

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

ENERGY DIVISION

Agenda ID #22544  
RESOLUTION E-5325  
May 30, 2024

**R E S O L U T I O N**

Resolution E-5325. Pacific Gas and Electric Company Mid-Term Reliability Contract.

PROPOSED OUTCOME:

- Approves one Pacific Gas and Electric Company mid-term reliability contract and related costs for a total of 112.5 megawatts of nameplate capacity expected to begin deliveries on June 1, 2025.

SAFETY CONSIDERATIONS:

- Pacific Gas and Electric Company requires the seller to 1) practice responsible safety management enforced by contractual terms and conditions based on standards for Prudent Electrical Practices and all applicable laws and regulations and 2) have a project safety plan that demonstrates responsible safety management during all phases of the project lifecycle.

ESTIMATED COST:

- Contract costs are confidential at this time.

By Advice Letter 7177-E, Filed on February 27, 2024.

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**SUMMARY**

This Resolution approves one mid-term reliability (MTR) long term resource adequacy agreement with energy settlement (LTRA w/ ES) storage contract with Elisabeth Solar, LLC for 112.5 megawatts (MW) of nameplate capacity expected to begin deliveries on

June 1, 2025. The contract term is 15 years. Pacific Gas and Electric Company (PG&E) procured this resource to satisfy a portion of its MTR requirements.

## **BACKGROUND**

On June 24, 2021, the Commission under its Integrated Resource Planning (IRP) program adopted Decision (D.) 21-06-035 requiring load serving entities (LSEs) to procure at least their share of 11,500 MW of September net qualifying capacity (NQC) for MTR, with at least 2,000 MW online by August 1, 2023; an additional 6,000 MW online by June 1, 2024; an additional 1,500 MW online by June 1, 2025; and an additional 2,000 MW of long lead time resources online by June 1, 2026.

Pursuant to D.21-06-035, PG&E's share of this MTR procurement requirement was 400 MW online by August 1, 2023; 1,201 MW online by June 1, 2024; 300 MW online by June 1, 2025; and 400 MW of long lead time resources by June 1, 2026.<sup>1</sup>

On February 28, 2023, the Commission adopted D.23-02-040, which ordered supplemental MTR procurement of 2,000 MW for 2026 and 2,000 MW for 2027, and changed the online date for long lead time resources from June 1, 2026 to June 1, 2028. With the additional MTR procurement ordered in D.23-02-040, PG&E's MTR requirement is 400 MW online by August 1, 2023; 1,201 MW online by June 1, 2024; 300 MW online by June 1, 2025; 388 MW online by June 1, 2026; 388 MW online by June 1, 2027; and 400 MW of long lead time resources by June 1, 2028.<sup>2</sup>

PG&E issued an MTR Request for Offers (RFO) – Phase 1 on June 18, 2021 to procure resources for incremental NQC with an expected online date of August 1, 2023 and June 1, 2024, under which PG&E executed contracts for 1,598.7 MW of nameplate capacity. The Commission approved these contracts on April 21, 2022 in Resolution E-5202.<sup>3</sup> PG&E further issued its MTR RFO – Phase 2 on April 15, 2022, under which PG&E executed contracts for more than 300 MW of nameplate capacity. The Commission approved these contracts in Resolutions E-5262, E-5263, and E-5297.<sup>4</sup>

On February 7, 2023, PG&E issued its MTR RFO – Phase 3 to solicit offers to purchase incremental NQC within online dates beginning August 1, 2023 through June 1, 2026.

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<sup>1</sup> D.21-06-035 at 56.

<sup>2</sup> D.23-02-040 at 31.

<sup>3</sup> PG&E AL 6477-E.

<sup>4</sup> PG&E AL 6825-E, AL 6861-E, and 7022-E.

Under the solicitation, PG&E sought offers for zero-emitting, firm zero-emitting, long duration storage, and any other type of non-fossil-fueled resources. Participants were required to demonstrate site control, evidence that the project was on track to receive Full Capacity Deliverability Status (FCDS), and that the project was incremental to the 2019-2020 IRP RESOLVE/SERVM baseline used in need determination.<sup>5</sup>

PG&E announced the issuance of the MTR RFO – Phase 3 by email to approximately 2,500 potential participants with information on the location of the solicitation documents, participant webinar information, and important action items. On February 15, 2023, PG&E conducted a participants' conference via webinar to explain the MTR RFO – Phase 3 solicitation protocol, form agreements, and the offer submittal process. PG&E requested that offers be submitted by March 16, 2023, and notified participants via email on May 10, 2023 whether PG&E had selected their offers for the shortlist. PG&E states that due to changing market conditions, PG&E notified market participants that it had reopened the RFO on August 1, 2023, and accepted offers through December 15, 2023. Additional shortlisted participants were notified on a rolling basis.<sup>6</sup>

After receiving offers, PG&E provided participants an opportunity to revise offers that were missing information or required clarification by sending deficiency notices requesting further information by a specified date. If an offer did not satisfy the solicitation's requirements and subsequent modification by the participant did not result in a conforming offer, or PG&E determined that an offer was in violation of the terms of the MTR RFO – Phase 3, PG&E considered these offers non-conforming and eliminated them from further evaluation.<sup>7</sup>

To evaluate the conforming offers submitted under the solicitation, PG&E used both quantitative and qualitative criteria to achieve a shortlisted portfolio that could provide incremental NQC MW consistent with D.21-06-035. Quantitative evaluation criteria consisted of the net market value (NMV) based on benefits (energy, ancillary services, capacity, renewable energy credit value) and costs (fixed, variable, metered contract, and transmission network upgrade costs). Qualitative evaluation criteria consisted of financing, environmental characteristics, development plan, safety, prior experience, impact on disadvantaged communities, location, agreement or term sheet modification,

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<sup>5</sup> PG&E AL 7177-E at 4.

<sup>6</sup> PG&E AL 7177-E at 4-5.

<sup>7</sup> PG&E AL 7177-E at 6.

supply chain responsibility status, technology diversity, and diversity of counterparties.<sup>8</sup>

PG&E initiated negotiations with each participant with a shortlisted offer and presented a solicitation overview, offer summary, and shortlist materials to the Procurement Review Group (PRG). The PRG was notified of PG&E's intent to execute the contract approved herein on December 1, 2023. Further, PG&E engaged an Independent Evaluator (IE), Merrimack Energy, which reviewed and provided feedback on the MTR RFO – Phase 3 documentation, reviewed and evaluated offers received and assisted in shortlist development, discussed with PG&E the reasons the offers were considered non-conforming, participated in feedback calls with participants that were not selected to be on the shortlist, and participated in contract negotiations that were held for each shortlisted participant.<sup>9</sup>

On February 27, 2024, PG&E filed Tier 3 Advice Letter (AL) 7177-E with the Commission requesting approval of a LTRAA w/ ES contract ("Agreement") with Elisabeth Solar (owned by Leeward Renewable Energy, LLC) for the Sierra Pinta Storage Project ("Project"). The Project is a four-hour duration transmission-connected standalone lithium-ion battery storage resource located in Dateland, Arizona within the California Independent System Operator (CAISO) control area.

The Agreement for which PG&E seeks approval in AL 7177-E is summarized below:

<b>Project Name (Developer)</b>	<b>Resource Type</b>	<b>Contract Type</b>	<b>Capacity</b>	<b>Term</b>	<b>Initial Delivery Date</b>
Sierra Pinta Storage (Elisabeth Solar, LLC)	Lithium-ion battery storage	Long Term Resource Adequacy Agreement with Energy Settlement	112.5 MW	15 years	6/1/2025

PG&E states that as a condition of remaining on its shortlist for negotiations, PG&E required all shortlisted participants to provide information about their technology as well as the safety history of the participant and/or contractors, if known. PG&E used enhanced safety provisions within the proposed agreements similar to those previously included in PG&E's RFOs with storage contracts, requiring sellers to practice

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<sup>8</sup> PG&E AL 7177-E Appendix E at E-1.

<sup>9</sup> PG&E AL 7177-E at 7.

“responsible safety management enforced by contractual terms and conditions” based on standards for Prudent Electrical Practices and all applicable laws and regulations. Under these provisions, the seller is required to have a project safety plan that demonstrates responsible safety management during all phases of the project lifecycle—including project design, construction, operation, and maintenance. Further, the seller must describe potential hazards and include risk mitigations and safeguards, such as operating procedures, incident response, and recovery plans. PG&E states that as additional project details become available during project development, it will continue to monitor and perform additional safety checks of the seller’s project safety plans for consistency with the safety requirements of the agreement. The Agreement terms provide PG&E the ability to enforce those requirements or, in certain cases, terminate the Agreement in the case of non-compliance.<sup>10</sup>

PG&E has entered into the Agreement to meet its procurement requirements as ordered by D.21-06-035. As such, PG&E proposes to assign a Power Charge Indifference Adjustment (PCIA) vintage of 2021 to recover the costs associated with the Agreement for the duration of its term, where such costs are net of any CAISO charges and market revenues, and any retained resource adequacy (RA) value for bundled service customers.<sup>11</sup>

## **NOTICE**

Notice of PG&E AL 7177-E was made by publication in the Commission’s Daily Calendar. PG&E states that a copy of the AL was mailed and distributed in accordance with Section 4 of General Order 96-B.

## **PROTESTS**

PG&E AL 7177-E was not protested.

## **DISCUSSION**

The Commission has reviewed PG&E AL 7177-E and finds that PG&E’s request for approval of the MTR contract presented in AL 7177-E is reasonable, as discussed below.

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<sup>10</sup> PG&E AL 7177-E at 8-9.

<sup>11</sup> PG&E AL 7177-E at 9.

### **Consistency with D.21-06-035**

We find that PG&E AL 7177-E is consistent with D.21-06-035. As directed in the decision, PG&E filed a Tier 3 AL seeking approval for cost recovery for the MTR contract described herein.

The Agreement is for 112.5 MW of nameplate capacity, with an expected online date of June 1, 2025. In AL 7177-E, PG&E does not declare which of its requirements under D.21-06-035 it intends to apply the Project, but states that it may at a future time pair this resource with Renewable Portfolio Standard (RPS)-eligible resources in order to count the Project toward the zero-emissions procurement requirements of D.21-06-035 Ordering Paragraph (OP) 6 and that it will make a more definitive decision on how it intends to optimally apply the Project and other capacity resources procured as part of the MTR RFO processes once its MTR RFO – Phase 3 is completed.

Additionally, the Agreement satisfies the 10-year or more delivery term requirement.<sup>12</sup>

### **Procurement Methodology, Evaluation, and Cost Reasonableness**

PG&E issued its MTR RFO Phases 1, 2, and 3 on June 18, 2021, April 15, 2022, and February 7, 2023, respectively, to solicit offers for incremental resources to meet its MTR procurement requirements.

PG&E retained Merrimack Energy as the IE for its MTR solicitation efforts, which participated in and undertook a number of activities in connection with the solicitation process.<sup>13</sup> In the IE Report attached to AL 7177-E, Merrimack Energy provides an evaluation of the MTR RFO – Phase 3's outreach activities and solicitation robustness, PG&E's bid evaluation and selection methodology, administration of the solicitation

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<sup>12</sup> D.21-06-035 at 70.

<sup>13</sup> PG&E AL 7177-E Appendix B2 at 19. "For this Mid-Term Reliability RFO – Phase 3 process, in performing its oversight and evaluation role, the IE participated in and undertook a number of activities in connection with the solicitation process including reviewing the protocol documents, monitoring communications between PG&E and the Participants, reviewing and commenting on internal RFO Evaluation Protocol documents, organizing and summarizing the offers received, reviewing, questioning and commenting on the evaluation results, shortlisting and final selection, monitoring the status of short-listed offers, participating in meetings with Participants after receipt of offers and during contract negotiations, regular communications with PG&E's Project Manager, project team, and transactors on a regular basis to discuss RFO and contract issues, participation in meetings with the PRG, and monitoring the contract negotiation process with shortlisted Participants."

process, and fairness of the solicitation administration. Overall, Merrimack Energy states that the process was undertaken in a “fair and equitable manner” and that based on both the need for capacity and limited availability of higher value and viable resources available in the 2024-2026 timeframe, it recommends approval of the MTR contract herein.

We have reviewed PG&E’s MTR RFO – Phase 3 evaluation methodology and the IE Report. We agree with Merrimack Energy’s general findings that the solicitation and resulting selection of the Project were conducted fairly.

Further, the cost of the Agreement is in line with other recently-approved standalone storage contracts.

### **Cost Recovery**

D.21-06-035 authorized cost recovery of MTR procurement via the PCIA:

To the extent that any resources procured in response to this order are subject to allocation using the [PCIA], the date of that adjustment shall be vintaged by the date of this order.<sup>14</sup>

In AL 7177-E, PG&E proposes to apply a 2021 vintage to the costs associated with the MTR contract herein. Through this cost recovery methodology, the costs and benefits associated with this procurement complying with D.21-06-035 will be recovered from applicable customers, which includes bundled customers and departing load customers with 2021 vintage cost responsibility. We find PG&E’s proposed cost recovery to be consistent with OP 12 of D.21-06-035.

### **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. Any comments are due within 20 days of the date of its mailing and publication on the Commission’s website and in accordance with any instructions accompanying the notice. Section 311(g)(2) provides that this 30-day review period and 20-day comment period may be reduced or waived upon the stipulation of all parties in the proceeding.

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<sup>14</sup> D.21-06-035 OP 12.

The 30-day review and 20-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

### **FINDINGS**

1. PG&E's share of the MTR procurement requirements under D.21-06-035 and D.23-02-040 is 400 MW online by August 1, 2023; 1,201 MW online by June 1, 2024; 300 MW online by June 1, 2025; 388 MW online by June 1, 2026; 388 MW online by June 1, 2027; and 400 MW of long lead time resources by June 1, 2028.
2. By AL 7177-E, filed on February 27, 2024, PG&E has submitted for approval a contract that is intended to partially meet PG&E's MTR requirements.
3. The contract is for 112.5 MW of standalone storage nameplate capacity.
4. PG&E's methodology used to evaluate the bids in the competitive solicitation that resulted in the contract presented in PG&E AL 7177-E is overall reasonable.
5. The MTR contract presented in PG&E AL 7177-E is reasonable based on the robust competitive solicitation and bid evaluation methodology.
6. PG&E's proposal in AL 7177-E to allocate the benefits and costs of the contract to applicable customers by applying a 2021 PCIA vintage to the contract is reasonable.

### **THEREFORE IT IS ORDERED THAT:**

1. The request of Pacific Gas and Electric Company for approval of the Sierra Pinta Storage mid-term reliability contract and related costs, as requested in Advice Letter 7177-E, is approved.

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 May 30, 2024; the following Commissioners voting favorably thereon:

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Rachel Peterson  
Executive Director



