



ORA

Office of Ratepayer Advocates
California Public Utilities Commission

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May 12, 2014

CPUC, Energy Division
Attention: Tariff Files
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Subject: Protest of the Office of Ratepayer Advocates of Pacific Gas and Electric Company's Advice Letter 4398-E, Requesting Approval of Pacific Gas and Electric Company's 2013 Renewable Portfolio Standard Shortlist (CONFIDENTIAL VERSION)

INTRODUCTION

The Office of Ratepayer Advocates (ORA) hereby protests Pacific Gas and Electric Company's (PG&E) Advice Letter 4398-E (AL 4398). In AL 4398, PG&E seeks the California Public Utilities Commission's (Commission) approval of its 2013 Renewable Portfolio Standard (RPS) Shortlist Report (Shortlist). ORA recommends the Commission approve AL 4398 without the following projects: Redacted

Redacted

PG&E did not sufficiently justify the selection of these projects over equally viable projects with higher Portfolio Adjusted Values (PAVs); nor did it convincingly explain how inclusion of these projects will balance its RPS portfolio.¹

¹ PAV "include[s] the following components: Location, RPS Portfolio Need, Energy Firmness, and Curtailment." A higher PAV is more valuable than a lower one. These results are combined with qualitative findings from the Project Viability Calculator (including company and development team, technology, and development milestones considerations), along with additional qualitative assumptions (including project viability, contribution to RPS goals, and supplier diversity) to create the Shortlist. See PG&E 2013 Least-Cost Best-Fit Report, pg. 14.

BACKGROUND

As part of the RPS program established by California Senate Bill (SB) 1078 and modified by SB 2(1X), investor-owned utilities (IOUs), including PG&E, are required to issue annual RPS solicitations. PG&E filed AL 4398 on April 21, 2014 in compliance with Decision 13-11-024. The AL includes an Independent Evaluator's Preliminary Report (IE Report), a public Least-Cost, Best-Fit Report, and a solicitation overview as support for the inclusion of the submitted projects.

DISCUSSION & RECOMMENDATION

A. THE COMMISSION SHOULD REMOVE THE [Redacted] PROJECT FROM PG&E'S SHORTLIST

[Redacted]

[Redacted]

The PAVs of other projects on the Shortlist range from [Redacted]

A higher PAV is more valuable than a lower PAV, and a positive PAV is more valuable than a negative PAV. At [Redacted] PAV is the lowest on the shortlist, [Redacted] lower than the next lowest shortlisted project, and significantly below the weighted average PAV of [Redacted] of the total selected projects.⁴ Furthermore, the IE Report states the "RPS solicitations were intended to be competitive mechanisms to achieve least-cost solutions[.]"⁵ However, PG&E rejected more than two dozen other offers with higher PAVs.⁶ PG&E cites to Executive Order S-06-06's 20 percent goal for biomass energy production as justification for this selection.⁷ However, as discussed below, ORA believes PG&E's reasoning for including [Redacted] on the Shortlist is not justified, and inconsistent with its reasoning in other solicitations. ORA recommends the Commission remove [Redacted] from PG&E's Shortlist.

² [Redacted]

³ *Id.*

⁴ See Arroyo Seco Consulting, IE Report, pg. 52.

⁵ *Id.* at 48.

⁶ *Id.* at 38.

⁷ *Id.* at 39.

1. [Redacted] **SHOULD NOT BE APPROVED BASED ON THE CLAIM OF A VAGUE, UNDEFINED FUTURE NEED OF PG&E FOR ADDITIONAL BIOMASS PROJECTS**

PG&E asserts it needs this project because it complies with Executive Order S-06-06,⁸ and that this project comports with RPS Goals evaluation criterion.⁹ [Redacted]

[Redacted]

[Redacted] Neither the IE nor PG&E, however, offer any further analysis to show what the likelihood of failure is, how many projects may be re-contracted, how many MWs PG&E needs to meet this target, or that [Redacted] is even necessary to prevent PG&E from falling below that target. [Redacted]

[Redacted]

[Redacted] which would harm ratepayers.¹¹ ORA recommends the Commission remove [Redacted] from PG&E's Shortlist.

B. THE COMMISSION SHOULD REMOVE [Redacted] FROM PG&E'S SHORTLIST BECAUSE PG&E HAS NOT SUFFICIENTLY JUSTIFIED SELECTING THIS PROJECT OVER OTHER PROJECTS WITH A HIGHER PAV

[Redacted]

[Redacted]¹² This is the second lowest PAV on the shortlist, and significantly below the weighted average PAV of [Redacted] of other offers.¹³

⁸ California must "meet a 20 percent target within the established state goals for renewable generation for 2010 and 2020." Executive Order S-06-06.

⁹ "PG&E is invoking a publicly stated component of its RPS Goals evaluation criterion: 'The RPS Goals evaluation will take into account of the Offer's support of the CPUC's and Legislature's RPS program benefits and goals and the state's biomass energy goals.'" IE Report, pg. 38; PG&E's RPS 2013 Solicitation Protocol, pg. 28.

¹⁰ *Id.* at 47-8.

¹¹ *Id.* at 52.

¹² [Redacted]

¹³ IE Report, pg. 52.

Besides having a low PAV compared to other projects, according to the IE Report, PG&E selected the [Redacted] project based on the project viability criterion (due to it being an existing facility) and the locational preference for projects in its territory.¹⁴ However, the IE Report also notes that PG&E rejected the [Redacted] project, a project that met those criteria while having a higher PAV.¹⁵ Therefore, PG&E's choice appears to be based on resource diversity.¹⁶ Although resource diversity can be a qualitative attribute, this was not part of PG&E's 2013 approved procurement plan or solicitation protocol, and therefore should not be used as the sole reason for consideration.¹⁷ ORA recommends the Commission remove this project from PG&E's Shortlist.

C. THE COMMISSION SHOULD REMOVE [Redacted] FROM PG&E'S SHORTLIST BECAUSE IT HAS LOW VIABILITY AND THE VALUE FROM ITS CURTAILMENT DOES NOT CLEARLY JUSTIFY ITS LOW PAV

[Redacted]

PG&E skipped higher PAV projects in order to shortlist [Redacted]

[Redacted] PAV is significantly below the average of other selected projects. Additionally, the IE Report recommended against shortlisting the [Redacted] to concerns regarding [Redacted] project viability.²⁰ According to the Project Viability Calculator, the [Redacted] project is in the bottom quartile of all Offers for project viability.²¹ [Redacted]

[Redacted]

[Redacted]

Furthermore, the procurement plan states that "...offers selected

¹⁴ *Id.* at 39.

¹⁵ *Id.*

¹⁶ *Id.* at 49.

¹⁷ *Id.*

¹⁸ [Redacted]

¹⁹ *Id.*

²⁰ The [Redacted] project utilizes unproven proprietary technology that has never been successfully financed or brought into operation. Furthermore, the project has not started filing for a required conditional use permit, nor does the developer have site control, which is currently owned by [Redacted] IE Report, pg. 45-6.

²¹ *Id.* at 45.

²² *Id.* at 46.

will have the best combination of market value, ... [PAV], viability and qualifications based on the evaluation criteria.”²³ The selection of [Redacted] to the Shortlist does not meet these standards. ORA recommends the Commission remove [Redacted] from PG&E’s Shortlist.

CONCLUSION

ORA recommends that the Commission remove the [Redacted] projects from PG&E’s 2013 RPS Shortlist. Please contact Brian Goldman at brian.goldman@cpuc.ca.gov or (415) 703-1095, or Karin Hieta at karin.hieta@cpuc.ca.gov or (415) 703-4352 with any questions regarding these comments.

/s/ Chloe Lukins
Chloe Lukins, Program Manager
Office of Ratepayer Advocates

cc: President Michael Peevey, CPUC
Commissioner Carla Peterman, CPUC
Commissioner Michel Florio, CPUC
Commissioner Catherine Sandoval, CPUC
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Service List R.11-05-005 (**PUBLIC VERSION ONLY**)

²³ *Id.* at 53.