

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

Agenda ID #23258
RESOLUTION E-5363
February 20, 2025

R E D A C T E D
R E S O L U T I O N

Resolution E-5363. Pacific Gas and Electric Company Central Procurement Entity 2024 Local Resource Adequacy Procurement.

PROPOSED OUTCOME:

- Approves one Pacific Gas and Electric Company Central Procurement Entity Agreement and related costs for a ten-year new build energy storage contract.

SAFETY CONSIDERATIONS:

- Pacific Gas and Electric Company Central Procurement Entity contract terms require participants offering new build resources to provide information about their technology as well as the safety history of the participant and/or contractors and 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.
- The contract terms also provide Pacific Gas and Electric Company Central Procurement Entity with the ability to enforce these requirements or, in certain cases, terminate the Agreement in the case of non-compliance.

ESTIMATED COST:

- Contract costs are confidential at this time.

By Advice Letter 7381-E, Filed on October 8, 2024.

SUMMARY

This Resolution approves Pacific Gas and Electric Company's (PG&E) Central Procurement Entity (CPE) resource adequacy (RA) agreement (CPE RA Agreement or Agreement), resulting from the 2024 PG&E-CPE Local RA Request for Offer (RFO), for a new build energy storage facility with a ten-year duration. This contract will help PG&E-CPE satisfy its procurement obligations towards the California Public Utility Commission's (CPUC) multi-year local RA program for the 2025, 2026, and 2027 compliance years.

BACKGROUND

On June 17, 2020, the Commission adopted Decision (D.) 20-06-002 (CPE Decision), which implemented a hybrid CPE framework and designated PG&E and Southern California Edison (SCE) to serve as the CPEs to procure local RA capacity to meet the multi-year local RA requirements on behalf of all load serving entities (LSEs) in their respective electric distribution service areas beginning in 2021 for the 2023 RA compliance year.¹ The CPE Decision instructs the CPEs to conduct competitive, all-source solicitations for local RA procurement with specified requirements, and utilize certain specified criteria and methodologies, that guide the selection of local resources. The CPE Decision further adopts a procurement approval process whereby, for executed contracts that exceed a five-year term, the CPEs are required to file Tier 3 advice letters for approval.²

On February 22, 2024, PG&E-CPE issued its fourth annual Local RA request for offer (RFO) to procure local RA capacity for the 2025-2027 compliance period. The RFO was announced via e-mail to 2,700 recipients, along with subsequent outreach calls to 27 LSEs, Independent Power Producers (IPP), and developers. The RFO included two separate targeted execution deadlines, the first of which was set for June 28, 2024, for competitive offers for deliveries in the 2025 compliance year (Track 1), and early August 2024 for all other competitive offers received (Track 2). On February 29, 2024, PG&E-CPE conducted a participants' conference instructing participants that non-compensated self-shown commitments are due March 22, 2024; compensated self-shown commitments and bundled RA (or bundled RA with energy settlement) offers are due March 26, 2024, for PG&E participants and March 27, 2024, for CPUC-jurisdictional LSEs and all market participants.

PG&E-CPE states that after providing an opportunity to revise offers that were missing information or required clarification, most participants were able to rectify their non-conforming issues according to the solicitation protocols. Offers were then assessed for

¹ D.20-06-002 at 9.

² Ordering Paragraph (OP) 12 in D.22-03-034 at 74.

qualification using the same guidelines and all-source selection criteria – including loading order and least cost best fit (LCBF) methodology.

PG&E-CPE employed both quantitative and qualitative criteria to achieve a shortlisted portfolio including assessing future needs in local and sub-local areas, resource costs, operational characteristics of the resources, location of the facility, costs of potential alternatives, Greenhouse Gas (GHG) adders, energy-use limitations, and procurement of preferred resources and energy storage (which are prioritized over fossil generation). PG&E-CPE evaluated offers based on net market value (NMV), which compares an offer's costs; consisting of contract fixed cost, variable cost, and transmission network upgrade cost; against the benefits of capacity and energy value.

PG&E CPE asserts that on April 23, 2024, it sent qualification notices to offers that met these criteria. Thereafter, PG&E-CPE initiated negotiations with each participant with a qualified offer and presented the results of its RFO to the Cost Allocation Mechanism Procurement Review Group (CAM PRG), including a review of the proposed offers. PG&E-CPE also states it engaged an Independent Evaluator (IE) throughout the process and notified the IE, along with the CAM PRG, of PG&E-CPE's intent to execute the CPE RA Agreement. The IE reviewed the solicitation planning and material drafting process; provided feedback on documentation; evaluated offers received and assisted in shortlist development; discussed 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.

NOTICE

Notice of PG&E AL 7381-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 7381-E was not protested.

DISCUSSION

The Commission has reviewed PG&E AL 7381-E and finds that PG&E's request for approval of the PG&E-CPE contract presented in AL 7381-E to be reasonable, as discussed below.

Consistency with CPE Decision(s) Requirements

The CPE Decision (D.) 20-06-022, requires IOU-CPEs to conduct a competitive, all-source solicitation for local RA using specific requirements.³ Subsequently, D.22-03-034, requires IOU-CPEs to use specific selection criteria; such as consideration of future needs in local and sub-local areas, resource costs, operational characteristics, facility location, costs of potential alternatives, GHG adders, energy-use limitations, and procurement of preferred resources and energy storage over fossil generation; in making their selections; and to consider bids of any contract term length greater than or equal to one month.⁴ The CPE Decision also requires that the IOU-CPE file a Tier 3 Advice Letter seeking contract approval and cost recovery for contracts that exceed a five-year term.

PG&E filed a Tier 3 AL seeking approval for cost recovery for the contract described herein consistent with the CPE Decision. This contract is intended meet compliance towards Ordering Paragraph (OP) 12 of D.20-06-022, which requires PG&E to satisfy its procurement obligations towards the multi-year local RA program for the 2025, 2026, and 2027 RA compliance years. In launching and executing its solicitation as described in AL 7381-E, PG&E-CPE is consistent with the criteria as ordered in the CPE Decision; moreover, PG&E-CPE met the requirements of D.22-03-034 in applying the specific selection criteria ordered in that decision.

Procurement Methodology, Evaluation, and Cost Reasonableness

PGE-CPE developed its 2025-2027 local RA positions and identified an overall short in all three years. PG&E subsequently issued its 2024 CPE RFO on February 22, 2024, to solicit offers for resources to meet 100% of its 2025 and 2026 local RA requirements, and 50% of its 2027 local RA requirements. PG&E-CPE set June 28, 2024, as its first targeted execution deadline for the 2025 compliance year delivery (Track 1) and early August 2024 for all other competitive offers (Track 2). As required by the Commission, PG&E-CPE aimed to meet its local RA requirements by first using self-shown non-compensated resources, followed by new and existing resources.

PG&E retained PA Consulting Group, Inc. (PA) as the IE for its CPE solicitation efforts. The IE participated in and undertook a number of activities in connection with the CPE solicitation process. In the IE Report, attached to AL 7381-E, PA provides an evaluation of the outreach activities and solicitation robustness, bid evaluation and selection methodology, administration of the solicitation process, and fairness of the solicitation administration.

³ OP 8 of D.20-06-022.

⁴ OPs 8 and 10 of D.22-03-034.

In its report PA states that, “it believes the PG&E CPE followed all relevant CPUC guidance and requirements in its conduction of the 2024 CPE RFO, including utilizing a least cost best fit methodology within its quantitative evaluation methodology, as well as evaluating resources against other qualitative criteria”⁵. Further PA notes that “[i]n its quantitative evaluation, the PG&E CPE selected the highest ranked Competitive Offers that would meet its need and that would be online in time to count toward the PG&E CPE’s procurement need as identified in its position”⁶. Finally, PA notes PG&E-CPE conducted a “fair and equitable solicitation”, finding that PG&E-CPE’s outreach was adequate, the solicitation materials transparent and concise, and that its follow-up bidder communications were clear⁷.

We have reviewed PG&E’s evaluation methodology, the IE Report, and market prices for comparable energy storage contracts. The Commission agrees with PA’s findings that -- the PG&E CPE followed relevant CPUC requirements in its conduction of the 2024 CPE RFO, including utilizing a least cost best fit methodology within its quantitative evaluation methodology. We find the contract’s cost to be reasonable, as it is competitive with market prices and represents a highly ranked RFO competitive offer that would help to meet the PG&E CPE local RA requirements.

Safety

PG&E-CPE states that as a condition of remaining on its shortlist for negotiations, it 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-CPE used enhanced safety provisions within the proposed agreements similar to those previously included in PG&E RFOs with energy storage contracts, requiring sellers to practice “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 contract’s

⁵ PG&E AL 7381-E, “Independent Evaluator Report, PG&E 2024 CPE RFO,” at 42

⁶ PG&E AL 7381-E, “Independent Evaluator Report, PG&E 2024 CPE RFO,” at 38

⁷ PG&E AL 7381-E, “Independent Evaluator Report, PG&E 2024 CPE RFO,” at 2

Agreement terms provide PG&E the ability to enforce those requirements or, in certain cases, terminate the Agreement in the case of non-compliance.

Cost Recovery

D.20-06-022 authorizes PG&E to recover procurement and administrative costs incurred by the CPE through the Cost Allocation Mechanism (CAM)⁸. CAM-eligible expenses are recovered from all retail customers including community choice aggregation (CCA) and direct access (DA) customers. Costs recovered may include procurement costs for PG&E-CPE-procured resources, CAISO market and administrative charges, including cost allocation caused by CAISO's backstop procurement, costs related to the IE, and all administrative costs associated with implementation and operations of the PG&E-CPE function.

Additionally, OP 19 of D.22-03-034 authorizes CPE procurement costs to be forecasted and implemented in rates through the annual Energy Resource Recovery Account (ERRA) forecast proceeding; these costs will be handled in a separate confidential chapter in ERRA forecast testimony. We find PG&E's proposed cost recovery request consistent with D.20-06-022 and D.22-03-034.

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.

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.

⁸ D.20-06-022 OP 12

FINDINGS

1. PG&E filed AL 7381-E on October 8, 2024, in its capacity as the Central Procurement Entity (CPE) for its service territory, pursuant to D.20-06-022.
2. In PG&E AL 7381- E, PG&E-CPE seeks contract approval and cost recovery for a resource adequacy (RA) Agreement, resulting from the 2024 PG&E-CPE Local RA request for offer (RFO), to meet a portion of its local requirements.
3. The RA Agreement is for a new build energy storage facility with a ten-year duration.
4. In launching and executing its solicitation as described in AL 7381-E, PG&E-CPE acted consistently with the criteria as ordered in D.20-06-022; moreover, PG&E-CPE met the requirements of D.22-03-034 in applying the specific selection criteria ordered in that decision.
5. Prior to executing the RA Agreement, presented in PG&E AL 7381-E, PG&E-CPE followed relevant CPUC requirements in its conduction of the 2024 CPE RFO, including utilizing a least cost best fit methodology within its quantitative evaluation methodology.
6. The contract costs, presented in PG&E AL 7381-E, are reasonable as it is competitive with market prices and represents a highly ranked RFO competitive offer that would help to meet the PG&E CPE local RA requirements.
7. D.20-06-022 authorizes PG&E to recover both contract procurement and administrative costs incurred by the PG&E-CPE through the Cost Allocation Mechanism (CAM).
8. PG&E's AL 7381-E proposed cost recovery of the RA Agreement is consistent with D.20-06-022.

THEREFORE, IT IS ORDERED THAT:

1. The request of Pacific Gas and Electric Company for approval of the RA Agreement and associated costs, as requested in Advice Letter 7381-E, is approved.
2. Pacific Gas and Electric Company's request to allocate the costs of the RA Agreement, including administrative costs, via the Cost Allocation Mechanism for the term of the Agreement, 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 February 20, 2025; the following Commissioners voting favorably thereon:

Rachel Peterson
Executive Director