



Staff Report Item 16

TO: East Bay Community Energy Board of Directors
FROM: Nick Chaset, CEO
SUBJECT: Carbon Free Allocation (Informational)
DATE: December 18, 2019

Recommendation

Receive an update regarding potential carbon free energy allocation and associated timeline.

Background and Discussion

The purpose of this memorandum is to provide background and information for the Board as part of an informed discussion about a potential allocation of greenhouse gas (GHG) free energy from PG&E.

For background on the allocation, we incorporate by reference this informational [presentation](#) to the Executive Committee on November 22, 2019.

Since we prepared the executive committee memorandum, PG&E has submitted an [Advice Letter](#) to the California Public Utilities Commission (CPUC) for approval to implement the allocation mechanism. The Advice Letter proposes to add a new Appendix P (Carbon Free Energy) to PG&E's bundled procurement plan (BPP).

PG&E states in the Advice Letter that "Carbon Free Energy for purposes of Appendix P is energy produced by large hydroelectric resources and nuclear resources... PG&E proposes to offer to sell Carbon Free Energy to eligible Load Serving Entities (LSEs)" for the calendar years of 2019 and 2020. The two conditions of the "sale" are that offtakers 1) agree that the allocation is a reasonable way to manage the disposition of carbon free energy and 2) agree to waive our right to argue over the allocation after it's accepted. There is no payment required.

Other key elements of the Advice Letter are:

- Limited in time to 2019-20
- 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 energy in their PCIA vintage
- Requires active agreement between retail suppliers to offer and to take generation. **There is no obligation to accept an allocation of nuclear energy, or hydroelectric energy. An offtaker can choose to take neither, only one, or both.**
- Contingent wholly or partially on action by the California Energy Commission (CEC) and the CPUC.

Staff estimates that the allocation PG&E offers to EBCE may contain the following:

- 600 GWh of large hydroelectric power
- 1,400 GWh of nuclear power

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

Staff are preparing comments on the Advice Letter and working through various allocation scenarios. At this time, we do not have proposed options ready for the board’s review. Staff will return to the board for an informational discussion to be followed by a vote at a subsequent meeting.

Timeline

Below are critical milestones that impact a decision around whether or not EBCE accepts a potential carbon free allocation from PG&E. Note that many of these dates are approximate, as there is no set time within which the CPUC must act on the advice letter.

Date	Category	Action
12/2/19	Carbon Free Allocation	PG&E Advice Letter issued
12/18/19	Board Meeting	Informational Item on Carbon Free Allocation Timeline
12/22/19	Carbon Free Allocation	EBCE Comments due on PG&E Advice Letter
1/16/20	Rate Proceedings	CPUC Final Decision on PCIA and Generation Rates
1/20/20	Carbon Free Allocation	Earliest possible Draft Resolution from CPUC on Advice Letter
1/22/20	Board Meeting	Update on status of Rate Proceeding (informational) Carbon Free Allocation Options (informational)
2/19/20	Board Meeting	Update on status of Rate Proceeding (informational) First opportunity to vote on Carbon Free Allocation with Update on Draft CPUC Resolution if issued in January
-2/20/20	Carbon Free Allocation	Likely time frame for a Draft Resolution from CPUC staff on Advice Letter
3/1/20	Rate Proceedings	New Generation Rate and PCIA go into effect
3/18/20	Board Meeting	Second opportunity to vote on Carbon Free Allocation options
3/26/20	Carbon Free Allocation	CPUC vote on Resolution, if draft circulated by 2/20/20
4/1/20	Carbon Free Allocation	PG&E Carbon Free Offer, if Advice Letter approved 3/26/20
4/15/20	Board Meeting	Update on final PG&E Carbon Free Allocation offer
5/1/20	Carbon Free Allocation	EBCE must notify PG&E of decision to accept or decline the carbon free allocation offer
5/16/20	Carbon Free Allocation	PG&E begins delivering allocation if accepted by EBCE

Financial Impacts

There is no financial impact associated with this update. The financial impact of potential Carbon Free Allocation options will be provided as part of future board item(s).