.00% | 2.00 |
| SJCE | 24.22% | 12.11 |
| SVCE | 28.42% | 14.21 |
| SCPA | 17.36% | 8.68 |
| VCE | 4.50% | 2.25 |
| Total | 100% | 50 |

Below is a table identifying how VCE is planning to satisfy the MTR mandate for long duration storage.

| MTR Requirement NQC MW | MTR Obligation NQC MW | Tumbleweed Entitlement Nameplate MW | Remaining Need NQC MW | Goal Line Entitlement Nameplate MW | Net Open Position +Surplus/(-) Deficit NQC MW |
|------------------------|-----------------------|-------------------------------------|-----------------------|------------------------------------|---|
| 4.0 | 5.1 | 2.86 | 2.25 | 2.25 | 0 |

Strategic Plan

The Goal Line project supports the following objectives in VCE's strategic plan:

Goal 2: Manage power supply resources to consistently exceed California's Renewable Portfolio Standard (RPS) while working toward a resource portfolio that is 100% carbon neutral by 2030

-2.3 Objective: Deploy storage and other strategies to achieve renewable, carbon neutral, resource adequacy, and resiliency objectives.

Discussion/Conclusion

VCE's expected share of the Goal Line project is approximately 4.5% of the project which is equivalent to 2.25 MW nameplate capacity or 1.76 MW NQC. This will satisfy nearly 50% of the LDS mandate assigned to VCE.

Staff will be asking the Board to approve VCE's participation in the Goal Line project at the April 14, 2022 meeting. In addition, each participating CCA is asking its Board for cushion to allow them to proceed with this project in case there are changes in share allocation due to any CCA not receiving their Board's approval (note: VCE will seek approval for up to 5MW total between Tumbleweed and Goal Line). This will also cover situations where there is a step-up event. Staff anticipates that all CCA's will receive approval to participate, but in the event one or more do not, this buffer will help avoid the need to go back to each of the CCA Boards for re-approval.

The Goal Line project is the second project for CCAs to procure together through CC Power, and the second LDS project contract to be executed to meet the MTR procurement mandate.