

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

Item #12

Agenda I.D. 12578

RESOLUTION E-4631

December 19, 2013

REDACTED
RESOLUTION

Resolution E-4631. Pacific Gas and Electric Company requests approval of its 2012 Renewables Portfolio Standard Solicitation Shortlist Report.

PROPOSED OUTCOME: This Resolution approves Pacific Gas and Electric Company's 2012 Renewables Portfolio Standard Solicitation Shortlist Report.

SAFETY CONSIDERATIONS: Because this resolution only approves the shortlisting of projects that Pacific Gas and Electric Company may negotiate power purchase agreements with, there are not expected to be any incremental safety implications associated with approval of this resolution.

ESTIMATED COST: There are no expected costs associated with the approval of Pacific Gas and Electric Company's 2012 Renewables Portfolio Standard Solicitation Shortlist Report.

By Advice Letter 4238-E filed on June 7, 2013, Supplemental Advice Letter 4238-E-A filed on July 10, 2013, and Supplemental Advice Letter 4238-E-B filed on July 15, 2013.

SUMMARY

Pacific Gas and Electric Company's (PG&E) 2012 Renewables Portfolio Standard (RPS) Solicitation Shortlist Report is approved.

In compliance with D.06-05-039 and D.12-11-016, PG&E filed Tier 2 AL 4238-E on June 7, 2013, requesting approval of its 2012 RPS Solicitation Shortlist Report. The

Shortlist Report comprises PG&E's description of its 2012 RPS Solicitation evaluation criteria and selection process as well as the report of the Independent Evaluator (IE) who oversaw the solicitation and shortlist selection process.

PG&E subsequently filed two Supplemental ALs to AL 4238-E. Supplemental AL 4238-E-A was filed on July 10, 2013, to correct an error in the IE's original Shortlist Report based on new information available to the IE. Supplemental AL 4238-E-B was filed on July 15, 2013, to formally submit PG&E's Confidential 2012 RPS RFO Workpapers, which had previously been omitted from the original AL filing.

As authorized in D.12-11-016, PG&E issued its 2012 RPS request for offers (RFO) on December 10, 2012. PG&E identified in its RFO protocol the intent to procure up to 1,000 GWh under long-term PPAs, with a strong preference for projects located in PG&E's service territory that will begin delivering energy in 2019-2020. PG&E subsequently evaluated and selected offers for inclusion on a shortlist of projects with which it will engage in PPA negotiations.

This resolution approves PG&E's 2012 RPS Solicitation Shortlist Report.

BACKGROUND

Overview of the Renewables Portfolio Standard (RPS) Program

The California RPS program was established by Senate Bill (SB) 1078, and has been subsequently modified by SB 107, SB 1036, and SB 2 (1X).¹ The RPS program is codified in Public Utilities Code Sections 399.11-399.31.² Under SB 2 (1X), the RPS program administered by the Commission requires each retail seller to procure eligible renewable energy resources so that the amount of electricity generated from eligible renewable resources be an amount that equals

¹ SB 1078 (Sher, Chapter 516, Statutes of 2002); SB 107 (Simitian, Chapter 464, Statutes of 2006); SB 1036 (Perata, Chapter 685, Statutes of 2007); SB 2 (1X) (Simitian, Chapter 1, Statutes of 2011, First Extraordinary Session).

² All further references to sections refer to Public Utilities Code unless otherwise specified.

an average of 20 percent of the total electricity sold to retail customers in California for compliance period 2011-2013; 25 percent of retail sales by December 31, 2016; and 33 percent of retail sales by December 31, 2020.³

Additional background information about the Commission's RPS Program, including links to relevant laws and Commission decisions, is available at <http://www.cpuc.ca.gov/PUC/energy/Renewables/overview.htm> and <http://www.cpuc.ca.gov/PUC/energy/Renewables/decisions.htm>.

NOTICE

Notice of AL 4238-E was made by publication in the Commission's Daily Calendar. PG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section 3.14 of General Order 96-B.

PROTESTS

PG&E's Advice Letter 4238-E was timely protested on June 27, 2013 by the Office of Ratepayer Advocates (ORA). PG&E responded to the protest on July 5, 2013.

DISCUSSION

PG&E requests Commission approval of its 2012 RPS Solicitation Shortlist Report.

In compliance with D.06-05-039 and D.12-11-016, PG&E filed Tier 2 AL 4238-E on June 7, 2013, requesting approval of its 2012 RPS Solicitation Shortlist Report. The Shortlist Report comprises PG&E's description of its 2012 RPS Solicitation evaluation criteria and selection process as well as the report of the Independent Evaluator (IE) who oversaw the solicitation and shortlist selection process.

PG&E subsequently filed two Supplemental ALs to AL 4238-E. Supplemental AL 4238-E-A was filed on July 10, 2013, to correct an error in the IE's original

³ D.11-12-020 established a methodology to calculate procurement requirement quantities for the three different compliance periods set forth in Section 399.15 (2011-2013, 2014-2016, and 2017-2020).

Shortlist Report based on new information available to the IE. Supplemental AL 4238-E-B was filed on July 15, 2013, to formally submit PG&E's Confidential 2012 RPS RFO Workpapers, which had previously been omitted from the original AL filing.

As authorized in D.12-11-016, PG&E issued its 2012 RPS request for offers (RFO) on December 10, 2012. PG&E identified in its RFO protocol the intent to procure up to 1,000 GWh under long-term PPAs, with a strong preference for projects located in PG&E's service territory that will begin delivering energy in 2019-2020. PG&E subsequently evaluated and selected offers for inclusion on a shortlist of projects with which it will engage in PPA negotiations.

ORA's Protest of the Shortlist Report

ORA submitted both public and confidential versions of its protest to Advice Letter 4238-E. In its protest to Advice Letter 4238-E, ORA recommends that the Commission approve Advice Letter 4238-E, but remove specific projects from PG&E's shortlist. ORA makes this recommendation based on its assertion that PG&E has not justified selection of the projects in place of better valued projects that also bid into PG&E's 2012 RPS Solicitation. ORA's comments regarding specific projects and their associated values are discussed in Confidential Appendix A of this resolution.

PG&E submitted both public and confidential versions of its response to ORA's protest. In PG&E's response to ORA's protest, PG&E recommends that the protest be denied and argues that its shortlist is reasonable because it is consistent with the utility's 2012 RPS Procurement Plan and its approved Least-Cost Best-Fit criteria, which includes criteria for project selection beyond value alone. PG&E's response to ORA's confidential protest regarding specific projects are discussed in Confidential Appendix A of this resolution.

Energy Division Evaluated the 2012 Solicitation Shortlist Report on Multiple Grounds:

- Independent Evaluator Report
- Consistency with PG&E's 2012 RPS Procurement Plan
- Consistency with Least-Cost Best-Fit Requirements

Independent Evaluator Report (IE)

PG&E retained Arroyo Seco Consulting as the Independent Evaluator (IE) for its 2012 RPS Solicitation and shortlist selection. The IE conducted activities to review and assess PG&E's processes as PG&E conducted outreach to renewable developers and operators, solicited and evaluated offers, and selected a shortlist of offers with which to pursue PPA negotiations.

It is the IE's opinion that PG&E undertook adequate outreach to renewable developers and operators and succeeded in conducting a robust and competitive solicitation. The IE also concluded that PG&E's Least-Cost Best-Fit (LCBF) methodology was designed and applied fairly overall in selection of projects for inclusion on its shortlist. Specifically, the IE opined that the shortlist generally conforms to PG&E's compliance needs, RPS requirements, 2012 RPS Procurement Plan and solicitation protocol, and that overall PG&E fairly administered its LCBF methodology in selection of its shortlist. The IE notes that although it disagrees with a few of the choices PG&E made in selecting its shortlist, either due to the inclusion of projects with lower relative value or viability (see Confidential Appendix B), the IE believes PG&E's shortlist choices are reasonable and justifiable, and within the range of subjective business judgment that PG&E may apply in selecting projects for inclusion on its shortlist. The IE also identified that it believes that PG&E's choice to reject higher valued offers from the shortlist was justified by concerns regarding seller concentration and viability. Based on this assessment, the IE believes that PG&E's Shortlist merits approval.

Consistent with D.06-05-039, an Independent Evaluator oversaw PG&E's 2012 RPS Solicitation and Shortlist selection. See Confidential Appendix B for the Independent Evaluator's summary of comments on PG&E's Solicitation and Shortlist.

Consistency with PG&E's 2012 RPS Procurement Plan

California's RPS statute requires the Commission to direct each utility to prepare an annual RPS Procurement Plan and then review and accept, modify, or reject the Plan prior to the commencement of a utility's annual RPS solicitation.⁴ After the utility selects a shortlist of projects from the annual RPS solicitation with which it will engage in PPA negotiations, the Commission must then evaluate whether the selection of the shortlist was conducted in a manner consistent with the utility's Commission-approved RPS Procurement Plan.

The stated goal for PG&E's 2012 RPS Solicitation to procure up to 1,000 GWh of RPS-eligible generation under long-term PPAs, with a strong preference for projects located in PG&E's service territory that will begin delivering energy in 2019-2020. The volume of generation associated with shortlisted projects appears to be sufficient to allow PG&E to negotiate and execute PPAs for 1,000 GWh. All projects included on the shortlist are proposed as long-term PPAs, with the majority of projects beginning energy delivery in 2019-2020. For the minority of projects with proposed delivery dates that are before PG&E's stated preference, it is possible that commercial operation dates may change during PPA negotiations to better align with PG&E's stated preference.

PG&E's 2012 RPS Solicitation evaluation and shortlist selection methodology is consistent with its 2012 RPS Procurement Plan, as approved by D.12-11-016.

Consistency with PG&E's Least-Cost Best-Fit (LCBF) Requirements

D.04-07-029 directs the utilities to use certain criteria in their bid ranking. The decision offers guidance regarding the process by which the utility ranks bids in order to select or "shortlist" the bids with which it will commence negotiations. PG&E's LCBF bid evaluation includes a quantitative and qualitative analysis, as well as each proposal's absolute value to PG&E's customers and relative value in comparison to other proposals. The basic components of PG&E's LCBF evaluation and selection criteria and process for RPS contracts were established in the Commission's LCBF decisions D.03-06-071 and D.04-07-029.

⁴ §399.13.

Consistent with these decisions, the five main LCBF steps undertaken by PG&E are: (1) determination of market value of bid; (2) evaluation of portfolio fit; (3) evaluation of project viability; (4) consistency with RPS goals, and; (5) calculation of transmission adders.⁵

As noted above, the IE oversaw the offer evaluation process and concluded in its report that overall PG&E fairly administered its LCBF in order to establish a shortlist of offers with whom PG&E will engage in PPA negotiations.

We agree with the IE's conclusion and determine that PG&E's 2012 RPS Solicitation Shortlist was established consistent with the LCBF methodology identified in PG&E's 2012 RPS Procurement Plan.

ORA's protest to Advice Letter 4238-E is denied

While we agree with ORA that the projects it protested are lower in value than other offers submitted to PG&E through its 2012 RPS solicitation, PG&E appropriately applied its LCBF methodology in establishing its shortlist and the inclusion of the protested projects on the shortlist is reasonable within the flexibility PG&E is provided to select projects under its Commission-approved 2012 RPS Procurement Plan. The shortlisted projects on the whole are high in value and all projects meet PG&E's stated RPS RFO procurement objectives. Therefore, PG&E's 2012 RPS Solicitation Shortlist is reasonable, and ORA's protest recommending exclusion of specific projects from PG&E's Shortlist is denied.

If PG&E moves forward in PPA negotiations with the protested projects, venues exist for ORA to provide feedback on the PPAs before they are executed, through the Procurement Review Group process, and after they are executed, through the Advice Letter process.

⁵ PG&E's quantitative evaluation of the attributes of a project is first based on Net Market Value (NMV) and then a secondary ranking using Portfolio Adjusted Value (PAV) is applied. The PAV uses NMV results as an initial valuation and then makes additional adjustments that take into account the impact a transaction will have on PG&E's portfolio, many of which are elements of portfolio fit.

Public Safety

California Public Utilities Code Section 451 requires that every public utility maintain adequate, efficient, just, and reasonable service, instrumentalities, equipment and facilities to ensure the safety, health, and comfort of the public.

This resolution approves PG&E's 2012 RPS Solicitation Shortlist Report. Because this resolution only approves the shortlisting of projects that PG&E may negotiate with, there are not expected to be any incremental safety implications associated with approval of this resolution.

CONFIDENTIAL INFORMATION

The Commission, in implementing Public Utilities Code Section 454.5(g), has determined in D.06-06-066, as modified by D.07-05-032, that certain material submitted to the Commission as confidential should be kept confidential to ensure that market sensitive data does not influence the behavior of bidders in future RPS solicitations. D.06-06-066 adopted a time limit on the confidentiality of specific terms in RPS contracts. Such information, including price, is confidential for three years from the date the contract states that energy deliveries begin, or until one year following contract expiration, except contracts between IOUs and their affiliates, which are public.

The confidential appendices, marked "[REDACTED]" in the public copy of this resolution, as well as the confidential portions of the advice letter, should remain confidential at this time.

COMMENTS

Public Utilities Code Section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments on November 19, 2013. No comments were filed.

FINDINGS AND CONCLUSIONS

1. Consistent with D.06-05-039, an Independent Evaluator oversaw PG&E's 2012 RPS Solicitation and shortlist selection.
2. PG&E's 2012 RPS Solicitation evaluation and shortlist selection methodology is consistent with its 2012 RPS Procurement Plan, as approved by D.12-11-016.
3. PG&E's 2012 RPS Solicitation Shortlist was established consistent with the Least-Cost Best-Fit methodology identified in PG&E's 2012 RPS Procurement Plan.
4. PG&E's 2012 RPS Solicitation Shortlist is reasonable.
5. ORA's protest recommending exclusion of specific projects from PG&E's Shortlist is denied.
6. The confidential appendices, marked "[REDACTED]" in the public copy of this resolution, as well as the confidential portions of the advice letter, should remain confidential at this time.

THEREFORE IT IS ORDERED THAT:

1. Pacific Gas and Electric Company's Advice Letter 4238-E, requesting Commission review and approval of its 2012 RPS Solicitation Shortlist Report, as supplemented by Advice Letter 4238-E-A and Advice Letter 4238-E-B, is approved without modification.

This Resolution is effective today.

I certify that the foregoing Resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on December 19, 2013; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director

Confidential Appendix A

Confidential Protest and Response
[Redacted]

Confidential Appendix B

Independent Evaluator Conclusions and
Recommendations
[Redacted]