

**Confidentiality Protected Pursuant to
Decision 06-06-066 & Decision 08-04-023**

May 22, 2014

CPUC Energy Division
ED Tariff Unit
505 Van Ness Avenue, 4th Floor
San Francisco, CA 94102

**Re: Reply to Protest Received from the Office of Ratepayer Advocates
regarding Advice Letter 4398-E, Requesting Approval of Pacific Gas and
Electric Company's 2013 Renewables Portfolio Standard Shortlist**

I. Introduction

Pacific Gas and Electric Company ("PG&E") filed Advice Letter 4398-E ("Advice Letter") on April 21, 2014, seeking approval of its 2013 Renewables Portfolio Standard ("RPS") Shortlist Report. The 2013 RPS Shortlist ("Shortlist") Report is comprised of PG&E's description of its 2013 RPS Solicitation Evaluation Criteria and Selection Process and the Independent Evaluator's ("IE") Report for PG&E's 2013 RPS Solicitation ("Solicitation").

PG&E met with the Procurement Review Group ("PRG") to discuss its proposed Shortlist on March 4, 2014. PG&E solicited feedback at the meeting and allowed one week for written feedback prior to finalizing the Shortlist. The Office of Ratepayer Advocates ("ORA") did not provide written feedback during this time.

PG&E's Advice Letter was protested by ORA. PG&E submits this reply to ORA's protest.¹ In its protest, ORA argues that the California Public Utilities Commission ("Commission") should remove the following projects from the proposed Shortlist: [REDACTED]

[REDACTED] (collectively, the "Projects"). ORA alleges that PG&E has

¹ ORA filed its protest on Monday, May 12, 2014, but did not properly serve its protest. As a result, PG&E did not receive ORA's protest until the late afternoon of Friday, May 16, 2014. The Energy Division has indicated that, given PG&E's late notice of ORA's protest, PG&E has until Thursday, May 22, 2014 to respond to ORA's protest. Thus, this reply is timely.

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not justified its selection of the Projects on the Shortlist over other viable project offers that were not shortlisted but had higher Portfolio-Adjusted Values ("PAV"). ORA also alleges that PG&E has not explained how including these Projects will help balance PG&E's RPS Portfolio.

The Shortlist should be approved without modification because it is consistent with PG&E's 2013 RPS Procurement Plan, approved by Decision 13-11-024, and represents a reasonable selection of offers received in the Solicitation. Although the IE did not agree with every shortlist decision that PG&E made, the IE did state that, "PG&E's decisions to select or reject Offers to arrive at a shortlist were fair and reasonable" and that he "believes that in most decisions, PG&E's preferences and its choices were within the realm of "reasonable business judgment" that the CPUC allows IOUs to exercise in energy procurement."² Below, PG&E address the concerns raised by ORA.

II. The Projects are not Evaluated by PAV Alone

ORA argues that the Projects should be removed from the Shortlist because some of the other projects bidding in the Solicitation offered higher PAVs. ORA compares the PAV of the Projects to the average PAV of the total selected projects on the Shortlist and suggests the Projects be rejected because they are below the average. By its very nature, an average represents projects with higher and lower values. It would be impossible to have all projects on the Shortlist at or below the average PAV.

By arguing that PG&E should exclude the Projects simply because other projects offer higher PAV, ORA misconstrues PG&E's overall project evaluation methodology. PAV is a tool to measure an offer's value relative to other offers, but it should not be used exclusively. Given the range of benefits offers can provide to PG&E's customers, PG&E's methodology does not require selection of projects based solely on PAV, nor is there an established quantitative threshold for a reasonable PAV. Consistent with PG&E's 2013 RPS Procurement Plan, in addition to net market value and PAV, PG&E considers more subjective, qualitative criteria, including project viability, contribution to one or more RPS goals such as the State's biomass goals, seller concentration, and supplier diversity. In contrast to selecting only those projects which offer the highest PAVs, PG&E selects the set of highest-ranked offers, taking into account both PAV and the qualitative considerations set forth in its least-cost, best-fit ("LCBF") process, which allow for a reasonable probability of satisfying PG&E's procurement goal. While the

² Advice 4398-E, Section 1, "Confidential Independent Evaluator Report", p.63 within the advice letter, p.49 within Section 1 alone.

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PAVs of the Projects identified by ORA are lower than other offers in the Solicitation, each Project may offer significant value to PG&E that merits its inclusion on the Shortlist.

III. Why the Projects Should Remain on PG&E's Shortlist

PG&E's shortlist evaluation process is structured to capture both qualitative and quantitative benefits. PG&E uses "reasonable business judgment"³ to evaluate proposed offers and projects based on these benefits. These efforts have resulted in a shortlist that includes a combination of [REDACTED] that offer various qualitative and quantitative benefits. In its protest, ORA fails to account for other valuable attributes of the Projects that are not fully captured within the PAV methodology, and which justify keeping them on the Shortlist.

A. [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]. In its protest, ORA claims that PG&E could have shortlisted the [REDACTED], in place of the [REDACTED] because the [REDACTED].⁴ PG&E believes that the [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]. PG&E's LCBF methodology allows for consideration of both the [REDACTED] of this project.

B. [REDACTED]

ORA argues that the [REDACTED] PAV is significantly below the PAV of other projects on the Shortlist. The PAV of this project is [REDACTED], approximately [REDACTED] lower than other projects on the Shortlist. This is a relatively small difference and ORA's characterization of the project value is simply not valid.

³ Ibid, p. 49 / p.63.

⁴ ORA's Protest of Advice 4398-E, dated May 12, 2014, p.4.

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ORA argues that the [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED].

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]. Given all of this, PG&E
determined that the project's overall value merited shortlisting.

C. [REDACTED]

ORA asserts in its protest that [REDACTED] should be removed from the Shortlist because PG&E has not adequately demonstrated that the project represents LCBF procurement. However, [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED], and therefore, PG&E felt it should be on the Shortlist for consideration.

IV. Conclusion

The fact that a project is on the Shortlist does not mean that a Power Purchase Agreement ("PPA") will be executed. PG&E's shortlist is designed to be generally inclusive, representing substantially greater volumes than PG&E expects to actually bring under contract. This helps to ensure that the shortlist represents a sufficient number of high-quality and diverse offers to allow PG&E to negotiate the best procurement opportunities for its customers. PG&E expects offer terms to change during the process of negotiation; some bids may decrease in value through negotiations, and some may increase. Including the Projects on the Shortlist simply means the projects are not excluded from consideration and allows an opportunity for increases in value prior to the execution of a

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PPA, if any. For the reasons discussed above, ORA's protest should be rejected and PG&E's proposed Shortlist approved without modifications.

Sincerely,

Brian Cherry /KAC

Brian K. Cherry
Vice President, Regulatory Relations

cc: Brian Goldman – ORA
Karin Hieta – ORA
Chloe Lukins – ORA
Christopher Clay – ORA
Iryna Kwasny – ORA
Legal Support – ORA
President Michael Peevey – CPUC
Commissioner Carla Peterman – CPUC
Commissioner Michael Florio – CPUC
Commissioner Catherine Sandoval, CPUC
Commissioner Michael Picker – CPUC
Timothy Sullivan, Acting Chief Administrative Law Judge – CPUC
Karen Clopton, Acting General Counsel – CPUC
Director Edward Randolph – CPUC Energy Division
Cheryl Lee – CPUC Energy Division
Paul Douglass – CPUC Energy Division
Service List R.11-05-005

DECLARATION OF Redacted
SEEKING CONFIDENTIAL TREATMENT
FOR CERTAIN DATA AND INFORMATION CONTAINED
IN PG&E'S RESPONSE TO ORA'S PROTEST OF
ADVICE LETTER 4398-E
(PACIFIC GAS AND ELECTRIC COMPANY - U 39 E)

I, Redacted declare:

1. I am presently employed by Pacific Gas and Electric Company ("PG&E"), and have been an employee at PG&E since 1985. I am a principal in the Renewable Energy group in the Energy Procurement department within PG&E. I am responsible for managing PG&E's Renewables Portfolio Standard solicitation negotiating power purchase agreements with counterparties. In carrying out these responsibilities, I have acquired knowledge of such sellers in general and, based on my experience in dealing with facility owners and operators, I am familiar with the types of data and information about their operations that such owners and operators consider confidential and proprietary.

2. Based on my knowledge and experience and in accordance with Decision ("D") 08-04-023 and the August 22, 2006 "Administrative Law Judge's Ruling Clarifying Interim Procedures for Complying with Decision 06-06-066," this declaration seeking confidential treatment of PG&E's Response to the Office of Ratepayer Advocates' Protest of Advice Letter 4398-E, submitted on May 22, 2014.

3. Attached to this declaration is a matrix identifying the data and information for which PG&E is seeking confidential treatment. The matrix specifies that the material PG&E is seeking to protect consists of the particular type of information listed in Appendix 1 of D.06-06-066 and Appendix C of D.08-04-023 ("IOU Matrix"), which constitutes information that should be protected under Order 66-C. The matrix specifies the category or categories in the IOU Matrix to which the data and information corresponds, and why

confidential protection is required. Finally, the matrix specifies (1) PG&Es complying with the limitations specified in the IOU Matrix for that type of data or information, as applicable; (2) the information already public, and (3) data that cannot be aggregated, redacted, summarized or otherwise presented in a way that allows partial disclosure. By this reference, I am incorporating into this declaration of the explanation in the attached matrix that is pertinent to this submittal.

I declare under penalty of perjury, the laws of the State of California, that to the best of my knowledge, the foregoing is true and Executed May 22, 2014 at San Francisco, California.

Redacted

PACIFIC GAS AND ELECTRIC COMPANY
 Response to ORA's Protest of Advice Letter 4398-E
 May 22, 2014

IDENTIFICATION OF CONFIDENTIAL INFORMATION

Redaction Reference	1) The material submitted constitutes a particular type of data listed in the Matrix, appended as Appendix 1 to D.06-06-066 (Y/N)	2) Which category or categories in the Matrix the data correspond to:	3) That it is complying with the limitations on confidentiality specified in the Matrix for that type of data (Y/N)	4) That the information is not already public (Y/N)	5) The data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure (Y/N)	PG&E's Justification for Confidential Treatment	Length of Time
Documents: PG&E's Response to ORA's Protest of Advice Letter 4398-E							
PG&E's Response to ORA's Protest of Advice Letter 4398-E	Y	Item VII (un-numbered category following VII G) Score sheets, analyses, evaluations of proposed RPS projects. Item VIII A) Bid information and B) Specific quantitative analysis involved in scoring and evaluation of participating bids.	Y	Y	Y	The confidential version of PG&E's response to ORA's protest of Advice Letter 4398-E contains confidential information pertaining to the shortlisted projects from PG&E's 2013 RPS Solicitation. Public disclosure of this information would place PG&E at a competitive disadvantage by providing business and financial information to participating bidders' competitors and prospective sellers to PG&E. This would most likely influence their business conduct to the detriment of PG&E's customers. Therefore, this information is considered market sensitive information and thus confidential.	For information covered under Item VII (un-numbered category following VII G), remain confidential for three years. For information covered under Item VIII A), remain confidential until after final contracts submitted to CPUC for approval. For information covered under Item VIII B), remain confidential for three years after winning bidders selected.