Pacific Gas and Electric Company®

Brian K. Cherry
Vice President
Regulatory Relations

Pacific Gas and Electric Company
77 Beale St., Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

Fax: 415-973-7226

December 10, 2012

Advice 4161-E
(Pacific Gas and Electric Company ID U39 E)

Public Utilities Commission of the State of California

Subject: **Pacific Gas and Electric Company's Request that the Renewable Auction Mechanism Program Accommodate the Remaining 252 megawatts of Pacific Gas and Electric Company's Photovoltaic Program**

I. PURPOSE

Pacific Gas and Electric Company ("PG&E") respectfully submits this advice letter to request California Public Utilities Commission ("CPUC" or "Commission") approval to utilize the Renewable Auction Mechanism ("RAM") Program to accommodate the procurement of 252 megawatts ("MW") of solar photovoltaic ("PV") generation originally authorized for PG&E's Solar Photovoltaic Program. By Advice Letter 4160-E, filed concurrently with this Advice Letter 4161-E, PG&E proposes to terminate years four and five of the utility owned generation ("UOG") phases and years three, four, and five of the Power Purchase Agreement ("PPA") phases of PG&E's Solar Photovoltaic Program authorized by Commission Decision ("D.") 10-04-052 (the "PV Program"). By this Advice Letter, PG&E proposes that the RAM procurement process be utilized for the limited purpose of procuring remaining PV Program volumes.

The RAM Program was adopted in Commission D.10-12-048 (the "RAM Decision") and implementation details were adopted for each investor-owned utility ("IOU") in Resolutions E-4414, E-4489, and E-4546, including bidding protocols and standard form PPAs. The RAM Decision initially authorized each IOU to hold four RAM auctions over two years, and the fourth RAM solicitation is scheduled to occur in 2013.[1] Resolution E-4546 indicated that the Commission would re-visit expanding the RAM Program at a future date. By this Advice Letter, PG&E does not seek an expansion of the RAM Program which is being considered in R.11-05-005. Rather, PG&E proposes to utilize the RAM procurement process for the limited purpose of soliciting the remaining volumes associated with the PV Program through three annual

[1] RAM Decision at p. 33.

competitive solicitations in 2014, 2015 and 2016.

The use of RAM to procure the remaining volumes associated with PG&E's PV Program will promote simplicity and maximize renewable program efficiency. The Commission has authorized IOUs to propose modifications to their respective RAM Programs through the advice letter process.[2] Accordingly, PG&E submits this advice letter requesting Commission approval of the following:

- **Hold Three Solicitations to Procure Remaining PV Program Volumes.** PG&E proposes to utilize the RAM procurement process for the purpose of procuring the remaining volumes associated with the PV Program. PG&E proposes to hold three (3) annual solicitations, commencing in 2014 and terminating in 2016 for this limited purpose.
- **Solicitations Limited to Eligible "As-Available Peaking" Resources.** PG&E proposes that the entirety of the 252 MW be made available to the "as-available peaking" category in RAM.
- **Utilize the RAM Protocol and PPA to Procure Remaining PV Volumes.** PG&E proposes to use the RAM Protocol and standard offer PPA in place at the time of contracting to procure the remaining PV Program volumes.

PG&E does not propose any other changes to or expansion of the RAM Program.

II. BACKGROUND

A. History of the PV Program

On February 2, 2009, PG&E filed Application ("A.") 09-02-019, seeking authorization for a five-year, 500 megawatt ("MW") solar PV program designed to promote the development of smaller scale solar PV in PG&E's service territory and to help the State meet its aggressive Renewables Portfolio Standard ("RPS") goals. On April 22, 2010, the Commission adopted D.10-04-052, which authorized PG&E to develop, own and operate 250 MW of primarily ground-mounted solar PV facilities of 20 MW or less and to enter into long-term PPAs for 250 MW of similar facilities. The final program design included a target of 50 MW per year for 5 years for each component of the PV Program.

As a result of the three program years ("PY") of the PV UOG program, PG&E expects to develop 150 MW. UOG projects from PY 1 and PY 2 came online in 2011 and 2012 respectively and UOG projects from PY 3 are expected to come online in 2013.

PG&E's competitive solicitation protocol for PV PPAs was approved by Resolution E-4368 and

[2] RAM Decision at Ordering Paragraph ("OP") 5.

the compliance versions of PG&E's PV solicitation protocol and PPA became available in January 2011. PG&E has held two PV PPA solicitations in 2011 and 2012 that received robust market responses. In total, PG&E expects to procure 98 MW as a result of PY 1-2 of the PV PPA Program. The selected offers that resulted from the solicitations in PY 1 and PY 2 were approved by the Commission via Advice Letters 3877-E[3] and 4106-E[4] respectively.

The first annual PV Compliance report was filed on March 1, 2011 and included information regarding the solicitation for contracts to engineer, procure, and construct the PY 1 UOG PV projects. Per Resolution E-4368, PG&E filed a supplement to the first annual compliance report on August 19, 2011 containing information regarding the first PPA solicitation in PY 1 of the PPA PV program. The second annual PV Compliance report contains the information regarding both PY 2 and PY 3 UOG PV projects as well as PY2 PPA PV program and was filed on October 8, 2012.

PG&E held a Participants' Forum for the PV PPA Program on October 12, 2012.[5] During the Participants' Forum, PG&E presented stakeholders a summary of PV PPA Program changes under consideration to improve the program based on PG&E's experience, stakeholder feedback, and recommendations of the Independent Evaluator.[6] In general, these proposals demonstrate that the stakeholders to the PV PPA Program are receptive to multiple elements of RAM including, for example, increased flexibility concerning resource adequacy, modifications to the commercial operation date, and interconnection status.

PG&E addresses further details concerning the history and status of the PV Program in Advice Letter 4160-E. PG&E concludes it would be in the ratepayers' best interest that the remaining 100 MW of UOG is procured through competitive solicitations. PG&E proposes that the 100 MW combined with the remaining 152 MW of PPA capacity associated with the PV Program should be procured using the RAM procurement process to promote simplicity and maximize renewable program efficiency.

B. Regulatory History of the RAM Program

On December 18, 2010, the Commission approved the RAM Program as a new procurement mechanism for RPS- eligible projects up to 20 MW in size. The Commission ordered the three IOUs to procure up to a program total of 1,000 MW of RPS-eligible energy and to hold a total of four auctions, one every six months, over a two year period. The RAM Decision also provided the IOUs the authority to suggest modifications to the RAM Program based on stakeholder forums and experience.

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[3] PG&E filed Advice Letter 3877-E for approval of the selected offers resulting from the solicitation in PY 1 of the PV PPA program on August 22, 2011 which was granted by the Commission on August 22, 2011.

[4] PG&E filed Advice Letter 4106-E for approval of the selected offers from the solicitation in PY 2 of the PV PPA program on September 7, 2012 which was granted by the Commission on October 16, 2012.

[5] See Forum Presentation, available at http://www.pge.com/b2b/energysupply/wholesaleelectricsuppliersolicitation/PVRFO2012/index.shtml

[6] See id.at slide 28.

On August 22, 2011, the Commission approved Resolution E-4414, which adopted implementation details, solicitation protocols, and standard PPAs for use in the RAM Program. On April 19, 2012, the Commission approved Resolution E-4489, which modified various components of the RAM Program, including components related to Buyer's termination rights, and provided an option for Sellers to bid projects as either energy only or with full capacity deliverability status. On November 8, 2012, the Commission approved Resolution E-4546, which approved further changes to the RAM Program based on modifications proposed by the IOUs and Energy Division to improve the RAM Program. Resolution E-4546 indicated that the Commission will re-visit expanding the RAM Program at a future date.

PG&E hosted the RAM Program Forum on May 16, 2012 to discuss the first RAM RFO. The materials for the Forum can be found at http://www.pge.com/b2b/energysupply/wholesaleelectricsuppliersolicitation/RAM2/index.shtml.

The Forum covered the following subjects: (1) an overview of the first RAM Request for Offers ("RFO") including market response, eligibility criteria, selection process and a description of resulting PPAs; (2) Independent Evaluator findings; (3) how PG&E values Resource Adequacy Benefits; (4) results for survey sent to PG&E's RFO distribution list; and (5) questions from participants.

PG&E filed Advice Letter 4146-E to implement the RAM Program changes directed by E-4546. PG&E issued its third RAM RFO on November 16, 2012, with bids due December 21, 2012.

III. SUMMARY OF PROPOSAL TO UTILIZE RAM

This proposal assumes that the CPUC first acts to approve Advice Letter 4160-E and terminate program years four and five of the UOG PV program and program years three, four and five of the PPA PV Program. This Advice Letter 4161-E would then authorize PG&E to utilize the RAM procurement process for the limited purpose of procuring the remaining authorized capacity associated with the PV Program.

As described below, PG&E's proposes to utilize the RAM procurement process solely for the purpose of procuring the estimated 252 MW of PV capacity associated with the PV Program. PG&E does not request an expansion of RAM, but rather the ability to use RAM as a procurement tool for the remaining PV Program volumes. PG&E proposes that the RAM Protocol and PPA in effect at the time of RFO issuance apply to the remaining PV Program volumes.

A. Annual Auctions

PG&E proposes to hold three consecutive annual auctions totaling 252 MW. The first auction for 52 MW would be issued in 2014, after Commission approval of this Advice Letter 4161-E is final and non-appealable. Subsequent auctions for 100 MW each would be issued in 2015 and 2016. PG&E proposes that available capacity be allocated to auctions in this manner to closely match the market's expectation to fully implement the approved PV Program.

PG&E requests flexibility in the volumes to be procured per annual auction consistent with the existing RAM rules, which provides PG&E the ability to procure plus or minus 20 MW of the targeted auction capacity. Based on experiences learned from the RAM and PV PPA Programs, PG&E believes this flexibility improves the competitive solicitation process by enabling PG&E to select more (or less) than the target MW should the contract capacity of the next best offer be greater (or less) than the target solicitation MW. PG&E would retain the right to procure less than the annual target minus 20 MW if the solicitation results were not competitive, or if there was evidence of market manipulation.

B. Procurement Limited to Accommodating Remaining PV Program Volumes as Part of "As-Available Peaking Bucket"

PG&E does not propose an expansion of the RAM Program. PG&E proposes that RAM procurement process accommodate the remaining PV Program volumes. Accordingly, the PV program volumes should be allocated to the as-available peaking bucket in RAM, which is consistent with the generation characteristics of PV facilities. Consistent with RAM rules, PG&E proposes to procure new and eligible existing resources located in combined IOU service territories with a nameplate capacity greater than 3 MW but less than or equal to 20 MW.

IV. UTILIZATION OF THE RAM PROCUREMENT PROCESS IS APPROPRIATE AND PROMOTES EFFICIENCY

Use of RAM procurement processes and rules will maximize renewable program efficiency and promote simplicity. The RAM Program shares many similarities with the PV PPA Program: both programs use procurement mechanisms for system side renewable generation up to 20 MW through a reverse auction using a standard, non-negotiable contract. The market segment that participated in the PV PPA program is generally eligible to participate in the RAM Program. The similarities indicate that there are significant administrative efficiencies in utilizing the RAM procurement process. Furthermore, PG&E's proposal is consistent with Commission precedent, which supports the consolidation of renewable programs with overlapping goals and characteristics to reduce developer confusion and enhance administrative efficiency.[7]

PG&E's proposal will eliminate needless complexity by reducing the need for stakeholders to

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[7] See generally D. 12-02-035 and D.12-02-002 (noting that modifying Southern California Edison Company's and San Diego Gas and Electric Company's Photovoltaic Programs to combine aspects of the respective IOUs PV Programs into RAM promotes simplicity, program efficiency, and minimizes market disruption).

understand multiple programs and program subsets containing a range of protocols, terms and conditions. The RAM Program reflects extensive stakeholder input, is widely accepted by the renewable developer community, and because it is updated on a regular basis, reflects current market conditions and regulatory rules.

Further, utilization of RAM will provide the PV development community desired programmatic changes and eliminate confusion and conflict among different program elements. As described in Section II, stakeholders sought to incorporate elements of RAM into the PV PPA Program. The use of the RAM procurement processes will address needed changes to the PV PPA Program while reducing the inefficiencies associated with overlapping procurement programs. Furthermore, PG&E's proposal will provide independent power producers an additional opportunity to develop 100 MW of UOG capacity approved by the Commission as part of the PV Program. Because the PV market and the Commission are already familiar with the RAM RFO process, the utilization RAM should be seamless. PG&E will require the use of the applicable RAM Protocol and PPA in place at the time of RFO issuance to maximize efficiency.

V. FINDINGS REQUESTED

PG&E requests the Commission issue a final Resolution approving this Tier 3 advice letter including the following findings:

1. Finding that the RAM procurement process should be utilized to procure PV Program capacity; and

2. Finding that executed PPAs that are solicited in accordance with this advice letter may be submitted for Energy Division disposition via a Tier 2 advice letter filing, and that by deeming any such Tier 2 advice letter approved, the Commission will have found that

    a. The subject PPA(s) is approved in its entirety, including payments to be made by PG&E pursuant to the PPA, subject to CPUC review of PG&E's administration of the PPA; Any procurement pursuant to the PPA(s) is procurement from an Eligible Renewable Energy Resource for purposes for determining PG&E's compliance with any obligation that it may have to procure Eligible Renewable Energy Resources pursuant to the California Renewables Portfolio Standard (Public Utilities Code Section 399.11 et seq.), D. 03-06-071, D. 06-10-050, D. 11-12-050, D. 11-12-020, D. 11-12-052 or other applicable law;

    b. All procurement and administrative costs, as provided in Public Utilities Code Section 399.16(g), associated with the PPA shall be recovered in rates.

VI. CONCLUSION

Use of the RAM procurement process to accommodate the remaining volumes associated with a terminated PV Program will promote market stability. The terms and conditions of the RAM Protocol and form PPA are reflective of extensive stakeholder input, are widely accepted by the renewable developer community, and reflect current market conditions and regulatory rules.

Procuring the remaining authorized volumes associated with the PV Program in this manner will promote administrative simplicity for PG&E, the Commission, and stakeholders.

Protests:

Anyone wishing to protest this advice letter may do so by letter sent via U.S. mail, facsimile or E-mail, no later than **December 31, 2012**, which is 21 days[8] after the date of this submission. Protests must be submitted to:

CPUC Energy Division
E D Tariff Unit
505 Van Ness Avenue, 4th Floor
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: EDTariffUnit@cpuc.ca.gov

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest shall also be sent to PG&E either via E-mail or U.S. mail (and by facsimile, if possible) at the address shown below on the same date it is mailed or delivered to the Commission:

Brian K. Cherry
Vice President, Regulatory Relations
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-7226
E-mail: PGETariffs@pge.com

Any person (including individuals, groups, or organizations) may protest or respond to an advice letter. (General Order 96-B, Section 7.4.) The protest shall contain the following information: specification of the advice letter protested; grounds for the protest; supporting factual information or legal argument; name, telephone number, postal address, and (where appropriate) e-mail address of the protestant; and statement that the protest was sent to the utility no later than the day on which the protest was submitted to the reviewing Industry Division (General Order 96-B, Section 3.11).

[8] The 20 day protest period concludes on a weekend. PG&E hereby moves this date to the following business day.

Approval Date:

PG&E requests that the CPUC approve this advice filing on the April 4, 2013 Business Meeting. PG&E submits this as a Tier 3 filing.

Notice:

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list and the service list for R.11-05-005 and A.09-02-019. Address changes to the General Order 96-B service list and all electronic approvals should be directed to e-mail PGETariffs@pge.com. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at Process_Office@cpuc.ca.gov. Advice letter filings can also be accessed electronically at: http://www.pge.com/tariffs.

Brian Cherry

Vice President - Regulatory Relations

cc: Service List for R.11-05-005 and A.09-02-019
Paul Douglas – Energy Division
Adam Schultz - Energy Division

Attachments

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY
ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **Pacific Gas and Electric Company (ID U39 E)**

Utility type:	Contact Person: Kimberly Chang
☑ ELC ☐ GAS	Phone #: (415) 972-5472
☐ PLC ☐ HEAT ☐ WATER	E-mail: kwcc@pge.com

EXPLANATION OF UTILITY TYPE			(Date Filed/ Received Stamp by CPUC)
ELC = Electric	GAS = Gas		
PLC = Pipeline	HEAT = Heat	WATER = Water	

Advice Letter (AL) #: **4061-E** **Tier: 3**

Subject of AL: **Pacific Gas and Electric Company's Request that the Renewable Auction Mechanism Program Accommodate the Remaining 252 megawatts of Pacific Gas and Electric Company's Photovoltaic Program**

Keywords (choose from CPUC listing): Compliance, Procurement

AL filing type: ☐ Monthly ☐ Quarterly ☐ Annual ☑One-Time ☐ Other ____________________________

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: N/A

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL: ____________________

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for:

Confidential information will be made available to those who have executed a nondisclosure agreement: ☐ Yes ☐ No

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information: ____

Resolution Required? ☑Yes ☐No

Requested effective date: **April 4, 2013** No. of tariff sheets: N/A

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed: N/A

Pending advice letters that revise the same tariff sheets: N/A

Protests, dispositions, and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

California Public Utilities Commission
Energy Division
EDTariffUnit
505 Van Ness Ave., 4th Flr.
San Francisco, CA 94102
E-mail: EDTariffUnit@cpuc.ca.gov

Pacific Gas and Electric Company
Attn: Brian Cherry
Vice President, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177
E-mail: PGETariffs@pge.com

PG&E Gas and Electric
Advice Filing List
General Order 96-B, Section IV

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Sunshine Design
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