

# PG&E's RPS Net Short Calculation Methodology

Redacted

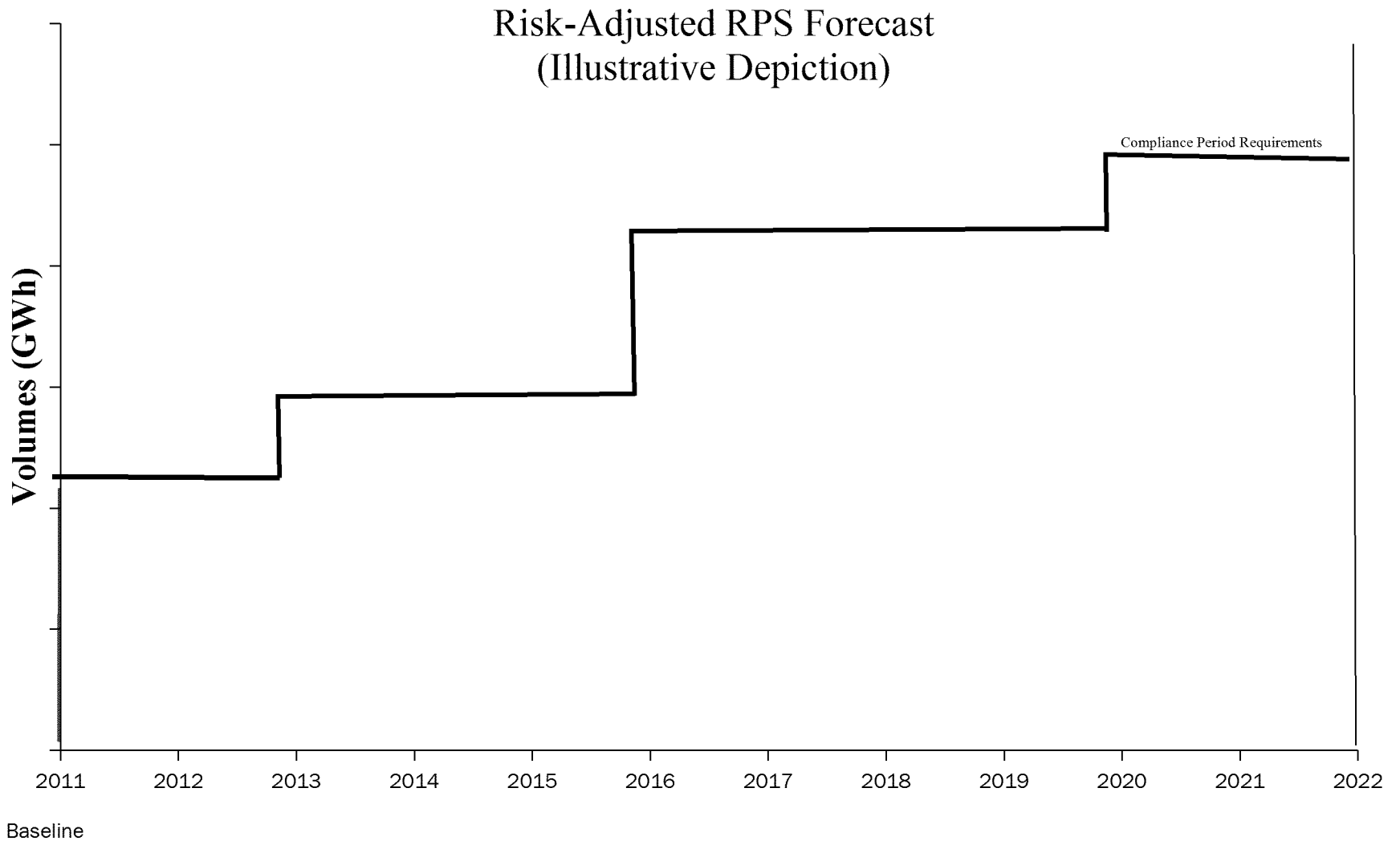
**Manager, Renewable & Clean Energy Strategy**

**June 12, 2012**

***RPS Net Short Methodology Workshop, California Public Utilities Commission***



1. Portfolio Outlook
2. Risk Assessment
3. Net Short Methodology
4. Managing Supply/Demand Variability: Use of Surplus Bank
5. Managing Supply/Demand Variability: Over-Procurement Margin
6. Challenges



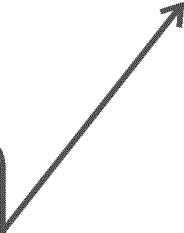


# Risk Assessment

Category	Assessed Risk
Completed and Under Construction	Low
Approved or Mandated	Low
Under Development	Medium
<b>Closely Watched</b>	<b>High</b>

### “Closely Watched” Illustrative Criteria

- Actual failure to meet milestones
- Anticipated failure to meet milestones
- Significant regulatory contract approval delays
- Amendment necessary to preserve project’s viability
- PPA amendment pending approval
- Plant has ceased operation



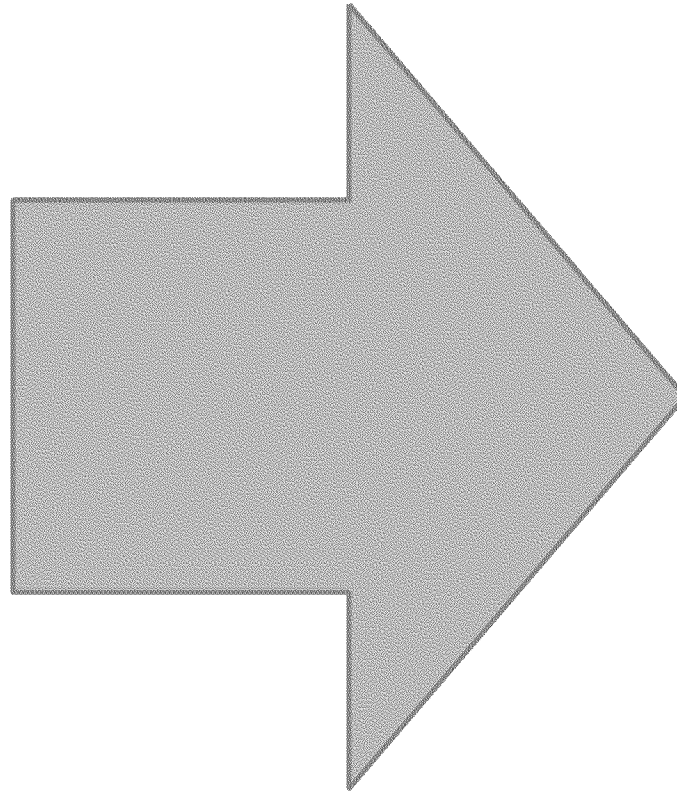
*Risk assessments are based on (1) objective data collected through project monitoring activities and (2) best professional judgment of subject-matter experts.*



# RPS Net Short Methodology

*PG&E employs a deterministic methodology for developing risk-adjusted forecast of RPS-eligible deliveries.*

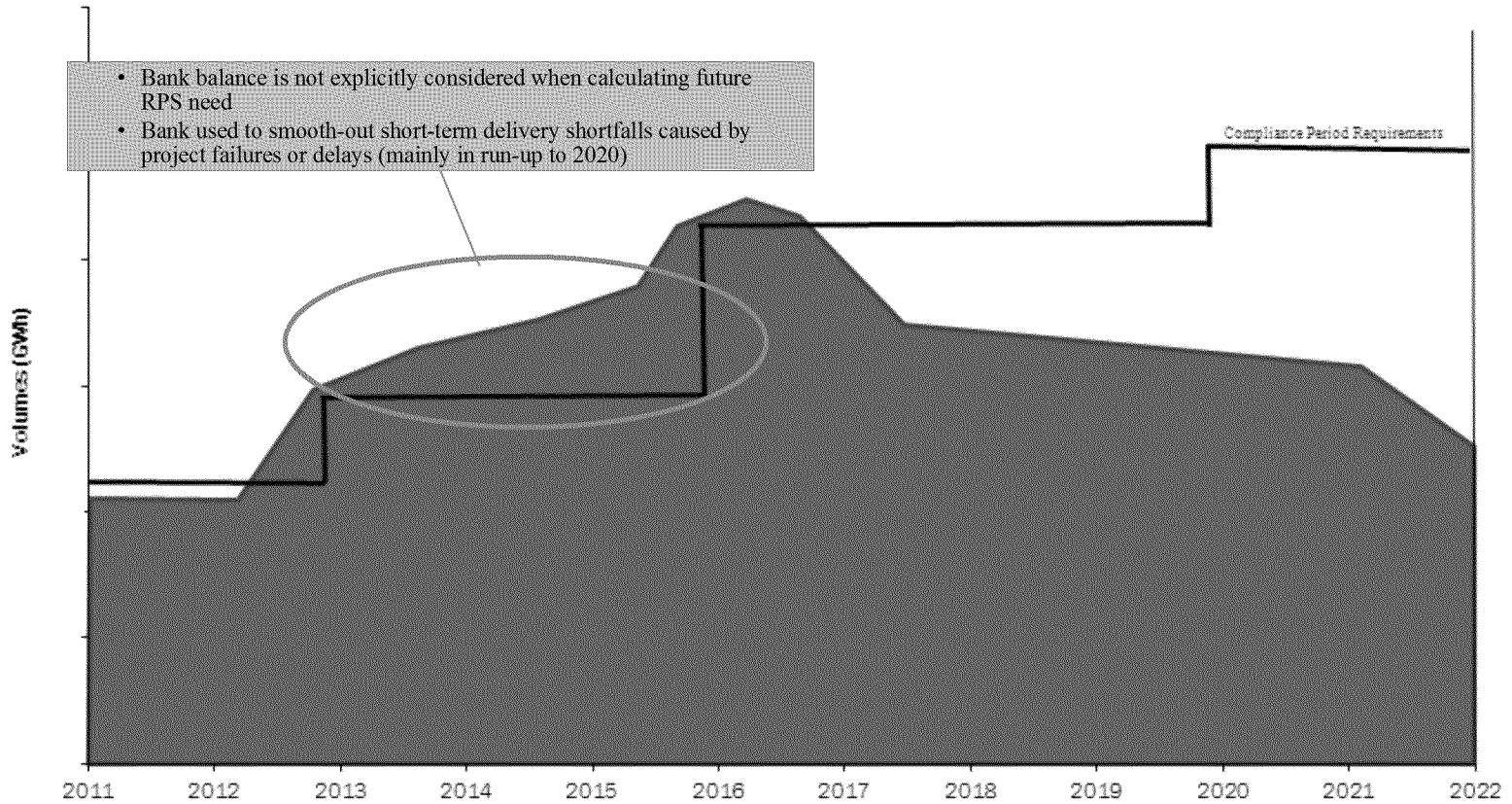
Category
Completed and Under Construction
Approved or Mandated
Under Development
Closely Watched



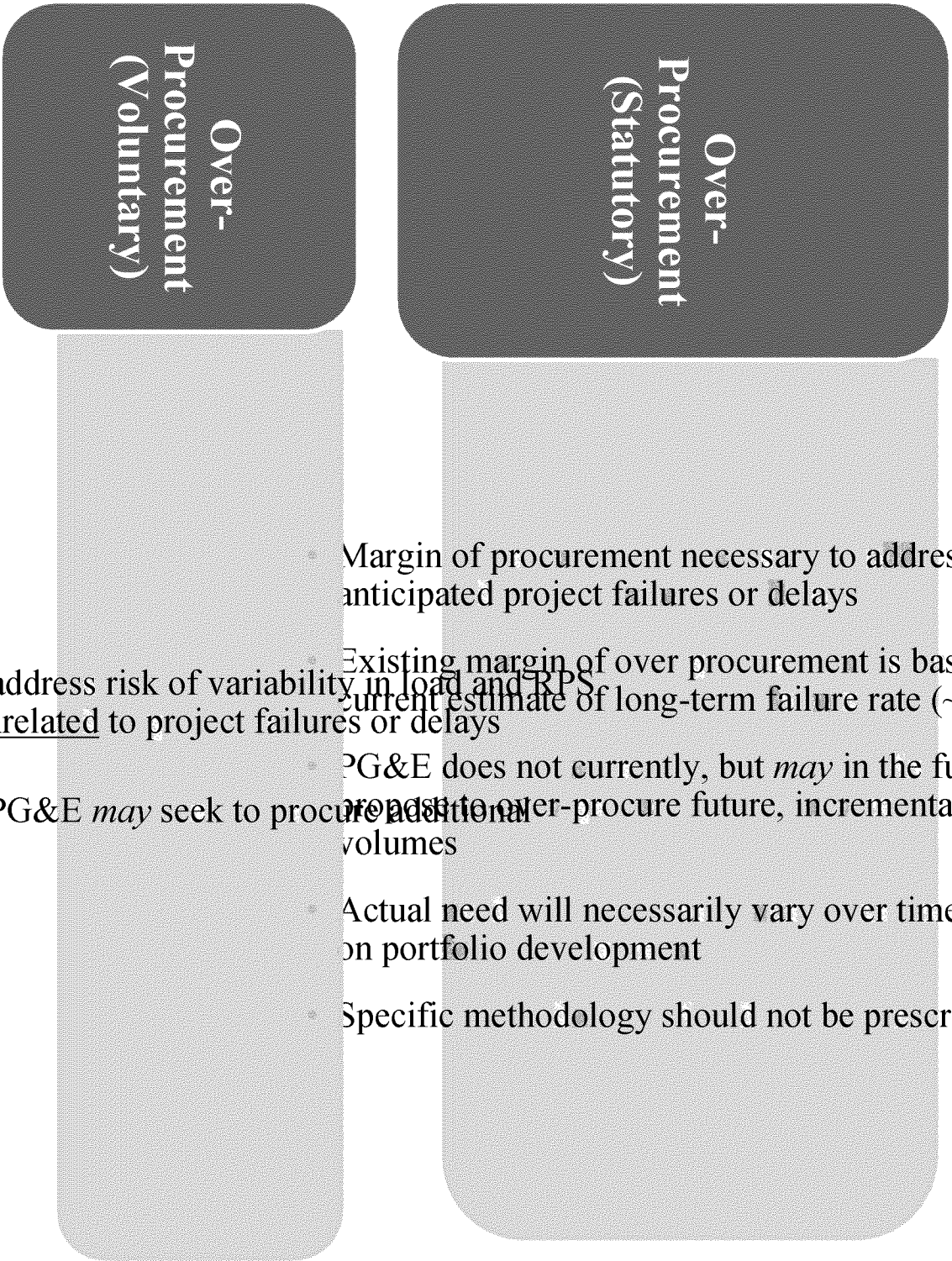
Deterministic Forecast
<ul style="list-style-type: none"><li>• “Closely Watched” contract volumes are excluded from forecast</li><li>• Expected initial delivery dates are determined</li><li>• Successful projects are assumed to generate 100% of contract quantities</li></ul>



# Managing Supply/Demand Variability: Use of Surplus Bank



*In the future PG&E may propose to procure an additional, voluntary margin of procurement, rather than relying on its surplus bank to manage long-term delivery shortfall.*





# Challenges

## Maintaining Confidentiality

- Project-specific assessments and underlying data

## Dynamic Net Short Methodology and Results

- Allowance for evolution of risk assessment methodology
- Need for flexibility in quantifying need

## Uniformity Across Planning and Policy Forums

- Need quantification approaches vary in appropriateness





# Questions?

Redacted