

**DRAFT**

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

**ENERGY DIVISION**

**Agenda ID # 13081  
RESOLUTION E-4668  
August 14, 2014**

**REDACTED  
RESOLUTION**

**Resolution E-4668.** Pacific Gas and Electric Company requests approval of its 2013 Renewables Portfolio Standard Solicitation Shortlist Report.

**PROPOSED OUTCOME:**

- This Resolution approves Pacific Gas and Electric Company's 2013 Renewables Portfolio Standard Solicitation Shortlist Report.

**SAFETY CONSIDERATIONS:**

- Because this resolution only approves the shortlisting of projects that Pacific Gas and Electric Company may negotiate power purchase agreements with, there are not expected to be any incremental safety implications associated with approval of this resolution.

**ESTIMATED COST:**

- There are no expected costs associated with the approval of Pacific Gas and Electric Company's 2013 Renewables Portfolio Standard Solicitation Shortlist Report.

**By Advice Letter 4398-E filed on April 21, 2014.**

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## **SUMMARY**

### **Pacific Gas and Electric Company's (PG&E) 2013 Renewables Portfolio Standard (RPS) Solicitation Shortlist Report is approved.**

In compliance with D.06-05-039 and D.13-11-024, PG&E filed Tier 2 Advice Letter (AL) 4398-E on April 21, 2014, requesting California Public Utilities Commission (Commission) approval of its 2013 RPS Solicitation Shortlist Report. The Shortlist Report is comprised of PG&E's description of its 2013 RPS Solicitation evaluation criteria and selection process as well as the report of the Independent Evaluator (IE) who oversaw the solicitation and shortlist selection process.

As authorized in D.13-11-024, PG&E issued its 2013 RPS request for offers (RFO) on December 16, 2013. PG&E identified in its RFO protocol the intent to procure up to 1,500 gigawatt-hours (GWh) under long-term power purchase agreements (PPAs), with a strong preference for portfolio content category (PCC) 1 projects located in PG&E's service territory that will begin delivering energy in 2020 or later. PG&E subsequently evaluated and selected offers for inclusion on a shortlist of projects with which it will engage in PPA negotiations.

This resolution approves PG&E's 2013 RPS Solicitation Shortlist Report.

## **BACKGROUND**

### **Overview of the Renewables Portfolio Standard (RPS) Program**

The California RPS program was established by Senate Bill (SB) 1078, and has been subsequently modified by SB 107, SB 1036, and SB 2 (1X).<sup>1</sup> The RPS program is codified in Public Utilities Code Sections 399.11-399.31.<sup>2</sup> Under SB 2 (1X), the RPS program administered by the Commission requires each retail seller to procure eligible renewable energy resources so that the amount of

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<sup>1</sup> SB 1078 (Sher, Chapter 516, Statutes of 2002); SB 107 (Simitian, Chapter 464, Statutes of 2006); SB 1036 (Perata, Chapter 685, Statutes of 2007); SB 2 (1X) (Simitian, Chapter 1, Statutes of 2011, First Extraordinary Session).

<sup>2</sup> All further references to sections refer to Public Utilities Code unless otherwise specified.

electricity generated from eligible renewable resources be an amount that equals an average of 20 percent of the total electricity sold to retail customers in California for compliance period 2011-2013; 25 percent of retail sales by December 31, 2016; and 33 percent of retail sales by December 31, 2020.<sup>3</sup>

Additional background information about the Commission's RPS Program, including links to relevant laws and Commission decisions, is available at <http://www.cpuc.ca.gov/PUC/energy/Renewables/overview.htm> and <http://www.cpuc.ca.gov/PUC/energy/Renewables/decisions.htm>.

### **NOTICE**

Notice of AL 4398-E was made by publication in the Commission's Daily Calendar. PG&E states that a copy of the AL was mailed and distributed in accordance with Section 3.14 of General Order 96-B.

### **PROTESTS**

PG&E's AL 4398-E was timely protested on May 12, 2014 by the Office of Ratepayer Advocates (ORA). PG&E responded to the protest on May 22, 2014 after an extension to file their response was granted to PG&E by Energy Division.

### **DISCUSSION**

#### **PG&E requests Commission approval of its 2013 RPS Solicitation Shortlist Report.**

In compliance with D.06-05-039 and D.13-11-024, PG&E filed Tier 2 AL 4398-E on April 21, 2014, requesting approval of its 2013 RPS Solicitation Shortlist Report. The Shortlist Report is comprised of PG&E's description of its 2013 RPS Solicitation evaluation criteria and selection process as well as the report of the Independent Evaluator (IE) who oversaw the solicitation and shortlist selection process.

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<sup>3</sup> D.11-12-020 established a methodology to calculate procurement requirement quantities for the three different compliance periods set forth in Section 399.15 (2011-2013, 2014-2016, and 2017-2020).

As authorized in D.13-11-024, PG&E issued its 2013 RPS RFO on December 16, 2013. PG&E identified in its RFO protocol the intent to procure up to 1,500 GWh under long-term PPAs, with a strong preference for PCC 1 projects located in PG&E's service territory that will begin delivering energy in 2020 or later. PG&E subsequently evaluated and selected offers for inclusion on a shortlist of projects with which it will engage in PPA negotiations.

### **ORA's Protest of the Shortlist Report**

ORA submitted both public and confidential versions of its protest to AL 4398-E. In its protest to AL 4398-E, ORA recommends that the Commission approve AL 4398-E, but remove specific projects from PG&E's shortlist. ORA makes this recommendation based on its assertion that PG&E has not justified the selection of the projects in place of better valued projects that also bid into PG&E's 2013 RPS Solicitation. ORA's comments regarding specific projects and their associated values are discussed in Confidential Appendix A of this resolution.

PG&E submitted both public and confidential versions of its response to ORA's protest. In PG&E's response to ORA's protest, PG&E recommends that the protest be denied and argues that its shortlist is reasonable because it is consistent with the utility's 2013 RPS Procurement Plan (RPS Plan) and its approved Least-Cost Best-Fit (LCBF) criteria, which includes criteria for project selection beyond value alone. PG&E's response to ORA's confidential protest regarding specific projects are discussed in Confidential Appendix A of this resolution.

### **Energy Division Evaluated the 2013 Solicitation Shortlist Report on Multiple Grounds:**

- Independent Evaluator Report
- Consistency with PG&E's 2013 RPS Procurement Plan
- Consistency with Least-Cost Best-Fit Requirements

### **Independent Evaluator Report (IE)**

PG&E retained Arroyo Seco Consulting (Arroyo) as the Independent Evaluator (IE) for its 2013 RPS Solicitation and shortlist selection. The IE conducted

activities to review and assess PG&E's processes as PG&E conducted outreach to renewable developers and operators, solicited and evaluated offers, and selected a shortlist of offers with which to pursue PPA negotiations.

It is the IE's opinion that PG&E undertook adequate outreach to renewable developers and operators and succeeded in conducting a robust and competitive solicitation. The IE also concluded that overall PG&E's LCBF methodology was designed and applied fairly in selection of projects for inclusion on its shortlist, although the IE disagrees with PG&E's choice to not consider network upgrade costs for projects that interconnect outside the California Independent System Operator's (CAISO) territory.

Overall, the IE opined that the shortlist generally conforms to PG&E's compliance needs, RPS requirements, 2013 RPS Plan and solicitation protocol, and that overall PG&E fairly administered its LCBF methodology in selection of its shortlist. The IE notes that although it disagrees with a few of the choices PG&E made in selecting its shortlist, either due to the inclusion of projects with lower relative value or viability (see Confidential Appendix B), the IE believes that most but not all of these choices were within the range of subjective business judgment that PG&E may apply in making procurement decisions. The IE also believes that most shortlisted offers rank high in value and moderate or high in viability and nearly all of PG&E's evaluation and selection decisions closely followed its approved methodology. Based on this assessment, the IE believes that PG&E's Shortlist merits approval.

Consistent with D.06-05-039, an Independent Evaluator oversaw PG&E's 2013 RPS Solicitation and Shortlist selection. See Confidential Appendix B for the Independent Evaluator's summary of comments on PG&E's Solicitation and Shortlist.

### **Consistency with PG&E's 2013 RPS Procurement Plan**

California's RPS statute requires the Commission to direct each utility to prepare an annual RPS Plan and then review and accept, modify, or reject the Plan prior

to the commencement of a utility's annual RPS solicitation.<sup>4</sup> After the utility selects a shortlist of projects from the annual RPS solicitation with which it will engage in PPA negotiations, the Commission must then evaluate whether the selection of the shortlist was conducted in a manner consistent with the utility's Commission-approved RPS Plan.

The stated goal for PG&E's 2013 RPS Solicitation was to procure up to 1,500 GWh of RPS-eligible generation under long-term PPAs, with the following preferences:

1. Offers that begin delivery in 2020 or later;
2. PCC 1 offers over PCC 2 and PCC 3 offers;
3. Among PCC 2 offers, a delivery pattern that is flat in all hours;
4. Resources that can contribute to PG&E's Resource Adequacy (RA) requirement;
5. A delivery term of ten to fifteen years;
6. Projects within PG&E's service territory
7. Projects that offer flexibility in scheduling generation

The volume of generation associated with shortlisted projects appears to be sufficient to allow PG&E to negotiate and execute PPAs for 1,500 GWh. All projects included on the shortlist are proposed as long-term PPAs, with the majority of projects beginning deliveries in 2020 or later. For the minority of projects with proposed delivery dates that are before PG&E's stated preference, it is possible that commercial operation dates may change during PPA negotiations to better align with PG&E's stated preference.

PG&E's 2013 RPS Solicitation evaluation and shortlist selection methodology is consistent with its 2013 RPS Procurement Plan, as approved by D.13-11-024.

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<sup>4</sup> §399.13.

### **Consistency with PG&E's Least-Cost Best-Fit Requirements**

D.04-07-029 directs the utilities to use certain criteria in their bid ranking. The decision offers guidance regarding the process by which the utility ranks bids in order to select or "shortlist" the bids with which it will commence negotiations. PG&E's LCBF bid evaluation includes a quantitative and qualitative analysis, as well as each proposal's absolute value to PG&E's customers and relative value in comparison to other proposals. The basic components of PG&E's LCBF evaluation and selection criteria and process for RPS contracts were established in the Commission's LCBF decisions D.03-06-071 and D.04-07-029.

Consistent with these decisions, the five main LCBF steps undertaken by PG&E are: (1) determination of market value of bid; (2) evaluation of project viability; (3) evaluation of consistency with RPS goals; (4) evaluation of supplier diversity; (5) evaluation of other qualitative factors<sup>5</sup>, and; (6) calculation of transmission adders.<sup>6</sup>

As noted above, the IE oversaw the offer evaluation process and concluded in its report that overall PG&E fairly administered its LCBF in order to establish a shortlist of offers with whom PG&E will engage in PPA negotiations.

We agree with the IE's conclusion and determine that PG&E's 2013 RPS Solicitation Shortlist was established consistent with the LCBF methodology identified in PG&E's 2013 RPS Procurement Plan.

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<sup>5</sup> Other qualitative factors that PG&E has listed include: project location, seller concentration, and technology diversity.

<sup>6</sup> PG&E's quantitative evaluation of the attributes of a project is first based on Net Market Value (NMV) and then a secondary ranking using Portfolio Adjusted Value (PAV) is applied. The PAV uses NMV results as an initial valuation and then makes additional adjustments that take into account the impact a transaction will have on PG&E's portfolio, many of which are elements of portfolio fit.

### **ORA's protest to Advice Letter 4398-E is denied**

While we agree with ORA that the projects it protested are lower in value than other offers submitted to PG&E through its 2013 RPS solicitation, PG&E appropriately applied its LCBF methodology in establishing its shortlist and the inclusion of the protested projects on the shortlist is reasonable within the flexibility PG&E is provided to select projects under its Commission-approved 2013 RPS Plan. The shortlisted projects on the whole are high in value and all projects meet PG&E's stated RPS RFO procurement objectives. Therefore, PG&E's 2013 RPS Solicitation Shortlist is reasonable, and ORA's protest recommending exclusion of specific projects from PG&E's Shortlist is denied.

If PG&E moves forward in PPA negotiations with the protested projects, venues exist for ORA to provide feedback on the PPAs before they are executed, through the Procurement Review Group process, and after they are executed, through the AL process.

### **Public Safety**

California Public Utilities Code Section 451 requires that every public utility maintain adequate, efficient, just, and reasonable service, instrumentalities, equipment and facilities to ensure the safety, health, and comfort of the public.

This resolution approves PG&E's 2013 RPS Solicitation Shortlist Report. Because this resolution only approves the shortlisting of projects that PG&E may negotiate with, there are not expected to be any incremental safety implications associated with approval of this resolution.

### **CONFIDENTIAL INFORMATION**

The Commission, in implementing Public Utilities Code Section 454.5(g), has determined in D.06-06-066, as modified by D.07-05-032, that certain material submitted to the Commission as confidential should be kept confidential to ensure that market sensitive data does not influence the behavior of bidders in future RPS solicitations. D.06-06-066 adopted a time limit on the confidentiality of specific terms in RPS contracts. Such information, including price, is confidential for three years from the date the contract states that energy



deliveries begin, or until one year following contract expiration, except contracts between IOUs and their affiliates, which are public.

The confidential appendices, marked “[REDACTED]” in the public copy of this resolution, as well as the confidential portions of the advice letter, should remain confidential at this time.

### **COMMENTS**

Public Utilities Code Section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

### **FINDINGS AND CONCLUSIONS**

1. Consistent with D.06-05-039, an Independent Evaluator oversaw Pacific Gas and Electric Company's 2013 Renewables Portfolio Standard Solicitation and shortlist selection.
2. Pacific Gas and Electric Company's 2013 Renewables Portfolio Standard Solicitation evaluation and shortlist selection methodology is consistent with its 2013 RPS Procurement Plan, as approved by D.13-11-024.
3. Pacific Gas and Electric Company's 2013 Renewables Portfolio Standard Solicitation Shortlist was established consistent with the Least-Cost Best-Fit methodology identified in Pacific Gas and Electric Company's 2013 Renewables Portfolio Standard Procurement Plan.
4. Pacific Gas and Electric Company's 2013 Renewables Portfolio Standard Solicitation Shortlist is reasonable.

5. The Office of Ratepayer Advocate's protest recommending exclusion of specific projects from Pacific Gas and Electric Company's Renewables Portfolio Standard Shortlist is denied.
6. The confidential appendices, marked "[REDACTED]" in the public copy of this resolution, as well as the confidential portions of the advice letter, should remain confidential at this time.

**THEREFORE IT IS ORDERED THAT:**

1. Pacific Gas and Electric Company's Advice Letter 4398-E, requesting Commission review and approval of its 2013 RPS Solicitation Shortlist Report is approved without modification.

This Resolution is effective today.

I certify that the foregoing Resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on August 14, 2014; the following Commissioners voting favorably thereon:

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PAUL CLANON  
Executive Director

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# Confidential Appendix A

## Confidential Protest and Response

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# Confidential Appendix B

## Independent Evaluator Conclusions and Recommendations

[REDACTED]