

# VALLEY CLEAN ENERGY ALLIANCE

## Staff Report – Item 14

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**TO:** Valley Clean Energy Alliance Board of Directors

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

**SUBJECT:** Local Renewable Request for Offers (RFO) Solicitation

**DATE:** April 9, 2020

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### RECOMMENDATION

Staff is requesting the Board approve the release of a Local Long Term Renewable Solicitation (“Solicitation”) planned for issuance in mid-April 2020.

### OVERVIEW

As directed by the Board and noted in previous updates, VCE is in the process of preparing a solicitation for local/regional long-term renewable projects. Projects resulting from this solicitation would supplement renewable projects that come out of VCE’s previous long-term solicitation, including the recently signed power purchase agreement (PPA) for a 50 MW project with the Westlands solar park as well as the 72 MW project the Board is considering at the April 9, 2020 meeting. This staff report provides an overview of the solicitation objectives, high-level schedule, minimum project requirements and evaluation criteria that would be included in the Local/Regional Long-Term Renewable Request for Offer (“RFO”) planned for issuance in April 2020. Staff reviewed the siting criteria with the Board (3/12/2020), Community Advisory Committee (2/27/2020) as well as with the Defenders of Wildlife and The Nature Conservancy (2/24/2020). Input received from those meetings will be incorporated in the RFO documents.

### BACKGROUND

If approved by the Board, staff will release an RFO to procure local/regional renewable energy through long-term power purchase agreements that will be executed in VCE’s name. The local/regional solicitation is consistent with general Board direction and VCE’s Vision statement to pursue procurement of cost effective local renewable energy. This solicitation is also identified in VCE’s 2019 Renewable Portfolio Standard (RPS), Procurement Plan submitted to the California Public Utilities Commission. The 2019 RPS Plan states:

“VCE plans to establish an open solicitation for local renewables in the first quarter of 2020 in order to supply up to 25% of its targeted 2030 renewable goal of 80%.”

Table 1 below provides an overview of VCE’s renewable energy targets compared to the RPS minimums.

Table 1 – VCE Renewable Targets

	2020	2022	2026	2030
VCE IRP Renewable Energy Targets	42.0%	60.0%	70.0%	80.0%
RPS Minimum Requirements	33.0%	38.5%	49.3%	60.0%
Additional Voluntary Procurement by VCE Above RPS Minimum Reqs	9.0%	21.5%	20.7%	20.0%

As the table shows, after VCE’s long-term renewable contracts begin supplying power in late 2021/early 2022, VCE is roughly 20% better than State standards. While the larger, non-local renewable projects will provide the bulk of that power the proposed local/regional solicitation will supplement the totals. Based on prior Board direction, staff has purposely left an open position in VCE’s portfolio to accommodate up to 25% of the renewables needed to make VCE’s targeted amount to be filled with cost-effective local/regional projects that would come on-line over the next 10 years (by 2030). For discussion purposes: assuming an annual VCE load of 750,000 MWh, VCE plans to ultimately meet 600,000 MWh with renewable resources and 150,000 MWh of this could be from local renewables (approximately 50MW depending on the type of resource).

Staff is not suggesting that all 150,000 MWh will come from this RFO. Staff intends to procure a portion of this amount and in future solicitations will acquire the remaining balance. This will allow VCE to diversify its portfolio and potentially take advantage of emerging and maturing technologies such as energy storage and other distributed energy resources. In addition, staff notes that the current (and future), solicitation would not limit the types of technologies that could submit proposals.

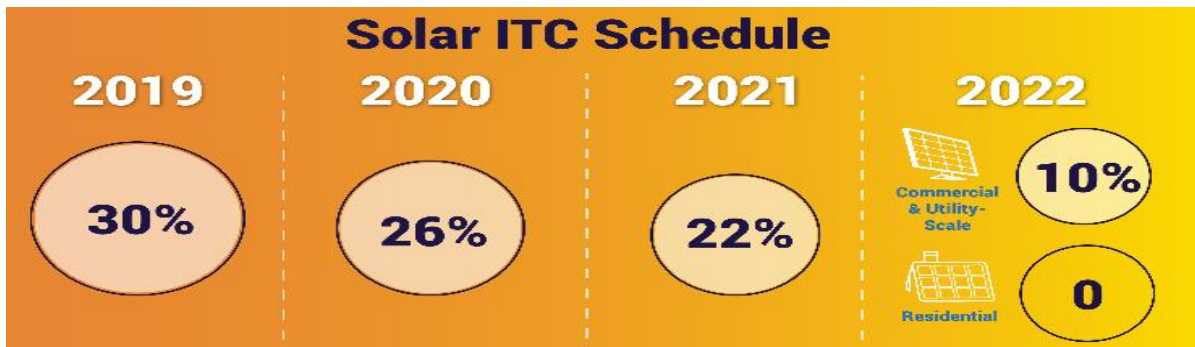
As with potential renewable projects resulting from the previous long-term solicitation, all potential projects from the local/regional RFO will be vetted using the adopted selection criteria and brought to the Board for final consideration.

**ANALYSIS**

1). This solicitation will contribute to satisfying a near-term regulatory requirement:

*CPUC Decision D.17-06-026: VCE is required to meet the statutory goal of 65% of its procurement being from contracts with term lengths of 10 years or more in duration by the 2021-2024 compliance period. The recently signed 50 MW PPA will satisfy approximately 50% of this requirement leaving approximately 350,000 MWh (total remaining for years '21 through '24) for upcoming procurement activity.*

2). Staff recommends that this RFO be limited only to proposals from resources that can achieve a commercial operation date (COD) no later than 12/31/23. All other things being equal, projects that can achieve an earlier COD will be given preference. This date supports the above regulatory requirement, and it coincides with the expiration of the Federal Investment Tax Credit (“ITC”), that is utilized by projects to lower costs.



A project will receive a higher ITC the sooner a project commences construction. Utility-scale projects which have commenced construction before December 31, 2021 may still qualify for the 30, 26 or 22 percent ITC if the project is placed in-service before December 31, 2023.

**Recommended Project Requirements (high-level):**

Location	Within Yolo County, CA or any of the adjacent six counties, with preference given to those projects in Yolo. Deliverability to the CAISO grid.
Products	RPS-eligible generation or RPS-eligible generation+storage. Projects may be existing or new.
Price	Fixed \$/MWh with zero percent (0%) annual escalator. Prices must be offered at the project Pnode.  Projects that include storage may add an optional \$/kW-month storage capacity cost with zero percent (0%) annual escalator. Note: Actual payments to bidder will be consistent with the terms of the PPA Agreements for each project.
Term	Minimum of ten (10) years, maximum of twenty (20) years.
Scheduling Coordinator	For generation only projects, Seller shall be the scheduling coordinator (SC). For generation+storage projects, Buyer shall be the scheduling coordinator (SC).
Ownership	All projects will be owned by the Bidder (Seller), with VCE contracting the output of the resource for the Term.
Expected Commercial Operation Date (COD)	On or prior to December 31, 2023.
Installed Capacity (MW)	Nameplate capacity no less than 2 MWac and no greater than 25 MWac (not inclusive of storage capacity).

Operation	Storage components of generation+storage resources will only be charged by the generation resource they are directly connected to (no grid charging).  Storage resources are expected to operate at a minimum 200 cycles/year (bidder can propose additional cycles/yr offers).
Station Use	Seller will be responsible for Station Use.
Pre and Post Development Seller Security Requirements	\$/kW of Contract Capacity for generation resources and \$/kW of Contract Capacity for storage resources.

**Schedule:**

<b>Issue RFO</b>	<b>April 20, 2020</b>
<b>Bid Submittals Due</b>	<b>May 26, 2020</b>
<b>Complete Evaluation</b>	<b>July 13, 2020</b>
<b>Short-list and Negotiations</b>	<b>September 30, 2020</b>
<b>Award Contract(s) / Approvals</b>	<b>Q4 2020</b>

**Evaluation Criteria:**

Projects will be evaluated based on a combination of quantitative and qualitative criteria. Quantitative criteria will focus on project performance and economics, while qualitative criteria will focus on factors related to environmental stewardship, development risk, and project site characteristics. Both categories of criteria will play a significant role in project evaluation.

The quantitative analysis will determine the project benefit by comparing project cost to market forward prices. The total project cost is calculated from the expected energy generation profile times offered prices plus the cost of the energy storage system capacity (if offered). VCE will evaluate the potential for congestion between the project's point of interconnection and VCE's Default Load Aggregation Point (DLAP). This analysis will provide an estimate of energy value for each project, which along with the \$/MWh PPA cost and, if relevant, the energy storage \$/kW-month capacity cost submitted in the proposal will be used to calculate an overall value for each project. The economic value of a project is a key consideration but not the only important factor in screening projects.

The primary qualitative criteria will include, but not be limited to, the following:

- Project team experience
- Financing plan and financial stability of project owner/developer
- Local/Regional resources location
- Prior land use
- Located in pre-screened energy development areas
- Level of completeness of permits

- Grid Interconnection status
- Site control
- Multi-benefit renewable energy

Staff recognizes that some projects may not meet all criteria, but preference will be given to those that satisfy the majority of the criteria.

**CONCLUSION**

Staff is seeking approval from the Board to issue the Local Renewable RFO later this month with project screening based on the project requirements and evaluation criteria listed in the staff report. Staff will return with periodic updates as the solicitation moves forward.