

VALLEY CLEAN ENERGY ALLIANCE**Staff Report – Item 17**

TO: Board of Directors

FROM: Mitch Sears, Executive Officer
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: December 8, 2022

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. Authorize the Executive Officer to enter into an agreement(s) with PG&E to accept only the Large Hydro portion of the 2023 GHG free allocations; and
4. In the event the future attributes (2024 and beyond) are made available to VCE and there are no material changes in VCE’s position, staff recommends:
 - a. Continuing to bring this item to the Community Advisory Committee (CAC) and Board as part of their respective consent agendas.

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 facilities¹. 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).

¹ 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.

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 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

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

RECOMMENDATION

As discussed with the Board in the past on this same topic related to the 2020, 2021 and 2023 allocations, 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.

Based on these factors, staff believes that VCE is better served by accepting the hydro allocation for 2023, but not the nuclear allocation. Staff did present this topic to the CAC in November as part of the consent agenda, and the CAC agrees with this approach.

In summary, the staff recommendation to the Board 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. Authorize the Executive Officer to enter into an agreement(s) with PG&E to accept only the Large Hydro portion of the 2023 GHG free allocations; and
4. In the event the future attributes (2024 and beyond) are made available to VCE and there are no material changes in VCE's position, staff recommends:
 - a. Continuing to bring this item to the Community Advisory Committee (CAC) and Board as part of their consent agendas.

Attachment

1. Resolution 2022-XXX

VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2022-___

A RESOLUTION OF THE VALLEY CLEAN ENERGY ALLIANCE ACCEPTING THE 2023 ALLOCATION OF LARGE HYDRO POWER GHG ATTRIBUTES FROM PACIFIC GAS & ELECTRIC AND AUTHORIZING THE EXECUTIVE OFFICER IN CONSULTATION WITH LEGAL COUNSEL TO FINALIZE AND EXECUTE RELATED AGREEMENTS

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, large hydro and nuclear do not directly emit any GHG emissions, but do not qualify under the state’s RPS program;

WHEREAS, Pacific Gas and Electric (PG&E) owns and contracts for a number of GHG-free resources (including large hydro and nuclear) and count these resources on its power content label to meet its GHG-free targets;

WHEREAS, Load serving entities (LSEs), including Community Choice Aggregators (CCAs) such as VCE, have been paying for those same assets through Power Charge Indifference Adjustment (PCIA), but do not receive any of the GHG-free benefits;

WHEREAS, in 2020 PG&E approached CCAs and offered to allocate GHG-free resources to CCAs and other eligible LSEs requiring no payment, and limited in the resources to which it applies (in-state, large hydroelectric, and nuclear);

WHEREAS, in May 2020, January 2021, and January 2022 VCE Board elected to accept the large hydroelectric GHG-free attributes for calendar year 2020, 2021 and 2022;

WHEREAS, for calendar year 2023 PG&E is again offering LSEs large hydro and nuclear GHG-free attributes.

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

1. Accept the 2023 allocation of large hydro carbon free attributes paid for by VCE;
2. Reject the 2023 allocation of nuclear power carbon free attributes; and
3. The Executive Officer is authorized to finalize, execute, and sign all agreements with PG&E on behalf of VCE and in consultation with legal counsel to implement the Board's decision.

PASSED, APPROVED AND ADOPTED, at a regular meeting of the Valley Clean Energy Alliance, held on the ____ day of December 2022, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Jesse Loren, VCE Chair

Alisa M. Lembke, VCEA Board Secretary