

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

ENERGY DIVISION

Agenda ID# 23368  
RESOLUTION E-5345  
April 3, 2025

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

Resolution E-5345. Pacific Gas and Electric Company requests approval of Mid-Term Reliability Contracts.

PROPOSED OUTCOME:

- Approves two Pacific Gas and Electric Company (“PG&E”) Power Purchase Agreements for zero emission products from renewable resources resulting from PG&E’s Mid-Term Reliability (“MTR”) Request for Offers – Phase 3 (“MTR RFO – Phase 3”). The first is for 75 megawatts (“MW”) of nameplate capacity expected to begin deliveries on March 1, 2026, and the second is for 200 MW of nameplate capacity expected to begin deliveries on June 1, 2026.

SAFETY CONSIDERATIONS:

- PG&E 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 7299-E, Filed on June 18, 2024.

---

## **SUMMARY**

This Resolution approves two Power Purchase Agreements for zero emission products from intermittent renewable resources resulting from PG&E's Mid-Term Reliability Request for Offers – Phase 3 (MTR RFO – Phase 3). The first is between PG&E and RWE for 75 MWs of nameplate capacity with a 15-year term and is expected to begin deliveries on March 1, 2026, and the second is between PG&E and 174 Power Global for 200 MWs of nameplate capacity with a 15-year term and is expected to begin deliveries on June 1, 2026. The contracts for which PG&E seeks approval in Advice Letter ("AL") 7299-E are summarized in the table below:

**Table 1: Summary of Power Purchase Agreements**

<b>Seller/Parent Company</b>	<b>Resource Type</b>	<b>Contract Type</b>	<b>Solar PV Nameplate (MW)</b>	<b>Contract Term</b>	<b>Initial Delivery Date</b>	<b>Location (City and State)</b>
Arlington Valley Solar Energy, LLC / RWE	Solar PV	Power Purchase Agreement for Intermittent Renewables	75	15	3/1/2026	Arlington, Arizona
Atlas Solar XI, LLC / 174 Power Global	Solar PV	Power Purchase Agreement for Intermittent Renewables	200	15	6/1/2026	Salome, Arizona

As directed by D.21-06-035<sup>1</sup>, PG&E is requesting approval for these agreements and asks that they be counted toward PG&E's Integrated Resource Plan ("IRP") and Renewable Procurement Standard ("RPS") procurement goals. These agreements include technologies eligible to meet the RPS; therefore, procurements under these agreements will likely also contribute to PG&E's RPS procurement requirements.

## **BACKGROUND**

### **Overview of Integrated Resource Planning ("IRP") / Mid-Term Reliability ("MTR") Requirements**

On June 30, 2021, the Commission issued D.21-06-035, which takes a number of steps to address the mid-term reliability needs of the electricity system within the California Independent System Operator Corporation's ("CAISO") operating system beginning in

---

<sup>1</sup> D-21-06-035, p.65. "If an IOU procures resources that would count toward both their IRP and RPS procurement goals, the IOU should make only one request for PPA approval through a single Tier 3 advice letter, served on both the RPS and IRP proceeding service lists."

2023. D.21-06-035 requires incremental procurement of 11,500 MWs of additional Net Qualifying Capacity (“NQC”), of which PG&E is responsible for 2,302 MWs for its bundled service customer portion.

Further, D.21-06-035 requires that at least 2,000 MW are to be brought online by August 1, 2023, an additional 6,000 MW by June 1, 2024, an additional 1,500 MW by June 1, 2025, and an additional 2,000 MW by June 1, 2026. D.21-06-035 requires that at least 2,500 MW of the resources procured by the Load Serving Entities (“LSEs”) collectively, between 2023 and 2025, be from zero emission resources that generate electricity, or generation resources paired with storage, or demand response, to replace the current supply of energy from the Diablo Canyon Power Plant (“DCPP”) and ensure there would be no resultant increase in greenhouse gas (“GHG”) emissions with its retirement.

On February 28, 2023, the Commission issued D.23-02-040 to take additional measures to address the mid-term reliability needs within the CAISO operating system for 2026 and 2027. The decision requires supplemental mid-term reliability procurement of a total of 4,000 MW of NQC in addition to the 11,500 MW ordered in D.21-06-035. The additional ordered procurement is for 2026 and 2027. Also, the requirements for procurement of long lead-time resources from D.21-06-035 are automatically postponed to 2028.

### **Overview of the Renewable Portfolio Standard (“RPS”) Program Requirements**

The California RPS program was established by Senate Bill (“SB”) 1078, and has been subsequently modified by SB 107, SB 1036, SB 2 (1X), SB 350 and SB 100.<sup>2</sup> The RPS program is codified in Public Utilities Code Sections 399.11-399.33.<sup>3</sup>

The RPS program administered by the California Public Utilities Commission (“CPUC”) requires each retail seller of electricity to procure eligible renewable energy resources so that the amount of electricity generated from eligible renewable resources equals 60 percent of retail sales by December 31, 2030.<sup>4</sup>

---

<sup>2</sup> 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); SB 350 (de León, Chapter 547, Statutes of 2015); SB 100 (de Leon, Chapter 312, Statutes of 2018).

<sup>3</sup> All further statutory references are to the Public Utilities Code unless otherwise specified.

<sup>4</sup> D.11-12-020 established a methodology to calculate procurement requirement quantities for the three different compliance periods covered in SB 2 (1X) (2011-2013, 2014-2016, and 2017-2020). D.16-12-040 established additional procurement requirement quantities for the three compliance periods established by SB 350: 2021-2024, 2025-2027, 2028-2030.

Additional background information about the CPUC's RPS Program is available at <http://www.cpuc.ca.gov/PUC/energy/Renewables/overview.htm>.

## **NOTICE**

Notice of AL 7299-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 4 of General Order 96-B.

## **PROTESTS**

Advice Letter 7299-E was not protested.

## **DISCUSSION**

### **PG&E requests approval of two Mid-Term Reliability (MTR) Renewable Resource Contracts.**

In AL 7299-E PG&E requests to procure generation from RPS-eligible projects and pair the generation of the projects with Commission-approved standalone storage resources to enable the MWs to be qualified toward the zero emissions procurement requirements of OP 6 of D.21-06-35. The projects are also proposed to represent renewable generation with expected P50<sup>5</sup> generation sufficient to support DCPD replacement.

PG&E requests in AL 7299-E that the Commission issue a Resolution that:

1. Approves the Agreement for the Arlington Project and the Agreement for the Atlas South Project as described in Section IV of Advice Letter 7299-E.
2. Finds that the resource secured by each Agreement presented in Advice Letter 7299-E qualifies for the zero-emission procurement category and the general NQC procurement category requirement of D.21-06-035 and D.23-02-040 and are incremental to the baseline.
3. Finds that each Agreement, and PG&E's entry into each Agreement, is reasonable and prudent for all purposes, and that any payments to be made by PG&E pursuant to each Agreement are recoverable in full by PG&E.
4. Finds that any procurement pursuant to each Agreement is procurement from eligible renewable energy resources for purposes of determining PG&E's compliance with any obligation that it may have to procure eligible

---

<sup>5</sup> The P50 figure is the annual average level of generation, where the output is forecasted to be exceeded 50% over a year.

- renewable energy resources pursuant to the California RPS (Public Utilities Code Section 399.11 et seq.), D.03-06-071, D.06-10-050, D.11-12-020, D.11-12-052, D. 19-06-023 or other applicable law.
5. Finds that all procurement and administrative costs, as provided by Public Utilities Code Section 399.13(g), associated with each Agreement, shall be recovered in rates.
  6. Adopts the following finding of fact and conclusion of law in support of CPUC Approval:
    - a. Each Agreement is consistent with PG&E's 2023 RPS Procurement Plan.
    - b. The terms of each Agreement are reasonable.
  7. Adopts the following finding of fact and conclusion of law in support of cost recovery for each Agreement:
    - a. The utility's net costs under each Agreement shall be recovered through PG&E's Portfolio Allocation Balancing Account.
    - b. Any above-market cost that may arise from each Agreement is subject to the provisions of D.21-06-035 as a 2021 Power Charge Indifference Adjustment ("PCIA")-eligible contract and recorded to the Portfolio Allocation Balancing Account ("PABA").
  8. Adopts the following findings with respect to resource compliance with the EPS adopted in R.06-04-009:
    - a. Each Agreement is not a form of covered procurement subject to the EPS, because the generating facility has an expected capacity factor of less than 60 percent and, therefore, is not baseload generation under paragraph 1(a)(ii) and 3(2)(a) of the adopted Interim EPS Rules.
  9. Adopts a finding of fact and conclusion of law that deliveries from each Agreement shall be categorized as procurement under the portfolio content category specified in Public Utilities Code Section 399.16(b)(1)(A), subject to the Commission's after-the-fact verification that all applicable criteria have been met.

**Energy Division evaluated the Mid-Term Reliability Contracts based on the following criteria:**

- Consistency with D.21-06-035 and D.23-02-040;
- Consistency with PG&E's 2023 Renewable Portfolio Standard Procurement Plan;
- Procurement Methodology, Evaluation, and Cost Reasonableness;
- Independent Evaluator ("IE") Review;
- Procurement Review Group Participation;
- Consistency with RPS Standard Terms and Conditions;
- Consistency with Portfolio Content Categories Requirements;

- Consistency with the Long-Term Contracting Requirement;
- RPS Eligibility and CPUC Approval;
- Disadvantaged Community Goals;
- Compliance with the Interim Greenhouse Gas Emissions Performance Standard;
- Disadvantaged Community Goals; and Cost Recovery.

**Consistency with D.21-06-035 and D.23-02-040**

D.21-06-035, Ordering Paragraphs (OP) 3, as follows:

OP 3: All load-serving entities named in Table 6 of this order, plus the individual electric service providers who will receive their individual allocations confidentially from Commission staff, shall procure the September net qualifying capacity amounts given in Table 6, and shall file and serve on the service list of this proceeding or any successor proceeding compliance filings according to the schedule given in Table 7 of this order.<sup>6</sup>

Specifically, Table 6 requires PG&E to procure 2,302 MW September NQC. PG&E asserts in submitting AL 7299-E it is seeking Commission approval of the Agreements to satisfy these procurement obligations and asserts that the Agreements are intended to meet the incremental September NQC requirements of D.21-06-035 consistent with OP 3.

D.21-06-035, OP 6, also requires:

Collectively, to ensure that the capacity retiring at the Diablo Canyon Power Plant is replaced entirely with zero-emitting resources, all load-serving entities shall collectively procure a minimum of 2,500 megawatts (MW) of incremental zero emissions capacity out of the total of 11,500 MW required in this decision.

The zero emitting capacity shall have the following characteristics:

- a. Be from a generation resource, or a generation resource paired with storage (physically or contractually); or a demand response resource;
- b. Be available every day from 5 p.m. to 10 p.m. (the beginning of hour ending 1800 through the end of hour ending 2200), Pacific Time, at a minimum; and
- c. Be able to deliver at least 5 megawatt-hours of energy during each of these daily periods for every megawatt of incremental capacity claimed.

---

<sup>6</sup>See D.21-06-035.

In AL 7299-E, PG&E asserts that the entire capacity of the Atlas South Project and the Arlington Project count incrementally towards meeting PG&E's IRP MTR requirements. In making this request for approval and affirmation of meeting D. 21-06-035 requirements, PG&E contends in AL 7299-E that the projects are not included in the baseline generator list published by CPUC staff pursuant to D.21-06-035 and therefore are incremental resources to the baseline.<sup>7</sup> PG&E also asserts that it will pair the generation of the Arlington Valley and Atlas projects with Commission-approved standalone storage resources to enable the MWs to qualify toward the zero emissions procurement requirements of OP 6 of D.21-06-35. Further, PG&E claims that the Atlas agreement also meets the requirements set forth in D.23-02-040, OP 2 which states:

All load-serving entities (LSEs) required to procure capacity by Decision (D.) 21-06-035 shall procure an additional combined total of 2,000 MW of September net qualifying capacity (NQC) from non-emitting, storage, and/or renewable resources in 2026 and 2027, with resources required to be online by June 1 of each year. The long lead-time resources required by D.21-06-035 may be brought online by June 1, 2028, such that the total NQC of all LSEs adds to 2,000 MW in each of the years 2026, 2027, and 2028. Commission staff are not required to evaluate or approve extension requests to postpone long lead-time resource procurement to 2028. The extension to June 1, 2028, for long lead-time resources is authorized for all load serving entities.

As PG&E claims, Arlington Valley and Atlas South projects are not included in the baseline generator list published by CPUC staff pursuant to D.21-06-035 and therefore, they are incremental resources to the baseline. Further, the Independent Evaluator believes that the Arlington Valley Solar Energy, LLC project should have a reasonable probability of success for completing the project by March 1, 2026. In addition, the Independent Evaluator (IE) notes that the project meets PG&E's objective for securing contracts with projects with COD dates over the next few years. However, given that the Atlas project's COD is June 1, 2026, it does not qualify for the zero-emission requirement because the COD is past the due date to qualify. Thus, PG&E must provide a bridge resource to fill the gap between the requirement date and project's COD to qualify. Therefore, the Arlington Valley and Atlas South projects appear consistent with the general NQC procurement category requirements of D.21-06-035 and D.23-02-040 if the generation from both is paired with CPUC approved standalone storage and the PG&E secures a bridge resource that fills the gap between the Atlas COD and June 1, 2026.

---

<sup>7</sup> AL 7299-E, p.11.

PG&E procurements related to IRP MTR procurement requirements requested in AL 7299-E should be approved, but this contract review does not confer compliance with D.21-06-035, which can only be assessed via IRP MTR compliance filings.

### **Consistency with PG&E's 2023 Renewable Portfolio Standard Procurement Plan**

On December 14, 2023, the CPUC issued D.23-12-008 conditionally approving PG&E's 2023 Renewable Portfolio Standard Procurement Plan ("RPS Plan"). Consistent with the decision guidelines PG&E filed its final 2023 RPS Plan on January 22, 2024, as well as an updated public version on March 22, 2024. PG&E's Final 2023 RPS Plan was approved as part of a Notice of Approval of Final 2023 RPS Plans sent out on April 8, 2023, by the CPUC. As stated in its Final 2023 RPS Plan, PG&E expects that it will procure new RPS-eligible resources in order to meet its MTR requirements.

As stated in PG&E's Final 2023 RPS Procurement Plan, PG&E has sufficient RPS bank volume to meet its near-term RPS compliance needs, however it will need to procure incremental RPS resources to meet long-term procurement obligations.

The RPS Plan recognizes that resources procured to meet other regulatory requirements or as part of other programs (i.e. BioMAT/ ReMAT), specifically in this case procurement to meet MTR requirements, may contribute to PG&E's RPS compliance needs.

The Agreements are for renewable energy with long-term (i.e., greater than 10 years) deliveries beginning in 2026. Therefore, the procurement facilitated by the MTR contracts is consistent with PG&E's long-term incremental renewable resource needs as identified in its 2023 RPS Plan.

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

On February 7, 2023, PG&E issued its Mid-Term Reliability Request for Offers – Phase 3 (MTR RFO – Phase 3), to continue making progress toward its procurement requirements and to solicit offers to purchase incremental NQC with online dates beginning June 1, 2024, through June 1, 2030, to qualify for various procurement categories.<sup>8</sup> The agreements reviewed herein arise from the MTR RFO – Phase 3. As noted previously, PG&E's purpose of MTR RFO – Phase 3 was to solicit resources to comply with the requirements under D.21-06-035, such that the energy procured under resulting agreements could be counted toward PG&E's integrated resource plan (IRP) and RPS procurement requirements.

---

<sup>8</sup> Prior to this filing, PG&E executed one agreement from the MTR RFO – Phase 3, which was filed as Advice Letter 7177-E.



In the following section, the CPUC Staff describes PG&E's procurement methodology, evaluation process and determination of cost reasonableness as well as provide our findings. In both AL 7299-E and the Independent Evaluator Report on PG&E's Mid-Term Reliability RFO – Phase 3 Final Draft Report<sup>9</sup>, the RFO process is described in detail.

### A. RFO Structure and Process

PG&E issued its MTR RFO – Phase 3 on February 7, 2023, to solicit offers to purchase incremental NQC with online dates beginning June 1, 2023, through June 1, 2030, to qualify for the various procurement categories, as further described in Table 2 below<sup>10,11</sup>.

**TABLE 2: Phase 3 PG&E Mid-Term Reliability Solicitation Resource Needs**

Procurement Category	Example Eligible Resources	Delivery Term (Years)	Minimum Size (MW)	Required Online date
Zero-Emitting	Standalone RPS, Standalone Storage, Hybrid and Co-located RPS and Storage	10 - 15	10	By June 1, 2025
Firm, Zero Emitting	RPS-eligible Geothermal, Biomass	10 - 20	10	By June 1, 2028 (Accepted offers to June 1, 2030)
Long Duration Storage	Pumped Hydro Storage, Lithium-ion Battery, Flow Battery, Compressed Air Energy Storage, etc.	10 - 20	10	By June 1, 2028 (Accepted offers to June 1, 2030)
Any other type of non-fossil-fueled resource	Standalone Storage, Standalone RPS, Hybrid and Co-located RPS and Storage	10 - 15, or 10 - 20 (utility-owned generation)	10	By June 1, 2027 (Accepted offers to June 1, 2030)

Staff have reviewed the RFO structure and processes utilized and found that it properly adheres to the requirements for its purposes.

<sup>9</sup> Independent Evaluator Report: PG&E's Mid-Term Reliability RFO – Phase 3 Final Draft Report, prepared by Merrimack Energy Group, Inc., April 30, 2024.

<sup>10</sup> Per D.21-06-035 and D.23-02-040 resources are required to be online by June 1 for IRP counting purposes. PG&E has a commercial preference in 2025 and 2026 for resources that can be online March 1 as opposed to June 1.

<sup>11</sup>For long lead-time resources, D.23-02-040 effectively moves the requirement to 2028 with permission to seek an extension up to 2030 if certain conditions are met.

## **B. Participant Outreach**

PG&E announced the issuance of the MTR RFO – Phase 3 by email notification and provided an e-mail update to PG&E’s mailing list, which included approximately 2,600 recipients. The issuance email provided potential participants with information on the location of solicitation documents, participant webinar information, and important action items.

MTR RFO – Phase 3 documents were finalized for release on February 7, 2023, and remain available on the PG&E website<sup>12</sup>. PG&E requested offers for the MTR RFO – Phase 3 by March 16, 2023, and notified participants via e-mail of their status regarding the shortlist on May 10, 2023. Shortlisted participants were notified in an email letter of additional requirements to remain on the shortlist and be eligible for negotiations. Due to changing market conditions, PG&E notified the market participants that it had re-opened the RFO on August 21, 2023, and accepted offers through December 15, 2023. Additionally shortlisted participants were notified on a rolling basis.

Staff have analyzed and reviewed the participant outreach process and found it to be thorough, proper, and effective. The Commission should approve of the process.

## **C. RFO Bid Evaluation Methodology and Selection**

This section describes two steps in the process of the RFO Bid Selection process. The first step is to evaluate each bid following the Least Cost Best Fit methodology which includes evaluations in quantitative and qualitative terms. The second step describes how the “Short List” was determined from the bids which had been evaluated in the first step. Details of the process are documented in the IE report corresponding to these transactions.

The Least Cost Best Fit (“LCBF”) principles and procedures were applied as in other solicitations, evaluating each offer using both quantitative and qualitative criteria, each of which has a corresponding internal protocol.

From a quantitative perspective, an evaluation will be performed on all offers by first calculating each project’s Net Market Value (“NMV”). Then where possible, adjustments were made with the inclusion of the Compliance Adder (a factor that credits the value if the project is incremental to meeting compliance requirements) and a Portfolio Fit Adjustment (a factor that credits the valuation if the project is a good fit

---

<sup>12</sup>See <https://www.pge.com/en/about/doing-business-with-pge/wholesale-electric-powerprocurement/mid-term-reliability-rfo-phase-3.html>

within the portfolio of projects). The resulting score is called the Adjusted NMV. The quantitative valuation compares an offer's cost to its benefits. The cost may consist of the contract fixed cost, variable cost, and transmission network upgrade costs. The benefits may consist of capacity value and energy value to the extent provided in the agreement. The Adjusted NMV takes the various factors into account so that the bids can be compared.

The qualitative assessments of the third-party offers were evaluated using a composite rating score which was derived from the scores from eleven criteria which represented the project's viability. The qualitative factors were such qualities which could impact the value of the offer such as interconnection status, ability to procure long lead-time equipment, site control, credit, safety history, previous adverse commercial experience, agreement or term sheet modifications, ability to meet the Initial Delivery Date, including commercial preferences for earlier dates; supply chain responsibilities status, developer experience, location and completeness of offers.

For utility-owned generation, PG&E used criteria addressing Eligibility, Technology, and Safety. Details on the criterion and the process are described in the IE report as well.

The projects' adjusted NMV and qualitative scores were ranked from the highest to the lowest.

Staff has reviewed this process and acknowledges that PG&E's evaluation methodology is consistent with Least Cost Best Fit principles. The cost aspect is accounted for by calculating the adjusted NMV and ranking the projects in order of the value of the adjusted NMV. Then the best fit aspects are analyzed through the use of the qualitative assessments to see which projects offer the best fit for the project portfolio. Staff has verified that it was through the incorporation of both quantitative and qualitative factors that was the basis for determining the shortlist of projects.

For the shortlist selection, PG&E selected the shortlist based on certain guiding principles which are described in Appendix B.

The evaluation procedure protocol was described in detail within the RFO materials on how the criteria were combined to determine the ranking of the offers and the basis for shortlist selection.

The Independent Evaluator (IE) actively observed this bid selection process and approved its results. Staff has reviewed the short-list selection process and found its process and results to be reasonable based on PG&E's consistency with its protocols and least-cost, best-fit principles.

#### **D. Selected Projects – Arlington Valley Solar Energy, LLC and Atlas Solar XI, LLC**

From PG&E's MTR RFO – Phase 3 PG&E executed two PPAs for zero emissions product from intermittent RPS projects, The Arlington Project owned by Arlington Valley Solar Energy, LLC and the Atlas South Project owned by Atlas Solar XI, LLC based on the above-described solicitation and evaluation methodology.

Arlington Valley Solar Energy, LLC is a part of RWE Clean Energy, LLC, whose ultimate parent company is RWE AG. The Arlington Project is a transmission-connected 150.5 MW Energy Only solar resource located in Maricopa County, Arizona, with its first point of interconnection with the CAISO. PG&E's share of the project is 75 MWs.

Atlas Solar XI, LLC is a part of 174 Power Global, whose ultimate parent is part of the Hanhwa group of companies. The Atlas South Project is a transmission-connected 200 MW solar resource located in Salome, Arizona, with its first point of interconnection with the CAISO. The project received full capacity deliverability status in the 2024 CAISO Transmission Plan Deliverability allocation process.

The Arlington Valley Solar Energy, LLC and Atlas Solar XI, LLC PPA costs presented in PG&E AL 7299-E are reasonable based on the robust competitive solicitation and bid evaluation methodology.

#### **E. Independent Evaluator (IE)**

PG&E retained Merrimack Energy as the IE for its MTR solicitation efforts, which participated in and undertook several activities in connection with the solicitation process.<sup>13</sup> In the IE Report attached to AL 7299-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 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. The IE deemed in their report that the outreach was conducted openly and efficiently and resulted in a reasonably robust response. Also, as noted above, the IE deemed PG&E's RFO solicitation and bid selection processes to be reasonable. The IE's conclusions were in part due to its use of a PG&E developed internal integration model to compile all input and output data for each of the offers. This model provides a detailed summary of the components of the costs and benefits for each offer, on a

---

<sup>13</sup> AL 7299-E, p.8

monthly basis, including nominal and discounted dollars, and provides other pertinent data for each offer which allowed the IE to undertake a detailed review of the evaluation results for each offer. The model structure allowed the IE to key in an offer number for each offer and the input and output data for each offer was provided for review and assessment of the reasonableness of PG&E's evaluation results as well as identification of any questions or comments about the results. Further, the IE has attested in its reports that the solicitation process was quite thorough and reasonable, and the selection was fair and unbiased.

The IE concluded in their report that the process was undertaken in a fair and equitable manner and all participants were treated fairly. The IE received no complaints or criticisms about the process. Thus, consistent with D.04-12-048 and D.06-05-039, an IE oversaw PG&E's MTR solicitation and negotiations of the Agreements.

#### **F. Procurement Review Group ("PRG") Participation**

The Commission established the PRG in D.02-08-071. The PRG reviews and assesses the details of the utilities' overall procurement strategy, solicitations, specific proposed procurement contracts and other procurement processes prior to submitting filings to the Commission as a mechanism for procurement review by non-market participants.

On November 6, 2023, PG&E presented a solicitation overview, offer summary, and shortlist materials to the Procurement Review Group (PRG). The materials included: the MTR RFO – Phase 3 requirements, offers received, and PG&E's proposed shortlist. On January 31, 2024, PG&E presented a solicitation overview, offer summary, and shortlist materials to the PRG regarding the second procurement transaction. The presentation included: the MTR RFO – Phase 3 requirements, offers received, and PG&E's proposed shortlist. PG&E sent the PRG an email on February 8, 2024, notifying the PRG of its intent to execute this transaction. PG&E sent the PRG an email on March 22, 2024, noting its intent to execute the first procurement transaction. Pursuant to D.02-08-071 PG&E's Procurement Review Group participated in the review of the MTR contracts.

#### **Consistency with RPS Standard Terms and Conditions**

The Commission adopted a set of standard terms and conditions ("STCs") required in RPS contracts, five of which are considered "non-modifiable." The STCs were compiled in D.08-04-009 and subsequently amended in D.08-08-028, D.10-03-021, as modified by D.11-01-025, and D.13-11-024.

The Agreements include the Commission adopted RPS “non-modifiable” standard terms and conditions, as set forth in D.08-04-009, D.08-08-028, D.10-03-021, as modified by D.11-01-025, and D.13-11-024.

### **Consistency with Portfolio Content Categories Requirements**

In D.11-12-052, the Commission defined and implemented portfolio content categories (“PCC”) for the RPS program and required the investor-owned utilities to provide information to the Director of Energy Division regarding the proposed contract’s PCC classification in each advice letter seeking Commission-approval of an RPS-eligible contract. The purpose of the information is to ensure the contracts’ RPS eligibility and allow the Commission to evaluate the claimed PCC of the proposed contracts and the risks and value to ratepayers if the proposed contracts ultimately result in renewable energy credits in another, less preferred, portfolio content category.

In AL 7299-E PG&E provides that it anticipates the facilities associated with the transactions will be certified for California RPS eligibility. Further, PG&E provides that the first point of interconnection for generation facilities associated with the two transactions included in AL 7299-E is within CAISO, a California Balancing Area.<sup>14</sup> PG&E is also procuring bundled energy and RECs from the facility and presents compliance with the Commission’s RPS Standard Terms and Conditions as part of its advice letter. As a result, PG&E expects the classification of the RECs to be PCC 1. Consistent with D.11-12-052, PG&E provided information in AL 7299-E regarding the expected portfolio content category classification of the renewable energy credits procured pursuant to the Agreements.

In this Resolution, the Commission makes no determination regarding the contracts’ PCC classification. The RPS contract evaluation process is separate from the RPS compliance and PCC classification process, which requires consideration of several factors based on various showings in a compliance filing. Thus, making a PCC classification determination in this Resolution regarding the procurement considered herein is not appropriate. PG&E should incorporate the procurement resulting from the approved Agreements and all applicable supporting documentation to demonstrate PCC classification in the appropriate compliance showings consistent with all applicable RPS program rules.

---

<sup>14</sup> AL 7199-E, p. 8

### **Consistency with Long-Term Contracting Requirement**

In D.12-06-038, the Commission established a long-term contracting requirement that must be met in order for retail sellers to count RPS procurement from contracts less than ten years in duration for compliance with the RPS program.<sup>15</sup> In D.17-06-026 the Commission implemented the new long-term contracting requirements established by SB 350.<sup>16</sup> D.17-06-026 also afforded retail sellers the option to elect early compliance with the long-term contracting requirements of SB 350,<sup>17</sup> which PG&E elected to by letter to the Commission on August 28, 2017.

The PG&E MTR contracts each have a 15-year term and are for procurement beginning in Compliance Period 2025-2027.

Because each MTR contract in PG&E AL 7299-E is greater than ten years in length, the RPS-eligible procurement pursuant to the Agreements will contribute to PG&E's long-term contracting requirement established in D.17-06-26 beginning in Compliance Period 2025-2027.

### **RPS Eligibility and CPUC Approval**

Pursuant to Section 399.13, the California Energy Commission ("CEC") certifies eligible renewable energy resources. Generation from a resource that is not CEC-certified cannot be used to meet RPS requirements. To ensure that only CEC-certified energy is procured under a Commission-approved RPS contract, the Commission has required standard and non-modifiable "eligibility" language in all RPS contracts. That language requires a seller to warrant that the project qualifies and is certified by the CEC as an "eligible renewable energy resource," that the project's output delivered to the buyer qualifies under the requirements of the RPS, and that the seller uses commercially reasonable efforts to maintain eligibility should there be a change in law affecting eligibility.<sup>18</sup>

The Commission requires a standard and non-modifiable clause in all RPS-eligible contracts that requires "CPUC Approval" of a contract to include an explicit finding that "any procurement pursuant to this Agreement is procurement from an eligible renewable energy resource for purposes of determining Buyer's compliance with any

---

<sup>15</sup> For the purposes of the long-term contracting requirement, contracts of less than 10 years duration are considered "short-term" contracts. (D.12-06-038.)

<sup>16</sup> Pub. Util. Code Sec. 399.13: "Beginning January 1, 2021, at least 65 percent of the procurement a retail seller counts toward the renewables portfolio standard requirement of each compliance period shall be from its contracts of 10 years or more in duration..."

<sup>17</sup> D.16-06-026, p. 56 (OP 23).

<sup>18</sup> See, e.g. D. 08-04-009 at Appendix A, STC 6, Eligibility.

obligation that it may have to procure eligible renewable energy resources pursuant to the California Renewables Portfolio Standard (*Public Utilities Code Sections 399.11 et seq.*), D.11-12-020 and D.11-12-052, or other applicable law.”<sup>19</sup>

Notwithstanding this language, given that the Commission has no jurisdiction to determine whether a project is an “eligible renewable energy resource” for RPS purposes, this finding and the effectiveness of the non-modifiable “eligibility” language is contingent on the CEC’s certification of each of the three projects as “eligible renewable energy resources.” The contract language that each project is procurement from an “eligible renewable energy resource” must be a true statement at the time of the first delivery of energy, not at the signing of the PPA or at the issuance of this Resolution.

While we include the required finding here, this finding has never been intended, and shall not be read now, to allow the generation from a non-RPS-eligible resource to count towards an RPS compliance obligation absent CEC certification. Nor shall such finding absolve the seller of its obligation to obtain CEC certification, or the utility of its obligation to pursue remedies for breach of contract. Such contract enforcement activities shall be reviewed pursuant to the Commission’s authority to review the utilities’ administration of such contracts.

### **Disadvantaged Community Goals**

Senate Bill 350 (de León, Chapter 547, Stats. 2015) and SB 2 (1X) (Simitian, Stats. 2011, ch.1) contain disadvantaged community goals that are cross-cutting and therefore will be integrated into all policy areas. The Commission typically analyzes California project locations relative to such communities using the CalEnviroScreen tool and considers disadvantaged communities to be those census tracts in the top 25 percent overall as well as those in the top five percent of pollution burden.<sup>20</sup> However, as these projects are located in Arizona, CalEnviroScreen is not an available tool. This analysis relies on the federal Climate and Economic Justice Screening Tool (CEJST), a tool that has been used by Federal programs such as the Justice40 Initiative to identify disadvantaged

---

<sup>19</sup> See, e.g. D. 08-04-009 at Appendix A, STC 1, CPUC Approval.

<sup>20</sup> The California Environmental Protection Agency’s Office of Environmental Health Hazard Assessment (OEHHA) created CalEnviroScreen through a public process in order to help the state identify disadvantaged communities, and the tool “uses environmental, health, and socioeconomic information to produce scores for every census tract in the state.” (<https://oehha.ca.gov/calenviroscreen/>.)



communities that are marginalized by underinvestment and overburdened by pollution.<sup>21</sup>

PG&E noted in AL 7299-E that consistent with Public Utilities Code Section 454.52(a)(1)(I), PG&E placed early priority on projects located in disadvantaged communities and expressed a preference for energy resources located in such communities as part of its solicitation process. Participants submitting offers into PG&E's Mid-Term Reliability – Phase 3 RFO are required to indicate whether a project is located within a disadvantaged community as part of their offer submittal. The Arlington Valley and Atlas South projects are not located within a disadvantaged community. Also, neither of the projects are located on Tribal lands.

### **Compliance with the Interim Greenhouse Gas Emissions Performance Standard**

SB 1368 requires that the Commission consider emissions costs associated with new long-term (five years or greater) baseload power contracts procured on behalf of California ratepayers.<sup>22</sup> D.07-01-039 adopted an interim Emissions Performance Standard (“EPS”) that establishes an emission rate for obligated facilities at levels no greater than the greenhouse gas emissions of a combined-cycle gas turbine power plant. Generating facilities using certain renewable resources are deemed compliant with the EPS.<sup>23</sup>

In AL 7299-E, PG&E states that the Agreements are exempted from or compliant with SB 1368 and D.07-01-039 requirements based on its underlying resources. Both MTR contracts are for solar PV resources that have capacity factors under 60 percent and are therefore not covered by the EPS. Thus, the Agreements are found to be exempt from the Emissions Performance Standard because their resources do not have any greenhouse gas emissions and does not impact air quality.

---

<sup>21</sup> President Biden's Executive Order (EO) 14008 issued on January 27, 2021, directed the Council on Environmental Quality to develop the Climate and Economic Justice Screening Tool (CEJST) to identify communities with significant environmental, social, and economic burdens. EO 14008 also established the Justice40 Initiative to focus energy, climate, and environmental funding on those communities. (<https://www.federalregister.gov/documents/2021/02/01/2021-02177/tackling-the-climate-crisis-at-home-and-abroad>). This order was in effect when Energy Division performed the analysis for this Resolution. On January 20, 2025, after Energy Division performed this analysis, President Trump issued EO 14148 rescinding EO 14008, which resulted in the removal of access to the CEJST through federal government channels. (<https://www.federalregister.gov/documents/2025/01/28/2025-01901/initial-rescissions-of-harmful-executive-orders-and-actions>).

<sup>22</sup> “Baseload generation” is electricity generation at a power plant “designed and intended to provide electricity at an annualized plant capacity factor of at least 60%.” Section 8340(a).

<sup>23</sup> D.07-01-039, Attachment 7, p. 4.

## **Cost Recovery**

As described above, PG&E has entered into the Agreements to meet its procurement requirements ordered by D.21-06-035 and D.23-02-040. Ordering Paragraph 12 of D.21-06-035 authorized PG&E authorized cost recovery of the MTR procurement via the Power Charge Indifference Adjustment (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. Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company shall each file Tier 2 advice letters to update their balancing accounts to address the PCIA treatment as a result of this order.

Since the Agreements are entered into to meet the procurement requirements of D.21-06-035 and D.23-02-040, Staff finds that the costs associated with the Agreements are eligible for recovery under the Power Charge Indifference Adjustment (PCIA) with an assigned vintage of 2021 for the duration of the Agreements' term.<sup>24</sup> The Agreements' costs recovered through the PCIA shall be net of any CAISO charges and market revenues, and net of any RA capacity value and RPS attribute value retained for bundled service customers.

## **Confidential Information**

The Commission, through the implementation of Pub. Util. Code § 454.5(g), has determined in D.06-06-066, as modified by D.07-05-032 and D.21-11-029, 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, as modified, adopted a time limit on the confidentiality of specific terms in RPS contracts. Such information, such as price, may be kept confidential until 30 days after the commercial operation date/energy delivery start date or eighteen months from the date of Commission approval, whichever comes first or one year after contract termination, 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.

---

<sup>24</sup> See D.21-06-036, OP 12.

## **COMMENTS**

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to PU Code 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

## **FINDINGS AND CONCLUSIONS**

1. By AL 7299-E, filed on June 18, 2024, PG&E has submitted for approval two power purchase agreements that are intended to partially meet PG&E's D.21-06-035 and D.23-02-040 requirements.
2. The resources secured by each Arlington Project and Atlas South Project agreements (Agreements) presented in Advice Letter 7299-E appear consistent with the general procurement category requirements of D.21-06-035 and D.23-02-040 and are identified as incremental to the established baseline, as required by the orders. This finding does not definitively determine compliance with PG&E's IRP MTR Compliance obligations, which will be reviewed via IRP MTR compliance review filings.
3. Each Agreement is consistent with PG&E's 2023 RPS Procurement Plan.
4. PG&E's methodology and evaluation of its MTR RFO – Phase 3 solicitation is consistent with Least-Cost, Best-Fit principles and the Agreement costs are reasonable based on the robust competitive solicitation and bid evaluation methodology.
5. Consistent with D.04-12-048 and D.06-05-039, an IE oversaw PG&E's MTR solicitation and negotiations of the Agreements.
6. Pursuant to D.02-08-071 PG&E's Procurement Review Group participated in the review of the MTR contracts.
7. The Agreements include the Commission adopted RPS "non-modifiable" standard terms and conditions, as set forth in D.08-04-009, D.08-08-028, D.10-03-021, as modified by D.11-01-025, and D.13-11-024.
8. Consistent with D.11-12-052, PG&E provided information in AL 7299-E regarding the expected portfolio content category classification of the renewable energy credits procured pursuant to the Arlington and Atlas South PPAs.

9. Because each MTR contract in PG&E AL 7299-E is greater than ten years in length, RPS-eligible procurement pursuant to the contracts will contribute to PG&E's long-term contracting RPS procurement requirement established in D.17-06-26 beginning in Compliance Period 2025-2027.
10. Procurement pursuant to the Agreements must be an eligible renewable energy resource certified by the California Energy Commission for purposes of determining Pacific Gas and Electric Company's compliance with any obligation that it may have to procure eligible renewable energy resources pursuant to the California Renewables Portfolio Standard (Sections 399.11, et seq.), D.11-12-020 and D.11-12-052, or other applicable law on or before the first delivery of energy.
11. This above finding has never been intended, and shall not be read now, to allow the generation from a non-Renewables Portfolio Standard-eligible resource to count towards a Renewables Portfolio Standard compliance obligation absent California Energy Commission certification. Nor shall such a finding absolve the seller of its obligation to obtain California Energy Commission certification, or the utility of its obligation to pursue remedies for breach of contract. Each Agreement is not a form of covered procurement subject to the EPS, because the generating facility has an expected capacity factor of less than 60 percent and, therefore, is not baseload generation under paragraph 1(a)(ii) and 3(2)(a) of the adopted Interim EPS Rules.
12. PG&E's net costs under each Agreement shall be recovered through PG&E's Portfolio Allocation Balancing Account, subject to PG&E's prudent administration of the Agreements.
13. Any above-market cost that may arise from each Agreement is subject to the provisions of D.21-06-035 as a 2021 PCIA-eligible contract and recorded to the Portfolio Allocation Balancing Account.
14. The confidential appendices, marked "[REDACTED]" in the public copy of this Resolution, as well as the confidential portions of Advice Letter 7299-E, should remain confidential at this time.

**THEREFORE IT IS ORDERED THAT:**

The request of Pacific Gas and Electric Company for approval of the two Power Purchase Agreements with the Arlington Project owned by Arlington Valley Solar Energy, LLC and the Atlas South Project owned by Atlas Solar XI, LLC, as requested in AL 7299-E, is approved.

This Resolution is effective today.

Commissioner Signature blocks to be added  
upon adoption of the resolution

The foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on April 3, 2025; the following Commissioners voting favorably thereon:

Dated \_\_\_\_\_, at <Voting meeting location>, California

**Confidential Appendix A**  
Summary of Major Contract Terms

REDACTED

**Confidential Appendix B**

**Procurement Evaluation and Cost Reasonableness**

REDACTED