

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

Order Instituting Rulemaking to Continue)	
Implementation and Administration of California)	Rulemaking 11-05-005
Renewables Portfolio Standard Program.)	(Filed May 5, 2011)
_____)	

**2013 RPS PROCUREMENT PLAN
OF PILOT POWER GROUP, INC.
(Public Version)**

June 14, 2013

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Pursuant to the directions contained in the Assigned Commissioner’s Ruling Identifying Issues And Schedule of Review For 2013 Renewables Portfolio Standard Procurement Plans Pursuant to Public Utilities Code Sections 399.11 et seq. and Requesting Comments On A New Proposal (the “ACR”), Pilot Power Group, Inc. (“Pilot Power”), Pilot Power hereby submits the following 2013 RPS Procurement Plan.

ASSESSMENT OF RPS PORTFOLIO SUPPLIES AND DEMAND—Section

399.13(a)(5)(A)

Unlike the IOUs, Pilot Power does not have captive customers. All of Pilot Power’s customers are on contracts that may be terminated by either party upon fairly short notice. As a result, there is not a readily quantifiable volume of future customer consumption that can be relied upon in analyzing the coming 10 year period and the RPS qualifying energy that will be required to meet the anticipated consumption. Notwithstanding there is not a quantifiable volume of future customer consumption under contract, historically, Pilot Power’s customer load has been fairly consistent from year to year. Accordingly, for purposes of planning and analysis,

Pilot Power assumes as a baseline that its future customer consumption in the coming 10 years will be in the same range as its historical customer consumption.

With the enactment of Senate Bill 2 1X, LSE's are required to procure RPS resources in varying amounts from 3 categories of resources. Currently Pilot Power has under contract through 2013, enough category 1 RPS resources to satisfy the category 1 requirements for the compliance period ending December 31, 2013. Currently Pilot Power has under contract through 2013, enough aggregate RPS resources to satisfy all of its RPS obligations for Compliance Period 1 (January 1, 2011 through December 31, 2013), in volumes that comply with the minimums and maximums allowed and/or required for the various categories.

Pilot Power has made significant progress toward its RPS requirements for Compliance Period 2 (January 1, 2014 through December 31, 2016). Pilot Power has an existing long-term contract for Category 1 resources that expires of its own terms at the end of Compliance Period 2. Pilot Power has executed a multi-year contract for category 1 resources, pending CPUC approval, which delivers throughout Compliance Period 2. Between these two contracts, Pilot Power anticipates that its category 1 RPS requirements for Compliance Period 2 may be satisfied. However, Pilot Power is also negotiating a long-term contract to be executed during Compliance Period 2 for category 1 resources. Pilot Power has a long-term category 3 contract that was executed during Compliance Period 1 that will carry on through Compliance Periods 2 and 3. Pilot Power anticipates that the remainder of category 2 and 3 RPS resources that it needs for Compliance Period 2 will be procured through short-term contracts of varying duration.

Pilot Power currently has very few RPS resources under contract for Compliance Period 3. Pilot Power anticipates approaching Compliance Period 3 as it has both Compliance Periods 1

and 2. In other words, Pilot Power will procure RPS resources in a combination of long-term, multi-year short term, and short-term contracts of 1 year or less duration.

Due to the difficulty of procuring sufficient RPS qualifying resources that conform to the myriad rules of the program, deliverability characteristics such as peaking, dispatchable, baseload, firm, and as-available capacity, willingness to be curtailed, and/or operational flexibility are a distant secondary consideration. Our primary concern is complying with the RPS program requirements.

PROJECT DEVELOPMENT STATUS UPDATE—Section 399.13(a)(5)(D)

Pilot Power does not currently have any eligible renewable energy resources under contract that are not yet delivering generation.

POTENTIAL COMPLIANCE DELAYS—Section 399.13(a)(5)(B)

To meet the increasing volume requirements of the RPS program, it will be necessary for additional RPS qualifying generation facilities to be built. Notwithstanding RPS qualifying facilities have been demanded by the environmental lobby, environmentalists still object to and hamper the building of any and all generation facilities—including RPS qualifying facilities. As a result, it takes years and millions of extra dollars to build generation facilities in California. The same can be said for required transmission facilities.

ESPs are small LSEs. At the current time, ESPs generally do not have sufficient customer load to justify the building of new generation facilities. Pilot Power as a small ESP, therefore, contracts with facilities that are already built and in operation or about to commence operation. Accordingly, at this point Pilot Power does not foresee that permitting, interconnection, building and other delays related to the development of new facilities will delay Pilot Power's compliance.

RISK ASSESSMENT—Section 399.13(a)(5)(F)

Pilot Power does not currently have any eligible renewable energy resources under contract that have not yet been built. Accordingly, there is no construction delay risk. However, the greatest risk facing LSEs in connection with the RPS program is the regulatory uncertainty surrounding this and every other program in California. Not more than a year can go by without the legislature or the California Public Utilities Commission changing or adding to the RPS program requirements. This makes long term planning unnecessarily difficult.

QUANTITATIVE INFORMATION—Sections 399.13(a)(5)(A), (B), (D), and (F)

Attached hereto as Exhibit A, and incorporated herein by this reference, please find a copy of the quantitative analysis required to be included in RPS Procurement Plans.

PORTFOLIO OPTIMIZATION STRATEGY

Pursuant to Public Utilities Code Section 399.15(b) and California Public Utilities Commission Decision Setting Procurement Quantity Requirement For Retail Sellers For The Renewables Portfolio Standard Program, Decision 11-12-020, LSEs are required to procure RPS qualifying resources in the following amounts:

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
RPS % of Retail Sales	20	20	20	21.7	23.3	25	27	29	31	33

Pursuant to Public Utilities Code Section 399.16(b) and (c), these required RPS resource volumes must also be allocated between the three categories of RPS resources in the following amounts:

	Category 1	Category 2	Category 3
Compliance Period 1 1/1/11 thru 12/31/13	At least 50%	The balance	Not more than 25%
Compliance Period 2 1/1/14 thru 12/31/16	At least 65%	The balance	Not more than 15%
Compliance Period 3 1/1/17 thru 12/31/20	At least 75%	The balance	Not more than 10%

Upon the creation of the 3 categories of resources by the California legislature, the market for RPS resources quickly responded. Almost overnight the RECs associated with RPS resources qualifying as category 1 increased in price rather dramatically. The RECs associated with category 2 resources are significantly less expensive than the RECs associated with category 1 resources, but significantly more expensive than the RECs associated with category 3 resources. To minimize and control RPS costs and optimize its portfolio, therefore, Pilot Power intends: 1) to procure the full amount of category 3 resources allowed pursuant to Public Utilities Code Section 399.16(c)(2); 2) to procure the minimum amount of category 1 resources required pursuant to Public Utilities Code Section 399.16(c)(1); and 3) procure the balance of its RPS resource requirements from category 2 resources. To the extent that market pricing for the various categories of RPS resources changes in the future, Pilot Power will adjust its portfolio optimization strategies accordingly.

Pilot Power intends to comply fully with the requirements of the RPS program. However, it must do so in the most cost-effective manner possible. Balancing its procurement according to the foregoing strategy should achieve the twin goals of being 100% compliant, while minimizing costs to its customers.

IMPORTANT CHANGES BETWEEN 2012 AND 2013 RPS PROCUREMENT PLANS

The following represent important changes in the 2013 RPS Procurement Plan as compared to the 2012 RPS Procurement Plan:

- As required by the ACR, a section on Portfolio Optimization Strategy has been added;
- As required by the ACR, this section on important changes has been added;
- The Plan has been updated to reflect RPS procurement that has occurred since last year's RPS Procurement Plan.

REDLINED PLAN

Attached hereto as Exhibit B is a version of the 2013 RPS Procurement Plan that is redlined to identify changes from the 2012 plan.

Respectfully submitted,



June 14, 2013

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EXHIBIT A

	Actual		Forecast			
RPS Procurement and Targets (MWh)	2012	2013	2014	2015	2016	
Bundled Retail Sales						1,450,000
RPS Procurement Quantity Requirement	20.0%	20.0%	21.7%	23.3%	25.0%	
Annual PQR in MWh						362,500
Banked--Eligible Excess Procurement	0	0	0	0	0	0
Probability Weighted	NA	NA	NA	NA	NA	NA
Forecast Project Failure Rate (New Projects)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast Project Failure Rate (Existing Projects)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total RPS Procurement (Online)	291,355	339,868	194,868	204,868	206,068	
Voluntary Margin of Over-Procurement	0	0	0	0	0	0
Risk Adjusted Forecast Generation	0	0	0	0	0	0
Pre-Approved Generic Generation	0	0	0	0	0	0
Gross Surplus/(Deficit)						(156,432)
Net Surplus/(Deficit)						(156,432)
Annual RPS Risk-Adjusted Net Short						156,432
Total RPS Risk-Adjusted Net Short						156,432
	Forecast					
RPS Procurement and Targets (MWh)	2017	2018	2019	2020	2021	2022-2031*
Bundled Retail Sales	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000
RPS Procurement Quantity Requirement	27.0%	29.0%	31.0%	33.0%	33.0%	33.0%
Annual PQR in MWh	391,500	420,500	449,500	478,500	478,500	478,500
Banked--Eligible Excess Procurement	0	0	0	0	0	1
Probability Weighted	NA	NA	NA	NA	NA	NA
Forecast Project Failure Rate (New Projects)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Forecast Project Failure Rate (Existing Projects)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total RPS Procurement (Online)	320	320	320	320	640	640
Voluntary Margin of Over-Procurement	0	0	0	0	0	0
Risk Adjusted Forecast Generation	0	0	0	0	0	0
Pre-Approved Generic Generation	0	0	0	0	0	0
Gross Surplus/(Deficit)	(391,180)	(420,180)	(449,180)	(478,180)	(477,860)	(477,860)
Net Surplus/(Deficit)	(391,180)	(420,180)	(449,180)	(478,180)	(477,860)	(477,859)
Annual RPS Risk-Adjusted Net Short	391,180	420,180	449,180	478,180	477,860	477,860
Total RPS Risk-Adjusted Net Short	391,180	420,180	449,180	478,180	477,860	477,859

*For each of years 2022 through 2031, the forecast is identical.

	Compliance Period 1	Compliance Period 2	Compliance Period 3
Procurement Quantity Requirement			1,740,000
Procurement Amount	994,841	605,804	1,280
Gross Surplus/Deficit (Forecast)			(1,738,720)
Net Surplus/Deficit (Forecast)			(1,738,720)

EXHIBIT B

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**~~UPDATE TO 2012~~2013 RPS PROCUREMENT PLAN
OF PILOT POWER GROUP, INC.**

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~~August 15, 2012~~ June 14, 2013
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Pursuant to the directions contained in the Assigned Commissioner’s Ruling Identifying Issues And Schedule of Review For ~~2012~~2013 Renewables Portfolio Standard Procurement Plans Pursuant to Public Utilities Code Sections 399.11 et seq. and Requesting Comments On A New Proposals (the “ACR”), Pilot Power Group, Inc. (“Pilot Power”), ~~and pursuant to the Administrative Law Judge’s Ruling (1) Adopting Renewable Net Short Calculation Methodology (2) Incorporating The Attached Methodology Into The Record, and (3) Extending The Date For Filing Updates To 2012 Procurement Plans (“ALJ Ruling”)~~, Pilot Power hereby submits the following ~~Update to its 2012~~2013 RPS Procurement Plan ~~to include the net short calculation in accordance with the methodology set forth in the ALJ Ruling.~~

ASSESSMENT OF RPS PORTFOLIO SUPPLIES AND DEMAND—Section

399.13(a)(5)(A)

Unlike the IOUs, Pilot Power does not have captive customers. All of Pilot Power’s customers are on contracts that may be terminated by either party upon fairly short notice. As a result, there is not a readily quantifiable volume of future customer consumption that can be relied upon in analyzing the coming 10 year period and the RPS qualifying energy that will be

required to meet the anticipated consumption. Notwithstanding there is not a quantifiable volume of future customer consumption under contract, historically, Pilot Power's customer load has been fairly consistent from year to year. Accordingly, for purposes of planning and analysis, Pilot Power assumes as a baseline that its future customer consumption in the coming 10 years will be in the same range as its historical customer consumption.

~~Currently, approximately 20% of Pilot Power's RPS qualifying energy comes from a long term 10.5 year contract executed in 2006. Approximately 50% of Pilot Power's RPS qualifying energy comes from a short term, multi year contract which commenced deliveries in 2010 that runs through December 31, 2013. The balance of approximately 30% of Pilot Power's RPS qualifying energy comes from short term contracts of 1 year or less in duration. These percentages are based upon the volumes of RPS qualifying resources that are required under the compliance period ending December 31, 2013.~~

With the enactment of Senate Bill 2 1X, LSE's are required to procure RPS resources in varying amounts from 3 categories of resources. Currently Pilot Power has under contract through 2013, enough category 1 RPS resources to satisfy the category 1 requirements for the compliance period ending December 31, 2013. Currently Pilot Power has under contract through 2013, enough aggregate RPS resources to satisfy all of its RPS obligations for Compliance Period 1 (January 1, 2011 through December 31, 2013), in volumes that comply with the minimums and maximums allowed and/or required for the various categories.

~~Pilot Power is currently negotiating prospective long term contracts for category 1 resources; one to be executed during the compliance period ending December 31, 2013, and a second to be executed during the compliance period ending December 31, 2016. If successful, these two long term contracts will provide the majority of category 1 resources that may be needed for~~

~~RPS compliance in the compliance periods ending December 31, 2016, and 2020. The balance of category 1 resources required for the compliance periods ending December 31,~~

Pilot Power has made significant progress toward its RPS requirements for Compliance Period 2 (January 1, 2014 through December 31, 2016). Pilot Power has an existing long-term contract for Category 1 resources that expires of its own terms at the end of Compliance Period 2. Pilot Power has executed a multi-year contract for category 1 resources, pending CPUC approval, which delivers throughout Compliance Period 2. Between these two contracts, Pilot Power anticipates that its category 1 RPS requirements for Compliance Period 2 may be satisfied. However, Pilot Power is also negotiating a long-term contract to be executed during Compliance Period 2 for category 1 resources. Pilot Power has a long-term category 3 contract that was executed during Compliance Period 1 that will carry on through Compliance Periods 2 and 3. Pilot Power anticipates that the remainder of category 2 and 3 RPS resources that it needs for Compliance Period 2 will be procured through short-term contracts of varying duration.

Pilot Power currently has very few RPS resources under contract for Compliance Period 3. Pilot Power anticipates approaching Compliance Period 3 as it has both Compliance Periods 1 and 2. In other words, Pilot Power will procure RPS resources in a combination of long-term, multi-year short term, and short-term contracts of 1 year or less duration.

~~2016, and 2020 shall be procured in short term contracts ranging from 1 to 3 years in duration. Because the compliance rules in connection with the RPS program have not been implemented (ALJ Simon issued a Proposed Decision on April 24, 2012 Setting Compliance Rules for the Renewables Portfolio Standard Program which, upon becoming final, will greatly aid LSE's in their planning and procurement strategies and efforts), RPS procurement efforts have necessarily been put on hold pending the establishment of those rules. Unless and until~~

~~LSE's know precisely what is required and how to comply, LSE's cannot take the risk of executing contracts that may be disallowed for compliance purposes at a later date.~~

~~Upon the creation of the 3 categories of resources by the California legislature, the market for RPS resources quickly responded. Almost overnight RPS resources qualifying as category 1 increased in price rather dramatically. Currently category 1 resources are selling for rates ranging from approximately \$38 per MWh to \$42 per MWh for the RECs associated with the RPS qualifying energy. Category 2 REC prices are trading for approximately \$8 to \$11. Category 3 REC prices trade in a range of approximately \$2 or less. To minimize and control RPS costs, therefore, Pilot Power intends to procure the full amount of category 3 resources allowed pursuant to Public Utilities Code Section 399.16(c)(2). Pilot Power anticipates that contracts for category 3 resources will be short term contracts of anywhere from 1 to 3 years duration. The balance of its RPS resource requirements will come from short term contracts for category 2 resources.~~

Due to the difficulty of procuring sufficient RPS qualifying resources that conform to the myriad rules of the program, deliverability characteristics such as peaking, dispatchable, baseload, firm, and as-available capacity, willingness to be curtailed, and/or operational flexibility are a distant secondary consideration. Our primary concern is complying with the RPS program requirements.

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RISK ASSESSMENT—Section 399.4613(a)(5)(F)

Pilot Power does not currently have any eligible renewable energy resources under contract that have not yet been built. Accordingly, there is no construction delay risk. However, the greatest risk facing LSEs in connection with the RPS program is the regulatory uncertainty surrounding this and every other program in California. Not more than a year can go by without the legislature or the California Public Utilities Commission changing or adding to the RPS program requirements. This makes long term planning unnecessarily difficult.

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Respectfully submitted,



~~August 15, 2012~~ June 14, 2013

Thomas R. Darton

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VERIFICATION

I, Thomas R. Darton, am an officer of Pilot Power Group, Inc. and am authorized to make this verification on its behalf. The matters stated in the foregoing 2013 RPS PROCUREMENT PLAN OF PILOT POWER GROUP, INC. are true of my own personal knowledge, except as to matters which are stated therein on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that this Verification is executed this 14th day of June, 2013, at San Diego, California.

A handwritten signature in black ink, appearing to read "Thomas R. Darton", written over a horizontal line.

Thomas R. Darton, Vice President