

# VALLEY CLEAN ENERGY ALLIANCE

## Staff Report – Item 20

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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:** Introduction of local / regional renewable Request for Offers (RFO) solicitation

**DATE:** March 12, 2020

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### 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. This staff report provides an overview of the solicitation objectives and an introduction to the draft siting 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 criteria with the 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 has been incorporated in this report.

Staff will be returning to the Board for final consideration and direction to issue the local/regional solicitation at the April Board meeting.

### BACKGROUND

If approved by the Board at its April 2020 meeting, staff will release an RFO for VCE 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).

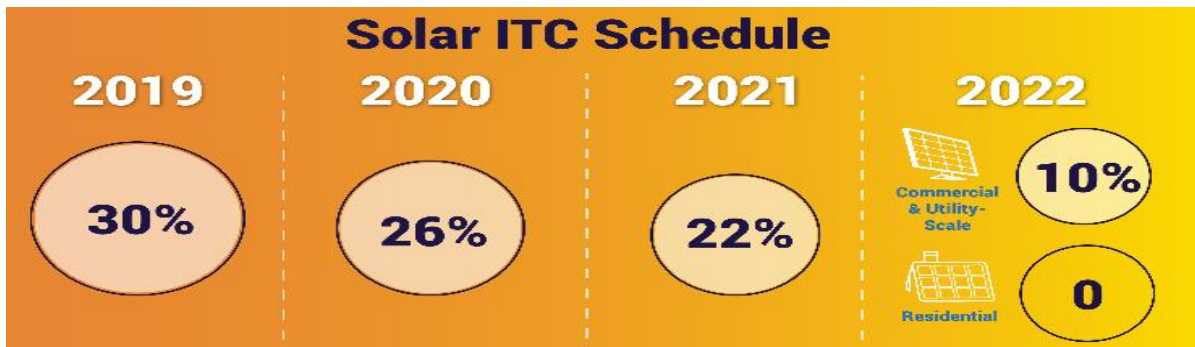
Staff is not suggesting that all 150,000 MWh will come from this RFO. Staff intends to procure a portion of this amount and in future solicitations will acquire the remaining balance. This will allow VCE to diversify its portfolio and potentially take advantage of emerging and maturing technologies such 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. The proposed evaluation criteria are addressed below.

**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.

Key Solicitation objective. A primary objective of this first local/regional long-term renewable solicitation for VCE is to facilitate development of cost effective local renewable resources. VCE currently has no power supply commitments from projects in Yolo County. The Indian Valley hydro project, currently under two-year contract to VCE, is in adjacent Lake County.

**Recommended Siting criteria for Local/Regional RFO**

The criteria recommended are generally consistent with those established in VCE’s first long-term solicitation issued in Fall 2018. Both the initial and currently proposed criteria set the tone and direction for the types of renewable resources that VCE pursues. In short, VCE desires cost effective projects that: (1) provide local co-benefits; (2) are located in environmentally suitable locations; and (3) are sustainably developed to avoid or minimize impacts to species, habitat, landscapes and agricultural lands. Staff recognizes that some projects may not meet all criteria, but preference will be given to those that meet the most. The project evaluation criteria categories staff are recommending include:

1. Local/Regional resources
2. Prior land use
3. Located in pre-screened energy development areas
4. Level of completeness of permits
5. Grid Interconnection status
6. Site control
7. Multi-benefit renewable energy

**1. Definition of Local/Regional Resources**

VCE is currently serving customers in Yolo County and a goal of the CCA model is to build local clean energy resources, reinvest dollars in the local economy, and create jobs. If the definition of Local is limited to Yolo County, resource opportunities will not be as plentiful than if Local were defined as a broader geographical area. Although a project may be physically sited in an adjacent county, there are indirect benefits for Yolo County. As with VCE’s 2018 solicitation, the definition of local included Yolo plus near adjacent renewable resources such as small hydro in Lake County, wind resources in southeastern Solano County, and bio-mass in Colusa County. Geothermal resources in Lake/Sonoma Counties would be captured in the regional category.

Staff recommends a position defining the following resource criteria for location, and that these criteria be included in the RFO.

“Local” is preferred and defined as any resource located within Yolo County, or nearby Yolo County if having a nexus back to Yolo County (the Indian Valley Hydro Project owned by Yolo County Flood Control and Water Conservation District is an example of a nearby project having a nexus back to Yolo County).

“Regional” is defined as any resource located within the six adjacent counties and including the Geysers Geothermal Resource Area in Lake/Sonoma County.

As noted, Staff recommends those projects that meet the above “Local” definition be given some level of preference compared to those outside of Yolo County.

## **2. Prior Land Use**

VCE’s preference would be for projects sited on structures/buildings or mechanically disturbed lands (e.g. previously disturbed for industrial or residential development) or chemically or physically impaired farmland (per CA GOV Code 51191(a)). Brownfield sites would also be acceptable for renewable development such as superfund sites or other contaminated lands, per EPA Repowering America guidelines.

## **3. Located in Pre-Screened Energy Development Areas**

The Renewable Energy Transmission Initiative (RETI), provides a high-level assessment of areas in California that are best suited to support utility scale renewable energy projects. It is a useful screen that VCE used in its 2018 solicitation and supports the public process of the California Energy Commission, California Public Utilities Commission, and the California Independent System Operator to identify potential transmission that could access and integrate renewable energy with the most environmental, economic, and community benefits. To be considered, projects would be required to avoid RETI Category 1 or Category 2 designation.

## **4. Level of Permitting Completeness**

Respondents would need to describe the status of their permitting activities. Depending how advanced a project is in the permitting process will determine the commercial operation date as well as the amount of development risk associated with the project viability. Permits that would be specifically addressed include:

- a) Status of land use permits and entitlements, including level of California Environmental Quality Act (CEQA) analysis required. Projects with all permitting approved would be prioritized.
- b) If located in Yolo County, consistency with the Yolo County Habitat Conservation Plan / Natural Community Conservation Plan.

## **5. Interconnection status**

The interconnection process in many cases is the critical path item in project development. Preference will be given to those projects that are enrolled in the interconnection queue, and that the bidder has requested that the interconnection support deliverability of the full project capacity (called full capacity deliverability status).

## **6. Site control**

The project developer has underlying site control such as owned, leased, option, etc.

## **7. Multi-benefit renewable energy**

Renewable energy that provides additional societal, health, economic, water saving, or environmental benefits beyond the climate and GHG reduction benefits of renewable energy. Factors considered would include supplier diversity and potential effects on disadvantaged communities. Respondents will be asked to describe these additional benefits.

## **CONCLUSION**

Staff is seeking feedback from the Board on the above criteria as well as any additional factors that should be considered for inclusion in the final solicitation. Staff will return with a final draft solicitation for Board consideration at the April meeting.