



**Special Meeting of the Valley Clean Energy Alliance  
Board of Directors  
Thursday, August 13, 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/86344150134>  
**Meeting ID: 863 4415 0134**

- b. By phone**

One tap mobile  
+16699009128,,86344150134# US  
+12532158782,,86344150134# US

Dial:  
+1 669 900 9128 US  
+1 253 215 8782 US  
**Meeting ID: 863 4415 0134#**

**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)

#### **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 July 9, 2020 Board Meeting Minutes.**
- 5. Receive 2020 Long Range Calendar.**
- 6. Receive Financial Update – June 30, 2020 (unaudited) financial statement.**
- 7. Receive Legislative Update**
- 8. Receive August 5, 2020 Regulatory Update provided by Keyes & Fox.**
- 9. Receive August 5, 2020 Customer Enrollment Update.**
- 10. Receive Community Advisory Committee July 23, 2020 Meeting Summary.**
- 11. Receive copy of signed Amendment #18 to Task Orders 2, 3, and 4 to Sacramento Municipal Utilities District (SMUD) agreement increasing the Consumer Price Index (CPI) effective July 1, 2020.**
- 12. Adopt resolution amending Resolution 2017-004 to modify time and place for regular Board meetings.**

#### **REGULAR AGENDA**

- 13. Recognition of the City of West Sacramento as an Associate Member of Valley Clean Energy Joint Powers Agency. (Action)**
- 14. Approval of Valley Clean Energy's (VCE's) 2020 Integrated Resource Plan and associated Action Plan to be submitted to the California Public Utilities Commission by September 1, 2020. (Action)**
- 15. Update on VCE's response to current environmental and social justice issues. (Informational)**
- 16. Update on VCE Strategic Plan process. (Informational)**
- 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.
- 18. Adjournment:** The next VCE Special Board meeting is scheduled for Thursday, September 10, 2020 at 4:00 p.m. It is anticipated to be held via Zoom teleconference.

**PUBLIC PARTICIPATION INSTRUCTIONS FOR VALLEY CLEAN ENERGY BOARD OF DIRECTORS  
SPECIAL MEETING ON THURSDAY, AUGUST 13, 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 CAC and included in the official record, please e-mail it to VCE staff at [Meetings@ValleyCleanEnergy.org](mailto:Meetings@ValleyCleanEnergy.org). If information is received by 3:00 p.m. on the day of the CAC meeting it will be e-mailed to the CAC 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](mailto: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](mailto: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](mailto:Alisa.Lembke@ValleyCleanEnergy.org) .

# VALLEY CLEAN ENERGY ALLIANCE

## Staff Report – Item 4

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**TO:** Valley Clean Energy Alliance Board of Directors  
**FROM:** Alisa Lembke, Board Clerk / Administrative Analyst  
**SUBJECT:** Approval of Minutes from July 9, 2020 Special Board Meeting  
**DATE:** August 13, 2020

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### RECOMMENDATION

Receive, review and approve the attached Minutes from the July 9, 2020 Special Board meeting.



**MINUTES OF THE VALLEY CLEAN ENERGY ALLIANCE  
BOARD OF DIRECTORS SPECIAL MEETING COMMENCING CONCURRENTLY  
WITH SPECIAL MEETING – CLOSED SESSION  
THURSDAY, JULY 9, 2020**

The Board of Directors of the Valley Clean Energy Alliance duly noticed their special meeting and closed session special meeting scheduled for Thursday, July 9, 2020 at 4:00 p.m., to be held concurrently via Zoom teleconference. Chairperson Don Saylor established that there was a quorum present and began the meeting at 4:00 p.m.

Board Members Present: Don Saylor, Dan Carson, Tom Stallard, Wade Cowan, Jesse Loren,  
\*Lucas Frerichs (\*arrived at 4:04 p.m.)

Associate Members Present: Beverly Sandeen

Members Absent: Gary Sandy, Angel Barajas

Associate Members Absent: Christopher Cabaldon

Approval of Agenda Motion made by Director Stallard to approve the July 9, 2020 agenda, seconded by Director Loren. Motion passed unanimously.

Public Comment Chairperson Saylor opened the floor for public comment. There were no written or verbal public comments.

Approval of Consent Agenda VCE Interim General Manager Mitch Sears introduced Rebecca Boyles, Director of Customer Care and Marketing at VCE.

Chair Saylor informed those present that resolution language has been added to the June 11, 2020 Special Board Meeting Minutes.

There were no written or verbal public comments.

Motion made by Director Stallard to approve the consent agenda, including the addition of resolution language to the June 11, 2020 Special Board Meeting Minutes, seconded by Director Cowan. Motion passed unanimously. The following items were approved, ratified, and/or received:

4. June 11, 2020 special Board meeting Minutes;
5. 2020 Long Range Calendar;
6. Financial Updated – May 31, 2020 (unaudited) financial statement;



7. Legislative Update;
8. July 1, 2020 Regulatory update provided by Keyes & Fox;
9. June 30, 2020 Customer Enrollment Update;
10. Community Advisory Committee June 25, 2020 meeting summary;
11. Ratified extension of Donald Dame agreement for consulting services for the time period of July 1, 2020 through June 30, 2021;
12. temporary extension of revolving line of credit with River City Bank to August 15, 2020; and,
13. Appointment of Community Advisory Committee (CAC) Member (Cynthia Rodriguez, representing unincorporated Yolo County).

Mr. Sears and the Board welcomed Cynthia Rodriguez to the CAC as a representative of unincorporated Yolo County.

Item 14: Approval of Updates to VCE 2020 Procurement Plan, including directives and delegations for 2020 Power Procurement activities.  
// Resolution 2020-021

Mr. Sears introduced this item as a follow up to prior actions taken by the Board regarding policy and procurement to address the budget. Mr. Sears informed those present that updates were needed to the Procurement Plan to reflect the Board's policy decisions. VCE Staff Gordon Samuel reviewed the recommended updates to the 2020 Procurement Plan, directives and delegations, and 2021 policy, including procurement schedule, considerations and recommendations.

Director Carson made a comment that some information was redacted from the public's copy on this item for the policy purpose for ensuring that VCE achieves the best and maximum terms and price on behalf of our rate payers. Director Carson stated that this is in keeping with State law. This was confirmed by VCE's legal counsel, Harriet Steiner.

There were no written or verbal public comments.

Director Loren made a motion to:

1. Approve updates to the 2020 Procurement Plan.
2. Approve 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. Approve updated 2021 portfolio mix targets of 10% renewable and up to 10% large hydro, as needed to achieve 20% carbon-free power content.



Motion seconded by Director Stallard. Motion passed via Resolution 2020-021 by the following vote:

AYES: Saylor, Carson, Stallard, Cowan, Loren, Frerichs

NOES: None

ABSENT: Sandy, Barajas

ABSTAIN: None

Item 15: Receive update on draft Integrated Resource Plan

Mr. Sears introduced this item and Dr. Olof Bystrom. Dr. Bystrom provided an update on the draft Integrated Resource Plan (IRP), due for filing with the California Public Utilities Commission (CPUC) by September 1, 2020. Dr. Bystrom and Staff are seeking input from the Board on the draft IRP, with the final draft being presented to the Board at their August meeting for approval. Dr. Bystrom reviewed the key requirements that must be met by VCE in the IRP. Two Staff portfolio recommendations and details were reviewed: 1) Conforming 46 MMT Portfolio and 2) 38 MMT Portfolio. Dr. Bystrom also briefly reviewed the proposed Action Plan, which outlines how VCE will accomplish the goals set within the IRP.

Several items were discussed: cost of electricity, CAC's recommendation, why one portfolio is favored over the other (46 MMT vs. 28 MMT), and California's GHG goals.

Chair Saylor asked for public comments. Several verbal public comments were provided:

Yvonne Hunter, Community Advisory Committee Chair, did not recall any strong disagreement between the CAC Members on the draft IRP. She did point out that there were lots of clarification questions and a discussion on how the cost for the portfolio content would effect VCE customer rates.

Christine Shewmaker commented that the CAC looked at having a portfolio mix heavier in wind and biomass; however, these resources are cost prohibitive for VCE and its customers.

Mr. Sears reminded those present that the IRP is a compliance document and there are a number of parameters to consider including cost, renewable content of the portfolios, and how closely do the portfolios match VCE's load.



Item 16: Approval  
of Draft  
Legislative  
Platform

Mr. Sears reviewed the background of why the Legislative Platform was developed and drafted and is being presented to the Board for consideration of adoption. He stated that VCE's vision, mission and past positions taken on past and current legislation serves as the basis for the proposed actions and positions outlined in the draft Legislative Platform.

Mr. Sears reviewed the CAC's recommendation for the Board to approve the Legislative Platform with modifications noting the lack of reference to legislation related to environmental justice. The CAC also passed a motion to address how VCE defines local renewable resources at their next meeting.

Mark Fenstermaker of Pacific Policy Group (PPG), VCE's lobbyist consultant, reminded those present that the platform does not prohibit him from acting on other issues, but it will give him guidance.

Chair Saylor requested that when VCE issues a legislative letter a copy is sent to the Board Members for their information.

Director Frerichs acknowledged the work done by the CAC's Legislative/Regulatory (Leg/Reg) Task Group and Staff on drafting the platform. He suggested that the Board, Staff, and the CAC discuss environmental justice and race inclusion. Director Loren agreed that some time should be scheduled to address this topic. Director Carson suggested that this be added to the draft platform. Chair Saylor suggested that the Legislative Platform as drafted be addressed first, then a broader conversation on this issue should occur.

Chair Saylor opened the floor for public comments. Several verbal public comments were provided:

Yvonne Hunter, CAC Chair and Chair of the Leg/Reg Task Group, stated that the platform supports VCE's vision and mission statement. It is to be used as a guidepost and reviewed on a regular basis.

Christine Shewmaker commented that the lack of reference to environmental / social justice in the draft platform was brought up by two of the new CAC Members.

There were no written public comments.





Director Frerichs made a motion to approve the 2020 Legislative Platform outlining positions VCE would take on various legislative issues, seconded by Director Stallard. Motion passed by the following vote:

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

Director Frerichs offered to be on a joint subcommittee with the CAC to address environmental justice and equity. A Board work group was formed with Director Loren, Chair Saylor and Director Frerichs as participants. Mr. Sears informed those present that Staff have been doing some research on these issues and looking at different approaches taken by other Community Choice Aggregates (CCAs). He informed the Board that Staff will present information to the Board work group for discussion and input.

Board Member  
and Staff  
Announcements

Mr. Sears informed those present that he is on the CalCCA Board, which meets monthly. At the last meeting, the CalCCA Board discussed:

- 1) that the Cities and Counties are discussing updating Title 24 regulations to all electric base codes required for new construction - CalCCA is looking at it, IOU's have submitted support, and possibly VCE wants to consider.
- 2) CalCCA took a legislative position of support on a proposed constitutional amendment related to affirmative action and equity.

Mr. Sears informed those present that there are two proceedings at the California Public Utilities Commission (CPUC) that are on the horizon:

- A. Net Energy Metering (NEM) 3.0 – unsure where NEM 3.0 is headed
- B. CalCCA is prioritizing getting better access to data for forecast modeling purposes of the Power Charge Indifferent Adjustment (PCIA) charge.

Mr. Sears reminded those present that arising out of PG&E's bankruptcy is the concept of regionalization of PG&E's service area being broken into five (5) regions. VCE would be placed into a region with other CCAs could be potentially problematic. VCE will play a role in this discussion.

Mr. Sears informed those present that VCE had a discussion with West Sacramento Staff and briefed them on modeling data and outcomes from



a financial modeling standpoint. West Sacramento is looking to end their associate member status with VCE since PG&E’s bankruptcy is concluding.

Mr. Sears informed those present that Staff is recommending that the Strategic Plan process be streamlined due to the schedule delay as the result of the COVID-19 pandemic. Staff will be reviewing the completed worksheets then incorporating the information into a draft Strategic Plan to be presented to the Board for consideration in the next few months. Chair Saylor reminded Board Members to complete the Strategic Plan worksheet if they have not already.

Director Carson announced the Davis City Council approved DISC (Davis Innovation Sustainability Campus) project which places it on the ballot for local voters in November. There is a provision in the baseline features that the project’s energy demand shall be fueled by 100% clean energy either generated on site, i.e. solar, or purchased from a 100% renewable program such as VCE’s Ultra Green program.

**Public Comment on Closed Session Items** Chair 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. Chair Saylor asked if there were any public comment on the Closed Session items. There were no written or verbal public comments.

**Adjournment** Chairperson Saylor adjourned the meeting at 5:28 p.m. to go into Closed Session.

**CLOSED SESSION: Conference with Legal Counsel – Anticipated Litigation** The Board began Closed Session at 5:31 p.m. and adjourned their Closed Session at 5:42 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**

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**TO:** Valley Clean Energy Alliance Board of Directors  
**FROM:** Alisa Lembke, Board Clerk/Administrative Analyst  
**SUBJECT:** Community Advisory Committee 2020 Long-Range Calendar  
**DATE:** August 13, 2020

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**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 CANCELLED	Board WOODLAND	• 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	<b>Board</b> WINTERS	<ul style="list-style-type: none"> <li>• Power Purchase Agreement - YCFCWCD</li> <li>• Greenhouse Gas (GHG)-free attributes</li> <li>• Update on FY20/21 Operating Budget</li> </ul>	<ul style="list-style-type: none"> <li>• Approval</li> <li>• Action</li> <li>• Informational</li> </ul>
May 28, 2020 Via Teleconference IRP Workshop	<b>Advisory Committee</b> WOODLAND	<ul style="list-style-type: none"> <li>• Integrated Resource Plan (IRP) Public Workshop, CAC to provide recommendation</li> </ul>	<ul style="list-style-type: none"> <li>• Information / Discussion</li> </ul>
June 11, 2020 Via Teleconference	<b>Board</b> DAVIS	<ul style="list-style-type: none"> <li>• Final Approval of FY20/21 Operating Budget</li> <li>• Extension of Waiver of Opt-Out Fees for one more year</li> <li>• Re/Appointment of Members to Community Advisory Committee and Appoint City of Winters seats to CAC</li> <li>• SMUD Amendment to Contract re: VCE Collections Policy</li> <li>• Update on Integrated Resource Plan Public Workshop</li> </ul>	<ul style="list-style-type: none"> <li>• Approval</li> <li>• Action</li> <li>• Action</li> <li>• Action</li> <li>• Informational</li> </ul>
June 25, 2020 Via Teleconference	<b>Advisory Committee</b> DAVIS	<ul style="list-style-type: none"> <li>• Update on the Integrated Resource Plan (IRP) Process</li> <li>• Update on Request for Offers</li> </ul>	<ul style="list-style-type: none"> <li>• Information</li> <li>• Information</li> </ul>
July 9, 2020 Via Teleconference	<b>Board</b> WOODLAND	<ul style="list-style-type: none"> <li>• Update on draft Integrated Resource Plan (IRP due 9/1/20)</li> <li>• Renewable Portfolio Standard (RPS) Procurement Plan</li> <li>• River City Bank Line of Credit</li> </ul>	<ul style="list-style-type: none"> <li>• Informational</li> <li>• Action/Informational</li> <li>• Action</li> </ul>
July 23, 2020 Via Teleconference	<b>Advisory Committee</b> WOODLAND	<ul style="list-style-type: none"> <li>• Draft Integrated Resource Plan (due 9/1/20) and CAC recommendation to Board</li> <li>• Defining local renewable resources</li> </ul>	<ul style="list-style-type: none"> <li>• Action</li> <li>• Discussion</li> </ul>
August 13, 2020 Via Teleconference	<b>Board</b> DAVIS	<ul style="list-style-type: none"> <li>• Adoption of Integrated Resource Plan (due 9/1/2020)</li> <li>• Receive SMUD CPI Increase Amendment</li> <li>• Strategic Plan update</li> <li>• VCE's response to Environmental and Social Justice issues</li> </ul>	<ul style="list-style-type: none"> <li>• Action</li> <li>• Action</li> <li>• Informational</li> <li>• Informational</li> </ul>
August 27, 2020 Via Teleconference	<b>Advisory Committee</b> DAVIS	<ul style="list-style-type: none"> <li>• Revised Procurement Guide – Review</li> <li>• Strategic Plan update</li> </ul>	<ul style="list-style-type: none"> <li>• Discussion</li> <li>• Informational</li> </ul>
September 10, 2020 Via Teleconference	<b>Board</b> WOODLAND	<ul style="list-style-type: none"> <li>• Delegation of Contracting Authority</li> <li>• River City Bank Revolving Line of Credit</li> <li>• Residential Time of Use Rate Classes Report</li> </ul>	<ul style="list-style-type: none"> <li>• Action</li> <li>• Action</li> <li>• Information/Discussion</li> </ul>

		<ul style="list-style-type: none"> <li>Strategic Plan draft</li> <li>Certification of Standard and UltraGreen Products</li> </ul>	<ul style="list-style-type: none"> <li>Discussion/possible Action</li> <li>Action</li> </ul>
September 24, 2020 Via Teleconference	<b>Advisory Committee</b> WOODLAND	<ul style="list-style-type: none"> <li>Committee Evaluation of Calendar Year End (Draft Report)</li> <li>Revised Procurement Guide – Review Draft Recommendation</li> <li>Strategic Plan draft</li> </ul>	<ul style="list-style-type: none"> <li>Discussion</li> <li>Discussion</li> <li>Discussion</li> </ul>
October 8, 2020	<b>Board</b> WINTERS	<ul style="list-style-type: none"> <li>Approval of FY19/20 Audited Financial Statements (James Marta &amp; Co.)</li> <li>River City Bank Revolving Line of Credit</li> <li>Adoption of Strategic Plan</li> <li>Enterprise Risk Management Report</li> </ul>	<ul style="list-style-type: none"> <li>Action</li> <li>Discussion/Action</li> <li>Action</li> <li>Information</li> </ul>
October 22, 2020	<b>Advisory Committee</b> DAVIS	<ul style="list-style-type: none"> <li>Committee Evaluation of Calendar Year End (Draft Report)</li> <li>Revised Procurement Guide- Review Draft Recommendation</li> </ul>	<ul style="list-style-type: none"> <li>Discussion</li> <li>Discussion</li> </ul>
November 12, 2020	<b>Board</b> WOODLAND	<ul style="list-style-type: none"> <li></li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>
<del>November 26, 2020</del> Thanksgiving Holiday – Rescheduled to 3 <sup>rd</sup> Thursday, November 19, 2020	<b>Advisory Committee</b> WOODLAND	<ul style="list-style-type: none"> <li>Committee Evaluation of Calendar Year End (Draft Report)</li> <li>Revised Procurement Guide – Finalize Recommendation to Board</li> </ul>	<ul style="list-style-type: none"> <li>Discussion</li> <li>Action: Recommendation to Board</li> </ul>
December 10, 2020	<b>Board</b> DAVIS	<ul style="list-style-type: none"> <li>Election of Officers for 2020</li> </ul>	<ul style="list-style-type: none"> <li>Nominations</li> </ul>
<del>December 24, 2020</del> Rescheduled to 3 <sup>rd</sup> Thursday, December 17, 2020	<b>Advisory Committee</b> DAVIS	<ul style="list-style-type: none"> <li>Election of Officers for 2020</li> <li>Finalization of Committee Calendar Year End Report</li> </ul>	<ul style="list-style-type: none"> <li>Nominations</li> <li>Approve Report</li> </ul>
January 14, 2021	<b>Board</b> WOODLAND	<ul style="list-style-type: none"> <li>Receive CAC Calendar Year End Report</li> <li>Approve Revised Procurement Guide</li> </ul>	<ul style="list-style-type: none"> <li>Receive Report</li> <li>Action</li> </ul>
January 28, 2021	<b>Advisory Committee</b> WOODLAND	<ul style="list-style-type: none"> <li>Review and Discuss Task Groups</li> </ul>	<ul style="list-style-type: none"> <li>Discuss/Action</li> </ul>

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

## VALLEY CLEAN ENERGY ALLIANCE

### Staff Report – Item 6

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

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

**SUBJECT:** Financial Update – June 30, 2020 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending June 30, 2020

**DATE:** August 13, 2020

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#### **RECOMMENDATION:**

Accept the following Financial Statements (unaudited) for the period of June 1, 2020 to June 30, 2020 (with comparative year to date information) and Actual vs. Budget year to date ending June 30, 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 June 30, 2020.

#### Financial Statements for the period June 1, 2020 – June 30, 2020

In the Statement of Net Position, VCEA as of June 30, 2020 has a total of \$13,328,750 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account and \$1,245,520 restricted assets for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and SMUD and owes as of June 30, 2020 \$78,710 and \$193,648 respectively for a grand total of \$272,358. 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 \$1,350,684 as of June 30, 2020, for a total of \$1,746,006. At June 30, 2020, VCE's net position is \$16,155,542.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded \$6,473,286 of revenue (net of allowance for doubtful accounts) of which \$6,247,905 was billed in June and (\$312,860) represent estimated unbilled revenue. The cost of the electricity for the June revenue totaled \$4,653,835. For June, VCEA's gross margin is approximately 28% and operating income totaled \$1,474,129. The year-to-date change in net position was \$8,826,709.

In the Statement of Cash Flows, VCEA cash flows from operations was \$1,225,344 due to June cash receipts of revenues being higher than the monthly cash operating expenses.

#### Actual vs. Budget Variances for the year to date ending June 30, 2020

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

Salaries & Wages/Benefits - (\$176,736) and (29%) – 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 - (\$85,927) 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 - (\$88,129) and (32%) – variance is mainly due to SMUD not having yet billed for the IRP update included in the budget.

Legal - (\$77,304) and (46%) – variance is due to lower than planned general legal support from member agencies and outside counsel.

PG&E Acquisition Consulting - \$183,908 and 100% - variance is due to PG&E asset acquisition expenses not having been applicable at the time the budget was constructed.

New Member Expenses - (\$60,000) 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 - (\$229,590) and (100%) - variance is due to VCE not having required usage of contingency funds to date; this is offset by \$183,908 of PG&E acquisition-related expenses.



**Attachments:**

- 1) Financial Statements (Unaudited) June 1, 2020 to June 30, 2020 (with comparative year to date information.)
- 2) Actual vs. Budget for year to date ending June 30, 2020



# **VALLEY CLEAN ENERGY**

**VALLEY CLEAN ENERGY ALLIANCE**

**FINANCIAL STATEMENTS**

**(UNAUDITED)**

**FOR THE PERIOD OF JUNE 1 TO JUNE 30, 2020**

**PREPARED ON JULY 30, 2020**

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**  
**(UNAUDITED)**

**ASSETS**

Cash and cash equivalents	\$	13,328,750
Accounts receivable, net of allowance		5,922,455
Accrued revenue		2,973,195
Prepaid expenses		625
Inventory - Renewable Energy Credits		
Other current assets and deposits		2,540
Total current assets		22,227,565
Restricted assets:		
Debt service reserve fund		1,100,000
Power purchase reserve fund		1,245,520
Total restricted assets		2,345,520
Noncurrent assets:		
Other noncurrent assets and deposits		100,000
Total noncurrent assets		100,000
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>24,673,085</b>

**LIABILITIES**

Current liabilities:		
Accounts payable	\$	642,400
Accrued payroll		11,804
Interest payable		4,435
Due to member agencies		78,710
Accrued cost of electricity		4,881,833
Other accrued liabilities		576,444
Security deposits - energy supplies		515,640
User taxes and energy surcharges		60,271
Current Portion of LT Debt		395,322
Total current liabilities		7,166,859
Noncurrent liabilities		
Term Loan- RCB		1,350,684
Total noncurrent liabilities		1,350,684
<b>TOTAL LIABILITIES</b>	<b>\$</b>	<b>8,517,543</b>

**NET POSITION**

Restricted		
Local Programs Reserve		136,898
Restricted		2,345,520
Unrestricted		13,673,124
<b>TOTAL NET POSITION</b>	<b>\$</b>	<b>16,155,542</b>

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN NET POSITION**  
**FOR THE PERIOD OF JUNE 1, 2020 TO JUNE 30, 2020**  
**(WITH COMPARATIVE YEAR TO DATE INFORMATION)**  
**(UNAUDITED)**

	<u>FOR THE PERIOD</u> <u>ENDING JUNE</u> <u>30, 2020</u>	<u>YEAR TO DATE</u>
<b>OPERATING REVENUE</b>		
Electricity sales, net	\$ 6,473,286	\$ 55,006,226
<b>TOTAL OPERATING REVENUES</b>	<u>6,473,286</u>	<u>55,006,226</u>
<b>OPERATING EXPENSES</b>		
Cost of electricity	4,653,835	41,828,667
Contract services	217,630	2,854,222
Staff compensation	97,602	1,059,829
General, administration, and other	30,090	435,647
<b>TOTAL OPERATING EXPENSES</b>	<u>4,999,157</u>	<u>46,178,365</u>
<b>TOTAL OPERATING INCOME (LOSS)</b>	1,474,129	8,827,861
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	7,851	97,461
Interest and related expenses	(5,624)	(98,613)
<b>TOTAL NONOPERATING REVENUES</b> <b>(EXPENSES)</b>	<u>2,227</u>	<u>(1,152)</u>
<b>CHANGE IN NET POSITION</b>	1,476,356	8,826,709
Net position at beginning of period	14,679,186	7,328,833
Net position at end of period	<u>\$ 16,155,542</u>	<u>\$ 16,155,542</u>

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD OF JUNE 1 TO JUNE 30, 2020**  
**(WITH YEAR TO DATE INFORMATION)**  
**(UNAUDITED)**

	<u>FOR THE PERIOD ENDING JUNE 30, 2020</u>	<u>YEAR TO DATE</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from electricity sales	\$ 4,568,900	\$ 55,404,385
Receipts for security deposits with energy suppliers		515,640
Payments to purchase electricity	(3,058,026)	(41,950,322)
Payments for contract services, general, and administration	(189,956)	(4,074,027)
Payments for staff compensation	(95,574)	(1,051,814)
<b>Net cash provided (used) by operating activities</b>	<u>1,225,344</u>	<u>8,843,862</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Loans from member agencies		(1,500,000)
Principal payments of Debt	(32,943)	(230,604)
Interest and related expenses	(5,899)	(206,490)
<b>Net cash provided (used) by non-capital financing activities</b>	<u>(38,842)</u>	<u>(1,937,094)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	7,851	97,461
<b>Net cash provided (used) by investing activities</b>	<u>7,851</u>	<u>97,461</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	1,194,353	7,004,229
Cash and cash equivalents at beginning of period	14,479,917	8,670,041
<b>Cash and cash equivalents at end of period</b>	<u>\$ 15,674,270</u>	<u>\$ 15,674,270</u>
Cash and cash equivalents included in:		
Cash and cash equivalents	13,328,750	13,328,750
Restricted assets	2,345,520	2,345,520
<b>Cash and cash equivalents at end of period</b>	<u>\$ 15,674,270</u>	<u>\$ 15,674,270</u>

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD OF JUNE 1 TO JUNE 30, 2020**  
**(WITH YEAR TO DATE INFORMATION)**  
**(UNAUDITED)**

	<u>FOR THE PERIOD ENDING JUNE 30, 2020</u>	<u>YEAR TO DATE</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ 1,474,129	\$ 8,827,861
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Increase) decrease in net accounts receivable	(1,612,603.00)	(927,182.00)
(Increase) decrease in accrued revenue	(312,808)	1,322,518.00
(Increase) decrease in prepaid expenses	9,288	(625.00)
(Increase) decrease in inventory - renewable energy credits	-	207,168.00
Increase (decrease) in accounts payable	73,751	56,280.00
Increase (decrease) in accrued payroll	2,028	8,015.00
Increase (decrease) in due to member agencies	13,893	(331,599.00)
Increase (decrease) in accrued cost of electricity	1,595,809	(328,823.00)
Increase (decrease) in other accrued liabilities	(39,168)	(508,214.00)
Increase (decrease) security deposits with energy suppliers	-	515,640.00
Increase (decrease) in user taxes and energy surcharges	21,025	2,823.00
<b>Net cash provided (used) by operating activities</b>	<b>\$ 1,225,344</b>	<b>\$ 8,843,862</b>

**VALLEY CLEAN ENERGY**  
**ACTUAL VS. BUDGET FYE 6-30-2020**  
**FOR THE YEAR TO DATE ENDING 06-30-20**

Description	6/30/2020	6/30/2020	YTD Variance	% over/under
	YTD FY2020 Actuals	YTD FY2020 Budget		
Electric Revenue	\$ 55,006,224	\$ 55,707,675	\$ (701,451)	-1%
Interest Revenues	97,460	132,077	(34,617)	-26%
Purchased Power	41,828,666	41,574,684	253,981	1%
Labor & Benefits	1,059,833	1,183,120	(123,287)	-10%
Salaries & Wages/Benefits	436,282	613,018	(176,736)	-29%
Contract Labor	579,316	557,502	21,814	4%
Human Resources & Payroll	44,235	12,600	31,635	251%
Office Supplies & Other Expenses	130,697	133,115	(2,418)	-2%
Technology Costs	11,488	14,476	(2,988)	-21%
Office Supplies	4,075	1,239	2,836	229%
Travel	4,449	4,800	(351)	-7%
CalCCA Dues	108,960	109,000	(40)	0%
Memberships	1,725	3,600	(1,875)	-52%
Contractual Services	2,854,172	2,909,798	(55,626)	-2%
Don Dame	13,967	18,000	(4,034)	-22%
SMUD - Credit Support	525,631	611,558	(85,927)	-14%
SMUD - Wholesale Energy Services	564,144	564,144	-	0%
SMUD - Call Center	669,933	687,237	(17,304)	-3%
SMUD - Operating Services	185,871	274,000	(88,129)	-32%
Legal	90,696	168,000	(77,304)	-46%
Regulatory Counsel	174,861	185,280	(10,419)	-6%
Joint Regulatory	38,420	30,000	8,420	28%
Legislative	60,000	60,000	-	0%
Accounting Services	16,618	24,000	(7,382)	-31%
Audit Fees	66,000	58,500	7,500	13%
PG&E Acquisition Consulting	183,908	-	183,908	100%
Marketing Collateral	264,125	229,079	35,046	15%
Rents & Leases	17,381	17,689	(308)	-2%
Hunt Boyer Mansion	17,381	17,689	(308)	-2%
Other A&G	256,539	341,941	(85,403)	-25%
PG&E Data Fees	232,203	267,383	(35,180)	-13%
Community Engagement Activities & Sponsorships	2,826	6,000	(3,174)	-53%
Insurance	5,010	7,358	(2,349)	-32%
New Member Expenses	-	60,000	(60,000)	-100%
Banking Fees	16,500	1,200	15,300	1275%
Miscellaneous Operating Expenses	31,076	6,142	24,934	406%
Contingency	-	229,590	(229,590)	-100%
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 46,178,363</b>	<b>\$ 46,396,080</b>	<b>\$ (217,717)</b>	<b>0%</b>
Interest Expense - Munis	14,965	55,775	(40,811)	-73%
Interest on RCB loan	71,461	85,348	(13,887)	-16%
Interest Expense - SMUD	12,186	13,459	(1,272)	-9%
Miscellaneous Non-Operating	-	-	-	0%
<b>NET INCOME</b>	<b>\$ 8,826,709</b>	<b>\$ 9,289,090</b>	<b>\$ (462,381)</b>	<b>-5%</b>

# VALLEY CLEAN ENERGY ALLIANCE

## Staff Report – Item 7

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To: Valley Clean Energy Alliance Board of Directors

From: Mitch Sears, Interim General Manager

Subject: Legislative Update – Pacific Policy Group

Date: August 13, 2020

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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 several legislative bills.

The Legislature has returned from its summer recess that was extended by two weeks due to the positive tests of two Assemblymembers. Upon the Legislature’s return to session, a group of both Senators and Assemblymembers released a proposed economic stimulus package. Led by Senate Majority Leader Hertzberg (D – Van Nuys), Senator Bradford (D – Gardena) and Assemblymembers Ting (D – San Francisco) and Irwin (D – Thousand Oaks), the working group unveiled what they believe to be a \$100 billion stimulus package that will raise revenue through a new tax voucher program and the acceleration of other existing revenue streams. An overview of the proposal included a rough outline of how revenue would be expended, including a category investments in the green economy with funding potentially going to incentives for electric vehicles and expansion of electric vehicle charging as well as building energy efficiency, clean energy generation, and battery energy storage systems. Little additional information has been released about the details of the proposal and what the process will be for developing and refining the final product.

The extended recess disrupted what the planned legislative calendar for the end of session that was already facing a compressed timeline to consider bills. Accordingly, many legislators abandoned more of their bills and several committee chairs made the decision to not hear bills deemed unnecessary. This was especially true in Assembly Utilities & Energy (U&E) Committee in which the committee only heard a total of three bills, two of which were proposed for consent. VCE had been tracking and supporting several Senate bills that were referred to the Assembly U&E Committee. Those bills are shown below. VCE began tracking and engaging on two Assembly bills, both of which are “gut & amend” measures in which the author of the bill amends out the entire existing policy proposal and inserts an entirely new policy proposal. The bills VCE has and continues 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 had been scheduled to proceed prior to the unscheduled extension of the summer recess.

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](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 their 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](#)
- This bill passed the Legislature and was signed by the Governor

### **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:

- This bill was not given a hearing in Assembly U&E and is now dead.
- VCE supported this bill
- 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 mobilehome 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 mobilehome 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:

- This bill passed Assembly U&E on consent
- VCE supports this bill
- 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 prudence of an IOU'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:

- This bill was not given a hearing in Assembly U&E and is now dead.
- VCE supported the bill
- 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 had yet to officially take a position but was moving toward a support if amended position. CalCCA and other individual CCAs were 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.

Additional Information:

- This bill was not given a hearing in Assembly U&E and is now dead.
- Senate Floor Vote: 28-8 (4 Abstentions)
- Bill language: [SB 1215](#)

**6. AB 841 (Ting) Energy Programs: Economic Stimulus.**

Summary: This bill is a gut and amend bill that seeks to legislate economic stimulus opportunities by authorizing the three IOUs to move forward with EV charging infrastructure development and school retrofit projects that are installed by the IOUs' labor unions. The measure sought to require the PUC to approve pending transportation electrification infrastructure applications from the IOUs as well as require the PUC to direct the IOUs to reallocate unused portions of their energy efficiency budgets for school retrofit projects that would include HVAC and air filtration upgrades as well as replace noncompliant plumbing fixtures. The bill is primarily supported by several labor unions and Natural Resources Defense Council.

The bill was recently heard in the Senate Energy, Utilities and Communications Committee, and the committee imposed several amendments on the bill in order for it to pass. The recommended amendments included removal of the provisions of the bill that direct the CPUC to approve the IOUs' EV applications. The language of these recommended amendments has not been finalized nor made available. VCE, through PPG, is closely monitoring AB 841 as it relates to the EV portion of the bill as the provisions are concerning and may require an oppose position if the committee amendments are unsatisfactory.

Lastly, Assemblymember Ting presented his bill as being part of the economic stimulus package referenced in the opening of this report. As the bill is a gut and amend, the bill needs to pass the Senate and come back to the Assembly for a policy committee hearing, appropriations hearing, and vote on the Assembly Floor.

Additional Information:

- This bill will be heard next in Senate Appropriations
- Bill language: [AB 841](#)

**7. AB 1720 (Carrillo) Long Duration Energy Storage**

Summary: This bill is a gut and amend bill that seeks to require the procurement of long duration energy storage (LDES). This is the fourth attempt by NextEra and labor unions to pass a legislative measure that would require the procurement of LDES to prompt the construction of the Eagle Crest pumped hydro storage facility near Joshua Tree. In this attempt, the bill would require the PCU to decide if it should require LSE's to procure LDES based on IRPs submitted and the desire to get under a 38 million metric ton greenhouse gas threshold the PUC is considering. If the PUC decides not to order the procurement, then the Department of Water Resources would be required to procure LDES and pass along the costs to all ratepayers.

The bill was scheduled to be heard in the Senate Energy, Utilities, and Communications Committee, but was ultimately pulled before the hearing. CalCCA opposed the bill as part of a

coalition of environmental, energy, tribal, and veterans organizations. VCE engaged Senator Dodd to advocate for a no vote on the bill.

# VALLEY CLEAN ENERGY ALLIANCE

## Staff Report – Item 8

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To: Valley Clean Energy Alliance Board of Directors

From: Mitch Sears, Interim General Manager

Subject: Regulatory Monitoring Report – Keyes & Fox

Date: August 13, 2020

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Please find attached Keyes & Fox's July 2020 Regulatory Memorandum dated August 5, 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 August 5, 2020

# Valley Clean Energy Alliance

## Regulatory Monitoring Report

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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: August 5, 2020

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### 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:

- **New: PG&E 2021 Erra Forecast:** PG&E filed its 2021 Erra Forecast application, which proposes a capped PCIA rate of \$0.03670/kWh (system-average) for 2017 PCIA vintage customers, which applies to most VCE customers. PG&E filed supplemental testimony making corrections to its initial application and testimony, and the ALJ issued a Notice scheduling a prehearing conference. The Application indicates PG&E will file an expedited PCIA Undercollection Balancing Account (PUBA) trigger application later this year, which has the potential to significantly increase the PCIA.
- **PCIA Rulemaking:** The ALJ issued a Proposed Decision adopting a framework for prepayment agreements for PCIA obligations, on which parties filed comments and replies. The CPUC issued D.20-06-032, denying a Petition for Modification of a 2018 decision that would have impacted certain SCE and SDG&E customers only.
- **Investigation into PG&E’s Organization, Culture and Governance:** The ALJ issued a Ruling on the case status, proposing options for how the CPUC could proceed in this proceeding and requesting comments. Comments on the Ruling were filed August 4, 2020.
- **RA Rulemaking (2019-2020):** The CPUC issued D.20-06-028 on the Track 1 RA Import issues. Western Power Trading Forum filed an Application for Rehearing of D.20-06-002, the Track 2 Decision creating a multi-year central procurement regime for local RA capacity. The Working Group that was established by D.20-06-002 held a workshop on local capacity requirement reduction compensation mechanisms and existing contracts, which followed a round of informal stakeholder comments on these topics. The ALJ issued a Proposed Decision that would deny three separate Petitions for Modification (PFMs), including a CalCCA PFM that requested extending the RA waiver process from *local RA* only to *system RA* and *flexible RA* as well.
- **RA Rulemaking (2021-2022):** The Assigned Commissioner issued an Amended Scoping Memo and Ruling for Track 3. The Energy Division held a workshop on 2021 RA templates (*i.e.*, RA

compliance filing requirements applicable to VCE) and Guides and provided draft versions of the RA templates and Guide to stakeholders.

- **2020 IRP Rulemaking:** Parties filed reply comments on the Order Initiating Rulemaking and/or comments in response to the June 15, 2020, Ruling proposing changes to the IRP cycle and proceeding schedule. A prehearing conference was held. Comments and/or proposals were filed on backstop procurement and cost allocation mechanisms in response to a June 5, 2020 ALJ Ruling. Parties filed reply comments in response to the June 15, 2020, ALJ Ruling. Stakeholders filed comments on Draft Resolution E-5080, which proposes to initiate an IRP Citation Program for non-compliance with IRP requirements. VCE's 2020 IRP is due September 1, 2020.
- **2016 IRP Rulemaking:** The CPUC issued D.20-07-009, denying CESA's Petition for Modification of D.19-11-016. The CPUC issued Draft Resolution E-5100, which would approve PG&E's proposed energy storage procurement and interim cost recovery mechanism relating to its additional system RA procurement obligations mandated under D.19-11-016.
- **RPS Rulemaking:** VCE submitted its Draft 2020 RPS Procurement Plan on July 6, 2020. Parties including VCE filed comments on 2020 RPS Procurement Plans and on a proposal to extend the RPS Citation Program to cover RPS Procurement Plans. VCE also submitted its 2019 RPS Compliance Report on August 3, 2020, demonstrating that VCE is on track to achieve full compliance with all RPS requirements for the 2017-2020 RPS Compliance Period. Comments and reply comments on the June 26 Ruling on ReMAT were filed.
- **PG&E's 2019 ERRR Compliance:** Intervenor testimony and replies were filed on July 10, 2020, and July 22, 2020, respectively. The Joint CCAs' testimony identifies \$175.4 million in net reductions to the 2019 PABA balance that should be made, excluding interest. The Joint CCAs argue this amount should be credited back to customers. PG&E has acknowledged through Prepared Testimony and the discovery process that \$40.8 million of these adjustments are necessary. When combined with its Supplemental Testimony, PG&E has agreed to \$110.0 million in reductions to the ending 2019 PABA balance in total, leaving approximately \$65.3 million (plus interest) in adjustments in contention between PG&E and the Joint CCAs.
- **Wildfire Fund Non-Bypassable Charge (AB 1054):** Parties filed comments and reply comments on the Proposed Decision, and the CPUC issued D.20-07-014 approving servicing orders to be executed between the California Department of Water Resources (DWR) and the large IOUs. The ALJ issued a Ruling requesting comments on proposed Wildfire Fund Non-Bypassable Charges of \$0.00580/kWh take effect October 1, 2020, and \$0.00579/kWh to take effect January 1, 2021. Comments on the Ruling were due August 4, 2020.
- **PG&E's Phase 1 GRC:** No updates this month.
- **PG&E's Phase 2 GRC:** The ALJ issued a Ruling granting a request to extend the procedural schedule for testimony, rebuttal testimony, and hearings.
- **PG&E Regionalization Plan:** No significant updates this month. On June 30, 2020, PG&E filed its regionalization proposal, which describes how it plans to reorganize operations into new regions. Responses or protests are due August 5, 2020.
- **Investigation of PG&E Bankruptcy Plan:** The ALJ issued a Ruling indicating this proceeding will likely be closed soon and requesting comments on how to proceed with remaining issues in I.15-08-019 (PG&E Safety Culture) that were not addressed in this proceeding.
- **Investigation into PG&E Violations Related to Wildfires:** No updates this month. 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.
- **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.)

## New: PG&E 2021 ERRA Forecast

On July 1, 2020, PG&E filed its 2021 ERRA Forecast application, which proposes capped PCIA rates of \$0.03115/kWh (system-average 2021 vintage) and \$0.03670/kWh (system-average for 2017 PCIA vintage, which applies to most VCE customers). PG&E filed supplemental testimony on July 17, 2020, making corrections to its initial application and testimony. On July 29, 2020, the ALJ issued a Notice scheduling a prehearing conference.

- **Background:** Energy Resource and Recovery Account (ERRA) forecast proceedings establish the amount of the PCIA and other non-bypassable charges for the following year, as well as fuel and purchased power costs associated with serving bundled customers that utilities may recover in rates.
- **Details:** PG&E proposes a total 2021 revenue requirement of \$2.758 billion, comprised of the following components: (1) CAM, \$266 million; (2) PCIA, \$2.803 billion; (3) Ongoing Competitive Transition Charge, \$20 million; (4) Tree Mortality Non-Bypassable Charge, \$73 million; (5) ERRA, \$1.841 billion; (6) PUBA, \$277 million; and *less* (7) Utility-owned generation costs of \$2.522 billion. The Application indicates PG&E will file an expedited PUBA (*i.e.*, an interest-bearing balancing account that is used in the event that the 0.5-cent PCIA cap is reached that tracks obligations that accrue for departing load customers) trigger application later this year, which has the potential to significantly increase the PCIA. PG&E is requesting that any year-end PUBA balance not disposed of via such an expedited application process be included in the PCIA revenue requirement for recovery as part of its November Update via a separate rate adder. However, that rate adder would still be subject to the \$0.005/kWh cap, meaning it would not be amortized via 2021 rates but would count towards a possible PUBA trigger application in early 2022.

The PCIA rate for most VCE residential customers (*i.e.*, 2017 vintage) would be \$0.03846/kWh, although PG&E will update this figure in November. PG&E's application does not contain any details regarding the impacts of the COVID pandemic, and its June 2020 monthly report indicates a PABA undercollection that is already twice the amount the utility forecasts for year-end. Both of these factors indicate the November Update will include a dramatic increase in CCA customers' PCIA-related obligations.

- **Analysis:** This proceeding will establish the amount of the PCIA for VCE's 2020 rates and the level of PG&E's generation rates for bundled customers. PG&E is proposing another increase to its PCIA to \$0.0367/kWh for the 2017 vintage. In comparison, the last ERRA Forecast proceeding established a capped rate of \$0.0317/kWh for the 2017 vintage, an increase from the previous rate of \$0.0267/kWh.
- **Next Steps:** Protests or responses to PG&E's application are due August 5, and replies are due August 15. A prehearing conference is scheduled for August 13, 2020, which is expected to be followed by a scoping memo and ruling to establish the scope and schedule of this proceeding. PG&E's November Update will include updates to the PCIA benchmarks for forecasting and true-up purposes.
- **Additional Information:** Notice of Prehearing Conference (July 29, 2020); [PG&E Supplemental Testimony](#) correcting errors in Application (July 17, 2020); [Application](#) (July 1, 2020); Docket No. [A.20-07-002](#).



## PCIA Rulemaking

On June 30, 2020, the ALJ issued a Proposed Decision adopting a framework for prepayment agreements for PCIA obligations. Parties filed comments and replies, respectively, on July 20, 2020, and July 27, 2020. On July 3, 2020, the CPUC issued D.20-06-032, denying a Petition for Modification of a 2018 decision that would have impacted certain SCE and SDG&E customers only.

- **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.

D.20-06-032 rejects a joint PFM, finding 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:** The PD on prepayment would (1) adopt the consensus framework of PCIA prepayment agreements; (2) adopt the consensus guiding principles, except for one principle regarding partial payments; (3) adopt evaluation criteria for prepayment agreements; (4) not adopt any proposed prepayment concepts; and (5) clarify that risk should be incorporated into the prepayment calculations by using mutually acceptable terms and conditions that adequately mitigate the risks identified by Working Group Two. IOUs would be directed to file a Tier 2 advice letter within 60 days to establish protocols to administer prepayment requests and negotiations.

CalCCA responded with comments that criticized aspects of the PD, asserting the PD would significantly hamper the possibility of the prepayment being used. CalCCA expressed concern with provisions that would give the IOUs the authority to propose tailored terms that must be met by the CCA to enter into prepayment negotiations, including authority to determine a CCA's financial fitness, as well as the adoption of a risk premium, which CalCCA argued violates the PCIA indifference principle.

- **Analysis:** The PD on prepayment, if adopted, would make successful prepayments very difficult by giving utilities significant control over the process and requiring the prepayment include a risk premium. The PD denying the Joint Petition for Modification, if adopted, would not impact VCE customers.
- **Next Steps:** The PD on prepayment may be heard, at the earliest, at the CPUC's August 6, 2020 Business Meeting. A proposed decision regarding Working Group 3 is expected in Q3 2020.
- **Additional Information:** [D.20-06-032](#) denying PFM of D.18-07-009 (July 3, 2020); [Proposed Decision](#) on prepayment (June 30, 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); [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](#).

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

On July 15, 2020, the ALJ issued a Ruling on the case status, proposing options for how the CPUC could proceed in this proceeding and requesting comments. Comments on the Ruling were due August 4, 2020.

- **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 Ruling describes the issues that are potentially still in scope for this proceeding, which include a broad array of issues identified in the December 21, 2018 Scoping Memo, as modified by D.20-05-053 approving PG&E's reorganization plan, plus the ongoing work of NorthStar, the consultant monitoring PG&E. However, the Ruling observes that "it is not clear as a practical matter how many of those issues can be or should be addressed at this time," given PG&E is now implementing its reorganization plan and has filed its application for regional restructuring. The Ruling proposes five options for how the CPUC could proceed in this proceeding:
  - Keep the proceeding open and proceed to address a manageable subset of the potential issues, with NorthStar continuing in a monitoring role.
  - Keep the proceeding open as a vehicle to monitor PG&E's progress and address issues that arise, with NorthStar continuing in a monitoring role. Issues could be raised in the proceeding by parties or the Commission.
  - Keep the proceeding open for NorthStar to continue in a monitoring role and for the Commission to address issues identified by staff or NorthStar. Parties could not raise issues to be addressed in the proceeding, but would have the opportunity to address issues raised by the Commission.
  - Close the proceeding and open a more narrowly focused proceeding on specific short-term issues. The Commission could open additional new proceedings in the future to address the same or related issues as presented in I.15-08-019. NorthStar may continue in a monitoring role.
  - Close the proceeding. The Commission could open additional new proceedings in the future to address the same or related issues as presented in I.15-08-019. NorthStar may continue in a monitoring role.

Among the comments filed on the Ruling:

- CalCCA argued that this proceeding should address whether PG&E should be a "wires-only company" and whether PG&E's holding company structure should be revoked. In addition, it recommended the CPUC take action now to create a plan to ensure continuity of gas and electric service should PG&E's CPCN be revoked in the future.
- Direct Access Customer Coalition strongly recommended that the CPUC move forward with examining and acting upon the conversion of PG&E to a "wires-only" company.

- Silicon Valley Clean Energy advocated for addressing whether a distribution system operator model should replace PG&E. In the alternative, it argues this proceeding should adopt needed structural reform of PG&E's distribution grid that has been deferred from other proceedings.
- Mussey Grade Road Alliance argued that should PG&E's equipment and service areas be considered for reassignment to municipal utilities, the CPUC must ensure that it will not compromise wildfire safety, and that any successor entity approved by the CPUC should have a demonstrated capability to handle wildfire safety issues.
- **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. However, the July 15, 2020 Ruling did not mention CCA proposals to purchase PG&E electric distribution assets or suggest this issue would explicitly be considered going forward, and party comments on the Ruling did not specifically advocate that these proposals be addressed.
- **Next Steps:** Reply comments on the Ruling are due August 13, 2020.
- **Additional Information:** [Ruling](#) on case status (July 15, 2020); [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](#).

## RA Rulemaking (2019-2020)

On July 6, 2020, the CPUC issued D.20-06-028 on the Track 1 RA Import issues. On July 17, 2020, Western Power Trading Forum filed an Application for Rehearing of D.20-06-002, the Track 2 Decision creating a multi-year central procurement regime for local RA capacity. On July 27, 2020, the Working Group that was established by D.20-06-002 held a workshop on local capacity requirement reduction compensation mechanisms and existing contracts, which followed a round of informal stakeholder comments on these topics that were filed on July 20, 2020. On July 30, 2020, the ALJ issued a Proposed Decision denying three separate Petitions for Modification (PFMs), including a CalCCA PFM that requested extending the RA waiver process from *local RA* only to *system RA* and *flexible RA* as well.

- **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).

The second [Track 2](#) Decision, D.20-06-002, adopted 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. D.20-06-002 also established 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.

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 purpose of the July 27 Workshop was to develop and assess proposals regarding (1) a local capacity requirement (LCR) reduction compensation mechanism and (2) treatment of existing local RA contracts in light of the hybrid central procurement structure adopted for local RA procurement beginning in 2021. The LCR reduction compensation mechanism relates to the establishment of a possible premium that would compensate LSEs for procuring local RA, subject to various limitations articulated in D.20-06-002, such as it cannot be a one-to-one credit or apply to fossil fuels.

WPTF's Application for Rehearing requests rehearing and reconsideration of the rejected settlement agreement between WPTF, CalCCA, and other parties, arguing that D.20-06-002 will discourage the procurement of local resources by individual LSEs, discriminates against natural gas resources while increasing the need for CAISO backstop procurement, may undermine reliability by making it more difficult to integrate renewables with the larger western grid, and creates a "sale for resale" procurement construct that could place it under FERC's jurisdiction as a wholesale, rather than a retail, transaction.

D.20-06-028 adopted 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 established a central procurement entity and mostly resolved the central buyer issues, although several details are being refined through a Working Group. Moving to a central procurement entity beginning for the 2023 RA compliance year 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, it will eliminate the need for monthly local RA showings and associated penalties and/or waiver requests from individual LSEs, but it also eliminates VCE's autonomy with regard to local RA procurement and places it 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.

The PD would deny PG&E's PFM of Decision D.19-02-022, CalCCA's PFM of D.19-06-026, and Joint Parties' PFM of D.20-01-004 as moot, given subsequent CPUC decisions in the RA

proceedings that addressed the various issues raised by the PFMs. Of note, the PD would deny CalCCA's PFM that requested extending the existing local RA waiver process to system RA and flexible RA. The PD states that CPUC already denied CalCCA's proposal in D.20-06-031 on Track 2 Issues, which stated agreement with parties that the system and flexible RA waivers process needs further development and study due to "significant, unresolved issues" involved with allowing waivers, including potential market power issues (e.g., withholding capacity) and leaning on other LSEs.

- **Next Steps:** The only issues remaining to be addressed in this proceeding are outstanding petitions for modification. Comments on the PD are due August 19, 2020, replies are due August 24, 2020, and the PD may be adopted, at earliest, at the September 10, 2020 CPUC meeting. Remaining RA issues will be addressed in the successor RA rulemaking, R.19-11-009. Informal reply comments are due to the Workshop Co-Leads on August 17, 2020, the draft Working Group Report will be circulated on August 19, 2020, comments on the draft report are due August 26, 2020, and the Working Group report is due September 1, 2020 (to be addressed in R.19-11-009).
- **Additional Information:** WPTF [Application for Rehearing](#) of D.20-06-002 (July 17, 2020); [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)

On July 7, 2020, the Assigned Commissioner issued an Amended Scoping Memo and Ruling for Track 3. On July 30, 2020, the Energy Division held a workshop on 2021 RA templates (*i.e.*, RA compliance filing requirements applicable to VCE) and Guides and provided draft versions of the RA templates and Guide to stakeholders.

- **Background:** Per the Scoping Memo, this proceeding is divided into 4 tracks:
  1. Track 1, *completed via D.20-06-028*.
  2. Track 2, *completed via D.20-06-031*. D.20-06-031 approved 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" (MCC) bucket system, it adopted 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 Decision also adopts several revisions to RA counting conventions based on working group activities and reports, including to hydro and hybrid resources. The Decision revised RA penalties, previously \$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. It declined to establish a system or flexible RA waiver process. It also declined to reaggregate the "Other" local area, and instead adopted 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 directed 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. It also authorized the Energy Division to facilitate a working group to pursue a review of the 15% planning reserve margin.

3. Track 3 is examining 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:** The Amended Scoping Memo and Ruling divides Track 3 into Track 3.A and Track 3.B, which will proceed in parallel, and establishes the schedule for each track. Track 3.A issues will include the following topics: (1) evaluation of CAISO's updated LCR reliability criteria; (2) evaluation of an LCR reduction compensation mechanism; (3) consideration of the CPE's Competitive Neutrality Rules; (4) NQC for BTM hybrid resources; and (4) other time-sensitive issues.

Track 3.B will focus on an examination of 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. Other structural changes or refinements to the RA program identified during Track 1 or Track 2 will also be considered, including: (1) incentives for load-serving entities that are deficient in year-ahead RA filings, as discussed in D.20-06-031; (2) multi-year system and flexible RA requirements, as stated in D.20-06-002; and (3) refinements to the MCC buckets adopted in D.20-06-031.

- **Analysis:** Regulatory developments under consideration in this proceeding that may impact VCE's capacity procurement obligations and RA compliance filing requirements 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; 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.A, a working group meeting hosted by Energy Division and the Sierra Club on the CAISO Local Capacity Requirements study is scheduled to meet August 13, 2020, as directed by D.20-06-031. The Working Group reports and proposals are due September 1; comments on Joint Agency workshop, working group reports and proposals are due September 11; reply comments are due September 18; and a Proposed Decision is anticipated in Q4 2020.

In Track 3.B, initial Track 3 proposals and comments on process are due August 7; potential working group meetings are anticipated for August-September; workshop(s) on Energy Division and party proposals will take place in late September-October; final Track 3 proposals are due October 15, 2020; Comments on workshop and all proposals are due November 6, 2020; reply comments are due November 20, 2020; and a Proposed Decision is anticipated Q1 2021.

The schedule and scope of issues for Track 4 will be established in a later Scoping Memo.

- **Additional Information:** [Amended Scoping Memo](#) on Track 3 (July 7, 2020); [D.20-06-031](#) on local and flexible RA requirements and RA program refinements (June 30, 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); [Scoping Memo and Ruling](#) (January 22, 2020); [Order Instituting Rulemaking](#) (November 13, 2019); Docket No. [R.19-11-009](#).

## 2020 IRP Rulemaking

Parties filed reply comments on the Order Initiating Rulemaking and/or comments in response to the June 15, 2020, Ruling proposing changes to the IRP cycle and proceeding schedule on July 6, 2020. A prehearing conference was held July 14, 2020. Comments and/or proposals were filed July 22, 2020, on backstop procurement and cost allocation mechanisms in response to a June 5, 2020 ALJ Ruling. On July 24, 2020, parties filed reply comments in response to the June 15, 2020, ALJ Ruling. On July 27, 2020, stakeholders filed comments on Draft Resolution E-5080, which proposes to initiate an IRP Citation Program for non-compliance with IRP requirements. VCE's 2020 IRP is due September 1, 2020.

- **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) after LSEs submit individual IRPs to be used in statewide planning and future procurement.

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:** In comments filed on Draft Resolution E-5080, CalCCA recommended that the IRP citation program be limited to *knowing* violations of *unambiguous* requirements, noting, for instance that the IRP requirements, as implemented by the Energy Division through extensive prescriptive requirements and use of specified templates, have repeatedly been changed or clarified since first implemented, with some compliance issues pertaining to the LSEs' individual IRPs still remaining unclear to this day. CalCCA also recommended providing LSEs a 20-day cure period in which deficiencies could be corrected without penalty, among other recommendations to improve the process and outcomes of an IRP citation program.

As reported last month, the ALJ's June 5 Ruling on backstop procurement and cost allocation proposed "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).

Also reported last month, 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 proposed a three-year cycle for the IRP process, instead of the current structure of conducting each cycle every two years. The proposed schedule provided 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:** 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 July 21, 2020, the CPUC issued D.20-07-009, denying CESA's Petition for Modification of D.19-11-016. On July 22, 2020, the CPUC issued Draft Resolution E-5100 that would approve PG&E's proposed energy storage procurement and interim cost recovery mechanism relating to its additional system RA procurement obligations mandated under D.19-11-016.

- **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.

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:** D.20-07-009 denied CESA's PFM, but committed to processing the IOU filings for additional system RA contracts for 2021 as quickly as possible, including using all appropriate means of expediting Tier 3 advice letters, and encouraged IOUs to file their Tier 3 advice letters expeditiously and to request expedited treatment when it does not expect any controversy. For reference, 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).

In a related matter, Draft Resolution E-5100 would approve PG&E's seven energy storage contracts that PG&E procured to comply with the additional system RA mandated by the CPUC in D.19-11-016. It also would approve an interim cost recovery methodology proposed by PG&E that would be in place until the CPUC adopts a Modified CAM. PG&E would begin recovering the procurement costs and administrative costs associated with its *bundled* customers through generation rates in 2021 and would track costs in a new memorandum account for costs associated with procurement on behalf of CCAs and ESPs that opted out of their D.19-11-016 requirements (*i.e.*, this is not applicable to VCE, and VCE rates would not be impacted).

- **Analysis:** PG&E's procurement approval through Draft Resolution E-5100 would not impact VCE customers or VCE compliance obligations. 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:** Comments on Draft Resolution E-5100 are due August 11, 2020. The proceeding is now closed, except to consider pending intervenor compensation claims and CalCCA's PFM. All other IRP issues will be addressed through R.20-05-003. VCE's IRP is due on September 1, 2020.
- **Additional Information:** [Draft Resolution E-5100](#) on PG&E storage contracts (July 22, 2020); [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

VCE submitted its Draft 2020 RPS Procurement Plan on July 6, 2020. On July 10, 2020, the ALJ issued a Ruling that extended procedural deadlines related to the review of retail sellers' RPS Procurement Plans. Comments and reply comments on the June 26 Ruling on ReMAT were filed July 21, 2020, and July 28, 2020, respectively. On July 24, 2020, the ALJs issued a Proposed Decision revising the Bioenergy Market Adjusting Tariff (BioMAT) program. On July 29, 2020, parties filed comments on Draft 2020 RPS Procurement Plans and on a proposal to extend the RPS Citation Program to cover RPS Procurement Plans. VCE signed onto comments by Joint CCAs on the RPS Citation Program proposal. VCE also submitted its 2019 RPS Compliance Report on August 3, 2020, demonstrating that VCE is on track to achieve full compliance with all RPS requirements for the 2017-2020 RPS Compliance Period.

- **Background:** This proceeding addresses ongoing RPS issues. 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 May 6, 2020, the ACR on RPS Procurement Plan requirements was issued, 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 included numerous substantive additions to the narrative filing requirements. Finally, it 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.

On June 26, 2020, the ALJ issued a Ruling requesting 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.

- **Details:** The PD would adopt the staff proposal, with modifications, revising California's BioMAT program. BioMAT procurement costs would be allocated through a non-bypassable charge to all customers in each investor-owned utility's service territory. However, the PD would not adopt a provision of the staff proposal, which was supported by Joint CCAs and would have allowed non-IOU LSEs (such as CCAs) to enter into BioMAT contracts and recover non-IOU LSEs' costs through the IOU's non-bypassable charge for the BioMAT program.
- **Analysis:** The ACR on RPS Procurement Plans added 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. As a result of certain new requirements, VCE must file a motion to update its Draft 2020 RPS Procurement Plan on August 12, 2020. Based on the ACR, 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, including potentially applying such penalties to Draft RPS Plans.

The PD revising 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, but would not allow VCE to directly enter into BioMAT contracts.

The reopening of the ReMAT program could impact VCE by reopening a program that could compete with VCE with respect to the procurement of small-scale renewable energy facilities.

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:** Reply comments on the 2020 RPS Procurement Plans and Motions requesting an evidentiary hearing are due August 5, 2020. Motions to update 2020 RPS Procurement Plans are due August 12, 2020. A PD/Decision on the 2020 RPS Procurement Plans is anticipated in Q4 2020, after which retail sellers may file "Final" 2020 RPS Procurement Plans (also expected in Q4).

Comments and replies are due August 13, 2020, and August 18, 2020, on the BioMAT PD.

In 2020, the Energy Division is developing a proposal 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:** [Proposed Decision](#) on BioMAT (July 24, 2020); [Ruling](#) extending procedural schedule on RPS Procurement Plan review (July 10, 2020); [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](#).

## PG&E's 2019 ERRA Compliance

Intervenor testimony and replies were filed on July 10, 2020, and July 22, 2020, respectively. The Joint CCAs' testimony identifies \$175.4 million in net reductions to the 2019 PABA balance that should be made, excluding interest, of which approximately \$65.3 million (plus interest) in adjustments remains in contention between PG&E and the Joint CCAs.

- **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 Joint CCAs' testimony identifies \$175.4 million in net reductions to the 2019 PABA balance that should be made, excluding interest. The Joint CCAs argue this amount should be credited back to customers. PG&E has acknowledged through Prepared Testimony and the discovery process that \$40.8 million of these adjustments are necessary. When combined with its Supplemental Testimony, PG&E has agreed to \$110.0 million in reductions to the ending 2019 PABA balance in total, leaving approximately \$65.3 million (plus interest) in adjustments in contention between PG&E and the Joint CCAs.

- **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:** 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](#).

## Wildfire Fund Non-Bypassable Charge (AB 1054)

Comments and reply comments on the Proposed Decision were filed July 2, 2020, and July 7, 2020, respectively. On July 24, 2020, the CPUC issued D.20-07-014 approving servicing orders to be executed between the California Department of Water Resources (DWR) and the large IOUs. On July 3, 2020, the ALJ issued a Ruling requesting comment on proposed Wildfire Fund Non-Bypassable Charges (NBC) of \$0.00580/kWh take effect October 1, 2020, and \$0.00579/kWh to take effect January 1, 2021. Comments on the Ruling were due August 4, 2020.

- **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:** D.20-07-014 approves 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.

The ALJ Ruling requested comments on proposed Wildfire Fund Non-Bypassable Charges (NBC) of \$0.00580/kWh take effect October 1, 2020, and \$0.00579/kWh to take effect January 1, 2021, based on an attached memo by the DWR supporting the calculations of the new charges.

- **Analysis:** This proceeding establishes a new non-bypassable charge on VCE customers beginning October 1, 2020, to fund the Wildfire Fund under AB 1054. The DWR Bond Charge would end c. September 21, 2020. 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:** Reply comments are due August 11, 2020. The Wildfire Fund NBC is set to go into effect on October 1, 2020.
- **Additional Information:** [D.20-07-014](#) approving servicing orders (July 24, 2020); [Ruling](#) on Wildfire NBC implementation (July 3, 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

No updates this month.

- 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:** N/A.
- Analysis:** PG&E's GRC proposals included 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](#) 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

On July 14, 2020, the ALJ issued a Ruling granting a request to extend the procedural schedule for testimony, rebuttal testimony, and hearings.

- **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:** The procedural extension was necessary to allow Cal Advocates adequate time to complete its ongoing analyses and discovery to reflect corrections PG&E recently provided in responding to certain Cal Advocates data requests regarding PG&E's proposed marginal costs of service.
- **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:** Cal Advocates' testimony is due October 23, 2020. Intervenor testimony is due November 20, 2020. Rebuttal testimony is due February 15, 2021. An evidentiary hearing is tentatively scheduled for March 1-12, 2021. A CPUC decision is anticipated for September 2021.
- **Additional Information:** [Ruling](#) extending procedural schedule (July 13, 2020); [Exhibit \(PG&E-5\)](#) (May 15, 2020); [Scoping Memo and Ruling](#) (February 10, 2020); [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](#).

## PG&E Regionalization Plan

No significant updates this month. On June 30, 2020, PG&E filed its regionalization proposal, which describes how it plans to reorganize operations into new regions. Responses or protests are due August 5, 2020.

- **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.
- **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 are due August 5, and replies are due August 15. 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.20-06-011](#).

## Investigation of PG&E Bankruptcy Plan

On July 15, 2020, the ALJ issued a Ruling indicating this proceeding will likely be closed soon and requesting comments on how to proceed with remaining issues in I.15-08-019 (PG&E Safety Culture) that were not addressed in this proceeding.

- **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 or 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 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:** The Ruling confirmed that this proceeding will be closed in the near future, absent a compelling reason to keep it open. The Ruling requested party comments on how to proceed in proceeding I.15-08-019, which is described in more detail above.
- **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 key 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 soon, with remaining issues to be addressed in the PG&E Safety Culture proceeding (I.15-08-019).
- **Additional Information:** [Ruling](#) (July 15, 2020); [D.20-05-053](#) (June 1, 2020); [PG&E Motion](#) for official notice and [Plan of Reorganization](#) (March 24, 2020); [Order Instituting Investigation](#) (October 4, 2019); Docket No. [I.19-09-016](#).

## Investigation into PG&E Violations Related to Wildfires

No updates this month. 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](#).

## 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.

## Glossary of Acronyms

<b>AB</b>	Assembly Bill
<b>AET</b>	Annual Electric True-up
<b>ALJ</b>	Administrative Law Judge
<b>BioMAT</b>	Bioenergy Market Adjusting Tariff
<b>BTM</b>	Behind the Meter
<b>CAISO</b>	California Independent System Operator
<b>CAM</b>	Cost Allocation Mechanism
<b>CARB</b>	California Air Resources Board

<b>CEC</b>	California Energy Commission
<b>CPE</b>	Central Procurement Entity
<b>CPUC</b>	California Public Utilities Commission
<b>CPCN</b>	Certificate of Public Convenience and Necessity
<b>CTC</b>	Competition Transition Charge
<b>DA</b>	Direct Access
<b>DWR</b>	California Department of Water Resources
<b>GRC</b>	General Rate Case
<b>ELCC</b>	Effective Load Carrying Capacity
<b>ERRA</b>	Energy Resource and Recovery Account
<b>EUS</b>	Essential Usage Study
<b>IEPR</b>	Integrated Energy Policy Report
<b>IFOM</b>	In Front of the Meter
<b>IRP</b>	Integrated Resource Plan
<b>IOU</b>	Investor-Owned Utility
<b>ITC</b>	Investment Tax Credit
<b>LSE</b>	Load-Serving Entity
<b>MCC</b>	Maximum Cumulative Capacity
<b>OII</b>	Order Instituting Investigation
<b>OIR</b>	Order Instituting Rulemaking
<b>PABA</b>	Portfolio Allocation Balancing Account
<b>PD</b>	Proposed Decision
<b>PG&amp;E</b>	Pacific Gas & Electric
<b>PFM</b>	Petition for Modification
<b>PCIA</b>	Power Charge Indifference Adjustment
<b>PSPS</b>	Public Safety Power Shutoff
<b>PUBA</b>	PCIA Undercollection Balancing Account
<b>QC</b>	Qualifying Capacity
<b>RA</b>	Resource Adequacy
<b>RDW</b>	Rate Design Window
<b>RPS</b>	Renewables Portfolio Standard
<b>SCE</b>	Southern California Edison
<b>SED</b>	Safety and Enforcement Division (CPUC)
<b>SDG&amp;E</b>	San Diego Gas & Electric
<b>TCJA</b>	Tax Cuts and Jobs Act of 2017
<b>TOU</b>	Time of Use
<b>TURN</b>	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

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**TO:** Valley Clean Energy Alliance Board of Directors  
**FROM:** Mitch Sears, Interim General Manager, VCEA  
**SUBJECT:** Customer Enrollment Update (Information)  
**DATE:** August 13, 2020

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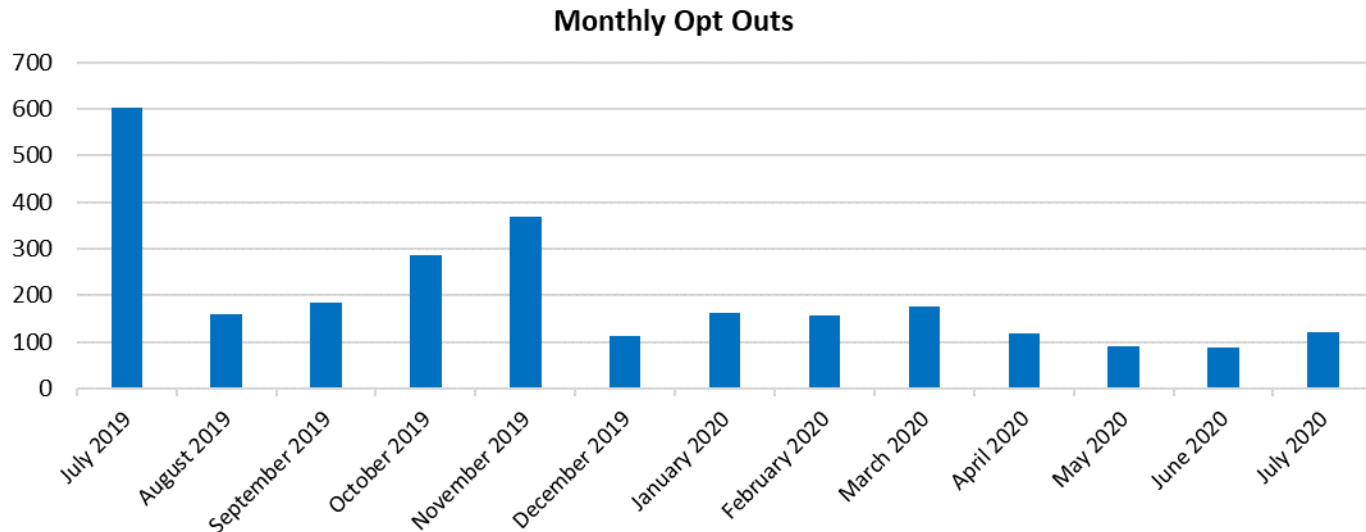
### RECOMMENDATION

Receive and review the attached Customer Enrollment update as of August 5, 2020.

# Item 9 - Enrollment Update

	Davis	Woodland	Yolo Co	Total	Ag	Commercial	Industrial	Residential
<b>VCEA customers</b>	26,794	20,016	10,381	57,191	1,845	5,838	6	49,502
<b>Eligible customers</b>	28,681	23,109	12,069	63,859	2,155	6,493	7	55,204
<b>Participation Rate</b>	93%	87%	86%	90%	86%	90%	86%	90%

- There are currently 2,544 NEM customers not included in this table. They will enroll throughout the remainder of 2020.

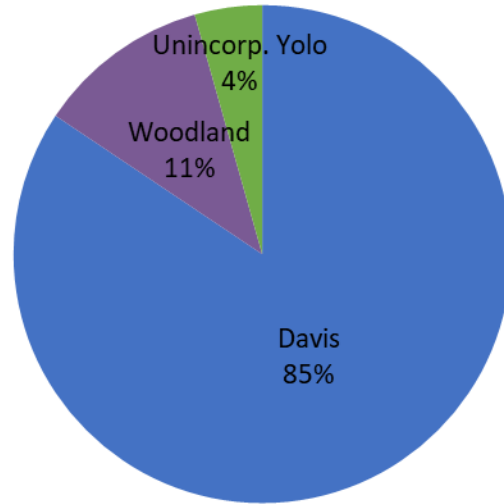


Status Date: 8/5/20

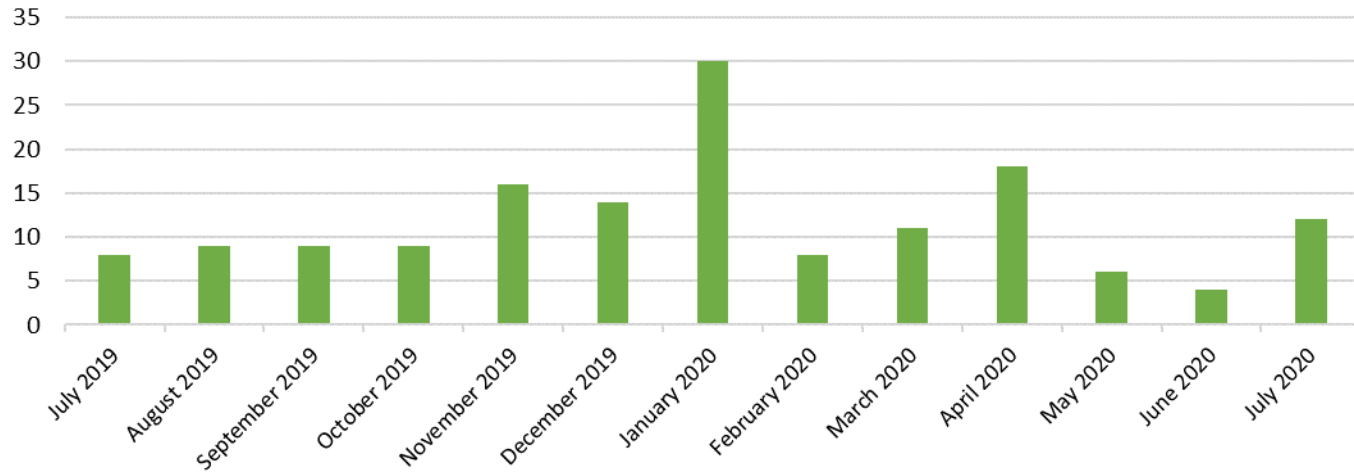


# Item 9 - Enrollment Update

365 Opt Ups



Monthly Opt Ups



Status Date: 8/5/20

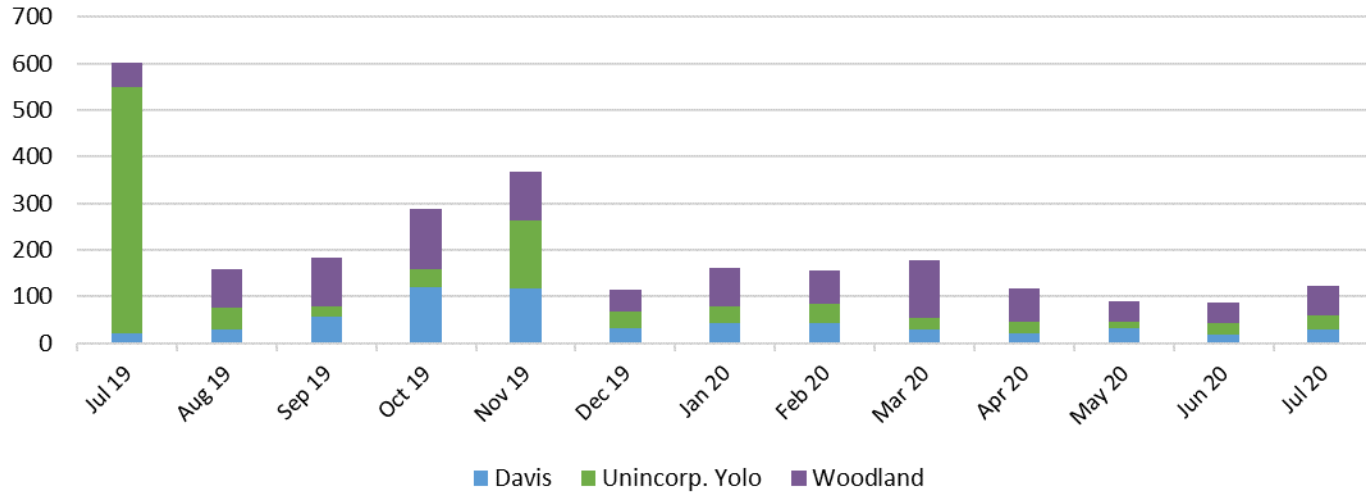


**VALLEY**  
CLEAN ENERGY

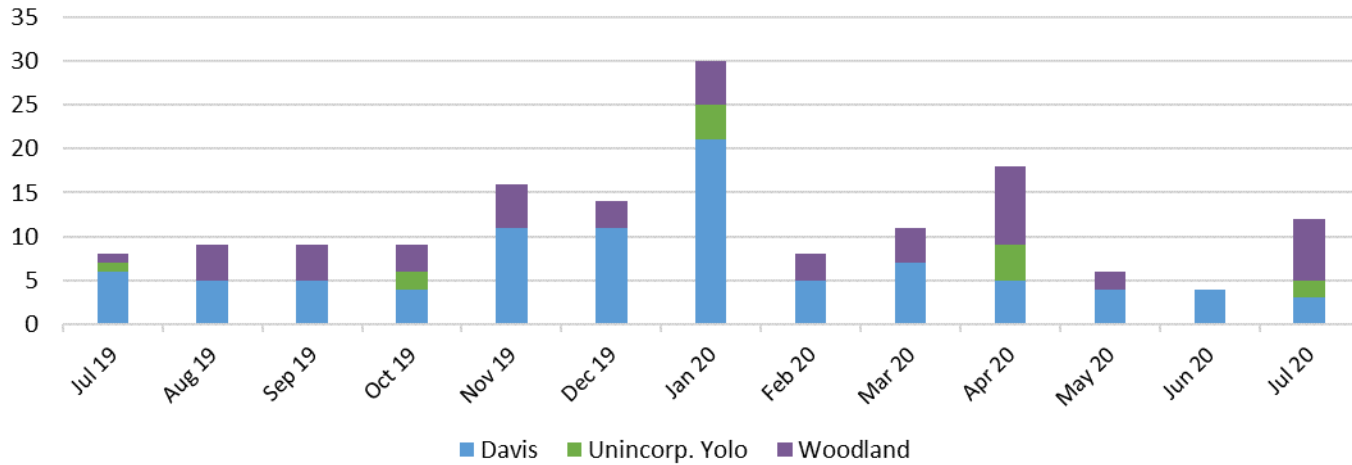


# Item 9 - Enrollment Update

## Monthly Opt Outs



## Monthly Opt Ups

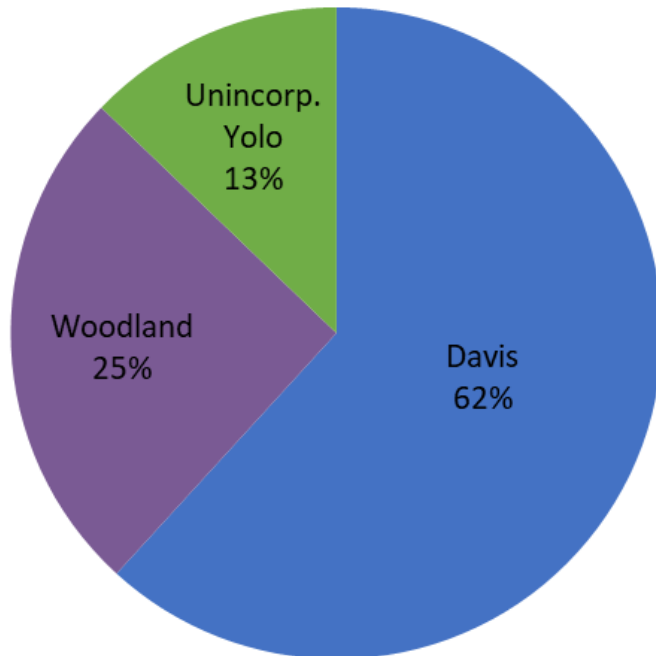


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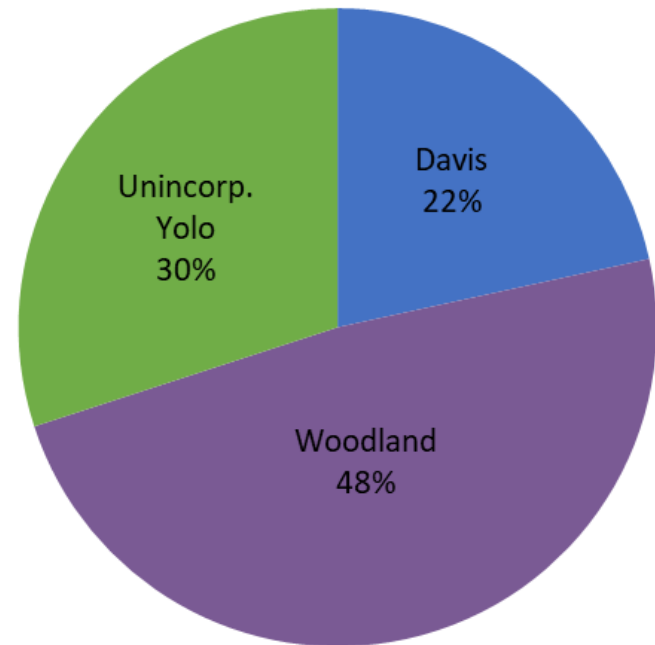


# Item 9 - Enrollment Update

**335 Opt Ups**



**8683 Opt Outs**



## VALLEY CLEAN ENERGY ALLIANCE

### Staff Report – Item 10

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TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Interim General Manager

SUBJECT: Community Advisory Committee July 9, 2020 Special Meeting Summary

DATE: August 13, 2020

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This report summarizes the Community Advisory Committee’s special meeting held via zoom on Thursday, July 23, 2020 at 5 p.m.

- A. **New CAC Members:** CAC Members and VCE Staff welcomed new Committee member, Cynthia Rodriguez representing unincorporated Yolo County. We currently only have one unincorporated Yolo County seat vacant on the Committee.
- B. **Priorities for the types of energy technologies for future local renewable resource procurement (Informational / Discussion):** This item arose out of the CAC’s review and discussion at its last meeting of the Legislative Platform. After discussing biomass as included in the document, the CAC agreed on the need for a discussion and prioritization of the different renewable resource technologies and their relationship to possible local renewable resource technologies. VCE Staff Gordon Samuel provided information and definition of the different types of energy technologies that are in the “front of the meter” or “utility side of the meter”. At a future CAC meeting, potential priorities for VCE will be discussed.
- C. **Review of final draft Integrated Resource Plan (IRP) and Action Plan and recommendation to the Board (Action):** Dr. Olof Bystrom reviewed highlights of the final draft IRP confirming the conforming 46 MMT as the selected preferred portfolio and the mandatory 38 MMT portfolio. During the discussion, CAC member Christine Shewmaker raised the concept of incorporating the goal of carbon neutrality by 2030 (similar to SMUD’s new goal) to the staff recommendation. It was agreed that the CAC should have further discussion on the concept at a future CAC meeting and Dr. Bystrom agreed to provide information on SMUD’s plans. Additionally, a modification was made to the staff recommendation to make efforts to exceed the 46MMT path.

The CAC adopted the following recommendation to the Board (11-0-0):

- a. accept Staff’s recommendation to adopt the IRP report and supporting documentation with the conforming 46 MMT selected as Preferred Portfolio; and,
- b. to change bullet #2 of Staff’s recommendation, which read as “38MMT portfolio is mandatory to submit but is not the recommended path” to “while mandatory

38 MMT portfolio is not the recommended path forward due to financial projections, we encourage the Board to make ongoing efforts at VCE to exceed the 46 MMT path.”

- D. **Updates on energy and energy storage procurement items: a) request for offers for local renewable projects and Incremental Resource Adequacy; and, b) renewable energy procurement reporting process (Informational):** VCE Staff Gordon Samuel provided an update on the current status of VCE’s local request for offers (RFO), joint RFO with Redwood Coast Energy Authority (RCEA), and a joint CCA request for information on long duration storage.
- E. **Update on VCE’ response to address current environmental and social justice issues (Informational):** Interim General Manager Mitch Sears provided a verbal update on the Board’s working group formed to address environmental and social justice issues. The working group consisting of Don Saylor, Lucas Frerichs and Jesse Loren has been working with VCE Staff on a statement that is action focused. The Board working group will be reaching out to stakeholders to get their feedback and input. The CAC requested that the CAC Members be given the opportunity to provide names of stakeholders as there were several CAC Members who were very interested in being involved with this issue. CAC Members were encouraged to send recommendations of organizations to be contacted to the working group.
- F. **Update on Strategic Plan process (Informational):** Mr. Sears provided a verbal update of the Strategic Plan process and timeline, with the goal of presenting a 3 year Strategic Plan to the Board in October 2020. Mr. Sears will be setting a few meetings with the CAC’s Strategic Planning Task Group to discuss further.
- G. **Long Range Calendar:** At the last meeting, CAC Member Lorenzo Kristov asked if an agenda item could be added regarding when a bidder responds to a VCE request for offer, what rights does VCE have to look at how the property was obtained. Mr. Kristov informed those present that he will prepare a short description of the issue and send it to Mr. Sears, Ms. Hunter and Ms. Baird (the CAC chair and vice chair) as background for a future agenda item. As noted above, the discussion on setting a goal of carbon neutrality for VCE will be included on a future CAC agenda.

# VALLEY CLEAN ENERGY ALLIANCE

## Staff Report – Item 11

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To: Valley Clean Energy Alliance Board of Directors

From: Mitch Sears, Interim General Manager

Subject: Receipt of signed Amendment 18 to Task Orders 2, 3 and 4 of the SMUD Professional Services Agreement

Date: August 13, 2020

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### RECOMMENDATION

Receive copy of signed Amendment 18 to Task Order 2 (data management and call center services), Task Order 3 (wholesale energy services), and Task Order 4 (operational staff services) of the Sacramento Municipal Utilities District (SMUD) Professional Service Agreement increasing the billable hourly rates by 2.0% effective July 1, 2020.

### BACKGROUND

On October 12, 2017 the VCE Board approved a Professional Services Agreement with the Sacramento Municipal Utility District (SMUD) and Task Orders 1 and 2 to provide program launch and operational services. Soon thereafter, a series of additional Task Orders were implemented to the Agreement, including Task Order 3 to provide Wholesale Energy Services; Task Order 4 to provide Operational Staff Services to VCE; and Task Orders 5 (Long Term Renewable Procurement Services) and 6 (Expansion of VCE Service to Winters, CA).

The attached Amendment reflects increases in the billable rates by 2.0% effective July 1, 2020 per the contractually defined escalation methodology of benchmarking to the consumer price index. These rates will be in effect through June 30, 2021.

The Board approved Operating budget for Fiscal Year 2020/2021 included the anticipated increases in the billable rates.

### UPDATE

Per the SMUD contract, billable rates were to increase July 1, 2020. Interim General Manager Mitch Sears recently signed Amendment 18 to Task Orders 2, 3, and 4. Attached is a signed copy.

**Attachment:** Amendment 18 to Task Orders 2, 3 and 4

**AMENDMENT 18 TO EXHIBIT A: Scope of Services**

**A.4 Task Order 2 – Data Management and Customer Call Center Services  
 Task Order 3 – Wholesale Energy Services  
 Task Order 4 – Operational Staff Services**

SMUD and VCEA agree to the following services, terms, and conditions described in this Amendment 18 to Exhibit A, Task Orders No. 2, 3, and 4 (Amendment 18), the provisions of which are subject to the terms and conditions of the Master Professional Services Agreement (Agreement) between the Parties. If any specific provisions of this Amendment 18 conflict with any general provisions in the Agreement or Task Orders 2, 3 or 4, the provisions of this Amendment 18, shall take precedence. Capitalized terms used in this Amendment which are not defined in this Amendment will have the respective meanings ascribed to them in the Agreement or a previous Amendment thereof.

1. In accordance with the terms of Task Orders 2, 3 and 4, this Amendment 18 is to memorialize the rate escalation effective July 1, 2020, as described in *Section 4, COMPENSATION FOR SERVICES*. The following rates are effective from July 1, 2020 through June 30, 2021.

- a. Task Order 2, Subsection 4.1, *Data Management and Call Center Services* is amended as follows:
  - i. “The Data Management and Call Center Services at the selected “Silver” service level will be charged at a fixed monthly fee per customer meter enrolled in Program Service of \$1.0429.”
- b. Task Order 3, Subsection 4.3, *Wholesale Energy Services* is amended as follows:
  - i. “Wholesale Energy Services will be charged at a fixed monthly service fee of \$47,972.00.”
- c. Task Order 2, Subsection 4.2, Task Order 3, Subsection 4.3, and Task Order 4, Subsection 5.2, *Hourly Rates*, are amended as follows:
  - i. “Hourly Billing Rates effective July 1, 2020 – June 30, 2021:

Resource	Hourly Rate
CEO/VP	\$260.72
Principal	\$198.14
Senior Analyst	\$156.43
Analyst	\$104.29
Administrative	\$83.43

[Signature Page follows]

**SIGNATURES**

The Parties have executed this Amendment 18, and it is effective as of the date of last signature below.

**Valley Clean Energy Alliance**

**By:**  \_\_\_\_\_

**Name:** Mitch Sears

**Title:** Interim General Manager

**Date:** July 17, 2020

**Approved as to Form:** N/A

**Sacramento Municipal Utility District**

**By:**  \_\_\_\_\_

**Name:** Arlen Orchard

**Title:** Chief Executive Officer & General Manager

**Date:** July 17, 2020

**Approved as to Form:** 

# VALLEY CLEAN ENERGY ALLIANCE

## Staff Report – Item 12

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**TO:** Valley Clean Energy Alliance Board of Directors  
**FROM:** Alisa Lembke, Board Clerk / Administrative Analyst  
**SUBJECT:** Resolution to modify place and time of regular Board meetings  
**DATE:** August 13, 2020

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### **RECOMMENDATION**

Approve resolution amending Resolution 2017-004, to modify the place and time for regular Board meetings.

### **BACKGROUND**

On September 20, 2017 the Board adopted Resolution 2017-004 establishing a regular meeting day and time and to alternate the monthly meeting location between Davis City Council and Yolo County Board of Supervisors Chambers. Since then, the cities of Woodland and Winters have joined VCE.

In March 2020, due to the COVID-19 pandemic, the Governor executed two orders (N-25-20 and N-29-20) suspending certain provisions of the Brown Act and allowing Boards of Directors to attend meetings telephonically or by videoconference to provide for physical distancing. Over the past months, the Board has been holding *special* meetings at 4 p.m. via videoconferencing. The attached resolution amends Resolution 2017-004 to modify the place and time of its regular Board meetings.

### **Attachments**

1. Resolution modifying place and time
2. Resolution 2017-004



**VALLEY CLEAN ENERGY ALLIANCE**

**RESOLUTION NO. 2020-\_\_\_**

**A RESOLUTION OF THE VALLEY CLEAN ENERGY ALLIANCE AMENDING RESOLUTION  
2017-004 TO MODIFY THE PLACE AND TIME FOR  
REGULAR BOARD OF DIRECTORS MEETINGS**

**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**, to encourage and maximize participation of the public in the proceedings and discussions of the Board of Directors, and as required by Section 3.8 of the JPA Agreement, the Board adopted Resolution 2017-004 on September 20, 2017 establishing a regular meeting day to be the second Thursday of the month, a regular meeting time of 5:30 p.m., and to alternate the monthly meeting location between Davis City Council Chambers, 23 Russell Boulevard, Davis and Yolo County Board of Supervisors Chambers at 625 Court Street, Woodland;

**WHEREAS**, on June 13, 2017 the City of Woodland became a member of the VCE Joint Powers Agency and on December 12, 2019 the City of Winters became a member of the VCE Joint Powers Agency;

**WHEREAS**, with the addition of the City of Woodland and the City of Winters, the location of in person meetings will rotate among the member agencies;

**WHEREAS**, pursuant to the provisions of the Governor’s Executive Orders N-25-20 (March 12, 2020) and N-29-20 (March 17, 2020), 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 due to the COVID-19 pandemic, all members of the Board of Directors and all staff attend meetings telephonically or by videoconference during the COVID-19 emergency and the public is provided access to observe and participate in the meetings on a written, telephonic or videoconference basis; and,

**WHEREAS**, the Board of Directors has been holding monthly Special Board meetings via teleconference/videoconference at 4 p.m. while the Governor’s Executive Orders are in effect.

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

1. The Board reconfirms the regular meeting day for the Board of Directors of the Valley Clean Energy Alliance shall be the second Thursday of the month, provided that if a regular meeting date is an official holiday, the meeting will be held on the following day.

2. The regular meeting time of the Board of Directors of the Valley Clean Energy Alliance shall be 4:00 p.m. so long as the Executive Orders set forth above are in place and, the meetings of the Board of Directors, during this time shall be held via teleconference or videoconference. At the termination of the Executive Orders related to the COVID-19 emergency, the regular meeting time of the Board of Directors' meeting shall be 5:30 p.m.

3. When the Board resumes meetings with a physical location, the regular meeting place(s) of the Board of Directors of the Valley Clean Energy Alliance shall be held within the jurisdiction of one of its member agencies at the following locations: Davis City Council Chambers (Davis), City of Woodland Council Chambers (Woodland), and City of Winters Police/Fire Station (Winters), or Yolo County Board of Supervisors Chambers (Woodland) and the meetings shall rotate from member to member in the order set forth in this paragraph

4. The Clerk shall post the times and places of the Board meetings on the Valley Clean Energy Alliance website to provide advance notice of the times and locations of the meetings

**PASSED, APPROVED, AND ADOPTED**, at a regular meeting of the Valley Clean Energy Alliance, held on the \_\_\_ day of August 2020, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

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Don Saylor, VCE Chair

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Alisa M. Lembke, VCE Board Secretary

# VALLEY CLEAN ENERGY ALLIANCE

## RESOLUTION NO. 2017-004

### RESOLUTION OF THE VALLEY CLEAN ENERGY ALLIANCE DESIGNATING THE PLACE AND TIME FOR REGULAR BOARD OF DIRECTORS MEETINGS

WHEREAS, the Valley Clean Energy Alliance ("VCEA") 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") and the City of Davis ("City") (the "JPA Agreement"), to collectively study, promote, develop, conduct, operate and manage energy programs; and

WHEREAS, to encourage and maximize participation of the public in the proceedings and discussions of the Board of Directors, and as required by Section 3.8 of the JPA Agreement, the Board of Directors desires to establish a regular meeting date by Resolution.

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

1. The Regular Meeting days for the Board of Directors of the Valley Clean Energy Alliance shall be the second Thursday of the month, provided that if a regular meeting date is an official holiday, the meeting will be held on the following day.
2. The Regular Meeting time of the Board of Directors of the Valley Clean Energy Alliance shall be 5:30pm.
3. The Regular Meeting place of the Board of Directors of the Valley Clean Energy Alliance shall alternate monthly between Davis City Council Chambers, 23 Russell Blvd, Davis and Yolo County Board of Supervisor Chambers at 625 Court St, Woodland.

ADOPTED, this 20th day of September, 2016, by the following vote:

AYES: Barajas, Davis, Frerichs, Saylor, Stallard  
NOES: None  
ABSENT: Chamberlain  
ABSTAIN: Non

  
\_\_\_\_\_  
Don Saylor, VCEA Board Chair

Attest:

VCEA Board Clerk

By 

Secretary

# VALLEY CLEAN ENERGY ALLIANCE

## Staff Report – Item 13

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**TO:** Valley Clean Energy Alliance Board of Directors  
**FROM:** Mitch Sears, Interim General Manager  
**SUBJECT:** Affirm Withdrawal of West Sacramento as Associate Member of VCE  
**DATE:** August 13, 2020

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### RECOMMENDATION

Adopt Resolution thanking the City of West Sacramento for serving as an Associate Member to Valley Clean Energy during VCE's investigation of ownership of PG&E's local assets.

### BACKGROUND & DISCUSSION

In early 2019 Valley Clean Energy (VCE) began investigating the feasibility of acquiring some or all of PG&E's electric distribution system within Yolo County as part of the PG&E bankruptcy process. In September 2019 the City of West Sacramento accepted VCE's invitation to become an Associate Member for the purpose of participating in the analysis of the acquisition of PG&E's local distribution assets. Following resolution of the PG&E bankruptcy in mid-2020, the West Sacramento City Council voted to withdraw as an Associate Member while leaving open the possibility of future discussions regarding membership in VCE.

The attached resolution:

- Acknowledges and affirms the action by the West Sacramento City Council withdrawing as an Associate Member of VCE;
- Affirms that the invitation to the City of West Sacramento to join VCE as a full member in the future remains open;
- Recognizes the City of West Sacramento for their valuable contributions to VCE's investigation of ownership of PG&E's local assets and the City's continuing efforts to achieve better outcomes for electricity customers in their City and in Yolo County; and
- Thanks the City of West Sacramento for serving as an Associate Member to the Valley Clean Energy Joint Powers Agency.

In addition, staff would note its appreciation of the West Sacramento staff for their collaborative approach and work and on these complex energy issues.

### Attachment

1. Resolution

**VALLEY CLEAN ENERGY ALLIANCE**

**RESOLUTION NO. 2020- \_\_\_\_\_**

**A RESOLUTION OF THE VALLEY CLEAN ENERGY ALLIANCE BOARD OF DIRECTORS  
RECOGNIZING THE CITY OF WEST SACRAMENTO'S PARTICIPATION AS AN ASSOCIATE  
MEMBER TO THE VALLEY CLEAN ENERGY ALLIANCE JOINT POWERS AGENCY**

**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; and

**WHEREAS**, VCE is investigating the feasibility of acquiring some or all of Pacific Gas & Electric's (PG&E) electric distribution system within Yolo County as part of the PG&E bankruptcy process; and

**WHEREAS**, VCE adopted Resolution 2019-011 on September 12, 2019 amending the JPA to create an Associate Member classification to enable non-member jurisdictions to participate in the investigation of acquiring some or all of Pacific Gas & Electric's (PG&E) electric distribution system within Yolo County as part of the PG&E bankruptcy process; and

**WHEREAS**, VCE adopted Resolution 2019-012 on September 12, 2019 approving an invitation to the City of Winters (Winters) and the City of West Sacramento (West Sacramento) to join VCE Joint Powers Agency (JPA) as Associate Members; and

**WHEREAS**, VCE extended an invitation to West Sacramento to join as an Associate Member and on October 16, 2019, the West Sacramento City Council adopted a resolution to join VCE JPA as an Associate Member and appointed Mayor Christopher Cabaldon and Councilmember Beverly Sandeen to serve on the VCE Board as Associate Members; and

**WHEREAS**, West Sacramento has participated in Board meetings and provided valuable input in investigating the acquisition of PG&E's electric distribution system within Yolo County, on PG&E bankruptcy process, and on other topics as appropriate; and

**WHEREAS**, West Sacramento have shared their knowledge and experience on a variety of topics with VCE Board Members and Staff; and

**WHEREAS**, PG&E bankruptcy proceedings are concluding and VCE's investigation into acquiring PG&E assets within Yolo County are transitioning to a monitoring stage; and

**WHEREAS**, on July 15, 2020 the West Sacramento City Council voted to withdraw from VCE as an Associate Member.

**NOW, THEREFORE**, the Board of Directors of Valley Clean Energy:

1. Acknowledges and affirms the action by the West Sacramento City Council withdrawing as an Associate Member of VCE; and
2. Affirms that the invitation to the City of West Sacramento to join VCE as a full member in the future remains open; and
3. Recognizes the City of West Sacramento for their valuable contributions to VCE's investigation of ownership of PG&E's local assets and the City's continuing efforts to achieve better outcomes for electricity customers in their City and in Yolo County; and
4. Thanks the City of West Sacramento for serving as an Associate Member to the Valley Clean Energy Joint Powers Agency.

**PASSED, APPROVED, AND ADOPTED**, at a regular meeting of the Valley Clean Energy Alliance, held on the \_\_\_\_ day of August 2020, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

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Don Saylor, VCE Chair

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Alisa M. Lembke, VCE Board Secretary

## VALLEY CLEAN ENERGY ALLIANCE

### Staff Report – Item 14

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

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

**SUBJECT:** 2020 VCE Integrated Resource Plan and Required Action Plan (IRP)

**DATE:** August 13, 2020

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#### RECOMMENDATION

Staff recommends that the Board adopt a resolution establishing the following:

- Approving the Integrated Resource Plan (IRP) in substantially the form attached and selects the “46MMT Portfolio” as VCE’s preferred conforming resource portfolio and the Action Plan identified therein, for submission to the California Public Utilities Commission (CPUC).
- Authorizing staff to make any non-substantial changes necessary to finalize the IRP as well as supplemental documents and work products to be submitted to the CPUC by September 1, 2020.

#### BACKGROUND

Valley Clean Energy (VCE), is required by the CPUC to prepare an integrated resource plan (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.

Staff conducted two public workshops to inform 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 conducted as a special meeting of the VCE Community Advisory Committee (CAC) with the Committee providing 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 draft IRP report was also reviewed by the CAC who provided recommendations on the plan at their meeting on July 23, 2020 (see below).

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 and satisfy compliance requirements of the CPUC. These resource portfolios were developed such that the projected GHG emissions match the CPUC requirements of respectively 134,000 metric tons per year and 108,000 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 draft IRP offer a balanced resource plan that expands on the resource contracts that VCE expects to complete 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.

#### Recommended Portfolio

The following is an excerpt from the attached IRP describing the recommended portfolio (Section 3.B.iii – Preferred Conforming Portfolio):

The 46MMT Conforming Portfolio more closely aligns with VCE's current blueprint for its own procurement relative to the 38MMT Conforming Portfolio, and therefore represents VCE's "preferred" resource portfolio. This portfolio represents a continuation of VCE's renewable energy-focused portfolio that will allow VCE to reach more than a 70% RPS level by 2030. VCE contracted for new solar PV capacity in the first half of 2020 and is in the process of completing the procurement for the 2021 and 2022 new capacity mandated by Commission. VCE expects to continue expanding and diversifying its portfolio of renewable energy and energy storage over the forecast period by adding local solar PV capacity in 2023 and later also in the 2028-2030 period, by adding significant battery capacity in the 2025-2030 period to facilitate integration of renewables and provide new RA capacity, and by adding in-state and out-of-state wind resources in the 2026-2030 period. VCE also expects to add large scale hydro resources to its portfolio through short- or long-term contracts. Each of the resources were selected so as to be consistent with the RSP and the RESOLVE model's New Build Capacity Limit.

A summary of the resource choices in this portfolio is shown in Table 3 above. The resulting generation from the 46MMT Conforming 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 1. Summary of annual electric demand and generation by resource type for the 46MMT Conforming 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 (“Brown Power”)	530	772	588	423	424	315	195
<b>Carbon Free Energy</b> (Large Hydro)	233	29	0	0	0	54	54
<b>Wind</b>	0	0	0	0	0	55	112
Solar	0	26	235	404	404	404	475
Small Hydro	6.7	6.4	6.4	6.4	6.4	6.4	6.4
Storage		(0.2)	(0.4)	(6.3)	(5.9)	(4.7)	(11.8)
RECs	308	118					
RPS Delivered (% of Retail load)	45%	20%	32%	54%	54%	61%	78%

The portfolio generation summarized in Table 4 shows the expected performance of the 46MMT Conforming Portfolio that is consistent with VCE’s long term preferences and conforms with Commission and statutory requirements.

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, relying on a mix of wind, solar, hydro, and storage helps match renewable generation to VCE’s load profile compared to a more solar-heavy portfolio, which could otherwise be preferred from a cost perspective. Even though other resources are attractive from the perspective of resource diversification and ability to match VCE’s load, such as geothermal resources, biomass and pumped storage hydro, VCE believes these resources also to be significantly more challenging to develop, making them less feasible options to pursue in the near term. VCE is also a very small LSE, which would necessitate teaming up with other LSEs to develop and/or contract for non-solar resources. This adds risk to the development and contracting cycle. Finally, leveled costs for 4-hour battery storage are expected to be competitive with conventional gas-

fired capacity (as available in the CAISO RA market) beginning around 2025, making battery storage a cost-preferred resource for RA.

Note: Due to their size, the supporting spreadsheets that will be filed together with the IRP report and that provide a month-by-month breakdown of VCE's resource plan for 2020-2030 are available upon request.

### **ACTION PLAN**

The draft IRP also includes a proposed action plan for implementing the IRP. The proposed actions are focused mainly on monitoring progress on 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 Request for Offers (RFO) process.

### **COMMUNITY ADVISORY COMMITTEE REVIEW**

Staff reviewed the draft IRP report and staff recommendations with the CAC on July 23, 2020. The CAC unanimously approved staff's recommendations, while also noting that "while the mandatory 38 MMT portfolio is not the recommended path forward due to financial projections, we encourage the Board to make ongoing efforts at VCE to exceed the 46 MMT path."

### **Attachments**

1. Resolution
2. Draft 2020 IRP

**Attachment 1**  
**Proposed Integrated Resource Plan**

# Standard LSE Plan

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Valley Clean Energy Authority

2020 INTEGRATED RESOURCE PLAN

DRAFT

August 6, 2020

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DRAFT

## I. Executive Summary

Valley Clean Energy Alliance, or Valley Clean Energy (VCE), is a joint powers authority providing 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. Beginning 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 integrated resource plan (IRP or resource plan) was prepared in accordance with Decision (D.)20-03-028 by the California Public Utilities Commission (Commission) in proceeding R.16-02-007. The IRP follows the format provided by the Commission.

Since VCE started serving load in June 2018 and in accordance with the action plan of its 2018 IRP, VCE has added 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 50 MW of new solar resources to come online before the end of 2021 and is currently negotiating contracts for new RA capacity expected to bring 7 MW of new capacity online by August 2021 and another 2.5 MW by August 2022 in order to meet Commission-mandated capacity procurement requirements. 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

Figure 1. VCE Vision

**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;
- Saving money for ratepayers on their energy bills; and
- Remaining open to the participation of additional jurisdictions.

course of several meetings and workshops that were open for attendance and public inputs. From this process followed the development of two resource portfolios that are presented in this report that meet the Commission’s requirements for the two mandatory Conforming Portfolios as directed by D.20-03-028, corresponding to the overall 2030 greenhouse gas (GHG) emissions targets of 46 million metric tons (MMT) and 38 MMT, respectively. The first portfolio, entitled “**46MMT 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 135,000 metric tons per year by 2030, in accordance with Table 1 of the *Administrative Law Judge’s Ruling Finalizing Load Forecasts and Greenhouse Gas Benchmarks for Individual 2020 Integrated Resource Plan Filings and Assigning Procurement Obligations Pursuant to D.19-11-016* (ALJ Ruling), and as modified by Commission staff in the Clean System Power Calculator tool released on June 15, 2020 (henceforth 46MMT GHG Benchmark). 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 Conforming Portfolio, entitled “**38MMT Conforming Portfolio**,” was prepared to demonstrate an alternative portfolio that meets the GHG requirements of the 38MMT target, which for VCE amounts to 108,000 metric tons per year by the year 2030 per the ALJ Ruling , as modified by Commission staff in the Clean System Power Calculator tool released on June 15, 2020 (henceforth 38MMT GHG Benchmark).<sup>1</sup>

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.

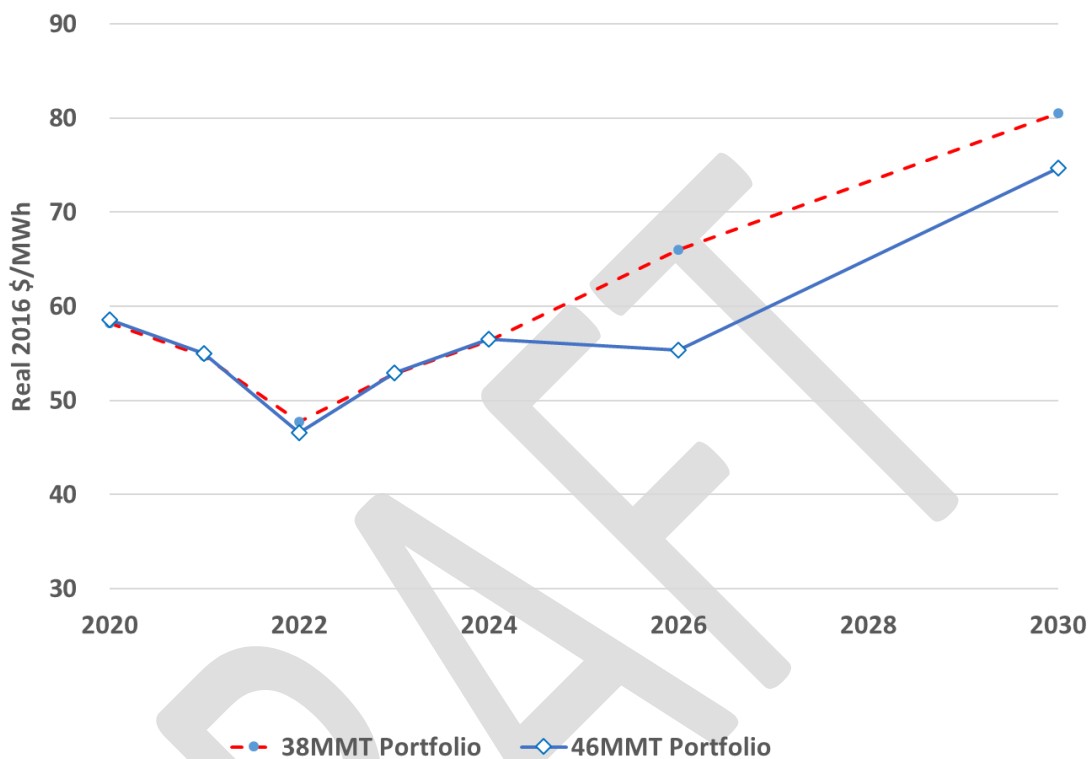
Figure 2 shows a comparison of the estimated generation costs for each of the two Conforming Portfolios submitted for the 2020-2030 period.

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<sup>1</sup> The ALJ Ruling issued on April 15, 2020, and corrected through a subsequent Ruling on May 20, 2020, specifies a 46 MMT GHG Benchmark of 156,000 metric tons and a 38 MMT GHG Benchmark of 129,000 tons in 2030 for VCE. The template issued on June 15, 2020, reduced the 46 MMT GHG Benchmark to 135,000 metric tons and the 38 MMT GHG Benchmark to 108,000 metric tons in 2030 for VCE to account for VCE’s allocation of behind-the-meter combined heat and power emissions.



Figure 2. Annual Generation Costs by Conforming 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:

- With the exception of hydro resources, VCE’s Conforming 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 mainly on assumptions and prices available in the Reference System Portfolio (RSP) results for the RESOLVE model that were developed for the Commission and that were made public on March 26, 2020.<sup>2</sup>
- Quantities of individual resources in VCE’s Conforming Portfolios were selected so as not to exceed VCE’s proportional load-share of the RESOLVE model’s “New Build

<sup>2</sup> <https://www.cpuc.ca.gov/General.aspx?id=6442459770>

Capacity Limit.” In general, VCE’s Conforming Portfolios select a resource mix that is relatively similar to VCE’s proportional share of the resources selected in RSP. While VCE has a preference for local wind resources (e.g., Solano Wind), the selected resources for the Conforming Portfolios could be exchanged for other new renewable resources after 2025 since there is significant uncertainty on the exact sources and locations 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 nor 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 2030 GHG emissions for VCE using the Commission’s Clean System Power Calculator Tool for each of the Conforming Portfolios developed, as well as the Commission GHG benchmark values for the 46MMT and 38MMT Conforming Portfolios are shown in Table 1 below.

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

	46MMT	38 MMT
<b>ALJ Ruling 2030 GHG Benchmark for VCE</b>	156	129
<b>IRP Template 2030 GHG Benchmark for VCE (prior to accounting for BTM CHP emissions)</b>	135	108
<b>VCE’s 2030 GHG emissions in Conforming Portfolios</b>	135	108

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 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 RSP provided by the Commission.<sup>3</sup> VCE's analysis also uses the same assumptions that the RSP 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. One near-term priority is to finalize one or more long-term PPAs for new solar that will help VCE meet its long-term RPS obligations and expand its renewable energy portfolio. Another important near-term activity 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. 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.

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.

The resource plans presented in this report differ slightly from the preliminary plan reported in VCE's most recent RPS plan. There are two main reasons for discrepancies: First, the resource plan presented here has been updated to conform to the revised GHG benchmarks that the Commission made public in June 2020. Second, since the completion of the RPS plan, one of VCE's long term solar PPAs has been cancelled due to delays in the developer's permitting process. VCE is currently negotiating for replacement resources by leveraging results from previous RFO processes and bilateral discussions, and expects to bring new capacity online by mid-2022.

## 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 for renewable energy content, resource diversity and cost-effectiveness as well as to demonstrate compliance with 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

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<sup>3</sup> For the 46MMT Conforming 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 Conforming Portfolio, VCE used "38MMT\_20200117\_2045\_2GWPRM\_NOOTCEXT" that are available at <https://www.cpuc.ca.gov/General.aspx?id=6442459770>

Conforming Portfolio called "46MMT," which conforms with the 46MMT GHG benchmark for 2030, and one Conforming Portfolio called "38MMT" which conforms with the alternative GHG benchmark for which LSEs are required to also submit a resource portfolio.

VCE's modeling approach is based on utilizing electricity prices that represent a combination of prices in the futures market ((2020-2022) and pricing data available through the Commission's RESOLVE model (2023-2030). In the model, 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 price for each respective portfolio (46 MMT and 38MMT) wherein CO2 allowance prices are implicitly reflected in the CAISO price.

VCE used its own market forecast for RA prices, where prices are expected to be set by the lowest cost resource for providing new capacity in the CAISO market. From 2025 onwards, 4-hour battery storage is expected to be the lowest cost resource for new capacity, which is reflected in VCE's portfolio choices detailed below. Our approach also uses the levelized costs provided in the RESOLVE model to estimate costs for resources in VCE's portfolios. Further details are provided in sections II a) and II b) below.

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 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 PG&E service area.<sup>4</sup> VCE also uses the PG&E 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.<sup>5</sup> 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 the ALJ Ruling that finalized load forecasts and greenhouse gas benchmarks for LSEs.<sup>6</sup> 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).

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<sup>4</sup> <https://efiling.energy.ca.gov/Lists/DocketLog.aspx?docketnumber=19-IEPR-03>

<sup>5</sup> <https://efiling.energy.ca.gov/Lists/DocketLog.aspx?docketnumber=19-IEPR-03>

<sup>6</sup> <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M333/K160/333160852.PDF>

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

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

### a. 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, as well as to support the Commission in its efforts to identify cost-effective resource choices that support reliability and policy goals. 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, and 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.

### b. 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 beginning in 2021. Two Conforming 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, including the costs of RA, RECs, and carbon-free resources. 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.<sup>7</sup> 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.

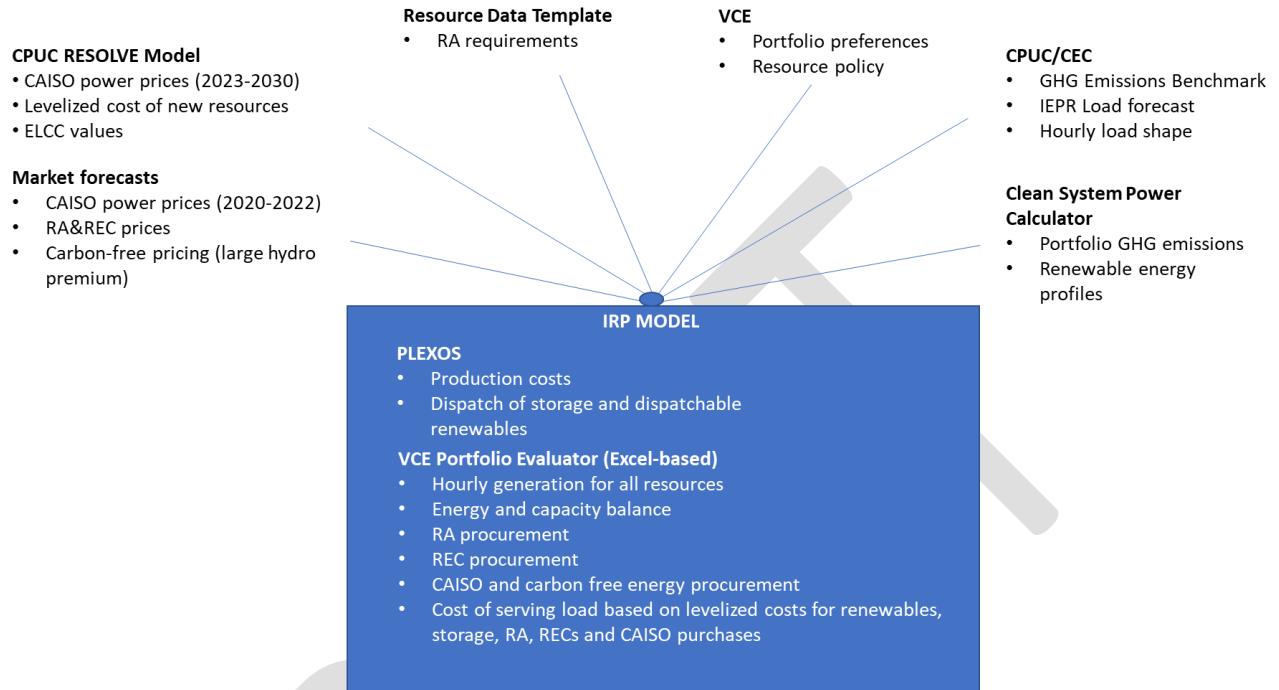
The RESOLVE model provides a simplified representation of the entire WECC system and performs a cost-based simulation and forecast for the 2018-2030 period that selects resources and provides estimates of total and marginal costs as well as emissions and reliability parameters. With this model, only 37 representative days per year are modeled and subsequently aggregated to provide an estimate of full-year impacts. Based on the 37 days modeled in RESOLVE, VCE developed a power price forecast for all 8760 hours in a year. VCE's spreadsheet model assumes that prices and the cost and availability of 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 the RESOLVE model as well as from the Commission's Clean System Power calculator, the Resource Data Template, and CEC's IEPR load forecast. Figure 3 highlights the modeling methodology, tools and inputs used to prepare VCE's IRP portfolios.

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<sup>7</sup> VCE used version 8.1 of PLEXOS that is licensed by Energy Exemplar.

VCE also iterated between its own models and the Commission-provided CSP and Data Templates in order to make sure that the final selected portfolios are feasible, cost-effective and in compliance with Commission requirements and VCE Board preferences.

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 Conforming Portfolios: the 46 MMT Portfolio and the 38 MMT Portfolio.

The 46MMT Conforming Portfolio was created as a resource path for ensuring that VCE meets all statutory and regulatory requirements, including reaching the 46MMT GHG Benchmark by 2030. The 46MMT Conforming 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 addition to renewable resources, VCE also expects to rely to a limited extent on carbon-free hydro resources to ensure that VCE meets its 2030 46MMT GHG Benchmark as well as the 38MMT GHG Benchmark . 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, solar and solar+storage hybrid resources and also have a significantly longer lead time to develop. Therefore, such resources were not selected in the resource plan.

The 38MMT Conforming Portfolio was developed to comply with requirements described D.20-03-028 as the second Conforming Portfolio and meets the lower 38MMT GHG Benchmark, as directed by the Commission. This 38MMT Conforming Portfolio is nearly identical to the 46MMT Conforming Portfolio except that it includes the use of additional wind, battery storage and large-scale hydro resources in the years leading up to 2030 in order to further reduce GHG emissions to the required levels.

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

VCE did not develop any alternative portfolios for its IRP.

### III. Study Results

This section shows study results for the two IRP Conforming Portfolios that were considered by VCE. Detailed portfolio selection results are shown in Excel spreadsheets that are 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: the 46MMT Conforming Portfolio and the 38MMT Conforming 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. In the first half of 2020, VCE executed long term PPAs for solar PV energy from two projects for a total of 122MW. Unfortunately VCE



was forced to cancel one of those contracts, a 72MW solar project in the southern California Desert, due delays in the permitting process that are not expected to be resolved quickly. By using the results from its 2018 solicitations for energy as well as by conducting bilateral negotiations with developers, VCE expects to quickly replace this capacity with other renewable energy capacity that is already under development and that can be ready to come online by mid-2022. In addition to these near term activities, VCE also is in the process of finalizing procurement of new RA capacity to come online in the 2021-2023 period and well as additional local renewable energy resulting from VCE's 2020 RFO. These near term procurements and contracting form the basis of both resource portfolios and are expected to bring 150MW of new solar PV capacity, 7MW of new demand response capacity and about 13MW of new battery storage capacity to the CAISO market by 2023. The details of each portfolios are discussed further below.

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 Resource Data Template spreadsheet files for the 46MMT Conforming Portfolio and the 38MMT Conforming Portfolio 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 existing resources, CAM resource allocations and assumptions and the new resources planned for each of the Conforming Portfolios. Both Conforming 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 Resource Data Template files that were submitted together with this IRP and are summarized in Table 3 below.

VCE is currently actively negotiating for capacity that it expects to come online starting in 2021 to meet its procurement obligations under D.19-11-016. For the longer term, VCE expects to only use new renewable resources and existing small hydro resources in its portfolio and will procure long term capacity and energy under long term contracts through an open and transparent process. In order to achieve 2030 GHG emissions that match the Commission's requirements for the respective resource portfolios, VCE expects to also rely on some large scale hydro resources that may be from in-state or out of state generators. However, VCE also expects to continue to partially rely on short to medium term market purchases to meet its capacity and

energy needs. Therefore VCE's energy and capacity need above what is shown in Table 3 are expected to be met by market purchases.

**Table 3. Summary of Conforming Portfolios (MW Nameplate Capacity)**

	46MMT Conforming Portfolio							38MMT Conforming Portfolio						
	2020	2021	2022	2023	2024	2026	2030	2020	2021	2022	2023	2024	2026	2030
<b>BTM Solar</b>	47	60	68	74	80	89	109	47	60	68	74	80	89	109
<b>CAM, RMR &amp; Demand Response Capacity<sup>8</sup></b>	22	22	22	22	22	22	22	22	22	22	22	22	22	22
<b>Existing Contracted Resources</b> (As of July 2020)														
New Solar PV		50	50	50	50	50	50		50	50	50	50	50	50
Small Hydro	0.7	0.7	0.7	0.7	0.7			0.7	0.7	0.7	0.7	0.7		
<b>Planned Resources</b>														
New Wind						20	41						20	51
New Solar PV Capacity (CAISO)			75	75	75	75	75			75	75	75	75	75
New Local Solar				20	20	20	52				20	20	20	52
New Demand Response (aggregated)		7	7	7	7	7	7		7	7	7	7	7	7
New 4-hour Li-Ion Battery			2.5	12.5	12.5	12.5	43			2.5	12.5	12.5	12.5	63
Existing Small-Scale Hydro						0.7	0.7						0.7	0.7
Existing Large Scale Hydro						20	20						20	41

Regarding costs and benefits of Cost Allocation Mechanism (CAM) resources, VCE has accounted for CAM capacity in its resource plan and assumes these resources will provide capacity for RA purposes but not contribute energy to meet VCE load. It should be noted that the operations and the costs of these resources are completely outside of VCE's control and the costs and benefits of these resources are therefore hard to assess. In VCE's modeling it is assumed this capacity will remain available and that VCE will pay market rates for the CAM capacity provided. Therefore, in VCE's modeling, the portfolio impact of CAM resources is the same as adding generic RA capacity. VCE uses its own assumptions regarding the cost of new capacity that is based in part on the Commissions' cost of 4-hour storage and forecasts of market prices for RA (see section III(e) below for additional details).

<sup>8</sup> September 2021 values shown. CAM and RMR capacity is assumed to remain constant at 2021 levels throughout the 2020-2030 period

The main benefit of CAM capacity is that it reduces VCE's RA obligation. If the CAM resources were to also cost less than other comparable RA resources, they could also bring economic benefits to VCE's ratepayers.

## b. Preferred Conforming Portfolios

### iii. 46 MMT Target Portfolio

The 46MMT Conforming Portfolio more closely aligns with VCE's current blueprint for its own procurement relative to the 38MMT Conforming Portfolio, and therefore represents VCE's "preferred" resource portfolio. This portfolio represents a continuation of VCE's renewable energy-focused portfolio that will allow VCE to reach more than a 70% RPS level by 2030. VCE contracted for new solar PV capacity in the first half of 2020 and is in the process of completing the procurement for the 2021 and 2022 new capacity mandated by Commission. VCE expects to continue expanding and diversifying its portfolio of renewable energy and energy storage over the forecast period by adding local solar PV capacity in 2023 and later also in the 2028-2030 period, by adding significant battery capacity in the 2025-2030 period to facilitate integration of renewables and provide new RA capacity, and by adding in-state and out-of-state wind resources in the 2026-2030 period. VCE also expects to add large scale hydro resources to its portfolio through short- or long-term contracts. Each of the resources were selected so as to be consistent with the RSP and the RESOLVE model's New Build Capacity Limit.

A summary of the resource choices in this portfolio is shown in Table 3 above. The resulting generation from the 46MMT Conforming 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 the 46MMT Conforming Portfolio (GWh)

	2020	2021	2022	2023	2024	2026	2030
<b>Retail Electric Demand</b>	706	765	761	759	760	761	761
<b>Wholesale Energy Demand (accounting for losses)</b>	770	834	829	827	828	829	829
<b>Market purchases</b>	530	772	588	423	424	315	195
<b>Carbon Free Energy</b>	233	29	0	0	0	54	54
<b>Wind</b>	0	0	0	0	0	55	112
<b>Solar</b>	0	26	235	404	404	404	475
<b>Small Hydro</b>	6.7	6.4	6.4	6.4	6.4	6.4	6.4
<b>Storage</b>		(0.2)	(0.4)	(6.3)	(5.9)	(4.7)	(11.8)
<b>RECs</b>	308	118					
<b>RPS Delivered (% of Retail load)</b>	45%	20%	32%	54%	54%	61%	78%

The portfolio generation summarized in Table 4 shows the expected performance of the 46MMT Conforming Portfolio that is consistent with VCE’s long term preferences and conforms with Commission and statutory requirements.

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, relying on a mix of wind, solar, hydro, and storage helps match renewable generation to VCE’s load profile compared to a more solar-heavy portfolio, which could otherwise be preferred from a cost perspective. Even though other resources, such as geothermal resources, biomass and pumped storage hydro are attractive from the perspective of resource diversification and ability to match VCE’s load, VCE believes these resources also to be significantly more challenging to develop, making them less feasible options to pursue in the near term. VCE is also a very small LSE, which would necessitate teaming up with other LSEs 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) beginning around 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 a long-term contract for 50 MW of new solar PV capacity expected to come online before 2022 and is currently negotiating with developers to add additional volumes. This new resource is not part of the designated Baseline resources, as defined by D.20-03-028. In addition, VCE issued an RFO for new local resources in Q2 of 2020, which is expected to result in about 25 MW of new solar capacity, possibly combined with approximately 10 MW of storage, to come online by 2023. Also in the first half of 2020, VCE partnered with Redwood Coast Energy Authority and issued an RFO for up to 20 MW of RA capacity to come online on or before August 1, 2021. Half of this capacity will be for VCE and will ensure that VCE meets the additional system RA 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 also available 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 COVID-19 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 43 MW 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.

#### iv. 38 MMT Target Portfolio

VCE's 38MMT Conforming Portfolio conforms with the additional requirement for LSEs to develop a second Conforming Portfolio based on their 38 MMT GHG target. To achieve the GHG emissions associated with the 38MMT Conforming Portfolio, VCE

expanded the resource portfolio slightly under the resource categories of Wind, Battery Storage and large-scale hydro. As with the 46MMT Conforming Portfolio, VCE values a balanced portfolio approach and may adjust its resource choices in the future, depending on the cost and availability of other renewable energy and energy storage resources. In creating the 38MMT Conforming 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. The 46MMT and the 38MMT Conforming Portfolios are identical until after 2026. 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 Conforming Portfolio (GWh).

	2020	2021	2022	2023	2024	2026	2030
<b>Retail Electric Demand</b>	706	765	761	759	760	761	761
<b>Wholesale Energy Demand (accounting for losses)</b>	770	834	829	827	828	829	829
<b>Market purchases</b>	530	772	588	423	424	315	114
<b>Carbon Free Energy</b>	233	29	0	0	0	54	110
<b>Wind</b>	0	0	0	0	0	55	139
<b>Solar</b>	0	26	235	404	404	404	475
<b>Small Hydro</b>	6.7	6.4	6.4	6.4	6.4	6.4	6.4
<b>Storage</b>	-	(0.2)	(0.4)	(6.3)	(5.9)	(4.7)	(15.0)
<b>RECs</b>	308	118	-	-	-	-	-
<b>RPS Delivered (% of Retail load)</b>	45%	20%	32%	54%	54%	61%	81%

v. Compliance with Statutory and Regulatory Requirements

Section 454.52 (a) (1) of the Public Utility Code sets out several requirements which LSEs must comply with in their IRPs:

- **Meet GHG emissions reduction targets established by the State Air Resources Board.** VCE has estimated GHG emissions of 135,000 metric tons and 108,000 metric tons, respectively, in 2030 under the 46MMT and 38MMT Conforming Portfolios, which are consistent with the GHG Benchmarks established for VCE in the ALJ Ruling and the CSP.
- **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 clean,

local 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.** VCE's 46MMT and 38MMT Conforming Portfolios result in estimated generation costs that are substantially below the generation costs estimated in the RESOLVE model. (VCE's IRP does not analyze costs like transmission and distribution costs that impact customer bills because, as a CCA, these costs are outside of VCE's control and are the responsibility of PG&E.) Minimizing impacts on ratepayer bills is a top priority for VCE when it procures on behalf of its customers, in addition to striving for a cleaner resource portfolio that utilizes local resources in line with VCE customer preferences. See section III (e) below for additional details.
- **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. The resource plans for both the 46MMT and the 38MMT include procurement of battery storage RA capacity that go beyond current procurement mandates, including the replacement of Diablo Canyon capacity and therefore both portfolios help support system reliability beyond VCE's proportional share of the market.
- **Enhance distribution systems and demand-side energy management.** Since the distribution system and demand side management programs are 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.** VCE's 46MMT and 38MMT Conforming Portfolios minimize local air pollutants and other GHG emissions, including prioritizing disadvantaged communities. There are no power plants in VCE's disadvantaged community. VCE's Conforming Portfolios add new renewable and energy storage resources, reducing VCE's reliance on system power. As a result, local air pollutants and GHG emissions would be significantly reduced under either Conforming Portfolio, without increasing burdens on existing disadvantaged communities. Finally, VCE's immediate focus on building financial reserves and cash flow could allow it to offer additional customer programs in the future that provide additional benefits to customers, including those in disadvantaged communities. See section III(d) i below for additional details.

#### *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 50 MW of solar PV capacity that will come online in 2021, and is currently undergoing negotiations with developers with the intent to enter into an additional long-term renewable energy contract by the end of the year, 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 by 2023 in the following manner: 6.3 MW by August 1, 2021, 9.4MW by August 1, 2022 and 12.6MW by August 1, 2023. As highlighted in Section IV and other parts of this IRP, VCE jointly conducted an RFP with Redwood Coast Energy Authority in Q2 2020 for RA capacity of up to 20 MW with at least 11.7 MW being available by August 1, 2021, which reflects the capacity 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 but based on the initial negotiations with developers, it is expected that this will result in 7 MW of new demand response capacity for VCE with COD no later than August 1, 2021 and 2.5MW of battery storage capacity with COD no later than August 1, 2022. The additional procurement of capacity to meet the full obligation by 2023 is expected to be met by solar+storage hybrid capacity coming online in 2023 as a result of VCE's 2020 RFO for local resources. VCE's Action Plan includes activities to finalize procurement activities and closely monitor progress to ensure the capacity comes online in a timely manner.

### c. GHG Emissions Results

The estimated GHG emissions from the 46MMT Conforming Portfolio and the 38MMT Conforming Portfolio match the requirements set out by the ALJ Ruling and as later implemented through the Clean System Calculators for each scenario that were issued by the Energy Division on June 15, 2020. Based on guidance provided from the Commission and its staff, VCE understands that its 46MMT Conforming Portfolio should match the LSE's individual 2030 GHG targets, i.e. neither be higher nor lower than the targets of 156,000 metric tons (i.e., 135,000 metric tons through CSP Calculator) for VCE, while in the 38MMT scenario the LSE may use portfolios that achieve emissions that meet or are lower than the LSE's benchmark, which is 129,000 metric tons (108,000 metric tons before accounting for VCE's allocation of emissions from behind-the-meter combined heat and power) for VCE. VCE has chosen to have both of its portfolios closely match the Commission benchmark emissions allocated to VCE but also notes that lower costs and lower GHG emissions could 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 46MMT Conforming Portfolio, VCE expects that about 20 MW of large-scale hydro resources will be needed to achieve its modified GHG benchmark of 135,000 metric tons per year by 2030. In the 38MMT Conforming Portfolio VCE expects that about 34 MW 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<sub>2</sub> and pollutant emissions by year and resource portfolio**

	46MMT Conforming Portfolio (Preferred)				38MMT Conforming Portfolio			
	2020	2022	2026	2030	2020	2022	2026	2030
<b>CO<sub>2</sub> (000 metric tons)</b>	307	219	182	135	307	220	186	108
<b>PM<sub>2.5</sub> (tons)</b>	11.2	8.2	6.9	5.8	11.3	8.3	7.1	4.8
<b>SO<sub>2</sub> (tons)</b>	1.1	0.8	0.7	0.6	1.1	0.8	0.7	0.5
<b>NO<sub>x</sub> (tons)</b>	17.4	13.5	12.9	11.1	17.4	13.6	13.4	9.0

#### 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 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 Conforming Portfolio, emissions of particulate matter and SO<sub>2</sub> will fall by nearly 50% and NO<sub>x</sub> by more than 35% in the 2020-2030 period as a result of the power grid becoming cleaner and VCE’s increased use of renewable energy and storage in its power supply.

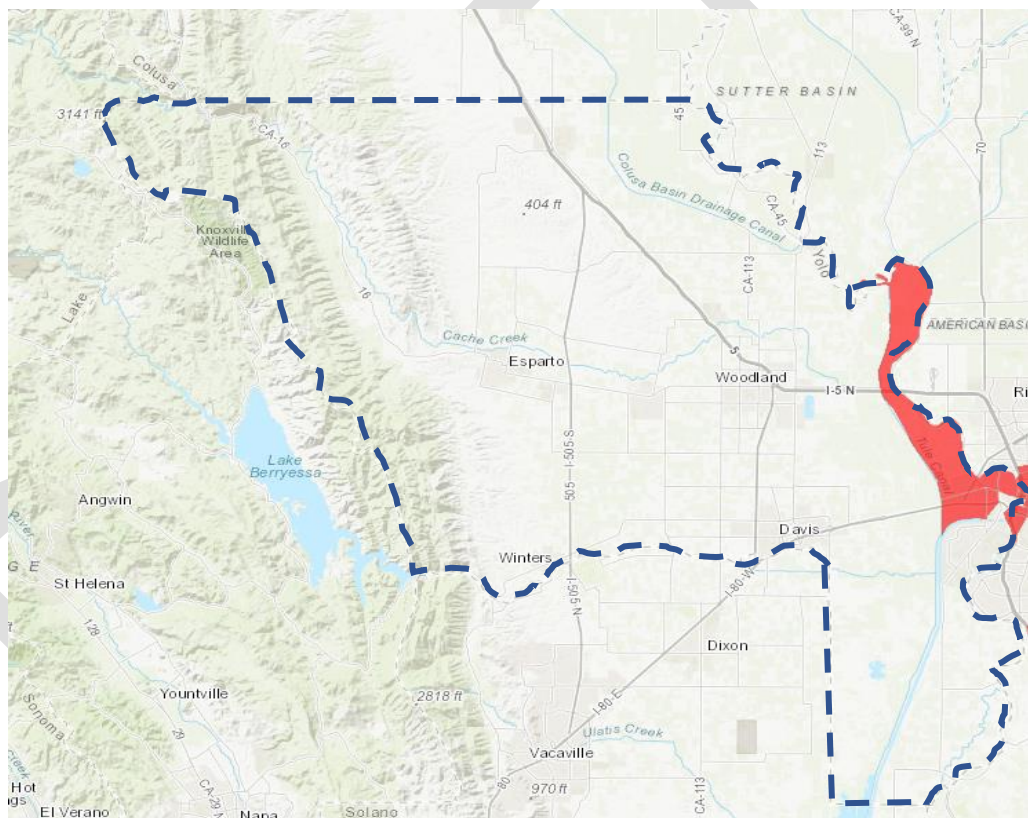
VCE’s IRP portfolios expand their use of renewable energy in the forecast period and also increase the amount of battery storage from zero in 2020 to 48 MW by 2030 in the 46MMT Conforming Portfolio and up to 72 MW in the 38MMT Conforming Portfolio. The combination of higher amounts of renewable energy and expanded use of battery storage will 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 VCE’s 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.<sup>9</sup> 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<sup>10</sup>, 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



VCE’s rate is designed to provide economic benefits for all rate payers, including disadvantaged communities. It should also be noted that the affected disadvantaged community area, does not appear to have any significant land suitable for renewable energy

<sup>9</sup> 2016 US Census Bureau statistics for census tract 101.02 (<https://www.census.gov/data/data-tools.html>)

<sup>10</sup> <https://oehha.ca.gov/media/downloads/calenviroscreen/document/ces3results.xlsx>

development due to the predominant land use types, such as prime farmlands, Williamson Act Lands, conservation easements, and Sacramento River bypass (flood) channels.

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. In addition, VCE recently started two programs that will help air quality and energy affordability for all VCE customers, including residents of disadvantaged communities, as described below:

**Transportation Electrification.** The Transportation Electrification Program will be a development and implementation of customer-facing program in the areas of carbon reduction and electrification, specifically transportation. Decarbonizing the transportation sector is of high priority. With most emissions in the economic sector (41%) in California stemming from transportation, it is in the best interest of VCE to design programs to overcome barriers to decarbonization.

Sacramento Area Council of Governments (SACOG) board of directors approved a \$2.9 million grant to Valley Clean Energy (VCE) that will lay the foundation for increased public electric vehicle charging opportunities and multi-modal transportation hubs in Yolo County. VCE has 4 years to complete this project. Additionally, VCE provides an online education tool for customers to find information regarding electric vehicles (EVs) such as: EV benefits, EV facts, savings calculator, CO2 reduction calculator, EV models, EV charger locator, and available credits and rebates.

The goals for this project and program are as follows: 1) Capture new revenues while reducing carbon and greenhouse gas emissions; 2) Accelerate the electrification of transportation and move consumer spending from gallons to kWh; 3) Improve air quality in service territory and adjacent locations; 4) Build upon Yolo County's, Woodland's and Davis's Climate Action Plans; 5) Increased brand awareness for VCE/ Increase traffic to VCE webpage; 6) Become a trusted source of information within our community regarding electrification.

**Energy Efficiency (EE).** VCE's Energy Efficiency Program (EE) focuses on providing relevant and actionable EE information to VCE customers. The starting point will include developing an online energy efficiency graphic that will identify the most common household EE measures along with links to available rebates, with the objective to help customers reduce energy usage, reduce emissions related to energy usage and save customers money.

#### e. Cost and Rate Analysis

VCE's cost and rate analysis includes only an assessment of generation costs.<sup>11</sup> 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

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<sup>11</sup> The generation costs include wholesale energy costs, RA costs, costs for RECs and contracted renewables. They do not include any transmission or distribution costs.

delivery infrastructure and any costs associated with this are expected to be addressed in PG&E’s IRP filing, as required for IOU IRPs under the directions provided in the Commission’s template.

VCE’s generation rates are the same as PG&E’s. They 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 Power Charge Indifference Adjustment (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 46MMT Conforming Portfolio and the 38MMT Conforming 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.

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

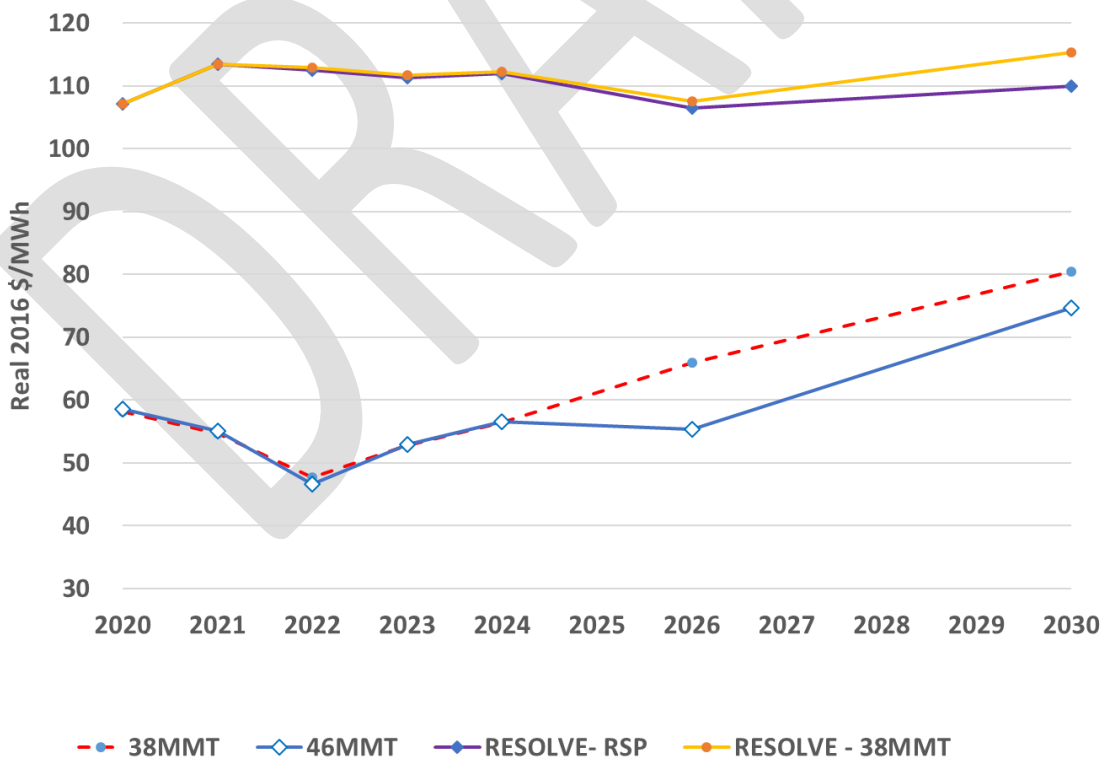


Figure 5 shows that the Preferred 46MMT Conforming Portfolio and 38MMT Conforming Portfolio will remain significantly below the RESOLVE model's estimated generation costs for the Reference System Plan for the entire forecast period. One reason for this difference may be a difference in modeling methodology 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 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 once-through cooling natural gas resources) markets. Energy is expected to be available at prices corresponding to VCE'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 natural 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 2025 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 nighttime 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 Conforming Portfolios also contain a resource mix that becomes increasingly diverse over the forecast period and takes advantage of low-cost new utility-scale solar, while also using wind, hydro, and energy storage resources. Furthermore, in Q2 2020, VCE participated in the launch of a joint CCA request for information on long-duration energy storage, which will allow VCE to obtain better information on new resource options that could further aid system reliability in the future as California rapidly increases the amount of variable renewable energy resources on the grid.

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. VCE's Conforming portfolios were also selected so as to be consistent with the Commission's RSP by selecting the volumes of new resources so as not to exceed VCE's load share of the capacity limits for new resources identified in the RESOLVE model for the RSP, and also by ensuring that VCE's estimated market purchases of short term energy and capacity do not exceed VCE's proportional share of existing installed baseline capacity. For example, by 2030 VCE's estimated energy procurement corresponds to less than 0.2% of the baseline non-intermittent resources available per the RESOLVE model and VCE's expected RA procurement from the market corresponds to about 0.3% of the available firm non-intermittent and non-storage capacity available in 2030 per the RESOLVE model. VCE's estimated share of 2030 load is about 0.4%<sup>12</sup>. Thus, VCE's IRP portfolios will contribute to improving both reliability and the integration of renewables in the 2020-2030 period.

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 43 MW of new 4-hour battery storage in its 46MMT Conforming portfolio and up to 63 MW of new 4-hour battery storage in the 38MMT Conforming portfolio. In addition, VCE also expects to add about 7MW of new demand response capacity as early as 2021. This total capacity exceeds regulatory requirements and will ensure that VCE contribute its proportional share and more of its reliability obligations within the CAISO market. As noted above, even though VCE does not have plans to pursue long-term storage at 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 configured to discharge over longer periods than 4 hours and thus provide longer duration storage that supports long term low-carbon resource adequacy in California.

Table 7 below shows VCE's System Reliability Progress Tracking Table for VCE's 46MMT Conforming Portfolio and Table 8 shows the corresponding table for the 38MMT Conforming Portfolio. In addition to the resources VCE has under contract and has identified in the two resource portfolios, Tables 7 and 8 also includes the expected procurement of capacity (or RA) from the market to produce a capacity-balanced portfolio. The Resource Data Templates submitted with this IRP report clearly identifies the capacity

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<sup>12</sup> Based on comparing VCE's purchases of energy and capacity against the available capacities listed in the RESOLVE model's "RESOLVE\_Results\_Viewer\_2020-03-23" for the RSP.

and energy expected to be met by market purchases. As discussed above, VCE's market purchases are expected to be significantly less than VCE's load-share of the installed baseline capacity.

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

System Reliability Progress Tracking Table (NQC MW) for month of September by contract status, 46 MMT portfolio	ELCC type	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
online	wind_low_cf	-	-	-	-	-	-	-	-	-	-	-
online	wind_high_cf	-	-	-	-	-	-	-	-	-	-	-
online	biomass	13	6	6	-	-	-	-	-	-	-	-
online	cogen	32	20	22	-	-	-	-	-	-	-	-
online	geothermal	7	7	7	-	-	-	-	-	-	-	-
online	hydro	28	18	18	-	-	-	-	-	-	-	-
online	thermal	70	68	113	62	-	-	-	-	-	-	-
online	battery	-	-	-	-	-	-	-	-	-	-	-
online	nuclear	-	-	-	-	-	-	-	-	-	-	-
online	solar	26	-	-	-	-	-	-	-	-	-	-
online	psh	-	-	-	-	-	-	-	-	-	-	-
online	unknown	22	22	22	22	22	22	22	22	22	22	22
development	wind_low_cf	-	-	-	-	-	-	-	-	-	-	-
development	wind_high_cf	-	-	-	-	-	-	-	-	-	-	-
development	biomass	-	-	-	-	-	-	-	-	-	-	-
development	cogen	-	-	-	-	-	-	-	-	-	-	-
development	geothermal	-	-	-	-	-	-	-	-	-	-	-
development	hydro	-	-	-	-	-	-	-	-	-	-	-
development	thermal	-	-	-	-	-	-	-	-	-	-	-
development	battery	-	-	3	3	3	2	2	2	2	2	2
development	nuclear	-	-	-	-	-	-	-	-	-	-	-
development	solar	-	-	7	7	6	5	4	4	4	4	4
development	psh	-	-	-	-	-	-	-	-	-	-	-
development	unknown	-	7	7	7	7	7	7	7	7	7	7
review	wind_low_cf	-	-	-	-	-	-	-	-	-	-	-
review	wind_high_cf	-	-	-	-	-	-	-	-	-	-	-
review	biomass	-	-	-	-	-	-	-	-	-	-	-
review	cogen	-	-	-	-	-	-	-	-	-	-	-
review	geothermal	-	-	-	-	-	-	-	-	-	-	-
review	hydro	-	-	-	-	-	-	-	-	-	-	-
review	thermal	-	-	-	-	-	-	-	-	-	-	-
review	battery	-	-	-	-	-	-	-	-	-	-	-
review	nuclear	-	-	-	-	-	-	-	-	-	-	-
review	solar	-	-	11	11	9	8	7	7	7	7	7
review	psh	-	-	-	-	-	-	-	-	-	-	-
review	unknown	-	-	-	-	-	-	-	-	-	-	-
planned_existing	wind_low_cf	-	-	-	-	-	-	-	-	-	-	-
planned_existing	wind_high_cf	-	-	-	-	-	-	-	-	-	-	-
planned_existing	biomass	-	-	-	-	-	-	-	-	-	-	-
planned_existing	cogen	-	-	-	-	-	-	-	-	-	-	-
planned_existing	geothermal	-	-	-	-	-	-	-	-	-	-	-
planned_existing	hydro	-	-	-	-	-	-	-	-	7	7	14
planned_existing	thermal	-	-	-	-	-	-	-	-	-	-	-
planned_existing	battery	-	-	-	-	-	-	-	-	-	-	-
planned_existing	nuclear	-	-	-	-	-	-	-	-	-	-	-
planned_existing	solar	-	-	-	-	-	-	-	-	-	-	-
planned_existing	psh	-	-	-	-	-	-	-	-	-	-	-
planned_existing	unknown	-	-	-	98	163	166	165	166	141	142	118
planned_new	wind_low_cf	-	-	-	-	-	-	4	4	4	4	9
planned_new	wind_high_cf	-	-	-	-	-	-	-	-	-	-	-
planned_new	biomass	-	-	-	-	-	-	-	-	-	-	-
planned_new	cogen	-	-	-	-	-	-	-	-	-	-	-
planned_new	geothermal	-	-	-	-	-	-	-	-	-	-	-
planned_new	hydro	-	-	-	-	-	-	-	-	-	-	-
planned_new	thermal	-	-	-	-	-	-	-	-	-	-	-
planned_new	battery	-	-	-	10	10	10	10	10	29	29	40
planned_new	nuclear	-	-	-	-	-	-	-	-	-	-	-
planned_new	solar	-	-	-	-	-	-	-	-	-	-	2
planned_new	psh	-	-	-	-	-	-	-	-	-	-	-
planned_new	unknown	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL supply, NQC MW</b>		198	148	215	219	220	221	221	223	224	225	226
<b>Load (MW)</b>		191	189	190	190	191	192	193	193	194	195	197
<b>Load +15% PRM (MW)</b>		220	218	218	219	219	221	221	223	224	225	226
<b>Supply minus load: Shortfall (-) or Surplus (+), in MW</b>		(22)	(70)	(3)	0	0	0	0	(0)	(0)	(0)	0



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

System Reliability Progress Tracking Table (NQC MW) for month of September by contract status, 38 MMT	ELCC type	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
online	wind_low_cf	-	-	-	-	-	-	-	-	-	-	-
online	wind_high_cf	-	-	-	-	-	-	-	-	-	-	-
online	biomass	13	6	6	-	-	-	-	-	-	-	-
online	cogen	32	20	22	-	-	-	-	-	-	-	-
online	geothermal	7	7	7	-	-	-	-	-	-	-	-
online	hydro	28	18	18	-	-	-	-	-	-	-	-
online	thermal	70	68	113	62	-	-	-	-	-	-	-
online	battery	-	-	-	-	-	-	-	-	-	-	-
online	nuclear	-	-	-	-	-	-	-	-	-	-	-
online	solar	26	-	-	-	-	-	-	-	-	-	-
online	psh	-	-	-	-	-	-	-	-	-	-	-
online	unknown	22	22	22	22	22	22	22	22	22	22	22
development	wind_low_cf	-	-	-	-	-	-	-	-	-	-	-
development	wind_high_cf	-	-	-	-	-	-	-	-	-	-	-
development	biomass	-	-	-	-	-	-	-	-	-	-	-
development	cogen	-	-	-	-	-	-	-	-	-	-	-
development	geothermal	-	-	-	-	-	-	-	-	-	-	-
development	hydro	-	-	-	-	-	-	-	-	-	-	-
development	thermal	-	-	-	-	-	-	-	-	-	-	-
development	battery	-	-	3	3	3	3	3	2	2	2	2
development	nuclear	-	-	-	-	-	-	-	-	-	-	-
development	solar	-	-	7	7	6	5	4	4	3	3	2
development	psh	-	-	-	-	-	-	-	-	-	-	-
development	unknown	-	7	7	7	7	7	7	7	7	7	7
review	wind_low_cf	-	-	-	-	-	-	-	-	-	-	-
review	wind_high_cf	-	-	-	-	-	-	-	-	-	-	-
review	biomass	-	-	-	-	-	-	-	-	-	-	-
review	cogen	-	-	-	-	-	-	-	-	-	-	-
review	geothermal	-	-	-	-	-	-	-	-	-	-	-
review	hydro	-	-	-	-	-	-	-	-	-	-	-
review	thermal	-	-	-	-	-	-	-	-	-	-	-
review	battery	-	-	-	-	-	-	-	-	-	-	-
review	nuclear	-	-	-	-	-	-	-	-	-	-	-
review	solar	-	-	11	11	9	8	6	6	5	4	3
review	psh	-	-	-	-	-	-	-	-	-	-	-
review	unknown	-	-	-	-	-	-	-	-	-	-	-
planned_existing	wind_low_cf	-	-	-	-	-	-	-	-	-	-	-
planned_existing	wind_high_cf	-	-	-	-	-	-	-	-	-	-	-
planned_existing	biomass	-	-	-	-	-	-	-	-	-	-	-
planned_existing	cogen	-	-	-	-	-	-	-	-	-	-	-
planned_existing	geothermal	-	-	-	-	-	-	-	-	-	-	-
planned_existing	hydro	-	-	-	-	-	-	-	-	7	7	24
planned_existing	thermal	-	-	-	-	-	-	-	-	-	-	-
planned_existing	battery	-	-	-	-	-	-	-	-	-	-	-
planned_existing	nuclear	-	-	-	-	-	-	-	-	-	-	-
planned_existing	solar	-	-	-	-	-	-	-	-	-	-	-
planned_existing	psh	-	-	-	-	-	-	-	-	-	-	-
planned_existing	unknown	-	-	-	98	163	166	165	167	139	141	87
planned_new	wind_low_cf	-	-	-	-	-	-	4	4	4	4	11
planned_new	wind_high_cf	-	-	-	-	-	-	-	-	-	-	-
planned_new	biomass	-	-	-	-	-	-	-	-	-	-	-
planned_new	cogen	-	-	-	-	-	-	-	-	-	-	-
planned_new	geothermal	-	-	-	-	-	-	-	-	-	-	-
planned_new	hydro	-	-	-	-	-	-	-	-	-	-	-
planned_new	thermal	-	-	-	-	-	-	-	-	-	-	-
planned_new	battery	-	-	-	10	10	10	10	10	34	33	65
planned_new	nuclear	-	-	-	-	-	-	-	-	-	-	-
planned_new	solar	-	-	-	-	-	-	-	-	-	-	1
planned_new	psh	-	-	-	-	-	-	-	-	-	-	-
planned_new	unknown	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL supply, NQC MW</b>		198	148	215	219	220	221	221	223	224	225	226
<b>Load (MW)</b>		191	189	190	190	191	192	193	193	194	195	197
<b>Load +15% PRM (MW)</b>		220	218	218	219	219	221	221	223	224	225	226
<b>Supply minus load: Shortfall (-) or Surplus (+), in MW</b>		(22)	(70)	(3)	0	0	0	0	0	(0)	(0)	(0)

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 the summer peak period. VCE also expects another 10% of peak capacity to be provided by CAM resources (based on maintaining 2021 allocations). The balance of about 50% of VCE's capacity needs and about 45% of its electricity needs will be sourced in CAISO and/or bilateral markets for capacity and electricity, respectively. Since VCE is contributing its proportional share and more to new resource and capacity development in the CAISO, VCE supports reliability and expects to continue to meet its resource needs partially through market purchases 2020-2030 period. Finally, 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 that is expected to be contracted for during the whole 2020-2030 period, namely the Indian Valley station that which provides 6.4 GWh of energy per year and is an RPS-eligible renewable resource. This corresponds to about 0.8% of VCE's load. This is expected to have a negligible impact on costs, GHG emissions and reliability. While having a small overall impact on VCE's portfolio and expected costs, 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's existing hydro contracts are only for energy, so capacity risk is not applicable.
- **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 significance 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 Conforming Portfolios also include large scale hydro as a means to achieve VCE's 2030 GHG benchmark emissions targets for the 46MMT and 38MMT Conforming Portfolios. The 46MMT Conforming Portfolio includes a total of 20 MW of large-scale hydro that may be sourced from in-state and/or out-of-state resources. Similarly, the 38MMT Conforming Portfolio includes 34 MW of large-scale hydro resources. VCE chose to limit its dependence on large-scale hydro to no more than 34 MW across both scenarios so as not to exceed VCE's load-share of the total currently available large-scale hydro capacity from in-state and out-of-state resources as reported in the RSP (i.e., VCE's planned use of hydro as a percentage of the installed capacity in comparison to VCE's load in comparison to the total load for all California LSEs). 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, the Commission required that the LSEs provide a Preferred Conforming Portfolio for the 46 MMT target that meets (rather than beats) the individual LSE 2030 GHG targets established in the ALJ Ruling. Since additional solar PV would reduce VCE's GHG emissions below the CPUC-mandated level for VCE, VCE's 46MMT Conforming Portfolio did not select additional solar PV. 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 secure such resources 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, GHG emissions, and RPS requirements. Due to their shorter-term nature, hedging decisions are 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 Conforming Portfolios did not select any long-duration storage resources over the 2020-2030 timeframe, VCE together with 12 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.<sup>13</sup> 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

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<sup>13</sup> Clean Power Alliance of Southern California, CleanPowerSF, East Bay Community Energy, Marin Clean Energy, Monterey Bay Community Power, Peninsula Clean Energy, Pioneer, Redwood Coast Energy Authority, San Jose Clean Energy, Silicon Valley Clean Energy, Sonoma Clean Power, Valley Clean Energy and Western Community Energy

associated costs and lead-times estimated by respondents, VCE may pursue longer duration storage resources than it currently has in its Conforming Portfolios, which are currently limited to 4-hour lithium-ion battery storage. VCE may collaborate with other LSEs to procure such resources in the future if it determines that such a collaboration could mitigate project risk, provide benefits to VCE customers, and address specific reliability or renewable energy integration challenges.

It should be noted however, that in the 46MMT Conforming Portfolio, VCE is planning to install up to 48 MW of new battery storage with a duration of at least 4 hours during the forecasting period. This far exceeds VCE's 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 4 hours or at 50% of capacity with a duration of 8 hours. Batteries can therefore also provide the flexibility of being used as a longer duration storage resource in addition to providing short-term storage. Based on an initial review of the RFI responses for long term storage, VCE expects it would be less costly and less risky to consider using batteries for long term storage as well as short term storage. Batteries also have the advantage that they are scalable and modular, making them easier to manage from a cost and risk perspective than larger scale projects such as pumped storage hydro.

Traditional long-term storage options such as pumped storage hydro are likely to be very challenging for VCE to undertake on its own, since traditionally such projects are very capital intensive, are large scale and have long lead times, all of which would be barriers for VCE in developing this type of storage given VCE's relative size. While VCE may consider collaborating with other LSEs on such projects in the future if it determines such a resource would be in the interest of its customers, VCE views new pumped hydro storage options as containing significant risks, costs, impacts, and timelines that make this option unlikely to be pursued by VCE in the 2020-2030 period. These potential barriers to long term storage are also discussed under Barriers in Section 4.c.

#### i. Out-of-State Wind Development

VCE has a preference for local resources because it believes it will be able to better support local reliability and will bring other benefits such as local jobs. Despite this preference VCE recognizes that potential for new in-state wind development, perhaps particularly in northern California is limited. At the same time, wind is an attractive resource for VCE's portfolio because of costs and its ability to integrate load even during non-solar hours. VCE therefore includes a mix of in-state and out-of-state resources in the resource plans for both the 46MMT and the 38MMT portfolios. In its future procurement solicitations, VCE expects to continue express a preference for in-state and local wind resources but is open to pursuing contracts with out-of-state wind resources if they were to be offered at competitive prices and reasonable lead times during VCE's future resource solicitations. Of course, whether to pursue in-state or out-of-state resources is also a question of availability – if VCE cannot source sufficient wind resources from California sources, it will also seek wind resources from out-of-state. Although out-of-state resource are expected to require longer lead times and be of bigger scale than VCE needs, these resources may also be attractive as a complement to VCE's portfolios since they could potentially provide more

consistent generation at non-daylight hours and potentially higher capacity factors than in-state resources, helping VCE to better balance its load. Expanding the CAISO footprint as currently considered with the EDAM market could help make out-of-state wind resources more attractive. As part of its future RFOs for new capacity to come online after 2025, VCE will therefore make sure to also invite bids from out-of-state wind developers.

## j. Transmission Development

Since the finalization of the baseline list of plants for the IRP, VCE has completed a contract for one new solar project. VCE will have a 50 MW share of the Aquamarine Solar project, which is located in Kings County. It has completed its interconnection agreement and no additional transmission is expected to be needed. VCE is also negotiating for additional new solar capacity to replace a PPA that was cancelled in July 2020 and that it anticipates will result in one or more long-term contracts to be executed by the end of 2020. VCE is seeking this capacity on an expedited basis and is only considering projects that are under development, have executed interconnection agreements and are able to reach COD by mid-2022 at the latest.

In the first half of 2020, VCE also conducted an RFO for local capacity and an RFP for resource adequacy, as discussed in other parts of this report. 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 as the cost of such projects would remain competitive with offers that do not require new 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. VCE's Action Plan therefore focuses on securing resources under long-term contracts and monitoring their progress during development and construction. It also includes analyzing responses from the joint CCA long-duration storage request for information, monitoring battery energy storage pricing, and considering collaborative voluntary procurement opportunities with other LSEs that could benefit VCE's customers while contributing to grid reliability and renewable energy integration. 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 so that VCE maintains attractive rates and provides a reliable supply of clean energy to its customers in compliance with all state law and regulations.

## a. Proposed Activities

VCE has executed one Power Purchase Agreements (PPA) to procure 50 MW from one solar PV facility. Aquamarine Solar is expected to commence construction in July 2020. The expected Commercial Operation Dates of this project is in 2021. VCE is currently in the process of negotiating with developers for one or more long-term contract for additional solar capacity, which it expects to finalize by the end of 2020 with the goal of having these resources come online by mid 2022 at the latest. VCE, together with Redwood Coast Energy Authority, is also pursuing new RA capacity in response to Commission procurement orders that will bring new capacity online in August of 2021 and 2022. VCE is currently completing negotiations with suppliers for contracts for 7 MW of new demand response capacity and 2.5 MW of battery capacity to come online by August 2021 and August 2022, respectively. VCE's plans for additional resource procurement activities are discussed in more detail in the sections below.

As with all new build resources, there is the potential for delay from numerous development related risks. VCE is managing the risks of its long-term contract by first having contracted with a relatively mature project that has an interconnection agreement in place, and second, by closely monitoring progress of the project with the developer. VCE plans to manage risk for additional solar capacity it intends to procure by working with experienced project 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 project VCE has contracted with has a COD date in 2021. VCE uses models incorporating RNS methodologies to calculate the longest delay in COD it could tolerate before violating the 65% long-term RPS contracting 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 Q2 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 project 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 Covid-19, load migration, net metering impacts and the growth of behind-the-meter devices such as solar PV, EV adoption 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 its solar project under development, supply chain disruption from the pandemic remains a significant concern. VCE is closely monitoring the status and working with its developer 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 Conforming 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 RECs. 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. Customers in disadvantaged communities, like all VCE customers, are able to participate in VCE Board and stakeholder meetings, which VCE publicizes on its website. During the resource solicitations and subsequent discussion in VCE's CAC and Board meetings that are open to the public, VCE has not received any feedback on its proposed procurement activities from members of disadvantaged communities or organizations that are engaged in disadvantaged communities.

### **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 disadvantaged communities 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. There are no fossil-fuel plants located in disadvantaged communities in VCE's service territory. VCE is also reducing its reliance on fossil-fuel plants located in disadvantaged communities outside of its service territory by planning to procure a greater proportion of its RA requirements with renewable energy and energy storage resources in lieu of natural gas resources.

## 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 (long-term renewables RFO) and in Q2 of 2020 (local renewables RFO). VCE plans to continue soliciting resources through RFOs going forward.

To date, VCE's 2018 RFO has resulted in the 50 MW of new solar capacity that will come online before 2022 through one long term PPA that was signed in the first half of 2020.

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

**Negotiate long-term solar PPA(s) for near term renewable energy expansion.** VCE is negotiating for additional new solar capacity to replace a PPA that was cancelled in July due to lack of progress with permitting and failure to reach construction stage as required by the PPA. VCE expects to complete its search and contract negotiation by the end of 2020. VCE is seeking this capacity on an expedited basis and is only considering projects that are under development, have executed interconnection agreements and are able to reach COD by mid-2022 at the latest. This is depicted in VCE's Conforming Portfolios as 75 MW of new solar coming online in 2022.

**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 Portfolios as new local solar capacity and energy storage being added in 2023.

**Resource Adequacy RFP.** In April of 2020, VCE and Redwood Coast Energy Authority issued a joint RFP for up to 20 MW 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 50 MW 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 12.6



MW procurement mandate under D.19-11-016. VCE finalized the selection and contracting process for this new RA capacity in August 2020. The new resources resulting from this are shown in VCE's Conforming portfolios as 7MW of new demand response coming online by August 1, 2021 at the latest and 2.5MW of battery storage with an anticipated COD no later than August 1, 2022.

**Long-duration storage RFI.** Together with 10 other CCAs, VCE issued a request for information on long duration storage in June of 2020. In the remainder of 2020, VCE plans to analyze the responses to this RFI. After 2020, VCE intends to monitor the long-duration storage market and related opportunities. VCE anticipates long-duration storage could be considered after 2025 if proven feasible and cost-effective. Currently, new long-duration storage resources are not reflected as selected resources in VCE's Conforming Portfolios during the next decade, as explained in more detail above, but VCE plans to monitor developments in this area to identify any opportunities that would benefit its customers, renewable energy resource integration, and grid reliability goals. See section 3.h. above for more details.

**Procurement of renewable energy and energy storage in 2025 and beyond.** Following the expected addition of new renewable local capacity in 2023 in response to VCE's 2020 RFO, new resources are not expected to be needed until 2026 or 2027. VCE is not eager to take technology risks in its resource portfolio and will therefore seek new resources only from established and reliable renewable technologies such as wind, solar, and battery storage. In seeking such new capacity VCE does not foresee any VCE-specific barriers to securing new capacity other than the small scale of VCE's load which may necessitate collaboration with other LSEs in order to pursue some development efforts. VCE's joint RFO with Redwood Coast Energy authority for new RA capacity and our participation in a joint RFI for new long-duration storage are examples of how VCE plans to overcome barriers with respect to scale. However, as with all development of new resources, there is risk. This risk applies equally to all LSEs in California. VCE seeks to address development risks by its procurement practices which prioritize financially secure and mature projects and counterparties.

Both of the conforming portfolios 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 43 MW by 2030 under the 46MMT Conforming Portfolio and to 63 MW under the 38MMT Conforming Portfolio. To facilitate this growth of the resource portfolios, VCE plans to conduct open resource solicitations or RFOs about every two years in the 2022-2030 period. Table 9 below shows the tentative approximate timing of future RFOs and expected online dates for the resources sought.

Table 9. 38MMT Conforming portfolio System Reliability Progress Tracking Table

Approximate RFO Timing (Year)	Resources Sought	Expected online dates (Year)
2023	New Wind	2026
2025	New Battery Storage (or comparative clean RA capacity)	2027-2028
2025	Local Solar, including solar plus storage hybrids	2028-2030
2026	New wind from in-state and/or out-of-state locations	2028-2030
2028	New Battery Storage (or comparative clean RA capacity)	2030

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 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 COVID-19 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.

**Procurement of large-scale hydro resources.** In addition to procuring renewable resources as shown in Table 9, VCE also expects to need 20-40MW of carbon-free large scale hydro resources in the portfolios in order to meet VCE’s 2030 GHG emission benchmarks. In keeping with VCE’s current practices, these resources are expected to be secured on a bilateral basis under contracts with an expected duration of 2-5 years.

**Program Administration.** 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 VCE’s capacity needs are met. VCE will continue to explore programs that can be offered in parallel with PG&E’s customer programs.

### c. Potential Barriers

VCE does not anticipate encountering specific barriers associated with either of its Conforming Portfolios. In fact, one of the reasons for the resource choices and timing in the Conforming Portfolios is the feasibility and maturity of the technologies selected and how they fit with VCE’s overall resource portfolio preferences.

While the Conforming Portfolios have no specific barriers, there could be significant barriers associated with two considerations that the Commission has requested LSEs to address: (1) long-duration storage and (2) replacement of Diablo Canyon, both of which call for long

term resource adequacy. VCE may face barriers in procuring long-duration storage due to costs and scale. The traditional long-duration storage technology, pumped storage hydro, is expected to both be of much larger scale than VCE needs, take long time to develop, and have significantly higher costs than shorter duration storage technologies. If VCE were to pursue this type of long duration storage it would incur significant development risk and financial commitments that could adversely affect rates. VCE would also likely need to develop such capacity in collaboration with other LSEs, which could further aggravate development risks since the success of the project will also depend on the success of the coalition of partners developing the project. Similarly, VCE may also face barriers in its efforts to find a replacement for Diablo Canyon capacity because VCE is a small LSE and will likely need to procure capacity jointly with other California LSEs. VCE believes it has addressed the risks and barriers associated with Diablo Canyon's replacement by planning to incrementally procure RA in battery-storage and renewables that could also be configured to provide long duration RA and support integration of renewable energy.

There are also other barriers that adds risk to VCE's long term resource plan such as the permitting process for new plants. As an example, VCE in August of 2020 was forced to terminate the PPA for the Rugged Solar project since the project's developers were not able to obtain all necessary permits in time to commence construction. These risks are common to all LSEs in California and streamlining the development and permitting process from a regulatory perspective could help facilitate a more efficient and reliable process for long term power supply.

#### d. Commission Direction or Actions

VCE does not seek any direction or action from the Commission at the moment other than to certify its IRP pursuant to statute.

#### e. Diablo Canyon Power Plant Replacement

Based on the Commission's Resource Data Template spreadsheet, VCE's share of Diablo Canyon is 11.3 MW (0.49% load share of 2,300 MW Diablo Canyon capacity). Over the course of the 2020-2030 period, VCE's Conforming Portfolios include new capacity that cover the procurement mandate under D.19-11-016, the Diablo Canyon resource replacement, the RPS requirements, and the 2030 GHG goals. In terms of new generation capacity, Table 3 as well as Tables 7 and 8 show that VCE plans to add 25 MW of local solar capacity in 2023, likely combined with 10 MW of battery capacity, and 20 MW of wind capacity in 2026 or 2027. Over the forecast period, VCE expects to add a total 43 MW of battery storage in the 46MMT Conforming Portfolio and a total of 63 MW of battery storage in the 38MMT Conforming Portfolio. The combined effect of new local solar capacity, energy storage and wind capacity will provide new capacity in California that far exceeds VCE's share of reliability resources to replace Diablo Canyon, even after accounting for other energy storage and demand response aggregation procurement driven by D.19-11-016. The resource combinations shown in VCE's conforming portfolios that combine battery storage with renewable energy sources will help provide substitutes for Diablo Canyon that support reliability and also do not increase greenhouse gas emissions. As noted in other parts of this report, while VCE does not expect to add new baseload renewable energy technologies, mainly due to cost and resource availability, it remains open to procuring such capacity if it is offered at competitive prices. It should also be noted that the 43 MW of incremental 4-hour storage planned for the 46MMT Conforming

Portfolio and the 63MW planned for the 38MMT Conforming Portfolio could also be considered as respectively 23 and 31 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 Covid-19 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 Conforming Portfolios.

## V. Lessons Learned

There is a significant opportunity to consolidate reporting, data and databases between the IRP and RPS Procurement Plan processes. Both of these require detailed reporting and plans to cover efforts to 2030. While the scope is slightly different, the RPS procurement plan can be nearly completely covered by the plans detailed in the IRP, especially for LSEs like VCE that expect to rely only on contracted renewables, storage, large scale hydro, and market purchases for its future resource supply. VCE therefore encourages the Commission to continue looking for opportunities to streamline data and reporting between these processes. VCE also expects that there could be significant opportunities to coordinate data and databases between the IRP and the RA processes. By having more complete, coordinated and cross-cutting resource databases for the processes under IRP, RA and RPS, the efforts for both LSEs and the Commission could be reduced in terms of preparing and reviewing compliance filings and would help reduce inadvertent errors and inconsistencies between the various reports on resource plans, energy supply, capacity and renewables.

## **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).

DRAFT



## RESOLUTION 2020-\_\_\_

### RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CLEAN ENERGY ALLIANCE APPROVING THE 2020 UPDATE OF THE VCE INTEGRATED RESOURCE PLAN AND ASSOCIATED ACTION PLAN FOR SUBMISSION TO THE CALIFORNIA PUBLIC UTILITIES COMMISSION

**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 accordance with state Senate Bill (SB) 350 (2015, DeLeón), as well as modifications to those sections added by SB 338 (2016, Skinner) and Assembly Bill (AB) 759 (2017, Dahle) to implement Public Utilities Code Sections 454.51 and 454.52, the California Public Utilities Commission (CPUC) has enacted rulemakings requiring load servicing entities in the state over which the CPUC exercises regulatory authority to file Integrated Resource Plans (IRP) beginning in August 2018 and then every other year;

**WHEREAS**, the IRP is a compliance document which is intended to provide guidance regarding the expected power supply cost and the resources needed for meeting electric demand in the 2020-2030 period;

**WHEREAS**, on July 12, 2018, the Board approved VCE’s first IRP and associated Action Plan and submitted it to the CPUC on August 1, 2018;

**WHEREAS**, the IRP process calls for an update every two years, with the update originally due May 1, 2020; however, due to the COVID-19 pandemic, the CPUC extended the due date twice with a final due date of September 1, 2020;

**WHEREAS**, Staff conducted two public IRP workshops held on December 9, 2019 and May 28, 2020, to inform the IRP process and to gather input and feedback regarding the long term resource portfolios considered in the IRP;

**WHEREAS**, the draft 2020 IRP Update will be considered by the VCE Board prior to submission to the CPUC, including the adoption of a “Preferred Portfolio” to indicate which of the alternative resource scenarios contained in the IRP is preferred by the VCE Board;

**WHEREAS**, in addition to the development of various possible renewable and clean portfolios, and the selection of a preferred portfolio, the IRP report also identifies VCE’s Action Plan for how it intends to achieve the objectives of the Preferred Portfolio;

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

1. The Board hereby approves of the Integrated Resource Plan update for 2020 which includes the 46MMT Portfolio or Conforming Portfolio as the Preferred Portfolio, the 38MMT Portfolio as an alternative portfolio, and the associated Action Plan identified therein, for submission to the California Public Utilities Commission by September 1, 2020; and
2. The Board hereby authorizes the Interim General Manager in consultation with VCE staff to make any non-substantial changes necessary to finalize the IRP document for filing.

**PASSED, APPROVED AND ADOPTED** at a regular meeting of the Valley Clean Energy Alliance, held on the \_\_\_\_\_ day of August 2020, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

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Don Saylor, VCE Chair

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Alisa M. Lembke, VCE Board Secretary

EXHIBIT A – 2020 Integrated Resource Plan

**EXHIBIT A**  
**2020 INTEGRATED RESOURCE PLAN**