



CAC Item C7  
Staff Report Item 13

TO: East Bay Community Energy Board of Directors  
FROM: Jim Dorrance, Power Resources Manager  
SUBJECT: 2021 Carbon Free Allocation (Action Item)  
DATE: December 16, 2020

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### Recommendation

EBCE staff is seeking Board approval to accept the large hydroelectric generation from the Pacific Gas and Electric carbon free allocation for 2021.

Additionally, staff is presenting a method for monetizing the nuclear generation from the carbon free allocation and is seeking board approval of one of the following choices:

- 1) Reject the PG&E nuclear allocation, or
- 2) Accept the PG&E nuclear allocation and re-sell the content to a third party. Proceeds from the resale of the nuclear allocation will be budgeted towards Local Development Programs.

### Background and Discussion

In December 2019, Pacific Gas and Electric (PG&E) filed an Advice Letter (5705-E) that describes a process for PG&E to sell carbon free energy as a part of the Power Charge Indifference Adjustment (PCIA) proceedings. The energy sale is available to East Bay Community Energy (EBCE) and other eligible load serving entities (LSE) that serve customers who pay the PCIA load charges for these resources. The carbon free energy is from two types of PG&E facilities, large hydroelectric and nuclear. LSE's can select to purchase energy from either the large hydroelectric or the nuclear facilities or both at no additional cost than what is covered through the PCIA.

At the April 2020 EBCE Board of Directors (Board) meeting, the Board chose to purchase only the large hydroelectric generation for delivery during 2020, the generation was purchased from PG&E for zero dollars and delivered during calendar year 2020. Through the carbon free allocation process, the selection of the generation type, large hydroelectric and nuclear generation, from the facility pool is decided annually. Staff is asking the Board to accept the large hydroelectric generation for delivery year 2021 and to discuss the following proposal for monetizing the nuclear generation from the allocation.

Staff is presenting a method to monetize the nuclear generation for 2021 and at the same time reduce the carbon free content on PG&E Power Content Label (PCL). EBCE would purchase the nuclear energy from PG&E for zero dollars and enter into a sale agreement with an energy supplier that would purchase all the nuclear energy from EBCE and either sell the energy to a third party or retain the energy themselves. EBCE would receive fifty percent of the net profits from any portion that the energy supplier sells.

Based on feedback from the energy supplier, staff estimates that EBCE's share of the revenue could range from \$500,000 to \$1,000,000, but actual proceeds from the sale may be higher or lower based on actual sales. The range illustrates the uncertainty around the revenue projection that EBCE can expect which would be contingent on sold volume, market participants, and sale price. There are indications that there is market interest for this product which continues to be explored by the marketer. Any portion of the nuclear energy that the energy supplier is not able to sell, they would retain, and the nuclear energy would not be a part of EBCE's power content nor appear on EBCE's PCL. Proceeds from the resale may be earmarked and budgeted towards other activities, such as Local Development, increased renewable generation procurement, or the general operating budget.

The Power Source Disclosure Report (PSDR) regulations that set the rules for how power content is disclosed on the PCL allows California reporting entities the ability to only report generation that is equal to the amount of retail sales during a calendar year. Since typically PG&E has more generation than retail sales, they are not required to report generation from natural gas resources if there is sufficient carbon free generation in their portfolio to match their retail sales. On PG&E's 2019 PSDR there was approximately 13 tera-watt-hours of natural gas generation that was not disclosed on their PCL due to the surplus of generation greater than their retail sales. PG&E did disclose other power content, which included their nuclear generation. If EBCE were to accept and sell the nuclear generation, the amount of carbon free content that PG&E discloses could be reduced and more natural gas would be shown on their 2021 PCL. Based on the 2019 PSDR this could have been as high as two percent more natural gas if the nuclear generation from the carbon free allocation was available and accepted by EBCE in 2019.

The following presentation will provide details to the Board of Directors on EBCE's ability to sell the nuclear energy from the carbon free allocation for 2021 if the EBCE Board of Directors chooses to accept that energy. The presentation material only relates to the sale of the nuclear energy and does not impact the large hydroelectric energy purchased from the allocation which would be retained for EBCE customer's content.

### **Fiscal Impact**

Staff estimates that EBCE's revenue could be \$500,000 to \$1,000,000 from profit sharing on any re-sold volumes.

### **Attachments**

- A. Presentation on the 2021 Carbon Free Allocation



# 2021 Carbon Free Allocation

PRESENTED BY: Jim Dorrance

DATE: December 16, 2020

# Background - Carbon Free Allocation

- EBCE as an eligible LSE can purchase carbon free energy from PG&E as part of the PCIA for a 1-year term
- The energy can be from either large hydroelectric or nuclear facilities
- For 2020, the EBCE Board directed staff to only accept the large hydroelectric energy which was purchased from PG&E for zero dollars
- Through the carbon free allocation, the selection of generation type is selected annually

# 2021 Carbon Free Allocation

- EBCE staff is seeking Board approval to accept the large hydroelectric generation from the Pacific Gas and Electric carbon free allocation for 2021
- Additionally, staff is presenting a method for monetizing the nuclear generation from the carbon free allocation and is seeking board approval on one of the following choices:
  1. Reject the PG&E nuclear allocation, or
  2. Accept the PG&E nuclear allocation and re-sell the content to a third party. Proceeds from the resale of the nuclear allocation will be budgeted towards Local Development Programs

# Nuclear Energy Sale

- With Board approval, EBCE can accept the nuclear energy for 2021 and enter into an agreement to sell the energy + attribute to a third party
- EBCE can structure an arrangement with an energy supplier that would purchase all the energy from EBCE for zero dollars and take title to the energy
- The marketer would then resell the energy to a third party and EBCE would receive half of the net revenue from any sale. If the energy supplier is not able to resell the product, they would retain the energy
- All the nuclear energy would transfer to the marketer and EBCE would not have any reporting obligation for the energy on the Power Content Label (PCL)

# Potential Revenue

- EBCE would receive 50% of the net profit and estimates profits from sold volumes to be between \$500,000 and \$1,000,000. Proceeds would be based on actual resale value
- There are indications that there is market interest for this product which continues to be explored by the marketer
- Proceeds from the resale may be earmarked and budgeted towards other activities, such as Local Development, increased renewable procurement, or the general operating budget

\*Profit projections based on different illustrative sales volume and price scenarios

Sold Energy (MWh)	Sale Price (\$/MWh)	EBCE profit (\$)
1,400,000	3.00	2,100,000
1,400,000	1.50	1,050,000
1,400,000	1.00	700,000
1,400,000	0.50	350,000
700,000	3.00	1,050,000
700,000	1.50	525,000
700,000	1.00	350,000
700,000	0.50	175,000

# Power Content

- The PSDR regulations allow CA reporting entities to disclose only the generation that matches their retail sales
- PG&E has more generation than sales and does not have to disclose natural gas if there is sufficient carbon free generation in their portfolio
- On PG&E's 2019 PSDR there was ~13 tera-watt-hours of natural gas generation that was not disclosed on their PCL due to surplus generation greater than their retail sales
  - PG&E did disclose other power content, which included their nuclear generation
- Choosing to accept the nuclear energy would lower the amount of carbon free content on PG&E's PCL and more natural gas would be disclosed
  - Based on the 2019 PSDR this could have been as high as two percent more natural gas if the nuclear generation from the carbon fee allocation was available and accepted by EBCE in 2019



# Questions ?