Special Meeting of the Valley Clean Energy Alliance
Board of Directors
Thursday, July 9, 2020 at 4:00 p.m.
Via Teleconference

Pursuant to the Provisions of the Governor's Executive Orders N-25-20 and N-29-20, which suspends certain provisions of the Brown Act and the Orders of the Public Health Officers with jurisdiction over Yolo County, to Shelter in Place and to provide for physical distancing, all members of the Board of Directors and all staff will attend this meeting telephonically. Any interested member of the public who wishes to listen in should join this meeting via teleconferencing as set forth below.

Please note that the numerical order of items is for convenience of reference. Items may be taken out of order on the request of any Board member with the concurrence of the Board. Staff recommendations are advisory to the Board. The Board may take any action it deems appropriate on any item on the agenda even if it varies from the staff recommendation.

Members of the public who wish to listen to the Board of Director's meeting may do so with the teleconferencing call-in number and meeting ID code. Teleconference information below to join meeting:

Join meeting via Zoom:

a. From a PC, Mac, iPad, iPhone, or Android device with high-speed internet. (If your device does not have audio, please also join by phone.)
https://us02web.zoom.us/j/89855635049
Meeting ID: 898 5563 5049

b. By phone
One tap mobile
+16699009128,,89855635049# US
+13462487799,,89855635049# US

Dial:
+1 669 900 9128 US
+1 346 248 7799 US
Meeting ID: 898 5563 5049#

Public comments may be submitted electronically or during the meeting. Instructions on how to submit your public comments can be found in the PUBLIC PARTICIPATION note at the end of this agenda.

Board Members: Don Saylor (Chair/Yolo County), Dan Carson (Vice Chair/City of Davis), Tom Stallard (City of Woodland), Gary Sandy (Yolo County), Lucas Frerichs (City of Davis), Angel Barajas (City of Woodland), Wade Cowan (City of Winters), and Jesse Loren (City of Winters)

Associate Members: Christopher Cabaldon (City of West Sacramento), Beverly Sandeen (City of West Sacramento)

4:00 p.m. Call to Order

1. **Welcome**
2. **Approval of Agenda**
3. **Public Comment:** This item is reserved for persons wishing to address the Board on any VCE-related matters that are not otherwise on this meeting agenda. Public comments on matters listed on the agenda shall be heard at the time the matter is called. As with all public comment, members of the public who wish to address the Board are customarily limited to two minutes per speaker, electronically submitted comments should be limited to approximately 300 words. Comments that are longer than 300 words will only be read for two minutes. All electronically submitted comments, whether read in their entirety or not, will be posted to the VCE website within 24 hours of the conclusion of the meeting. See below under **PUBLIC PARTICIPATION** on how to provide your public comment.

CONSENT AGENDA

4. **Approve June 11, 2020 Board Meeting Minutes.**
5. **Receive 2020 Long Range Calendar.**
6. **Receive Financial Update – May 31, 2020 (unaudited) financial statement.**
7. **Receive Legislative Update**
8. **Receive July 1, 2020 Regulatory Update provided by Keyes & Fox.**
9. **Receive June 30, 2020 Customer Enrollment Update.**
10. **Receive Community Advisory Committee June 25, 2020 Meeting Summary.**
11. **Ratify extension of Donald Dame agreement for consulting services for the time period of July 1, 2020 through June 30, 2021.**
12. **Approve temporary extension of revolving line of credit with River City Bank to August 15, 2020.**
13. **Appointment of Community Advisory Committee Member**

REGULAR AGENDA

14. **Approval of update to the Valley Clean Energy 2020 Procurement Plan, including directives and delegations for 2020 Power Procurement activities. (Action)**
15. **Receive update on draft Integrated Resource Plan. (Information)**
16. **Approval of draft Legislative Platform. (Action)**
17. **Board Member and Staff Announcements:** Action items and reports from members of the Board, including announcements, AB1234 reporting of meetings attended by Board Members of VCEA expense, questions to be referred to staff, future agenda items, and reports on meetings and information which would be of interest to the Board or the public.

16. Adjournment: The next VCE Board meeting is scheduled for Thursday, August 13, 2020 at 5:30 p.m. currently at the City of Davis Community Chambers, located at 23 Russell Boulevard, Davis, CA 95616; however, this meeting may be held via teleconference.

PUBLIC PARTICIPATION INSTRUCTIONS FOR VALLEY CLEAN ENERGY BOARD OF DIRECTORS SPECIAL MEETING ON THURSDAY, JULY 9, 2020 AT 4:00 P.M.:

PUBLIC PARTICIPATION. Public participation for this meeting will be done electronically via e-mail ***and*** during the meeting as described below.

Public participation via e-mail: If you have anything that you wish to be distributed to the Board and included in the official record, please e-mail it to VCE staff at Meetings@ValleyCleanEnergy.org. If information is received by 3:00 p.m. on the day of the Board meeting it will be e-mailed to the Board members and other staff prior to the meeting. If it is received after 3:00 p.m. the information will be distributed after the meeting, but within 24 hours of the conclusion of the meeting.

Verbal public participation during the meeting: If participating during the meeting, there are two (2) ways for the public to provide verbal comments:

1) If you are attending by computer, activate the "participants" icon at the bottom of your screen, then raise your hand (hand clap icon) under "reactions".
2) If you are attending by phone only, you will need to press *9 to raise your hand.

VCE staff will acknowledge that you have a public comment to make during the item and will call upon you to make your verbal comment.

Public Comments: If you wish to make a public comment at this meeting, please e-mail your public comment to Meetings@ValleyCleanEnergy.org or notifying the host as described above. Written public comments that do not exceed 300 words will be read by the VCE Board Clerk, or other assigned VCE staff, to the Committee and the public during the meeting subject to the usual time limit for public comments [two (2) minutes]. General written public comments will be read during Item 3, Public Comment. Written public comment on individual agenda items should include the item number in the "Subject" line for the e-mail and the Clerk will read the comment during the item. Items read cannot exceed 300 words or approximately two (2) minutes in length. All written comments received will be posted to the VCE website. E-mail comments received after the item is called will be distributed to the Board and posted on the VCE website so long as they are received by the end of the meeting.

Public records that relate to any item on the open session agenda for a regular or special Board meeting are available for public review on the VCE website. Records that are distributed to the Board by VCE staff less than 72 hours prior to the meeting will be posted to the VCE website at the same time they are distributed to all members, or a majority of the members of the Board. Questions regarding VCE public records related to the meeting should be directed to Board Clerk Alisa Lembke at (530) 446-2750 or Alisa.Lembke@ValleyCleanEnergy.org. The Valley Clean Energy website is located at: https://valleycleanenergy.org/board-meetings/.

Accommodations for Persons with disabilities. Individuals who need special assistance or a disability-related modification or accommodation to participate in this meeting, or who have a disability and wish to request an alternative format for the meeting materials, should contact Alisa Lembke, VCE Board Clerk/Administrative Analyst, as soon as possible and preferably at least two (2) working days before the meeting at (530) 446-2754 or Alisa.Lembke@ValleyCleanEnergy.org .

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 4

TO: Valley Clean Energy Alliance Board of Directors

FROM: Alisa Lembke, Board Clerk / Administrative Analyst

SUBJECT: Approval of Minutes from June 11, 2020 Special Board Meeting

DATE: July 9, 2020

RECOMMENDATION

Receive, review and approve the attached Minutes from the June 11, 2020 Special Board meeting.

MINUTES OF THE VALLEY CLEAN ENERGY ALLIANCE
BOARD OF DIRECTORS SPECIAL MEETING
THURSDAY, JUNE 11, 2020

The Board of Directors of the Valley Clean Energy Alliance duly noticed their special meeting scheduled for Thursday, June 11, 2020 at 4:00 p.m. via teleconference. Chairperson Don Saylor established that there was a quorum present and began the meeting at 4:02 p.m.

Board Members Present:	Don Saylor, Dan Carson, Tom Stallard, Wade Cowan, Gary Sandy, Lucas Frerichs, Jesse Loren
Associate Members Present:	Beverly Sandeen, Christopher Cabaldon
Members Absent:	Angel Barajas
Associate Members Absent:	None

Approval of Agenda	Motion made by Director Frerichs to approve the June 11, 2020 agenda, seconded by Director Loren. Motion passed with Director Barajas absent.
Public Comment	Chairperson Saylor opened the floor for public comment. No public comment written or verbal. Interim General Manager Mitch Sears announced that it is VCE's 2nd year anniversary with the launch of VCE in June 2018. Chair Saylor thanked Mr. Sears for showing a preview of the 2nd year advertisement that will be going out to the media. Chair Saylor also thanked Community Advisory Committee Chair Yvonne Hunter for writing a wonderful op ed. He commented that VCE's vision is strong despite the many challenges.
Approval of Consent Agenda	Motion made by Director Stallard to approve the consent agenda, seconded by Director Carson. There were no written or public comments. Motion passed with Director Barajas absent. The following items were approved and/or received: 4. May 14, 2020 special Board meeting Minutes; 5. 2020 Long Range Calendar; 6. Financial Updated – April 30, 2020 (unaudited) financial statement; 7. Legislative Update and support of SB 862, SB 1117 and SB 1312; 8. June 3, 2020 Regulatory Updated provided by Keyes & Fox 9. June 2, 2020 Customer Enrollment Update; 10. Receive Community Advisory Committee May 28, 2020 meeting summary; 11. Extension of VCE opt-out fee waiver for one additional year until July 1, 2021; 12. MOU between City of Davis and VCE to implement the SACOG EV Charging Infrastructure Grant;

13. Amendment #17 to Task Order #4 to SMUD professional services agreement;
14. One-year contract extension with Keyes & Fox to provide regulatory legal counsel to VCE until July 2021;
15. One-year contract extension with Pacific Policy Group to provide lobbying services to VCE until July 2021; and,
16. Reappointment/Appointment of CAC Members.

Item 17: PPA – Rugged Solar

Mr. Sears introduced this item. VCE Staff Gordon Samuel briefly reviewed the background of this Power Purchase Agreement (PPA). He informed those present that the owner of this project is Clean Focus, the Developer is SunCapture, and the site is located 70 miles east of San Diego. This PPA is for a term of 20 years for a volume of 72 Megawatts (MW).

A brief discussion occurred on the process of a new generation site, the timeline of the project, and cost of the energy.

There were no verbal or written comments.

Motion made by Director Stallard to approve the PPA with Rugged, seconded by Director Loren. Motion passed by the following vote:
AYES: Saylor, Carson, Stallard, Cowan, Frerichs, Sandy, Loren
NOES: None
ABSENT: Barajas
ABSTAIN: None

Item 18: Policy strategies to plan for incorporation of long-term renewable contracts into VCE's power portfolio and to address FY20/21 PCIA and RA cost impacts.

Mr. Sears reviewed the factors driving the policy recommendations, process, PCIA and Resource Adequacy history, projected Covid/recession impacts, and the FY2020-2021 Operating Budget. He reviewed several policy strategy options:

Option D – at the Board's May 14, 2020 meeting VCE accepted the GHG-free large hydro allocations from Pacific Gas & Electric (PG&E).

Option C – Power Resource planning adjustments. Mr. Sears reviewed several alternatives within this option. Questions and a discussion occurred about the fiscal benefits.

Option B – implement a third customer rate choice.

Chair Saylor asked if there were any public comments.

Christine Shewmaker, speaking as a resident, provided a verbal comment about VCE's projected budget situation and the recurring theme of the Power Charge Indifference Adjustment (PCIA) effecting the budget. She reminded the Board to

look at the long term impacts. She commented that there continues to be the need for lower emissions, climate warming has not gone away.

There were no written public comments.

Director Carson made a motion to:

1. adopt policy strategies to plan for incorporation of long-term renewable contracts into VCE's portfolio and to address fiscal year 2020/21 PCIA and Resource Adequacy cost impacts.
2. direct Staff and the Community Advisory Committee to study additional customer rate choices for future Board consideration.

This motion was seconded by Director Loren. Motion passed by the following vote:

AYES: Saylor, Carson, Stallard, Cowan, Frerichs, Sandy, Loren
NOES: None
ABSENT: Barajas
ABSTAIN: None

Item 19: Approve Fiscal year 2020-2021 Operating Budget

Mr. Sears introduced this item. VCE Staff George Vaughn reviewed the background and key assumptions of Budget Option 1. He reviewed rates and revenue, power costs/mix, and other operating expenses. He then went on to review the key assumptions of Budget Option 2.

There were no verbal or written comments.

Motion made by Director Frerichs to adopt a resolution approving the Operating Budget of $49.6M of operating revenues and $52.6 M of operating expenses for fiscal year 2020-2021 (FY2021), seconded by Director Loren. Motion passed by the following vote:

AYES: Saylor, Carson, Stallard, Cowan, Frerichs, Sandy, Loren
NOES: None
ABSENT: Barajas
ABSTAIN: None

Item 20: Update on request for offers for local renewable projects and Incremental Resource Adequacy (Informational)

VCE Staff Gordon Samuel reviewed the background of the local and incremental Resource Adequacy (RA) request for offers (RFO) and the incremental RA requirements of each load serving entity. He continued by reviewing the number of Bidders and proposals received, and the technology type and Counties where the proposed projects were located. Mr. Samuel pointed out that no biomass proposals were received in response to the local RFO, only wind.

It was asked what "BESS" is an abbreviation referred to in the technology type. Mr. Samuel that it is the acronym for battery energy storage system. Mr. Samuel

was also asked what other criteria is used to review a proposal. Mr. Samuel stated that in addition to the location, price, multi-use of the site, developer experience, site control, and location within certain areas. Mr. Sears emphasized that VCE has been working with other CCAs on innovative, forward thinking storage ideas.

There were no verbal or written comments.

Item 21: Approve Net Energy Metering Donation Pilot Program.

VCE Staff Jim Parks reviewed the pilot Net Energy Metering (NEM) Donation pilot program plan and provided a few examples of possible non-profit and community based organizations (CBO's) that could be identified as recipients of funds from this program. Mr. Parks requested input from the Board on the type of charities they are interested in donating to: CBOs that are non-profit, community based or a combination of both. Mr. Parks provided an overview of the Community Advisory Committee's input on who to donate to.

The Board provided feedback and confirmed with Mr. Parks that the pilot program would donate the credits to non-religious organizations. It was suggested that the donations go to organizations that serve across Yolo County, not in one particular area or city. In addition, the Board would like to see that the organizations are in line with VCE's mission and objectives, such as energy efficiency, to select only a few organizations to maximize the donation amount, and to organizations that support the community. The names of a few organizations were suggested. Lastly, the Board suggested that the pilot program be monitored. Mr. Parks also informed the Board that for tax purposes, the name of the person and their address would be shared with the organization so that a receipt can be sent to them.

There were no verbal or written comments.

Motion made by Director Loren to authorize the Interim General Manager to develop and implement a pilot Net Energy Metering Donation Program for FY 2020/21, seconded by Cowan. Motion passed by the following vote:

AYES: Saylor, Carson, Stallard, Cowan, Frerichs, Sandy, Loren
NOES: None
ABSENT: Barajas
ABSTAIN: None

Staff will report back to the Board after one full year of program operation.

Item 22: Status update and next steps on the potential acquisition of

Mr. Sears informed those present that PG&E will be coming out of bankruptcy intact with a few technicalities to be address in Court. The positive is that CCAs have been coming forward with contracts and other positive outcomes. PG&E announced that they are moving their San Francisco offices to Oakland.

PG&E's local electricity distribution system (Informational)	Mr. Sears informed those present that the California Public Utilities Commission (CPUC) approved their reorganization with a 6 step process. If PG&E does not comply there is a serious backstop. There is also proposed legislation for the State to take over PG&E should they not perform and fail. There were no verbal or written comments.
Board Member and Staff Announcements	Mr. Sears announced that Jim Parks is retiring at the end of the month. Mr. Parks informed those present that Rebecca Boyles from MCE will replace him in his position at VCE with a start date of Monday, June 29th. Mr. Sears also informed the Board that the large hydro attributes contract is being negotiating with PG&E and Staff may be coming back to the Board on this item at a special meeting in the next few weeks.
Public Comment on Closed Session Items	Chairperson Saylor announced that the Board will be going into Closed Session and that it is anticipated that no reportable action will be taken in Closed Session. Chairperson Saylor asked if there was any written or verbal comment from the public on any of the Closed Session items. There were no written or verbal public comments.
Adjournment	Chairperson Saylor adjourned the meeting at 5:48 p.m. to go into Closed Session.
CLOSED SESSION: Conference with Legal Counsel – Anticipated Litigation	The Board began Closed Session at 5:54 p.m. and adjourned their Closed Session at 6:00 p.m. There was nothing to report out.

Alisa M. Lembke
VCEA Board Secretary

VALLEY CLEAN ENERGY ALLIANCE
Board of Directors Meeting

Staff Report - Item 5

TO: VCEA Board

FROM: Alisa Lembke, Board Clerk/Administrative Analyst

SUBJECT: Community Advisory Committee 2020 Long-Range Calendar

DATE: July 9, 2020

Recommendation

Please find attached the Board and Community Advisory Committee long-range calendar for 2020.

VALLEY CLEAN ENERGY

2020 Meeting Dates and *Proposed* Topics – Board and Community Advisory Committee

MEETING DATE		TOPICS	ACTION
January 9, 2020	**Board** WOODLAND	•	•
January 23, 2020	**Advisory Committee** WOODLAND	•	•
February 13, 2020	**Board** DAVIS	• Power Purchase Agreement	• Action
February 27, 2020	**Advisory Committee** DAVIS	• Task Groups – Present Tasks/Projects • Update on Regulatory Assistance Project	• Informational • Informational
March 12, 2020	**Board** WOODLAND	• Preliminary FY20/21 Operating Budget (Regular) • GHG-free attributes • Local/Regional Renewable RFO solicitation	• Review • Action • Informational
Monday, March 23, 2020 ~~**Special Board Meeting / Strategic Planning**~~ **CANCELLED**	**Board WOODLAND Community & Senior Center, Meeting Room #3**	• Strategic Plan • To be rescheduled for a future date	• Discussion/Action
March 26, 2020 IRP workshop CANCELLED	**Advisory Committee** WOODLAND	• Integrated Resource Plan (IRP) workshop (to be rescheduled - due date is now September 1, 2020)	• Information
April 9, 2020 Via Teleconference	**Board** DAVIS	• Local / Regional Renewable Request for Offers (RFO) solicitation • River City Bank Revolving Line of Credit • Power Purchase Agreement	• Action • Action • Action

April 23, 2020 Via Teleconference	**Advisory Committee** DAVIS	• Review Task Groups' projects/tasks "charge" for 2020	• Action
May 14, 2020 Via Teleconference	**Board** ~~WINTERS~~	• PPA - YCFCWCD • Greenhouse Gas (GHG)-free attributes • Update on FY20/21 Operating Budget	• Approval • Action • Informational
May 28, 2020 Via Teleconference IRP Workshop	**Advisory Committee** ~~WOODLAND~~	• Integrated Resource Plan (IRP) Public Workshop, CAC to provide recommendation	• Information / Discussion
June 11, 2020 Via Teleconference	**Board** DAVIS	• Final Approval of FY20/21 Operating Budget • Extension of Waiver of Opt-Out Fees for one more year • Re/Appointment of Members to Community Advisory Committee and Appoint City of Winters seats to CAC • SMUD Amendment to Contract re: VCE Collections Policy • Update on Integrated Resource Plan Public Workshop	• Approval • Action • Action • Action • Informational
June 25, 2020 Via Teleconference	**Advisory Committee** DAVIS	• Update on the Integrated Resource Plan (IRP) Process • Update on Request for Offers	• Information • Information
July 9, 2020 Via Teleconference	**Board** WOODLAND	• Update on draft Integrated Resource Plan (IRP due 9/1/20) • Renewable Portfolio Standard (RPS) Procurement Plan • River City Bank Line of Credit	• Informational • Action/Informational • Action
July 23, 2020 Via Teleconference	**Advisory Committee** WOODLAND	• Draft Integrated Resource Plan (due 9/1/20) and CAC recommendation to Board • Defining local renewable resources	• Action • Discussion
August 13, 2020 Via Teleconference	**Board** DAVIS	• Adoption of Integrated Resource Plan (due 9/1/2020) • Ratification of SMUD CPI Increase Amendment • Delegation of Contracting Authority • Update of Local Request for Offers responses	• Action • Action • Action • Informational
August 27, 2020	**Advisory Committee** DAVIS	• Revised Procurement Guide – Review	• Discussion

September 10, 2020	**Board** WOODLAND	• Residential Time of Use Rate Classes Report • Discussion on River City Bank Revolving Line of Credit • Incremental Resource Adequacy Request for Offers	• Information/Discussion • Discussion • Discussion/possible Action
September 24, 2020	**Advisory Committee** WOODLAND	• Committee Evaluation of Calendar Year End (Draft Report) • Revised Procurement Guide – Review Draft Recommendation	• Discussion • Discussion
October 8, 2020	**Board** WINTERS	• Approval of FY19/20 Audited Financial Statements (James Marta & Co.) • River City Bank Revolving Line of Credit	• Action • Discussion/Action
October 22, 2020	**Advisory Committee** DAVIS	• Committee Evaluation of Calendar Year End (Draft Report) • Revised Procurement Guide- Review Draft Recommendation	• Discussion • Discussion
November 12, 2020	**Board** WOODLAND	•	•
~~November 26, 2020~~ **Thanksgiving Holiday – Rescheduled to 3rd Thursday, November 19, 2020**	**Advisory Committee** WOODLAND	• Committee Evaluation of Calendar Year End (Draft Report) • Revised Procurement Guide – Finalize Recommendation to Board	• Discussion • Action: Recommendation to Board
December 10, 2020	**Board** DAVIS	• Election of Officers for 2020	• Nominations
~~December 24, 2020~~ **Rescheduled to 3rd Thursday, December 17, 2020**	**Advisory Committee** DAVIS	• Election of Officers for 2020 • Finalization of Committee Calendar Year End Report	• Nominations • Approve Report
January 14, 2021	**Board** WOODLAND	• Receive CAC Calendar Year End Report • Approve Revised Procurement Guide	• Receive Report • Action
January 28, 2021	**Advisory Committee** WOODLAND	• Review and Discuss Task Groups	• Discuss/Action

Note: CalCCA Annual Meeting 11/16-11/18, San Jose.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 6

TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Interim General Manager
George Vaughn, Finance and Operations Director

SUBJECT: Financial Update – May 31, 2020 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending May 31, 2020

DATE: July 9, 2020

RECOMMENDATION:
Accept the following Financial Statements (unaudited) for the period of May 1, 2020 to May 31, 2020 (with comparative year to date information) and Actual vs. Budget year to date ending May 31, 2020.

BACKGROUND & DISCUSSION:
The attached financial statements are prepared in a form to satisfy the debt covenants with River City Bank pursuant to the Line of Credit and are required to be prepared monthly.

The Financial Statements include the following reports:

- Statement of Net Position
- Statement of Revenues, Expenditures and Changes in Net Position
- Statement of Cash Flows

In addition, staff is reporting the Actual vs. Budget variances year to date ending May 31, 2020.

Financial Statements for the period May 1, 2020 – May 31, 2020
In the Statement of Net Position, VCEA as of May 31, 2020 has a total of $12,135,922 in its checking, money market and lockbox accounts, $1,100,000 restricted assets for the Debt Service Reserve account and $1,243,995 restricted assets for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and SMUD and owes as of May 31, 2020 $64,817 and $257,983 respectively for a grand total of $322,800. VCEA began paying SMUD for the monthly operating expenditures (starting with January 2018 expenditures) and repayment of the deferred amount of $1,522,433 over a 24-month period. VCEA began paying the Member agencies for the quarterly

reimbursable expenditures starting in June 2019 and repayment of the deferred amount of $556,188 over a 12-month period.

The term loan with River City Bank includes a current portion of $395,322 and a long-term portion of $1,383,627 as of May 31, 2020, for a total of $1,778,949. At May 31, 2020, VCE's net position is $14,679,186.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded $4,987,988 of revenue (net of allowance for doubtful accounts) of which $3,902,966 was billed in May and ($1,194,946) represent estimated unbilled revenue. The cost of the electricity for the May revenue totaled $2,995,618. For May, VCEA's gross margin is approximately 40% and operating income totaled $1,678,117. The year-to-date change in net position was $7,350,353.

In the Statement of Cash Flows, VCEA cash flows from operations was ($183,035) due to May cash receipts of revenues being lower than the monthly cash operating expenses.

Actual vs. Budget Variances for the year to date ending May 31, 2020

Below are the financial statement line items with variances >$50,000 and 5%:

Salaries & Wages/Benefits - ($174,692) and (31%) – variance is due to having more budgeted positions at VCE than we actually have on staff for the majority of the fiscal year.

SMUD Credit Support - ($76,561) and (14%) – variance is due to lower actual customer load than budgeted, which results in a lower payment to SMUD since the payment is based on MWH volume.

SMUD Operating Services - ($96,773) and (36%) – variance is mainly due to SMUD not having yet billed for the IRP update included in the budget.

Legal - ($69,683) and (45%) – variance is due to lower than planned general legal support from member agencies and outside counsel.

PG&E Acquisition Consulting - $181,940 and 100% - variance is due to PG&E asset acquisition expenses not having been applicable at the time the budget was constructed.

Marketing Collateral - $52,299 and 25% - variance is due to major marketing campaigns in the first six months of the year being higher than originally anticipated in the budget; this variance is being actively managed and a reduction in the variance is expected by year-end

New Member Expenses - ($55,000) and (100%) – this amount was budgeted as a placeholder for expenses related to bringing new member jurisdictions into VCE. To date, any spending in these areas has been incorporated into other budget line items, such as SMUD and marketing-related line items.

Contingency - ($210,312) and (100%) - variance is due to VCE not having required usage of contingency funds to date; this is offset by $181,940 of PG&E acquisition-related expenses.

Attachments:

1) Financial Statements (Unaudited) May 1, 2020 to May 31, 2020 (with comparative year to date information.)
2) Actual vs. Budget for year to date ending May 31, 2020

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF MAY 1 TO MAY 31, 2020

PREPARED ON JUNE 30, 2020

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
MAY 31, 2020
(UNAUDITED)

ASSETS		
Cash and cash equivalents	$	12,135,922
Accounts receivable, net of allowance		4,309,852
Accrued revenue		2,660,387
Prepaid expenses		9,913
Inventory - Renewable Energy Credits		
Other current assets and deposits		2,540
Total current assets		19,118,614
Restricted assets:		
Debt service reserve fund		1,100,000
Power purchase reserve fund		1,243,995
Total restricted assets		2,343,995
Noncurrent assets:		
Other noncurrent assets and deposits		100,000
Total noncurrent assets		100,000
TOTAL ASSETS	$	21,562,609
LIABILITIES		
Current liabilities:		
Accounts payable	$	568,649
Accrued payroll		9,776
Interest payable		4,710
Due to member agencies		64,817
Accrued cost of electricity		3,286,024
Other accrued liabilities		615,612
Security deposits - energy supplies		515,640
User taxes and energy surcharges		39,246
Current Portion of LT Debt		395,322
Total current liabilities		5,499,796
Noncurrent liabilities		
Term Loan- RCB		1,383,627
Total noncurrent liabilities		1,383,627
TOTAL LIABILITIES	$	6,883,423
NET POSITION		
Restricted		
Local Programs Reserve		136,898
Restricted		2,343,995
Unrestricted		12,198,293
TOTAL NET POSITION	$	14,679,186

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION
FOR THE PERIOD OF MAY 1, 2020 TO MAY 31, 2020
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING MAY 31, 2020	YEAR TO DATE
OPERATING REVENUE		
Electricity sales, net	$ 4,987,988	$ 48,532,940
TOTAL OPERATING REVENUES	4,987,988	48,532,940
OPERATING EXPENSES		
Cost of electricity	2,995,618	37,174,832
Contract services	206,193	2,636,592
Staff compensation	94,791	962,227
General, administration, and other	13,269	405,557
TOTAL OPERATING EXPENSES	3,309,871	41,179,208
TOTAL OPERATING INCOME (LOSS)	1,678,117	7,353,732
NONOPERATING REVENUES (EXPENSES)		
Interest income	9,135	89,610
Interest and related expenses	(6,006)	(92,989)
TOTAL NONOPERATING REVENUES (EXPENSES)	3,129	(3,379)
CHANGE IN NET POSITION	1,681,246	7,350,353
Net position at beginning of period	12,997,940	7,328,833
Net position at end of period	$ 14,679,186	$ 14,679,186

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF MAY 1 TO MAY 31, 2020
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING MAY 31, 2020	YEAR TO DATE
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	$ 2,808,514	$ 50,835,485
Receipts for security deposits with energy suppliers		515,640
Payments to purchase electricity	(2,597,545)	(38,892,296)
Payments for contract services, general, and adminstration	(300,392)	(3,884,071)
Payments for staff compensation	(93,612)	(956,240)
Net cash provided (used) by operating activities	(183,035)	7,618,518
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Loans from member agencies		(1,500,000)
Principal payments of Debt	(32,944)	(197,661)
Interest and related expenses	(7,445)	(200,591)
Net cash provided (used) by non-capital financing activities	(40,389)	(1,898,252)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	9,135	89,610
Net cash provided (used) by investing activities	9,135	89,610
NET CHANGE IN CASH AND CASH EQUIVALENTS	(214,289)	5,809,876
Cash and cash equivalents at beginning of period	14,694,206	8,670,041
Cash and cash equivalents at end of period	$ 14,479,917	$ 14,479,917
Cash and cash equivalents included in:		
Cash and cash equivalents	12,135,922	12,135,922
Restricted assets	2,343,995	2,343,995
Cash and cash equivalents at end of period	$ 14,479,917	$ 14,479,917

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF MAY 1 TO MAY 31, 2020
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING MAY 31, 2020	YEAR TO DATE
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ 1,678,117	$ 7,353,732
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Increase) decrease in net accounts receivable	(959,629.00)	685,421.00
(Increase) decrease in accrued revenue	(1,198,813)	1,635,326.00
(Increase) decrease in prepaid expenses	9,497	(9,913.00)
(Increase) decrease in inventory - renewable energy credits	-	207,168.00
Increase (decrease) in accounts payable	(27,072)	(17,471.00)
Increase (decrease) in accrued payroll	1,179	5,987.00
Increase (decrease) in due to member agencies	(69,012)	(345,492.00)
Increase (decrease) in accrued cost of electricity	398,073	(1,924,632.00)
Increase (decrease) in other accrued liabilities	5,657	(469,046.00)
Increase (decrease)security deposits with energy suppliers	-	515,640.00
Increase (decrease) in user taxes and energy surcharges	(21,032)	(18,202.00)
Net cash provided (used) by operating activities	$ (183,035)	$ 7,618,518

VALLEY CLEAN ENERGY
ACTUAL VS. BUDGET FYE 6-30-2020
FOR THE YEAR TO DATE ENDING 05-31-20

Description	5/31/2020 YTD FY2020 Actuals	5/31/2020 YTD FY2020 Budget	YTD Variance	% over/-under
Electric Revenue	$ 48,532,938	$ 49,299,971	$ (767,033)	-2%
Interest Revenues	89,609	119,488	(29,879)	-25%
Purchased Power	37,174,833	36,707,141	467,691	1%
Labor & Benefits	962,230	1,084,177	(121,947)	-11%
Salaries & Wages/Benefits	386,891	561,583	(174,692)	-31%
Contract Labor	536,816	511,044	25,772	5%
Human Resources & Payroll	38,523	11,550	26,973	234%
Office Supplies & Other Expenses	120,634	117,243	3,391	3%
Technology Costs	10,505	8,492	2,013	24%
Office Supplies	4,075	1,134	2,940	259%
Travel	4,449	4,400	49	1%
CalCCA Dues	99,880	99,917	(37)	0%
Memberships	1,725	3,300	(1,575)	-48%
Contractual Services	2,636,543	2,672,922	(36,379)	-1%
Don Dame	12,628	16,500	(3,873)	-23%
SMUD - Credit Support	468,153	544,714	(76,561)	-14%
SMUD - Wholesale Energy Services	517,132	517,132	-	0%
SMUD - Call Center	611,235	626,802	(15,568)	-2%
SMUD - Operating Services	175,227	272,000	(96,773)	-36%
Legal	84,317	154,000	(69,683)	-45%
Regulatory Counsel	153,242	169,840	(16,598)	-10%
Joint Regulatory	38,420	27,500	10,920	40%
Legislative	55,000	55,000	-	0%
Accounting Services	15,018	22,000	(6,982)	-32%
Audit Fees	63,000	58,500	4,500	8%
PG&E Acquisition Consulting	181,940	-	181,940	100%
Marketing Collateral	261,233	208,934	52,299	25%
Rents & Leases	17,381	16,183	1,198	7%
Hunt Boyer Mansion	17,381	16,183	1,198	7%
Other A&G	236,584	310,101	(73,517)	-24%
PG&E Data Fees	212,457	241,756	(29,299)	-12%
Community Engagement Activities & Sponsorships	2,826	5,500	(2,674)	-49%
Insurance	4,802	6,745	(1,944)	-29%
New Member Expenses	-	55,000	(55,000)	-100%
Banking Fees	16,500	1,100	15,400	1400%
Miscellaneous Operating Expenses	31,001	5,621	25,380	452%
Contingency	-	210,312	(210,312)	-100%
TOTAL OPERATING EXPENSES	$ 41,179,206	$ 41,123,701	$ 55,505	0%
Interest Expense - Munis	14,965	51,075	(36,110)	-71%
Interest on RCB loan	66,267	78,690	(12,423)	-16%
Interest Expense - SMUD	11,756	12,922	(1,165)	-9%
Miscellaneous Non-Operating	-	-	-	0%
NET INCOME	$ 7,350,353	$ 8,153,072	$ (802,719)	-10%

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 7

To: Valley Clean Energy Alliance Board of Directors

From: Mitch Sears, Interim General Manager

Subject: Legislative Update – Pacific Policy Group

Date: July 9, 2020

Pacific Policy Group, VCE's lobby services consultant, continues to work with Staff and the Community Advisory Committee's Regulatory and Legislative Task Group on numerous legislative bills. Below is a summary on the legislative session and of the key bills that are currently being monitored:

The Legislature is currently on its summer recess and will reconvene on Monday, July 13 facing seven weeks of work before the 2020 session concludes on August 31. Despite passing a budget in June, the Legislature and the Administration will continue to negotiate adjustments to the state budget with adjustments dependent on revenues received at the July 15 tax filing deadline as well as any potential federal stimulus. In the energy policy arena, a handful of bills focus on the upcoming wildfire and public safety power shutdown (PSPS) seasons and how to minimize the usage and impacts of PSPS. At this time, the Assembly does not have a proposed energy bill that VCE is tracking or engaging, the same is true for CalCCA. The Senate bills VCE will continue to engage and take position on are as follows:

Background and Analysis

Due to the unscheduled legislative recess and revision of the legislative calendar due to the COVID-19 pandemic, many energy related bills are no longer being pursued in the 2020 legislative session, including both bills CalCCA was sponsoring. However, energy bills related to public safety power shutoffs (PSPS) and community resilience and energy bills related to economic stimulus or cost savings continue to move forward. Staff is recommending support for the three bills; each are summarized below with links to the current bill language.

In the summaries below, staff notes CalCCA's position on the being considered by VCE.

1. SB 350 (Hill). The Golden State Energy Act.

http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201920200SB350 Would authorize the creation of Golden State Energy, a nonprofit public benefit corporation that would be the state's proposed successor utility to PG&E should PG&E fail to emerge from bankruptcy, enter bankruptcy at a future date, or fail to maintain appropriate safety standards that would give cause to the CPUC to revoke PG&E's license.

VCE had been monitoring SB 350 and communicating with SF PUC on potential amendments to better position municipalization opportunities. The amendments never found there way into the bill, which has now passed the Legislature and is now on the Governor's desk for his signature or veto.

Additional Information:

- Bill language: SB 350

2. SB 862 (Dodd). Planned Power Outage: Public Safety.

Summary: This bill would additionally include a deenergization event within a sudden and severe energy shortage constituting a state of emergency and a local emergency. This bill would require an Investor Owned Utility (IOU) to coordinate with local governments to jointly identify and establish Community Resource Centers (CRC) to provide resources and services during a deenergization event. Once a CRC is established, the IOU will make any necessary electrical upgrades to the facility so that a mobile backup generator can be located at, and provide electricity, the CRC. The IOU must provide a mobile backup generator at the beginning of a deenergization event if the CRC does not have backup generation and the deenergization event is expected to result in loss of power to the CRC.

Additional Information:

- VCE supports this bill
- Senate Floor Vote: 40-0
- Next hearing: Assembly Utilities & Energy, no date set
- Bill Language: SB 862

3. SB 1117 (Monning). Master-Meter Customers: Electrical or Gas Service.

Summary: Current law contains various provisions relative to the responsibilities of a gas or electrical corporation and master-meter customer when gas or electrical service is provided by a master-meter customer to users who are tenants of a mobile home park, apartment building, or similar residential complex, including a requirement that the master-meter customer charge each user at the same rate that would be applicable if the user were receiving gas or electricity directly from the gas corporation or electric corporation. This bill would replace "electrical corporation" with "load-serving entity," defined as including electrical corporations, community choice aggregators, and electric service providers, in many of these provisions relative to the responsibilities of an electrical corporation and master-meter customer when electrical service is provided by a master-meter customer to users who are tenants of a mobile home park, apartment building, or similar residential complex.

This bill addresses an issue raised by several CCAs in which electrical corporations and other third-party billers are charging submeter accounts in mobile home parks at the electric corporation rate for electricity, even if the park is served by a CCA with a different rate.

Additional Information:

- VCE supports this bill
- Senate Floor Vote: 39-0
- Next hearing: Assembly Utilities & Energy, no date set
- Bill Language: SB 1117

4. SB 1312 (McGuire). Electrical Corporations: Undergrounding of Infrastructure: Deenergization.

Summary: Would require the Public Utilities Commission to revise Electric Tariff Rule 20 to additionally authorize and fund, whenever feasible, the undergrounding of electrical and communication infrastructure within certain commission-designated high fire-threat areas for purposes of wildfire mitigation. The bill would also require the CPUC to develop a standard against which to measure the prudency of an IOUS's execution of a PSPS and an IOU's fire risk mitigation capital expenditures on the distribution or transmission infrastructure that motivated the PSPS. The bill further requires that IOUs:

- Identify power lines that are more likely to cause PSPS events and harden those lines by July 1, 2025.
- Include details about the lines that causes the PSPS event in IOU after-event reports.
- Harden the IOU's infrastructure that caused the PSPS event and report back to the CPUC on their progress one year after the shutoff event.

Additional Information:

- Several other CCAs support the bill
- Senate Floor Vote: 30-3 (7 Abstentions)
- Next hearing: Assembly Utilities & Energy, no date set
- Bill Language: SB 1312

5. SB 1215 (Stern) Microgrids.

Summary: This bill proposes changes to existing law in order to promote the use of microgrids, as defined, for electric generation. Specifically, this bill requires: the California Public Utilities Commission (CPUC) to create a database of critical facilities and infrastructure and requires the CPUC and the California Independent System Operator (CAISO) to develop a methodology to account for the resource adequacy value of distributed storage by March 31, 2021.

CalCCA has yet to officially take a position but is moving toward a support if amended position. CalCCA and other individual CCAs are engaging the author's office to push for amendments to improve CCA access to IOU data that is required for the planning of microgrid projects. Staff does not have a recommended position on this bill at this time as CalCCA is leading negotiations, but staff and Pacific Policy Group are monitoring SB 1215.

Additional Information:

- Senate Floor Vote: 28-8 (4 Abstentions)
- Bill language: SB 1215

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 8

To: Valley Clean Energy Alliance Board of Directors

From: Mitch Sears, Interim General Manager

Subject: Regulatory Monitoring Report – Keyes & Fox

Date: July 9, 2020

Please find attached Keyes & Fox's June 2020 Regulatory Memorandum dated July 1, 2020, an informational summary of the key California regulatory and compliance-related updates from the California Public Utilities Commission (CPUC).

Attachment: Keyes & Fox Regulatory Memorandum dated July 1, 2020

KEYES&FOX LLP

Valley Clean Energy Alliance

Regulatory Monitoring Report

To: Valley Clean Energy Alliance ("VCE") Board of Directors

From: Sheridan Pauker, Partner, Keyes & Fox, LLP
Tim Lindl, Partner, Keyes & Fox LLP
Ben Inskeep, Principal Analyst, EQ Research, LLC

Subject: Regulatory Update

Date: July 1, 2020

Summary

Keyes & Fox LLP and EQ Research, LLC, are pleased to provide VCE's Board of Directors with this monthly informational memo describing key California regulatory and compliance-related updates from the California Public Utilities Commission (CPUC). A Glossary of Acronyms used is provided at the end of this memo.

In summary, this month's report includes regulatory updates on the following priority issues:

- **PG&E Regionalization Plan**: On June 30, 2020, PG&E filed its regionalization proposal, which describes how it plans to reorganize operations into new regions.
- **Investigation of PG&E Bankruptcy Plan**: PG&E stated that the federal Bankruptcy Court judge has confirmed its reorganization plan. At the CPUC, the ALJ indicated he intends to close this proceeding, with remaining issues to be addressed in the PG&E Safety Culture Proceeding (I.15-08-019).
- **RA Rulemaking (2019-2020):** The CPUC issued D.20-06-002 establishing a multi-year central procurement regime for local (but not system or flexible) RA capacity in PG&E and SCE service territories, with the two utilities selected as the central procuring entities for their jurisdictions. Parties filed comments and replies on the Track 1 RA Import PD, which the CPUC adopted at its June 25, 2020, meeting.
- **RA Rulemaking (2021-2022):** The CPUC approved the Proposed Decision adopting local capacity obligations for 2021-2023, adopting flexible capacity obligations for 2021, and making changes to the RA program. The ALJ issued an Email Ruling suspending the Track 3 schedule.
- **2020 IRP Rulemaking:** The ALJ issued a Ruling on issues associated with backstop procurement and cost allocation for instances where the CPUC directs resource procurement by LSEs (e.g., as it did in D.19-11-016 requiring reliability capacity procurement). The ALJ issued a Ruling proposing changes to the IRP cycle and proceeding schedule, and parties filed comments on the Order Instituting Rulemaking establishing this successor proceeding to the first IRP proceeding. The ALJ issued an Email Ruling granting a three-week extension for filing opening and reply comments in response to the Ruling on backstop procurement and cost allocation mechanisms.

- **2016 IRP Rulemaking:** The ALJ issued a Proposed Decision denying CESA's Petition for Modification of D.19-11-016, and parties filed comments and reply comments on the PD. Parties responded to CalCCA's Petition for Modification of D.19-11-016. The CPUC issued D.20-06-025 dismissing a GenOn Holdings Application for Rehearing of D.19-11-016 after GenOn requested approval to withdraw the Application.
- **RPS Rulemaking:** VCE and other parties filed a Joint Motion requesting partial modification of the May 6, 2020 Assigned Commissioner and ALJ Ruling (ACR) establishing requirements for retail seller 2020 RPS Procurement Plans. The ALJ issued a Ruling denying the Joint Motion but clarified portions of the Ruling and extended the deadline from June 29, 2020, to July 6, 2020, for retail sellers to file their RPS Procurement Plan. The Assigned Commissioner and ALJ also issued a Ruling requesting comments on re-opening the ReMAT feed-in tariff program.
- **PCIA Rulemaking:** SCE and SDG&E filed joint comments on a Proposed Decision rejecting a Joint Petition for Modification of D.18-07-009 filed by California Choice Energy Authority and the Center for Accessible Technology in October 2018. The PD would not impact VCE.
- **PG&E's 2019 ERRA Compliance:** The Assigned Commissioner issued a Scoping Memo and Ruling, establishing the scope and schedule for the proceeding.
- **Investigation into PG&E Violations Related to Wildfires:** Thomas Del Monte and the Wild Tree Foundation filed applications for rehearing of D.20-05-019, which approved penalties on PG&E for its role in igniting the 2017-2018 wildfires.
- **Wildfire Fund Non-Bypassable Charge (AB 1054):** The ALJ issued a Proposed Decision that would approve servicing orders to be executed between the California Department of Water Resources and the large IOUs.
- **PG&E's Phase 1 GRC:** The ALJ issued an Email Ruling granting in part PG&E's motion for official notice and the Joint CCAs' motion to file sur-reply, which the Joint CCAs did on June 22, 2020.
- **PG&E's Phase 2 GRC:** No updates this month.
- **Investigation into PG&E's Organization, Culture and Governance:** On June 2, 2020, the ALJ emailed the service list and signaled that a ruling is forthcoming that will invite party comment on the scope, schedule and priorities for this proceeding.
- **Direct Access Rulemaking:** No updates this month. Previously, the ALJ informed parties that the release of Energy Division's recommendation as to whether to expand Direct Access has been delayed.
- **Wildfire Cost Recovery Methodology Rulemaking:** No updates this month. (An August PG&E Application for Rehearing remains pending regarding D.19-06-027, establishing criteria and a methodology for wildfire cost recovery, which has been referred to as a "Stress Test" for determining how much of wildfire liability costs that utilities can afford to pay.)
- **Other Regulatory Developments:**
    - **PG&E Proposes Ending Residential High Usage Charge**: PG&E filed a proposal and testimony recommending the elimination of the residential High Usage Charge, a high-priced third tier in California's available non-TOU residential rate that applies to electricity consumption above 400% of a baseline.
    - **CPUC Issues Track 1 Decision in Microgrids Rulemaking**: The CPUC issued D.20-06-017 for Track 1 of its microgrid rulemaking, which addresses actions that would support immediate improvements in resiliency. The Decision adopts a series of proposals developed in an earlier Staff White paper and also addresses resiliency programs proposed by SDG&E and PG&E. With respect to PG&E's proposals, the Decision approves the Make Ready and Community-Enabled Microgrids programs subject to full

reasonableness review and authorizes the Temporary Generation program for the 2020 wildfire season only.

PG&E Regionalization Plan

On June 30, 2020, PG&E filed its regionalization proposal, which describes how it plans to reorganize operations into new regions.

- **Background**: PG&E was directed to file a regionalization proposal as a condition of CPUC approval of its Plan of Reorganization in I.19-09-016.
- **Details**: PG&E proposes to divide its service area into five new regions: North Coast, Sierra, Bay Area, Central Coast, and Central Valley. The regional boundaries will align with county boundaries. **Yolo County would be part of PG&E Region 1 (North Coast)**, grouped together with the following counties: Colusa, Glenn, Humboldt, Lake, Mendocino, Napa, Sacramento, Solano, Sonoma, and Trinity. PG&E will appoint a Regional Vice President by June 2021 to lead each region, along with Regional Safety Directors to lead its safety efforts in each region. The new regions will include five functional groups that report to the Regional Vice President encompassing various functions including: (1) Customer Field Operations, (2) Local Electric Maintenance and Construction, (3) Local Gas M&C, (4) Regional Planning and Coordination, and (5) Community and Customer Engagement. Other functions will remain centralized, such as electric and gas operations, risk management, enterprise health and safety, the majority of existing Customer Care and regulatory and external affairs, supply, power generation, human resources, finance, and general counsel. PG&E will propose in a separate proceeding the enterprise-level safety and operational metrics it is developing that could also be considered to evaluate the effectiveness of its regionalization implementation. PG&E proposes a phased implementation, with progress establishing all regions in 2021, although some functions would not be fully shifted until 2022. PG&E also proposes to establish a Regional Plan Memorandum Account to record any incremental costs PG&E may incur in connection with development and implementation of regionalization.

  PG&E concedes that “PG&E’s recent operational outcomes have been unacceptable,” and states its regionalization plan will help it improve these outcomes for customers.
- **Analysis**: PG&E’s regionalization plan could impact PG&E’s responsiveness and management of local government relations and local and regional issues, such as safety, that directly impact VCE customers beginning in 2021. As part of Region 1, VCE would be grouped with several coastal and northern counties.
- **Next Steps**: Protests or responses to PG&E’s application will be due 30 days following this filing be noticed in CPUC’s daily calendar, with replies due 10 days thereafter. A prehearing conference and scoping memo and ruling are expected to then be issued to establish the scope and schedule of this proceeding. PG&E must engage its Regional Vice Presidents and Regional Safety Directors by June 1, 2021.
- **Additional Information**: Application (June 30, 2020); A.20-06-XXX

Investigation of PG&E Bankruptcy Plan

PG&E announced on June 20, 2020 that the federal Bankruptcy Court judge has confirmed PG&E’s reorganization plan. At the CPUC, the ALJ indicated he intends to close this proceeding, with remaining issues to be addressed in the PG&E Safety Culture Proceeding (I.15-08-019).

- **Background**: This case addressed regulatory review and approval of PG&E’s bankruptcy plan, in particular whether the plan meets the AB 1054 Wildfire Fund requirements, which imposes a June 30, 2020 deadline. Under AB 1054, in order for PG&E to be eligible to participate in the

Wildfire Fund, its plan must be “neutral, on average, to ratepayers.” This proceeding considered the ratemaking implications of the proposed plan and settlement agreement, whether the plan satisfactorily resolves claims for monetary fines of penalties for PG&E's pre-petition conduct, whether to approve the governance structure of the utility and the appropriate disposition of potential changes to PG&E's corporate structure and authorization to operate, whether to make any other approvals related to the confirmation and implementation of the plan, and any other findings necessary to approve a proposed settlement, including but not limited to whether doing so is in the public interest.

D.20-05-053 approved the financial elements of PG&E's reorganization plan, including:

- $13.5 billion Fire Victim Trust. The reorganization plan also specifies that the Fire Victim Trust would be funded through $6.75 billion in cash, and $6.75 billion in stock of reorganized PG&E Corp.
- $11 billion settlement with insurance claim holders and companies.
- Reinstatement of $9.575 billion in existing, prepetition PG&E-funded debt claims.
- Refinancing of $11.85 billion in existing, prepetition PG&E debt with newly issued debt.
- Payment in full of general unsecured claims and certain other liabilities, with interest at the legal rate.
- A $7.5 billion post-emergence 30-year securitization transaction.

D.20-05-053 also approved, with modifications, numerous proposals put forth by CPUC President Batjer for providing more oversight of PG&E along with management and operational changes at PG&E. The Decision did not address the Joint CCAs' recommendation that the CPUC develop a plan to phase out PG&E’s retail electric generation service to customers or CCA requests that the CPUC require PG&E to undertake asset sales, instead determining that the PG&E Safety Culture proceeding (I.15-08-019) is the more appropriate forum for these issues. The Decision also rejected the Joint CCAs’ request to revoke PG&E's existing holding company structure. Among other determinations, the Decision:

- Requires that PG&E implement regional restructuring, resulting in local PG&E operating regions led by an officer of the utility that reports directly to the CEO. PG&E is required to file an application for regionalization by June 30, 2020.
- Requires PG&E to have a separate Chief Risk Officer (CRO) and Chief Safety Officer (CSO). It establishes an Independent Safety Monitor that would functionally act in the same capacity as the federal court monitor after the termination of the federal monitor. The details on implementing the Independent Safety Monitor would be determined in the future.
- Clarifies and expands the authority of the Safety and Nuclear Oversight (SNO) Committees of PG&E’s boards of directors (e.g., the SNO Committees would have oversight over PG&E’s Wildfire Mitigation Plan and PSPS program, among others).
- Provides for the establishment of additional requirements applicable to the boards of directors of PG&E and PG&E Corp., but allows their membership to remain largely the same.
- Finds that PG&E may not seek cost recovery for 2017/2018 wildfire claims except via the proposed securitization.
- Declines to adopt a safety-based earnings adjustment mechanism, but it will continue to be considered it in the future, either in the PG&E Safety Culture proceeding (I.15-08-019) or another proceeding.
- Requires PG&E to reimburse the CPUC for, and bar cost recovery on, various costs the CPUC incurred for outside expertise in relation to the Chapter 11 bankruptcy cases.

  - Adopt an Enhanced Oversight and Enforcement process for PG&E, revised and detailed in Appendix A, designed to provide a clear roadmap for how the CPUC will closely monitor PG&E's performance. The proposal specifies various steps that PG&E could progress through if repeatedly found to be non-compliant, with the last step being a review and possible revocation of its certificate of public convenience and necessity.

- **Details**: PG&E intends to officially emerge from bankruptcy in July.
- **Analysis**: The Decision in this proceeding provided the CPUC's approval for allowing PG&E to emerge from bankruptcy under PG&E's reorganization plan, with some additional changes required to its operations, management, and oversight, although keys aspects of requirements related to regionalization and the independent monitor remain to be determined in the future. The Decision excluded consideration of municipalization issues and did not address VCE's bid to PG&E to purchase the transmission and distribution assets of PG&E as part of PG&E's restructuring, along with other proposals for more significant reforms of PG&E's structure and operations.
- **Next Steps**: This proceeding is expected to be closed, with remaining issues to be addressed in the PG&E Safety Culture proceeding (I.15-08-019).
- **Additional Information**: D.20-05-053 (June 1, 2020); PG&E Motion for official notice and Plan of Reorganization (March 24, 2020); Press Release on President's statement on PG&E's bankruptcy plan (February 18, 2020); PG&E Notice of Amended Plan of Reorganization and Testimony (January 31, 2019); Scoping Memo and Ruling (November 14, 2019); PG&E Amended Plan (November 5, 2019); Order Instituting Investigation (October 4, 2019); Docket No. I.19-09-016.

RA Rulemaking (2019-2020)

On June 17, 2020, the CPUC issued D.20-06-002 establishing a multi-year central procurement regime for local (but not system or flexible) RA capacity in PG&E and SCE service territories, with the two utilities selected as the central procuring entities for their jurisdictions. Parties filed comments on June 8, 2020 and replies on June 15, 2020, on the Track 1 RA Import PD, which the CPUC adopted at its June 25, 2020, meeting.

- **Background**: This proceeding had three tracks, which have now concluded. Track 1 addressed 2019 local and flexible RA capacity obligations and several near-term refinements to the RA program. D.19-10-020 purported to affirm existing RA rules regarding imports, but adopted a distinction in the import RA compliance requirements for resource-specific and non-resource specific contracts and required, for the first time, that non-resource-specific resources self-schedule (i.e., bid as a price taker) in the CAISO energy market.

  In Track 2, the CPUC previously adopted multi-year Local RA requirements and initially declined to adopt a central buyer mechanism (D.19-02-022 issued March 4, 2019).

  In Track 3, D.19-06-026 adopted CAISO's recommended 2020-2022 Local Capacity Requirements and CAISO's 2020 Flexible Capacity Requirements and made no changes to the System capacity requirements. It established an IOU load data sharing requirement, whereby each non-IOU LSE (e.g., CCAs) will annually request data by January 15 and the IOU will be required to provide it by March 1. It also adopted a "Binding Load Forecast" process such that an LSE's initial load forecast (with CEC load migration and plausibility adjustments based on certain threshold amounts and revisions taken into account) becoming a binding obligation of that LSE, regardless of additional changes in an LSE's implementation to new customers.

  On February 11, 2020, a group of clean energy and energy storage parties filed a PFM of D.20-01-004, which addressed the qualifying capacity value of hybrid resources, seeking a revision to the definition of "Hybrid Resource."

- **Details**: The second Track 2 Decision, D.20-06-002, adopts implementation details for the central procurement of multi-year local RA procurement to begin for the 2023 compliance year in the PG&E and SCE (but not SDG&E) distribution service areas, including identifying PG&E and SCE as the central procurement entities for their respective distribution service areas and adopting a hybrid central procurement framework. The Decision rejected a settlement agreement between CalCCA and seven other parties that would have created a residual central buyer structure (and did not specify the identity of the central buyer) and a multi-year requirements for system and flexible RA.

  Under D.20-06-002, if an LSE procures its own local resource, it may (1) sell the capacity to the CPE, (2) utilize the resource for its own system and flexible RA needs (but not for local RA), or (3) voluntarily show the resource to meet its own system and flexible RA needs, and reduce the amount of local RA the CPE will need to procure for the amount of time the LSE has agreed to show the resource. Under option (3), by showing the resource to the CPE, the LSE does not receive one-for-one credit for shown local resources. A competitive solicitation (RFO) process will be used by the CPEs to procure RA products. Costs incurred by the CPE will be allocated ex post based on load share, using the CAM mechanism. IOU resources selected in the RFO will move from their existing cost recovery mechanism to the CAM for the duration of the agreement, and then back to the original cost recovery mechanism when the contract term is over. When a PCIA-eligible resource moves back to the PCIA, the caps on PCIA increases do not apply.

  D.20-06-002 also establishes a Working Group (co-led by CalCCA) to address: (a) the development of an local capacity requirements reduction crediting mechanism, (b) existing local capacity resource contracts (including gas), and (c) incorporating qualitative and possible quantitative criteria into the RFO evaluation process to ensure that gas resources are not selected based only on modest cost differences. The Working Group report is due September 1, 2020 and the CPUC expressly states that it is not open to considering a one-to-one credit (the CalCCA proposal) or a credit mechanism for fossil fuel resources (other than potentially for existing grandfathered contracts).

  D.20-06-002 eliminates the requirement that LSEs procure 50% their 2023 local RA requirement in 2020 but retains the 100% forward procurement requirements for 2021 and 2022. The CPE will begin procurement in 2021 for the 2023 and 2024 RA compliance years, at 100% of the 2023 requirement and 50% for the 2024 requirement. In 2022 the CPE will be responsible for procuring the entire three-year local requirements for the 2023, 2024, and 2025 compliance years.

  The Track 1 Decision on RA imports (to be numbered D.20-06-028 upon issuance) adopts revisions to the RA import rules based on Energy Division's proposal, with modifications. The RA Imports issue stems from concerns that LSEs might be relying on RA resources and contracts that could not or would not actually deliver energy when it was most needed (i.e., speculative supply). The Decision resolves a stay of D.19-10-021 that purported clarify RA import rules and differentiates between source-specific contracts (i.e., those associated with a specific resource) and non-resource-specific contracts.

- **Analysis**: D.20-06-002 establishing a central procurement entity mostly resolves the central buyer issues, although several details will be refined through a working group process. Moving to a central procurement entity will impact VCE's local RA procurement and compliance, including affecting VCE's three-year local RA requirements as part of the transition to the central procurement framework, eventually eliminating the need for monthly local RA showings and associated penalties and/or waiver requests from individual LSEs, but also eliminating VCE's autonomy with regard to local RA procurement and placing this in the hands of PG&E.

  The Track 1 Decision on RA imports will primarily impact LSEs relying on RA imports to meet their RA obligations by increasing the difficulty of procuring such RA in the future.

- **Next Steps**: The only issues remaining to be addressed in this proceeding are outstanding petitions for modification. Remaining RA issues will be addressed in the successor RA rulemaking, R.19-11-009. The Working Group report is due September 1, 2020, and will be addressed in R.19-11-009.

- **Additional Information**: D.20-06-028 on Track 1 RA Imports (approved June 25, 2020); D.20-06-002 establishing a central procurement mechanisms for local RA (June 17, 2020); D.20-03-016 granting limited rehearing of D.19-10-021 (March 12, 2020); PFM of D.20-01-004 (February 11, 2020); D.20-01-004 on qualifying capacity value of hybrid resources (January 17, 2020); D.19-12-064 granting motion for stay of D.19-10-021 (December 23, 2019); Petition for Modification of D.19-06-026 by CalCCA (October 30, 2019); D.19-10-021 affirming RA import rules (October 17, 2019); PG&E PFM regarding PG&E Other disaggregation (September 11, 2019); Joint Motion to adopt a settlement agreement for a residual central procurement entity (August 30, 2019); D.19-06-026 adopting local and flexible capacity requirements (July 5, 2019); Docket No. R.17-09-020.

RA Rulemaking (2021-2022)

Parties filed comments on June 11, 2020 and replies on June 16, 2020, on the Proposed Decision adopting local capacity obligations for 2021-2023, adopting flexible capacity obligations for 2021, and making changes to the RA program. The PD was adopted at the CPUC's June 25 meeting. On June 23, 2020, the ALJ issued an Email Ruling suspending the Track 3 schedule.

- **Background**: Per the Scoping Memo, this proceeding is divided into 4 tracks:
    1. Track 1 considers revisions to the RA import rules.
    2. Track 2 considers System and Flexible RA requirements for 2021 and Local RA requirements for 2021-2023. It also considers time-sensitive refinements to the RA program, including modifications to the maximum cumulative capacity (MCC) buckets to address increasing reliance on use-limited resources to meet reliability and needs; using a working group process to consider qualifying capacity counting conventions and requirements for hydro resources, hybrid resources, and third-party demand response resources; re-aggregation of the "PG&E Other" area; and changes to the existing penalty structure and waiver process to address potential market power.
    3. Track 3 examines the broader RA capacity structure to address energy attributes and hourly capacity requirements, given the increasing penetration of use-limited resources, greater reliance on preferred resources, rolling off of a significant amount of long-term tolling contracts held by utilities, and material increases in energy and capacity prices experienced in California over the past years.
    4. Track 4 will consider the 2022 program year requirements for System and Flexible RA, and the 2022-2024 Local RA requirements.
- **Details**: D.20-06-031 approves system and flexible RA requirements for 2021, local RA requirements for 2021-2023, and near-term refinements to the RA program, effective beginning with the 2021 compliance year. Notably, among other changes to the "Maximum Cumulative Capacity" bucket system, the Decision adopts a new requirement that would limit the use of in-front-of-the-meter wind and solar resources, DR resources, and other non-dispatchable resources to 43.9% of an LSE's RA capacity, with the remainder required to come from 24-hour dispatchable resources. The CPUC clarified in revisions to its initial PD that the MCC buckets adopted in this Decision may be reconsidered and refined in Track 3 of this proceeding.

  The Decision also adopts several revisions to RA counting conventions based on working group activities and reports, including to hydro and hybrid resources. The PD acknowledges proposals to refine effective load carrying capacity (ELCC) methodology that applies to resources like solar and wind, but determines that there is insufficient consensus to expand or revise the existing ELCC methodology, while authorizing the Energy Division to further explore a marginal ELCC approach.

  The Decision revises RA penalties, currently $6.66/kW-month for all months, by increasing them to $8.88/kW-month for May-October and decreasing them to $4.44/kW-month for November-April. The PD declines to establish a system or flexible RA waiver process, while observing that

the system and flexible RA waivers process needs further development and study due to "significant, unresolved issues."

The Decision declines to reaggregate the “Other” local area, and instead adopts a policy providing that an LSE has fulfilled its local RA obligations in the six local areas if it meets certain requirements.

Finally, the Decision also would direct that a local RA working group be established to address the CAISO's updated criteria and other methodological aspects, issues involving the timing of local capacity requirement studies and stakeholder opportunity for review, and how to harmonize CAISO and CPUC resource accounting rules. The working group’s report would be due September 1, 2020. The PD would also authorize the Energy Division to facilitate a working group to pursue a review of the 15% planning reserve margin.

- **Analysis**: Regulatory developments under consideration in this proceeding that may impact VCE’s capacity procurement obligations include the consideration of hourly capacity requirements in light of the increasing penetration of use-limited resources; modifications to maximum cumulative capacity buckets and whether the RA program should *cap* use-limited and preferred resources such as wind and solar; whether the CPUC should cap imports; the potential expansion of multi-year local forward RA to system or flexible resources; RA penalties and waivers; counting conventions for hydro, hybrid resources, and DR resources; and Marginal ELCC counting conventions for solar, wind and hybrid resources.
- **Next Steps**: In Track 3, the procedural schedule has been suspended, so proposals from parties and Energy Division are no longer due July 10, 2020.

  The schedule and scope of issues for Track 4 will be established in a later Scoping Memo.
- **Additional Information**: D.20-06-031 on local and flexible RA requirements and RA program refinements (adopted June 25, 2020); Ruling suspending Track 3 schedule (June 23, 2020); 2021 Final Flexible Capacity Needs Assessment (May 15, 2020); 2021 Final Local Capacity Technical Study (May 1, 2020; Ruling modifying Track 2 schedule (February 28, 2020); Scoping Memo and Ruling (January 22, 2020); Order Instituting Rulemaking (November 13, 2019); Docket No. R.19-11-009.

2020 IRP Rulemaking

On June 5, 2020, the ALJ issued a Ruling on issues associated with backstop procurement and cost allocation for instances where the CPUC directs resource procurement by LSEs (e.g., as it did in D.19-11-016 requiring reliability capacity procurement). On June 15, 2020, the ALJ issued a Ruling proposing changes to the IRP cycle and proceeding schedule, and parties filed comments on the Order Instituting Rulemaking (OIR) establishing this successor proceeding to the first IRP proceeding. On June 23, 2020, the ALJ issued an Email Ruling granting a three-week extension for filing opening and reply comments in response to the June 5, 2020 Ruling on backstop procurement and cost allocation mechanisms.

- **Background**: In the CPUC’s IRP process, the Reference System Portfolio (RSP) is essentially a proposed statewide IRP portfolio that sets a statewide benchmark for later IRPs filed by individual LSEs. The CPUC ultimately adopts a Preferred System Portfolio (PSP) to be used in statewide planning and future procurement. In the 2016 IRP proceeding, the CPUC issued D.19-11-016, directing VCE to 6.3 MW, 9.4 MW, and 12.6 MW, to be online by line by August 1, 2021, August 1, 2022, and August 1, 2023, respectively. In addition, D.20-03-028 established a 2019-2020 RSP based on a GHG target for the electric sector for 2030 of 46 million metric tons (MMT), while also requiring LSEs to file an IRP scenario based on a more aggressive 38 MMT target in their IRPs due September 1, 2020.

  The OIR’s preliminary scope defines a Planning Track and a Procurement Track. The Planning Track includes all of the work associated with developing the RSP and the PSP. The individual issues within this track include modeling, scenario selection, inputs and assumptions, GHG

benchmarks, load forecasting issues, and filing requirements for individual LSE IRPs. The OIR states that it is now necessary to move beyond planning through 2030 and begin to move the planning horizon through at least 2035 in preparation for the 2045 goals established by SB 100 (e.g., a zero-carbon electricity sector).

The Procurement Track will focus on the evaluation of whether LSE procurements are necessary to protect reliability or achieve statutory goals. This evaluation will take place primarily at the system level, while local reliability issues continue to be addressed in RA proceedings. However, the OIR notes that there is the potential for overlap between the IRP and RA proceedings, such as the potential applicability of a central procurement model to system-level reliability issues. The OIR states that the Procurement Track will also include:

- Consideration of cost allocation issues arising out of procurement directives.
- Procurement issues associated with long lead-time resources, such as long duration storage, offshore wind, out of state renewables; other resources that add resource diversity, such as geothermal; and resources that may require involvement of multiple LSEs to be viable.
- The development of new resource types, such as hybrid resources and hydrogen-fueled resources.
- Consideration of utilities' bundled procurement plans, including any changes necessary to the currently approved plans.

- **Details**: The ALJ's June 5 Ruling on backstop procurement and cost allocation first proposes "trigger points" and associated milestones to arrive at a determination of whether backstop procurement will be conducted for the procurement required by D.19-11-016. An LSE would need to meet each of these milestones in order to avoid backstop procurement taking place on its behalf. Compliance would be determined on a resource-specific basis, allowing for instances of partial compliance (e.g., some projects meet the targets but others do not).

  The ALJ's June 15 Ruling requested comments on a new version of the proposed schedule and sequencing of activities in the proceeding and scheduled a prehearing conference. The Ruling proposes a three-year cycle for the IRP process, instead of the current structure of conducting each cycle every two years. The proposed schedule provides for activities on four parallel work streams related to the development of the Reference System Portfolio, the Preferred System Portfolio, the Procurement Track, and the Transmission Planning Process. There would be opportunities for new procurement requirements at least twice during every three-year cycle, beginning with a Q1 2021 Ruling proposing resource procurement, followed by the issuance of a PD/Decision in Q2 2021 ordering additional procurement. Q1 2021 would also include the issuance of a PD finalizing a procurement framework. If the need determination is triggered in Q2 2021 via a Ruling, the CPUC would issue a PD ordering resource procurement, either stand-alone or combined with PSP PD, in Q3 2021.

- **Analysis**: This proceeding impacts VCE's compliance requirements, including its IRP filing, as well as issues that could impact VCE's autonomy over its procurement decisions and cost recovery of related procurement directives. The June 15, 2020 Ruling proposes changes to the IRP cycle that could change the frequency of IRP filings to once every three years and provide the CPUC two opportunities per three-year cycle to order additional procurement.

- **Next Steps**: A prehearing conference is scheduled for July 14, 2020. Reply comments on the Order Initiating Rulemaking and/or comments in response to the June 15, 2020, Ruling are due July 6, 2020. Reply comments in response to June 15, 2020 ruling and prehearing conference discussion are due July 24, 2020. Comments and/or proposals are due July 22, 2020, and reply comments are due August 7, 2020, on backstop procurement and cost allocation mechanisms. VCE's IRP is due September 1, 2020.

- **Additional Information**: Ruling on IRP cycle and schedule (June 15, 2020); Ruling on backstop procurement and cost allocation mechanisms (June 5, 2020); Order Instituting Rulemaking (May 14, 2020); Dock No. R.20-05-003.

2016 IRP Rulemaking

On June 3, 2020, the ALJ issued a Proposed Decision denying CESA's Petition for Modification of D.19-11-016. On June 15, 2020, parties responded to CalCCA's Petition for Modification of D.19-11-016. On June 22, 2020, the CPUC issued D.20-06-025 dismissing a GenOn Holdings Application for Rehearing of D.19-11-016 after GenOn requested approval to withdraw the Application. Parties filed comments and reply comments on the PD on June 23, 2020, and June 29, 2020, respectively.

- **Background**: In the CPUC's IRP process, the RSP is essentially a proposed statewide IRP portfolio that sets a statewide benchmark for later IRPs filed by individual LSEs. The CPUC ultimately adopts a Preferred System Portfolio (PSP) to be used in statewide planning and future procurement.

  D.19-11-016 directed VCE to procure 6.3 MW, 9.4 MW, and 12.6 MW of additional resources, to be online by line by August 1, 2021, August 1, 2022, and August 1, 2023, respectively. In addition, D.20-03-028 established a 2019-2020 RSP based on a GHG target for the electric sector for 2030 of 46 million metric tons (MMT), while also requiring LSEs to file an IRP scenario based on a more aggressive 38 MMT target in their IRPs due September 1, 2020.

  CESA's PFM of D.19-11-016, filed April 1, 2020, requested that the CPUC allow IOUs to submit Tier 2 advice letters for expedited 30-day approval for any incremental resource contracts executed to meet the 2021 compliance requirements and to come online by the August 1, 2021, deadline. In contrast, D.19-11-016 had directed IOUs to use the *Tier 3* advice letter process, which requires a Commissioner-level approval (typically a four to six-month process). The CPUC will explore further in the procurement track of this or a successor proceeding how to go about ensuring that these additional resources, or others with equivalent attributes, are planned for and procured, as well as the need for development of diverse resources and those that may require multiple off-takers in order to be developed.

  CalCCA's PFM of D.19-11-016 requested that (1) the CPUC clarify that the QC value of an LSE's incremental procurement of hybrid resources will be determined using the permanent calculation methodology that will be adopted in R.19-11-009, and (2) the CPUC direct implementation of a cost recovery mechanism for IOU backstop procurement of system RA that requires IOUs to bill the backstopped LSE directly, rather than the LSE's customers, for procurement caused by the LSE's default to IOU backstop service.

- **Details**: The PD would deny CESA's PFM, but commit to processing the IOU filings for 2021 as quickly as possible, including using all appropriate means of expediting Tier 3 advice letters, and encourage IOUs to file their Tier 3 advice letters expeditiously and to request expedited treatment when it does not expect any controversy.

- **Analysis**: CalCCA's PFM, if granted, would use the permanent hybrid counting methodology to be established in R.19-11-019, which CalCCA suggested is likely to be "less conservative and more accurate," instead of an interim methodology recently adopted, which Energy Division has interpreted as applying for compliance with D.19-11-016. CalCCA's PFM would also allow CCAs to recover backstop costs through their generation rates rather than having the IOU directly recover such costs through a non-bypassable charge on CCA customers.

- **Next Steps**: The proceeding is now closed, except to consider pending intervenor compensation claims, CESA's PFM, and (presumably) CalCCA's PFM. The PD denying CESA's Petition for Modification can be heard as early as the CPUC's July 16, 2020, meeting. All other IRP issues will be addressed through R.20-05-003. VCE's IRP is due on September 1, 2020.

- **Additional Information**: D.20-06-025 dismissing GenOn Holdings Application for Rehearing (June 22, 2020); Ruling correcting LSE load forecasts (May 20, 2020); Proposed Decision denying CESA's Petition for Modification (June 3, 2020); PG&E's Advice 5826-E (May 18, 2020); CalCCA PFM of D.19-11-016 (May 14, 2020); Ruling establishing LSE load forecasts (April 15, 2020); D.20-03-028 on RSP and 2020 IRP filing requirements (April 6, 2020); CESA's PFM of

D.19-11-016 (April 1, 2020); List of Baseline Resources (December 2, 2019); D.19-11-016 (November 13, 2019); Ruling initiating procurement track (June 20, 2019); D.19-04-040 on 2018 IRPs and 2020 IRP requirements (May 1, 2019); Docket No. R.16-02-007.

RPS Rulemaking

On June 5, 2020, VCE and other parties filed a Joint Motion requesting partial modification of the May 6, 2020 Assigned Commissioner and ALJ Ruling (ACR) establishing requirements for retail seller 2020 RPS Procurement Plans. On June 24, 2020, the ALJ issued a Ruling denying the Joint Motion, but clarified portions of the Ruling and extended the deadline from June 29, 2020, to July 6, 2020, for retail sellers to file their RPS Procurement Plan. On June 26, 2020, the Assigned Commissioner and ALJ issued a Ruling requesting comments on re-opening the ReMAT feed-in tariff program.

- **Background**: This proceeding addresses ongoing RPS issues. VCE filed its 2019 RPS Procurement Plan on June 21, 2019, and its 2018 RPS Compliance Report on August 1, 2019. D.19-12-042, issued December 2019, required VCE to file an updated 2019 RPS Procurement Plan. VCE did so on January 29, 2020, and its final report was accepted by the Energy Division.

  On February 27, 2020, the ALJ issued a Ruling requesting comments on a Staff Proposal making changes to confidentiality rules regarding the RPS program. Among other proposals, the Energy Division has proposed to make CCAs' RPS procurement contract terms (e.g., price, quantity, resource type, location, etc.) publicly available 30 days after deliveries begin. The contract price would also be publicly available six months after a contract is signed (if that occurs sooner than 30 days after deliveries begin).

  On March 10, 2020, the ALJ issued a Ruling requesting comments on the BioMAT Staff Proposal. BioMAT is a feed-in tariff available for up to 250 MW of small bioenergy projects (5 MW or less) that uses a market-based mechanism to arrive at the contract price. The BioMAT Staff Proposal would extend the end date for the program from February 2021 to December 31, 2025. It would also allocate the net costs via a non-bypassable charge to all customers and allow all LSEs to enter into contracts at the offer price and collect their expenses through the same charge.

  The May 6, 2020, ACR on RPS Procurement Plan requirements follows the format of past Rulings on the annual process, directing LSEs to complete the applicable templates and abide by the requirements established by statute and prior Decisions. The Ruling specifically notes that D.19-02-007 directed CCAs and ESPs to "include more granular information regarding planning" in their filings in order to demonstrate that they will comply with the RPS requirements, including large increases in the long-term procurement requirements beginning in the 2021-2024 compliance period. The Ruling includes numerous substantive additions to the narrative filing requirements, requiring the use of new summary tables as well as information on how the RPS Procurement Plan corresponds to the LSE's forthcoming IRP (not due until September 1, 2020). Finally, the ACR requested comments on the merits of developing a staff proposal to expand the RPS citation program to include penalties for late Draft RPS Procurement Plans and late deficient Final RPS Procurement Plans.

  Details: The ALJ Ruling rejected a request by VCE and other joint parties to exclude one section of the RPS Procurement Plan specified in the ACR that directed retail sellers to describe how it aligns with the retail seller's forthcoming IRP until after the IRP is filed on September 1, 2020. Instead, the ALJ Ruling notes that retail sellers can update their draft RPS Procurement Plan to be filed July 6, 2020 in Q4 2020 to include additional detail from the completed IRP. The ALJ Ruling did make clarifications to the ACR to address ambiguous directions on the IRP section and extend proceeding deadlines by one week, except for the Motion to Update RPS Plans.

  The June 26 Ruling requests comments on a Staff Proposal to make modifications to and re-open the ReMAT program. The ReMAT program is a feed-in tariff that requires California utilities to procure an aggregate 750 MW of small renewables (493.6 MW allocated to the large IOUs, who have collectively procured 255.7 MW to date), but the program has been on hold since December 2017 due to a court order. The Ruling provides Staff recommendations to ReMAT that would

eliminate the adjusting pricing mechanism, the bimonthly program periods and program period caps, and instead adopt administratively determined prices by product category with a time-of-delivery adjustment. The Staff Proposal additionally proposes that the CPUC annually update the prices by resolution to account for the most recent pricing information so that prices reflect market prices.

- **Analysis**: The ACR on RPS Procurement Plans adds substantial new requirements to VCE's filing requirements, including requiring new table summaries of information, more detailed and robust analysis and explanations of VCE's renewables portfolio strategy, and specific information on VCE's forthcoming IRP, making VCE's 2020 RPS Procurement Plan a heavier lift than in prior years. A forthcoming Energy Division staff proposal appears likely to seek to apply further penalties to retail sellers that do not comply with Commission orders in their RPS filings.

  A pending Staff Proposal on the BioMAT program, if adopted, could impact VCE customer rates, as the program and associated cost recovery through a non-bypassable charge would be extended through 2025. In addition, it would allow VCE to directly enter into BioMAT contracts.

  The pending Staff Proposal on RPS confidentiality rules include provisions that, if adopted, would result in VCE being required to provide more transparency on various RPS information, such as RPS PPA pricing and other contract information.

  Other issues to be addressed in this proceeding could further impact future RPS compliance obligations, such as potentially allowing LSEs like VCE to forgo filing a separate RPS Procurement Plan in 2022 by using its 2022 IRP filing instead.

- **Next Steps**: VCE's 2020 RPS Procurement Plan is due July 6, 2020, and its 2019 RPS Compliance Report is due August 3, 2020. Comments on the Proposed RPS Plans and the issues Staff should consider in developing a proposal to expand the current RPS citation program are due July 21, 2020. Motions Requesting Evidentiary Hearing are due July 28, 2020, reply comments are due July 28, 2020, and Motions to update plans are due August 10, 2020. Comments and reply comments on the June 26 Ruling on ReMAT are due July 21, 2020, and July 28, 2020, respectively.

  In 2020, the Energy Division is developing a proposal (potentially including workshops or working groups) on integrating the IRP and RPS Procurement Plan filings, but the possibility of combining these filings will not occur prior to 2022, per D.19-12-042.

- **Additional Information**: Ruling on re-opening ReMAT (June 26, 2020); Ruling denying Joint Motion to modify ACR (June 24, 2020) Joint Motion for Partial Modification of ACR (June 5, 2020) Assigned Commissioner Ruling (ACR) establishing 2020 RPS Procurement Plan requirements (May 6, 2020); CalCCA Comments on RPS confidentiality (March 30, 2020); Ruling requesting comments on BioMAT (March 10, 2020); D.20-02-040 correcting D.19-12-042 on 2019 RPS Procurement Plans (February 21, 2020); Ruling on RPS confidentiality and transparency issues (February 27, 2020); D.19-12-042 on 2019 RPS Procurement Plans (December 30, 2019); D.19-06-023 on implementing SB 100 (May 22, 2019); Ruling extending procedural schedule (May 7, 2019); Ruling identifying issues, schedule and 2019 RPS Procurement Plan requirements (April 19, 2019); D.19-02-007 (February 28, 2019); Scoping Ruling (November 9, 2018); Docket No. R.18-07-003.

PCIA Rulemaking

On June 11, 2020, SCE and SDG&E filed joint comments on a Proposed Decision rejecting a Joint Petition for Modification of D.18-07-009 filed by California Choice Energy Authority and the Center for Accessible Technology in October 2018. The PD would not impact VCE.

- **Background**: D.18-10-019 was issued on October 19, 2018, in Phase 1 of this proceeding and left the current PCIA in place, maintained the current brown power index, and adopted revised inputs to the benchmarks used to calculate the PCIA for energy RPS-eligible resources and resource adequacy capacity.

Phase 2 relies primarily on a working group process to further develop a number of PCIA-related proposals. Three workgroups examined three issues: (1) issues with the highest priority: Benchmark True-Up and Other Benchmarking Issues; (2) issues to be resolved in early 2020: Prepayment; and (3) issues to be resolved by mid-2020: Portfolio Optimization and Cost Reduction, Allocation and Auction.

The CPUC has not yet issued Proposed Decisions regarding Working Group 2 or 3.

The PD rejecting the joint PFM would find insufficient justification for the PFM's request that the CPUC modify D.18-07-009 to provide a four-year phase-out of the exemption from paying the PCIA previously provided for CCA customers in the service territories of SDG&E and SCE who receive a Medical Baseline allowance from either utility. (PG&E had phased the PCIA exemption out for medical baseline customers pursuant to a settlement agreement.)

Details: N/A.

- **Analysis**: The PD, if adopted, would not impact VCE customers.
- **Next Steps**: A proposed decision is anticipated to be issued soon on issues addressed by Working Group 2, and a proposed decision regarding Working Group 3 is expected in Q3 2020.
- **Additional Information**: Proposed Decision denying Joint Petition for Modification of D.18-07-009 (May 22, 2020); UCAN Motion for evidentiary hearing (April 3, 2020); POC Motion for evidentiary hearing (April 3, 2020); D.20-03-019 on departing load forecast and presentation of the PCIA (April 6, 2020); Ruling modifying procedural schedule for working group 3 (January 22, 2020); D.20-01-030 denying rehearing of D.18-10-019 as modified (January 21, 2020); Ruling modifying procedural schedule (January 15, 2020); Working Group 2 Final Report (December 9, 2019); AL 5705-E (December 2, 2019); D.19-10-001 (October 17, 2019); Phase 2 Scoping Memo and Ruling (February 1, 2019); D.18-10-019 Track 2 Decisions adopting the Alternate Proposed Decision (October 19, 2018); D.18-09-013 Track 1 Decision approving PG&E Settlement Agreement (September 20, 2018); Docket No. R.17-06-026.

PG&E's 2019 ERRA Compliance

On June 19, 2020, the Assigned Commissioner issued a Scoping Memo and Ruling, establishing the scope and schedule for the proceeding.

- **Background**: ERRA compliance review proceedings review the utility's compliance in the preceding year regarding energy resource contract administration, least-cost dispatch, fuel procurement, and the PABA balancing account (which determines the true up values for the PCIA each year). In its 2019 ERRA compliance application, PG&E requested that the CPUC find that its PABA entries for 2019 were accurate, it complied with its Bundled Procurement Plan in 2019 in the areas of fuel procurement, administration of power purchase contracts, greenhouse gas compliance instrument procurement, RA sales, and least-cost dispatch of electric generation resources. PG&E also requests that the CPUC find that during the record period PG&E managed its utility-owned generation facilities reasonably. Finally, PG&E requests cost recovery of revenue requirements totaling about $4.0 million for Diablo Canyon seismic study costs.

  PG&E's supplemental testimony (1) described PG&E's PSPS Program and when it was used in 2019; (2) provided an accounting of the 2019 PSPS events, including a description of how balancing accounts forecast in PG&E's annual ERRA Forecast proceeding and reviewed in the 2019 ERRA Compliance Review proceeding may have been impacted and; (3) described the difference between load forecasting for ratemaking purposes and load forecasting for PSPS events.
- **Details**: The Scoping Memo and Ruling sets forth the issues to be determined in this proceeding and establish a procedural schedule. Among the issues to be considered are whether PG&E prudently administered and managed Utility-Owned Generation facilities, the reasonableness and

accuracy of the entries made in the Energy Resource Recovery Account (ERRA) and the Portfolio Allocation Balancing Account, achievement of least-cost dispatch of energy resources, and consistency between PG&E's greenhouse gas compliance instrument procurement and administered resource adequacy procurement with its Bundled Procurement Plan. The Scoping Memo and Ruling declined to include the issue of whether PG&E's fuel procurement and hedging activities comply with its 2014 Bundled Procurement Plan. Finally, it also held off on a decision on whether to include impacts of power not sold during a PSPS event, electing to wait for parties to weigh in on the issue in SDG&E's 2019 ERRA Compliance proceeding, A.20-06-001.

- **Analysis**: This proceeding addresses PG&E's balancing accounts, including the PABA, providing a venue for a detailed review of the billed revenues and net CAISO revenues PG&E recorded during 2019. It also determines whether PG&E managed its portfolio of contracts and UOG in a reasonable manner. Both issues could impact the level of the PCIA in 2021.
- **Next Steps**: Intervenor testimony is due July 10, 2020, with intervenor replies due July 22, 2020. Rebuttal testimony is due August 21, 2020. A status report of settlement discussions is due September 14, 2020, in advance of evidentiary hearings scheduled for September 21-25, 2020. Opening and reply briefs, respectively, are due October 19, 2020, and November 9, 2020.
- **Additional Information**: Scoping Memo and Ruling (June 19, 2020); PG&E's Application and Testimony (February 28, 2020); Docket No. A.20-02-009.

Investigation into PG&E Violations Related to Wildfires

On June 8, 2020, Thomas Del Monte and the Wild Tree Foundation filed applications for rehearing of D.20-05-019, which approved penalties on PG&E for its role in igniting the 2017-2018 wildfires.

- **Background**: The scope of the proceeding included violations of law by PG&E with respect to the 2017 and 2018 wildfires, including the 2017 Tubbs Fire and the 2018 Camp Fire, what penalties should be assessed, what remedies or corrective actions should occur, and what if any systemic issues contributed to the ignition of the wildfires. SED issued a Fire Report on June 13, 2019 that found deficiencies in PG&E's vegetation management practices and procedures and equipment operations in severe conditions. CAL FIRE also found that PG&E's electrical facilities ignited all but one of the fires addressed in this investigation. This investigation ordered PG&E to take immediate corrective actions to come into compliance with CPUC requirements.

  The terms of the Settlement Agreement between PG&E, SED, the CPUC's Office of the Safety Advocate, and CUE would have resulted in $1.675 billion in PG&E penalties. Specifically, PG&E would not have been permitted seek rate recovery of wildfire-related expenses and capital expenditures totaling $1.625 billion. In addition, PG&E would have been required to spend $50 million in shareholder-provided settlement funds on specified System Enhancement Initiatives.

  The Presiding Officer's Decision provided for penalties on PG&E totaling $2.137 billion. The total included an increase of $198 million in the disallowances for wildfire-related expenditures that was provided in the Settlement Agreement. It also increased PG&E's System Enhancement Initiatives and corrective actions by $64 million and added a $200 million fine payable to the General Fund. In total, these changes increased PG&E's penalties by $462 million relative to the Settlement Agreement. The Presiding Officer's Decision also required any tax savings associated with the shareholder payments under the settlement agreement, as modified by this decision, to be returned to the benefit of ratepayers.

  D.20-05-019 approved with modifications the Settlement Agreement, as provided in Commissioner Rechtschaffen's "Decision Different." It approved penalties totaling $2.137 billion, however the $200 million fine payable to the General Fund is permanently suspended, resulting in an effective penalty total of $1.937 billion. In addition, the decision required any tax savings associated with the shareholder obligations for *operating expenses* under the Settlement Agreement (but not tax savings associated with capital expenditures, in order to avoid any potential legal conflict with IRS normalization rules) to be returned to the benefit of ratepayers in

PG&E's next GRC. Finally, the decision rejected PG&E's attempt to classify the $200 million fine as a Fire Victim Claim or Fire Claim.

- **Details**: The Wild Tree Foundation and Thomas Del Monte each filed Applications for Rehearing (attached) of D.20-05-019, which approved penalties on PG&E for its role in igniting the 2017-2018 wildfires. The Applications for Rehearing both challenge the permanent suspension of the $200 million fine imposed on PG&E, as well as other aspects of the settlement that was approved with modifications.
- **Analysis**: D.20-05-019 resulted in the largest penalty in CPUC history. It required additional spending by PG&E to mitigate future wildfire risk, potentially positively impacting the quality of service experienced by VCE customers. The decision did not hinder PG&E's reorganization plan from moving forward, whereas PG&E had argued that provisions in the original Presiding Officer's Decision could have imperiled the plan.
- **Next Steps**: The applications for rehearing are the only remaining items in this proceeding.
- **Additional Information**: Thomas Del Monte Application for Rehearing (June 8, 2020); Wild Tree Foundation Application for Rehearing (June 8, 2020); D.20-05-019 (May 8, 2020); Decision Different of Commissioner Rechtschaffen (April 20, 2020); Motion by Commissioner Rechtschaffen (March 27, 2020); Presiding Officer's Decision approving the settlement agreement with modifications (February 27, 2020); Joint Motion for Approval of Settlement Agreement (December 17, 2019); Amended Scoping Memo and Ruling (October 28, 2019); GO 95 Rule 31.1; GO 95 Rule 35; GO 95 Rule 38; Order Instituting Investigation (June 27, 2019); Docket No. I.19-06-015.

Wildfire Fund Non-Bypassable Charge (AB 1054)

On June 12, 2020, the ALJ issued a Proposed Decision that would approve servicing orders to be executed between the California Department of Water Resources (DWR) and the large IOUs.

- **Background**: This rulemaking implemented AB 1054 and extended a non-bypassable charge on ratepayers to fund the Wildfire Fund. The scope of this proceeding was limited to consideration of whether the CPUC should authorize ratepayer funding of the Wildfire Fund established by AB 1054, enacted in July 2019, via the continuation of an existing non-bypassable charge (Department of Water Resources bond charge) that would have otherwise expired by the end of 2021. On August 26, 2019, the Bankruptcy Court tentatively granted PG&E's request to participate in the Wildfire Fund.

  D.19-10-056, issued in October 2019, approved the establishment of a non-bypassable charge on IOU customers to provide revenue for the newly established state Wildfire Fund pursuant to 2019 AB 1054. The charge will only be assessed on customers of utilities that participate in the Wildfire Fund (i.e., PG&E, SCE, and SDG&E), and will expire at the end of 2035. The Decision also provides that once a large IOU commits to Wildfire Fund participation, it may not later revoke its participation. The annual revenue requirement for the charge among the large IOUs will total $902.4 million, allocated at $404.6 million for PG&E, $408.2 million for SCE, and $89.6 million for SDG&E. (There is a June 30, 2020, deadline for PG&E to satisfactorily complete its insolvency proceeding under AB 1054, and therefore become eligible to participate in the Wildfire Fund.) The Wildfire Fund NBC will be collected on a $/kWh basis, with the revenue requirement allocated based on each class's share of energy sales. Residential CARE and medical baseline customers are exempt. The Wildfire Fund NBC cannot take effect until the DWR Bond charge sunsets, which may take place as early as the second half of 2020.
- **Details**: The PD would approve Servicing Orders that would allow the large IOUs to remit to DWR the proceeds of the Wildfire Fund NBC and allow for the large IOUs to act as agents for DWR, thereby facilitating the implementation of the Wildfire Fund NBC previously approved in this proceeding.

- **Analysis**: This proceeding established a new non-bypassable charge on VCE customers beginning as early as the second half of 2020 to fund the Wildfire Fund under AB 1054. Whether customers in PG&E's territory will be subject to the charge will be determined only after its Bankruptcy proceeding is complete. D.19-10-056 kept the proceeding open to later consider the annual revenue requirement and sales forecast for the Wildfire Fund non-bypassable charge in 2020.
- **Next Steps**: Comments on the PD are due July 2, replies are due July 7, and the PD may be heard, at the earliest, at the Commission's July 16, 2020 Business Meeting. The Wildfire Fund NBC will go into effect as early as the second half of 2020.
- **Additional Information**: Proposed Decision approving servicing orders (June 12, 2020); D.20-02-070 denying Application for Rehearing (March 2, 2020); D.19-10-056 approving a non-bypassable charge (October 24, 2019); Scoping Memo and Ruling (August 14, 2019); Order Instituting Rulemaking (August 2, 2019); Docket No. R.19-07-017. *See also* AB 1054.

PG&E's Phase 1 GRC

On June 5, 2020, the ALJ issued an Email Ruling granting in part PG&E's motion for official notice and the Joint CCAs' motion to file sur-reply, which the Joint CCAs did on June 22, 2020.

- **Background**: PG&E's three-year GRC covers the 2020-2022 period. For 2020, it has requested an additional $1.058 billion (from $8.518 billion to $9.576 billion), or a 12.4% increase over its 2019 authorized revenue requirement, comprised of increases related to its gas distribution ($2.097 billion total, or a $134 million increase), electric distribution ($5.113 billion total, or a $749 million increase), and generation ($2.366 billion total, or a $175 million increase) services. If approved, it would increase a typical monthly residential electric (500 kWh) and natural gas (34 therms) customer bill by $10.57, or 6.4%, comprised of an electric bill increase of $8.73 and a gas bill increase of $1.84. For 2021 and 2022, PG&E requested total increases of $454 million and $486 million, respectively. PGE's GRC does not include a request for cost recovery related to 2017 and 2018 wildfire liabilities.

  The Settlement Agreement, filed December 30, 2019, would result in an increase in PG&E's 2020 revenue requirement of $575 million (*i.e.*, $483 million lower than PG&E's original request), with additional increases of $318 million, or 3.5% in 2021, and $367 million, or 3.9%, in 2022. The Settlement Agreement would result in PG&E withdrawing its proposal for a non-bypassable charge related to its hydroelectric facilities. It would require PG&E to develop new and enhanced reporting to provide increased visibility into the work it performed. It also provides for PG&E's ability to purchase insurance coverage up to $1.4 billion to protect against wildfire risk and other liabilities, reflected in PG&E's forecast as a cost of $307 million. The consolidated 2020 electric and gas bill impact would be 3.4%.
- **Details**: The E-Mail Ruling took official notice that PG&E's 10-K Reports filed with the Securities and Exchange Commission contain customer count numbers and that these numbers align with the customer count numbers PG&E revised in its Reply Brief. However, the E-mail Ruling states the CPUC will assign the proper evidentiary weight to these numbers as part of its review of the GRC application, noting that PG&E's failure to timely provide accurate customer count numbers, as evidenced by the late correction of these erroneous numbers during Reply Briefs, demonstrates that the customer count numbers are not "capable of immediate and accurate determination" and are not "indisputably accurate." The E-mail Ruling also granted the Joint CCAs an opportunity to file a Sur-Reply Brief, but limited the Sur-Reply Brief to issues related to the customer count data PG&E revised in its Reply Brief. The discrepancy in customer count numbers in this context could impact the functionalization of Customer Care costs, affecting the degree to which these costs could be borne by CCA customers relative to bundled customers.
- **Analysis**: PG&E's GRC proposals include shifting substantial costs associated with its hydroelectric generation from its generation rates (applicable only to its bundled customers) into a non-bypassable charge affecting all of its distribution customers, including VCE customers, which

would negatively affect the competitiveness of VCE's rates relative to PG&E's. However, that proposal would be withdrawn if the Settlement Agreement is approved. The remaining CCA-related issues in the case include the Joint CCAs' recommendations that the Commission:

  - Revise the allocation of certain customer-service costs since unbundled customers use those services far less than bundled customers.
  - Ensure CCAs can connect clean generation to PG&E's temporary microgrids during PSPS events.
  - Revise the settlement's exorbitant decommissioning costs for PG&E's PCIA-eligible facilities.
  - Revise the settlement to ensure grid modernization data is accessible to CCAs to ensure a level playing field in the provision of grid services.

- **Next Steps**: The ALJs will issue a proposed decision.
- **Additional Information**: E-mail Ruling granting in part PG&E's Motion for Official Notice and Joint CCAs Motion to file sur-reply (June 5, 2020); Joint CCAs' PG&E Motion for Official Notice of Facts (January 27, 2020); Joint Motion for Settlement Agreement (January 14, 2020); E-Mail Ruling granting oral argument (January 6, 2020); E-Mail Ruling modifying procedural schedule (December 2, 2019); E-Mail Ruling suspending briefing deadlines (November 25, 2019); D.19-11-014 (November 14, 2019); Ruling setting public participation hearings (May 7, 2019); Scoping Memo and Ruling (March 8, 2019); Joint CCAs' Protest (January 17, 2019); Application and PG&E GRC Website (December 13, 2018); Docket No. A.18-12-009.

PG&E's Phase 2 GRC

No updates this month.

- **Background**: PG&E's 2020 Phase 2 General Rate Case (GRC) addresses marginal cost, revenue allocation and rate design issues covering the next three years. PG&E's pending Phase 1 GRC (filed in December 2018 via a separate proceeding) will set the revenue requirement that will carry through to the rates ultimately adopted in this proceeding.

  In this proceeding, PG&E seeks modifications to its rates for distribution, generation, and its public purpose program (PPP) non-bypassable charge. PG&E proposes to implement a plan to move all customer classes to their full cost of service over a six-year period (the first three years of which are covered by this GRC Phase 2) via incremental annual steps. PG&E proposes to use marginal costs for purposes of revenue allocation and to adjust distribution one-sixth of the way to full cost of service each year over a six-year transition period.

  Of note, PG&E is proposing changes to the DA/CCA event-based fees that were not updated in the 2017 Phase 2 GRC proceeding. In addition, PG&E proposes to remove the PCIA revenue from bundled generation revenue and allocate that cost separately to bundled customers, collecting the PCIA from bundled customers on a non-time differentiated, per-kWh basis (i.e., the same way it is collected from DA/CCA customers). PG&E will continue to display the PCIA with other generation charges on customer bills, but will unbundle the PCIA as part of unbundled charges in each rate schedule.

  PG&E's final EUS plan describes how the IOUs' study will identify the essential usage of electricity for the IOUs' residential customers. The EUS will determine what constitutes essential usage for residential customers (*e.g.*, cooking, lighting, space conditioning) in the different IOU service territories and climate zones. The apparent use case is that essential service be reflected in the Tier I baseline quantities.

- **Details**: N/A.

- **Analysis**: This proceeding may not impact the transparency between a bundled and unbundled customer's bills because of the Working Group 1 proposed decision discussed in the PCIA docket below. However, it will affect the allocation of PG&E's revenues requirements among VCE's different rate classes. It will also affect distribution and PPP charges paid by VCE customers to PG&E. Further, PG&E includes a cost-of-service study the purpose of which is to establish the groundwork for separating net metering customers into a separate customer class in the utility's next rate case. If PG&E's proposed CCA fee revisions are adopted, it will increase the cost VCE pays to PG&E for various services.
- **Next Steps**: Intervenor direct testimony is due October 9, 2020. A CPUC decision is anticipated for September 2021.
- **Additional Information**: Exhibit (PG&E-5) (May 15, 2020); Scoping Memo and Ruling (February 10, 2020); E-mail Ruling extending Protest deadline (December 3, 2019); Application, Exhibit (PG&E-1): Overview and Policy, Exhibit (PG&E-2): Cost of Service, Exhibit (PG&E-3): Revenue Allocation, Rate Design and Rate Programs, and Exhibit (PG&E-4): Appendices (November 22, 2019); Docket No. A.19-11-019.

Investigation into PG&E's Organization, Culture and Governance (Safety OII)

On June 2, 2020, the ALJ emailed the service list and signaled that a ruling is forthcoming that will invite party comment on the scope, schedule and priorities for this proceeding.

- **Background**: On December 21, 2018, the CPUC issued a Scoping Memo opening the next phase of an ongoing investigation into whether PG&E's organizational culture and governance prioritize safety. This current phase of the proceeding is considering alternatives to current management and operational structures for providing electric and natural gas in Northern California.

  In June 2019, D.19-06-008 ordered PG&E to report on the safety experience and qualifications of the PG&E Board of Directors and establishes an advisory panel on corporate governance. The brief Decision required PG&E to provide a variety of information on each PG&E and PG&E Corporation Board member involving safety training, related work experience, previous positions held, and current professional commitments.
- **Details**: The June 2, 2020, ALJ email states that a new Scoping Memo will follow party comment in response to the forthcoming Ruling. The ALJ email also indicates plans to close the PG&E Bankruptcy Proceeding (I.19-09-016) after June 30, 2020, "as the going forward tasks appear to be more appropriately addressed in other proceedings, including I.15-08-019; parties will have the opportunity to address or propose alternatives to this plan." The final Decision in I.19-09-016 noted that various CCA proposals relating to municipalization or proposing alternative restructuring of PG&E were better addressed in this proceeding.
- **Analysis**: This proceeding could have a range of possible impacts on CCAs within PG&E's territory and their customers, given the broad issues under investigation pertaining to PG&E's corporate structure and governance. Numerous issues proposed in the PG&E Bankruptcy OII, including municipalization and PG&E asset sales, were deferred and stated to be more properly within the scope of this proceeding.
- **Next Steps**: An ALJ ruling is expected after June 30, 2020 requesting party input on the scope, schedule and priorities for this proceeding.
- **Additional Information**: Ruling on proposals to improve PG&E safety culture (June 18, 2019); D.19-06-008 directing PG&E to report on safety experience and qualifications of board members (June 18, 2019); Scoping Memo (December 21, 2018); Docket No. I.15-08-019.

Direct Access Rulemaking

No update this month. On March 24, 2020, the ALJ informed parties that the release of Energy Division's report has been delayed. The procedural schedule will be updated accordingly following its release.

- **Background**: Phase 1 issues were resolved on May 30, 2019. For Phase 2 of this proceeding, the CPUC will address the SB 237 mandate requiring the CPUC to, by June 1, 2020, provide recommendations to the Legislature on "implementing a further direct transactions reopening schedule, including, but not limited to, the phase-in period over which further direct transactions shall occur for all remaining nonresidential customer accounts in each electrical corporation's service territory." The Commission is required to make certain findings regarding the consistency of its recommendation with state climate, air pollution, reliability and cost-shifting policies.
- **Details**: The Energy Division held a workshop on January 8, 2020, and accepted post-workshop informal comments and reply comments on January 21, 2020 and January 27, 2020, respectively.
- **Analysis**: This proceeding will impact the CPUC's recommendations to the Legislature regarding the potential future expansion of DA in California, including a potential lifting of the existing cap on nonresidential DA transactions altogether. Further expansion of DA in California could result in non-residential customer departures from VCE and make it more difficult for VCE to forecast load and conduct resource planning. CalCCA has argued that further expansion of nonresidential DA is likely to adversely impact attainment of the state's environmental and reliability goals, and will result in cost-shifting to both bundled and CCA customers.
- **Next Steps**: A report containing the Energy Division's draft recommendations to the Legislature will be published in the future, which will be followed by a ruling updating the procedural schedule. There will be an opportunity for comments on the report, followed by a proposed decision.
- **Additional Information**: Amended Scoping Memo and Ruling adding issues and a schedule for Phase 2 (December 19, 2019); Docket No. R.19-03-009; *see also* SB 237.

Wildfire Cost Recovery Methodology Rulemaking

No updates this month. An August 7, 2019, PG&E Application for Rehearing remains pending regarding the CPUC's recent Decision establishing criteria and a methodology for wildfire cost recovery, which has been referred to as a "Stress Test" for determining how much of wildfire liability costs that utilities can afford to pay (D.19-06-027).

- **Background**: SB 901 requires the CPUC to determine, when considering cost recovery associated with 2017 California wildfires, that the utility's rates and charges are "just and reasonable." In addition, and notwithstanding this basic rule, the CPUC must "consider the electrical corporation's financial status and determine the maximum amount the corporation can pay without harming ratepayers or materially impacting its ability to provide adequate and safe service."

  D.19-06-027 found that the Stress Test cannot be applied to a utility that has filed for Chapter 11 bankruptcy protection (i.e., PG&E) because under those circumstances the CPUC cannot determine essential components of the utility's financial status. In that instance, a reorganization plan will inevitably address all pre-petition debts, include 2017 wildfire costs, as part of the bankruptcy process. The framework proposed for adoption in the PD is based on an April 2019 Staff Proposal, with some modifications. The framework requires a utility to pay the greatest amount of costs while maintaining an investment grade rating. It also requires utilities to propose ratepayer protection measures in Stress Test applications and establishes two options for doing so.

  PG&E's application for rehearing challenges the CPUC's prohibition on applying the Stress Test to utilities like itself that have filed for Chapter 11 bankruptcy. PG&E's rationale is that SB 901 requires the CPUC to determine that the stress test methodology to be applied to all

IOUs. Several parties filed responses to PG&E's application for rehearing disagreeing with PG&E.

- **Details**: N/A.
- **Analysis**: This proceeding established the methodology the CPUC will use to determine, in a separate proceeding, the specific costs that the IOUs (other than PG&E) may recover associated with 2017 or future wildfires.
- **Next Steps**: The only matter remaining to be resolved in this proceeding is PG&E's application for rehearing. This proceeding is otherwise closed.
- **Additional Information**: PG&E Application for Rehearing (August 7, 2019); D.19-06-027 (July 8, 2019); Assigned Commissioner's Ruling releasing Staff Proposal (April 5, 2019); Scoping Memo and Ruling (March 29, 2019); Order Instituting Rulemaking (January 18, 2019); Docket No. R.19-01-006. *See also* SB 901, enacted September 21, 2018.

Other Regulatory Developments

- **PG&E Proposes Ending Residential High Usage Charge**: PG&E filed a proposal and testimony recommending the elimination of the residential High Usage Charge (HUC), a high-priced third tier in California's available non-TOU residential rate that applies to electricity consumption above 400% of a baseline. The HUC investigation comes in response to instances of high bill volatility on some customers during particularly hot summers. PG&E argued that the HUC should be eliminated because: (1) the HUC is not a cost-based rate and therefore sends an uneconomic price signal and forces high usage customers to subsidize low usage customers; (2) the HUC will disproportionately impact low-income and vulnerable customers in hot climate zones when the transition to default TOU rates occurs in October 2020, because CARE, medical baseline, and other low-income customers that reside in hot climate zones will not be automatically defaulted to the TOU rate (which does not feature an HUC); and (3) the HUC runs counter to the state's policy of encouraging building electrification. SDG&E also recommended elimination of the HUC in a separate proposal and testimony.
- **CPUC Issues Track 1 Decision in Microgrids Rulemaking**: The CPUC issued D.20-06-017 for Track 1 of its microgrid rulemaking, which addresses actions that would support immediate improvements in resiliency. Track 2 is scheduled to begin after the conclusion of Track 1. The Decision adopts a series of proposals developed in an earlier Staff White paper and also addresses resiliency programs proposed by SDG&E and PG&E. With respect to PG&E's proposals, the Decision approves the Make Ready and Community-Enabled Microgrids programs subject to full reasonableness review and authorizes the Temporary Generation program for the 2020 wildfire season only. The **Make Ready program** involves PG&E investing in additional infrastructure at prioritized substations to enable them to operate in islanded mode if a transmission line is down. The CPUC directed PG&E to coordinate with CCAs on the planning and procurement processes for Make Ready resources that may be deployed in the CCA's territory. The CPUC also authorized the **Community-Enabled Microgrids program** in which PG&E will provide technical and financial support for community-requested microgrids for PSPS mitigation purposes, targeting those that would serve multiple critical facilities in areas prone to outages. The Decision expanded the scope to include support for tribal and local governments as well as CCAs to design and engineer BTM microgrids. PG&E is directed to meet and confer with stakeholders to solicit input from local and tribal governments, and CCAs, to refine the scope, eligibility, and fund matching applicability. Under the **Temporary Generation program**, the CPUC authorized PG&E to use mobile DG systems at substations, mid-feeder line segments serving commercial corridors and facilities during PSPS events, including back-up power at community resource centers.

KEYES&FOX LLP

Glossary of Acronyms

AB	Assembly Bill
AET	Annual Electric True-up
ALJ	Administrative Law Judge
BioMAT	Bioenergy Market Adjusting Tariff
BTM	Behind the Meter
CAISO	California Independent System Operator
CAM	Cost Allocation Mechanism
CARB	California Air Resources Board
CEC	California Energy Commission
CPE	Central Procurement Entity
CPUC	California Public Utilities Commission
CTC	Competition Transition Charge
DA	Direct Access
DWR	California Department of Water Resources
GRC	General Rate Case
ELCC	Effective Load Carrying Capacity
ERRA	Energy Resource and Recovery Account
EUS	Essential Usage Study
IEPR	Integrated Energy Policy Report
IFOM	In Front of the Meter
IRP	Integrated Resource Plan
IOU	Investor-Owned Utility
ITC	Investment Tax Credit
LSE	Load-Serving Entity
MCC	Maximum Cumulative Capacity
OII	Order Instituting Investigation
OIR	Order Instituting Rulemaking
PABA	Portfolio Allocation Balancing Account
PD	Proposed Decision
PG&E	Pacific Gas & Electric
PFM	Petition for Modification
PCIA	Power Charge Indifference Adjustment
PSPS	Public Safety Power Shutoff
PUBA	PCIA Undercollection Balancing Account
QC	Qualifying Capacity
RA	Resource Adequacy

RDW	Rate Design Window
RPS	Renewables Portfolio Standard
SCE	Southern California Edison
SED	Safety and Enforcement Division (CPUC)
SDG&E	San Diego Gas & Electric
TCJA	Tax Cuts and Jobs Act of 2017
TOU	Time of Use
TURN	The Utility Reform Network
UOG	Utility-Owned Generation
WMP	Wildfire Mitigation Plan
WSD	Wildfire Safety Division (CPUC)

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 9

TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Interim General Manager, VCEA

SUBJECT: Customer Enrollment Update (Information)

DATE: July 9, 2020

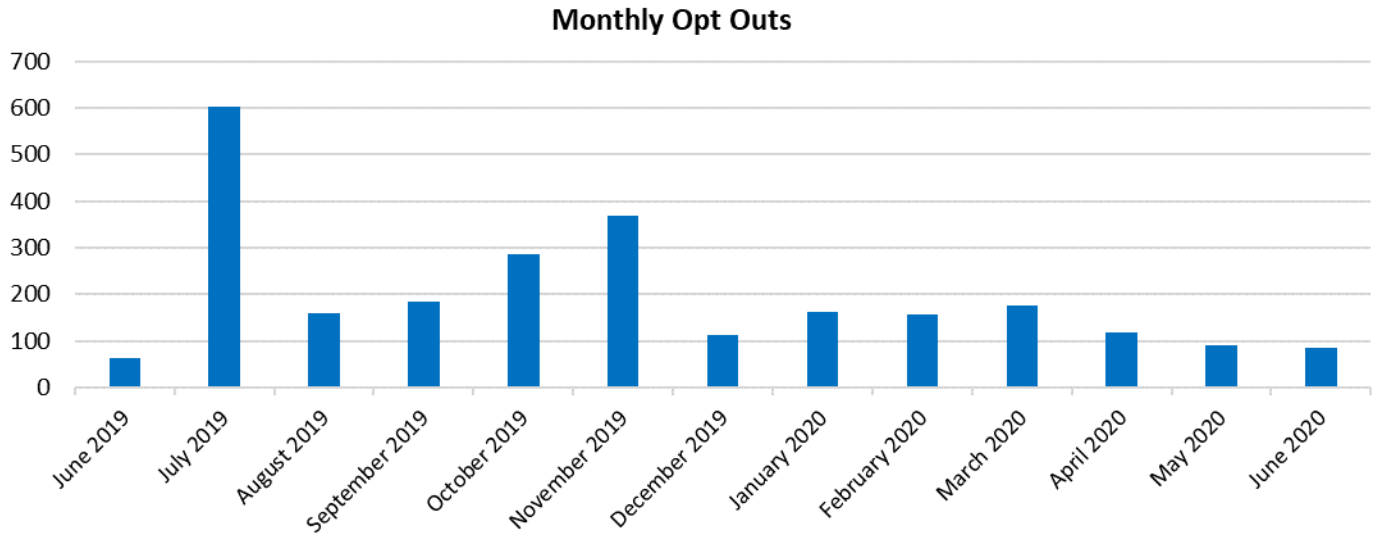
RECOMMENDATION

Receive and review the attached Customer Enrollment update as of June 30, 2020.

Item 9 - Enrollment Update

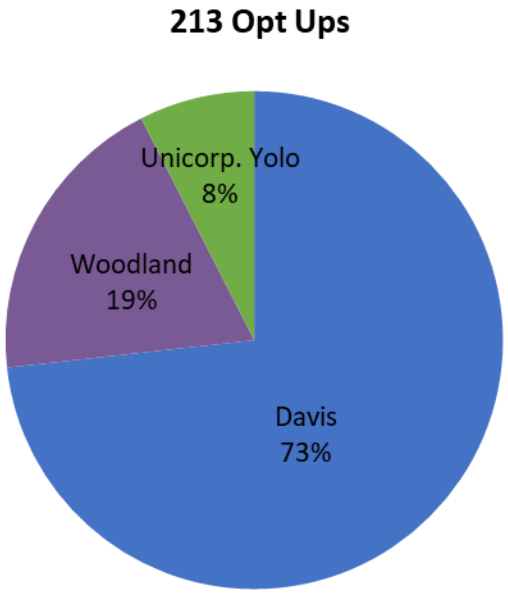
	Davis	Woodland	Yolo Co	Total	Ag	Commercial	Industrial	Residential
VCEA customers	26,592	19,559	10,281	56,432	1,838	5,794	5	48,795
Eligible customers	28,229	22,576	11,911	62,716	2,148	6,452	6	54,110
Participation Rate	94%	87%	86%	90%	86%	90%	83%	90%

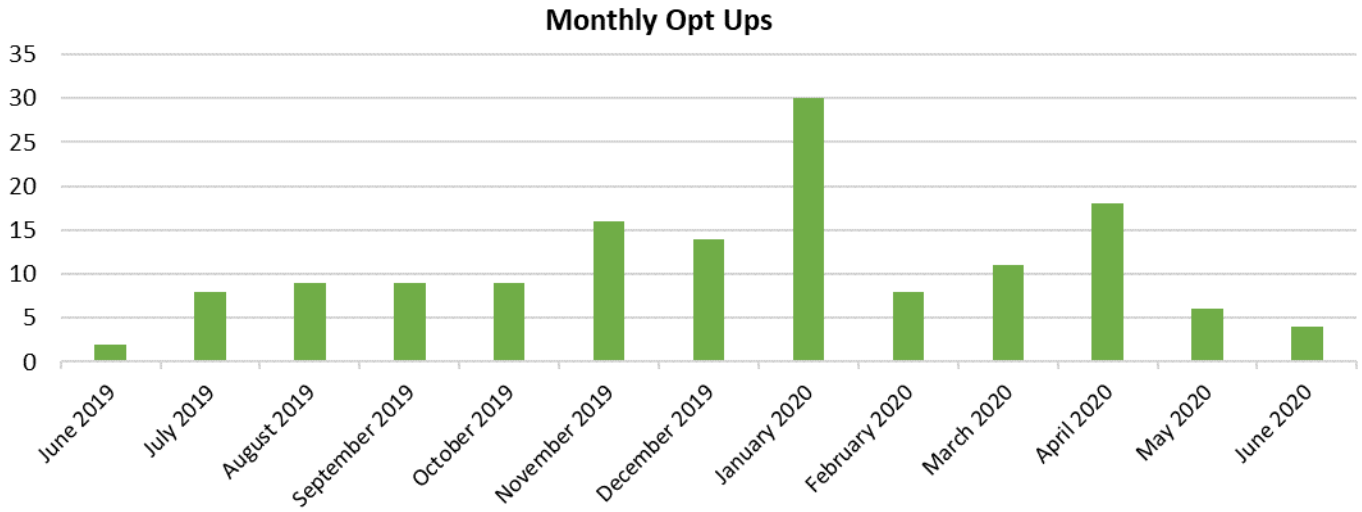
- There are currently 3,072 NEM customers not included in this table. They will enroll throughout the remainder of 2020.



Status Date: 6/30/20

Item 10 - Enrollment Update





Status Date: 6/30/20

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 10

TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Interim General Manager

SUBJECT: Community Advisory Committee June 25, 2020 Special Meeting Summary

DATE: July 9, 2020

This report summarizes the Community Advisory Committee's special meeting held on Thursday, June 25, 2020 at 5 p.m.

A. **New CAC Members:** VCE Members and Staff welcomed new Committee members, Jennifer Rindahl and Peter Meyer, representing the City of Winters.

B. **Energy Efficiency and Outreach Programs Update (Informational):** VCE Staff Jim Parks reviewed and provided the most recent accomplishments of the Programs Task Group and Staff in developing a Program Plan outline and several programs: Electric Vehicle (EV), Pilot NEM Donation, and Energy Efficiency (EE). With the assistance of VCE Staff Tessa Tobar, the members received an on-line live demonstration of how to access the EV and EE program information on the VCE website. At the conclusion of the presentation, the CAC members thanked Jim for his contributions to VCE and offered their congratulations on his retirement.

C. **VCE Legislative Platform (Action):** Interim General Manager Mitch Sears, with the assistance of Mark Fenstermaker of Pacific Policy Group, reviewed the draft Legislative Platform. Mr. Sears provided an overview on the process of VCE taking positions on legislative bills. There was a discussion on whether it is appropriate to include the second bullet point of Item 7 as biomass is included in the first bullet point, also the need for VCE to define "local renewable resources", and that there is no mention in the draft to address legislation related to environmental injustice.

    a. The CAC made a recommendation to the Board to approve the Legislative Platform without the second bullet point in Item 7. (9-0-0)

    b. The CAC also passed a motion to address how VCE defines local renewable resources at their next meeting. (9-0-0)

D. **Update on request for offers for local renewable projects and incremental Resource Adequacy (Informational):** VCE Staff Gordon Samuel provided the background on the request for offers and provided a summary of the responses and timeline.

E. **Long Range Calendar:** The CAC discussed the possibility and frequency of including updates on VCE's power portfolio at future CAC meetings.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 11

TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Interim General Manager
George Vaughn, Finance and Operations Director

SUBJECT: Consultant Donald Dame Contract Extension

DATE: July 9, 2020

RECOMMENDATION:

Ratify the contract extension of consulting services of Donald Dame for the time period of July 1, 2020 through June 30, 2021 with a not to exceed amount of $20,000.

BACKGROUND & DISCUSSION:

Donald Dame has provided professional consulting services for VCE since pre-launch in 2018. He continues to provide consulting services related to enterprise risk management, electric utility analysis, and program implementation assistance among other related activities. In addition, during 2019/20 Mr. Dame has assisted VCE with the analysis of the potential acquisition of PG&E's local electricity distribution system and related PG&E bankruptcy matters.

His current contract extension for non-PG&E bankruptcy matters with a not to exceed amount of $18,000 expires June 30, 2020. Due to his experience in the utility sector and deep knowledge of VCE, staff is recommending a one year contract extension until June 30, 2021 with a not to exceed amount of $20,000.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 12

TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Interim General Manager

SUBJECT: Temporary extension of revolving line of credit

DATE: July 9, 2020

RECOMMENDATION

Approve a one month extension of the existing revolving line of credit with River City Bank to August 15, 2020.

BACKGROUND AND ANALYSIS

At it's December 14, 2017 meeting, the Board adopted a resolution to select River City Bank as the credit and banking services vendor for VCE and authorized the Interim General Manager to execute a letter of intent and enter into negotiations for final contracts with River City Bank for VCE credit facilities. On March 7, 2018, the Interim General Manager executed a term sheet for up to $11 million dollars in total credit facilities for VCE with River City Bank. On May 10, 2018 the Board authorized the Interim General Manager to sign an $11 million dollar revolving line of credit (RLOC) with an 18 month term. On April 9, 2020 the Board ratified a temporary 3 month extension of the RLOC to July 15, 2020 with a $7 million dollar cap. VCE staff and River City Bank are completing negotiations on a one year extension which will be ready for consideration at the August Board meeting. The one month extension of the current temporary extension will allow for completion of negotiations.

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 13

TO: Valley Clean Energy Board of Directors

FROM: Mitch Sears, Interim General Manager
Alisa Lembke, VCE Board Clerk/Administrative Analyst

SUBJECT: Appointment of Community Advisory Committee Member

DATE: July 9, 2020

Recommendation
Appoint Cynthia Rodriguez to the Community Advisory Committee (CAC) representing unincorporated Yolo County for a term to expire June 2022.

Background
The VCE Board of Directors on December 13, 2016 via Resolution #2016-006 formed a Community Advisory Committee (CAC); on September 13, 2018, the Board approved the terms of service and officer position of members who serve on the Community Advisory Committee; and on October 18, 2018, the Board approved a three-year term for Community Advisory Committee members, how to determine the terms of service of current CAC members, and criteria for new member recruitment and selection.

On November 15, 2018, the Board adopted Resolution 2018-030 which summarized VCE's recruitment and appointment process to the CAC and appointed Members. This process included an initial staff review for completeness followed by review by the Board subcommittee and recommendation to the full Board.

In December 2019, the Board approved the City of Winters as a member of VCE. On June 11, 2020, the Board reappointed CAC Member David Springer as a City of Winters representative and appointed Winters residents Jennifer Rindahl and Peter Meyer to the CAC.

Recently, VCE received an application from Cynthia Rodriquez expressing an interest in serving on the CAC (application and resume attached). Staff forwarded her application to the Board subcommittee for review and is being presented to the Board for recommendation of appointment.

Ms. Rodriguez has expressed an interest in serving on the CAC based on her more than 38 years as an attorney working for County and State agencies and her experience working with groups with divergent interests and needs towards collective goals.

If Ms. Rodriguez is appointed, staff recommends she join “class 1” with a term expiring June 2022:

CLASS 3 – term expiring June 2021
Yolo Rep.– Vacant
Woodland Rep. - Christine Casey
Davis Rep.– Lorenzo Kristov
Winters Rep. - Peter Meyer

CLASS 1 – term expiring June 2022
Yolo Rep. – Cynthia Rodriguez
Woodland Rep. – Mark Aulman
Davis Rep.– Yvonne Hunter
Winters Rep. – David Springer

CLASS 2 – term expiring June 2023
Yolo Rep.– Marsha Baird
Woodland Rep. – Christine Shewmaker
Davis Rep.– Gerry Braun
Winters Rep. – Jennifer Rindahl

This will leave one vacancy for Yolo County.

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]

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

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 15

TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Interim General Manager
Gordon Samuel, Assistant General Manager &
Director of Power Services
Olof Bystrom, Sacramento Municipal Utility District (SMUD)

SUBJECT: CPUC Integrated Resource Plan and Required Action Plan (IRP)

DATE: July 9, 2020

RECOMMENDATION
Review draft of VCE Integrated Resource Plan (IRP) and provide feedback regarding resource portfolio and action plan.

BACKGROUND
VCE is required by the California Public Utilities Commission (CPUC) to prepare an IRP for the supply of energy in the period from 2020 to 2030. The objective of the IRP is to provide guidance for VCEA's Board, executive management, and the public regarding the expected power supply cost and the resources needed for meeting electric demand in the 2020-2030 period. The IRP is due to the CPUC on September 1, 2020 and must be adopted by the Board prior to submission. Following this meeting's review of the IRP, a final report will be prepared for approval at Board's meeting in August.

Staff conducted two public IRP workshops to inform of the IRP process and to gather input and feedback regarding the long term resource portfolios considered in the IRP. The workshops were held on December 9, 2019 and May 28, 2020. The second meeting was also conducted as a special meeting of the CAC and the Committee provided input and feedback to the IRP scenarios that were presented. Based on the input from the public, the CAC and discussions with VCE staff, the attached draft IRP report was prepared by SMUD for review.

The key components of the IRP are two long term resource portfolios and an action plan to demonstrate that VCE has sufficient resources and planning processes in place to implement the resource plan. The format of the report, the electric demand forecast, and a minimum number of scenarios to consider are all dictated by CPUC decisions and rulings under the IRP rule making proceeding R.16-02-007.

The draft resource plans reflected in the attached draft IRP provide the mandatory resource portfolios. These resource portfolios were developed such that the projected GHG emissions match the CPUC requirements of respectively 156,000 metric tons per year and 129,000 metric

tons per year by 2030. In reality, VCE may choose to adopt more ambitious resource portfolios that result in lower GHG emissions. However, staff does not recommend submitting additional portfolios to the CPUC at this time since it will necessitate significant additional work in both the IRP regulatory process and the Renewable Portfolio Standard (RPS) regulatory process. Instead, VCE can reflect changes in its subsequent IRP filings, if desired.

The recommended resource portfolios that are presented in the attached report offer a balanced resource plan that expands on the solar PV contracts VCE has entered into in 2020 by adding local solar PV resources, new wind resources and battery-based energy storage. Similar to what VCE is doing today, each portfolio also includes a limited amount of carbon-free large scale hydro resources that will help reduce VCE's GHG emission levels to the required amounts by 2030.

The draft IRP also includes a proposed action plan for implementing the IRP. The proposed actions are focused mainly on monitoring progress of the projects with which VCE completed long term PPAs in 2020 and on planning procurement of additional resources in the 2025-2030 period. The action plan clarifies that it is VCE's intention to continue seeking new resources to its portfolio by pursuing only RPS-eligible renewable resources and storage and that VCE intends to identify candidate resources through an open, public RFO process.

Based on the inputs and guidance received by the Board, staff will finalize the IRP report, as well as the Action Plan. The final draft IRP will be presented for the Board's approval at VCE's August Board meeting.

COMMUNITY ADVISORY COMMITTEE REVIEW

Staff reviewed draft IRP resource portfolios with the CAC and the public on May 28, 2020. The attached draft IRP report reflects input received from the public and from the CAC.

CONCLUSION

Staff is seeking feedback from the Board on the draft plan and resource portfolios. Staff will return at the August Board meeting with a final recommended 2020 IRP for submission to the CPUC by August 1, 2020.

Attachment

1. Draft 2020 IRP

Attachment 1
Proposed Integrated Resource Plan

Standard LSE Plan

Valley Clean Energy Authority

2020 INTEGRATED RESOURCE PLAN

PRELIMINARY DRAFT

June 30, 2020

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I. Executive Summary

Valley Clean Energy Alliance, or Valley Clean Energy (VCE) is a joint powers authority working to implement a state-authorized Community Choice Energy (CCE) program. Participating VCE governments include the City of Davis, the City of Woodland and the unincorporated parts of Yolo County. From January 2021, the City of Winters will also join VCE. The vision of VCE is to enable the participating jurisdictions to determine the sources, modes of production, and costs of the electricity they procure for the residential, commercial, agricultural, and industrial users in their areas. PG&E continues to deliver the electricity procured by VCE and to perform billing, metering, and other electric distribution utility functions and services. Customers within the participating jurisdictions have the choice not to participate in the VCE program. VCE's vision as an organization and as adopted by its Board in 2017 is shown in Figure 1 This report was prepared in accordance with decision D.20-03-028 by the California Public Utilities Commission (Commission) under proceeding R.16-02-007. The report follows the format provided by the Commission.

Figure 1. VCE Vision - Check and Refresh

The near-term vision for VCE is to provide electricity users with greater choice over the sources and prices of the electricity they use, by:

- Offering basic electricity service with higher renewable electricity content, at a rate competitive with PG&E;
- Developing and offering additional low-carbon or local generation options at modest price premiums;
- Establishing an energy planning framework for developing local energy efficiency programs and local energy resources and infrastructure; and
- Accomplishing the goals enumerated above while accumulating reserve funds for future VCE energy programs and mitigation of future energy costs and risks.

The long -term vision for VCE is to continuously improve the electricity choices available to VCE customers, while expanding local energy-related economic opportunities, by:

- Causing the deployment of new renewable and low carbon energy sources;
- Evaluating and adopting best practices of the electricity service industry for planning and operational management;
- Substantially increasing the renewable electricity content of basic electricity service, with the ultimate goal of achieving zero carbon emissions electricity;
- Developing and managing customized programs for energy efficiency, on-site electricity production and storage;
- Accelerating deployment of local energy resources to increase localized investment, employment, innovation and resilience;
- Working to achieve the climate action goals of participating jurisdictions to shape a sustainable energy future; and
- Saving money for ratepayers on their energy bills.
- Remaining open to the participation of additional jurisdictions.

Since VCE started serving load in June 2018 and in accordance with the action plan of its 2018 IRP, VCE has started adding resources under long term contracts and is gradually building up a portfolio of short and long term assets in line with its vision and the demand of its customers. To date, VCE has relied mainly on market purchases of energy, Resource Adequacy (RA), and Renewable Energy Credits (RECs) in order to serve its electric demand and meet regulatory requirements with respect to resource adequacy and renewable energy. Starting in 2021 it will increasingly meet electric demand with resources under long term contracts. VCE has contracted for 122 MW of new solar resources to come online before the end of 2021 and 7.5 MW of battery capacity to come online by August 1, 2021. For the purposes of this filing, VCE considered several IRP portfolio alternatives that were reviewed and discussed by VCE's Board, its Community Advisory Committee and the general public over the course of several meetings and workshops that were open for attendance and public inputs. From this process followed two resource portfolios that are presented in this report: The first

portfolio, entitled 46MMT Portfolio or Conforming Portfolio, is based on expanding VCE's solar PV contract portfolio with storage, local solar and wind to create a balanced portfolio that meets state requirements. This portfolio is expected to result in estimated emissions of 56,000 metric tons per year by 2030. Over the course of the 2020-2030 period, the renewable energy content of the portfolio is adjusted to meet statutory and regulatory RPS requirements as well as the Greenhouse gas benchmark values stipulated by the Commission.
The second portfolio, entitled 38MMT was prepared demonstrate an alternative portfolio that meets the greenhouse gas requirements of the 38MMT, which for VCE amounts to 129,000 metric tons per year by the year 2030.

Ultimately, the choice of resource path is uncertain and will to a large extent depend on future market and technology-cost developments as well as on the evolving preferences of VCE customers. VCE's resource plan may therefore be adjusted according to market developments over the next several years.

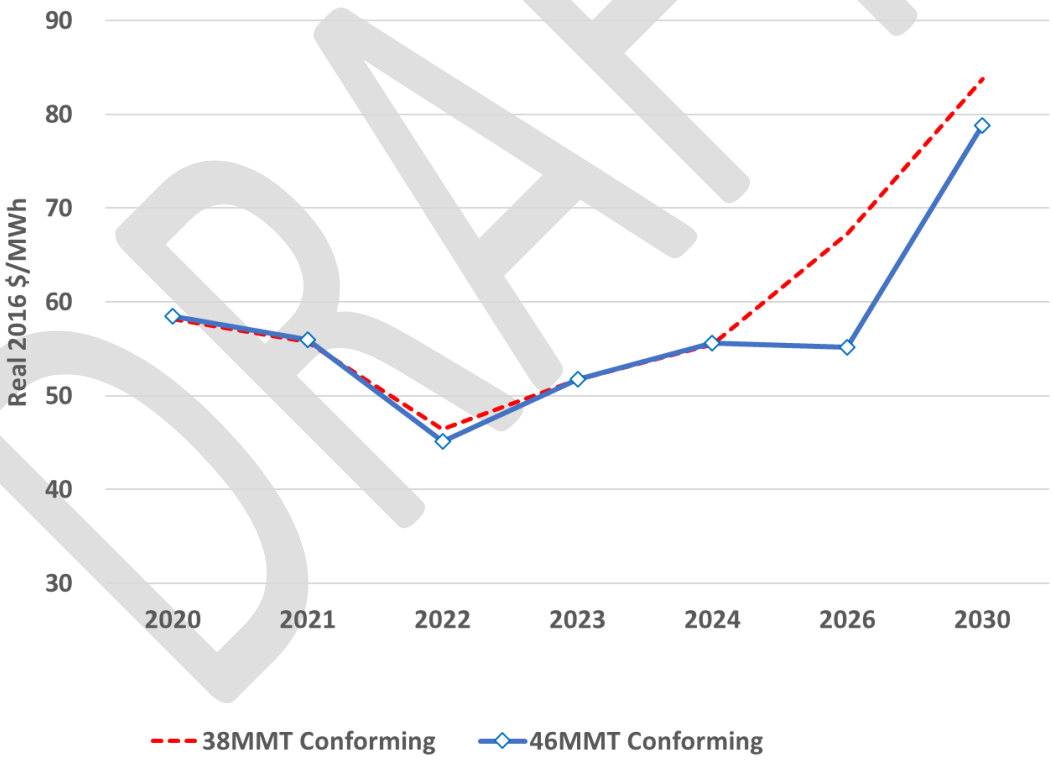


Figure 2 shows a comparison of the estimated generation costs for each of the resource portfolios submitted for the 2020-2030 period.

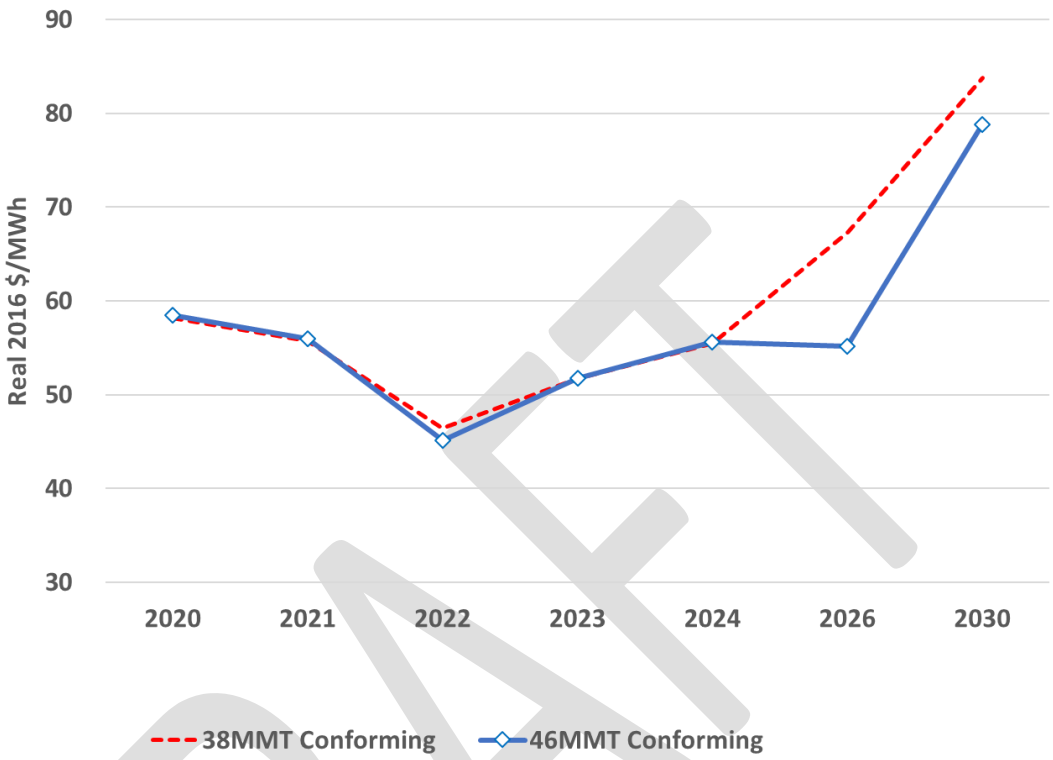


Figure 2. Annual Generation Costs by Resource Portfolio and Year

VCE's portfolio costs are significantly lower than those reported in the RESOLVE tool for the generation portion of the retail rate. This result is likely driven largely by a discrepancy in assumptions regarding costs for RA and for existing resources. VCE relied on Its own forecasts for RA capacity, RECs, and carbon free energy (large scale hydro) while largely using the RESOLVE model's estimate of marginal energy costs and for the levelized cost of new resources in VCE's portfolio.

There are several important assumptions of VCE's IRP analysis that should be considered:

- The resource portfolios are based on contracting only for new resources over the 2020-2030 period. The selected resources are all either RPS-eligible renewable energy sources or battery storage. For additional energy and capacity needs beyond those shown in the resource plan, VCE expects to rely on the CAISO market and on bilateral energy and capacity markets.
- The modeling and analysis are based on assumptions and prices available in the Reference System Portfolio results for the RESOLVE model that were developed for the Commission and that were made public on March 26 2020[1]

[1] https://www.cpuc.ca.gov/General.aspx?id=6442459770

- Resources in the portfolios were selected so as not to exceed VCE's proportional maximum share of each resource category (e.g. wind, solar, storage, etc). While VCE prefers local wind resources (e.g. Solano Wind), these resources can be exchanged for other generic new resources after 2025 since there is significant uncertainty on the exact sources from where VCE may source its future wind resources.
- VCE considers the analyses and conclusions of this IRP report to be tentative for the period 2025-2030 and subject to adjustments as market conditions change and technology and customer preferences evolve.
- VCE's analysis considers only the generation portion of electric services delivered to VCE's customers since this is the only part for which VCE is responsible. It is anticipated that the IRP filing by PG&E will cover the other aspects, such as transmission, distribution, and Demand Side Management programs.
- VCE's Action Plan includes several activities that are expected to enable VCE to implement, fine-tune and adjust its resource plan, including issuing a solicitation for long term and local renewable capacity and setting long term procurement policies and goals for the organization.
- The load forecast and load shape used in this IRP are based on CEC's 2019 IEPR data which uses load characteristics and shape from PG&E's service territory. Thus, neither the demand level or the shape represent the best available view of VCE's load.
- The load forecast also does not include any impacts of the Covid-19 pandemic which is expected to reduce demand significantly in 2020. VCE also expects that demand will remain depressed as a result of the expected 2020 recession and subsequent economic recovery in the 2020-2023 period.

The estimated GHG emissions for VCE in 2030 using Commission's Clean System Power Calculator Tool is shown in Table 1 below for each of the resource portfolios considered, as well as the Commission GHG benchmark value of 129,000 tons per year for the year 2030.

Table 1. Estimated GHG Emissions in 2030 by Resource Portfolio using the Commission GHG Calculator (metric tons 000)

	46MMT	38 MMT
Commission Mandated Benchmark	156	129
VCE 46MMT Portfolio	156	N/A
VCE 38 MMT Portfolio	N/A	129

VCE's IRP analysis is based on a simplified hourly production cost model of VCE's portfolio, where it is assumed that California as a whole follows the resource plan outlined in the 46MMT Reference System Portfolio (RSP) and that VCE can freely buy and sell energy into the CAISO electricity and ancillary service markets at the market prices expected in the Reference System

Portfolio provided by the Commission[2]. VCE's analysis also uses the same assumptions that the Reference System Portfolio was based on, including levelized costs for new generating resources and the same renewable energy resource classifications, renewable energy profiles, and geographical naming conventions (e.g. "Solano Wind" or "Sacramento River Solar"). The resulting resource portfolios also utilize resources wherein the use of each renewable energy resource or storage does not exceed VCE's proportional share of the resource potential.
VCE's Action Plan outlines key activities over the next several years for VCE. Among the more important steps in the Action Plan is to complete the negotiation and procurement of long term renewable energy contracts for local capacity in response to VCE's RFO that was issued in April 2020. Completion of vendor selection and PPA negotiations is expected by the end of 2020. The Action Plan also outlines other key activities over the next 1-3 years, including monitoring progress towards completion of new resources and initiating procurement of resources for the 2025-2030 period. Section 4 of this report describes VCE's Action Plan in more detail.
VCE considers local resources to be important for meeting its long term vision of managing customized programs, local investments, and employment as well as helping participating jurisdictions achieve their long term climate and sustainability goals. VCE is currently in the process of selecting among offers resulting from its 2020 RFO for local capacity.

II. Study Design

The study was designed to provide VCE, its Board, management, and community with a resource plan and portfolio that meets VCE's needs of renewable energy content, resource diversity and cost-effectiveness while meeting all regulatory and statutory requirements. After discussions with the Board, its Community Advisory Committee and with input from the public, VCE prepared two conforming portfolios for submission: One conforming portfolio called "46MMT" which conforms with the 46MMT Commission portfolio resource portfolio and one portfolio called "38MMT" which conforms with the alternative GHG benchmark for which LSE's are required to also submit a resource portfolio.
VCE's modeling approach is based on utilizing current market data for the front years of the IRP study period (2020-2022), and using available data and assumptions from the Commission as a basis for resource portfolio choices in the 2023-2030 period. In the modeling, VCE is considered as a "price taker" in the CAISO market wherein it is assumed that VCE, due to its small peak load and energy demand relative to the rest of the CAISO market, cannot influence prices and therefore can buy and sell power at CAISO spot market prices, as represented by the RESOLVE model results for the respective portfolios (46 MMT RSP and 38MMT), wherein CO2 allowance prices are implicitly reflected in the CAISO price.
The GHG planning price is not used in the VCE model runs, because VCE does not propose to own or otherwise sign long term contracts for fossil-fueled generation. VCE's only exposure to

[2] For the 46MMT portfolio, the power prices and other market Inputs for CAISO were derived from the RESOLVE case entitled "46MMT_20200207_2045_2GWPRM_NOOTCEXT_RSP_PD", and for the 38MMT portfolio, VCE used " 38MMT_20200117_2045_2GWPRM_NOOTCEXT" that are available at https://www.cpuc.ca.gov/General.aspx?id=6442459770

GHG avoidance costs is from the cost of GHG mitigation implicit in power market pricing for net purchases of load from the CAISO and for net sales of renewables into the CAISO market.

Load Forecast

VCE's load forecast is based on the "mid Baseline mid AAEE" version of Form 1.1c of the California Energy Commission's (CEC) 2019 IEPR demand forecast for the PGE service area[3]. VCE also uses the PGE service area hourly load shape, wherein VCE's hourly load is assumed to be proportional to its share of the annual electricity demand for the PG&E service territory for all hours[4]. VCE requested an update to its load forecast to reflect the fact that the City of Winters will join VCE starting in 2021. This request was granted in an April 15 ruling that finalized load forecasts and greenhouse gas benchmarks for LSEs[5]. Table 2 below shows VCE's retail load forecast for the 2020-2030 period as well as the expected wholesale peak load for September (using VCE's 2021 RA allocation and the Resource Data Template spreadsheet provided by the Commission)

Year	Energy Demand (GWh) **(Based on 2019 IEPR)**	September Peak Demand (MW) **(Using CPUC's Resource Data Template)**
2020	706	206
2021	765	204
2022	761	204
2023	759	205
2024	760	206
2025	761	207
2026	761	208
2027	761	209
2028	761	210
2029	761	211
2030	761	212

Table 2. VCE electric demand and peak load 2020-2030

[3] https://efiling.energy.ca.gov/Lists/DocketLog.aspx?docketnumber=19-IEPR-03

[4] https://efiling.energy.ca.gov/Lists/DocketLog.aspx?docketnumber=19-IEPR-03

[5] https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M333/K160/333160852.PDF

Objectives

The objective of the IRP is to provide guidance for VCE's Board, executive management, and the public regarding the expected cost and environmental footprint of supplying VCE customers with reliable, affordable and clean energy in the 2020-2030 period. The resource portfolios presented in this IRP are the result of discussions among VCE's Board, advisory committee and the public regarding resource preferences, resource diversity cost effectiveness in meeting statutory and regulatory requirements as well as VCE's own goals for its power supply. The detailed resource portfolio choices are discussed in the assumptions section below.

a. Methodology

Based on the updated IEPR load forecast for VCE, shown in Table 2 above, VCE's annual electric consumption in the 2020-2030 period represents less than half a percent of the statewide electric consumption (~0.3%). It is therefore expected that VCE will have little or no opportunity to influence market prices of any of the components of the electric supply for this IRP. In other words, VCE is a price taker. Under this expectation, VCE can transact energy, capacity, and resource adequacy and enter into short or long term contracts without impacting the overall market prices in these markets. This philosophy is reflected in our methodology. In a further effort to make the IRP consistent with the Commission's requirements and assumptions for California, VCE's methodology for quantifying the costs and greenhouse gas impacts of portfolio alternatives relies mainly on publicly available data provided by the Commission to support this IRP process as well as on the updated 2019 IEPR forecast that includes a forecast of VCE's electricity demand, including the City of Winters from 2021. Two resource portfolios are presented in this report. The details of each portfolio are presented in Section III.a, below.

i. Modeling Tool(s)

VCE's resource plan is based on a simplified production cost modeling approach that utilizes publicly available data from the various tools provided by the Commission as well as the IEPR load forecast from the CEC. With this data, VCE developed an hourly spreadsheet model that captures the expected costs of providing electricity to VCE's customers in the 2020-2030 period under different resource portfolio alternatives. In order to ensure that battery storage and dispatchable renewables such as biomass can be adequately co-optimized with the fixed-profile renewable resources, PLEXOS was used to minimize the overall costs of meeting load. This approach is consistent with the data and assumptions of the RESOLVE model, the Clean System Power calculator, Resource Data Template and the RPS calculator. The model relies on input assumptions and modeling results from the Reference System Portfolio that was adopted in D.20-03-028.

The RESOLVE model provides a simplified representation of the entire WECC system and performs a cost-based simulation and forecast for the 2018-2030 period that selects resources and provides estimates of total and marginal costs as well as emissions and reliability parameters. With this model, only 37 representative days per year are modeled and subsequently aggregated to provide an estimate of full-year impacts. In contrast, the spreadsheet model utilized by VCE assumes that prices and resources are given. VCE is treated as a price taker in the CAISO market, wherein VCE's objective is to minimize costs for meeting its resource needs at given prices for capacity, energy, and new resources. The input assumptions used for this model are drawn from RESOLVE model results and input assumptions as well as from the Commission's Clean System Power calculator tool and CEC's IEPR load forecast. Figure 3 highlights the modeling methodology, tools and inputs used to prepare VCE's IRP portfolios

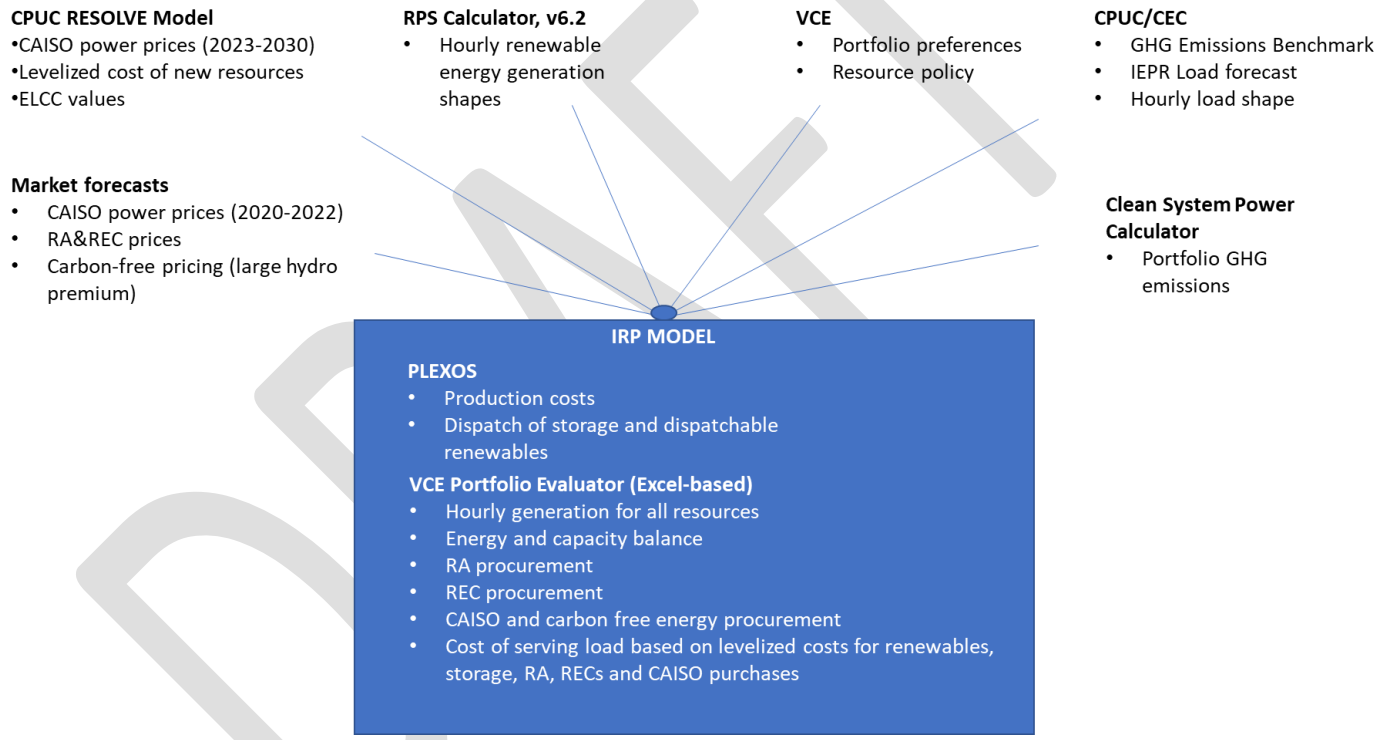


Figure 3. VCE's modeling methodology and data sources

ii. Modeling Approach

VCE worked with its Board, Community Advisory Board, and the public to shape two resource portfolios. The portfolios reflect the preferences of these groups and was adopted by the Board at its meeting on TBD, 2020.

The 46MMT portfolio was created as a resource path for ensuring that VCE meets all statutory and regulatory requirements, including reaching GHG emissions of 156,000 per year by 2030. The 46MMT portfolio represents a balanced approach using resources that VCE expects to be available in Northern California, including solar, wind and storage opportunities for long term contracting. This results in a resource portfolio where only renewable energy sources and battery capacity are pursued. In additional to renewable resources, VCE also expects to rely somewhat on carbon-free hydro resources to ensure that VCE meets its 2030 GHG goal of 156,000 tons per year in the 46MMT portfolio and 129,000 tons per year in the 38MMT portfolio. Finally, to balance its total need for energy and capacity, VCE expects to rely on market purchases from the CAISO and bilateral markets. While VCE would welcome additional contracting for biofuels or other dispatchable baseload renewables, these are considerably more expensive than wind and solar resources and also have a significantly longer lead time to develop. Therefore, such resources were not included in the resource plan.

The 38MMT portfolio was developed to comply with requirements described D.20-03-028 as an alternative portfolio that meets the lower GHG planning target of 129,000 tons per year by 2030, as requested by the CPUC. This 38MMT portfolio is nearly identical to the 46MMT portfolio but includes the use of additional wind, solar, battery storage and large-scale hydro resources in the years leading up to 2030 in order to reduce GHG emissions to the required levels.

The resource composition of each portfolio is discussed in further detail below. Methodology and calculations used to generate metrics for portfolio were generally developed in Excel based on CPUC data and is discussed in detail under subsection 2(b)(i) Modeling Tools, above.

III. Study Results

This section shows study results for the two IRP portfolios that were considered by VCE. Detailed portfolio selection results are shown in Excel spreadsheets that were filed together with this IRP. Considering that the planned resource procurement beyond what VCE will contract for in 2020 is not expected until 2025-27, there is necessarily significant uncertainty in the plan and in the indicated preferred resource choices.

a. Conforming and Alternative Portfolios

Two portfolios are submitted for consideration in this IRP: One portfolio conforming with the Reference System Portfolio, entitled Conforming 46MMT portfolio, and one portfolio that conforms with the Commission's 38MMT scenario, entitled Conforming 38MMT portfolio. The underlying data and scenarios are defined in D.20-03-028. The two portfolios were finalized after consulting VCE's Community Advisory Board and the public through public meetings. VCE is not submitting any alternative portfolios.

Since completing its first IRP, VCE has forged ahead with contracting for new renewable energy under long term contracts that will span beyond the 2020-2030 contract period shown in this report. Before the end of 2020, VCE expects to have completed long term contracts for 122 MW of new solar PV resources and 7.5MW of battery storage, all of which is planned to come online before January 2022. Significant uncertainty remains regarding the long-term load growth and resource needs for VCE. Therefore, the results shown in this section as well as in the attached spreadsheets that provide details on the long-term portfolio selection, are necessarily approximations that should be viewed as options and guidance on general direction rather than providing specific detailed procurement targets for the 2025-2030 period.

Table 3 below shows a summary of resource portfolio results for the two portfolios. Both portfolios meet the Commission's IRP requirements. VCE's Board selected the portfolio entitled 46MMT as its preferred portfolio. The detailed resource choices for each portfolio are shown in the Excel files that were submitted together with this IRP:

Table 3. Portfolio results summary (MW Nameplate Capacity)

	46MMT (Conforming and Preferred)							38MMT						
	2020	**2021**	**2022**	**2023**	**2024**	**2026**	**2030**	**2020**	**2021**	**2022**	**2023**	**2024**	**2026**	**2030**
BTM Solar	47	60	68	74	80	89	109	47	60	68	74	80	89	109
Contracted Resources (As of July 2020)														
New Solar PV		122	122	122	122	122	122	122	122	122	122	122	122	122
Small Hydro	0.7	0.7	0.7	0.7	0.7			0.7	0.7	0.7	0.7	0.7		
Planned Resources														
New Wind						20	20						20	30
New Solar														2
New Local Solar					25	25	30					25	25	30
New 4-hour Li-Ion Battery		7.5	7.5	7.5	7.5	15	40		7.5	7.5	7.5	7.5	15	70
Small-Scale Hydro						0.7	0.7						0.7	0.7

Large Scale Hydro	20	20			20	34

b. Preferred Conforming Portfolios

iii. 46 MMT Target Portfolio

VCE's Board of Directors at its meeting on TBD, 2020, approved this resource plan, including the Preferred Conforming 46MMT portfolio. This portfolio represents a continuation of VCE's renewable energy focused portfolio that will allow VCE to reach a 60% RPS level by 2030. A summary of the resource choices in this portfolio is shown in Table 3, above. The resulting generation from the 46MMT portfolio as well as the estimated annual electric demand is summarized in Table 4, below. Portfolio details for the Preferred Portfolio are also shown in the Excel files for new and existing resources that were part of this submission.

Table 4. Summary of annual electric demand and generation by resource type for Preferred Conforming 46MMT Portfolio

	2020	2021	2022	2023	2024	2026	2030
Retail Electric Demand	706	765	761	759	760	761	761
Wholesale Energy Demand (accounting for losses)	770	834	829	827	828	829	829
Market purchases	530	771	503	503	438	332	326
Carbon Free Energy incl. Hydro	233	29	0	0	0	54	54
Wind	0	0	0	0	0	55	55
Solar	0	28	320	320	386	386	399
Small Hydro	6.7	6.5	6.5	6.5	6.5	6.5	6.5
Storage	-	(0.2)	(0.3)	(2.3)	(2.1)	(3.6)	(10.6)
RECs	308	135	-	-	-	-	-
RPS Delivered (% of Retail load)	45%	22%	43%	43%	52%	59%	60%

The portfolio generation summarized in Table 4, above, shows the expected performance of the 46MMT portfolio that is consistent with VCE's long term preferences and conforms with Commission and statutory requirements. The resource choices are based on estimated short term and long term costs for energy, capacity, renewables and carbon-free energy.

VCE's long term operational goals include maintaining electricity prices that are competitive with PG&E retail prices while at the same time delivering a supply portfolio that is both cleaner and more locally sourced than PG&E's portfolio. Considering these priorities, the long-term portfolio mix is likely to be adjusted

compared to the above in line with changes in market prices. There are several reasons why VCE's Preferred Portfolio relies on a mix of renewable resources, including solar PV, wind, small scale hydro and battery storage: First, a high level of renewable energy is preferred by VCE and its customers. Second, solar and storage are expected to be faster to permit and build than other renewable resources and are therefore attractive in the portfolio. Even though other resources are attractive from the perspective of resource diversification, such as geothermal resources, biomass and pumped storage hydro, VCE believes these resources also to be significantly more challenging to develop and their near time feasibility is therefore questionable. VCE is also a very small LSE, which would necessitate teaming up with other LSE's to develop and/or contract for non-solar resources. This adds risk to the development and contracting cycle. Finally, levelized costs for 4-hour battery storage are expected to be competitive with conventional gas-fired capacity (as available In the CAISO RA market) from about 2025, making battery storage a cost-preferred resource for RA.

VCE used the levelized cost estimates that were included in the RESOLVE model as a basis for estimating generation costs of different technologies. Based on this, VCE expects solar PV to be the lowest cost supply alternative for existing and new sources in the 2020-2030 period. VCE recently signed long term contracts for new solar PV capacity, adding 122 MW of capacity, expected to come online before 2022. These two new resources are not part of Baseline resources, as defined by D.20-03-028. In addition, VCE completed an RFO for new local resources in Q2 of 2020, expected to result in about 25 MW of new solar capacity, possibly combined with storage, to come online by no later than 2024. Also in the first half of 2020, VCE completed together with Redwood Clean Energy an RFO for 15MW of battery storage capacity to come online on or before August 1, 2021. 50% of this battery capacity will be for VCE and will ensure that VCE meets the procurement mandates for 2021 set out in D.19-11-016.

As part of VCE’s action plan that is described in Section 4 of this report, VCE plans to conduct additional solicitations for new resources as needed to ensure sufficient resources are available also in the 2025-2030 period. The exact timing of such solicitations will depend on how fast VCE's electric demand grows in the next 3-5 years. For example, VCE expects that the Covid19 pandemic of 2020 along with the ensuing economic recession will dampen electric demand to levels significantly below those shown in this IRP during the 2020-2025 period.

In line with many other industry analysts, the RESOLVE model’s levelized costs for battery storage also suggests a long-term declining trend. Declining costs for battery

storage suggest that in the next ten years, batteries are likely to become the most cost-effective means of meeting VCE's resource adequacy needs, surpassing traditional gas-fired generation in terms of resource costs. Therefore, the Preferred Portfolio includes up to 40MW of battery capacity by 2030. If battery storage costs decline faster than anticipated, VCE may consider increasing its reliance on batteries, and conversely, if battery costs remain at close to 2018-2020 levels, then VCE is likely to rely more on market purchases for its RA needs.

VCE's preferred resource portfolio is consistent with the Reference System Portfolio in that the resource choices - solar PV and battery storage are also part of the Reference System Portfolio and the total capacity envisioned by VCE is less than its proportional share of the maximum resource build as documented in the RESOLVE model for the 46MMT scenario[6]. However, when comparing directly to the RSP for the year 2030, VCE has higher amounts of new solar and storage resources compared to the RSP, and less of all other renewable energy resources. The compliance of this portfolio with statutory and regulatory mandates ais discussed further in subsection (v) below.

iv. 38 MMT Target Portfolio

VCE's 38MMT portfolio provides VCE's preferred portfolio for complying with the additional GHG target of 129,000 metric tons per year for VCE that was set out in a ruling dated April 15, 2020[7]. To achieve the GHG emissions associated with the 38MMT portfolio, VCE expanded the resource portfolio slightly under all categories – solar PV, Wind, Battery Storage and large-scale hydro. As with the 46MMT portfolio, VCE values a balanced portfolio approach and would be open to adjusting the resource choices in the future, depending on the cost and availability of other renewable resources. In creating the 38MMT portfolio, VCE also aims to ensure that VCE does not exceed its proportional share of limited resources such as large-scale hydro or wind. We note, however, that if, due to resource limitations of a particular wind resource (e.g. Solano Wind), VCE's share of such a resource exceeds its proportional share based on load, VCE would be open to sourcing the same generation technology from another geographical area. As discussed in section 2(b)(ii), above, the 46MMT and the 38MMT portfolio are identical until after 2026.

[6] See results for scenario "46MMT_20200207_2045_2GWPRM_NOOTCEXT_RSP_PD" available at https://www.cpuc.ca.gov/General.aspx?id=6442459770

[7] https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M333/K160/333160852.PDF

The compliance of this portfolio with statutory and regulatory mandates is discussed further in subsection (v) below.

Table 5. Summary of annual electric demand and generation by resource type for the 38MMT portfolio (GWh).

	2020	2021	2022	2023	2024	2026	2030
Retail Electric Demand	706	765	761	759	760	761	761
Wholesale Energy Demand (accounting for losses)	770	834	829	827	828	829	829
Market purchases	530	771	503	503	438	331	262
Carbon Free Energy incl. Hydro	233	29	0	0	0	54	91
Wind	0	0	0	0	0	55	82
Solar	0	28	320	320	386	386	404
Small Hydro	6.7	6.5	6.5	6.5	6.5	6.5	6.5
Storage	-	(0.2)	(0.3)	(2.3)	(2.1)	(3.6)	(16.5)
RECs	308	135	-	-	-	-	-
RPS Delivered (% of Retail load)	45%	22%	43%	43%	52%	59%	63%

v. Compliance with Statutory and Administrative Requirements

Section 454.52 (a) (1) of the Public Utility Code sets out several requirements which LSE's must demonstrate that they meet in their IRP:

- **Meet GHG emissions reduction targets established by the State Air Resources Board.** VCE's Preferred Resource Portfolio shows estimated GHG emissions of 156,000 metric tons per year by 2030, which is consistent with the target established for VCE in ruling April 15, 2020. VCE's 38MMT Scenario is also consistent with the lower GHG target required in that same ruling, showing estimated emissions of 129,000 metric tons per year by.
- **Procure at least 60 percent eligible renewable energy resources by December 31, 2030.** All portfolios considered in this IRP will meet the statutory RPS requirements. The actual level of RPS achieved in each compliance period will depend on how market conditions and prices for renewable energy evolve and on whether VCE's renewable energy procurement policies change. While VCE has a strong commitment to a clean local supply of energy, maintaining competitive retail electric prices are also a key consideration in the balancing of priorities for VCE.
- **Just and reasonable rates.** VCE's rates are approved by its Board in accordance with VCE policies. VCE's goal is to meet or beat PG&E's retail electric rates. As of mid-2020, VCE's retail rates match those of PG&E.
- **Minimize impacts on ratepayers' bills.** See section III (e) below.
- **Ensure system and local reliability.** Since VCE is not a distribution utility, most of the obligations in this area do not apply. However, VCE, in its resource plan incorporates the need for providing system and local RA at 115% of the expected monthly peak load for VCE. The estimated costs for such capacity are incorporated in the resource costs

for all portfolios. Additionally, VCE will incorporate into its long-term power purchase agreements with intermittent renewable resources the ability to curtail output in the face of negative market prices.

- **Enhance distribution systems and demand-side energy management.** Since the distribution system and demand side management is managed by PG&E, the responsibility for meeting these requirements lie with PG&E. VCE has not taken any action to assume the responsibility for demand-side programs from PG&E. As highlighted in the Action Plan in section 4 below, VCE plans to conduct studies regarding commencing programs that could include energy efficiency, demand response and other incentives for VCE customers, once VCE accrues sufficient financial reserves to start such activities.
- **Minimize localized air pollutants and other greenhouse gas emissions, with early priority on disadvantaged communities identified pursuant to Section 39711 of the Health and Safety Code.** See section III(d) i below.

Additional requirements

- **Beginning January 1, 2021, at least 65 percent of the procurement a retail seller counts toward the renewables portfolio standard requirement of each compliance period shall be from its contracts of 10 years or more. (PUC 399.13 (b)).** As shown in Table 3 and in the spreadsheets submitted with this IRP, VCE has contracted for 122 MW of solar PV capacity that will start coming online in Q4 of 2021, which will ensure that the long term requirement is met for the 2021-2024 compliance period and beyond.
- **Replace Diablo Canyon Capacity (D.20-03-028).** See section IV(e) of this report.
- **Procurement mandate (D.19-11-016).** VCE was ordered to procure a total of 12.6MW of new capacity to come online in the 2021-2023 time period, including 6.3MW to come online no later than August 1, 2021. As highlighted in Section IV and other parts of this report, VCE conducted jointly with Redwood Coast Energy Authority in Q2 2020 an RFP for RA capacity for up to 20MW with at least 11.7MW being available by August 1, 2021 (the capacity is the sum of VCE's and RCEA's 2021 procurement mandates. At the time of this filing the procurement of capacity resulting from this RFP has not yet been finalized and it is represented in the IRP portfolio as 7.5MW of new battery storage. VCE's Action Plan includes activities to finalize the procurement and closely monitor progress to ensure the capacity comes online in a timely manner. The remainder of VCE's procurement mandate will be met by solar PV resource that were contracted in 2020, as discussed in several sections of this report.

c. GHG Emissions Results

The estimated Greenhouse gas emissions from the Preferred Portfolio and the 38MMT Portfolio match the requirements set out by the Commission in its ruling dated April 15, 2020 under R.16-02-007. Based on various guidance provided from the Commission and its staff, VCE understands that the Conforming Portfolios are requested to match the 2030 GHG targets, i.e. neither be higher or lower than the targets of 156,000 tons for the preferred portfolio and 129,000 tons for the 38MMT scenario. In reality, VCE may pursue resource options that result in lower GHG emissions to reflect both VCE's general desire for a low carbon resource portfolio and the opportunity to reduce costs. A portfolio with lower

costs and lower GHG emissions would materialize if capital costs for new renewable energy continue to decline in line with the historical trends for solar PV and storage, making it advantageous to invest more heavily in renewable energy. In the Preferred Portfolio, VCE also expects that about 20 MW of large-scale hydro resources will be needed to achieve its target of 156,000 tons of CO2 per year by 2030. In the 38MMT portfolio VCE expects that about 34MW of carbon free large-scale hydro generation would be necessary to meet the goal, sourced from either California or out of state hydro. Table 6 shows the estimated emissions from VCE's portfolios for the 2020-2030 period based on using the Clean System Calculator provided by the Commission. In using this tool, VCE used the default settings and only updated VCE's load and entered the respective resource portfolios. Table 6 also shows the estimated emissions of NOx, PM2.5 and SO2 during the forecast period.

Table 6. Estimate CO_2 and pollutant emissions by year and resource portfolio

	46MMT Portfolio (Preferred) (0.156 Target)				38MMT Portfolio (0.129 Target)			
	2020	2022	2026	2030	2020	2022	2026	2030
CO_2 (000 metric tons)	301	204	171	156	301	203	160	129
PM $_{2.5}$ (tons)	10.6	7.9	6.6	6.5	10.6	7.9	6.2	5.6
SO_2 (tons)	1.0	0.8	0.6	0.6	1.0	0.8	0.6	0.5
NO_x (tons)	23.7	18.1	14.0	14.4	23.7	18.4	13.1	12.7

d. Local Air Pollutant Minimization and Disadvantaged Communities

i. Local Air Pollutants

VCE's emissions are entirely a result of using system power for parts of its short term and long-term power supply. VCE also does not have any fossil-fueled power plants within its service territory. It is therefore expected that changes to air emissions from power plants will have little or no impact on the air quality within its service territory. Table 6, above, demonstrates that based on the CSP calculator for the 46MMT portfolio, emissions of particulate matter, SO2 will fall by about 40% and NOx by about 30% in the 2020-2030 period as a result of the power grid becoming cleaner.

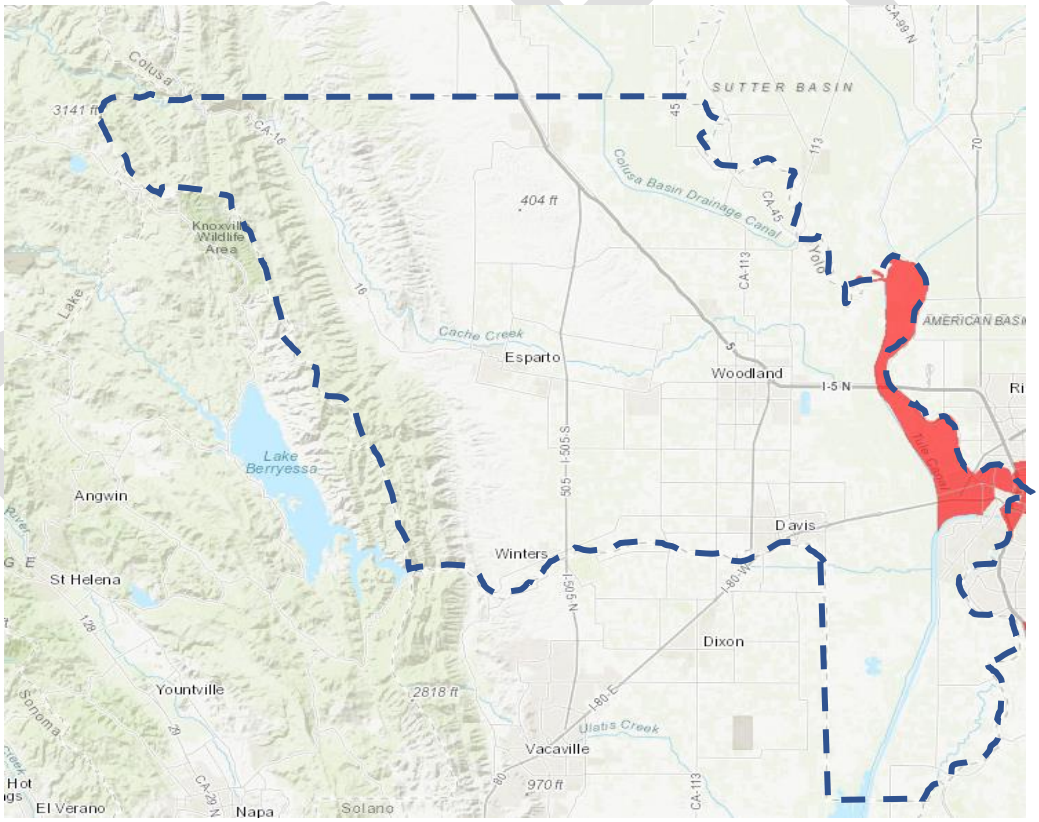
VCE's IRP portfolios expand their use of renewable energy in the forecast period and also increase the amount of battery storage from zero in 2020 to 40 MW by 2030 in the 46MMT portfolio and up to 70MW in the 38MMT portfolio. Both these actions contribute to reducing VCE's reliance on system power over the forecast period. The Action Plan provides additional detail about how and when VCE plans to conduct resource solicitations for new energy and capacity resources.

ii. Focus on Disadvantaged Communities

Disadvantaged communities are defined as the top 25% impacted areas within the service territory, where the impact is determined using the CalEnviroScreen 3.0 tool. VCE notes that the CalEnviroScreen tool has not been updated since VCE's last IRP submission in 2018

and therefore the assessment is also virtually unchanged. Based on CalEnviroScreen 3.0 tool, there are only four census tracts in Yolo county that meet the Commission's criteria for disadvantaged communities. Of these, only area 101.02, which is a largely rural census tract, is partially located in VCE's service territory. The total number of households in this census tract was 2,408 in 2016[8]. Based on a cross-comparison with VCE customer addresses in this area, it is estimated that fewer than 100 VCE customer accounts are located within this impacted area. Thus, less than 0.15% of VCE's customers are estimated to be in disadvantaged communities. According to the CalEnviroscreen 3.0 tool[9], the key reasons for this census tract falling within the top 25% appears to be risks associated with a combination of low income and environmental factors such as groundwater risks, cleanup sites, hazardous waste and air pollution. There are no power plants in this disadvantaged community. The fact that the impacted areas are situated close to major transportation hubs likely contributes to the CalEnviroscreen 3.0 rating.

Figure 4. CalEnviroScreen 3.0 Results for Yolo County



[8] 2016 US Census Bureau statistics for census tract 101.02 (https://www.census.gov/data/data-tools.html)

[9] https://oehha.ca.gov/media/downloads/calenviroscreen/document/ces3results.xlsx

VCE's rate is designed to provide economic benefits for all rate payers, including disadvantaged communities. As part of the Action Plan described in chapter 4, VCE also plans to conduct studies to determine suitable programs and incentives that can be launched once VCE accumulates sufficient financial reserves and cash flow to be able to run programs. To date, VCE has not conducted any outreach activities targeted towards disadvantaged communities. The action plan laid out in Section 4 of this report includes planned activities and considerations regarding energy procurement. However, it should be noted that the affected disadvantaged community, when correlated to land suitable for renewable resource development, does not have any significant land suitable for large scale renewable energy development due to the predominant land use types, such as prime farmlands, Williamson Act Lands, conservation easements, and Sacramento River bypass (flood) channels. Therefore, VCE has not planned any outreach to the identified Disadvantaged community for its initial planned renewable procurement identified as action plan item (i).

Until further notice, PG&E will continue to make its existing programs in VCE's service territory with respect to energy efficiency and demand response available to VCE customers.

e. Cost and Rate Analysis

VCE's cost and rate analysis includes only an assessment of generation costs[10]. VCE recognizes that while areas such as transmission, distribution, and programs are very important for the overall energy cost for VCE customers, PG&E is responsible for the energy delivery infrastructure and any costs associated with this will likely be covered in PG&E's IRP filing.

VCE's generation rates are today the same as PG&E's. The were raised to this level from a previous discount to PG&E rates in order to ensure the near term financial stability of VCE during its startup phase – over time, VCE hopes to be able to again introduce rate discounts relative to PG&E rate, but VCE also notes that this depends critically on the level of the PCIA and other costs over which VCE has only limited influence.

Figure 5, shows a comparison of the estimated generation costs for VCE in each of the years, 2020-2024, 2026, and 2030 for the Preferred Portfolio and the 38MMT portfolio. The Figure also contrasts the estimated costs for VCE's generation supply with the expected generation costs reported in the RESOLVE model's Reference System Plan. The results for VCE's portfolios were derived by using the Commission provided tools, including RESOLVE modeling results and assumptions, as described in Section 2, above.

[10] The generation costs include wholesale energy costs, RA costs, costs for RECs and contracted renewables but does not include any T&D costs

Figure 5. Estimated annual generation costs by resource portfolio (2016 $/MWh)

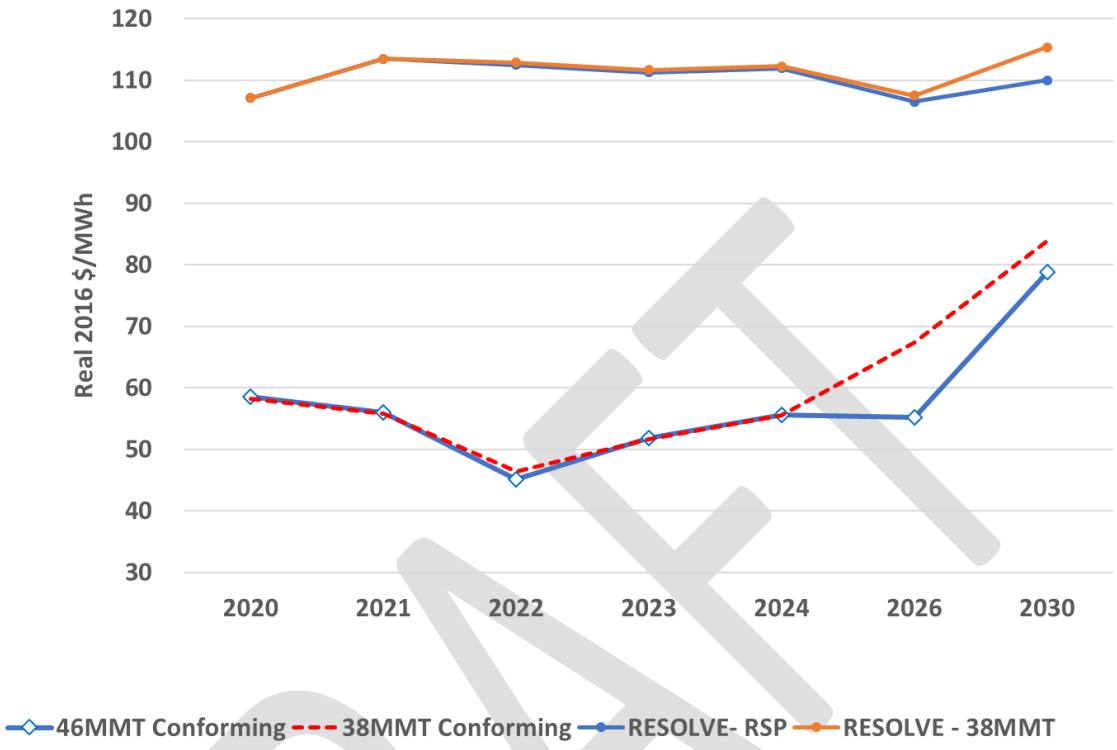


Figure 5 shows that the Preferred Conforming 46MMT Portfolio will remain significantly below the RESOLVE model's estimated generation costs for the Reference System Plan for the entire forecast period. One reason for this difference may be a difference in modeling methodology for capacity between VCE and that of the RESOLVE model. VCE uses a forecast of capacity (or RA) prices in California covering the 2020-2030 period. This forecast is based on current and expected market conditions for capacity. In the long term VCE's forecasted capacity costs are also capped by the least cost technology for bringing more capacity to the CAISO market. Prior to 2025 this is estimated to be gas-fired combustion turbine capacity and after 2025 it is expected to be 4-hour Lithium Ion based battery storage. In contrast, the RESOLVE model appears to model estimated generator fixed costs directly (including financing of new capacity) and set revenue requirements (and thus generation rates) to include all such fixed and financing costs, possibly resulting in higher estimated costs for generation. As discussed in Section II above, VCE uses the hourly marginal cost of electricity from the RESOLVE model along with the RESOLVE model's levelized costs for new capacity. The methodology is thus consistent with VCE being a price-taker in the CAISO energy and capacity markets wherein other LSE's are following the RSP.

For market purchases, it is assumed that in the 2020-2022 period, energy and RA will be available at prices indicated through current RA prices in bilateral (or OTC) markets. Energy is expected to be available at prices corresponding to ICE's power futures prices for NP15. In the 2023-2030 period, it is assumed that energy can be procured at the estimated hourly

CAISO price reported for RESOLVE's Reference System Plan. It is also assumed that RA can be secured at a capacity corresponding to the lowest capacity cost between the traditional provider of capacity, a Gas-fired combustion turbine generator, and the emerging capacity resource - 4-hour lithium ion batteries. Cost estimates displayed in the RESOLVE model suggests that from 2024 onwards, 4-hour battery storage capacity will be a lower cost alternative than conventional gas fired generation. This expectation is based on the assumption that the RA resource will operate for energy only infrequently and that sufficient resources will be available in the system to meet night time and winter energy demand.

The difference in the estimated costs of VCE's portfolio and the RESOLVE model results implies that other LSEs could also find a lower cost solution than the RESOLVE Reference System Plan, mainly due to new renewable resources having lower costs than the marginal cost of CAISO power. This, in turn, makes the RESOLVE model outcome increasingly unlikely as a market outcome and could potentially leave existing assets unable to recover their full costs. VCE recommends that the Commission looks into this potential outcome to better understand overall results when aggregating individual LSE IRPs.

For 2020, VCE has been allocated between 19 and 22 MW of CAM capacity during the summer months and between 12.2-18 MW in non-summer months. The allocated capacity corresponds to about 10 percent of VCE's monthly capacity requirements. The financial costs or benefits of using CAM resources rather than generally available resources to meet VCE's RA need in the forecast has not been accounted for in this IRP – if they were, it would slightly reduce the estimated cost of electricity compared to what is shown in Figure 5.

f. System Reliability Analysis

VCE's conforming portfolios both meet or exceed all CPUC requirements regarding RA, procurement of new capacity, replacement of Diablo Canyon resources, storage mandates and RPS requirements.

VCE's portfolios are planned to a 15% reserve margin, using renewable resources, hydro, and storage, based on the ELCC and NQC numbers provided by the Commission as part of the RSP. As discussed above in other sections of this report, VCE expects costs for battery storage to decline further over the 2020-2030 period and VCE therefore expects to add 40MW of new 4-hour battery storage in its 46MMT Conforming portfolio and up to 70MW of new 4-hour battery storage in the 38MMT Conforming portfolio. This total capacity exceeds regulatory requirements and will ensure that VCE contributes its fair share to reliability within the CAISO market. It is also noted that even though VCE does not have plans to pursue long term storage and the moment, it has issued a request for information from market participants together with other CCAs. We also note that since VCE is planning to add significant amounts of 4-hour storage in the anticipation that this will be the least cost option for RA, this capacity can also be utilized to offer longer duration storage.

Table 6 below shows VCE's System Reliability Progress Tracking Table for VCE's preferred and Conforming 46MMT portfolio and Table 7 shows the corresponding table for the Conforming 38MMT portfolio.

Table 7. 46MMT Preferred Conforming portfolio System Reliability Progress Tracking Table

INSERT TABLE FOR 46 MMT PORTFOLIO (TO BE COMPLETED)

Table 8. 38MMT Conforming portfolio System Reliability Progress Tracking Table

INSERT TABLE FOR 38 MMT PORTFOLIO (TO BE COMPLETED)

As of 2020, VCE has procured all of its capacity needs in accordance with CAISO's and the Commission's requirements for resource adequacy. VCE will continue with these RA requirements going forward and will thus procure a substantial amount of its capacity needs in bilateral markets at least three years in advance of the load serving period covered by the capacity.

Through its long term contracting for renewable wind and solar resources as well as by contracting for storage capacity, VCE expects to cover about 40% of its capacity needs over the 2020-2030 period for summer peak period. VCE also expects another 10% of peak capacity to be provided by CAM resources (based on maintaining 2020 allocations). The balance, about 50% of VCE's capacity needs and about 45% of its energy needs will be sourced in CAISO and/or bilateral markets for energy and capacity. Since VCE is contributing its fair share and more to new resource and capacity development in the CAISO, it is anticipated that VCE will be able to meets its resource needs in this manner in the 2020-2030 period. It is not yet clear how the recently adopted procurement mechanism for local RA as provided in D.20-06-002 will impact VCE's capacity procurement or costs, but VCE will naturally comply with this and future RA regulations and will continue to seek to minimize costs for its ratepayers of providing reliable energy and capacity.

g. Hydro Generation Risk Management

VCE's portfolios include only one small-scale hydro resource, the Indian Valley which provides 6.4GWh of energy per year and is an RPS eligible renewable resource. This corresponds to about 0.8% of VCE's load. While having a small overall impact on VCE's portfolio, there are four distinct risks and potential impacts associated with this resource related to drought:

- **Energy.** VCE expects to know ahead of the impacted year what the impact of a drought will be on production. Any energy shortfall will be compensated through CAISO spot market purchases
- **Capacity**. VCE contracts only for energy so capacity risk is not applicable for VCE's existing hydro contracts
- **RPS**. VCE expects to maintain a balance of RECs that exceeds the statutory requirements in the 2024-2030 period which means any shortfall will likely not affect the RPS compliance for VCE. If a shortfall is observed in the 2021-2024 period, VCE may compensate with market purchases of RECs, depending on the significant of the shortfall relative to statutory requirements
- **GHG**. A shortfall of energy in 2030 will reduce the amount of carbon free energy in VCE's portfolio and could put its 2030 GHG target at risk. Indian Valley hydro's impact on VCE's GHG emissions is however small, and VCE expects to be able to make up for any shortfall in bilateral short term markets.

In the longer term, both portfolios include large scale hydro as a means to achieve VCE's 2030 GHG emissions targets of 156,000 tons in the 46MMT portfolio and 129,000 in the 38MMT portfolio. The 46MMT portfolio includes a total of 20MW of large scale hydro that may be sourced from in-state and/or out-of-state resources. Similarly, the 38MMT portfolio includes 34MW of large scale hydro resources. VCE chose to limit its dependence on large scale hydro to no more than 34MW across both scenarios since that corresponds to VCE's proportional share of the total currently available large scale hydro capacity from in-state and out-of-state resources as reported in the RSP. A drought could reduce the delivery of carbon free energy from hydro resources and therefore put the achievement of VCE's target at risk. To mitigate this risk, VCE may increase the amount of solar PV in its portfolio and thereby reduce expected emission to less than the target GHG amounts. Higher levels of solar PV in VCE's portfolios may also help reduce the overall costs of electricity for VCE's customers. However, it is VCE's understanding that the Commission requires the conforming portfolios to meet (rather than beat) the carbon goals set out in its April 15, 2020 ruling under R.16-20-007 and therefore such additional resources were not included in the resource portfolios. If there is a risk of drought causing a shortfall of carbon-free energy, VCE may also seek to find other out-of-state hydro resources to compensate for shortfalls in California hydro resources caused by a drought, including seeking to tie such resources up under longer term contracts to increase the likelihood that they will be available to VCE when needed.

VCE's hedging of supply risk is focused on the next 12-24 months and includes securing a variety of resources to ensure delivery at stable costs of all the attributes needed in VCE's portfolio, including energy, RA, carbon, and RPS. Due to its shorter term nature it is not directly part of the IRP or able to address hydro delivery risk towards the end of the forecast period. However, if at the time leading up to 2030, VCE's carbon goals are deemed to be at risk, the hedging policy will seek to minimize that risk by procuring additional capacity from carbon free resources up to 24 months in advance.

h. Long-Duration Storage Development

While VCE's resource plan does not include any long duration storage development, VCE together with 10 other CCAs conducted a request for information from California market participants and developers with the objective of learning more about available technologies, costs and market readiness [11][12]. Responses to the RFI were due in July 2020 and the CCA group is currently in the process of analyzing the responses. The results will be used to inform future procurements that may lead to revisions of VCE's resource plan in the future. Depending on the response and the associated costs and lead-times estimated by respondents, VCE may pursue longer duration storage resources than it currently has in its portfolio.

It should be noted however, that in the 46MMT portfolio, VCE is planning to install up to 40 MW of new battery storage with a duration of at least 4 hours during the forecasting period. This far exceeds VCE's storage procurement obligations and the procurement will be pursued on the expectation that battery storage will be cost-competitive with other capacity resources from about 2025. These batteries are also an option to use for longer duration of 8 hours or more since VCE does not expect to have any constraints with respect to using the batteries at full capacity and a duration of 4hours or at 50% of capacity with a duration of 8 hours. Batteries can therefore also provide the longer duration storage in addition to short term storage.

Traditional long term storage options such as pumped storage hydro is likely to be very challenging for VCE to undertake since traditionally such projects are very capital intensive, large scale and have long lead times, all of which would be barriers for VCE in developing this type of storage. These potential barriers to long term storage are also discussed under Barriers in Section 4.c.

i. Out-of-State Wind Development

VCE is not planning or developing out-of-state wind resources as part of its IRP or other planning, but would be open to pursuing contracts with out-of-state wind resources if such were to be offered at competitive prices and reasonable lead times during VCE's future resource solicitations.

VCE believes out of state wind resources could be an important complement to other renewable resources since it could potentially provide more stable generation at non-daylight hours. Considering the long distance and numerous jurisdictions that out-of-state wind may have to traverse before reaching California, the cost and regulatory hurdles for out-of-state wind are likely higher and more costly that in state wind. Expanding the CAISO

[11] Clean Power Alliance of Southern California, CleanPowerSF, East Bay Community Energy, Marin Clean Energy, Monterey Bay Community Power, Peninsula Clean Energy, Redwood Coast Energy Authority, San Jose Clean Energy, Silicon Valley Clean Energy, Sonoma Clean Power and Valley Clean Energy.

[12] https://www.mcecleanenergy.org/wp-content/uploads/2020/06/MCE-2020-Joint-CCAs-Long-Duration-Storage-RFI_060320.pdf

footprint as currently considered with the EDAM market could help make out-of-state wind resources more attractive.

j. Transmission Development

Since the finalization of the baseline list of plants for the IRP, VCE has completed contracts for two new solar projects. The first is Aqua Marine, located in Kings county, of which VCE has a 50MW share. The second is Rugged Solar, a 72 MW facility in San Diego county. Both of these plants have completed interconnection agreements and no additional transmission is expected to be needed. In the first half of 2020, VCE also conducted an RFO for local capacity and an RFP for battery storage. VCE is currently working through the selection of vendors and negotiations of the possible purchase agreements resulting from these solicitations. VCE does not expect that any of these projects will require new transmission. Likewise, in the longer term, VCE's portfolio includes additional solar, wind and storage capacity in the 2026-2030 period. Specific units have not yet been identified for these resource additions but VCE expects to pursue a combination of local and CAISO-wide capacity and would expect these to include new transmission only insofar the cost of such projects would remain competitive with offers that does not include transmission. VCE's resource choices as reflected in Table 3 reflects the expectation of contracting mainly for Northern California resources. However, depending on availability and price, these could also be substituted for other resources in CAISO or capacity and energy that is deliverable into CAISO.

IV. Action Plan

VCE's action plan is focused on managing risks around resource availability, contracting and procurement in the 2020-2030 time period. Actions therefore focus on securing resources under long term contracts and monitoring their progress during development and construction. Actions also include conducting resource solicitations for new supply to come online in the 2025-2030 period. Finally, the action plan also includes activities to manage the resource portfolio and to adjust the portfolio to ensure costs and risks are matched, that VCE maintain attractive rates and provide a reliable supply of clean energy in compliance with all state law and regulations.

a. Proposed Activities

VCE has executed two Power Purchase Agreements ("PPA") to procure 122 MW from two solar PV facilities. Aquamarine Solar is expected to commence construction in July 2020 and Rugged Solar is expected to commence construction in Q3 2020. The expected Commercial Operation Dates of these two projects are both in 2021. VCE is also together with Redwood Coast Energy Authority pursuing battery storage resources to come online by August 2021. Finally, VCE is completing additional long term renewable procurement activities in 2020, including an RFO for local capacity, expected to result in new resources to come online on or before January 2024.

As with all new build resources, there is the potential for delay from numerous development related risks. VCE is managing these risks by first having contracted with relatively mature projects that have interconnection agreements in place and by closely monitoring progress of the projects with developers.

VCE's ability to meet RPS requirements relies more on the certainty and timely development of its long-term renewable resources under development than it does to the variation of actual generation deliveries. Because of this, VCE chooses to focus more of its efforts around the potential impact of project development delays. VCE incorporates guaranteed Commercial Operation Date (COD) clauses in its long term PPAs. Guaranteed CODs have financial penalties which make them more conservatively estimated commitments. For planning purposes, VCE uses guaranteed CODs as its assumptions when assessing its risk for RPS Procurement purposes.

With a focus on project development risk, VCE approaches its risk assessment by calculating its ability to meet RPS requirements under the worst-case scenario to understand when it must make decisions on alternative options to maintain compliance. For example, the projects VCE has contracted with have COD dates in 2021. VCE uses models incorporating RNS methodologies to calculate the longest delay in COD it could tolerate before violating the 65% long term requirement (Pub. Util. Code Section 399.13(b)). VCE's analysis suggests that the COD for all long-term projects could be delayed until close to the end of the 2nd Quarter in 2022 before VCE is at risk of not meeting its long-term requirement for compliance period 4 (2021-2024). To manage this risk, VCE is closely monitoring the development status of its long-term projects under development. Depending on the type of delay that might be introduced, VCE plans on supplementing with additional short-term purchases from existing renewable resources and if necessary, long-term commitments as well.

Continuously managing performance and risk

While the resource plan is mainly focused on identifying supply to a given load, there are also significant risks and uncertainties associated with load, including impacts of Covd 19, load migration, net metering impacts and the growth of behind-the-meter devices such as solar PV, EVs and battery storage. To control supply risks, VCE's suppliers are obligated to provide regular reports on development progress and potential issues with their projects. Although VCE has not received official notice of anticipated disruption on any of its projects under development, supply chain disruption from the pandemic remains a significant concern. VCE is closely monitoring the status and working with its developers to stay on top of any potential issues in order to react accordingly. VCE's objective is to contribute to California's renewables goals by building incremental resources onto the grid. Should there be force majeure level impacts to projects under development, VCE may consider using the purchase of renewable energy from existing resources to supplement its power supply.

VCE is also continuously monitoring and tuning its power supply portfolio to ensure an optimal balance between short term power purchases and longer-term contracts. With the Preferred 46MMT portfolio, VCE expects to rely on short term power purchases for about 50 percent of its load. VCE believes this portfolio reflects a balanced approach of ensuring that all statutory requirements are met while at the same time balancing short and long term contracts to remain flexible to react to changes in market conditions and to changes in load.

As part of its actions, VCE plans to closely monitor performance of its portfolio under contract, including risks of drought for its small scale hydro projects and curtailment risks for solar resources. Over the course of the RPS compliance periods, the risk of underperformance is expected to be very small and VCE also has performance guarantees as part of its long term contracts. Any RPS shortfalls over the compliance periods will be addressed with procurement of PCC1 renewable energy credits. Additional procurement activities and barriers are discussed further in the sections below.

Outreach and inputs from disadvantaged communities

VCE will continue outreach activities to all customers, including the limited areas within its service territory identified as disadvantaged communities. Members of DACs, like all VCE customers are able to participate in VCE Board and stakeholder meetings. It should also be noted that VCE does not administer any customer programs for energy efficiency, demand response, etc since these are all under the responsibility of PG&E.

Activities to minimize air pollutants with a priority on disadvantaged communities

Per the CalEnviroScreen tool and as discussed in Section 3.d.ii, VCE estimates that less than 0.15 percent of its customers reside in disadvantaged communities. VCE's balanced and renewables-focused portfolio will help reduce VCE's reliance on fossil fuels and could thus contribute to lower emissions also in the DAC areas in Yolo County. Over the 2020-2030 period, VCE will also reduce its overall reliance on CAISO market purchases which will contribute to a cleaner power mix in general, although the impact of VCE's activities will likely have a negligible impact on the disadvantaged communities in VCE's service territory.

b. Procurement Activities

VCE plans to continue its efforts to contract for new resources through an open and transparent process, following the procurement policy that VCE has developed since the 2018 IRP filing. In the past two years, VCE has undertaken two requests for offers from renewable energy providers, in Q3 of 2018 and in Q2 of 2020. VCE plans to continue soliciting resources through RFOs going forward.

VCE's 2018 RFO resulted in the 122 MW of new solar capacity that will come online before 2022 through two long term PPAs that were signed in the first half of 2020.

The following procurement activities are underway or planned to support the implementation of VCE's Preferred Conforming 46MMT portfolio. Procurement activities, including the timing of activities are expected to be the same between the Conforming 46MMT portfolio and the Conforming 38MMT portfolio. However, if the 38MMT portfolio were to become the main portfolio to be implemented, it would require more resource to be procured at each procurement event compared to the Preferred 46 MMT portfolio.

2020 RFO for local renewable energy. In April 2020 VCE issued an RFO for local renewable resources wherein VCE is seeking projects of up to 25 MW to come online by the end of

2023 at the latest. VCE is currently in the process of evaluating offers and expects to complete one or more PPAs for new local capacity by the end of 2020. These resources are reflected in both of VCE's conforming IRP portfolios as new solar capacity becoming available from 2024.

Storage RFP. In April of 2020, VCE and Redwood Coast Energy Authority issued a joint RFP for up to 20MW of incremental resource adequacy capacity targeted to come online by August 1, 2021. This is a very tight timeline in order to ensure that VCE can meet its resource procurement mandates for 2021 and beyond. Together with the 50MW Aquamarine solar PPA that VCE completed in 2020, and the procurement of local capacity described above, VCE expects that these projects together will meet and exceed VCE's 12.6MW procurement mandate. VCE expects to complete contracting for the new RA capacity by the end of 2020.

Long term storage RFI. Together with 10 other CCAs, VCE issued a request for information on long duration storage in June of 2020. Long duration storage could be considered after 2025 if proven feasible and cost-effective. See section 3.h. above for detailed

Procurement of renewable energy and storage in 2025 and beyond. Following the expected addition of new renewable local capacity in 2024 in response to VCE's 2020 RFO, new resources are not expected to be needed until 2026 or 2027. Both of VCE's conforming portfolios call for additional storage to be added in the year 2025, in the anticipation that 4-hour battery storage will be the lowest cost capacity for resource adequacy by that year. VCE also sees new battery storage as the most likely alternative for replacing its share of capacity following the Diablo Canyon retirement. VCE expects this storage to result from either or both of VCE's 2020 resource solicitations for RA and for local capacity.

Both of the conforming portfolios also call for new wind resources to be added in 2026, as well as new solar and storage capacity before 2030 to help ensure VCE meets both its RPS and its GHG targets. In addition, over the 2025-2030 period, VCE expects to ramp up its use of storage – to 40MW by 2030 for the 46MMT portfolio and to 70MW for 38MMT portfolio. To facilitate this growth of the resource portfolios, VCE plans to conduct an open resource solicitation or RFO in 2022 or 2023 to seek capacity for the years 2026-2027 and likely another RFO in 2025 or 2026 to secure resources for the period 2028 onwards. If during these planned solicitations, VCE were to receive offers from existing renewable generators and/or different technologies than envisioned in this IRP, those would be considered as well alongside other offers and would need to go through the same validation and qualification process before being finalized in a PPA. It should be noted, however, that the exact timing of future resource solicitations is uncertain, especially considering the unprecedented situation facing VCE as well as California as a whole from the Covid19 pandemic. It is possible that electric demand will decline significantly in the recession that is widely expected to follow the pandemic which in turn could cause VCE to delay its procurement of new resources to match the pace of electric demand growth over the 2020-2030 period

Programs

VCE does not administer any customer programs at present. However, load management programs such as demand response and managed charging of electric vehicles could potentially become cost-competitive ways of ensuring that VCEs capacity needs are met.

VCE will continue to explore programs that can be offered in parallel with PG&E's customer programs

Potential Barriers

VCE does not see specific barriers associated with its preferred Portfolio. In fact, one of the reasons for the resource choices and timing in the Preferred Conforming Portfolio (PCP) is the feasibility of the selection and how it fits with VCE's overall resource portfolio preferences. While the PCP has no specific barriers, there could be significant barriers associated with two considerations that the Commission has requested LSEs to address – long term storage and replacement of Diablo Canyon, both of which call for long term resource adequacy. VCE may face barriers in procuring long term storage and Diablo Canyon replacement due to it small size which will likely necessitate procuring long term storage capacity jointly with other California LSEs.

c. Commission Direction or Actions

VCE does not seek any direction or action from the Commission at the moment

d. Diablo Canyon Power Plant Replacement

Based on the Commission's Resource Data Template spreadsheet, VCEs share of Diablo Canyon is 11.3MW (0.49% of 2,300MW). Over the course of the 2020-2030 period, VCE's preferred conforming 46MMT portfolio as well as the conforming 38MMT portfolio includes new capacity that cover the procurement mandate, the Diablo replacement, the RPS requirements and the 2030 GHG goals. In terms of new generation capacity, Table 3 as well as tables 6 and 7 show that VCE plans to add 25MW of solar capacity in 2024 and 20 MW of wind capacity in 2026 or 2027, and additional battery storage in the 2025-2030 time period. Taken together this more than covers VCE's share of Diablo Canyon's capacity. It should be noted that the 40 MW of incremental 4-hour storage planned for the Preferred Conforming 46MMT portfolio and the 70MW planned for the 38MMT portfolio could also be considered as respectively 20 and 35 MW of long-term 8 hour storage thus meeting all requirements for both Diablo Canyon consideration and long duration storage. If the RA market gets tight, RA prices should increase significantly in the 2020-2025 period which could trigger VCE to accelerate its procurement ensure sufficient capacity comes online even prior to Diablo Canyon's retirement. We also note that there is no shortage of potential storage projects that could at least partially replace the RA from Diablo Canyon. According to the Commission' s Resource Data Template spreadsheet, there is about 2,300 MW of battery storage in CAISO's interconnection pipeline with executed interconnection agreements and another 1,200 MW of battery capacity under development with interconnection agreements in progress. This suggests that there is no shortage of candidate resources that could be procured and finalized on relatively short notice to replace Diablo Canyon in case load grows quickly and capacity market prices increase. However, considering the Covid19 pandemic in 2020 and its longer term effects on California load growth, VCE expects that load is more likely to be slower than expected and that new capacity may not be needed until the after the timelines shown in VCE's Preferred Conforming 46MMT portfolio.

V. Lessons Learned

To be completed

Glossary of Terms

Alternative Portfolio: *LSEs are permitted to submit "Alternative Portfolios" developed from scenarios using different assumptions from those used in the Reference System Portfolio. Any deviations from the "Conforming Portfolio" must be explained and justified.*

Approve (Plan)*: the CPUC's obligation to approve an LSE's integrated resource plan derives from Public Utilities Code Section 454.52(b)(2) and the procurement planning process described in Public Utilities Code Section 454.5, in addition to the CPUC obligation to ensure safe and reliable service at just and reasonable rates under Public Utilities Code Section 451.*

Balancing Authority Area (CAISO): *the collection of generation, transmission, and loads within the metered boundaries of the Balancing Authority. The Balancing Authority maintains load-resource balance within this area.*

Baseline resources: *Those resources assumed to be fixed as a capacity expansion model input, as opposed to Candidate resources, which are selected by the model and are incremental to the Baseline. Baseline resources are existing (already online) or owned or contracted to come online within the planning horizon. Existing resources with announced retirements are excluded from the Baseline for the applicable years. Being "contracted" refers to a resource holding signed contract/s with an LSE/s for much of its energy and capacity, as applicable, for a significant portion of its useful life. The contracts refer to those approved by the CPUC and/or the LSE's governing board, as applicable. These criteria indicate the resource is relatively certain to come online. Baseline resources that are not online at the time of modeling may have a failure rate applied to their nameplate capacity to allow for the risk of them failing to come online.*

Candidate resource: *those resources, such as renewables, energy storage, natural gas generation, and demand response, available for selection in IRP capacity expansion modeling, incremental to the Baseline resources.*

Capacity Expansion Model: *a capacity expansion model is a computer model that simulates generation and transmission investment to meet forecast electric load over many years, usually with the objective of minimizing the total cost of owning and operating the electrical system. Capacity expansion models can also be configured to only allow solutions that meet specific requirements, such as providing a minimum amount of capacity to ensure the reliability of the system or maintaining greenhouse gas emissions below an established level.*

Certify (a Community Choice Aggregator Plan)*: Public Utilities Code 454.52(b)(3) requires the CPUC to certify the integrated resource plans of CCAs. "Certify" requires a formal act of the Commission to determine that the CCA's Plan complies with the requirements of the statute and the process established via Public Utilities Code 454.51(a). In addition, the Commission must review the CCA Plans to determine any potential impacts on public utility bundled customers under Public Utilities Code Sections 451 and 454, among others.*

Clean System Power (CSP, formerly "Clean Net Short") methodology*: the methodology used to estimate GHG emissions associated with an LSE's Portfolio based on how the LSE will expect to rely on system power on an hourly basis.*

Community Choice Aggregator*: a governmental entity formed by a city or county to procure electricity for its residents, businesses, and municipal facilities.*

Conforming Portfolio*: the LSE portfolio that conforms to IRP Planning Standards, the 2030 LSE-specific GHG Emissions Benchmark, use of the LSE's assigned load forecast, use of inputs and assumptions matching those used in developing the Reference System Portfolio, as well as other IRP requirements including the filing of a complete Narrative Template, a Resource Data Template and Clean System Power Calculator*.

Effective Load Carrying Capacity*: a percentage that expresses how well a resource is able avoid loss-of-load events (considering availability and use limitations). The percentage is relative to a reference resource, for example a resource that is always available with no use limitations. It is calculated via probabilistic reliability modeling, and yields a single percentage value for a given resource or grouping of resources.*

Electric Service Provider*: an entity that offers electric service to a retail or end-use customer, but which does not fall within the definition of an electrical corporation under Public Utilities Code Section 218.*

Filing Entity*: an entity required by statute to file an integrated resource plan with CPUC.*

Future*: a set of assumptions about future conditions, such as load or gas prices.*

GHG Benchmark (or LSE-specific 2030 GHG Benchmark)*: the mass-based GHG emission planning targets calculated by staff for each LSE based on the methodology established by the California Air Resources Board and required for use in LSE Portfolio development in IRP.*

GHG Planning Price: *the systemwide marginal GHG abatement cost associated with achieving a specific electric sector 2030 GHG planning target.*

Integrated Resources Planning Standards (Planning Standards)*: the set of CPUC IRP rules, guidelines, formulas and metrics that LSEs must include in their LSE Plans.*

Integrated Resource Planning (IRP) process*: integrated resource planning process; the repeating cycle through which integrated resource plans are prepared, submitted, and reviewed by the CPUC*

Long term*: more than 5 years unless otherwise specified.*

Load Serving Entity*: an electrical corporation, electric service provider, community choice aggregator, or electric cooperative.*

Load Serving Entity (LSE) Plan*: an LSE's integrated resource plan; the full set of documents and information submitted by an LSE to the CPUC as part of the IRP process.*

Load Serving Entity (LSE) Portfolio*: a set of supply- and/or demand-side resources with certain attributes that together serve the LSE's assigned load over the IRP planning horizon.*

Loss of Load Expectation (LOLE): *a metric that quantifies the expected frequency of loss-of-load events per year. Loss-of-load is any instance where available generating capacity is insufficient to serve electric demand. If one or more instances of loss-of-load occurring within the same day regardless of duration are counted as one loss-of-load event, then the LOLE metric can be compared to a reference point such as the industry probabilistic reliability standard of "one expected day in 10 years," i.e. an LOLE of 0.1.*

Net Qualifying Capacity: *Qualifying Capacity reduced, as applicable, based on: (1) testing and verification; (2) application of performance criteria; and (3) deliverability restrictions. The Net Qualifying Capacity determination shall be made by the California ISO pursuant to the provisions of this California ISO Tariff and the applicable Business Practice Manual.*

Non-modeled costs*: embedded fixed costs in today's energy system (e.g., existing distribution revenue requirement, existing transmission revenue requirement, and energy efficiency program cost).*

Nonstandard LSE Plan*: type of integrated resource plan that an LSE may be eligible to file if it serves load outside the CAISO balancing authority area.*

Optimization*: an exercise undertaken in the CPUC's Integrated Resource Planning (IRP) process using a capacity expansion model to identify a least-cost portfolio of electricity resources for meeting specific policy constraints, such as GHG reduction or RPS targets, while maintaining reliability given a set of assumptions about the future. Optimization in IRP considers resources assumed to be online over the planning horizon (baseline resources), some of which the model may choose not to retain, and additional resources (candidate resources) that the model is able to select to meet future grid needs.*

Planned resource: *any resource included in an LSE portfolio, whether already online or not, that is yet to be procured. Relating this to capacity expansion modeling terms, planned resources can be baseline resources (needing contract renewal, or currently owned/contracted by another LSE), candidate resources, or possibly resources that were not considered by the modeling, e.g., due to the passage of time between the modeling taking place and LSEs developing their plans. Planned resources can be specific (e.g., with a CAISO ID) or generic, with only the type, size and some geographic information identified.*

Qualifying capacity*: the maximum amount of Resource Adequacy Benefits a generating facility could provide before an assessment of its net qualifying capacity.*

Preferred Conforming Portfolio*: the conforming portfolio preferred by an LSE as the most suitable to its own needs; submitted to CPUC for review as one element of the LSE's overall IRP plan.*

Preferred System Plan: *the Commission's integrated resource plan composed of both the aggregation of LSE portfolios (i.e., Preferred System Portfolio) and the set of actions necessary to implement that portfolio (i.e., Preferred System Action Plan).*

Preferred System Portfolio: *the combined portfolios of individual LSEs within the CAISO, aggregated, reviewed and possibly modified by Commission staff as a proposal to the Commission, and adopted by the Commission as most responsive to statutory requirements per Pub. Util. Code 454.51; part of the Preferred System Plan.*

Reference System Portfolio: *the Commission's integrated resource plan that includes an optimal portfolio (Reference System Portfolio) of resources for serving load in the CAISO balancing authority area and meeting multiple state goals, including meeting GHG reduction and reliability targets at least cost.*

Reference System Portfolio*: the multi-LSE portfolio identified by staff for Commission review and adopted/modified by the Commission as most responsive to statutory requirements per Pub. Util. Code 454.51; part of the Reference System Portfolio.*

Short term*: 1 to 3 years (unless otherwise specified).*

***Staff**: CPUC Energy Division staff (unless otherwise specified).*

***Standard LSE Plan**: type of integrated resource plan that an LSE is required to file if it serves load within the CAISO balancing authority area (unless the LSE demonstrates exemption from the IRP process).*

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 16

TO: Valley Clean Energy Board of Directors

FROM: Mitch Sears, Interim General Manager
Mark Fenstermaker, Pacific Policy Group

SUBJECT: Legislative Platform - 2020

DATE: July 9, 2020

RECOMMENDTION

Approve the 2020 Legislative Platform outlining positions VCE would take on various legislative issues.

BACKGROUND

In February 2019, VCE retained Mark Fenstermaker of Pacific Policy Group (PPG) as VCE's lobbyist to represent VCE on legislative matters in the capitol. During the past two legislative sessions in 2019 and 2020, staff and Pacific Policy Group have utilized the VCE Vision, Mission statement, and Board actions and direction to identify priorities for VCE legislative activities.

Throughout January and February of 2020, PPG and the VCE Interim General Manager reviewed, analyzed, and discussed potential positions on a multitude of proposed legislation. At the March 12, 2020 Board meeting, four days prior to the COVID-19 pandemic shutting down the Legislature, Mr. Fenstermaker presented on several proposed bills and recommended VCE positions for the Board to approve. The Board questioned one of the proposed recommendations, SB 917 (Wiener), and a discussion ensued on the process for bringing recommended positions to the Board. During this discussion, Chair of the Board Don Saylor requested that VCE staff and PPG prepare a legislative platform to help guide the process and decision-making of bringing recommended positions on legislation to the Board.

The purpose of the proposed legislative platform is to formalize and organize VCE's approach to legislative activity. The legislative platform is meant to be an inward facing document to provide guidance to PPG for the remainder of the 2020 legislative session and beyond. PPG will use the platform to help structure VCE's efforts and communications with legislators to work toward desired outcomes. The proposed platform is based on previous direction from the Board and primarily reflects existing areas of interest identified either formally or informally by the Board.

ANALYSIS

Based on the Board direction, Staff and PPG worked with the Legislative and Regulatory Task Force members of the Community Advisory Committee (CAC), to develop the proposed legislative platform (Attachment 1). The group reviewed legislation proposed for the 2020

legislative session as well as legislation VCE engaged in or considered from the 2019 legislative session. The group decided that the platform should go beyond energy matters and include a broader spectrum of issues that VCE may encounter, including proposed policies affecting local governments, local economies, and the environment. The key topic/issue areas covered in the proposed platform include:

1. Governance and Statutory Authority
2. Restructuring the Electric Utility Sector
3. Resource Adequacy
4. Power Cost Indifference Adjustment (PCIA)
5. Public Safety Power Shut-Offs (PSPS)
6. Community Resilience
7. Renewable Energy Generation Sources
8. Local Economic Development and Environmental Objectives
9. Miscellaneous

Note: while the platform attempts to address a full range of legislative issues of interest to VCE, it is not intended to limit VCE's engagement in other issues that may impact VCE in a positive or negative way. Issues not addressed in the platform would continue to be addressed through VCE's current legislative process.

CAC Discussion/Recommendation

The Community Advisory Committee considered the draft legislative platform at their June 25th meeting. The CAC discussed several items including whether it is appropriate to include a specific reference to local biomass and that there is no reference in the draft platform to legislation related to environmental justice. The CAC also scheduled a future discussion on what "local renewable resources" means and which generation technologies should be prioritized (e.g. PV, wind, geothermal, bioenergy, etc). The CAC made the following recommendations:

a. Recommendation to the Board to approve the Legislative Platform without the second bullet point in Item 7 (reference to local biomass). (9-0-0)
b. The CAC also passed a motion to address how VCE defines local renewable resources at their next meeting. (9-0-0)

Staff believes the CAC recommendations are acceptable since bioenergy is also addressed in Section 7 (a) of the proposed platform. The attached recommended platform incorporates the recommended amendment as follows:

Section 7 - **Renewable Energy Generation Sources**

a. Support legislation that expands opportunities for the development of renewable ~~alternative~~ energy sources, including, but not limited to, wind, solar, bioenergy ~~biomass~~, battery storage, small hydro, and geothermal, as long as local development and siting criteria are consistent with city and county land use authority and other local and state regulatory requirements.

b. ~~Support legislation that increases opportunities for biomass generation local biomass plants that is sensitive to air quality and community concerns.~~

In addition, staff has been examining action-oriented approaches by members of the energy sector to address environmental and social justice issues and will be bringing back findings at a future Board meeting. The VCE legislative platform and other policies can be updated as part of any future Board action on these issues.

CONCLUSION

As noted, the legislative platform is meant to be an inward facing document to provide guidance to PPG for the remainder of the 2020 legislative session and beyond. The proposed legislative platform will be updated in advance of the next legislative session to reflect ongoing and new priorities. Staff is recommending Board approval of the attached legislative platform, with CAC recommended amendments, to help guide VCE legislative activities.

ATTACHMENT

1. Proposed 2020 Legislative Platform

Valley Clean Energy Legislative Platform

Adopted _____ 2020

Introduction

Valley Clean Energy is a joint-powers authority organized pursuant to California law that includes the cities of Davis, Woodland, and the unincorporated areas of County of Yolo (and the city of Winters as of January 2021). The purpose of VCE is to enable the participating jurisdictions to determine the sources, modes of production and costs of the electricity they procure for the customers in the VCE service territory. PG&E, the incumbent Investor Owned Utility, continues to deliver the electricity procured by VCE and performs billing, metering, and other electric distribution utility functions and services. Customers within the participating jurisdictions may opt-out of VCE and remain a PG&E customer. VCE is governed by a Board of Directors consisting of council members and supervisors from its member jurisdictions.

The mission of VCE is to provide cost-competitive clean electricity, product choice, price stability, energy efficiency, and greenhouse gas emission reductions to residents and businesses in its member agencies. In addition, VCE provides a greater level of transparency and accountability in regard to energy sources and prices as VCE's board consists of local elected officials.

This Legislative Platform serves as a guide for legislative engagement in the 2020 legislative session that is based on positions that VCE has taken on past legislation, as well as the principles set forth in VCE's Vision Statement. It will be updated annually to reflect new issues that VCE will address each legislative session. To review VCE's vision statement, please see https://valleycleanenergy.org/wp-content/uploads/VCEA-Vision-Statement-11-16-17.pdf.

Issue Areas

1. **Governance and Statutory Authority**

   VCE will:

   a. Oppose legislation that limits the local decision-making authority for CCAs, including rate-setting authority and procurement of energy and capacity to serve their customers.
   b. Oppose legislation that limits VCE's ability to effectively serve its customers.
   c. Support efforts of CCAs to engage with their customers and promote transparency in their operations. Similarly, VCE will oppose legislation that restrict or limit these abilities.
   d. Support legislation that makes it easier for other cities and counties to form a CCA, become members of VCE or other CCAs, and oppose legislation that restricts that ability.

2. Restructuring the Electricity Utility Sector

VCE will:

a. Work with other local governments interested in forming municipal electric utilities, as well as the California Municipal Utilities Association, to expand opportunities for municipalization. This includes supporting legislation that expands opportunities for CCAs to become municipal electric utilities.
b. Support legislation and advocate for reforms to the utility regulatory and business model to transform Investor Owned Utilities (IOUs) so that they must deliver greater benefits to ratepayers, increase safety and reliability, and reduce costs.
c. Support effective legislation that would transform PG&E to a public power or customer owned entity.

3. Resource Adequacy

VCE will:

a. Support the efforts of CalCCA to create a central procurement entity for residual Resource Adequacy needs.
b. Oppose legislation that would supplant CCAs procurement authority for Resource Adequacy.

4. Power Cost Indifference Adjustment (PCIA)

VCE will:

a. Support CalCCA efforts to increase the transparency of IOU electricity contracts that provide the basis for Power Cost Indifference Adjustment (PCIA) charges that VCE (and its customers) and other CCAs must pay.
b. Support legislation that would bring stability to the PCIA and/or provide new mechanisms for CCAs to securitize PCIA charges.
c. Oppose legislation that would increase or expand exit fees, including PCIA, on CCA customers.

5. Public Safety Power Shut-Offs (PSPS)

VCE will:

a. Support legislation that increases the notification and transparency requirements on IOUs as they implement a PSPS.
b. Support legislation that creates standards for PSPS implementation and penalties on IOUs that execute PSPS below those standards.
c. Support legislation that creates rules and procedures to ensure PSPSs are implemented narrowly and only as absolutely necessary.
d. Support legislation that requires IOUs to notify impacted cities, counties and CCAs of impending PSPS.

6. Community Resilience

VCE will:

a. Advocate for and Support funding for programs implemented by CCAs and their member jurisdictions to increase community resilience to wildfires, PSPS events and other potential service disruptions.
b. Support legislation that reduces barriers to microgrid development by CCAs.
c. Oppose legislation that would enable IOUs to be the only developer of microgrids.
d. Support legislation that increases development of community level resources and distributed energy resources that reduces the need for new transmission and distribution infrastructure.

7. Renewable Energy Generation Sources

VCE will:

a. Support legislation that expands opportunities for the development of renewable ~~alternative~~ energy sources, including, but not limited to, wind, solar, bioenergy ~~biomass~~, battery storage, small hydro, and geothermal, as long as local development and siting criteria are consistent with city and county land use authority and other local and state regulatory requirements.
~~b. Support legislation that increases opportunities for biomass generation local biomass plants that is sensitive to air quality and community concerns.~~
b. Oppose legislation that requires CCAs to purchase specific renewable energy products, thus limiting the ability of CCAs to meet local energy needs in a cost-effective manner and in conflict with their local procurement and rate setting authority.

8. Local Economic Development and Environmental Objectives

VCE will:

a. Support legislation that enhances opportunities for CCAs to promote local economic development through locally designed programs that meet the unique needs of its member agencies and customers.
b. Support efforts to enhance development of local and regional sources of renewable energy.
c. Support legislation that enables CCAs to collaborate with their member jurisdictions on local energy resources and projects to advance environmental objectives.

9. Miscellaneous

VCE will:

a. Oppose legislation that expands direct access or the ability or economic incentives for electric service providers to selectively recruit CCA or IOU customers.

b. Support legislation that would create renewable content and environmental standards for electric service providers to match the products offered by CCAs.