

DRAFT

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

2013

ID #11792  
RESOLUTION E-4560  
January 10,

REDACTED

R E S O L U T I O N

Resolution E-4560. Pacific Gas and Electric Company requests approval of an agreement for the procurement of renewable energy credits, also referred to as green attributes, with Sierra Pacific Industries.

PROPOSED OUTCOME: This Resolution approves cost recovery for Pacific Gas and Electric Company's agreement for renewable energy credits, also referred to as green attributes, with Sierra Pacific Industries.

ESTIMATED COST: Actual costs are confidential at this time.

By Advice Letter (AL) 3854-E filed on June 2, 2011 and by AL 3854-E-A filed on November 9, 2012.

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SUMMARY

**Pacific Gas and Electric Company's (PG&E) agreement for the purchase of renewable energy credits (RECs), also referred to as green attributes, from Sierra Pacific Industries (SPI) is approved.**

Pursuant to its obligations under California's renewables portfolio standard (RPS) at the time this REC Agreement was executed, PG&E was required to procure 20% of its retail sales from eligible renewable resources by December 31, 2010, subject to various compliance rules. In an effort to meet this compliance obligation, PG&E executed the following REC Agreement with SPI in 2009.

PG&E filed Advice Letter (AL) 3854-E on June 2, 2011 requesting Commission approval to purchase RECs from four existing biomass facilities in California owned by Sierra Pacific Industries (SPI): SPI Anderson, SPI Lincoln, SPI Quincy, and SPI Burney (the SPI Facilities).<sup>1</sup> The SPI Facilities are sawmills that

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<sup>1</sup> PG&E currently purchases bundled excess energy (which includes the associated RECs) from these

generate electricity by combusting wood waste products on-site. Under the terms of the agreement, PG&E would purchase the RECs associated with this energy that SPI consumes on-site. PG&E executed this agreement with SPI through bilateral negotiations. Under the terms of the agreement, SPI would transfer the RECs associated with the energy that its facilities consume on-site to PG&E upon CPUC Approval. The agreement would require SPI to transfer to PG&E the RECs associated with 100 GWh per year of generation (100,000 RECs) from 2011 through 2015.

On November 9, 2012, PG&E filed AL 3854-E-A to amend the price of the RECs. The agreement with SPI qualifies as a REC-only contract as defined by Decision (D.) 10-03-021, as modified by D.11-01-025, based on the delivery structure proposed by PG&E. This resolution approves the REC Agreement between PG&E and SPI. The Commission is approving this REC Agreement for two reasons:

(1) the unique nature of these particular RECs that allows PG&E to retire the RECs for compliance purposes against any potential future RPS need pursuant to SB 2 (1X), and,

(2) the favorable cost to ratepayers of these particular RECs from SPI resulting from the amended price, as filed by PG&E through AL 3854-E-A.

## **BACKGROUND**

### **Overview of the Renewables Portfolio Standard (RPS) Program**

The California RPS Program was established by Senate Bill (SB) 1078, and has been subsequently modified by SB 107, SB 1036 and SB 2 (1X).<sup>2</sup> The RPS program is codified in Public Utilities Code Sections 399.11-399.31.<sup>3</sup> Under SB 2 (1X), the RPS program administered by the Commission requires each retail seller to increase its total procurement of eligible renewable energy resources so that 33 percent of retail sales are served by eligible renewable energy resources no later than December 31, 2020.

Additional background information about the Commission's RPS Program,

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four SPI Facilities through existing Qualifying Facility (QF) agreements. These existing QF Agreements have no impact on the REC transactions under discussion in this resolution, as the RECs at issue here would be generated by the energy currently consumed on-site by these four facilities.

<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).

<sup>3</sup> All further references to sections refer to Public Utilities Code unless otherwise specified.

including links to relevant laws and Commission decisions, is available at <http://www.cpuc.ca.gov/PUC/energy/Renewables/overview.htm> and <http://www.cpuc.ca.gov/PUC/energy/Renewables/decisions.htm>.

## **NOTICE**

Notice of Advice Letters 3854-E and 3854-E-A was made by publication in the Commission's Daily Calendar. Pacific Gas and Electric Company states that a copy of the Advice Letter was mailed and distributed in accordance with Section 3.14 of General Order 96-B.

## **PROTESTS**

No protests were filed to PG&E's AL 3854-E or AL 3854-E-A.

## **DISCUSSION**

### **PG&E requests Commission approval of a new agreement with SPI for the purchase of renewable energy credits (RECs), also known as green attributes.**

Pursuant to its obligations under California's RPS at the time these REC Agreements were executed, PG&E was required to procure 20% of its retail sales from eligible renewable resources by December 31, 2010, subject to various compliance rules.<sup>4</sup> Retail sellers were permitted to defer an annual compliance deficit for up to three years if certain conditions were met and all compliance deficits needed to be satisfied with actual procurement within the three year time period. In an effort to meet this compliance obligation, PG&E executed the following REC Agreement in 2009.

PG&E filed Advice Letter (AL) 3854-E on June 2, 2011 requesting Commission approval to purchase RECs from four existing biomass facilities in California owned by Sierra Pacific Industries (SPI): SPI Anderson, SPI Lincoln, SPI Quincy, and SPI Burney (the SPI Facilities). The SPI Facilities are sawmills that generate electricity by combusting wood waste products on-site. Under the terms of the agreement, PG&E would purchase the RECs associated with this energy that SPI consumes on-site. PG&E executed this agreement with SPI through bilateral negotiations. Under the terms of the agreement, SPI would transfer the RECs associated with the energy that its facilities consume on-site to PG&E upon CPUC Approval. The agreement would require SPI to transfer to PG&E the RECs associated with 100 GWh per year of generation (100,000 RECs) from

<sup>4</sup> See, SB 107 (Simitian, 2006) and D.06-10-050.

2011 through 2015.

On November 9, 2012, PG&E filed AL 3854-E-A to amend the price of the RECs.

Table 1 below summarizes features of this agreement:

**Table 1. Summary of PG&E's REC Agreement with SPI**

Counter-Party	Generating Facilities	Resource Type	Annual REC Procurement	Contract Term <sup>5</sup>	Expected Compliance Period <sup>6</sup>	Project Location
Sierra Pacific Industries	Anderson, Lincoln, Quincy, Burney	Biomass	100,000	2011-2015	CP1-CP2	Various Locations, California

For a more detailed description of PG&E's REC Agreement with SPI, see Confidential Appendix B of this resolution.

**PG&E requested that the Commission issue a resolution for the filed Advice Letter that contains the following findings:**

1. Approves the Amended and Restated Renewable Energy Credit Purchase and Sales Agreement ("PSA") between PG&E and SPI in its entirety, including payments to be made by PG&E pursuant to the PSA, subject to the Commission's review of PG&E's administration of the PSA.
2. Finds that any procurement pursuant to the PSA is procurement from an eligible renewable energy resource for purposes of 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.) ("RPS") Decision ("D.") 03-06-071 and D.06-10-050, or other

<sup>5</sup> This represents the term of years during which the renewable generation with which these RECs are associated would be generated pursuant to the agreement.

<sup>6</sup> D.11-12-020 established three multi-year compliance periods (CP) as directed by SB 2 (1X) (CP1: 2011-13, CP2: 2014-16, CP3: 2017-20).

applicable law.

3. Finds that pursuant to Public Utilities Code Section 399.16(d), as enacted by the California Renewable Energy Resources Act, Senate Bill X1 2 (“SBX1 2”), the PSA shall count in full towards RPS procurement requirements, and thus is not subject to procurement or compliance limitations and restrictions, including those set forth in or developed pursuant to Sections 399.13(a)(4)(B) or 399.16(c), as enacted by SBX1 2.
4. Finds that all procurement and administrative costs, as provided by Public Utilities Code section 399.14(g), associated with the PSA shall be recovered in rates.
5. Adopts the following finding of fact and conclusion of law in support of CPUC Approval:
  - a. The PSA is consistent with PG&E’s 2011 RPS procurement plan.
  - b. The terms of the PSA, including the price of delivered TRECs, are reasonable.
6. Adopts the following finding of fact and conclusion of law in support of cost recovery for the PSA:
  - a. The utility’s costs under the PSA shall be recovered through PG&E’s Energy Resource Recovery Account.
  - b. Any stranded costs that may arise from the PSA are subject to the provisions of D.04-12-048 that authorize recovery of stranded renewables procurement costs over the life of the contract. The implementation of the D.04-12-048 stranded cost recovery mechanism is addressed in D.08-09-012.
7. Adopts the following findings with respect to resource compliance with the Emissions Performance Standard (“EPS”) adopted in R.06-04-009:
  - a. The PSA is not covered procurement subject to the EPS because it does not involve procurement of electric energy.

**Energy Division Evaluated the REC Agreement on the Following Grounds:**

- Consistency with Bilateral Contracting Rules
- Consistency with RPS Standard Terms and Conditions
- Consistency with Commission rules regarding Renewable Energy Credits
- Consistency with PG&E’s Least-Cost, Best-Fit Requirements

- Demonstration of Need for the REC Agreement
- Price Reasonableness
- Procurement Review Group Participation
- Independent Evaluator (IE) Review

### **Consistency with Bilateral Contracting Rules**

PG&E negotiated this REC Agreement on a bilateral basis. PG&E entered into bilateral negotiations given its view at the time that the REC Agreements had favorable prices and terms. PG&E believed that delaying procurement of these RECs until its next competitive solicitation could result in the utility failing to attain its 20% RPS procurement obligations.

The Commission developed guidelines pursuant to which utilities may enter into bilateral RPS contracts. In D.03-06-071, the Commission authorized entry into bilateral RPS contracts provided that such contracts did not require Public Goods Charge funds and provided that they were “prudent.” In D.06-10-019, the Commission established additional rules pursuant to which the IOUs could enter into bilateral RPS contracts. PG&E adhered to these bilateral contracting rules because the REC Agreement is for longer than one month in duration, the REC Agreement was filed by advice letter, and the REC Agreement is reasonably priced as discussed in more detail below.

In D.09-06-050, the Commission also determined that bilateral agreements should be reviewed according to the same processes and standards as projects that come through a solicitation. Accordingly, PG&E attests that the REC Agreement was compared to other similar offers received by PG&E from its 2009 RPS RFO; the proposed REC Agreement was reviewed by PG&E’s Procurement Review Group; and an independent evaluator oversaw the negotiation of the REC Agreement.

The REC Agreement is consistent with the bilateral contracting guidelines established in D.06-10-019 and D.09-06-050.

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

The Commission adopted a set of standard terms and conditions (STCs) required in RPS contracts, six of which are considered “non-modifiable.” The STCs were compiled in D.08-04-009 and subsequently amended in D.08-08-028. More recently in D.10-03-021, as modified by D.11-01-025, the Commission further refined these STCs.

The REC Agreement with SPI includes all of the Commission adopted RPS “non-modifiable” standard terms and conditions, as set forth in D.08-04-009, D.08-08-028, and D.10-03-021, as modified by D.11-01-025.

### **Consistency with Commission rules regarding Renewable Energy Credits**

In D.10-03-021, as modified by D.11-01-025, the Commission authorized the procurement and use of unbundled RECs for compliance with the California RPS program. The decision also established a temporary price cap of \$50/REC and requirements for advice letters requesting approval of REC contracts.<sup>7</sup>

The price of the REC Agreement with SPI is below the temporary \$50/REC price cap.

### **Consistency with PG&E’s Least-Cost Best-Fit (LCBF) Requirements**

The LCBF decision directs the utilities to use certain criteria in their bid ranking.<sup>8</sup> The decision offers guidance regarding the process by which the utility ranks bids in order to select or “shortlist” the bids with which it will commence negotiations. PG&E’s bid evaluation includes a quantitative and qualitative analysis, as well as each proposal’s absolute value to PG&E’s customers and relative value in comparison to other proposals.

The basic components of PG&E’s LCBF evaluation and selection criteria and process for RPS contracts were established in the Commission’s LCBF Decisions D.03-06-071 and D.04-07-029. Consistent with these decisions, the three main steps undertaken by PG&E are: (1) initial data gathering and verification; (2) a quantitative assessment of proposals, and; (3) adjustments to selection based on proposals’ qualitative attributes. PG&E applied these criteria to the proposals received in the 2009 solicitation in order to establish a short-list of proposals from bidders with whom PG&E would engage in contract discussions. PG&E’s 2009 RPS solicitation was the most recent solicitation at the time that the REC agreement was negotiated and executed.

PG&E examined the reasonableness of the REC Agreement using the same LCBF evaluation methodology that it used for RPS offers received for the 2009 RPS solicitation. Although the REC Agreement was negotiated bilaterally, PG&E determined that the agreement was reasonable and compared favorably to

<sup>7</sup> The REC price cap is a limit on the maximum that may be paid for unbundled RECs to be used for RPS compliance; it is not a REC price reasonableness benchmark. The REC price cap limit will sunset December 31, 2013 (See, Ordering Paragraphs 19 and 21 of D.10-03-021, as modified by D.11-01-025.) Advice letter requirements include information on the facilities providing the RECs, information on an IOU’s REC portfolio, and price comparisons of the RECs. (See, Ordering Paragraph 32 of D.10-03-021, as modified by D.11-01-025.)

<sup>8</sup> See D.04-07-029

proposals that PG&E received in its 2009 solicitation and to other bilateral offers negotiated around the same time.

The Commission finds that PG&E adequately examined the reasonableness of the REC Agreement utilizing its LCBF methodology during the time the agreement was being negotiated and executed.

**Demonstration of Need for the REC Agreement**

The California RPS Program was established by Senate Bill (SB) 1078 and has been recently modified by SB 2 (1X), which became effective on December 10, 2011. SB 2 (1X) made significant changes to the RPS Program.<sup>9</sup> SB 2 (1X) established new RPS procurement targets such that retail sellers must procure "...from January 1, 2011 to December 31, 2013...an average of 20 percent of retail sales...25 percent of retail sales by December 31, 2016, and 33 percent of retail sales by December 31, 2020."<sup>10</sup>

The rules for counting RECs for RPS compliance have changed since the time that PG&E executed this REC Agreement with SPI. Table 2 summarizes the application of these rules dependent on particular REC Agreements:

**Table 2. Summary of Application of Commission Rules to REC Agreement**

REC Agreement Executed before June 1, 2010?	Energy associated with the RECs Generated prior to Jan. 1, 2011?	Controlling Commission Decisions (D.)	Restrictions on Application of RECs Against RPS Compliance Obligations:
Yes	Yes	D.10-03-021, as modified by D.11-01-025, ("the REC Decision").	RECs will be retired in WREGIS and accounted for in the Closing Report process established in D.12-06-038. RECs will count towards pre-2011 RPS compliance obligations.
Yes	No	D.11-12-052 ("the Product Content Category Decision") and D.12-06-038 ("the Compliance Decision").	RECs will "count in full" towards RPS compliance. RECs must be retired in WREGIS for RPS compliance purposes within 36 months from when they are generated.

<sup>9</sup> The Commission opened Rulemaking (R.) 11-05-005 (May 5, 2011) to implement the new RPS law.

<sup>10</sup> See § 399.15(b)(2)(B), SB 2 (1X)



No	No	D.11-12-052 (“the Product Content Category Decision”) and D.12-06-038 (“the Compliance Decision”).	RECs will be classified according to the portfolio content categories. RECs must be retired in WREGIS for RPS compliance purposes within 36 months from when they are generated.
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The REC Agreement that PG&E executed with SPI was executed before June 1, 2010. The RECs procured pursuant to the SPI REC Agreement would be associated with energy generated after January 1, 2011 and thus could “count in full” toward PG&E’s future RPS compliance obligations. These RECs would be generated between January 1, 2011 and 2015 (i.e., within the first and second compliance periods).

In light of recent information<sup>11</sup> provided to the Commission about PG&E’s current risk-adjusted net short position relative to its current RPS targets, the details of which are contained in Confidential Appendix A, the Commission finds that PG&E has no near-term need for the RECs in this agreement in the first or second compliance periods.

That said, the Commission acknowledges that the RECs from SPI, pursuant to D.11-12-052 and D.12-06-038, may “count in full” toward PG&E’s potential future RPS compliance obligations. As such, PG&E may retire these RECs for compliance purposes at some future date not yet known when it demonstrates an RPS compliance need.

**Price Reasonableness**

The SPI REC Agreement was negotiated as a bilateral contract. The agreement was executed in 2009 before the Commission had adopted rules for the utilization of RECs for RPS compliance purposes. Additionally, as described above in the section titled “Demonstration of Need for the REC Agreement,” these RECs from SPI are unique in that they may “count in full” toward PG&E’s potential future RPS compliance obligations.

<sup>11</sup> See, Pacific Gas and Electric Company’s (U 39-E) 2012 Renewable Energy Procurement Plan, Appendix 1: Quantitative Information, “Current Expected Need Scenario” (May 23, 2012)

Because of this unique quality that results from the changed regulatory landscape, there are few comparable agreements against which the Commission can compare the REC Agreement with SPI. As such, the Commission has assessed the reasonableness of the amended price offered for these “count in full” RECs against other RECs executed by PG&E during the same time period which now also may “count in full” and against non-“count in full” RECs recently approved by the Commission in September 2012.

The price of the SPI RECs is reasonable when compared against these other RECs. The price is higher than the non-“count in full” RECs which the Commission approved in September 2012, but the price is also now significantly lower than the original price offered by SPI for these RECs and the price still offered by other comparable “count in full” RECs executed by PG&E around the same time.

In conclusion, the Commission finds that the price of the SPI RECs is reasonable because of the unique quality of these RECs to count in full towards PG&E’s potential future RPS compliance obligations. Payments made by PG&E pursuant to the SPI REC Agreement are fully recoverable in rates over the life of the Agreement, subject to Commission review of PG&E’s administration of the Agreement.

See Confidential Appendix A for a more detailed discussion of the price reasonableness of the SPI REC Agreement.

### **Procurement Review Group (PRG) Participation**

The Procurement Review Group (PRG) process was initially established in D.02-08-071 as an advisory group to review and assess the details of the IOUs' overall procurement strategy, solicitations, specific proposed procurement contracts and other procurement processes prior to submitting filings to the Commission as an interim mechanism for procurement review.

According to PG&E, the unbundled REC transaction with SPI was discussed at its PRG meetings on August 14, 2009, October 21, 2009, and May 17, 2011. At the time, the Procurement Review Group (“PRG”) for PG&E included the Commission’s Energy Division and Division of Ratepayer Advocates, The Utility Reform Network (“TURN”), the California Utility Employees (“CUE”), and Jan Reid, as a PG&E ratepayer.

Pursuant to D.02-08-071, PG&E’s Procurement Review Group participated in the review of the SPI REC Agreement, and PG&E has complied with the Commission’s rules for involving the PRG.

### **Independent Evaluator (IE) Review**

The IE for this REC Agreement with SPI was Alan Taylor of Sedway Consulting. The IE evaluated the REC Agreement at the time that it was negotiated and executed by PG&E in 2009 and concluded that the agreement compared favorably to alternative RPS options in the main evaluation categories of price, portfolio fit, viability, and market valuation.

Consistent with D.06-05-039 and D.09-06-050, an independent evaluator oversaw PG&E's negotiations with SPI and recommended the SPI REC Agreement for approval at the time that PG&E originally filed the advice letter for Commission approval.

### **RPS ELIGIBILITY AND CPUC APPROVAL**

Pursuant to Pub. Util. Code § 399.25, the 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 California RPS, and that the seller use commercially reasonable efforts to maintain eligibility should there be a change in law affecting eligibility.<sup>12</sup>

The Commission requires a standard and non-modifiable clause in all RPS REC-only contracts that requires "CPUC Approval" of an agreement to include an explicit finding that "any procurement pursuant to this Agreement is procurement of Renewable Energy Credits that conform to the definition and attributes required for compliance with the California Renewables Portfolio Standard, as set forth in California Public Utilities Commission Decision 08-08-028, as may be modified by subsequent decision of the California Public Utilities Commission or by subsequent legislation, for purposes of determining Buyer'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.), Decision 03-06-071, or other applicable law."<sup>13</sup>

<sup>12</sup> See, e.g. D. 08-04-009 at Appendix A, STC 6, Eligibility.

<sup>13</sup> See, e.g. D. 08-04-009 at Appendix A, STC 1, CPUC Approval.

Notwithstanding this language, the Commission has no jurisdiction to determine whether a project is an eligible renewable energy resource, nor can the Commission determine prior to final CEC certification of a project, that “any procurement” pursuant to a specific contract will be “procurement from an eligible renewable energy resource.”

Therefore, 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. Nor shall such a finding absolve a seller from its obligation to obtain CEC certification or absolve the purchasing utility of its obligation to enforce compliance with Standard Term and Condition 6, set forth in Appendix A of D.08-04-009 and included in the REC Agreement with SPI. Such contract enforcement activities shall be reviewed pursuant to the Commission’s authority to review the administration of such contracts.

### **CONFIDENTIAL INFORMATION**

The Commission, in implementing Pub. Util. Code § 454.5(g), has determined in D.06-06-066, as modified by D.07-05-032, 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 adopted a time limit on the confidentiality of specific terms in RPS contracts. Such information, such as price, is confidential for three years from the date the contract states that energy deliveries begin, 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.

### **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 and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced.

## **FINDINGS AND CONCLUSIONS**

1. The agreement with Sierra Pacific Industries qualifies as a REC-only contract as defined by D.10-03-021, as modified by D.11-01-025.
2. SB 2 (1X) imposed significant changes on the RPS Program, including setting new RPS compliance targets through 2020.
3. The REC Agreement is consistent with the bilateral contracting guidelines established in D.06-10-019 and D.09-06-050.
4. The REC Agreement with SPI includes all of the Commission adopted RPS “non-modifiable” standard terms and conditions, as set forth in D.08-04-009, D.08-08-028, and D.10-03-021, as modified by D.11-01-025.
5. The price of the REC Agreement with SPI is below the temporary \$50/REC price cap.
6. PG&E adequately examined the reasonableness of the REC Agreement utilizing its LCBF methodology during the time the agreement was being negotiated and executed.
7. PG&E has no near-term need for the RECs in this agreement in the first or second compliance periods.
8. The RECs from SPI, pursuant to D.11-12-052 and D.12-06-038, may “count in full” toward PG&E’s potential future RPS compliance obligations. As such, PG&E may retire these RECs for compliance purposes at some future date not yet known when it demonstrates an RPS compliance need.
9. The price of the SPI RECs is reasonable because of the unique quality of these RECs to count in full towards PG&E’s potential future RPS compliance obligations.
10. Payments made by PG&E pursuant to the SPI REC Agreement are fully recoverable in rates over the life of the Agreement, subject to Commission review of PG&E’s administration of the Agreement.
11. Pursuant to D.02-08-071, PG&E’s Procurement Review Group participated in the review of the SPI REC Agreement, and PG&E has complied with the Commission’s rules for involving the PRG.
12. Consistent with D.06-05-039 and D.09-06-050, an independent evaluator oversaw PG&E’s negotiations with SPI and recommended the SPI REC Agreement for approval at the time that PG&E originally filed the advice letter for Commission approval.
13. Procurement pursuant to the REC Agreement with SPI is procurement of

Renewable Energy Credits that conform to the definition and attributes required for compliance with the California Renewables Portfolio Standard, as set forth in California Public Utilities Commission Decision 08-08-028, and as may be modified by subsequent decision of the California Public Utilities Commission or by subsequent legislation, for purposes of determining PG&E's compliance with any obligation it may have to procure eligible renewable energy resources pursuant to the California Renewables Portfolio Standard (Public Utilities Code Section 399.11 et seq.), or other applicable law.

14. The immediately preceding finding shall not be read to absolve PG&E of its obligation to enforce compliance with Standard Term and Condition 6, set forth in Appendix A of D.08-04-009, and included in this Agreement.
15. 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.
16. The REC Agreement considered herein was pending approval before the Commission during the time that policies were being developed to address the use of RECs for RPS compliance purposes and during the time that SB 2 (1X) was signed into law.
17. Advice Letter 3854-E, as modified by Advice Letter 3854-E-A, should be approved.

**THEREFORE IT IS ORDERED THAT:**

1. Pacific Gas and Electric Company's purchase and sale agreement with Sierra Pacific Industries filed in Advice Letter 3854-E, and modified by Advice Letter 3854-E-A, 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 January 10, 2013; the following Commissioners voting favorably thereon:

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PAUL CLANON  
Executive Director

Confidential Appendix A

## Pacific Gas & Electric's RPS Energy Forecast and the Price Reasonableness of the SPI RECs

[REDACTED]



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Confidential Appendix B

Summary of Contract Terms and Conditions with  
SPI's Anderson, Lincoln, Quincy, and Burney

[REDACTED]