

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

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

**2014 RPS PROCUREMENT PLAN
OF PILOT POWER GROUP, INC.
(Public Version)**

(EXHIBIT A—CONFIDENTIAL)

June 11, 2014

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**2014 RPS PROCUREMENT PLAN
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Pursuant to the directions contained in the Assigned Commissioner’s Ruling Identifying Issues And Schedule of Review For 2014 Renewables Portfolio Standard Procurement Plans (the “ACR”), together with the Administrative Law Judge’s Ruling on Renewable Net Short (the “RNS Ruling”), Pilot Power Group, Inc. (“Pilot Power”), Pilot Power hereby submits the following 2014 RPS Procurement Plan.

ASSESSMENT OF RPS PORTFOLIO SUPPLIES AND DEMAND—Section
399.13(a)(5)(A)

Unlike the IOUs, Pilot Power does not have captive customers. All of Pilot Power’s customers are on contracts that may be terminated by either party upon fairly short notice. As a result, there is not a readily quantifiable volume of future customer consumption that can be relied upon in analyzing the coming 20 year period and the RPS qualifying energy that will be required to meet the anticipated consumption. Notwithstanding there is not a quantifiable volume of future customer consumption under contract, historically, Pilot Power’s customer load has been fairly consistent from year to year. Accordingly, for purposes of planning and analysis,

Pilot Power assumes as a baseline that its future customer consumption in the coming 20 years will be in the same range as its historical customer consumption.

With the enactment of Senate Bill 2 1X, LSE's are required to procure RPS resources in varying amounts from 3 categories of resources. Pilot Power successfully fulfilled all of its requirements with respect to Compliance Period 1.

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

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

Due to the difficulty of procuring sufficient RPS qualifying resources that conform to the myriad rules of the program, deliverability characteristics such as peaking, dispatchable, baseload, firm, and as-available capacity, willingness to be curtailed, and/or operational

flexibility are a distant secondary consideration. Our primary concern is complying with the RPS program requirements.

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

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

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

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

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

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

Pilot Power does not currently have any eligible renewable energy resources under contract that have not yet been built. Accordingly, there is no construction delay risk.

However, the greatest risk facing LSEs in connection with the RPS program is the regulatory uncertainty surrounding this and every other program in California. Not more than a

year can go by without the legislature or the California Public Utilities Commission changing or adding to the RPS program requirements. This makes long term planning unnecessarily difficult. This year's RPS Procurement Plan illustrates the regulatory uncertainty issue. In 2012 and 2013 All LSE's were required to include a quantitative analysis that included the Renewable Net Short analysis of the filing LSE. For 2014, however, the ACR issued on March 26, 2014, directed ESPs not to include the quantitative analysis in their 2014 Procurement Plans. On May 21, 2014, however, the RNS Ruling was issued, directing all LSEs to include the RNS template in their 2014 Procurement Plans. So for ESPs the RNS analysis was in, then it was out, then it was back in. This is like a game of regulatory Hokey Pokey—except for those trying to operate a business and comply with the myriad rules and regulations, it is not a very fun game.

“MINIMUM MARGIN” OF PROCUREMENT—Sections 399.13(a)(4)(D)

As an ESP, Pilot Power procures renewable resources in the amounts required by law. At this time, Pilot Power does not intend to procure more resources than are necessary.

SAFETY CONSIDERATIONS

Because Pilot Power does not own, operate or control generating facilities, it has no safety considerations associated with such matters. With respect to its offices, Pilot Power endeavors to provide a safe and secure environment for all of its employees.

RNS QUESTIONS FOR ALL FUTURE IOU ANNUAL RPS PLANS FILINGS

Pursuant to the RNS Ruling, all retail sellers must answer the questions in Appendix D to the RNS Ruling. Appendix D, however, specifically states that it applies only to the IOUs. Nevertheless, Pilot Power shall endeavor to answer the questions, as if they applied to ESPs as well as the IOUs.

1. How do current and historical performance of online resources in your RPS portfolio impact future projections of RPS deliveries and your subsequent RNS?

Answer: No impact.

2. Do you anticipate any future changes to the current bundled retail sales forecast? If so, describe how the anticipated changes impact the RNS.

Answer: Only the IOUs have “bundled retail sales”. However, Pilot Power will answer this question as if it referred simply to “retail sales”. Because ESPs do not have captive customers like the IOUs, we always anticipate changes to our retail sales forecast. All our customers are on contracts which can be terminated on fairly short written notice. Accordingly, if we lose customer load, our RNS will decrease, but if we gain customer load, our RNS will increase.

3. Do you expect curtailment of RPS projects to impact your projected RPS deliveries and subsequent RNS?

Answer: No.

4. Are there any significant changes to the success rate of individual RPS projects that impact the RNS?

Answer: No.

5. As projects in development move towards their COD, are there any changes to the expected RPS deliveries? If so, how do these changes impact the RNS?

Answer: Not applicable, we have no projects in development.

6. What is the appropriate amount of RECs above the PQR to maintain? Please provide a quantitative justification and elaborate on the need for maintaining banked RECs above the PQR.

Answer: Ordinarily we attempt to maintain 0 RECs above the PQR. However, since compliance is based on multi-year periods, year over year we may have some RECs above the PQR in one year that are intended to apply not just to that calendar year, but the entire multi-year compliance period.

7. What are your strategies for short-term management (10 years forward) and long-term (10-20 years forward) of RECs above the PQR? Please discuss any plans to use RECs above the PQR for future RPS compliance and/or to sell RECs above the PQR.

Answer: Because we have no customers under long-term contracts, we have no idea what our retail sales may be in a 10-year or 10-20 year timeframe. Similarly, with very few RPS resources under long-term contracts, whether we will or will not have RECs above the PQR is an unknown. (Unlike the IOUs, ESPs do not have guaranteed recovery of costs on all of their RPS contracts, making ESPs face substantially greater risk than the IOUs with respect to all RPS contracts, especially long-term contracts. In fact, in light of their guaranteed recovery of all costs, the IOUs face no risk on their RPS contracts.) As a general rule, if we have RECs above the PQR that can be used for future RPS compliance, we will either use them for compliance or sell them, or some combination thereof. Which path makes the most sense will depend on future events which cannot be known at this time. We reserve the right to make those business decisions at the time they arise when we can put them in the proper context.

8. Provide VMOP on both a short-term (10 years forward) and long-term (10-20 years forward) basis. This should include a discussion of all risk factors and a quantitative justification for the amount of VMOP.

Answer: As an ESP, Pilot Power procures renewable resources in the amounts required by law. At this time, Pilot Power does not intend to procure more resources than are necessary. We have an obligation to our customers not to procure more RPS resources than necessary in order to keep RPS costs as low as possible.

9. Please address the cost-effectiveness of different methods for meeting any projected VMOP procurement need, including application of forecast RECs above the PQR.

Answer: Not applicable, we do not intend to over-procure.

10. Are there cost-effective opportunities to use banked RECs above the PQR for future RPS compliance in lieu of additional RPS procurement to meet the RNS?

Answer: Because we have no customers under long-term contracts, we have no idea what our retail sales may be in a 10-year or 10-20 year timeframe. Similarly, with very few RPS resources under long-term contracts, whether we will or will not have RECs above the PQR is an unknown. As a general rule, if we have RECs above the PQR that can be used for future RPS compliance, we will either use them for compliance or sell them, or some combination thereof. Which path makes the most sense will depend on future events which cannot be known at this time. We reserve the right to make those business decisions at the time they arise when we can put them in the proper context.

11. How does your current RNS fit within the regulatory limitations for PCCs? Are there opportunities to optimize your portfolio by procuring RECs across different PCCs?

Answer: Pilot Power endeavors to procure the exact amount of RECs required and/or allowed for each PCC for each Compliance Period. Pilot Power further endeavors not to procure any more RECs than are necessary for compliance in each Compliance

Period to limit the risk that over-procurement may result in the inability to use such RECs for future compliance because they do not qualify for banking, and to limit the risk that regulatory changes (that will undoubtedly occur between today and future compliance filings) may adversely impact our ability to use RECs for compliance that we have already paid for. We also have a duty to our customers to keep RPS costs to a minimum by not procuring more resources than necessary within any particular category.

STANDARDIZED RNS REPORTING TEMPLATE

Attached hereto as Exhibit A is a copy of the RNS Reporting Template required by the RNS Ruling. It must be noted that there are numerous problems with this Template. All of the templates used for RPS compliance filings suffer from a lack of sufficient instructions. The RNS Template, however, has almost no instructions, and has numerous errors in various cells, including formula errors. Some of the errors have been noted and a Revised Template provided. The Revised Template, however, still suffers from several errors and a lack of sufficient instructions. As a result, the goal of having all LSE's submitting uniform information that can be compared "apples to apples" is lost, since there is no guarantee that all LSEs will interpret the Template the same. As a result, Pilot Power has attempted to interpret the Template in as straight-forward, logical and reasonable a manner as possible. Pilot Power has also corrected a couple of formula/cell errors it has encountered in attempting to properly complete the Template.

IMPORTANT CHANGES BETWEEN 2012 AND 2013 RPS PROCUREMENT PLANS

The following represent important changes in the 2014 RPS Procurement Plan as compared to the 2013 RPS Procurement Plan:

- As required by the ACR, a section on “Minimum Margin” of Procurement has been added;
- As required by the ACR, a section on Safety Considerations has been added;
- As ESPs have not been asked to provide a Quantitative Analysis in connection with their 2014 Procurement Plans, the Quantitative Analysis section and the related excel spreadsheet exhibit have been deleted;
- The new RNS spreadsheet required by the RNS Ruling has been added as Exhibit A;
- A section has been added with answers to the questions in Appendix D of the RNS Ruling; and
- The Plan has been updated to reflect RPS procurement that has occurred since last year’s RPS Procurement Plan.

REDLINED PLAN

Attached hereto as Exhibit B is a version of the 2014 RPS Procurement Plan that is redlined to identify changes from the 2013 plan.

CONFIDENTIALITY

On August 15, 2012, Pilot Power filed its Motion For Leave To File Update to 2012 RPS Procurement Plan Under Seal. By this motion Pilot Power sought confidential treatment of portions of its revised 2012 RPS Procurement Plan. Pilot Power’s revised 2012 RPS Procurement Plan was approved by the Commission in D.12-11-016 (November 8, 2012) (Ordering Paragraph No. 21, page 96).

In D.08-04-023 (April 10, 2008), the Commission determined that “[a]n ESP or IOU need not seek confidentiality of regular compliance filings every time it files, but only the first time. The ESP or IOU may simply cite a prior ruling or motion when making subsequent

compliance filings.” Decision at p. 28 (Ordering Paragraph No. 9). Pilot Power cites to its previous revised 2012 RPS Procurement Plan to support its request for confidential treatment of the redacted information in the public version of the accompanying RNS Template attached hereto as Exhibit “A”. In addition to those portions of the RNS Template that are confidential pursuant to the “Matrix of Allowed Confidential Treatment of Energy Service Provider (ESP) Data” under the provisions of D. 06-06-066, as modified in D. 08-04-023, Pilot Power has redacted, in the public version of its RNS Template, the information in those grey areas designated by the Energy Division as “confidential.”

Respectfully submitted,



June 11, 2014

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EXHIBIT A

RNS TEMPLATE

(REDACTED PUBLIC VERSION ATTACHED)

Variable	Calculation	Forecast Year	Item	Deficit from RPS Reporting Year 2010	2011 Actuals	2012 Actuals	2013 Actuals	2014-2013	2014 Forecast	2015 Forecast	2016 Forecast	2014-2016	2017 Forecast	2018 Forecast
					2011	2012	2013	CP1	2014	2015	2016	CP2	2017	2018
A	Annual RPS Requirement				1,432	1,403							1,523	1,523
B	Bundled Retail Sales Forecast (LJTP) (GWh)				20.0%	20.0%	20.0%	20.0%	21.7%	25.3%	25.0%	25.3%	27.0%	29.0%
C	RPS Procurement Quantity Requirement (%)				286	281							411	442
D	Gross RPS Procurement Quantity Requirement (GWh)				-	-							-	-
E	Voluntary Margin of Over-procurement				286	281							411	442
Fa	Net RPS Procurement Need (GWh)				-	-							-	-
Fb	RPS-Eligible Procurement				-	-							-	-
Fc	Risk-Adjusted RECs from Online Generation				366	296							0.32	0.32
Fd	Risk-Adjusted RECs from Online Generation				-	-							-	-
Ff	Forecast Failure Rate for Online Generation (%)				-	-							-	-
Fg	Risk-Adjusted RECs from RPS Facilities in Development				-	-							-	-
Fh	Forecast Failure Rate for RPS Facilities in Development (%)				-	-							-	-
Fi	Pre-Approved Generic RECs				-	-							-	-
Fj	Forecasted REC Sales				-	-							-	-
Fk	Total RPS Eligible Procurement (GWh)				366	296							0.32	0.32
Fm	Category 0 RECs				-	-							-	-
Fn	Category 1 RECs				198	207							-	-
Fo	Category 2 RECs				125	64							-	-
Fp	Category 3 RECs				43	25							0.32	0.32
Ca	Gross RPS Position (Physical Net Short)				-	-							-	-
Cb	Annual Gross RPS Position (GWh) (Deficit)				(74)	15	22%	23%	17%	14%	14%	15%	(411)	(441)
Da	Application of Bank (incl. RECs that constitute "excess procurement" and RECs in the active sub-account in WREGIS that are within 36 months of the date of generation, but have not been retired yet for RPS Compliance)													
Db	J (from previous year)				-	6							-	-
Dc	Existing banked RECs above the PQR (cumulative)				-	15							-	-
Dd	RECs above the PQR added to Bank (per year, not cumulative)				80	15							-	-
De	Non-bankable RECs above the PQR (per year, not cumulative)				-	-							-	-
Df	Gross Balance of RECs above the PQR (cumulative)				80	21							-	-
Ea	Planned Application of RECs above the PQR (towards RPS Compliance)				-	-							-	-
Eb	Planned Sales of RECs above the PQR				-	-							-	-
Ej	Net Balance of RECs above the PQR (cumulative)				-	-							-	-
Ep	Category 0 RECs				-	-							-	-
Eq	Category 1 RECs (cumulative)				-	-							-	-
Er	Category 2 RECs (cumulative)				-	-							-	-
Es	Expiring Contracts				-	-							-	-
K	RECs from Expiring RPS Contracts (per year listed in year after expiration, not cumulative)				-	232	91	-	210	45	45	206	-	-
La	Net RPS Position (Optimized Net Short)				-	-							-	-
Lb	Annual Net RPS Position after Bank Optimization (GWh) (Deficit)				-	-							-	-
Lc	Annual Net RPS Position after Bank Optimization (%)				-	-							-	-
Ld	(F + Ia - Ib - Hc) / A				-	-							-	-
Lf	(F + Ia - Ib - Hc) / A				-	-							-	-

EXHIBIT B

REDLINE OF 2014 RPS PLAN

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Order Instituting Rulemaking to Continue)
Implementation and Administration of California) Rulemaking 11-05-005
Renewables Portfolio Standard Program.) (Filed May 5, 2011)
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| **20132014 RPS PROCUREMENT PLAN
OF PILOT POWER GROUP, INC.
(Public Version)**

| **(EXHIBIT A – CONFIDENTIAL)**

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2013

**2014 RPS PROCUREMENT PLAN
OF PILOT POWER GROUP, INC.**
(Public Version)

Pursuant to the directions contained in the Assigned Commissioner’s Ruling Identifying Issues And Schedule of Review For ~~2013~~2014 Renewables Portfolio Standard Procurement Plans Pursuant to Public Utilities Code Sections 399.11 et seq. and Requesting Comments On A New Proposal (the “ACR”), together with the Administrative Law Judge’s Ruling on Renewable Net Short (the “RNS Ruling”), Pilot Power Group, Inc. (“Pilot Power”), Pilot Power hereby submits the following ~~2013~~2014 RPS Procurement Plan.

ASSESSMENT OF RPS PORTFOLIO SUPPLIES AND DEMAND—Section

399.13(a)(5)(A)

Unlike the IOUs, Pilot Power does not have captive customers. All of Pilot Power’s customers are on contracts that may be terminated by either party upon fairly short notice. As a result, there is not a readily quantifiable volume of future customer consumption that can be relied upon in analyzing the coming ~~+020~~ year period and the RPS qualifying energy that will be required to meet the anticipated consumption. Notwithstanding there is not a quantifiable volume of future customer consumption under contract, historically, Pilot Power’s customer load has been fairly consistent from year to year. Accordingly, for purposes of planning and analysis,

Pilot Power assumes as a baseline that its future customer consumption in the coming ~~10~~20 years will be in the same range as its historical customer consumption.

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

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

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

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

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

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

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

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

interconnection, building and other delays related to the development of new facilities will delay Pilot Power's compliance.

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

Pilot Power does not currently have any eligible renewable energy resources under contract that have not yet been built. Accordingly, there is no construction delay risk.

However, the greatest risk facing LSEs in connection with the RPS program is the regulatory uncertainty surrounding this and every other program in California. Not more than a year can go by without the legislature or the California Public Utilities Commission changing or adding to the RPS program requirements. This makes long term planning unnecessarily difficult. This year's RPS Procurement Plan illustrates the regulatory uncertainty issue. In 2012 and 2013 All LSE's were required to include a quantitative analysis that included the Renewable Net Short analysis of the filing LSE. For 2014, however, the ACR issued on March 26, 2014, directed ESPs not to include the quantitative analysis in their 2014 Procurement Plans. On May 21, 2014, however, the RNS Ruling was issued, directing all LSEs to include the RNS template in their 2014 Procurement Plans. So for ESPs the RNS analysis was in, then it was out, then it was back in. This is like a game of regulatory Hokey Pokey—except for those trying to operate a business and comply with the myriad rules and regulations, it is not a very fun game.

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QUANTITATIVE INFORMATION“MINIMUM MARGIN” OF PROCUREMENT—

Sections 399.13(a)(5)(A), (B), (4)(D), and (F)

As an ESP, Pilot Power procures renewable resources in the amounts required by law. At this time, Pilot Power does not intend to procure more resources than are necessary.

SAFETY CONSIDERATIONS

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RNS QUESTIONS FOR ALL FUTURE IOU ANNUAL RPS PLANS FILINGS

Pursuant to the RNS Ruling, all retail sellers must answer the questions in Appendix D to the RNS Ruling. Appendix D, however, specifically states that it applies only to the IOUs.

Nevertheless, Pilot Power shall endeavor to answer the questions, as if they applied to ESPs as well as the IOUs.

1. How do current and historical performance of online resources in your RPS portfolio impact future projections of RPS deliveries and your subsequent RNS?

Answer: No impact.

2. Do you anticipate any future changes to the current bundled retail sales forecast? If so, describe how the anticipated changes impact the RNS.

Answer: Only the IOUs have “bundled retail sales”. However, Pilot Power will answer this question as if it referred simply to “retail sales”. Because ESPs do not have captive customers like the IOUs, we always anticipate changes to our retail sales forecast. All our customers are on contracts which can be terminated on fairly short written notice. Accordingly, if we lose customer load, our RNS will decrease, but if we gain customer load, our RNS will increase.

3. Do you expect curtailment of RPS projects to impact your projected RPS deliveries and subsequent RNS?

Answer: No.

4. Are there any significant changes to the success rate of individual RPS projects that impact the RNS?

Answer: No.

5. As projects in development move towards their COD, are there any changes to the expected RPS deliveries? If so, how do these changes impact the RNS?

Answer: Not applicable, we have no projects in development.

6. What is the appropriate amount of RECs above the PQR to maintain? Please provide a quantitative justification and elaborate on the need for maintaining banked RECs above the PQR.

Answer: Ordinarily we attempt to maintain 0 RECs above the PQR. However, since compliance is based on multi-year periods, year over year we may have some RECs above the PQR in one year that are intended to apply not just to that calendar year, but the entire multi-year compliance period.

7. What are your strategies for short-term management (10 years forward) and long-term (10-20 years forward) of RECs above the PQR? Please discuss any plans to use RECs above the PQR for future RPS compliance and/or to sell RECs above the PQR.

Answer: Because we have no customers under long-term contracts, we have no idea what our retail sales may be in a 10-year or 10-20 year timeframe. Similarly, with very few RPS resources under long-term contracts, whether we will or will not have RECs above the PQR is an unknown. (Unlike the IOUs, ESPs do not have guaranteed recovery of costs on all of their RPS contracts, making ESPs face substantially greater risk than the IOUs with respect to all RPS contracts, especially long-term contracts. In fact, in light of their guaranteed recovery of all costs, the

IOUs face no risk on their RPS contracts.) As a general rule, if we have RECs above the PQR that can be used for future RPS compliance, we will either use them for compliance or sell them, or some combination thereof. Which path makes the most sense will depend on future events which cannot be known at this time. We reserve the right to make those business decisions at the time they arise when we can put them in the proper context.

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compliance or sell them, or some combination thereof. Which path makes the most sense will depend on future events which cannot be known at this time. We reserve the right to make those business decisions at the time they arise when we can put them in the proper context.

11. How does your current RNS fit within the regulatory limitations for PCCs? Are there opportunities to optimize your portfolio by procuring RECs across different PCCs?

Answer: Pilot Power endeavors to procure the exact amount of RECs required and/or allowed for each PCC for each Compliance Period. Pilot Power further endeavors not to procure any more RECs than are necessary for compliance in each Compliance Period to limit the risk that over-procurement may result in the inability to use such RECs for future compliance because they do not qualify for banking, and to limit the risk that regulatory changes (that will undoubtedly occur between today and future compliance filings) may adversely impact our ability to use RECs for compliance that we have already paid for. We also have a duty to our customers to keep RPS costs to a minimum by not procuring more resources than necessary within any particular category.

STANDARDIZED RNS REPORTING TEMPLATE

Attached hereto as Exhibit A is a copy of the RNS Reporting Template required by the RNS Ruling. It must be noted that there are numerous problems with this Template. All of the templates used for RPS compliance filings suffer from a lack of sufficient instructions. The RNS Template, however, has almost no instructions, and has numerous errors in various cells, including formula errors. Some of the errors have been noted and a Revised Template provided. The Revised Template, however, still suffers from several errors and a lack of sufficient

instructions. As a result, the goal of having all LSE's submitting uniform information that can be compared "apples to apples" is lost, since there is no guarantee that all LSEs will interpret the Template the same. As a result, Pilot Power has attempted to interpret the Template in as straight-forward, logical and reasonable a manner as possible. Pilot Power has also corrected a couple of formula/cell errors it has encountered in attempting to properly complete the Template.

IMPORTANT CHANGES BETWEEN 2012 AND 2013 RPS PROCUREMENT PLANS

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

PORTFOLIO OPTIMIZATION STRATEGY

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

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

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

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

1/1/14 thru 12/31/16			
Compliance Period 3 1/1/17 thru 12/31/20	At least 75%	The balance	Not more than 10%

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

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

IMPORTANT CHANGES BETWEEN 2012 AND 2013 RPS PROCUREMENT PLANS

The following represent important changes in the ~~2013~~2014 RPS Procurement Plan as compared to the ~~2012~~2013 RPS Procurement Plan:

- As required by the ACR, a section on ~~Portfolio Optimization Strategy~~ “Minimum Margin” of Procurement has been added;
- As required by the ACR, ~~this~~ a section on ~~important changes~~ Safety Considerations has been added;
- As ESPs have not been asked to provide a Quantitative Analysis in connection with their 2014 Procurement Plans, the Quantitative Analysis section and the related excel spreadsheet exhibit have been deleted;
- The ~~Plan~~ new RNS spreadsheet required by the RNS Ruling has been updated to reflect RPS procurement that added as Exhibit A;
- A section has occurred since last year’s RPS Procurement Plan been added with answers to the questions in Appendix D of the RNS Ruling; and
- The Plan has been updated to reflect RPS procurement that has occurred since last year’s RPS Procurement Plan.

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REDLINED PLAN

REDLINED PLAN

Attached hereto as Exhibit B is a version of the ~~2013~~2014 RPS Procurement Plan that is redlined to identify changes from the ~~2012~~2013 plan.

CONFIDENTIALITY


On August 15, 2012, Pilot Power filed its Motion For Leave To File Update to 2012 RPS Procurement Plan Under Seal. By this motion Pilot Power sought confidential treatment of portions of its revised 2012 RPS Procurement Plan. Pilot Power’s revised 2012 RPS

Procurement Plan was approved by the Commission in D.12-11-016 (November 8, 2012)

(Ordering Paragraph No. 21, page 96).

In D.08-04-023 (April 10, 2008), the Commission determined that “[a]n ESP or IOU need not seek confidentiality of regular compliance filings every time it files, but only the first time. The ESP or IOU may simply cite a prior ruling or motion when making subsequent compliance filings.” Decision at p. 28 (Ordering Paragraph No. 9). Pilot Power cites to its previous revised 2012 RPS Procurement Plan to support its request for confidential treatment of the redacted information in the public version of the accompanying RNS Template attached hereto as Exhibit “A”. In addition to those portions of the RNS Template that are confidential pursuant to the “Matrix of Allowed Confidential Treatment of Energy Service Provider (ESP) Data” under the provisions of D. 06-06-066, as modified in D. 08-04-023, Pilot Power has redacted, in the public version of its RNS Template, the information in those grey areas designated by the Energy Division as “confidential.”

Respectfully submitted,



June 14, 2013 11, 2014

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VERIFICATION

I, Thomas R. Darton, am an officer of Pilot Power Group, Inc. and am authorized to make this verification on its behalf. The matters stated in the foregoing 2014 RPS PROCUREMENT PLAN OF PILOT POWER GROUP, INC. are true of my own personal knowledge, except as to matters which are stated therein on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that this Verification is executed this 11th day of June, 2014, at San Diego, California.

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

Thomas R. Darton, Vice President