

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 14

TO: Valley Clean Energy Alliance Board

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

SUBJECT: 2020 Procurement Plan Update, Including Directives and Delegations for 2020 Power Procurement Activities

DATE: July 9, 2020

RECOMMENDATION

Staff recommends the Board adopt a resolution that:

1. Approves updates to the 2020 Procurement Plan contained in this staff report.
2. Approves updates to Directives and Delegations to SMUD for procuring VCE's power portfolio for calendar year 2021, and portions of the power portfolio for 2022, which are in Table 1 below.
3. Approves updated 2021 portfolio mix targets of 10% renewable and up to 10% large hydro, as needed to achieve 20% carbon-free power content.

PURPOSE AND SCOPE

On December 12, 2019, the Board approved VCE's updated Procurement Guide which established the procurement plan for the 2021 power portfolio, along with the delegations to SMUD necessary to execute on that plan. SMUD began executing on the approved plan and delegations in the early part of 2020. However, recent policy changes warrant modification to the approved plan.

As discussed at the June 11, 2020 Board meeting, VCE has adopted a policy strategy for incorporation of long-term renewable contracts into VCE's portfolio and to address fiscal year 2020/21 PCIA and Resource Adequacy cost impacts. This policy decision includes adopting a 2021 RPS target of 10% and a 2021 carbon-free target of 20% (composed of up to 10% large hydro).

The reduced 2021 targets are partially met by deliveries from VCE's long term PPAs and potentially carbon-free allocation from PG&E, similar to allocations committed in 2020. Due to the uncertainty around expected delivery volumes, as well as uncertain 2021 load impacts from COVID-19, staff recommend the remaining procurement to fill 2021 targets be completed in 2021, rather than 2020. With relatively small remaining volumes to be procured and stable prices for both products, the decision to delay 2021 RPS and large hydro procurement does not introduce significant price risk.

All other procurement strategies, delegations, and deadlines remain unchanged from the Procurement Guide approved in December 2019. The current Procurement Guide and staff report are located at: <https://valleycleanenergy.org/wp-content/uploads/Item-12-Procurement-Plan-Public-12-12-19.pdf>

REVISED PORTFOLIO COMPOSITION

Renewables

[REDACTED]

Non-RPS Carbon Free

[REDACTED]

Procurement Directives

[REDACTED]

[REDACTED]					[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
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REQUESTED ACTION

Adopt a resolution as detailed above.

VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2020-___

**A RESOLUTION OF THE VALLEY CLEAN ENERGY ALLIANCE
APPROVING THE UPDATES TO THE 2020 PROCUREMENT PLAN, DIRECTIVES AND
DELEGATIONS FOR PROCURING VALLEY CLEAN ENERGY'S POWER PORTFOLIO FOR
CALENDAR YEAR 2021 AND PORTIONS OF POWER PORTFOLIO FOR YEAR 2022, AND TO
THE 2021 TARGETED PORTFOLIO MIX**

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, in order to achieve its strategic goals, VCE has established procurement policies and goals and on January 18, 2018 the Board approved VCE's Procurement Guide which provided the roadmap for implementation and established the procurement plan for 2018 and 2019 power portfolio, along with delegations to Sacramento Municipal Utilities District ("SMUD") to execute on this plan;

WHEREAS, on January 23, 2019, the Board adopted via Resolution 2019-002 a revised Procurement Guide and delegated authority to VCEA Staff and SMUD to procure energy for calendar years 2020, 2021 and 2022, including the procurement of price hedging energy for VCE's expected 2020 needs with no delegation to procure hedging energy beyond 2020, consistent with the procurement policy and guide;

WHEREAS, on September 12, 2019, the Board adopted via Resolution 2019-013 the replacement of the August 29, 2019 EROC delegation, authorized SMUD to procure up to 100% of the forecast hedging energy needs for 2021, and authorized the Interim General Manager to approve the actual procurement strategy employed for this procurement;

WHEREAS, on December 12, 2019, the Board adopted Resolution 2019-018 approving the 2020 Procurement Plan, directives and delegations for procuring VCE's power portfolio for calendar year 2021, the targeted portfolio mix, and the maintenance of minimum renewable target for 2021;

WHEREAS, at the Board's June 11, 2020 meeting, policy strategies were adopted to plan for incorporation of long-term renewable contracts into VCE's portfolio, to address fiscal year 2020/2021 Power Charge Indifference Adjustment (PCIA) and Resource Adequacy (RA) cost impacts; and,

WHEREAS, VCE’s Procurement Plan needs to be updated to incorporate the policy strategies adopted at the Board’s June 11, 2020 meeting.

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

1. Approves updates to the 2020 Procurement Plan.
2. Approves specific Directives and Delegations to SMUD for procuring VCE’s power portfolio for calendar year 2021, and portions of the power portfolio for 2022.
3. Approves updated 2021 portfolio mix targets of 10% renewable and up to 10% large hydro, as needed to achieve 20% carbon-free power content.

PASSED, APPROVED, AND ADOPTED, at a regular meeting of the Valley Clean Energy Alliance, held on the ____ day of July 2020, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Don Saylor, VCE Chair

Alisa M. Lembke, VCE Board Secretary