

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE

SAN FRANCISCO, CA 94102-3298



June 16, 2016

Advice Letters 4822-E, 4822-E-A, & 4822-E-B

Erik Jacobson
Director, Regulatory Relations
Pacific Gas and Electric Company
77 Beale St., Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

Subject: Approval of Advice Letters 4822-E 4822-E-A, and 4822-E-B

Dear Mr. Jacobson:

The California Public Utilities Commission (Commission) adopted Resolution E-4770 on March 17, 2016, ordering Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE) and San Diego Gas & Electric Company (SDG&E) (collectively the Investor-owned utilities or IOUs) to hold a solicitation for facilities that can use feedstock from high hazard zones using the Renewable Auction Mechanism (RAM) procurement process and standard contract (BioRAM solicitation). Specifically, Resolution E-4770 ordered the IOUs to file Tier 2 Advice Letters consisting of a contract rider to be used along with the Commission-approved standard RAM contract and the solicitation documents. On April 7, 2016 PG&E submitted Advice Letter 4822-E requesting approval of a RAM contract rider to be used for a RAM auction targeting facilities that can use feedstock from high hazard zones. On June 1, 2016 PG&E filed a supplemental Advice Letter. On April 25, 2016 the Forest Service protested and the Independent Energy producers (IEP) responded to and on April 27, 2016 the California Biomass Energy Alliance (CBEA) protested Advice Letter 4822-E. Staff read and considered all comments but limits the discussion herein to only the relevant issues.

Project Development Security and Performance Security:

The IOU's standard RAM contract approved by D.15-12-025 requires all successful bidders to post performance security and development security bonds upon Commission approval of their contracts. CBEA protests the inclusion of the development and performance security for the BioRAM solicitation and suggests that the IOUs should make an exception for the BioRAM solicitation.

CBEA's protest is without merit. Performance and development security bonds are pre-approved contract terms in the standard RAM contract and can only be altered through a formal process.¹ Therefore, CBEA's protest that a successful bidder in the BioRAM solicitation should not have to pay a development security and a performance security is denied.

Minimum Fuel Requirement Shortfall:

¹D.14-11-042 specified that the IOUs should submit their standard RAM contracts with the RPS plans for Commission approval

In accordance with Resolution E-4770, PG&E offers facilities the option to either terminate the contract or to operate at the current ReMAT baseload price of \$89.23 /MWh for the duration of the contract once the facility can no longer meet the minimum required high hazard zone fuel requirement. PG&E filed a supplemental Advice Letter modifying its rider to give a facility that does not meet its annual minimum high hazard zone fuel requirement a one-time opportunity to request that the contract price be re-established in a future year. The Forest Service, CBEA, and IEP protest this provision.

The protests of the Forest Service, CBEA, and IEP ignore that the scope and timing of Resolution E-4770 are directed to address the Proclamation - to protect public safety and property from falling dead trees and wildfire. The authorized procurement is meant to incentivize facilities to use removed high hazard biomass fuel from high hazard zones. Resolution E-4770 does not allow any dilution of minimum fuel standards. Therefore, the protest of the Forest Service, CBEA, and IEP that the IOUs should revise the minimum fuel requirement shortfall in the BioRAM solicitation is denied.

Early Contract Termination Fee:

PG&E's RAM contract and solicitation documents require that an existing contract expire before the commercial operation date deadline for a new RAM contract. PG&E's proposes to relax this condition for the BioRAM solicitation to allow a project with an existing contract between the counterparty and PG&E to participate in BioRAM as long as the counterparty pays minimum damages for early termination, as stated in the existing contract.² CBEA protests this requirement on the basis that successful bidders will "provide the same amount of qualifying capacity in the same place as they always have, without interruption."

CBEA's protest is outside the scope of this disposition letter. This disposition letter cannot legally alter contract terms in PG&E's existing contracts. CBEA's protest that PG&E should not collect termination fees for its existing contracts is denied.

Conclusion

PG&E Advice Letter 4822-E and supplemental advice letters 4822-E-A and 4822-E-B are approved on June 14, 2016.

Sincerely,



Edward Randolph, Director
Energy Division

² PG&E will allow projects with existing contracts to bid into BioRAM, even if those contracts do not expire within 12 months of the BioRAM contract becoming effective. However, the Seller's PPA must expire within 24 months or Seller's PPA must have a price amendment that has expired or will expire within 24 months. The Seller must terminate any existing PPA prior to beginning deliveries under BioRAM, and if that PPA is with PG&E, the Seller must pay any applicable minimum damages for early termination under the existing contract, (page 4-AL 4822)

June 1, 2016

Advice 4822-E-A

(Pacific Gas and Electric Company ID U39 E)

Public Utilities Commission of the State of California

Subject: Submission of Supplemental Advice Letter with Updated Protocol and Appendices for a Solicitation Using the Renewable Auction Mechanism Targeted At Facilities That Utilize Fuel from High Hazard Zones Pursuant to Resolution E-4770**A. Purpose:**

Pursuant to the California Public Utilities Commission's ("Commission" or "CPUC") General Order ("G.O.") 96-B,¹ Pacific Gas and Electric Company ("PG&E") submits this supplement to Advice Letter 4822-E to provide a description of changes that PG&E proposes to include in an updated solicitation protocol and appendices for a proposed Solicitation using the Renewable Auction Mechanism ("RAM") targeted at facilities that utilize fuel from High Hazard Zones pursuant to Resolution E-4770 ("BioRAM").

The intent of this supplement is to incorporate certain changes, some of which were proposed in responses or protests by parties on PG&E's original Advice Letter 4822-E, and to expand the option of bids into the BioRAM to include contract terms of greater than 5 and 10 years for existing and new facilities, respectively.

Given the urgent nature of the October 30, 2015 Emergency Proclamation on Tree Mortality that led to the development of the BioRAM Program, PG&E is filing this supplement in light of the responses and protests filed by parties and additional recommendations made in the context of the ongoing stakeholder engagement conducted by the Governor's Task Force on Tree Mortality. PG&E intends to provide supplemental material in two filings to allow the Commission to begin its review of the proposed changes as expeditiously as possible. This first supplement describes narratively the changes that PG&E proposes to make to the BioRAM protocol and Rider submitted in Advice Letter 4822-E. PG&E intends to file a second supplement no later than June 3, 2016 to provide both clean versions of the revised BioRAM Rider and Protocol, as supplemented here, and also redlined versions of these documents to show the revisions proposed by this supplement. PG&E also intends to provide in the forthcoming supplement a table listing the location in the protocol and Rider of the substantive changes proposed.

¹ See G.O. 96-B, Section 7.5.1.

The following sections of the advice letter describe each of the supplemental changes to the BioRAM protocol and Rider that PG&E is proposing.

Delivery Terms

In PG&E's original Advice Letter 4822-E, PG&E had proposed that new facilities may only submit bids for contracts of 10 years and existing facilities may only submit bids for contracts of 5 years, with a PG&E option to extend annually to a cumulative total of 10 years under certain conditions. This supplement expands those options (with conforming changes to both the proposed BioRAM Rider and Solicitation Protocol) to allow new facilities to propose contract terms of 10, 15, or 20 years and existing facilities to propose contract terms of 5 (with a PG&E option to extend up to a cumulative total of 10 years), 10, 15, or 20 years. This supplement also provides for a 5-year PPA option that does not include extension options. This supplement supersedes language in the original Advice Letter 4822-E that is inconsistent with the proposed contract durations set forth in this supplement.

This supplement also amends the proposed BioRAM Solicitation Protocol to clarify that, consistent with its most recent Commission-approved Least-Cost, Best-Fit ("LCBF") protocol, PG&E will qualitatively prefer bids offering contracts of less than 20 years.

High Hazard Fuel Definition

California Biomass Energy Alliance ("CBEA") recommended that PG&E's definition of High Hazard Fuel be modified to eliminate the requirement that fuel be sourced from dead and dying trees.² This supplement includes the following edit to PG&E's Rider as proposed by CBEA:

"High Hazard Fuel" means fuel sourced from ~~dead or dying~~ trees within the geographic boundary of High Hazard Zones.

Demonstration of Compliance with High Hazard Fuel Requirement

Resolution E-4770 requires Sellers to provide a quarterly attestation regarding their High Hazard Fuel use. PG&E's original Advice Letter 4822-E included a requirement that the quarterly attestation include an attestation by a Registered Forest Professional with respect to High Hazard Fuel deliveries. This Supplement eliminates the requirement for an attestation by a Registered Forest Professional if there is another mutually agreeable process.

Failure to Meet High Hazard Fuel Requirement

United States Forest Service ("USFS"),³ CBEA,⁴ and Independent Energy Producers ("IEP")⁵ commented on PG&E's contract language requiring BioRAM Sellers to meet contractual

² CBEA Protest, pp. 7-8.

³ USFS Protest, pp. 1-2.

⁴ CBEA Protest, pp. 1-4.

⁵ IEP Response, pp. 4-5.

minimums for High Hazard Fuel use of 40% in 2016, 50% in 2017, 60% in 2018 and 80% in 2019 and thereafter. In particular, these parties objected to PG&E's "claw-back" provision, which would result in payment of \$89.23/MWh for all deliveries during the year if the minimum percentage is not met, and would result in a payment of \$89.23/MWh for all future years.

This supplement modifies the Rider to provide a one-time opportunity for a Seller to revert back to the Contract Price. If, after being reverted to the Amended Price of \$89.23/MWh, the Seller meets the High Hazard Fuel requirement at the end of a future year, PG&E will adjust the payments under the PPA and pay the Seller the Contract Price going forward, subject to meeting minimum fuel requirements. This opportunity is only available under PPAs with a 5 year delivery term without annual extension options.

Price when High Hazard Fuel Requirement is not Met

The supplement clarifies that when the High Hazard Fuel requirement is not met, the PPA price will be the lesser of \$89.23/MWh specified in the Resolution and the Contract Price. This change would apply only if a Seller had bid a Contract Price of less than \$89.23, to ensure that non-High Hazard deliveries were not compensated at a higher price than High Hazard Fuel deliveries.

Requirements for Non-High Hazard Fuel

PG&E's original Advice Letter 4822-E included a requirement that all fuel used by the project be wood, as long as the High Hazard Fuel provisions of the PPA applied. This supplement allows more flexibility with respect to the non-High Hazard Fuel portion of the generation by allowing the non-High Hazard Fuel portion to be any form of woody biomass.

B. Request for Commission Approval

PG&E respectfully requests that the Commission approve the modifications set forth in Advice Letter 4822-E with the changes provided in this supplemental Advice Letter 4822-E-A on an expedited basis and requests that the Commission issue a final resolution or disposition letter,⁶ containing:

1. Approval of the modified BioRAM PPA and Rider in its entirety;
2. Approval of PG&E's modified BioRAM Protocol in its entirety;
3. A finding that termination of an existing PPA to allow participation in BioRAM is reasonable, so long as PG&E collects any minimum contractual termination damages specified in the existing PPA.

⁶ If Commission approval is in the form of a disposition letter issued by the Commission's Energy Division, such approval shall be deemed to have made the following findings.

4. A finding that the statewide high hazard zone designations made available by CAL FIRE on that agency's Tree Mortality Viewer tool constitute the agency's initial high hazard zones designation for purposes of determining the applicable commencement date for the BioRAM Solicitation.
5. Any other and further relief as the Commission finds just and reasonable.

Protests

In light of the urgent nature of BioRAM in helping to address the State's declared emergency related to tree mortality, and consistent with G.O. 96-B, Section 7.5.1, PG&E respectfully requests that the minor revisions made by this supplemental advice letter not re-start the timeline for submitting protests or responses on the original advice letter. However, pursuant to G.O. 96-B, any party may request that the Commission's Energy Division allow supplemental comments on this supplemental filing. The Energy Division may be contacted as follows:

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

Facsimile: (415) 703-2200
E-mail: EDTariffUnit@cpuc.ca.gov

In the event that the Energy Division allows comments on this supplement, copies of those comments should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

Any such supplemental comments shall also be sent to PG&E either via E-mail or U.S. mail (and by facsimile, if possible) at the address shown below on the same date it is mailed or delivered to the Commission:

Erik Jacobson
Director, Regulatory Relations
c/o Megan Lawson
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-7226
E-mail: PGETariffs@pge.com

Tier Designation and Effective Date

PG&E has designated Advice Letter 4822-E as a Tier 2 advice letter and initially sought approval of the Advice Letter by May 7, 2016, which was 30 days after filing of the original Advice Letter 4822-E. In light of the urgent nature of BioRAM in helping to address the State's declared emergency related to tree mortality, and consistent with G.O. 96-B, Section 7.5.1., PG&E respectfully requests that the minor revisions made by this supplemental advice letter not re-start the initial 30-day review period for Advice Letter 4822-E.

Notice

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list and the service list for R.15-02-020. Address changes to the General Order 96-B list and electronic approvals should be directed to PGETariffs@pge.com. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at Process_Office@cpuc.ca.gov. Advice letter filings can also be accessed electronically at: <http://www.pge.com/tariffs>.

/S/

Erik Jacobson
Director – Regulatory Relations

cc: Paul Douglas – Energy Division
Megha Lakhchaura – Energy Division
Steven Kelly, Independent Energy Producers
Randy Moore, Forest Service, Pacific Southwest Region
Julee Malinowski Ball, California Biomass Energy Alliance
Service List R.15-02-020

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. **Pacific Gas and Electric Company (ID U39 E)**

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Jennifer Wirowek

Phone #: (415) 973-1419

E-mail: J6WS@pge.com and PGETariffs@pge.com

EXPLANATION OF UTILITY TYPE

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

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: **4822-E-A**

Tier: **2**

Subject of AL: **Submission of Supplemental Advice Letter with Updated Protocol and Appendices for a Solicitation Using the Renewable Auction Mechanism Targeted At Facilities That Utilize Fuel from High Hazard Zones Pursuant to Resolution E-4770**

Keywords (choose from CPUC listing): Compliance, Contracts, Portfolio

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: Resolution E-4770

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL: _____

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for: No

Confidential information will be made available to those who have executed a nondisclosure agreement: N/A

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information: _____

Resolution Required? Yes No

Requested effective date: May 7, 2016

No. of tariff sheets: N/A

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). N/A

Tariff schedules affected: N/A

Service affected and changes proposed: N/A

Pending advice letters that revise the same tariff sheets: N/A

Protests, dispositions, 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:

California Public Utilities Commission

Energy Division

EDTariffUnit

505 Van Ness Ave., 4th Flr.

San Francisco, CA 94102

E-mail: EDTariffUnit@cpuc.ca.gov

Pacific Gas and Electric Company

Attn: Erik Jacobson

Director, Regulatory Relations

c/o Megan Lawson

77 Beale Street, Mail Code B10C

P.O. Box 770000

San Francisco, CA 94177

E-mail: PGETariffs@pge.com

**PG&E Gas and Electric
Advice Filing List
General Order 96-B, Section IV**

AT&T	Division of Ratepayer Advocates	Office of Ratepayer Advocates
Albion Power Company	Don Pickett & Associates, Inc.	OnGrid Solar
Alcantar & Kahl LLP	Douglass & Liddell	Pacific Gas and Electric Company
Anderson & Poole	Downey & Brand	Praxair
Atlas ReFuel	Ellison Schneider & Harris LLP	Regulatory & Cogeneration Service, Inc.
BART	Evaluation + Strategy for Social Innovation	SCD Energy Solutions
Barkovich & Yap, Inc.	G. A. Krause & Assoc.	SCE
Bartle Wells Associates	GenOn Energy Inc.	SDG&E and SoCalGas
Braun Blaising McLaughlin & Smith, P.C.	GenOn Energy, Inc.	SPURR
Braun Blaising McLaughlin, P.C.	Goodin, MacBride, Squeri, Schlotz & Ritchie	San Francisco Water Power and Sewer
CENERGY POWER	Green Charge Networks	Seattle City Light
CPUC	Green Power Institute	Sempra Energy (Socal Gas)
California Cotton Ginners & Growers Assn	Hanna & Morton	Sempra Utilities
California Energy Commission	International Power Technology	SoCalGas
California Public Utilities Commission	Intestate Gas Services, Inc.	Southern California Edison Company
California State Association of Counties	Kelly Group	Spark Energy
Calpine	Ken Bohn Consulting	Sun Light & Power
Casner, Steve	Leviton Manufacturing Co., Inc.	Sunshine Design
Center for Biological Diversity	Linde	Tecogen, Inc.
City of Palo Alto	Los Angeles County Integrated Waste Management Task Force	TerraVerde Renewable Partners, LLC
City of San Jose	Los Angeles Dept of Water & Power	Tiger Natural Gas, Inc.
Clean Power	MRW & Associates	TransCanada
Clean Power Research	Manatt Phelps Phillips	Troutman Sanders LLP
Coast Economic Consulting	Marin Energy Authority	Utility Cost Management
Commercial Energy	McKenna Long & Aldridge LLP	Utility Power Solutions
Cool Earth Solar, Inc.	McKenzie & Associates	Utility Specialists
County of Tehama - Department of Public Works	Modesto Irrigation District	Verizon
Crossborder Energy	Morgan Stanley	Water and Energy Consulting
Davis Wright Tremaine LLP	NLine Energy, Inc.	Wellhead Electric Company
Day Carter Murphy	NRG Solar	Western Manufactured Housing Communities Association (WMA)
Defense Energy Support Center	Nexant, Inc.	YEP Energy
Dept of General Services	ORA	