Valley Clean Energy Alliance (VCE)
Community Advisory Committee (CAC) Special Meeting
Wednesday, February 5, 2020 at 2:00 p.m.
Valley Clean Energy Administrative Offices
604 2nd Street, Davis, CA 95616

Meetings are accessible to people 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, VCEA Board Clerk/Administrative Analyst, at least two (2) working days before the meeting at (530) 446-2754 or Alisa.Lembke@valleycleanenergy.org.

If you have anything that you wish to be distributed to the Committee and included in the official record, please hand it to a member of VCE staff who will distribute the information to the Board members and other staff.

Committee Members: Yvonne Hunter (Chair), Marsha Baird (Vice Chair), Gerry Braun, Christine Shewmaker, Mark Aulman, Lorenzo Kristov, David Springer, and Christine Casey

2:00 PM CALL TO ORDER

1. **Approval of Agenda**

2. **Public Comment** – Because this is a special meeting, this item is reserved for persons wishing to address the CAC on items on this meeting agenda. As with all public comment, members of the public who wish to address the CAC are customarily limited to two minutes per speaker, but an extension can be provided at the discretion of the Chair.

REGULAR AGENDA (≈ 2:05 p.m.)

3. **Review, discuss and make recommendation to the VCE Board of Directors on Valley Clean Energy Policy regarding potential PG&E allocation of GHG-free (Large Hydro and Nuclear) resources to Community Choice Aggregators. (≈ 45 minutes) (Discussion)**

4. **Review Staff summary and recommendation on Assembly Bill 1567, Senate Bill 378, and Senate Bill 804 – Request CAC to make a position recommendation on three (3) bills to the VCE Board of Directors . (≈ 15 minutes) (Action)**

5. **Adjournment**: Public records that relate to any item on the open session agenda for a regular board meeting are available for public inspection. Those records that are distributed less than 72 hours prior to the meeting are available for public inspection at the same time they are distributed to all members, or a majority of the members of the Board. VCEA public records are available for inspection by contacting Board Clerk Alisa Lembke at (530) 446-2750 or Alisa.Lembke@ValleyCleanEnergy.org. Agendas and Board meeting materials can be inspected at VCEA's offices located at 604 2nd Street, Davis, California 95616; those interested in inspecting these materials are asked to call (530) 446-2750 to make arrangements. Documents are also available on the Valley Clean Energy website located at: www.valleycleanenergy.org/cac-meetings.

VALLEY CLEAN ENERGY ALLIANCE
COMMUNITY ADVISORY COMMITTEE

Staff Report – Item 3

TO: VCE Community Advisory Committee

FROM: Mitch Sears, Interim General Manager

SUBJECT: Valley Clean Energy Policy regarding potential PG&E allocation of GHG-free (Large Hydro and Nuclear) resources to Community Choice Aggregators

DATE: February 5, 2020

RECOMMENDATION

1. Recommend that the Valley Clean Energy Board accept the large hydro allocations from PG&E, but not to accept the nuclear allocations.

DISCUSSION

Valley Clean Energy (VCE) has set a goal for 2020 to serve customers with a minimum 75% GHG-free energy. In 2020, forty-two percent (42%) of VCE's GHG-free energy portfolio are resources that qualify as renewable energy under the state's renewable portfolio standard program (RPS) and 33% are resources that do not qualify under the RPS, but are considered GHG-free. Large hydro and nuclear do not emit any GHG emissions, but don't qualify under the state's RPS.

VCE has procured all of the renewable resources and GHG free (large hydro) that we expect are required to meet this target in 2020. As additional CCAs have started operating with their own GHG-free targets, staff have seen the market for GHG-free resources become tighter and the cost has increased.

PG&E owns or contracts for a number of GHG-free resources (including large hydro and nuclear from Diablo Canyon Power Plant). PG&E has been able to count these resources on its power content label (PCL) to meet its GHG-free targets. Load serving entities (LSEs), on the other hand, have been paying for those same assets through PCIA, yet do not receive any of the GHG-free benefits.

In mid-2019, CCAs approached PG&E to discuss whether PG&E would be agreeable to selling energy from their large hydro facilities[1]. PG&E ultimately refused to make sales in 2019, but subsequently approached CCAs and offered to allocate GHG-free resources (nuclear and large hydro) to CCAs and other eligible load serving entities (LSEs).

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[1] Large hydro and nuclear resources count as GHG-free on the power content label (PCL), and investor-owned utilities (IOUs) have been benefiting from counting those resources to meet their GHG-free targets. LSEs, on the other hand, have been paying for those same assets through PCIA, yet do not receive any of the GHG-free benefits through the PCL.

There is a separate, similar effort occurring in the Power Charge Indifference Adjustment (PCIA) Phase 2 Working Group 3 (WG 3) that is focusing on the allocation of GHG-free energy, among other things. Since the PCIA effort is expected to take effect in 2021, the allocations addressed in this staff report are considered an interim approach for 2020 only until PCIA decisions are finalized. Both the PCIA proposal and the interim allocation proposal are works in progress and subject to change pending final CPUC approval.

The purpose of this report is to provide background and information for the CAC to discuss staff's recommendation to accept VCE's share of the large hydro allocation but not the nuclear allocation under the interim proposal for 2020 only.

<u>Interim Proposal by PG&E</u>

The key elements of the interim proposal include:

- Limited in time to 2020
- Limited in the resources to which it applies:
  - In-state
  - Large hydroelectric
  - Nuclear
- Only available to retail suppliers whose customers pay PCIA with large hydroelectric and nuclear in their PCIA vintage
- Requires active agreement between retail suppliers to offer and to take generation
- Requires that the CPUC approve a mechanism for the allocation of such generation
- No payment required

There is no obligation to accept this allocation of GHG-free energy. An LSE can choose to accept neither resource pool, one or the other, or both.

The PCIA is a non-bypassable charge set annually by the CPUC. The interim proposal and allocation mechanism, and whether VCE accepts an allocation, has no impact on PCIA charges. Regardless of what happens with the allocation mechanism, all customers, VCE customers included, pay for, and will continue to pay for PG&E large hydroelectric and nuclear generation costs through the PCIA.

A link to the PG&E Advice Letter which details the interim proposal is included in the reference section at the end of this staff report.

BACKGROUND and ANALYSIS

Under the interim proposal, PG&E will allocate to each eligible LSE its load share of large hydro (hydro pool) and/or nuclear resources (nuclear pool) based on an LSE's election. VCE accounts for approximately 1% of PG&E's share. Staff estimates that the allocation PG&E offers to VCE may contain the following:

- 90 GWh of large hydroelectric power
- 140 GWh of nuclear power

The volume that each LSE receives will ultimately depend on the volume of electricity generated by each resource pool in 2020 and the proportion of PG&E's load served by the LSE. PG&E has identified public historical production data for each resource pool and will provide ongoing allocation amounts for LSEs to forecast and keep track of allocation amounts.

VCE is eligible for this allocation as an LSE (as defined in the CAISO Tariff) that: (1) has forecasted load identified in PG&E's Energy Resource Recovery Account (ERRA) Forecast Application (ERRA Forecast Departed Load) for the calendar year in which the Allocation Amount is accepted; and (2) serves customers who pay the PCIA departing load charges for the above market costs of Resources.

On December 2, 2019, PG&E filed a Tier 3 Advice Letter and requested that the CPUC issue a final resolution by February 1, 2020. The interim proposal will only become effective upon CPUC approval of this Advice Letter and will remain in effect until the earlier of the effective date of a CPUC action on the PCIA Proposal Rulemaking (R.1706-026) ordering an alternative methodology (PCIA Decision) and December 31, 2020. In practice, this means through 2020.

Once the Advice Letter is approved and PG&E offers the allocation, the LSE has 30 days to accept its allocation of hydro and/or nuclear pool(s). Any unallocated amounts will revert back to PG&E to use or dispose as it sees fit pursuant to applicable law.

In exchange for the allocation by PG&E, the receiving LSE "will waive their ability to make petitions, arguments or filings at the CPUC or at the California State Legislature regarding PG&E not offering any allocation, sale or transfer of Carbon Free Energy or attributes for the period that the eligible LSE accepts the offer. Neither PG&E nor the eligible LSEs will be required to post credit or collateral."

PG&E will provide each LSE with an annual attestation confirming actual year-end totals of generation from the Resource Pool(s) and notify the California Energy Commission of the sale of the Product for purposes of PCL reporting.

FISCAL IMPACT
VCE has already procured GHG-free resources for 2020. Accepting either allocation (hydro or nuclear) results in a savings to VCE, and not any additional costs. Assuming a conservative estimate of $6/MWh for GHG-free resources based on recent market transactions, the table below estimates that the savings from the large hydro allocation will be $540,000 and the nuclear allocation will be $840,000.

Scenario Allocated GHG- Free Resources

Scenario	Total Allocated GHG Free Resources (Large Hydro + Nuclear)	Accepted GHG Free Resources	Potential Savings
A (Hydro + Nuclear)	230 GWh	230	$1,380,00
B (Nuclear only)	140 GWh	140	$840,000
C (Hydro only)	90 GWh	90	$540,000

Scenarios to Consider

By accepting an allocation of carbon free energy from PG&E, VCE will decrease the volume of previously contracted GHG-free energy we need in 2020 to meet it's 75% GHG-free target. Staff have prepared three scenarios to consider

- Scenario A - PG&E offers carbon-free allocations up to VCE's load share percentage (1of PG&E load), amounting to 230 GWh. VCE accepts all carbon-free allocations – both hydro pool and nuclear pool.

- Scenario B - PG&E offers carbon-free allocations up to VCE's load share percentage (1% of PG&E load), amounting to 140 GWh. VCE accepts the nuclear carbon-free allocations.

- Scenario C - PG&E offers carbon-free allocations up to VCE's load share percentage (1% of PG&E load), amounting to90 GWh. VCE accepts the hydro pool carbon-free allocations.

- Scenario D - VCE rejects allocations from both resource pools.

RECOMMENDATION

Staff recommends that the Board adopt Scenario C (large hydro only). This is a challenging policy question due to the fact that regardless of VCE's decision: (1) the Diablo nuclear plant will continue to operate until 2024/25, and (2) VCE customers will pay for the GHG attributes from the plant through the PCIA charge. In addition, the potential savings would help VCE advance its policy goals. These factors are balanced against the potential reputational risk associated with taking VCE's nuclear allocation. Note: other CCA's located in PG&E's service territory have both accepted and rejected the nuclear allocation with decisions based on local factors. Links to analysis from several other CCA's and PG&E's advice letter are included as references at the end of this report.

Staff believes that:

- The potential reputational risk from accepting the nuclear allocation as part of our GHG-free target is greater than the potential savings for accepting this allocation.
- Although there would be monetary savings in 2020 from accepting the nuclear allocation, VCE's power procurement budget was balanced for 2020 without this additional funding.
- The Diablo Canyon nuclear plant is scheduled to be shut down in 2024/2025; accepting this allocation could send a market signal that the output from this plant is still valued and the shutdown should not occur.
- Generally nuclear is not considered a clean fuel source due to risks associated with spent fuel and practical long-term disposal options.

Based on these factors, staff believes that VCE is better served by accepting the hydro allocations for 2020 but not the nuclear allocations.

Reference Materials

EBCE:

- https://ebce.org/wp-content/uploads/Item-16-Carbon-Free-Allocation-Informational-Item-1.pdf

- https://ebce.org/wp-content/uploads/Item-14-Carbon-Free-Allocation-Questions-.pdf

PCE: https://www.peninsulacleanenergy.com/wp-content/uploads/2020/01/2020-01-23-Peninsula-Clean-Energy-Board-agenda-packet-1.pdf

PG&E Advice Letter: https://www.pge.com/tariffs/assets/pdf/adviceletter/ELEC_5705-E.pdf

VALLEY CLEAN ENERGY ALLIANCE
COMMUNITY ADVISORY COMMITTEE

Staff Report - Item 4

TO: VCE Community Advisory Committee

FROM: Mitch Sears, Interim General Manager

SUBJECT: Staff Summary and Recommendation on AB1567, SB378, and SB804

DATE: February 5, 2020

Recommendation that the Board:
1. Support AB1567.
2. Support SB378 as amended.
3. Support SB804 as amended.

Background and Analysis
Staff has prepared this report to provide you a summary of the following legislative bills:

AB 1567 (Aguiar-Curry). Organic waste: scoping plan.
Summary: Would, on a before December 31, 2021, require the Strategic Growth Council, in consultation with stakeholders and relevant permitting agencies, to prepare and submit to the Legislature a report that provides a scoping plan for the state to meet its organic waste, climate change, and air quality mandates, goals, and targets and would require the scoping plan to include, among other things, recommendations on policy and funding support for the beneficial reuse of organic waste.

This bill proposes that the Strategic growth Council, with input from other departments and agencies, create a scoping plan for the state to meet its organic waste, climate change, and air quality goals, mandates, etc. This scoping plan could include innovative strategies for energy generation from organic waste in Yolo County.

Consistent with adopted Board policy relating to time sensitive legislative issues, VCE staff worked with the VCE Board subcommittee to submit a letter supporting AB1567 on January 13, 2020 for the bill's hearing in the Assembly Natural Resources Committee (ANRC).The ANRC, Assembly Appropriations Committee and Assembly Floor unanimously passed this bill.

The current recommendation of support will confirm VCE's support for this legislation.

SB 378 (Wiener) Electrical corporations: deenergization events: procedures: allocation of costs: reports.

Summary: Would require each electrical corporation to annually submit a report to the wildfire Safety Division and, after June 30, 3021, to the Office of Energy Infrastructure Safety, that includes the age, useful life, and condition of the electrical corporation's equipment, inspection dates, and maintenance records for its equipment, investments to maintain and improve the operation of its transmission and distribution facilities, and an assessment of the current and future fire and safety risk posed by the equipment.

Senator Wiener introduced language proposing stricter oversight and penalties regarding PSPS and then amended the bill in January 2020. The amended bill proposes to require greater information sharing by IOU's with state and local government regarding IOU infrastructure and investments made in the infrastructure; a code of conduct regarding IOU marketing against POU formation/expansion; a code of conduct regarding IOU marketing against microgrids and distributed energy generation; and additional damages due to a PSPS; and a $500,000 per hour per 50,000 customer penalty for an IOU implementing a PSPS.

Consistent with adopted Board policy relating to time sensitive legislative issues, VCE staff worked with the VCE Board subcommittee to submit a letter supporting AB1567 on January 13, 2020 for the bill's hearing in the Senate Energy Committee. Committee amendments removed the two code of conduct provisions, reduced the penalty amount to $250,000 per hour per 50,000 customers and requires a finding by the PUC that the IOU failed to act reasonably and prudently in implement the PSPS. The bill has since passed the Senate Appropriations Committee and passed the Senate Floor on a bipartisan vote.

The current recommendation of support will confirm VCE's support for this legislation.

SB 804 (Wiener) Public capital facilities: electric utilities: rate reduction bonds.

Summary: The Marks-Roos Local Bond Pooling Act of 1985 authorizes certain joint powers authorities, upon application by a local agency that owns and operates a publicly owned utility, defined to mean certain utilities furnishing water or wastewater service to not less than 25,000 retail customers, to issue rate reduction bonds to finance utility projects, as defined, subject to certain requirements. Under the act, these rate reduction bonds are secured by a pledge of utility project property, and the joint powers authority issuing the bonds may impose on, and collect from, customers of the publicly owned utility a utility project charge to finance the bonds, as provided. The act requires the California Pollution Control Financing Authority, among other things, to review each issuance of rate reduction bonds issued under these provisions. This bill would expand the definition of a publicly owned utility for these purposes to include certain utilities furnishing generation transmission, or distribution electrical service to retail customers and would authorize an authority to issue rate reduction bonds to finance or refinance utility projects for the provision of generation, transmission, or distribution electrical service.

SB 804 is a bill produced by SF PUC to provide an additional financing tool to the formation of municipal utilities. This proposed legislation would extend the existing authority to use rate reduction bonds to local power agencies throughout California.

Existing law allows local public agencies to issue rate reduction bonds to finance various water and wastewater infrastructure projects. Investor-owned electric utilities (IOUs), including PG&E, are also able to take advantage of this financing structure, but his mechanism is not available to public electric utilities. Rate reduction bonds are asset-backed securities that save ratepayers significant dollars when local agencies finance infrastructure through this mechanism in two ways.

1) securitization allows these agencies to qualify bonds for more favorable credit ratings. If a bond receives a favorable AAA rating, instead of a lower rating, the local agency can borrow funds at an interest rate that is well below the rate that would otherwise apply to the agency's long-term debt, substantially reducing borrowing and benefiting ratepayers.
2) Securitization enables publicly-owned utilities to reduce debit.

Staff is recommending that the CAC advise the Board to support this legislation as consistent with VCE's adopted principles on establishment of public power options that deliver cost competitive energy to customers.