

From: Allen, Meredith
Sent: 4/28/2014 6:00:15 PM
To: cjs@cpuc.ca.gov (cjs@cpuc.ca.gov)
Cc: Redacted Baker, Amy
C. (amy.baker@cpuc.ca.gov) (amy.baker@cpuc.ca.gov)
Bcc:
Subject: PG&E REC Transactions Follow Up

Commissioner Sandoval,

Thank you for taking the time to meet with us today. These transactions were submitted pursuant to the 2012 RPS Plan decision. As we discussed, if we had submitted based on the 2013 RPS Plan decision, the transactions would still be compliant. The 2013 RPS Plan decision allows for PG&E to execute Category 3/unbundled REC transactions as long as they consistent with the authorized 1,500 GWh annual target. In addition to this annual 1,500 GWh amount, PG&E had requested unlimited procurement authority for these types of transactions to add to the bank. That request was denied but the decision specifically allows for Category 3 transactions consistent with the 1,500 GWh amount. Below are some references from the 2013 RPS plan that support such transactions. PG&E also provided a specific Form Purchase and Sale Agreement just for unbundled REC products as part of this plan.

Please let me know if you need additional information or have any further questions.

Best regards,

Meredith

2013 Plan References

19: “As explained further in its 2013 RPS Solicitation Protocol, **PG&E will seek long-term offers from all three product content categories with a preference for 10 or 15 year contract tenor.** To meet its long-term RPS needs, and because of a limited ability to utilize Category 2 and 3 products for RPS compliance, PG&E generally prefers long-term Category 1 offers with contract start dates in 2020 or later. **However, PG&E will consider procurement of competitive Category 2 and 3 products. Category 2 and 3 offers (limited by procurement volume constraints) may provide opportunities to mitigate operational challenges associated with incremental procurement from**

Category 1 products.”

28: Similar discussion to that on page 19: “PG&E’s 2013 RPS Solicitation Protocol seeks offers **meeting any of the three portfolio content categories**, although the solicitation focuses on long-term contracts because of both incremental need and the desire to purchase products that are **bankable**. Additionally, all other factors equal, PG&E’s evaluation criteria (described more fully in Section 9)

grant a preference to Category 1 products given the higher compliance value and reduced complexity and greater certainty involved in negotiating Category 1 transactions. **However, PG&E will consider procurement of competitive Category 2 and 3 products. Although PG&E does not include an integration adder in its evaluation process, PG&E notes that Category 2 and 3 products may reduce integration and other operational challenges associated with typical Category 1 procurement.”**

60-61: Similar to pages 19 and 28: “To meet its up to 1,500 GWh Solicitation goal, and because of the constraints to use Category 2 and 3 projects for RPS compliance, PG&E generally prefers long-term Category 1 offers with contract start dates in 2020 or later. **PG&E will consider procurement of competitive Category 2 and 3 products. Although PG&E does not include an integration adder in its evaluation process, PG&E notes that Category 2 and 3 products may reduce integration and other operational challenges associated with typical Category 1 procurement.”**

77: **“PG&E will thoroughly examine commercial opportunities associated with each RPS product category, including economic Category 2 and 3 products that have use limitations over time but are less likely to contribute to operational challenges.”**

81-82 (similar language at pp. 84-85): “PG&E’s 2013 RPS Solicitation **seeks RPS-eligible products** that will enable PG&E to comply with its RPS and RA obligations. PG&E proposes to procure moderate volumes of **long-term resources** over the next several years **to ensure that it can reach, and sustain, the 33% RPS targets**. For this purpose, PG&E seeks total annual long-term procurement of **up to 1,500 GWh per year** in the 2013 RPS Solicitation. As explained further in its 2013 RPS Solicitation Protocol, **PG&E will seek long-**

term offers from all three product content categories. To meet its up to 1,500 GWh long-term need, PG&E generally prefers long-term Category 1 offers with contract start dates in 2020 or later. **PG&E will also consider offers for competitive Category 2 and 3 products. Although PG&E does not include an integration adder in its evaluation process, PG&E notes that Category 2 and 3 products may reduce integration and other operational challenges associated with typical Category 1 procurement. PG&E’s interest in, and requests for, long-term Category 2 and 3 products is contingent upon a finding that the offers are within the portfolio content category limitation for each respective compliance period and will not be deducted from bankable volumes. PG&E notes that its ability to use such Category 2 and 3 products for compliance diminishes over time, and therefore its need for those products will also diminish over time.”**

Appendix 7 – 2013 RPS Solicitation Protocol

9: “PG&E will consider Offers that meet the criteria for inclusion in the portfolio content category described in PU Code §399.16(b)(1) (“Category 1”), the portfolio content category described in PU Code §399.16(b)(2) (“Category 2”), **or the portfolio content category described in PU Code §399.16(b)(3) (“Category 3”).** PG&E generally prefers Category 1 products to Categories 2 or 3 products given the higher compliance value and the reduced complexity and greater certainty involved in negotiating Category 1 transactions. **PG&E will also consider procurement of competitive Category 2 and 3 products. Although PG&E does not include an integration adder in its evaluation process, PG&E notes that Category 2 and 3 products may reduce integration and other operational challenges associated with typical Category 1 procurement.”**

11: “Participants may offer a REC-only product that is unbundled from delivered energy. Participants may offer RECs from a single facility (unit-contingent), or from a pool of resources.”