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April 18, 2014

**ADVICE LETTER 2594- E**  
(U 902-E)

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

**SUBJECT: FILING OF SDG&E's 2013 RPS SHORTLIST REPORT IN COMPLIANCE WITH ORDERING PARAGRAPH 7 OF DECISION (D.) 13-11-024**

**PURPOSE**

In compliance with the California Public Utilities Commission ("CPUC" or "Commission") Decision Conditionally Accepting 2013 Renewable Portfolio Standard Procurement Plans and Integrated Resource Plan Off-Year Supplement issued on November 20, 2013 (D.13-11-024), San Diego Gas & Electric Company ("SDG&E") files its Evaluation Criteria and Selection Process Report and Independent Evaluator's Report ("2013 RPS Shortlist Report").

Pursuant to Ordering Paragraph ("OP") 7 (Schedule for 2013 RPS Solicitation) of D.13-11-024 requires SDG&E to file its 2013 RPS Shortlist Report through a Tier 2 Advice Letter filing with the CPUC's Energy Division.

**DISCUSSION**

Pursuant to OP 2 of D.13-11-024, SDG&E filed its Final 2013 Renewable Portfolio Standard ("RPS") Procurement Plan (the "Plan") on December 4, 2013.

As outlined in the Plan, SDG&E issued its 2013 RPS Solicitation on December 16, 2013. SDG&E completed its bid evaluation and submitted its final shortlist to the Commission on March 20, 2014. The attached 2013 RPS Shortlist describes the evaluation methodology that SDG&E used to determine the shortlist and summarizes key statistics from the Request for Offers ("RFO").

**CONFIDENTIALITY**

Confidential treatment of specific materials is being requested. The information and reason(s) for confidential treatment is pursuant to Commission Decision D.06-06-066, as modified by D.07-05-032 and D.08-04-023.

As directed by the CPUC's Energy Division, confidential information submitted in support of D.13-11-024 is provided in the Confidential Attachments listed below:

Attachment C: 2013 RPS RFO LCBF and Solicitation Overview (Confidential Version)  
Attachment D: 2013 RPS RFO Solicitation Overview Worksheet (Confidential Version)

Attachment F: 2013 RPS RFO Solicitation - Independent Evaluator ("IE") Report (Confidential version)

These attachments contain market sensitive information protected pursuant to D.13-11-024, *et seq.*, as detailed in the concurrently-filed declaration. The following table represents the type of information contained within the confidential attachments and the matrix category under which D.06-06-066 permits the data to be protected.

Type of Information	D.06-06-066 Confidential Matrix Category
2013 RPS RFO LCBF and Solicitation Overview	VIII.A and VIII.B
2013 RPS RFO Solicitation Overview Worksheet	VIII.A and VIII.B
2013 RPS RFO Solicitation - Independent Evaluator	VIII.A and VIII.B

### EFFECTIVE DATE

This filing is subject to Energy Division disposition and should be classified as Tier 2 (effective pending disposition) pursuant to D.13-11-024 and GO 96-B., SDG&E respectfully requests that this filing become effective on May 19, 2014, which is 30 days from the date of this filing.

### PROTEST

Anyone may protest this advice letter to the Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and received by May 8, 2014 which is 20 days of the date this advice letter was filed with the Commission. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

CPUC Energy Division  
Attention: Tariff Unit  
505 Van Ness Avenue  
San Francisco, CA 94102

Copies should also be sent via e-mail to the attention of the Energy Division at EDTariffunit@cpuc.ca.gov. It is also requested that a copy of the protest be sent via electronic mail and facsimile to SDG&E on the same date it is mailed or delivered to the Commission (at the addresses shown below).

Attn: Megan Caulson  
Regulatory Tariff Manager  
8330 Century Park Court, Room 32C  
San Diego, CA 92123-1548  
Facsimile No. 858-654-1879  
E-Mail: MCAulson@semprautilities.com

**NOTICE**

In accordance with General Order No. 96-B, a copy of this filing has been served on the utilities and interested parties shown on the attached list, including interested parties in R.11-05-005, by either providing them a copy electronically or by mailing them a copy hereof, properly stamped and addressed.

Address changes should be directed to SDG&E Tariffs by facsimile at (858) 654-1879 or by e-mail to SDG&ETariffs@semprautilities.com.

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CLAY FABER  
Director – Regulatory Affairs

(cc list enclosed)

**ATTACHMENTS:**

- Attachment A: Confidential Declaration
- Attachment B: 2013 RPS RFO LCBF and Solicitation Overview (Public Version)
- Attachment C: 2013 RPS RFO LCBF and Solicitation Overview (Confidential Version)
- Attachment D: 2013 RPS RFO Solicitation Overview Worksheet (Confidential Version)
- Attachment E: 2013 RPS RFO Solicitation - Independent Evaluator (IE) Report (Public version)
- Attachment F: 2013 RPS RFO Solicitation - Independent Evaluator (IE) Report (Confidential version)

# 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. **SAN DIEGO GAS & ELECTRIC (U 902)**

Utility type:

ELC     GAS  
 PLC     HEAT     WATER

Contact Person: Joff Morales

Phone #: (858) 650-4098

E-mail: jmorales@semprautilities.com

EXPLANATION OF UTILITY TYPE

ELC = Electric                      GAS = Gas  
 PLC = Pipeline                      HEAT = Heat      WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 2594-E

Subject of AL: Filing of SDG&E's 2013 RPS Shortlist Report in Compliance with Ordering Paragraph 7 of Decision 13-22-024

Keywords (choose from CPUC listing): Procurement, Renewable

AL filing type:  Monthly  Quarterly  Annual  One-Time  Other \_\_\_\_\_

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: D.13-22-024

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: None

Summarize differences between the AL and the prior withdrawn or rejected AL<sup>1</sup>: N/A

Does AL request confidential treatment? If so, provide explanation: See confidential Declaration

Resolution Required?  Yes  No

Tier Designation:  1  2  3

Requested effective date: 5/19/2014

No. of tariff sheets: 0

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: None

Service affected and changes proposed<sup>1</sup>: N/A

Pending advice letters that revise the same tariff sheets: None

**Protests 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:**

**CPUC, Energy Division**  
**Attention: Tariff Unit**  
**505 Van Ness Ave.,**  
**San Francisco, CA 94102**  
**EDTariffUnit@cpuc.ca.gov**

**San Diego Gas & Electric**  
**Attention: Megan Caulson**  
**8330 Century Park Ct, Room 32C**  
**San Diego, CA 92123**  
**mcaulson@semprautilities.com**

<sup>1</sup> Discuss in AL if more space is needed.

General Order No. 96-B  
ADVICE LETTER FILING MAILING LIST

cc: (w/enclosures)

Public Utilities Commission

DRA

Y. Schmidt  
W. Scott

Energy Division

P. Clanon  
S. Gallagher  
H. Gatchalian  
D. Lafrenz  
M. Salinas

CA. Energy Commission

F. DeLeon  
R. Tavares

Alcantar & Kahl LLP

K. Harteloo

American Energy Institute

C. King

APS Energy Services

J. Schenk

BP Energy Company

J. Zaiontz

Barkovich & Yap, Inc.

B. Barkovich

Bartle Wells Associates

R. Schmidt

Braun & Blaising, P.C.

S. Blaising

California Energy Markets

S. O'Donnell  
C. Sweet

California Farm Bureau Federation

K. Mills

California Wind Energy

N. Rader

CCSE

S. Freedman  
J. Porter

Children's Hospital & Health Center

T. Jacoby

City of Chula Vista

M. Meacham  
E. Hull

City of Poway

R. Willcox

City of San Diego

J. Cervantes  
G. Lonergan  
M. Valerio

Commerce Energy Group

V. Gan

Constellation New Energy

W. Chen

CP Kelco

A. Friedl

Davis Wright Tremaine, LLP

E. O'Neill  
J. Pau

Dept. of General Services

H. Nanjo  
M. Clark

Douglass & Liddell

D. Douglass  
D. Liddell  
G. Klatt

Duke Energy North America

M. Gillette

Dynegy, Inc.

J. Paul

Ellison Schneider & Harris LLP

E. Janssen

Energy Policy Initiatives Center (USD)

S. Anders

Energy Price Solutions

A. Scott

Energy Strategies, Inc.

K. Campbell  
M. Scanlan

Goodin, MacBride, Squeri, Ritchie & Day

B. Cragg  
J. Heather Patrick

J. Squeri

Goodrich Aerostructures Group

M. Harrington

Hanna and Morton LLP

N. Pedersen

Itsa-North America

L. Belew

J.B.S. Energy

J. Nahigian

Luce, Forward, Hamilton & Scripps LLP

J. Leslie

Manatt, Phelps & Phillips LLP

D. Huard  
R. Keen

Matthew V. Brady & Associates

M. Brady

Modesto Irrigation District

C. Mayer

Morrison & Foerster LLP

P. Hanschen

MRW & Associates

D. Richardson

OnGrid Solar

Andy Black

Pacific Gas & Electric Co.

J. Clark  
M. Huffman  
S. Lawrie  
E. Lucha

Pacific Utility Audit, Inc.

E. Kelly

R. W. Beck, Inc.

C. Elder

School Project for Utility Rate  
Reduction

M. Rochman

Shute, Mihaly & Weinberger LLP

O. Armi

Solar Turbines

F. Chiang

Sutherland Asbill & Brennan LLP

K. McCrea

Southern California Edison Co.

M. Alexander

K. Cini

K. Gansecki

H. Romero

TransCanada

R. Hunter

D. White

TURN

M. Florio  
M. Hawiger

UCAN

M. Shames

U.S. Dept. of the Navy

K. Davoodi

N. Furuta

L. DeLacruz

Utility Specialists, Southwest, Inc.

D. Koser

Western Manufactured Housing  
Communities Association

S. Dey

White & Case LLP

L. Cottle

Interested Parties

R.11-05-005

San Diego Gas & Electric Advice Letter 2594-E  
April 18, 2014

Attachment A  
**CONFIDENTIAL DECLARATION**

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

**DECLARATION OF MARIA I. BOLDYREVA  
REGARDING CONFIDENTIALITY OF CERTAIN DATA**

I, Maria I. Boldyreva, do declare as follows:

1. I am an Origination Advisor in the Electric & Fuel Procurement Department for San Diego Gas & Electric Company (“SDG&E”). I have reviewed the following materials being provided to the CPUC regarding SDG&E’s 2013 RPS Shortlist Report (“2013 RPS Shortlist”):

- 2013 RPS RFO LCBF and Solicitation Overview (Attachment C);
- 2013 RPS RFO Solicitation Worksheet, excel spreadsheet titled “SDG&E 2013 RPS RFO Worksheet.xlsx”(Attachment D);
- 2013 RPS RFO Solicitation – Independent Evaluator (IE) Report (Attachment F).

In addition, I am personally familiar with the facts and representations in this Declaration and, if called upon to testify, I could and would testify to the following based upon my personal knowledge and/or belief.

2. I hereby provide this Declaration in accordance with D.06-06-066<sup>1/</sup> and D.08-04-023 to demonstrate that the confidential information (“Protected Information”) provided in the 2013 RPS Shortlist submitted concurrently herewith (described below) falls within the scope of data protected as confidential pursuant to the IOU Matrix

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<sup>1/</sup> As amended by D.07-05-032.

attached to the Commission's confidentiality decision, D.06-06-066 (the "IOU Matrix") and/or under relevant statutory provisions.<sup>2/</sup>

3. In D.06-06-066, the Commission adopted rules governing confidentiality of certain categories of electric procurement data submitted to the Commission by investor owned utilities ("IOUs") and energy service providers ("ESPs"). The Commission established two matrices – one applicable to IOUs, the other to ESPs – setting forth categories and sub-categories of data and providing a confidentiality designation for each.<sup>3/</sup>

4. To the extent information matches a Matrix category, it is entitled to the protection the Matrix provides for that category of information. In addition, the Commission has made clear that information must be protected where "it matches a Matrix category exactly . . . or consists of information from which that information may be easily derived."<sup>4/</sup> In order to claim the protection afforded by the relevant Matrix, the party seeking confidential treatment must establish:

- 1) That the material it is submitting constitutes a particular type of data listed in the Matrix,
- 2) Which category or categories in the Matrix the data correspond to,

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<sup>2/</sup> The Matrix is derived from the statutory protections extended to non-public market sensitive and trade secret information. (See D.06-06-066, *mimeo*, note 1, Ordering Paragraph 1). The Commission is obligated to act in a manner consistent with applicable law. The analysis of protection afforded under the Matrix must always produce a result that is consistent with the relevant underlying statutes; if information is eligible for statutory protection, it must be protected under the Matrix. (See *Southern California Edison Co. v. Public Utilities Comm.* 2000 Cal. App. LEXIS 995, \*38-39) Thus, by claiming applicability of the Matrix, SDG&E relies upon and simultaneously claims the protection of applicable statutory provisions including, but not limited to, Public Utilities Code §§ 454.5(g) and 583, Govt. Code § 6254(k) and General Order 66-C.

<sup>3/</sup> See, D.06-06-066, as amended by D.07-05-032, *mimeo*, Appendices 1 and 2.

<sup>4/</sup> See, *Administrative Law Judge's Ruling on San Diego Gas & Electric Company's April 3, 2007 Motion to File Data Under Seal*, issued May 4, 2007 in R.06-05-027, p. 2 (emphasis added).



- 3) That it is complying with the limitations on confidentiality specified in the Matrix for that type of data,
- 4) That the information is not already public, and
- 5) That the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure.<sup>5/</sup>

5. SDG&E's Protected Information: The Protected Information, consisting of the information described below, is protected pursuant to the following Matrix categories:

**2013 RPS Shortlist Report**

Description of Data	Matrix Category	Period of Confidentiality
<p><b>Attachment C</b>  <i>2013 RPS RFO LCBF and Solicitation Overview, Section 1: "LCBF and Shortlisting Process Overview: IOU Description of RPS Offer Evaluation and Selection Criteria and Process".</i></p> <ul style="list-style-type: none"> <li>• Section III.E</li> </ul> <p><i>2013 RPS RFO LCBF and Solicitation Overview, Section 2: "Solicitation Overview".</i></p> <ul style="list-style-type: none"> <li>• Section IV. 1 and 2; 6 b through d</li> </ul>	<p>VII.H</p>	<p>Score sheets, analyses, evaluations of proposed PRS Projects confidential for three years.</p>
<p><b>Attachment C</b>  <i>2013 RPS RFO LCBF and Solicitation Overview, Section 1: "LCBF and Shortlisting Process Overview: IOU Description of RPS Offer Evaluation and Selection Criteria and Process".</i></p> <ul style="list-style-type: none"> <li>• Section III.E</li> </ul>	<p>VIII.A</p>	<p>Raw Bid Data – Always confidential.</p> <p>Summaries of bids total MW, MWH, technology types, etc) are confidential until final contracts are submitted to CPUC for approval.</p>

<sup>5/</sup> D.06-06-066, as amended by D.07-05-032, *mimeo*, p. 81, Ordering Paragraph 2.

<p><i>2013 RPS RFO LCBF and Solicitation Overview, Section 2: "Solicitation Overview".</i></p> <ul style="list-style-type: none"> <li>Section IV. 1 and 2; 6 b through d</li> </ul>		
<p><b>Attachment C</b>  <i>2013 RPS RFO LCBF and Solicitation Overview, Section 1: "LCBF and Shortlisting Process Overview: IOU Description of RPS Offer Evaluation and Selection Criteria and Process".</i></p> <ul style="list-style-type: none"> <li>Section III.E</li> </ul> <p><i>2013 RPS RFO LCBF and Solicitation Overview, Section 2: "Solicitation Overview".</i></p> <ul style="list-style-type: none"> <li>Section IV. 1 and 2; 6 b through d</li> </ul>	VIII.B	Confidential for three years after winning bidders selected.
<p><b>Attachment D</b>  <i>2013 RPS RFO Solicitation Worksheet, excel spreadsheet titled "SDG&amp;E 2013 RPS RFO Worksheet.xlsx".</i></p>	VII.H	Score sheets, analyses, evaluations of proposed PRS Projects confidential for three years.
<p><b>Attachment D</b>  <i>2013 RPS RFO Solicitation Worksheet, excel spreadsheet titled "SDG&amp;E 2013 RPS RFO Worksheet.xlsx".</i>  Bid Information including, but not limited to:</p> <ul style="list-style-type: none"> <li>- Bidder and Project Name</li> <li>- Quantities (MW, MWH)</li> <li>- Levelized bid prices</li> <li>- Start date</li> <li>- Term</li> <li>- Technology</li> <li>- Capacity factor</li> <li>- RPS Percentage</li> </ul>	VIII.A	Raw Bid Data - Always confidential.  Summaries of bids total MW, MWH, technology types, etc) are confidential until final contracts are submitted to CPUC for approval.
<p><b>Attachment D</b>  <i>2013 RPS RFO Solicitation Worksheet, excel spreadsheet titled "SDG&amp;E 2013 RPS RFO Worksheet.xlsx".</i></p>	VIII.B	Confidential for three years after winning bidders selected.

<p>Least-Cost Best-Fit Elements including, but not limited to:</p> <ul style="list-style-type: none"> <li>- Shortlisting and Rejecting Rational (“Why”, “Why Not”)</li> <li>- LCBF Rank</li> <li>- TOD Adjustment Adder</li> <li>- TRCR Adder</li> <li>- RA Capacity Credit</li> <li>- Congestion Adder</li> <li>- Bid Ranking Price</li> <li>- Viability Scores</li> </ul>		
<p><b>Attachment F</b>  <i>2013 RPS RFO Solicitation – Independent Evaluator (IE) Report.</i></p> <ul style="list-style-type: none"> <li>• Paragraph 1.1</li> <li>• Paragraph 3.3 and Figure 3-1</li> <li>• Paragraph 4.3.4; Figure 4-1 and 4-2</li> <li>• Paragraph 5.3</li> <li>• Paragraph 5.7</li> <li>• Paragraph 5.8.2</li> <li>• Section 6: Paragraph 6.1; Table 6-1; Paragraph 6.3</li> </ul>	<p>VIII.A</p>	<p>Raw Bid Data – Always confidential.</p> <p>Summaries of bids total MW, MWH, technology types, etc) are confidential until final contracts are submitted to CPUC for approval.</p>
<p><b>Attachment F</b>  <i>2013 RPS RFO Solicitation – Independent Evaluator (IE) Report</i></p> <ul style="list-style-type: none"> <li>• Paragraph 1.1</li> <li>• Paragraph 3.3 and Figure 3-1</li> <li>• Paragraph 4.3.4; Figure 4-1 and 4-2</li> <li>• Paragraph 5.3</li> <li>• Paragraph 5.7</li> <li>• Paragraph 5.8.2</li> <li>• Section 6: Paragraph 6.1; Table 6-1; Paragraph 6.3</li> </ul>	<p>VIII.B</p>	<p>Confidential for three years after winning bidders selected.</p>

6. The Commission previously considered and approved application of IOU Matrix confidentiality protection to project development status data in its *Administrative Law Judge's Ruling Granting San Diego Gas & Electric Company's May 21, 2007 Amendment to April 3, 2007 Motion and May 22, 2007 Amendment to August 1, 2006 Motion*, issued June 28, 2007 in R.06-05-027.

7. SDG&E intends to comply with the limitations on confidentiality specified in the Matrix for the type of data that is provided herewith.

8. I am not aware of any instance of public disclosure of the Protected Information.

9. The Protected Information cannot be provided in a form that is further aggregated, redacted, or summarized and still provide the level of detail requested and expected by the Energy Division.

10. As an alternative basis for requesting confidential treatment, SDG&E submits that the project status information provided in the 2013 RPS Shortlist is material, market sensitive, electric procurement-related information protected under §§ 454.5(g) and 583, as well as trade secret information protected under Govt. Code § 6254(k), and that the disclosure of this information would place SDG&E at an unfair business disadvantage, thus triggering the protection of G.O. 66-C.<sup>6/</sup>

11. Public Utilities Code § 454.5(g) provides:

The commission shall adopt appropriate procedures to ensure the confidentiality of any market sensitive information submitted in an

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<sup>6/</sup> This argument is offered in the alternative, not as a supplement to the claim that the data is protected under the IOU Matrix. California law supports the offering of arguments in the alternative. *See, Brandolino v. Lindsay*, 269 Cal. App. 2d 319, 324 (1969) (concluding that a plaintiff may plead inconsistent, mutually exclusive remedies, such as breach of contract and specific performance, in the same complaint); *Tanforan v. Tanforan*, 173 Cal. 270, 274 (1916) ("Since . . . inconsistent causes of action may be pleaded, it is not proper for the judge to force upon the plaintiff an election between those causes which he has a right to plead.")

electrical corporation's proposed procurement plan or resulting from or related to its approved procurement plan, including, but not limited to, proposed or executed power purchase agreements, data request responses, or consultant reports, or any combination, provided that the Office of Ratepayer Advocates and other consumer groups that are nonmarket participants shall be provided access to this information under confidentiality procedures authorized by the commission.

12. General Order 66-C protects “[r]eports, records and information requested or required by the Commission which, if revealed, would place the regulated company at an unfair business disadvantage.”

13. Under the Public Records Act, Govt. Code § 6254(k), records subject to the privileges established in the Evidence Code are not required to be disclosed.<sup>7/</sup> Evidence Code § 1060 provides a privilege for trade secrets, which Civil Code § 3426.1 defines, in pertinent part, as information that derives independent economic value from not being generally known to the public or to other persons who could obtain value from its disclosure.

14. Public Utilities Code § 583 establishes a right to confidential treatment of information otherwise protected by law.<sup>8/</sup>

15. If disclosed, the Protected Information could provide parties with whom SDG&E is currently negotiating insight into SDG&E’s procurement options, which would unfairly undermine SDG&E’s negotiation position and could ultimately result in increased cost to ratepayers. In addition, if developers mistakenly perceive that SDG&E is not committed to assisting their projects, disclosure of the Protected Information could act as a disincentive to developers. Accordingly, pursuant to P.U. Code § 583, SDG&E

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<sup>7/</sup> See also Govt. Code § 6254.7(d).

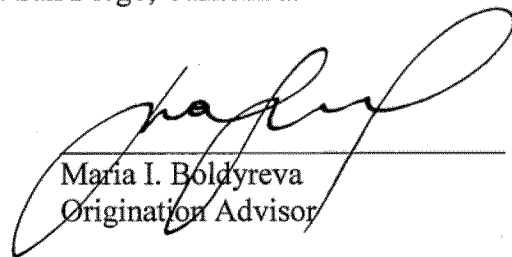
<sup>8/</sup> See, D.06-06-066, *mimeo*, pp. 26-28.

seeks confidential treatment of this data, which falls within the scope of P.U. Code § 454.5(g), Evidence Code § 1060 and General Order 66-C.

16. In accordance with the statutory provisions described herein, SDG&E hereby requests that the information set forth in the 2013 RPS Shortlist be protected from public disclosure.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct to the best of my knowledge.

Executed this 18th day of April, 2014, at San Diego, California.



Maria I. Boldyreva  
Origination Advisor

San Diego Gas & Electric Advice Letter 2594-E  
April 18, 2014

Attachment B  
**2013 RPS RFO LCBF AND SOLICITATION  
OVERVIEW**  
(Public Version)

2013

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RPS Solicitation  
Shortlist Report  
Template

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List of Contents

(1) Least-Cost Best-Fit Process and (2) Solicitation Overview

v.02/19/2014



## **(1). LCBF and Shortlisting Process Overview: IOU Description of RPS Offer Evaluation and Selection Criteria and Process**

### I. Introduction

#### A. Note relevant language in statute and CPUC decisions approving LCBF process and requiring LCBF Reports

In accordance with Section 399.14(a)(2)(B) of the Public Utilities Code, the Commission established in D.04-07-029 a process for evaluating "least-cost, best-fit" ("LCBF") renewable resources for purposes of IOU compliance with Renewable Portfolio Standard ("RPS") program requirements. In D.06-05-039, the Commission observed that "the RPS project evaluation and selection process within the LCBF framework cannot ultimately be reduced to mathematical models and rules that totally eliminate the use of judgment."<sup>1</sup> It determined that each investor-owned utility ("IOU") should provide an explanation of its "evaluation and selection model, its process, and its decision rationale with respect to each bid, both selected and rejected," in the form of a report to be submitted with its short list of bids (the "LCBF Report").

In compliance with the California Public Utilities Commission ("CPUC" or "Commission") Decision Conditionally Accepting 2013 Renewable Portfolio Standard Procurement Plans and Integrated Resource Plan Off-Year Supplement issued on November 20, 2013 (D.13-11-024), San Diego Gas & Electric Company ("SDG&E") files its Evaluation Criteria and Selection Process Report and Independent Evaluator's Report ("2013 RPS Shortlist Report"). Pursuant to Ordering Paragraph ("OP") 7 (Schedule for 2013 RPS Solicitation) of D.13-11-024 requires SDG&E to file its 2013 RPS Shortlist Report through a Tier 2 Advice Letter filing with the CPUC's Energy Division. SDG&E's LCBF Report is set forth below.

#### B. Describe goals of IOU's offer evaluation and selection criteria and processes

##### 1. Provide the procurement target ("need") for this solicitation (e.g. 1,500 GWh)

As discussed in its 2013 RPS Plan, SDG&E makes procurement decisions based on how its risk-adjusted RPS position forecast (referred to as its "RPS Position") compares to RPS compliance requirements, the result of which is its probability-weighted procurement need or Renewable Net Short ("RNS"). In order to calculate its RPS Position, SDG&E assigns a probability of success, following a qualitative and quantitative assessment, to the expected deliveries for each

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<sup>1</sup> D.06-05-039, *mimeo*, p. 42.

project in its portfolio<sup>2</sup> and then adds the risk-adjusted expected deliveries across all projects in its entire RPS portfolio. Probabilities are used because renewable projects and their deliveries are exposed to multiple risks and the flexible compliance mechanisms that allowed for borrowing from future procurement have been eliminated by recent legislation.<sup>3</sup> These risks include approval risks (e.g., Commission approval and the timing of it), development risks (e.g., permitting, financing, or transmission inter-connection), delivery risks (e.g., generation fluctuations given the variant-intermittent nature of some renewable resources, or operational challenges), or other risks (e.g., under-development transmission infrastructure common to a group of projects). In accordance with Commission guidance,<sup>4</sup> SDG&E assumes that 100% of the targeted capacity for its Renewable Auction Mechanism (“RAM”) and Feed-In-Tariff (“FiT”) programs are successfully procured and developed.

In general, if SDG&E’s RPS Position is short of the RPS requirements, SDG&E will likely procure additional resources. If the RPS Position is long compared to RPS requirements, SDG&E will consider opportunities to bank or sell surplus generation. SDG&E’s RPS portfolio management strategy involves identifying needs and risks and managing them in a manner that is reasonable and cost-effective.

Based on SDG&E’s need assessment, it determined that it did not have an immediate nominal or probability-weighted need, but that it would conduct a request-for-offers (“RFO”) for deliveries starting in January 2020 at the earliest in order to fill its “Contingency Need”. This meant that projects would be shortlisted on the basis that the need assessment may change during the course of the solicitation, and that SDG&E would move forward with negotiations only if a need arose during the months following the solicitation.

After receiving and assessing the 2013 RPS RFO bids, SDG&E produced a contingent shortlist that was ultimately endorsed by the Independent Evaluator (“IE”) and favorably reviewed by the SDG&E procurement review group (“PRG”) on March 5. On March 10, SDG&E sent each “contingent need” shortlisted bidder a letter that did not require exclusivity and made it clear that SDG&E may not proceed to transact with the counterparty. This structure was put into place to allow SDG&E some flexibility pending any changes to its RPS

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<sup>2</sup> For purposes of determining its RPS Position, SDG&E considers its portfolio to include all executed contracts until contract expiration (e.g. it does not assume expiring contracts will be renewed and excludes contracts under-negotiation unless indicated otherwise) and investment and UOG projects where relevant progress has been made.

<sup>3</sup> Senate Bill (SB) x1 2 (Stats. 2011, Ch. 1).

<sup>4</sup> Administrative Law Judge’s Ruling (1) Adopting Renewable Net Short Calculation Method (2) Incorporating the Attached Methodology into the Record, and (3) Extended the Date for Filing Updates to 2012 Procurement Plans dated August 2, 2012.

portfolio and evolving regulatory and market conditions. On March 20, SDG&E submitted its final contingent shortlist to the Commission and its PRG.

2. Describe how “need” was determined for this solicitation. Comment specifically on whether, and to what extent, you considered other procurement options (e.g. UOG, solar PV program, feed-in tariffs, RAM, etc.), total energy portfolio needs, and other utility requirements to meet IOU’s overall need stated in its Procurement Plan.

At the time of SDG&E’s 2013 RPS RFO, there were no previously shortlisted projects from the 2012 RPS RFO under negotiation, and all ongoing bi-lateral negotiations were terminated and the developers were asked to submit the projects into the 2013 RPS RFO. SDG&E’s 2013 RPS RFO need calculation assumed the following:

1. Expiring projects would not be renewed;
2. Projects under contract but not online would be approved and come online as anticipated, though not delivering 100% of the contracted energy in the “nominal need” case, but delivering a portion – based on the assumed probability of success – in the probability-weighted need; and
3. Procurement from the RAM and Solar PV programs would come to fruition.

3. Explain any assumptions made regarding expiring projects, projects under contract but not online, projects still shortlisted from previous solicitations, bilaterals under negotiation, and distributed generation programs (e.g. RAM, solar PV program, etc.).

At present, SDG&E has no nominal or probability-weighted need for new RPS projects until 2025. Since this need is several years in the future, SDG&E prefers not to completely fulfill this need with RPS contracts at this time in order to preserve procurement flexibility in the intervening period. To completely fulfill a contingent need so far in the future would reduce opportunities for new technologies to compete in the market and commit SDG&E to long-term contracts that may not serve ratepayer needs in the face of market shifts and changing regulatory frameworks.

4. If size of shortlist is not equivalent to determined need, provide a detailed explanation of why it differs.

N / A

## II. Offer Evaluation and Selection Criteria

### A. Description of Criteria

1. List and discuss how the quantitative and qualitative criteria were applied to evaluate and select offers. This section should include a full discussion of the following items, but it should not be a copy of the protocol:

#### a. Net Market Valuation

- energy
- resource adequacy / capacity
- integration costs
- congestion cost adders
- transmission cost adders

SDG&E's energy benefit calculation utilizes a production cost model to calculate an energy forward price curve which is used to value the energy benefit and derive Time of Day factors used in the energy benefit calculation. The forecasted energy delivery profile provided by each bidder is multiplied by the TOD-adjusted energy price and then discounted to determine a net present value of energy benefits. This is then levelized over the term of the offer to provide a levelized, TOD adjusted total energy benefit in \$/ MWh.

The capacity benefit is calculated based on an estimated cost of new capacity, which is adjusted by a locational capacity benefit ratio. The capacity benefit ratio is calculated as the ratio of backstop capacity penalties for system or greater IV capacity / estimated cost of new local capacity. This is then discounted and levelized in the same manner as the energy benefit.

Integration costs are not considered in the Net Market Value calculation.

Congestion costs are determined using a marginal analysis to determine the difference in locational pricing between each offer's point of delivery and SDG&E's default load aggregation point.

For offers of new projects or projects proposing to increase the size of existing facilities, SDG&E performs an initial analysis of costs for transmission network upgrades or additions that are to be directly reimbursed to the bidder using the relevant transmission network upgrade cost studies submitted with the bids.

Once each component is calculated in a \$NPV / MWh then levelized, the sum of the energy and capacity benefits, less the transmission, congestion, and contract costs, equals the Net Market Value in \$/ MWh and ranked based on that value.

No relevant qualitative criteria were identified for this RFO.

### c. Portfolio fit

SDG&E's "best fit" analysis was impacted by SB2(1X) RPS Compliance targets and portfolio content category limitations which inform SDG&E's target category mix, the Rim Rock Settlement Agreement which restricts SDG&E's procurement of renewable energy credits from projects that are neither directly connected nor dynamically scheduled to a California-based Balancing Area Authority, and SDG&E's Sunrise commitment which requires the procurement of projects that utilize the Sunrise Powerlink.

### d. Credit and collateral requirements

No credit or collateral requirements were considered due to the contingent nature of the shortlist.

However, SDG&E has the unilateral right to evaluate and determine the credit-worthiness of the Respondent relative to the RFO. All RFO respondents were required to complete, execute and submit the credit application as part of their offer. The application requests financial and other relevant information needed to demonstrate creditworthiness.

### e. Project Viability

SDG&E considers project viability as a qualitative factor and relies on the Energy Division's Project Viability Calculator. SDG&E reviews the reasonableness of the submitted PVC scores and rescues the top 10 selected projects to affirm that the bidder did not unfairly score itself too high. For projects that SDG&E shortlists, SDG&E, in conjunction with its IE, rescore the project to affirm that the bidder did not unfairly score itself too high. Projects below a certain viability threshold will not be considered for the shortlist.

### f. Other qualitative criteria / preferences (e.g. seller concentration, supplier diversity, etc.)

SDG&E may differentiate offers of similar cost<sup>5</sup> by reviewing qualitative factors including (in no particular order of preference):

- ffi Project Viability
- ffi Local reliability
- ffi Benefits to low income or minority communities
- ffi Resource diversity
- ffi Environmental stewardship
- ffi Rate Impacts

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<sup>5</sup> The term "similar cost" is used to indicate expected indifference by the Commission as to the cost of one offer or another.

- B. If a weighting system is used, please describe how each LCBF component is assigned a quantitative or qualitative weighting compared to other components. Discuss the rationale for the weightings.

A weighting system is not used in SDG&E's LCBF methods.

- C. Describe any qualitative factors used in your 2013 LCBF ranking and how they were used in the rankings and shortlisting.

The quantitative factors described above are used to develop a bid ranking price. Projects with the lowest bid ranking prices are selected for the shortlist. Qualitative factors are used to decide between two projects with similar costs.

- D. Discuss how the evaluation process differs, if at all, for operating and new projects, different expected portfolio content categories, and varying term lengths (e.g. incorporating costs of delivering energy from out-of-state facilities).

The evaluation process makes no inherent distinction between operating and new projects or varying term lengths. The evaluation process for Category 2 offers is generally the same as the process for Category 1 offers, except that the bidder must provide documentation of a firming/shaping offer with a competent third party together with any quantified transmission costs from the host utility's open access transmission tariff ("OATT") before SDG&E will evaluate the bid (speculative offers with unspecified firming/shaping costs are excluded, as SDG&E's RFOs clearly state that all transmission costs to deliver into California must be quantified). Category 3 offers are evaluated on a pure cost-only basis; they provide no Energy or Capacity Benefit and generally have no transmission or congestion costs. SDG&E does not accept Category 3 offers from projects that have yet to be built, or cannot otherwise demonstrate that the bidder has a Western Renewable Energy Generation Information System ("WREGIS") account from which renewable energy credits ("RECs") can be transferred.

- E. Evaluation of utility-owned, turnkey, buyouts, and utility-affiliate projects

1. Describe how utility-owned projects are evaluated against PPAs

The 2013 RPS RFO did not solicit utility-owned projects.

2. Describe how turnkey projects are evaluated against PPAs

The 2013 RPS RFO did not solicit turnkey projects.

**3. Describe how buyout projects are evaluated against PPAs**

The 2013 RPS RFO did not solicit buyout projects.

**4. Describe how utility-affiliate projects are evaluated against non-affiliate projects**

Projects from utility-affiliates were not evaluated any differently than other projects submitted into 2013 RPS RFO. Affiliate projects are evaluated using the same method as non-affiliate projects. The IE conducted the LCBF scoring of all bids, including all affiliate bids. No affiliated bids were shortlisted as part of 2013 RPS RFO.

**F. Conformance and Confirmation of Bid Information**

**1. Describe process for determining bid conformance**

All incoming bids underwent the Initial Conformance check. The following checks were performed:

1. Ensure that bid was received prior to the closing date (1/29/14) no later than Noon Pacific Standard Time;
2. Ensure that all required information, as specified in 2013 RPS RFO document, was received;
3. Ensure that projects have a minimum size of more than 20MW AC;
4. Ensure that the annual average output of the project did not exceed 250,000 GWh and;
5. Ensure that the bid met required product category requirements, as specified in 2013 RPS RFO:

	<b>CP 3: January 1, 2017- December 31, 2020</b>
<b>SDG&amp;E Overall Procurement Need<sup>6</sup></b>	A Tier 3 contingent shortlist of 500 GWh <sup>7</sup>
<b>Category 1</b>	Long-term energy only or fully deliverable products (term of 15 years or less, projects with CODs as early as 2016 will be accepted, but the initial PPA delivery date will be January 2020 at the earliest, projects with CODs as late as 2021 will also be considered)

<sup>6</sup> Note- SDG&E’s 2013 RPS RFO GWh procurement needs for CP3 and 2021 are dependent upon the performance of SDG&E’s RPS portfolio in 2013 and any contract negotiations with the shortlist Respondents from SDG&E’s 2012 RPS RFO.

<sup>7</sup> Projects will be shortlisted on a Tier 3 “stand-by” basis as discussed in Section 9 below.

<b>Category 2</b>	Long-term energy only or fully deliverable products (term of 15 years or less, projects with CODs as early as 2016 will be accepted, but the initial PPA delivery date will be January 2020 at the earliest, projects with CODs as late as 2021 will also be considered)
<b>Category 3</b>	Unbundled RECs that will be generated in January of 2018 at the earliest with a preference for those generated in 2020 and 2021

Single projects contributing more than a determined contingent need of 500 GWh were not considered. Results were discussed and compared with the IE's analysis results.

- a. Describe process, if any, for determining accuracy of information provided in bids

All incoming bids were reviewed for reasonableness and accuracy.

### III. Offer Evaluation and Selection Process

- A. What is the process by which offers are received and evaluated, selected or rejected for shortlist inclusion, and further evaluated once on the shortlist?

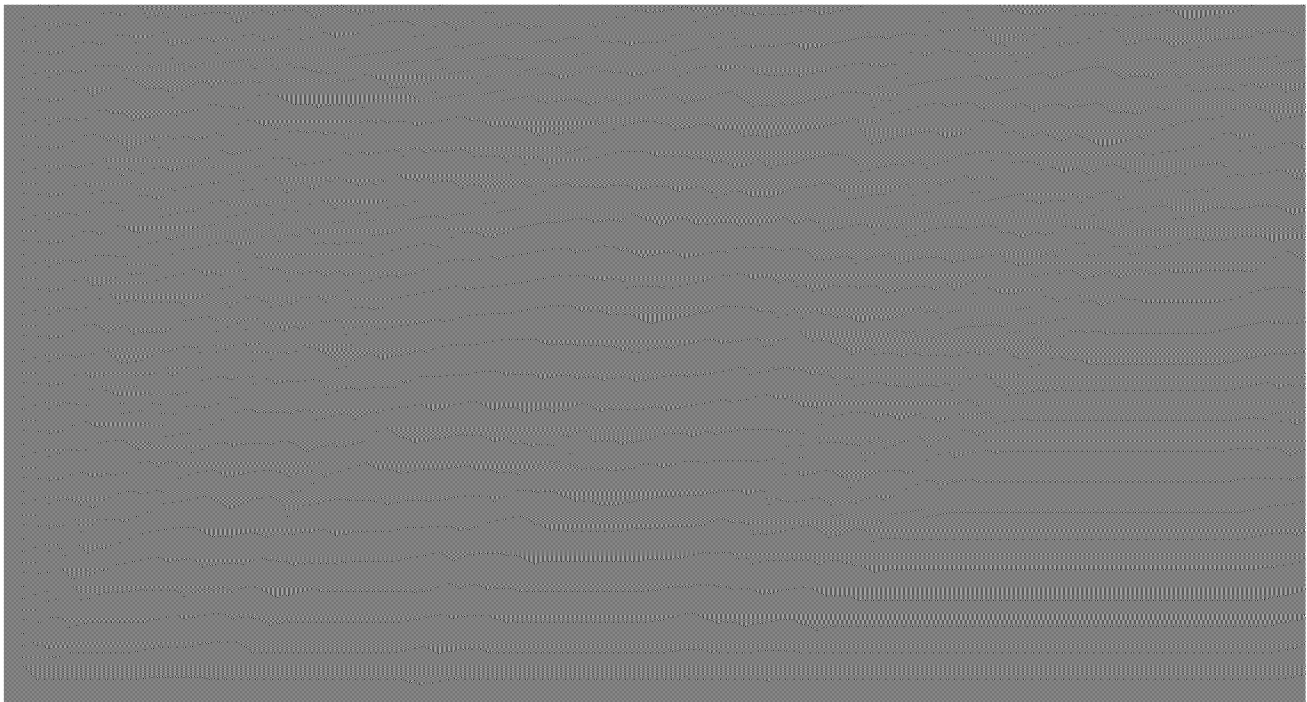
1. Receive all bids prior to the closing date (1/29/14) no later than Noon Pacific Standard Time and organize bid data into a folder taxonomy designed with the IE.
2. Document each offer received in an Excel spreadsheet summarizing key characteristics such as (but not limited to): respondent name, alternative type, offer number, technology, price, type of facility, product type, offer amount (MW), contract terms, COD and etc.
3. Reconciliation of the bid population received with the IE.
4. Initial Conformance Check Assessment with the IE.
5. Review each offer and populate the LCBF model.
6. Contact bidders for additional information if necessary.
7. Regular meetings with the IE.
8. Brief the PRG on a regular or as-needed basis on the RPS RFO development and progress.

- B. What is the typical amount of time required for each part of the process?



The duration of the processing period is typically two to three weeks. The duration of the evaluation period is typically six to eight weeks. For the 2013 RPS RFO, however, processing required approximately two weeks due to the tight RFO Schedule. Because of the lessons learned from previous RFOs, however, SDG&E had made advance preparation for this RFO, and once sufficient processing was completed to enable evaluation, preliminary evaluation was completed within four weeks and shortlisted bidders were notified within the timeframes established within the approved SDG&E's RPS Plan and schedule published in the 2013 RPS RFO.

**E. Were any offers rejected for non-conformance? If so, how many and what were the non-conforming characteristic(s)?**



**F. Describe involvement of the Independent Evaluator.**

In order to affirm the fairness of the process, the IE provides feedback on every aspect of the RPS RFO process including but not limited to: the manner in which bids were collected, the design of the LCBF model, the calculation of SDG&E's need, and the manner in which a shortlist is selected. SDG&E is inclusive of the IE's views and perspectives regarding the RFO process. For 2013, the IE ran a separate LCBF evaluation based upon SDG&E's methodology (co-developed with the IE) and bid data in parallel with SDG&E's evaluation. SDG&E held meetings with its IE to discuss the progress and method of bid processing and evaluation, as well as to resolve potential differences between SDG&E and the IE during the processing and evaluation stages.

#### G. Describe involvement of the Procurement Review Group.

SDG&E briefed its PRG during the course of RPS RFO planning, bid review and LCBF analysis. SDG&E presented a proposed shortlist to its PRG for review before submitting the final shortlist to the Commission and solicited feedback from PRG members regarding the shortlisted offers that had been submitted through the RFO process.

#### H. Discuss whether and how feedback on the solicitation process is requested from participants (both successful and unsuccessful) after the solicitation is complete.

Although SDG&E does not specifically request feedback regarding the solicitation process, bidders are welcome to, and typically do, provide feedback by telephone or email. SDG&E's RPS RFO inbox remains accessible to bidders even after the solicitation is closed. SDG&E responded to all questions submitted by bidders.

### IV. Final Shortlist

#### A. How was the size of the shortlist determined?

Contingent shortlist size was determined by the updated contingent need and SDG&E's desire to preserve flexibility in procurement between now and 2020.

#### B. Describe what role price had in determining your proposed shortlist. Were offer prices examined relative to other offers or other procurement options? Was there a certain price point cut off? Was rate impact considered for individual offers or on a portfolio or shortlist level? What were the primary reasons for not shortlisting a project (e.g. price, online date, viability, environmental concerns, seller concentration, non-conforming, other)?

Price was an input into the Net Market Value valuation which was the primary ranking metric. The NMV calculation uses market price forecasts, which can be considered a relative proxy for alternative procurement options. There was no price cutoff. Due to the nature of the NMV calculation, less economic prices were ranked lower. Since the shortlist is contingent, no rate impact study was done. Lack of need was the primary reason for not shortlisting any other projects, followed by price

- C. Describe how project viability affected your shortlist results. Did LCBF rankings or your proposed shortlist change based on project viability and /or project viability scores?

SDG&E considers project viability as a qualitative factor and relies on the Energy Division's Project Viability Calculator (PVC). During the course of this RFO, SDG&E relied on its IE (PA Consulting) to verify the bidders' PVC scores. IE analysis indicated that the PVC's for shortlisted projects seemed to be realistic compare to the top ten bids in this Solicitation (IE Report, Section 4.3.4).

- D. Describe how other qualitative characteristics and /or certain project characteristics (e.g. online date, location, and project size) factored in to your shortlisting decisions).

No other qualitative characteristics were factored in to SDG&E's shortlisting decision.

- E. Describe how offers' locations affected your proposed shortlist. Was being located in or near certain areas (e.g. RETI CREZs) a factor in your decisions? Was being located in the Tehachapi or Sunrise transmission areas a factor in your decisions? How were adders or costs incorporated to take into account a project's location (e.g. firming / shaping costs, adder for Sunrise region, etc.)

There were no factors in this RFO relating to project location, other than the Capacity Benefit described under the LCBF elements above.

- F. Describe any policy issues or other strategies (e.g. seller concentration, technology diversity, operational flexibility, etc.) that affected your proposed shortlist.

Seller concentration, technology diversity and operational flexibility did not affect the shortlist.

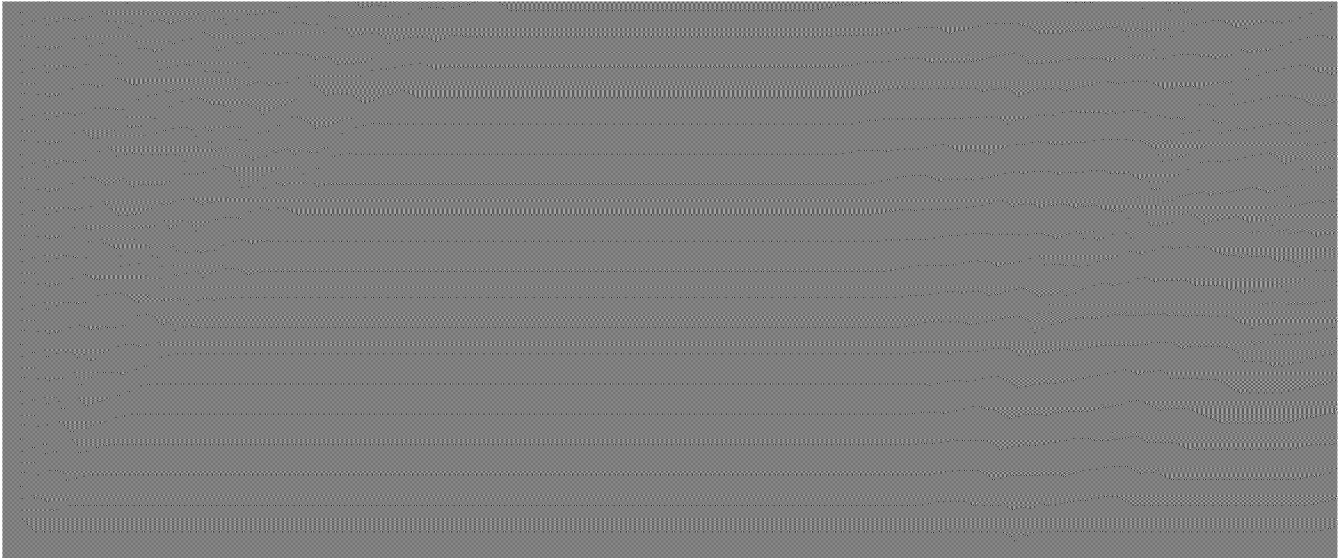
- G. Describe how safety was considered in determining your proposed shortlist and if it affected the proposed shortlist

SDG&E is committed to providing safe, reliable and environmentally sound electric service for its customers. SDG&E's emphasis on safety is reflected in the terms and conditions contained in its pro forma RPS PPA. By executing a PPA with SDG&E, the counterparty agrees to incorporate safety considerations into its decision making process and operate accordingly.

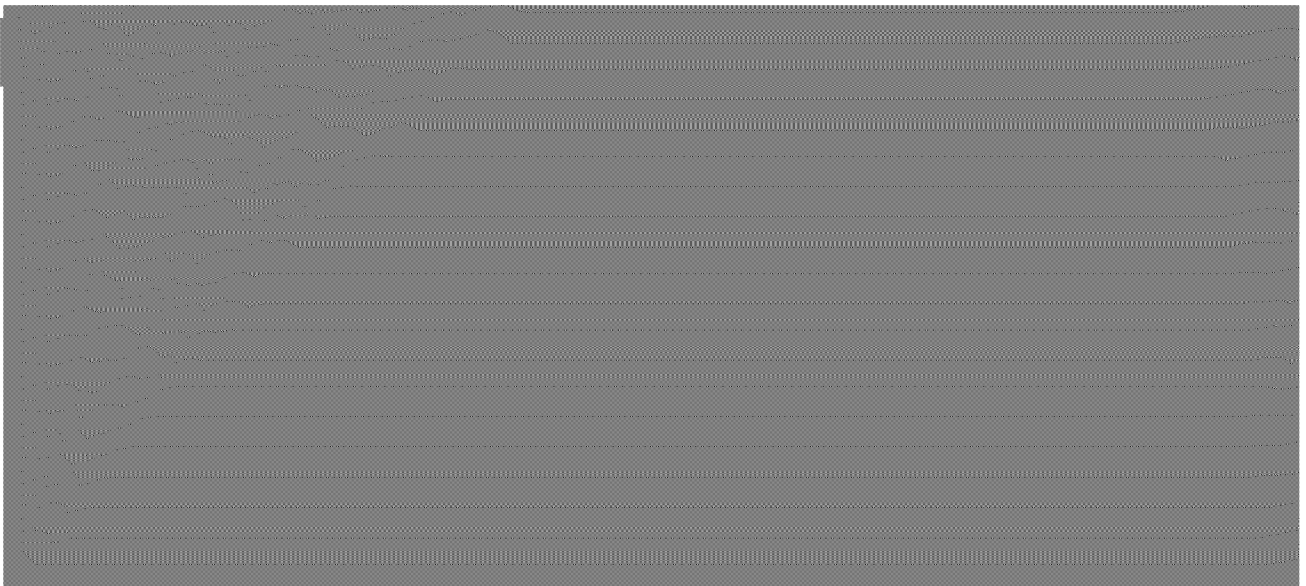
## **(2). Solicitation Overview**

### IV. Shortlist Workpapers Narrative

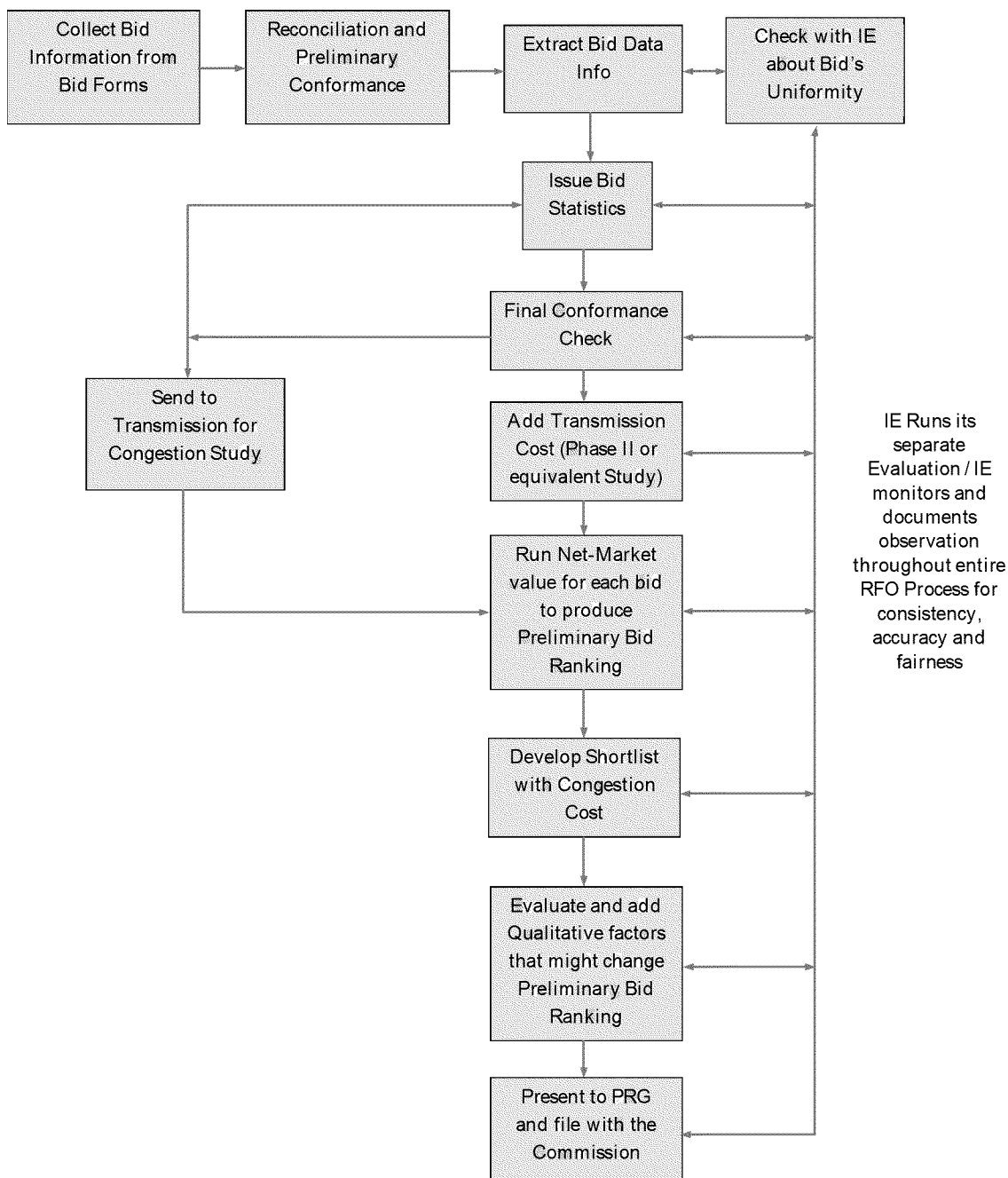
1. Provide a brief narrative of the bids received in the most recent RFO including, but not limited to, the items listed below. In the narrative, please keep comments focused on major trends identified in the RFO that impacted your decision-making process in determining the shortlist.



2. Please briefly describe the general trends that occurred from the 2012 (or most recent) to the 2013 solicitation. Include in the summary any of the items listed below. This list is not exhaustive but is to act only as a guide. What were some of the most telling trends that affected your procurement decisions for 2013? Does the data indicate any major shifts in the market that may affect future procurement decisions?



3. Please provide a flowchart that explains IOU's LCBF and shortlisting process. Please describe all the critical steps on the flowchart utilized in the shortlisting process. Be very explicit in your explanation.



4. Please answer the following questions related to managing the pricing risk of long lead-time projects that may be shortlisted.

a. What is the IOU's strategy in hedging against price risk associated with long lead-time, long duration contracts?

SDG&E manages the pricing risk of long lead-time projects by shortening the maximum contract term to 15 years.

b. What, if any, is the IOU's strategy in hedging against project viability associated with far-term CODs?

In addition to shortening the contact term, SDG&E requires Phase II Interconnection Study in order to increase project viability associated with far-term CODs.

5. Describe any qualitative factors used to finalize your proposed shortlist. How were they used (e.g. tie-breaker, cut-off, exclusion measures, etc.) and how did the shortlist change?

No qualitative factors were applied to the 2013 RPS RFO contingent shortlist.

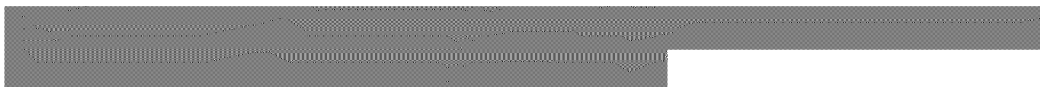
6. Describe Women, Minority, and service Disabled Veteran-owned Business Enterprises participation in solicitation. Provide as much information as possible regarding:

a. Outreach conducted to WMDBVE companies prior to and during this solicitation

SDG&E encouraged Diverse Business Enterprises ("DBEs"), "Women-Owned Businesses" or "Minority-Owned Businesses" or "Disabled Veteran Business Enterprises" as defined in G.O. 156, to participate in the 2013 RPS RFO. SDG&E's DBE Program representatives provided a presentation during the pre-bid conference on January 15, 2014). Furthermore, SDG&E encourages developers to utilize DBEs during various stages of project development and construction.

Like other qualitative factors, in the event of a tie between two Offers, SDG&E will consider a Respondents status as a DBE and or a Respondent's plan to utilize the services of DBEs during project development.

b. Number of WMDBVE bidders



c. Number of WMDBVE shortlisted offers

- [REDACTED]
- d. Number of new employees that have been or will be trained or hired by owner and /or operator and the number of women, minority, and /or disabled veterans that have been trained or hired by owner and /or operator

[REDACTED] . SDG&E is committed to working with a range of suppliers and sets yearly procurement goals for women-, minority- (WMBE) and service-disabled, veteran-owned businesses (DVBE). In 2013, SDG&E executed three transactions for Resource Adequacy (a CAISO capacity product) with Diverse Business Enterprises (DBEs) and enabled fourteen new DBEs to transact for wholesale power. These remarkable achievements nearly doubled the dollars spent on DBE energy transactions with an increase from \$77 million in 2012 to \$146 million in 2013. SDG&E purchased 47.3 percent of its natural gas from 10 DBE suppliers (SDG&E 2013 Annual Report & 2014 Annual Plan can be found at: [http://www.sempra.com/pdf/about/dbe\\_sdge\\_2013\\_2014\\_final.pdf](http://www.sempra.com/pdf/about/dbe_sdge_2013_2014_final.pdf)).

- e. Supplier diversity spending for construction of facilities

Please see the response to “d.” above.

- f. Supplier diversity spending for operation and maintenance of facilities

Please see the response to “d.” above.

- g. Women, minority, and /or disabled veterans trained or hired by utility specifically for purposes of this solicitation

Please see the response to “d.” above.

San Diego Gas & Electric Advice Letter 2594-E  
April 18, 2014

Attachment C  
**2013 RPS RFO LCBF AND SOLICITATION  
OVERVIEW**  
(Confidential Version)



San Diego Gas & Electric Advice Letter 2594-E  
April 18, 2014

Attachment D  
**2013 RPS RFO SOLICITATION OVERVIEW  
WORKSHEET**  
(Confidential Version)

San Diego Gas & Electric Advice Letter 2594-E  
April 18, 2014

Attachment E  
**2013 RPS RFO SOLICITATION  
INDEPENDENT EVALUATION (IE) REPORT**  
(Public Version)

# San Diego Gas & Electric

Independent Evaluator Report on the 2013  
Request for Offers from Eligible Renewable  
Resources

April 18, 2014



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**Version no:** 1.0

**Document reference:**

# Foreword

PA Consulting Group, Inc. (PA) has served as the Independent Evaluator (IE) of San Diego Gas & Electric Co.'s (SDG&E's) 2013 Request for Offers from Eligible Renewable Resources (2013 RFO). This is PA Consulting Group's Independent Evaluator Report. It addresses the conduct and evaluation of SDG&E's 2013 RFO through the selection of its preliminary short list.

This report contains confidential and/or privileged materials. Review and access are restricted subject to PUC Sections 454.5(g), 583, D.06-06-066, GO 66-C and the Confidentiality Agreement with the California Public Utilities Commission (CPUC).

This document has been formatted in accord with the 2013 RPS Solicitation Shortlist Report Template, which was marked "v.02/19/2014" and provided on that date via email from the CPUC Energy Division. The seven chapters of this report correspond in sequence to the top-level items in the RPS Independent Evaluator (IE) Report Template – Standard Form.

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# 1 Executive Summary

## 1.1 High-Level Summary of Activities

- ☐☐ PA reviewed several drafts of SDG&E's RPS plan prior to its filing, and provided advice and commentary. In particular, SDG&E and PA discussed the evaluation criteria at length
- ☐☐ PA participated in the pre-bidder conference on January 15, 2013. PA was provided all questions submitted by bidders and reviewed the answers to be provided by SDG&E
- ☐☐ The bids received by SDG&E were transferred via e-mail to PA on the day bids were due. PA identified bids that did not conform to RFO requirements. PA interpreted all bids and conducted the LCBF evaluation
- ☐☐ PA reviewed the Project Viability Calculator scores computed by the offerors of [REDACTED] submissions with highest LCBF scores
- ☐☐ PA advised in favor of shortlisting [REDACTED], even in the absence of RPS need, because they were competitive on an energy basis -- in other words, their energy benefits alone exceeded their levelized contract costs. .

## 1.2 High-Level Summary of Findings

- ☐☐ SDG&E in no way prevented PA from observing its process and analyzing its methods, and did not interfere with PA's conduct of the LCBF evaluation
- ☐☐ This solicitation was administered fairly. SDG&E did adequate bidder outreach. SDG&E's treatment of non-conforming bids was fair and reasonable. SDG&E did not accept buyout or turnkey bids in this RFO, and PA detected no favoritism towards affiliate bids
- ☐☐ The solicitation engendered a robust response considering the clear signal in the RFO that SDG&E was likely not to enter into any contracts. Even so, the response to SDG&E's RFOs has been declining through the last two solicitations. PA recommends that SDG&E formally seek feedback from all potential bidders who registered on PowerAdvocate for the 2013 RFO or who attended the pre-bid conference webinar, as to their reasons for bidding (or not bidding) and their opinion of SDG&E's conduct and evaluation of the RFO
- ☐☐ SDG&E's methodology was reasonable. Estimation of transmission upgrade costs was the most complex part of the bid evaluation process.



## 2 Role of the Independent Evaluator

This chapter describes the history of the requirements for Independent Evaluators at the Federal level and in California. It includes a list of the IE's roles as well as a summary of PA's activities in fulfilling those roles.

### 2.1 The IE requirement

Regulatory requirements for an IE of resource procurement can be traced to the Federal Energy Regulatory Commission's (FERC's) "Opinion and Order ... Announcing New Guidelines for Evaluating Section 203 Affiliate Transactions" (108 FERC ¶ 61,081 (2004)). That decision addressed ways to demonstrate that a utility's procurement of power from an affiliate was not abusive or unfair, under the standards of the Edgar decision (55 FERC ¶ 61,382 (1991)). FERC provided a set of guidelines, which presumably would be sufficient to demonstrate that the utility had not unfairly favored its affiliate. One of those guidelines was that "an independent third party should design the solicitation, administer bidding, and evaluate bids prior to the company's selection." FERC proposed not just independent evaluation but independent conduct of all aspects of the solicitation (except, presumably, the need determination).

The California Public Utilities Commission (CPUC) referenced those guidelines in its December 2004 decision on long-term resource procurement<sup>1</sup>. The CPUC stated that although it had not previously required the use of an IE for resource procurement, it would "require the use of an IE in resource solicitations where there are affiliates, IOU-built, or IOU-turnkey bidders" from that point forward<sup>2</sup>. The CPUC's intention was clearly that the IE should ensure that the utility did not favor itself, its affiliates or its shareholders (shareholders would earn a return on "ownership projects" – IOU-built or turnkey – but not on independent PPAs). The CPUC stated explicitly that it would not require the IE to conduct or administer the solicitation, nor would it "allow the IEs to make binding decisions on behalf of the utilities." Under this decision the role of the IE is to provide advice to the utility in "the design, administration, and evaluation aspects of the RFO" and to observe the utility's procurement and evaluation process in order to provide a fairness opinion.

D. 04-12-048 did not require IEs for procurements in which there were no affiliate or ownership bids. But in its decision approving the utilities' plans for 2006 Renewables Portfolio Standard (RPS) solicitations, the CPUC determined that Independent Evaluators would be required for these and "all future solicitations" (it is unclear whether this means only all future RPS solicitations).<sup>3</sup> The role of the IE is still not to conduct or administer the solicitation but to "separately evaluate and report on the

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<sup>1</sup> California Public Utilities Commission, Decision (D.) 04-12-048, May 26, 2006, p. 135f and Findings of Fact 94-95 on pp. 219-220.

<sup>2</sup> D. 04-12-048, p. 135f and Ordering Paragraphs 26i and 28 on p. 245. This Decision explicitly referenced All-Source solicitations, but see D. 06-05-039 (note 3 *infra*).

<sup>3</sup> California Public Utilities Commission, Decision (D.) 06-05-039, May 26, 2006, p. 46, Finding of Fact 20b on p. 78, Conclusion of Law 3e(2) on p. 82 and Ordering Paragraph 8 on p. 88.

IOU's entire solicitation, evaluation and selection process."<sup>4</sup> The Decisions that approved the utility RPS solicitation plans for 2007 and 2008<sup>5</sup> did not further elaborate on the IE role but took the participation of an IE as a given.

D. 09-06-018, which approved the utility RPS solicitation plans for 2009, contained additional requirements related to the use of Project Viability Calculators and directed "that project-specific project viability information should be included in the confidential appendices to advice letters and validated by the IE in the confidential versions of IE reports."<sup>6</sup> The reference to the Project Viability Calculator has been incorporated by Energy Division in its template language for Section 7, which is only completed in the final IE report submitted with each contract Advice Letter.

In docket 11-05-005, the CPUC considered requiring the preliminary Independent Evaluator report, which reports on the bid evaluation, to be split into two parts.<sup>7</sup> The second of the report dealing with bid materials would be submitted at the same time as the utility's RPS Procurement Plan. In its later Decision 12-11-016, the CPUC decided not to prescribe that modification.<sup>8</sup>

## 2.2 PA's role as Independent Evaluator

In April 2006, SDG&E retained PA to be the Independent Evaluator for an All-Source Request for Offers (All-Source RFO). SDG&E anticipated that there might be affiliate bids in that RFO, as in fact there were. The CPUC Energy Division, as well as the rest of SDG&E's Procurement Review Group (PRG), participated in the decision to select PA. PA's contract was subsequently amended to include the independent evaluation of additional SDG&E procurement activities.

When PA was contracted as IE for the All-Source RFO, PA and SDG&E agreed on an interpretation of the IE role that would not include a complete LCBF evaluation or full replication of the utility's computations, although PA would spot-check them. PA's role would be that of an observer and an adviser as needed. PA subsequently served as independent Evaluator for SDG&E's 2006 Renewable RFO, the Local Peaker RFO (conducted in 2006-7), and the 2006, 2008, 2009, 2012 and 2013 Renewable RFOs.<sup>9</sup> In addition, PA has performed the role of IE for SDG&E's first three Renewable Auction Mechanism (RAM) RFOs. In each case, PA and SDG&E used the above interpretation of the IE role -- except that since 2009 has conducted the complete LCBF evaluation -- and it was adopted for the 2013-14 Renewables RFO.

PA's emphasis has been on issues of fairness and equity. PA reviews the reasonableness of SDG&E's evaluation criteria and algorithms and spot-checks the calculations but does not enforce a

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<sup>4</sup> D. 06-05-039, p. 46.

<sup>5</sup> California Public Utilities Commission, Decision (D.) 07-02-011, Feb. 15, 2007 and Decision (D.) 08-02-008, Feb. 15, 2008. The decisions actually only conditionally approved the plans but the conditions were not connected with the use of IEs.

<sup>6</sup> California Public Utilities Commission, Decision (D.) 09-06-018, June 8, 2009, p. 24.

<sup>7</sup> "Assigned Commissioner's Ruling Identifying Issues and Schedule of Review for 2012 Renewables Portfolio Standard Procurement Plans", May 5, 2012.

<sup>8</sup> California Public Utilities Commission, Decision (D.) 12-11-016, November 14, 2012, p. 73.

<sup>9</sup> The last two RFOs were released in December with bids due and evaluated in the following calendar year.

single standard of evaluation. While PA may have an opinion about the “best” way to value certain attributes or even to conduct a multi-attribute evaluation, its role as IE has not been to judge SDG&E’s evaluation against a standard, but rather to determine that SDG&E’s evaluation has not unfairly favored affiliates or ownership bids, or favored SDG&E and its shareholders in any other way<sup>10</sup>.

For the 2009, 2011, 2012 and 2013 RPS RFOs, SDG&E also asked PA to conduct the quantitative LCBF evaluation of bids, except for the congestion adder computation. This was a direct response to experience of past RFOs, and the efforts that SDG&E had to make to avoid any appearance of conflict in its evaluation of affiliate bids. PA also determined the estimated costs of transmission network upgrades or additions to ensure that SDG&E numbers were accurate. PA did not itself determine the evaluation standards but PA did advise SDG&E on the definition and refinement of the evaluation criteria. Note that PA conducted the LCBF evaluation for the 2013 RFO using its own independently developed spreadsheet model.

## 2.3 PA’s activities

PA and SDG&E began to discuss plans for the 2013 RFO in June, 2013. SDG&E provided PA several drafts of the RPS plan for review prior to its filing, and PA responded with advice and commentary. SDG&E and PA discussed the evaluation criteria at length. PA was provided extensive access to all the SDG&E staff involved in the evaluation of the Renewables RFO.

PA participated in the pre-bidder conference on January 15, 2014. PA was provided all questions submitted by bidders either at the bidder conference or submitted electronically. PA and SDG&E discussed the questions and answers via email. PA got copies of SDG&E’s answers and they were posted on the website. The bids received by SDG&E were transferred via e-mail to PA on the day bids were due, i.e. on January 29, 2014.

PA was in regular contact with the SDG&E evaluation team and was provided all the data in the evaluation process. PA was responsible for interpreting all bids in order to conduct the LCBF evaluation. PA also reviewed questions put by SDG&E to bidders, and bidders’ answers. PA advised SDG&E on judgments that certain bids did not conform to RFO requirements. PA participated in Procurement Review Group (PRG) meetings during the evaluation period. PA reviewed the Project Viability Calculator scores computed by the offerors of the ten submissions with highest LCBF scores. SDG&E discussed the short list with PA, and accepted a modification suggested by PA. The modified shortlist was presented to the PRG.

SDG&E in no way prevented PA from observing its process and analyzing its methods, and did not interfere with PA’s conduct of the LCBF evaluation.

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<sup>10</sup> E.g., it would have been unfair for SDG&E to design an evaluation method that favored a category of bidders on whose behalf SDG&E would have to make extensive rate-based transmission or distribution investments.

## 2.4 Confidentiality and additional comments

It is PA's understanding that confidential treatment of the information in an IE report is obtained through procedures defined in CPUC Rulemaking (R.) 05-06-040.<sup>11</sup> Under that Ruling a person or party that serves testimony, supplies data or files an advice letter requests confidential treatment of some data within that submittal and must accompany the data by a declaration under penalty of perjury that justifies the claim of confidentiality.

PA delivers its IE report to SDG&E and SDG&E in turn submits it to the CPUC. It is PA's understanding that each utility separately submits its IE's report and requests confidential treatment for parts of that report. Because it is the utility that identifies confidential data and provides the associated declaration, PA believes that it is the utility's right to determine which data in the report is confidential and the utility's responsibility to defend that determination. SDG&E's view of confidentiality may be more or less expansive than PA's. While PA has in the past provided recommendations to SDG&E about which parts of its IE reports should be held confidential, in general PA takes a "minimal redaction" (redaction only of information about identifiable bids) view. SDG&E always makes the ultimate determination of data to redact.

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<sup>11</sup> "Administrative Law Judge's Ruling Clarifying Interim Procedures for Complying with Decision 06-06-066", August 22, 2006.

# 3 Adequacy of outreach and robustness of solicitation

This chapter describes the information provided by the utility to potential bidders, and the utility's efforts to stimulate a wide and robust response to the RFO.

## 3.1 Solicitation materials

PA reviewed SDG&E's RFO and supporting forms. PA's opinion was that the RFO was clear and supporting forms were generally well-designed and would elicit appropriate information.

SDG&E held one pre-bid conference and also posted on its website answers to questions submitted by bidders. Even so, not all bidders entered data correctly and completely, but PA does not believe this was the fault of the forms.

## 3.2 Adequacy of outreach

California's RPS and its utilities' attempts to meet that standard have been widely publicized. The investor-owned utilities have conducted annual RFOs for renewable resources for several years. Because of the publicity, it should not have been necessary for SDG&E to take on the responsibility of informing bidders that California has a renewables program or that utilities would be contracting with renewable suppliers. Furthermore, it was well-known in the California energy industry that at the time of the adoption of the RPS, SDG&E was the furthest of the three utilities from satisfying the RPS (least renewable energy relative to retail sales). It would have been adequate for SDG&E to advertise the RPS solicitation on its website and to a sizable email list.

In PA's opinion, SDG&E did adequate outreach. SDG&E provided PA with a list of 875 distinct email addresses to which it sent the RFO. Some of those addresses are regulatory or state agency staff, and others are probably consultants not working with any particular bidder. There were 42 registrants on the PowerAdvocate site.

## 3.3 Solicitation robustness

PA judges the robustness of the solicitation by the number of bids received. In PA's opinion, the solicitation engendered a robust response considering the clear signal in the RFO that SDG&E was likely not to enter into any contracts. ■ separate organizations responded to the solicitation with a total of ■ pricing options (data prior to conformance check). This is a little more than half the response to the 2012 RFO. As Figure 3-1 shows, the response to SDG&E's RFOs peaked in 2011 and has fallen off since. This is most likely due to the perception, fed by SDG&E's public statements and the small number of new contracts signed from the 2012 RFO, that SDG&E has had very little residual RPS need to be filled through recent RFOs. PA does not believe it indicates any lack of outreach.



### 3.4 Feedback

SDG&E has not formally sought bidder feedback. Given the falloff in response shown in Figure 3-1, PA recommends that SDG&E formally seek feedback from all potential bidders who registered on PowerAdvocate for the 2013 RFO or who attended the pre-bid conference webinar, as to their reasons for bidding (or not bidding) and their opinion of SDG&E's conduct and evaluation of the RFO.

### 3.5 Additional issues

PA has nothing else to add to this chapter.

# 4 Fairness of LCBF evaluation methodology

This chapter describes SDG&E's quantitative evaluation methodology and PA's opinion of its application.

## 4.1 Principles used to evaluate methodology

PA has used the following principles to guide its evaluation. These principles were originally codified by PA in its report on SDG&E's 2006 RPS RFO.<sup>12</sup>

- ☐☐ The evaluation should only be based on those criteria requested in the response form. There should be no consideration of any information that might indicate whether the bidder is an affiliate
- ☐☐ The methodology should identify how quantitative measures will be considered and be consistent with an overall metric
- ☐☐ The approach should not be biased for or against specific technologies, solely based on the choice of technology (as opposed to, e.g., quantifiable differences between the value of peaking and baseload technologies)
- ☐☐ The methodology does not have to be the one that the IE would independently have selected but it needs to be "reasonable".

These principles do not require the upfront identification of procurement targets, as those may depend on committed contract quantities and commitments may be made between release of the RFO and selection of the shortlist. They do not also specifically address "consistent" evaluation of bids of different sizes and timing because PA considers the fairness of such analysis to fall within the area of reasonableness; and it is conceivable that a consistent evaluation may not be the most reasonable.

## 4.2 SDG&E's LCBF methodology

In its decision accepting the 2012 RPS Procurement Plans, the CPUC ordered each utility to modify its LCBF methodology to reflect a "Net Market Value" based on Commission-specified standardized variables:

$$\text{Net Market Value: } R = (E + C) - (P + T + G + I)$$

$$\text{Adjusted Net Market Value: } A = R + S$$

Where:

R = Net Market Value

A = Adjusted Net Market Value

E = Energy Value

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<sup>12</sup> Jacobs, Jonathan M., *Preliminary Report of the Independent Evaluator on the 2006 Request for Offers from Eligible Renewable Resources (Renewable RFO)*, PA Consulting Group, Los Angeles CA, January 16, 2007, p. 2-1.

- C = Capacity Value
- P = Post-Time-of-Delivery Adjusted Power Purchase Agreement Price
- T = Transmission Network Upgrade Costs
- G = Congestion Costs
- I = Integration Costs
- S = Ancillary Services Value<sup>13</sup>

SDG&E's formulation, as defined in Appendix 7 to its conformed Renewables Procurement Plan, was that the Net Market Value (NMV) was defined slightly differently for bundled renewable energy offers and for unbundled REC offers:

**For bundled products**  $NMV = (\text{Energy Benefit} + \text{Capacity Benefits}) - (\text{Levelized Contract Cost} + \text{Transmission Cost} + \text{Congestion Cost})$

**For unbundled RECs:** the negative unbundled REC price measured in \$/MWh<sup>14</sup>

The correspondence between the standardized variables used by the CPUC and the terms in SDG&E's formula is as follows:

**Table 4-1. CPUC Standard Variables vs. SDG&E LCBF terms**

CPUC Standard Variables	SDG&E terminology
Energy Value	Energy Benefit
Capacity Value	Capacity Benefits
Post-Time-of-Delivery Adjusted Power Purchase Agreement Price	Levelized Contract Cost
Transmission Network Upgrade Costs	Transmission Cost
Congestion Costs	Congestion Cost
Integration Costs	N/A, the CPUC prohibited the use of non-zero integration costs <sup>15</sup>
Ancillary Services Value	N/A; this is part of Adjusted Net Market Value not Net Market Value, and furthermore ancillary services generally represent reserve or regulation services that intermittent or as-available generators cannot economically provide.

<sup>13</sup> California Public Utilities Commission, Decision (D.) 12-11-016, November 9, 2012, pp. 23f. and Ordering Paragraph 6.

<sup>14</sup> San Diego Gas & Electric Company, *2013 Renewables Portfolio Standard Procurement Plan Compliance Filing, Appendix 7*, filed December 4, 2013, in CPUC docket R.11-05-005, p. 3.

<sup>15</sup> California Public Utilities Commission, Decision (D.) 13-11-024, Nov. 20, 2013, pp. 26-28, Finding of Fact17, Conclusions of Law 9 and 20, and Ordering Paragraph 9.



The following subsections describe the way SDG&E computed these terms, using the information provided by bidders. The Capacity Benefit depends on another computation, called Deliverability Benefit, which is also described.

PA's opinion of the use of LCBF methodology is included in section 4.3.

#### 4.2.1 Energy Benefit

The energy benefit represents the cost of energy that could be avoided through purchase of the contracted energy. Appendix 7 to the conformed RPS Plan refers to this as a "project-specific MPR value" but it is not based on the CPUC's MPR model or any published Market Price Referent. Instead it is based on forward energy prices. The values were provided to PA as annual energy prices, and a note in the file says they were "based on SP-15 forward from GRC Phase 2". No further backup was provided. PA assumed that the prices were in nominal dollars, although SDG&E did not reply to PA's request for confirmation. PA converted the prices to levelized values for multi-year contracts, in the form of the CPUC's prior approved MPRs, using SDG&E's discount rate of 7.79%. As they are based on forward energy curves, these values were taken to be "energy-only", that is, including no capacity value.

SDG&E defined TOD factors to be used in converting stated contract prices to payments in different time periods. The TOD factors are higher in peak than off-peak hours, to attribute greater value to peak deliveries. They are also normalized so that the time-weighted average of the TOD factors across the year will average to 1. In that way the stated contract price for a baseload unit (uniform delivery across the year) will also equal its average payment.

A TOD factor is defined for each subperiod -- summer peak, summer part-peak, summer off-peak, winter peak, winter part-peak and winter off-peak. "Energy-only" TOD factors represent the ratio of the average energy value for a given time period to the annual average energy value. The energy-only TOD factor for subperiod  $i$  is denoted  $TOD_i^{EO}$ . SDG&E also defined three other types of TOD factors, associated with the delivery of energy plus resource adequacy capacity, which are only used in computing the levelized cost of offers requesting TOD pricing.

The contribution of subperiod  $i$  in year  $y$  to the total energy benefit is  $TOD_i^{EO} MPR_{y,y} v_{y,i}$ . In that formula,  $MPR$  is the Market Price Referent value in levelized \$/MWh and  $v_{y,i}$  is the projected contract deliveries in year  $y$ . This value is in nominal dollars -- it is the energy benefit of all the production in subperiod  $i$  of year  $y$ , not on a unit basis. The formulas for Net Market Value uses levelized \$/MWh. The total energy benefit, in levelized \$/MWh, is

$$(1) \quad \text{Energy Benefit} = \frac{\sum_{y=1}^N \sum_{i=1}^6 TOD_i^{EO} MPR_{y,y} v_{y,i} / (1+d)^y}{\sum_{y=1}^N \sum_{i=1}^6 v_{y,i} / (1+d)^y}$$

where  $d$  is the discount rate (7.79%).

This formula applies to power purchase agreement bids. A TREC bid provides no energy and hence has no energy benefit.

## 4.2.2 Capacity Benefit

The capacity benefit computation begins with the capacity value of a project with the same delivery profile as the bid being evaluated, interconnected with full capacity deliverability status (FCDS). Bids that will not have an FCDS interconnection are assigned no capacity benefit. The capacity benefit computation differs from the computation SDG&E had been using for its RPS RFOs.

Capacity benefit is modeled after the CAISO's computation of resource adequacy (RA) value as the Net Qualifying Capacity (NQC) multiplied by a unit capacity value. The unit capacity value is an annual \$/kW value that depends on location of the bid's interconnection, to recognize that the value of capacity depends on the specific requirement or target it can meet.

φφ The capacity value for resources in the SDG&E local area is labeled as the "capacity deferral cost". According to SDG&E, it was the value used to compute TOD factors in GRC phase 2. It is an annual figure provided by SDG&E for each year from 2014 on.

φφ The 2014 capacity value for resources in the "Greater IV" area is the CAISO CPM cost. For future years it is subject to the same escalation as the capacity deferral cost.

φφ The 2014 capacity value for resources whose first point of interconnection is elsewhere in CAISO or in IID (supplying only system RA) is the CPUC penalty cost of \$40/kW, but for subsequent years it is subject to the same escalation as the capacity deferral cost.

PA levelized the annual unit capacity values using a 7.79% discount rate.

NQC is estimated as the weighted average of the delivered capacity in each hour (hourly energy deliveries). The weighting is given by a reliability index, the Loss of Load Expectation (LOLE) for each of the hours in a typical week for each month (a total of 12x168 = 2016). SDG&E provided PA with the LOLE values it used, which it said were expectations for each of the hours in a typical week for each month of 2020 (12x168 = 2016 separate values) as used to determine TOD factors in its General Rate Case. Only the 100 hours with highest LOLEs are used.

The hourly delivered capacity is based on the load profile supplied by each bidder. To avoid bidder gaming of the load profiles, the NQC estimates are capped by technology. The caps are based on observed ratios of NQC values to nameplate capacity for existing resources as posted by CAISO.

## 4.2.3 Transmission upgrade costs

Transmission upgrade costs are based on the network upgrade costs for which the developer will be reimbursed by ratepayers. PA estimated the total upgrade costs based on the interconnection studies or Interconnection Agreements provided by bidders. The total upgrade cost is treated as a single payment made on the Commercial Online Date, and then is converted to a levelized energy-based payment (that is, the transmission cost used in the evaluation is a level \$/MWh value such that a stream of payments at that constant price based on the offered deliveries would have an NPV equal to the upgrade cost).

Network upgrades that are part of the CAISO transmission plan, as developed through the new Transmission Planning Process (TPP), do not contribute to those upgrade costs; neither do non-reimbursed costs. Furthermore, network upgrades associated with a generator interconnected outside CAISO -- such as in IID -- would not be reimbursed by IOU ratepayers and therefore are assigned a

zero cost. Effectively, the upgrade cost measures the incremental cost to CAISO utility ratepayers, not the total cost to ratepayers (which would include TPP upgrades) or the social cost (which would include upgrades paid for by non-CAISO ratepayers).

#### **4.2.4 Estimated congestion costs**

Congestion impacts from the proposed point of delivery to SDG&E's load aggregation point were developed by SDG&E's transmission planning group. PA agreed that it was reasonable for the transmission planning group to conduct the study given the separation from the procurement group provided for under the FERC Code of Conduct. The Congestion Adders arrived more promptly than in the 2012 RPS RFO.

### **4.3 Strengths and weaknesses of SDG&E's LCBF methodology**

Overall, PA believes that SDG&E's methodology was reasonable. This judgment is within the context of the principles set forth in section 4.1. The LCBF model was computed directly from bidder response forms and took no notice of potential affiliation. It bears a rational, consistent relationship to cost and value, and was set out prior to any bids having been seen by SDG&E or PA. The 2013 LCBF was not biased for or against any technologies.

#### **4.3.1 Evaluation of consistency with the RPS procurement plan, requested products and portfolio fit**

SDG&E determined that it had secured sufficient RPS contracts from previous RFOs to meet its RPS target for Compliance Period 1 (CP1), CP2 and CP3 (through 2020), assuming banking of surplus procurement. Without banking, SDGE determined that it could have need in 2020.

In its RPS Procurement Plan, SDGE stated:

"Based on SDG&E's current probability-weighted RPS position forecast, it is possible that SDG&E will not require additional procurement in CP3.... The level of new purchases required for CP3 will be a function of portfolio performance and will be subject to the level of banking, if any, related to potential excess procurement in CP2 into CP3.... The RFO document submitted hereto as Appendix 6.A contemplates purchases for 2021. SDG&E may undertake procurement for this period of time to ensure compliance subsequent to the end of CP3, with the understanding that any resulting excess can be either banked or sold bilaterally or through an RFO."<sup>16</sup>

SDG&E stated in the RFO that it sought a "Tier 3 contingent shortlist". Since it was expected that renewable resources would be priced at a premium relative to conventional resources, their most important attribute would be their RPS compliance value and the key aspect of "portfolio fit" for SDG&E in 2013 was its low need. SDG&E's general approach was consistent with this.

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<sup>16</sup> San Diego Gas & Electric Company, *2013 Renewables Portfolio Standard Procurement Plan Compliance Filing*, filed December 4, 2013, in CPUC docket R.11-05-005, p. 14.

### 4.3.2 Market valuation

The LCBF model accounted for both price and value of projects. Both energy and capacity value were taken into account, by first subtracting energy and capacity value from the bid price. The model did not account for some other costs SDG&E has in the past sought to include, such as debt equivalence or integration.

SDG&E's method is based on the assumption that the developer's projections of total generation and the production profile are accurate. It would be useful, and would produce more viable bids, if the company were able to verify the reasonableness of those assumptions. In order to do so, though, SDG&E would need to request significantly more information from developers. The short timeframe for bid evaluation would have made that verification impossible. Such an analysis would have to be limited to already-shortlisted bids in a brief period after shortlisting (but the shortlist would have to allow for dropping bids after this analysis).

### 4.3.3 Evaluation of bids' transmission costs

SDG&E's evaluation did not place any reliance on Transmission Ranking Cost Reports. The transmission upgrade cost estimation was based on estimates included in the interconnection studies provided by the bidders. For each bid, SDG&E considered the associated Reliability Network Upgrades, Delivery Network Upgrades and Distribution Upgrades costs.

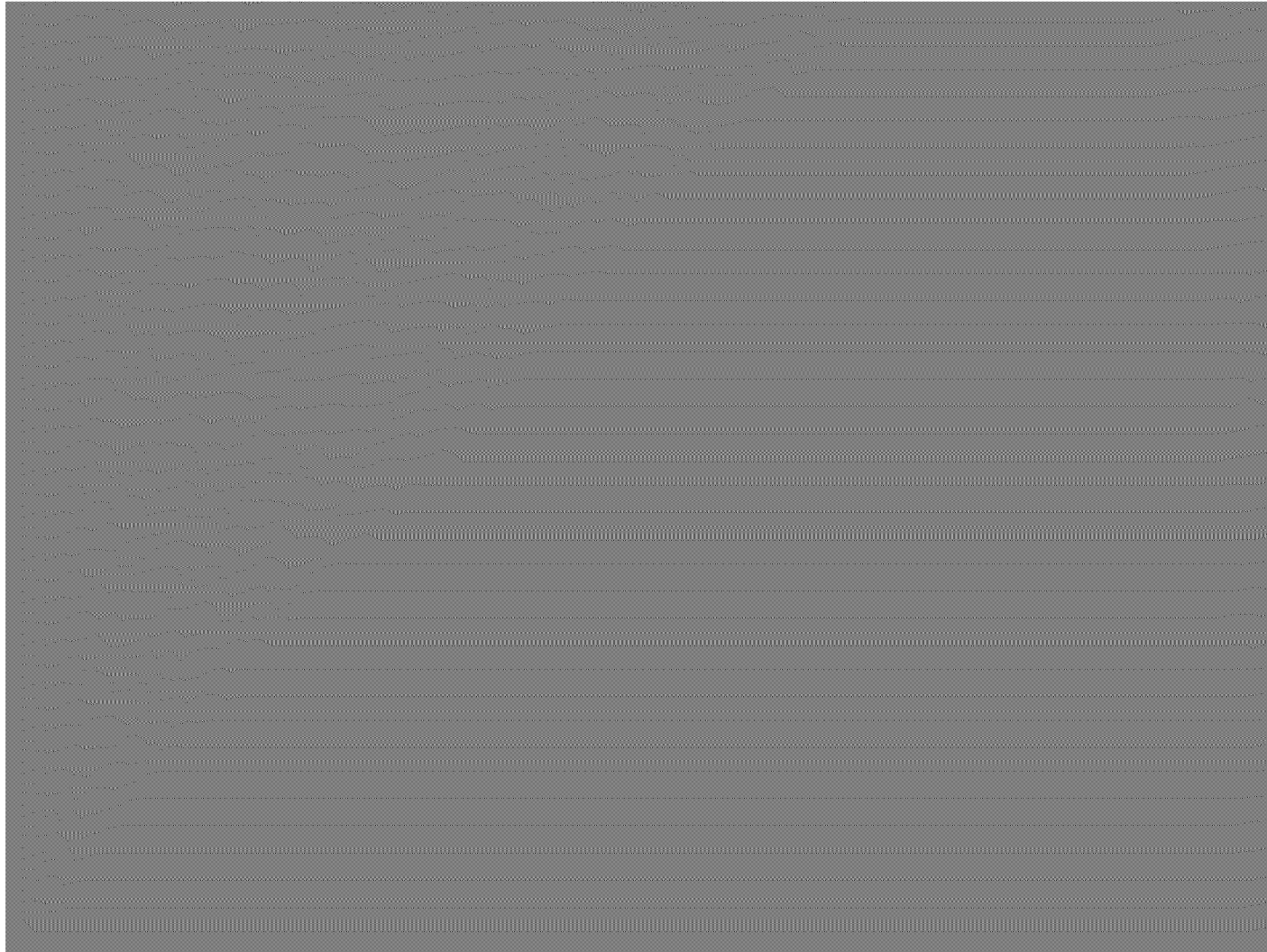
Estimation of transmission upgrade costs was the most complex part of the bid evaluation process as it involved:

- φφ Interpretation and comparison of studies of different types and vintages, including "Reassessment Studies"
- φφ Comparison of estimated upgrade costs and earlier, less precise upgrade cost caps
- φφ Validation of cost sharing and cotenancies
- φφ Separation of costs already reimbursed as part of earlier "phases" of a development
- φφ Impacts of changing the nature of the interconnected facility.

With respect to the final point, we must note the difficulty of obtaining information from CAISO. One bidder was planning to install a PV plant using an interconnection agreement that had been negotiated for a gas-fired resource, and SDG&E opined that this would require a restudy (no new study had been submitted). PA sought verification of this process from CAISO. We tried to contact the CAISO directly to ask but had to leave messages, several times. The CAISO did not respond until three weeks later, by which the shortlist had been created and approved and shortlisted bidders had to provide their acceptances.

### 4.3.4 Evaluation of bids' project viability

The Project Viability Calculators were self-scored by developers. SDG&E did not verify these scores. Instead, PA analyzed the bids' project viability scores for the [REDACTED] highest in the LCBF evaluation. Figure 4-1 shows both sets of scores. As was seen in the previous RFO, bidders tend to overvalue their projects' viability. [REDACTED]



## 4.4 Future improvements

PA has noted several potential improvements to the LCBF evaluation.

1. The results of this RFO, if borne out in contracting and construction, indicate that renewables are reaching price parity with conventional resources. This means that renewable generators may be under consideration as SDG&E moves to replace power from SONGS. SDG&E would have to take a much more rigorous approach to evaluating the energy and capacity value of renewables and would also have to be able to evaluate other attributes such as "flexibility value" (which could be negative, if intermittent renewables create more of a need for flexible resources), GHG allowance value, etc. The evaluation methods and models used for renewables procurement would have to be more closely coordinated with Resource Planning.
2. Greater penetration of renewables, and in particular solar, may change the profile of SDG&E's residual load. Energy in the mid-afternoon could become less valuable than energy at other times such as late afternoon or morning, and this value profile could be changing over the projection horizon of the evaluation model. SDG&E should consider evaluating renewables using TOD factors that change over the projection horizon, as well as contract forms that allow for TOD factor revision.
3. SDG&E should better document the sources of its forecasts of energy and capacity value, and its cash flow discounting.

## 4.5 Additional comment on the methodology

PA has nothing else to add to this chapter.

# 5 Procedural fairness of the bid evaluation

This chapter addresses the application or administration of the methodology described in chapter 4.

## 5.1 Principles used to determine fairness of process

As in the previous section, PA used principles originally codified by PA in its report on SDG&E's 2006 RPS RFO:<sup>17</sup>

- ☐☐ Were affiliate bids treated the same as non-affiliate?
- ☐☐ Were bidder questions answered fairly and consistently and the answers made available to all?
- ☐☐ Did the utility ask for "clarifications" that provided the bidder an advantage over others?
- ☐☐ Was bids given equal credibility in the economic evaluation?
- ☐☐ Was the procurement target chosen so that SDG&E would have a reasonable chance of meeting its target (taking into account contract failures)?
- ☐☐ Was there a reasonable justification for any fixed parameters that enter into the methodology (e.g., RMR values; debt equivalence parameters)?
- ☐☐ Were qualitative factors used only to distinguish among substantially equal bids?

## 5.2 Administration and bid processing

A complete description of PA's activities is in section 2.3. Based on PA's review of the solicitation and evaluation process:

- ☐☐ Affiliate and non-affiliate bids were treated identically. A Sempra affiliate bid but there was no evidence of disparate treatment and it was ranked below the shortlist
- ☐☐ SDG&E did not ask for clarifications in such a way as to advantage any bidder
- ☐☐ All bids were given equal credibility in the quantitative (LCBF) evaluation with the exception of those bids that were deemed non-conforming
- ☐☐ The "contingent need" target would give SDG&E a reasonable chance of meeting its RPS target. SDG&E shortlist sufficient capacity to meet that target and to access reasonably prices power if needed, although it did not require exclusivity from all those bidders
- ☐☐ PA reviewed with SDG&E the justification for any parameters that entered the computations
- ☐☐ Very little use was made of qualitative factors except for the elimination noted previously.

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<sup>17</sup> Jacobs, op. cit., p. 3-1.



## 5.3 Conformance check

PA screened bids for conformance and advised SDG&E on the acceptance or rejection of individual bids. SDG&E and PA deemed ■■■ bids (over■■■■■■■■■■) to be non-conforming. Non-conformance was due to:

☐☐1 A net contract capacity of less than 20MW

☐☐1 Annual average output above 250,000 GWh (see 5.8.1)

☐☐1 A Commercial Operation Date (COD) prior to January 2020

☐☐1 A proposed PPA term greater than 15 years

☐☐1 Missing or incomplete Pricing Forms / Project Description / Interconnection Documents / Model PPA / Credit Application

☐☐1 Bids including only part of project capacity

☐☐1 Bids combining multiple projects (e.g., discontinuous site).

In the RFO, SDG&E had specifically said it would accept bids from existing facilities with expiring contracts. Several offers came from such facilities, proposing contractual delivery beginning after contract expiration. If delivery would begin prior to January 2020, SDG&E rejected those offers as non-conforming. This was appropriate, in PA's opinion. (Furthermore, PA reviewed those offers after the fact and discovered they would all have failed the LCBF screen anyway.)

Overall, PA believes that SDG&E's treatment of non-conforming bids was fair and reasonable.

## 5.4 Parameters and inputs for SDG&E's analysis

The quantitative bid analysis was conducted by SDG&E and PA separately. In general PA used inputs taken directly from bidders' submittals. Certain key parameters were supplied by SDG&E independent of any bids, including the TOD multipliers, energy benefits, and capacity deferral cost. Parameters and inputs for the congestion analysis were determined by SDG&E's transmission function independent of the procurement group.

## 5.5 Parameters and inputs for outsourced analysis

PA conducted the quantitative LCBF analysis using its own spreadsheet model, developed based on SDG&E's methodology and parameters supplied by SDG&E. SDG&E and PA were in communication throughout the analysis, generally in order to compare results and verify that any interpretations of the data or model were consistent with the philosophy and approach that had been stated prior to receiving bids. As part of this, PA validated its own evaluation model and cross-checked SDG&E's model to ensure it correctly evaluated bids. SDG&E did not exercise control over the quality or specifics of the analysis.

Congestion impacts from the proposed point of delivery to SDG&E's load aggregation point were determined by a study conducted by SDG&E's transmission function.

## 5.6 Transmission analysis

For offers for new projects or projects proposing to increase the size of existing facilities, the model calculated costs for transmission network upgrades or additions, using the information provided in the interconnection studies bidders were required to provide. Projects outside of the California ISO were expected to have internalized the cost of transmission to the ISO, as well as the cost of required transmission upgrades outside the ISO, into their bid price. The transmission analysis is described in 4.2.3 and 4.3.3 above.

## 5.7 Additional measures

SDG&E did not use any special measures in evaluating affiliate, buyout and turnkey bids. SDG&E did not accept buyout or turnkey bids in this RFO. There were [REDACTED] from SDG&E's affiliate, [REDACTED] [REDACTED] PA detected no favoritism towards either [REDACTED]; [REDACTED] had unfavorable Net Market Value scores and were not shortlisted.

SDG&E directed one question toward PA regarding the [REDACTED] offer. The proposed project would require dynamic transfer into the CAISO, and a dynamic transfer agreement was not in place. PA advised that nothing in the RFO required such a contract to be in place upon bid submittal, but that it would have to be in place prior to commercial operation. In this way it was similar to an interconnection agreement. PA advised SDG&E to consider the bid to be conforming.

## 5.8 Additional criteria or analysis

The conformed RFO was filed on Dec. 4, 2013, and released on Dec. 16. Bids were due on Jan. 29, 2014. After the RFO was filed and throughout the evaluation period, SDG&E's assessment of its RPS need shrank. Existing RPS projects reached commercial operation or key milestones, increasing the supply forecast, while the near-term load growth forecast was reduced. This reduced need was reflected in two key decisions.

### 5.8.1 Limit on energy production

The RFO stated, "SDG&E encourages Respondents to limit deliveries to 100-200 GWh per year." This was phrased as an encouragement rather than a criterion; however, a footnote added: "This project size nameplate guidance may change between the time this RFO Document is filed and the pre-bidders conference. If such, it will be described at the pre-bid conference. More guidance on the GWh sought will be provided at the pre-bid conference."<sup>18</sup> At the pre-bid conference, SDG&E provided a product definitions for content categories 1 and 2 including the statement, "[d]eliveries should be limited to no more than 250 GWh/year." On this basis, SDG&E and PA rejected several offers as non-conforming for exceeding 250 GWh/year.

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<sup>18</sup> San Diego Gas & Electric Company, 2013 Renewables Portfolio Standard Procurement Plan Compliance Filing, Appendix 6.A, filed December 4, 2013, in CPUC docket R.11-05-005, p. 18 including note 17.

## 5.8.2 Shortlist selection

By the end of February SDG&E had concluded that it had no expected RPS need in 2020; however, SDG&E's initial suggestion was to [REDACTED]. PA advised against this but suggested shortlisting [REDACTED]. The reason PA suggested shortlisting [REDACTED], even in the absence of RPS need, was that they were competitive on an energy basis -- in other words, their energy benefits alone exceeded their levelized contract costs. Therefore, PA reasoned, it was worthwhile to maintain their availability for the coming year even if SDG&E had not RPS need, in order to consider them for other long-term supply requirements. SDG&E modified the shortlist as PA suggested.

## 5.9 Results analysis

PA and SDG&E were in close and regular communication throughout the RFO process. In many cases when a ruling or judgment had to be made SDGE would first solicit PA's opinion, or would ask PA to make the judgment. PA and SDG&E evaluated the bids separately. We conferred regularly to compare notes on intermediate results, and judgments that had been made in implementing the LCBF methodology. There were no disagreements on specific aspects of the calculation.

### 5.9.1 Overall judgment

PA's judgment is that this solicitation was fairly administered.

## 5.10 Other relevant information

PA has nothing else to add to this chapter.

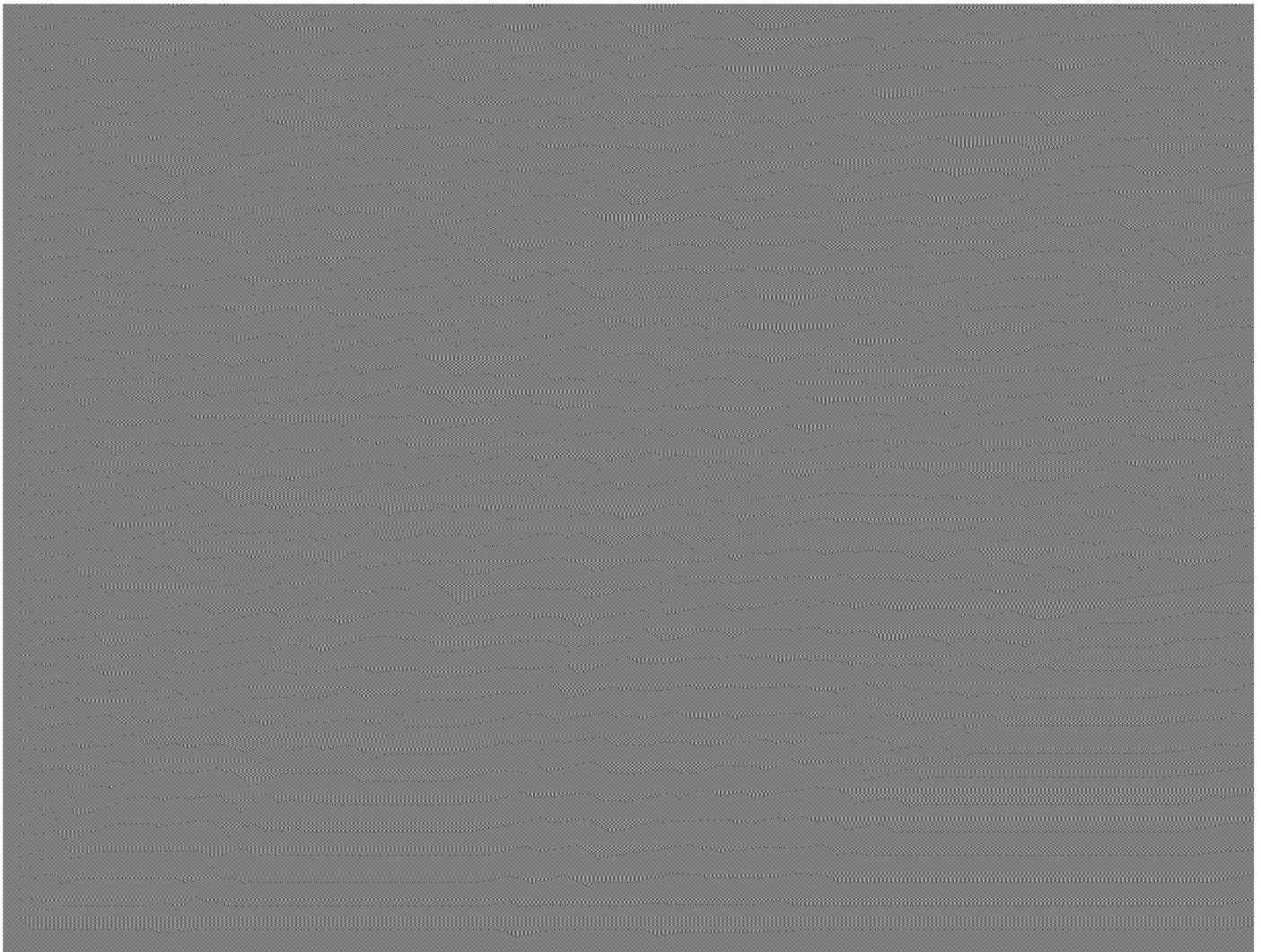
# 6 Commission Approval of the Proposed RPS Shortlist

Through the bid evaluation and selection process, PA believes that SDG&E selected the best offers submitted for SDG&E's 2012 RFO. The final selected bids provide a total of [REDACTED] of capacity and are priced below SDGE's estimate of the value of the energy they produce (energy benefits). The shortlist conforms to the needs of the IOU's portfolio, RPS requirements, RPS procurement plan and protocol. PA believes SDG&E's decision making process to have been robust and fair.

The remainder of this chapter describes SDG&E's shortlist.

## 6.1 Shortlisted projects ranking

Table 6-1 lists [REDACTED] n offers identified by the LCBF evaluation as having negative NMV. Because NMV was computed as costs minus benefits, these are the offers that appear clearly cost-effective:



Given the evolution of its need forecast, SDG&E did not have an RPS need that would justify shortlisting any of these projects. ██████████ attractive on an energy-only basis -- leveled prices are less than the energy benefits. PA recommended shortlisting ██████████, and SDG&E agreed.

The contract prices of the ██████████ are favorable relative to the prices levels PA witnessed in California over the 2012-2013 period. In addition, their contract date (1/1/2020) matches the SDG&E RFO goal.

## 6.2 Project viability of shortlisted projects

**SDG&E did not attempt to verify the bidders' Project Viability scores and relied on PA's assessment.**

PA's analysis of the Project Viability Scores in section 4.3.4 indicates that ██████████ the top ██████████ in terms of Project Financing Status but otherwise scored them appropriately. They have ██████████; this is partly offset by the fact that ██████████ less optimistic view of viability than did the other bidders. More important, because SDG&E has no probability-weighted RPS need, it may be possible to improve their viability during the negotiation period. At this point ██████████ is guaranteed a contract, and SDG&E's final contract decision may be based on comparing them with as-yet-unidentified conventional offers.

## 6.3 CPUC approval of shortlisted bids

Through the bid evaluation and selection process, PA believes that SDG&E selected appropriate offers from those submitted for SDG&E's 2013 RFO and therefore recommends the CPUC's approval of the shortlisted bids for contingent use.

# 7 Fairness of the Project-Specific Negotiations

This section will only be completed in the final IE report submitted with each contract Advice Letter.

# 8 Project-specific Recommendation

This section will only be completed in the final IE report submitted with each contract Advice Letter.



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San Diego Gas & Electric Advice Letter 2594-E  
April 18, 2014

Attachment F  
**2013 RPS RFO SOLICITATION  
INDEPENDENT EVALUATION (IE) REPORT**  
(Confidential Version)