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September 16, 2014

Advice 4497-E
(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

<u>Subject:</u> **Approval of Pacific Gas and Electric Company's Confirmation Letter With GenOn Energy Management, LLC for Resource Adequacy Capacity Product From Pittsburg 5, Pittsburg 6 and Pittsburg 7**

I. Purpose

Pursuant to Decision ("D.") 12-04-046, Pacific Gas and Electric Company ("PG&E") requests California Public Utilities Commission ("Commission" or "CPUC") approval of the Confirmation for Resource Adequacy ("RA") Capacity Product between PG&E and GenOn Energy Management, LLC ("GenOn") for 1,159 megawatts ("MW") of RA capacity associated with Pittsburg 5, Pittsburg 6 and Pittsburg 7 from January 2016 through December 2016 (the "Transaction"). Pittsburg 5 and 6 use Once-Through Cooling ("OTC") and the current State Water Resources Control Board ("SWRCB") compliance deadline for the units is December 31, 2017. Under the rules established in D.12-04-046, PG&E is required to file an advice letter for approval of any agreement with an OTC unit that "terminates one year or less prior to the applicable SWRCB compliance deadline."[1] Because the Transaction terminates within a year of the SWRCB compliance deadline, PG&E is filing this advice letter seeking approval of the Transaction.

The Transaction arose from PG&E's 2014 Intermediate-Term Request for Offers ("ITRFO") in which PG&E requested bids to provide RA for 2015 through 2018. The 2014 ITRFO is described in more detail below and in the Independent Evaluator ("IE") Report being filed with this advice letter. GenOn was one of the winning bidders in the 2014 ITRFO based on the evaluation criteria used by PG&E, and reviewed by the IE and Procurement Review Group ("PRG"). Because the Transaction arose from a competitive solicitation, is beneficial to customers, meets an identified RA need, and expires before the SWRCB OTC compliance deadline for Pittsburg 5 and 6, the Transaction should be approved.

[1] D.12-04-046, at p. 25.

II. Background

A. General Project and Transaction Description

Pittsburg 5 and 6 are existing natural gas powered electricity generation units that utilize OTC and are therefore subject to the SWRCB's OTC policy. The SWRCB OTC compliance deadline for the Pittsburg 5 and 6 units is December 31, 2017.

This Transaction is a confirmation letter providing PG&E RA capacity of 1,159 MW per month for the delivery period of January through December 2016. A summary of the Transaction is included below.

Seller	Resource Type	Location	RA Capacity	Energy Tolling Capacity	Product	Term of Agreement
GenOn Energy Management, LLC	Natural-Gas-Fired Boiler	Pittsburg, CA NP-15	1,159 MW	0 MW	RA benefits (including all RA attributes such as system RA)	12 months. January 1, 2016 through December 31, 2016

B. 2014 ITRFO RA Confirmation

PG&E issued the 2014 ITRFO on April 22, 2014 with offers due on May 13, 2014. The 2014 ITRFO concluded on September 4, 2014. PG&E was seeking both System and Local RA for delivery periods that included both annual and summer terms. There was robust participation with counterparties offering a total of more than 300 individual bid offers. Lewis Hashimoto of Arroyo Seco Consulting was the assigned IE for the 2014 ITRFO. Copies of the confidential and public versions of the IE Report associated with the 2014 ITRFO are included as Appendices D and E, respectively, to this advice letter.

III. The Transaction Is Beneficial for Customers and Should Be Approved

The Transaction was one of the winning offers in a competitive solicitation and was chosen based on least cost – best fit principles to meet an RA need identified by PG&E for its portfolio. The Transaction was selected as a winning offer based on the Evaluation Criteria that was included as part of the 2014 ITRFO Solicitation Protocol document. Based upon his comprehensive knowledge of the 2014 ITRFO and its objectives, the IE who was involved in PG&E's 2014 ITRFO independently reviewed PG&E's decision to enter into the Transaction and in his IE Report supports Commission approval of the Transaction. His IE Report also provides his findings on the fairness and robustness of the 2014 ITRFO Solicitation process, the breakdown of the offers, his concurrence with the evaluation methodology, and the fairness of the contract bidding, selection and negotiation process. Below, PG&E briefly describes the evaluation methodology used in the 2014 ITRFO. More specific details about the evaluation of the Transaction are provided in Confidential Appendix A.

Using a least cost – best fit portfolio approach, PG&E considered the following criteria in its selection process in the ITRFO:

> **Price** considers how an offer's pricing for a specific product compares with other offers of the same product in order to meet PG&E's procurement target for the ITRFO.
>
> **Portfolio Fit** considers how well an offer's locational features match PG&E's portfolio needs. Specifically in this RFO, PG&E will consider whether a resource is capable of meeting reliability or transmission needs in local areas within the Greater Bay Area local area. Additionally, PG&E will consider other portfolio constraints such as capacity procurement limits and RA import rights.
>
> **Credit and Conformance to the RA Confirmation** is the degree to which a Participant has modified the RA Confirmation, including credit and collateral terms. An offer that makes few or no material or substantive changes to the RA Confirmation will be a stronger offer than one that makes such changes. For this reason, Participants are strongly encouraged to offer pricing consistent with PG&E's RA Confirmation with minimal or no proposed changes.
>
> **Supplier Diversity** provides procurement opportunities for Women, Minority, or Service Disabled Veteran-Owned Business Enterprises ("WMDVBE"). PG&E encourages Participants to contribute to PG&E's supplier diversity goal by reaching greater than 30 percent of all procurement with WMDVBEs, and the Participants' own Supplier Diversity Program.

Based on these evaluation criteria, the Transaction was selected as one of the winning offers in the 2014 ITRFO. The Transaction is within PG&E's Commission-approved procurement limits and ratable rates, as described in more detail in Confidential Appendix B.

IV. Consistency With Commission Decisions and Policies

A. Consistency With OTC Procurement Rules

D.12-04-046 requires that power purchase agreements that terminate one year or less prior to the applicable SWRCB OTC compliance deadline must be submitted to the Commission for approval via a Tier 3 advice letter that includes a showing that the agreement helps facilitate compliance with the SWRCB policy regarding OTC.[2] Specifically, the Commission directed that:

[2] D.12-04-046 at p. 25 and Ordering Paragraph 3.b.

> In order to provide guidance to Energy Division in evaluating these agreements and the utilities in preparing and submitting these agreements, the applicable criteria shall include the following: 1) how the contract helps facilitate compliance with the SWRCB OTC policy, or at a minimum why it does not delay compliance; 2) the expected operation of the OTC facility under normal load (1 in 2) and high load (1 in 10) conditions, including number of starts and run time after each start; 3) the LCR net position with and without the OTC facility over the contract duration and two years beyond the contract duration; and 4) how any other available generation resources compare under these criteria.[3]

PG&E addresses the four applicable criteria set forth in D.12-04-046 below.

1. The Transaction Helps Facilitate Compliance With the SWRCB OTC Policy, or at a Minimum Does Not Delay Compliance

The SWRCB OTC final compliance deadline for the Pittsburg 5 and Pittsburg 6 units is December 31, 2017. GenOn has represented to PG&E that the Transaction will not delay compliance with the SWRCB OTC policy. As explained in the Implementation Plan for Pittsburg Generating Station filed on April 1, 2011, and affirmed by NRG Delta's letter of November 13, 2013, NRG (now GenOn) intends to retire Unit 7, and seek a contract to retrofit Units 5 and 6 to utilize the existing Unit 7 closed-cycle cooling system. GenOn has represented to PG&E that, absent CPUC or California Independent System Operator ("CAISO") direction that Pittsburg 5 and 6 continue to operate these units, GenOn will take no action to seek authorization to continue use of once through cooling after the compliance deadline. GenOn has further represented that if no contract for retrofit is secured prior to the OTC compliance deadline that Units 5 and 6 will be retired by December 31, 2017. Because the Transaction will terminate on December 31, 2016, it will not delay compliance by the final compliance deadline of December 31, 2017.

2. The Expected Operation of the Pittsburg 5 and 6 Units Under Normal Load (1 in 2) and High Load (1 in 10) Conditions, Including Number of Starts and Run Time After Each Start

The Transaction is RA only and therefore this consideration is not applicable.

[3] D.12-04-046 at pp. 25-26.

3. The LCR Net Position With and Without the Pittsburg 5, Pittsburg 6 and Pittsburg 7 Units Over the Contract Duration and Two Years Beyond the Contract Duration

Pittsburg 5, Pittsburg 6 and Pittsburg 7 are located within the Pittsburg/Oakland Sub-Area of the Greater Bay Area Local Capacity Requirements ("LCR") area. More details on the Pittsburg/Oakland Sub-Area LCR position is found in Appendix B.

4. How Any Other Available Generation Resources Compare Under These Criteria

The Transaction was executed through PG&E's 2014 ITRFO. The 2014 ITRFO was well-publicized, with an email list totaling more than 500 individuals and a public website, and PG&E received over 300 individual offers in response to the RFO. PG&E conducted a thorough review of each offer using its evaluation criteria. PG&E's IE also actively participated in the evaluation process. More details concerning the 2014 ITRFO evaluation process are included in Confidential Appendix A and in the IE Report included with this advice letter.

B. Consistency With Energy Action Plan and Loading Order

PG&E continues to follow the State's Energy Action Plan II and Loading Order through its efforts to plan, implement, and administer cost-effective and reliably-achievable demand-side management programs, including energy efficiency, and its continued national leadership in procurement from renewable resources. Execution of the Transaction will not displace other preferred resources. The Transaction is necessary in order to satisfy PG&E's RA obligations under the Commission's RA Program. In addition, the Transaction is consistent with California environmental policies because it ends before the OTC compliance deadline and will not delay OTC compliance.

C. Consistency With Emissions Performance Standard

In D.07-01-039, the Commission adopted an Emissions Performance Standard ("EPS") that applies to new or renewed contracts for a term of five years or more for baseload generation, which is electricity generation from a power plant that is designed and intended to provide electricity at an annualized plant capacity factor of at least 60 percent.[4] Since this is an RA contract with a term less than five years, this is not "covered procurement" under D.07-01-039 and thus EPS does not apply.

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[4] Public Utilities Code Section 8341(b)(1) states: "The commission shall not approve a long–term financial commitment by an electrical corporation unless any baseload generation supplied under the long-term financial commitment complies with the greenhouse gases emission performance standard established by the commission...."

D. Safety Concerns

PG&E is committed to safety in all aspects of its business. Sellers are responsible for the safe construction and operation of their generating facilities and compliance with all applicable safety regulations. The Transaction includes provisions that require GenOn to comply with certain operational and maintenance obligations in accordance with industry standards, such as Good Utility Practice, and CAISO mandated standards, as well as requirements to comply with accepted electrical practices, applicable laws and permits, and other governmental authorities.

E. Consultation With Procurement Review Group

PG&E's PRG includes participants from certain non-market participants, including the Commission's Energy and Legal Divisions, the Office of Ratepayer Advocates, The Utility Reform Network, California Utility Employees, and the California Department of Water Resources. PG&E briefed the PRG on the Transaction on June 10, 2014.

V. Confidentiality

PG&E requests confidential treatment of Appendices A-D to this Advice Letter. This confidential information is entitled to confidentiality protection pursuant to the Investor-Owned Utility Matrix adopted by the Commission in D.06-06-066 and modified by D.07-05-032. Appendix F contains a Confidentiality Declaration specifying why the information for which PG&E is seeking confidential treatment is, in fact, confidential market sensitive information consistent with Commission decisions. It also identifies the period for which PG&E seeks confidential treatment. It is appropriate to accord confidential treatment to the information for which PG&E requests confidential treatment in the advice letter process because such information is entitled to confidentiality protection pursuant to D.06-06-066 as modified by D.07-05-032, and is required to be filed by advice letter as part of the process for obtaining Commission approval of the Transaction.

VI. Request for Commission Approval, Tier Designation and Effective Date

PG&E requests that the Commission issue a resolution no later than March 1, 2015 stating that:

1. The Transaction is approved in its entirety;

2. A finding that the Transaction, and PG&E's entry into the Transaction, is reasonable and prudent for all purposes, including, but not limited to, recovery in rates of payments made pursuant to the Transaction, subject only to further review with respect to the reasonableness of PG&E's administration of the Transaction; and

3. Any other and further relief as the Commission finds just and reasonable.

A. Tier Designation

Pursuant to D.12-04-046, this Advice Letter is submitted with a Tier 3 designation (effective upon Commission approval).

B. Effective Date

This Advice Letter will become effective upon Commission approval.

VII. Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, facsimile or E-mail, no later than October 6, 2014, which is 20 days after the date of this filing. Protests must be submitted to:

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

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest 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:

Meredith Allen
Senior Director, Regulatory Relations
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

Any person (including individuals, groups, or organizations) may protest or respond to an advice letter (General Order ("GO") 96-B, Section 7.4). The protest shall contain the following information: specification of the advice letter protested; grounds for the protest; supporting factual information or legal argument; name, telephone number, postal address, and (where appropriate) e-mail address of the protestant; and statement that the protest was sent to the utility no later than the day on which the protest was submitted to the reviewing Industry Division (GO 96-B, Section 3.11).

VIII. Notice

In accordance with GO 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 parties on the service list for Rulemaking ("R.") 13-12-010. Address changes to the GO 96-B service list should be directed to PG&E at email address 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. Send all electronic approvals to PGETariffs@pge.com. Advice letter filings can also be accessed electronically at: http://www.pge.com/tariffs.

IX. Appendices

In accordance with GO 96-B, the confidentiality of information included in this Advice Letter is described below. This Advice Letter contains both confidential and public appendices as listed below.

Confidential Appendix A:	Contract and Valuation Information
Confidential Appendix B:	RA Positions and Procurement Limits
Confidential Appendix C:	The Transaction Contract
Confidential Appendix D:	Independent Evaluator Report (Confidential Version)
Public Appendix E:	Independent Evaluator Report (Public Version)
Public Appendix F:	Confidentiality Declaration and Matrix

Meredith Allen /JW

Senior Director, Regulatory Relations

Attachments

cc: Service List R.13-12-010

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:	Contact Person: Jennifer Wirowek
☑ ELC ☐ GAS	Phone #: (415) 973-1419
☐ PLC ☐ HEAT ☐ WATER	E-mail: J6ws@pge.com and PGETariffs@pge.com

EXPLANATION OF UTILITY TYPE	(Date Filed/ Received Stamp by CPUC)
ELC = Electric GAS = Gas	
PLC = Pipeline HEAT = Heat WATER = Water	

Advice Letter (AL) #: **4497-E** **Tier: 3**

Subject of AL: **Approval of Pacific Gas and Electric Company's Confirmation Letter With GenOn Energy Management, LLC for Resource Adequacy Capacity Product From Pittsburg 5, Pittsburg 6 and Pittsburg 7**

Keywords (choose from CPUC listing): Agreements, Portfolio

AL filing type: ☐ Monthly ☐ Quarterly ☐ Annual ☑ One-Time ☐ Other ______________________________

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: D. 12-04-046

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: Yes, see Appendix F

Confidential information will be made available to those who have executed a nondisclosure agreement: ☑ Yes ☐ No

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information: Charles Middlekauff (415) 973-6971

Resolution Required? ☑ Yes ☐No

Requested effective date: **Upon commission approval** 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).

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: Meredith Allen
Senior Director, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177
E-mail: PGETariffs@pge.com

Public Appendix E

Independent Evaluator Report

(Public Version)

ARROYO SECO CONSULTING

PACIFIC GAS AND ELECTRIC COMPANY 2014 INTERMEDIATE-TERM REQUEST FOR OFFERS

REPORT OF THE INDEPENDENT EVALUATOR ON THE OFFER EVALUATION AND SELECTION PROCESS AND CONTRACT-SPECIFIC NEGOTIATIONS

SEPTEMBER 10, 2014

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1. INTRODUCTION

This report of Arroyo Seco Consulting (Arroyo), serving as Independent Evaluator (IE) for Pacific Gas & Electric Company's (PG&E's) 2014 Intermediate-Term Request for Offers (RFO), provides a review of:

- The role of the Independent Evaluator,
- The adequacy of PG&E's outreach to potential Participants and the robustness of the solicitation,
- The strengths and weaknesses of the methodology for Offer evaluation and selection used by PG&E,
- The fairness of PG&E's bidding and selection process,
- Fairness of contract-specific negotiations, and
- Merit of the contracts for approval by the California Public Utilities Commission (CPUC).

Overall, Arroyo believes that PG&E's selection methodology and process were fair to ratepayers and to competing providers of Resource Adequacy (RA) products. PG&E conducted adequate outreach to potential sellers. The solicitation was robust in the response for System and Import RA; a more shallow response was elicited for a Local RA product. In Arroyo's opinion, PG&E's evaluation and selection process were handled fairly and the selected short list was reasonable.

PG&E selected [redacted] Offers for its short list, from more than three hundred submitted to the solicitation. After negotiations, PG&E executed contracts for deliveries of RA products from most of the selected proposals, from [redacted]. Arroyo's opinion is that PG&E's negotiations to secure agreements were mostly conducted in a manner that was fair to ratepayers and to competing sellers, although Arroyo's view is that a concession on contract terms was provided to subsidiaries of one Participant in a disparate manner that Arroyo regards as less than fully fair to competitors. Despite this issue, Arroyo's opinion is that the executed agreements merit CPUC approval based on their [redacted] and generally high project viability.

2. ROLE OF THE INDEPENDENT EVALUATOR

Pacific Gas and Electric Company issued a Request for Offers on April 22, 2014 for Resource Adequacy products to help the utility meet its compliance obligations to the CPUC and to the California Independent System Operator (CAISO) for both System and Local RA.

This chapter describes prior CPUC decisions that form the basis for a role for an Independent Evaluator in procurement activities of investor-owned utilities (IOUs), describes key roles of the IE, details activities undertaken by the IE in this solicitation to fulfill those roles, and identifies the treatment of confidential information.

A. CPUC DECISIONS REQUIRING INDEPENDENT EVALUATOR PARTICIPATION

The CPUC first mandated a requirement for an independent, third-party evaluator to participate in competitive solicitations for utility power procurement in Decision 04-12-048 on December 16, 2004. The CPUC required use of an IE when Participants in a competitive procurement solicitation include affiliates of IOUs, IOU-built projects, or IOU-turnkey projects. The Decision envisaged that the IE role would serve as a safeguard against anti-competitive conduct in the process of evaluating IOU-built or IOU-affiliated projects competing against Power Purchase Agreements (PPAs) with independent power developers.

In approving the IOUs' 2006 RPS procurement plans, the CPUC issued Decision 06-05-039 on May 25, 2006. This Decision expanded the CPUC's requirements, ordering that each IOU use an IE to evaluate and report on the entire solicitation, evaluation, and selection process, for the 2006 RPS RFO and future competitive solicitations. This requirement now applies whether or not IOU-owned or IOU-affiliate generation participates in the solicitation. This was intended to increase the fairness and transparency of Offer selection.

Decision 06-05-039 required the IE to report separately from the utility on the evaluation, and selection process for RPS solicitations. Decision 07-12-052 stated that "the Commission requires than an IE be utilized for all competitive RFOs that seek products of more than three months in duration" referring specifically to "RFOs issued to satisfy service area need and supply-side resources not including EE and DR." The requirement was revised to apply to products of two years or greater in duration in Decision 08-11-008. In its 2014 ITRFO PG&E sought to procure RA products for delivery in the 2015 – 2018 period.

B. KEY INDEPENDENT EVALUATOR ROLES

The CPUC stated its intent for participation of an IE in competitive procurement solicitations to "separately evaluate and report on the IOU's entire solicitation, evaluation and selection process," in order to "serve as an independent check on the process and final selections."[1] The Energy Division provided a short-form IE template to guide reporting on solicitations whose contracts are filed with the CPUC through Quarterly Compliance Reports or advice letters, specifying topics including:

- Describe the IE's role.
- How did the IOU conduct outreach to bidders, and was the solicitation robust?
- Describe the IOU's evaluation methodology and its strengths and weaknesses.
- Evaluate the fairness of the IOU's bidding and selection process.
- Describe contract-specific negotiations, and highlight any areas of concern.
- Are the contracts the best overall offers received?
- Are the contracts a reasonable way of achieving the need identified in the RFO?
- Do the contracts merit Commission approval?

The structure of this report, setting out detailed findings for each of these issues, is organized around these major topics.

C. IE ACTIVITIES

To fulfill the role of evaluating PG&E's 2014 ITRFO, several tasks were undertaken, both prior to Offer Opening and subsequently. Prior to the offer due-date in April 2014, Arroyo pursued activities to assess PG&E's evaluation methodology:

- Reviewed the draft public solicitation protocol and draft nonpublic protocols detailing how PG&E would evaluate Offers against each evaluation criterion, and provided feedback to the utility team on public and nonpublic drafts.

- Attended presentations on PG&E's portfolio positions for Resource Adequacy products and on potential transactions affecting those positions, affecting the total RA need for the solicitation.

- Reviewed correspondence between potential Participants and the utility team as the former posed questions about the solicitation and PG&E answered them, to assess whether information was shared fairly.

- Examined PG&E's ITRFO contact list; performed an analysis of contacts.

- Discussed the design and input parameters for the analytic tool used to optimize selection of a short list with the PG&E evaluation team.

During the period between Offer due-date and selection, IE activities included:

[1] CPUC Decision 06-05-039, May 25, 2006, "Opinion Conditionally Approving Procurement Plans for 2006 RPS Solicitations, Addressing TOD Benchmarking Methodology," page 46.

- Participating in opening Offers. Arroyo was copied by Participants on their e-mail submittals of Offers to the PG&E team. Arroyo reviewed each Offer.

- Reviewing PG&E evaluations. The evaluation team provided several iterations of work products evaluating Offers against the various criteria.

- Developing an independent view of least-cost selection.

- Monitoring e-mail communications between PG&E and Participants to check for fairness in how information was provided.

- Observing several of the PG&E team's discussions as members and management considered Offers, valuations, scores, targets, recommendations, etc.

- Attending meetings of PG&E's Procurement Review Group (PRG) as the PG&E team presented its plans for and recommendations about the ITRFO; provided the PRG with independent commentary and observations about the RFO.

- Offering PG&E's team commentary and feedback as appropriate.

After PG&E selected its short list and informed Participants of their status, Arroyo observed negotiations between PG&E and the sellers, in order to assess their fairness. This included observing meetings telephonically and reviewing draft agreements with proposed edits from each of the parties.

D. TREATMENT OF CONFIDENTIAL INFORMATION

The CPUC's Decision 06-06-066 detailed guidelines for treating confidential information in IOU power procurement and related activities, including competitive solicitations. The Decision provides for confidential treatment of "Score sheets, analyses, evaluations of proposed RPS projects,"[2] vs. public treatment (after submittal of final contracts) of the total number of projects and megawatts bid by resource type. While procuring Resource Adequacy capacity is not the same as contracting with RPS-eligible projects, PG&E and Arroyo agree that commercially sensitive information on the details of Offers and their evaluation should be treated as confidential in a manner analogous to data on RPS contracts. Such information has been redacted in the public version of this report.

[2] California Public Utilities Commission, Decision 06-06-066, "Interim Opinion Implementing Senate Bill No. 1488, Relating to Confidentiality of Electric Procurement Data Submitted to the Commission," June 29, 2006, Appendix 1, page 17.

3. PG&E'S OUTREACH EFFORTS AND THE ROBUSTNESS OF THE SOLICITATION

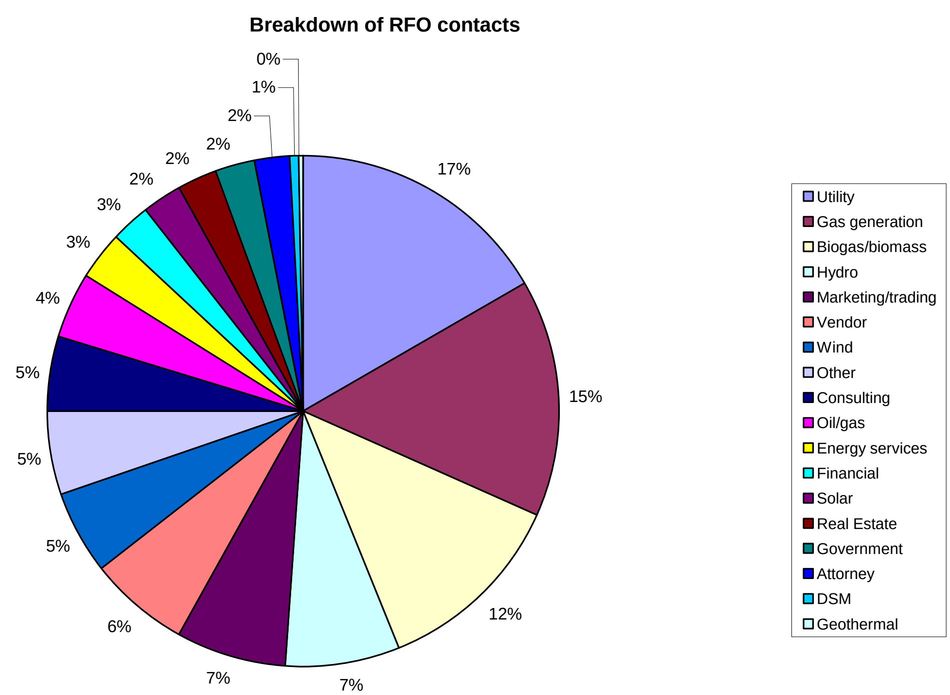
Overall, Arroyo's opinion is that the market response to PG&E's 2014 ITRFO was robust with the exception of [redacted]. This chapter describes the utility's outreach efforts and their results.

A. PG&E'S OUTREACH TO POTENTIAL PARTICIPANTS

Prior to issuing the Request for Offers, PG&E assembled an e-mail contact list for use in publicizing the 2014 ITRFO. The utility reported that this year's contact list builds upon those developed for prior years' solicitations for RA products.

The e-mail contact list overall totaled more than 500 individual contacts. Figure 1 displays an analysis of the contact list to break it down by industry or category.

Figure 1.



One observation about this list is the extent of the challenge in attempting to focus on those entities likeliest to be positioned to deliver RA products in the next several years. The class of such entities with the largest representation on the list is made up of other utilities, including investor-owned, municipal, federal, and cooperative electric utilities, many of which own generation or hold a portfolio of RA products based on prior contracting, from which sales of RA volumes excess to near-term needs could be made.

The second largest category represented on the contact list is comprised of owners or operators of gas-fueled generation, both inside and outside the state of California. To the extent that these owners have not yet committed their facilities to future sales of RA products, the projects may be available to offer to the RFO.

The third largest category consists of owners and/or developers of biomass- or biogas-fueled generation. Arroyo speculates that most of the existing facilities these potential Participants own are already contracted to sell their output including RA through the period of interest for the ITRFO, and that it would be premature for developers to offer biogas-fueled projects that are not yet constructed to a solicitation.

The fourth largest category covers owners and developers of hydroelectric generation, including water utilities. Arroyo speculates that to a large extent existing hydro projects are already contracted to sell their output including RA over the 2015 – 2018 time frame.

The fifth largest category is made up of entities that have wholesale energy marketing and trading activities. These trading desks may or may not be in a position to remarket RA products from their portfolios or to intermediate brokered sales from generation owners.

The majority of contacts that PG&E used for e-mail outreach were made up from these five categories. Beyond these generation owners and wholesale marketers were a variety of contacts in other categories.

In Arroyo's opinion it seems unlikely that PG&E's outreach to entities such as equipment vendors to generation plants, engineering and construction contractors, consultants to the utility and merchant generation industry, oil and gas exploration and production firms, financiers, real estate owners and developers, and attorneys would provide a decent yield of Offers for RA products. There is no cost for the utility to send e-mails to such entities, but Arroyo recommends that PG&E consider pruning its ITRFO contact list of these contacts in related or unrelated industries and focus its efforts on building new contacts in the first five categories. In particular, Arroyo suspects that there is an opportunity for PG&E to perform more aggressive outreach to the universe of wholesale energy marketers and traders that are active in the Pacific Northwest and desert Southwest, that might be positioned to sell Import RA.

In addition to soliciting responses by direct e-mails to the contact list, PG&E posted information about the ITRFO on its public web site, including the solicitation protocol, required offer documents, and form agreements.

PG&E did not issue a news release to publicize the ITRFO as it has done for other solicitations in the past. News of the solicitation does not appear to have been picked up and disseminated by industry groups and media such as the Geothermal Resources Council and HydroWorld, as was the case for some prior ITRFOs. PG&E did not hold a bidders' conference or on-line webinar to preview the 2014 ITRFO, as it does for its competitive solicitations for some other products.

In Arroyo's opinion, PG&E's outreach efforts to stimulate a robust response to its ITRFO were neither focused nor forceful, but were adequate to the task. Unlike solicitations for new renewable energy projects or for greenhouse gas compliance instruments, the universe of potential sellers of RA products to meet California compliance needs is relatively compact and well-defined. There are a finite number of in-state generating plants sized at 25 MW or larger (the minimum block for Offers) that are not already committed to deliver their RA to other buyers. A limited number of entities can deliver RA to the three intertie points that PG&E accepted for this year's solicitation. PG&E relied primarily on e-mails to its compiled contact list to disseminate news of the RFO; Arroyo is unsure in this case whether greater publicity, trade press coverage, or a bidders' conference would have materially improved the robustness of the solicitation. Instead, Arroyo suspects that more focused research on in-state and outside generators and marketers to augment the contact list might improve the yield of Offers resulting from e-mail outreach.

B. ROBUSTNESS OF THE SOLICITATION

PG&E developed quantitative targets for the volume of each RA product it sought to procure through this solicitation (eight System RA products differentiated by delivery period, and one Local RA product for the Greater Bay Area). These targets were non-public; the utility shared a version of them with its Procurement Review Group prior to opening the solicitation. One metric of robustness is how the volume of Offers submitted for a product compares to the target for that product.

Figure 2.

[redacted]

In most cases, the MW volume of Offers received was a substantial multiple of the initial target volume shared with the PRG for each product. The least robust responses by this metric were for [redacted] for which the ratio of offered volume to target volume was [redacted]. Arroyo speculates that this resulted from [redacted] and from the greater uncertainty on the part of Participants about [redacted]. If one takes into account the constraints that Participants placed on mutually exclusive Offers, which reduces the actual volume available to purchase from the arithmetic sum of Offer volumes, the ratio was [redacted].

Figure 2 illustrates the volume of Offers by product for the System RA products vs. the initial targets. For each of these products, the response was [redacted].

In addition to procuring System RA, PG&E used the ITRFO to seek Offers for Local RA in the Greater Bay Area. Product 9 was specified as delivery of RA from this local area in calendar 2015.

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

As part of the ITRFO, PG&E also requested Offers to exchange RA products from north of Path 26 for its portfolio holdings of RA capacity from south of Path 26. [redacted] Arroyo would expect that the only entities in a position to make such a swap would likely be the other California investor-owned utilities, particularly Edison, if they were in a situation of having executed a contract to take delivery of energy and capacity from a power plant north of Midway and would prefer to have RA from south of Vincent given the transfer constraint. [redacted]

The robustness of the 2014 ITRFO was enhanced by PG&E's choice this year to accept proposals to deliver RA from out-of-state resources at intertie points: the California-Oregon Border (COB), Nevada-Oregon Border (NOB), and Palo Verde. This enlargement of the universe of possible resources increased the number of proposals. Arroyo believes that had PG&E included other interties as eligible delivery points even more Offers would have been submitted[3]. However, deliveries of RA to other potential intertie points such as imports from the grids of the Los Angeles Department of Water and Power, Imperial Irrigation District, Western Area Power Administration, and Nevada Power would be subject to PG&E's constraints on its rights to transfer RA south to north across Path 26. This limitation could reduce the benefit of more robust participation from sellers proposing to deliver RA into the CAISO at intertie points of Edison and SDG&E. Arroyo would still encourage PG&E to consider opening future ITRFOs to [redacted].

C. SEEKING ADEQUATE FEEDBACK FROM ALL PARTICIPANTS

Best practices in competitive solicitations includes soliciting feedback from all Participants, such as commentary on how to improve the utility's practices, processes, communications, etc. PG&E intends to conduct telephonic discussions to seek such feedback on the 2014 ITRFO by debriefing shortlisted sellers, but as of the date of this report has not yet begun that process.

3 [redacted]

4. PG&E'S OFFER EVALUATION METHODOLOGY AND ITS STRENGTHS AND WEAKNESSES

This section describes PG&E's evaluation methodology for selecting Offers for its 2014 Intermediate-Term RFO.

A. PG&E'S METHODOLOGY

PG&E's public solicitation protocol for the ITRFO stated four evaluation criteria for assessing Offers; each had a non-public protocol detailing how Offers would be evaluated.

Price. PG&E's public protocol indicates that the pricing of Offers will be compared; the evaluation is [redacted] on point for the needs of the solicitation. [redacted][4] [redacted]

- [redacted][5],
- [redacted];[6]
- [redacted];
- [redacted];
- [redacted]; and

[4] [redacted]

[5] [redacted]

[6] [redacted]

- [redacted].

[redacted]

Portfolio Fit. PG&E's public RFO protocol calls for an evaluation of how well an Offer meets the utility's reliability or transmission needs in the Greater Bay Area. [redacted]

Credit and Conformance to the RA Confirm. Offers are evaluated on the degree to which the Participants' mark-ups to the confirmation agreement diverge from PG&E's form language for non-price terms and conditions. [redacted] This helps align Offer selection with ratepayers' interests in avoiding edits to the agreement that shift benefits to the seller or risks to the buyer relative to the form language.

Supplier Diversity. PG&E required offer packages to include a version of its standard Supplier Diversity Questionnaire; this includes queries about certification status, mentoring and subcontracting programs aimed toward furthering procurement from Women-, Minority-, and Disabled Veteran-Owned Business Enterprises, and spending on WMDVBE subcontractors. The questionnaire is used in PG&E's other competitive RFOs. This criterion is intended to help PG&E understand how Offer selection could support the utility's enterprise-wide supplier diversity goals.

Evaluation process. PG&E established a non-public protocol for offer selection; [redacted]

B. STRENGTHS AND WEAKNESSES OF PG&E'S METHODOLOGY

PG&E has been conducting competitive solicitations to procure RA products for several years, and appears to have benefited from refinement of its evaluation methodology over time. Its approaches to evaluate supplier diversity and modifications to the form agreement resemble those PG&E uses to evaluate proposals and sellers in other RFOs. Using these time-tested protocols is a strength of the solicitation and is consistent with PG&E's practices in other activities.

Other strengths of PG&E's approach to evaluating Offers include:

- The methodology is neutral with respect to analyzing RA Offers from in-state resources vs. RFO-eligible imports to the CAISO at intertie points; there is, in general, no bias for or against resources in California.[7]

- The quantitative analysis aligns closely with the principle of achieving least-cost procurement over the 2015-2018 period while seeking to meet the volume targets of the RFO and meeting constraints on RA imports. In particular, the analytic technique appropriately seeks a least-cost solution to procuring a combination of summer-only contracts and calendar-year contracts.

- Evaluations and selection decisions are based almost entirely on information submitted in Offers. A possible exception is the consideration of [redacted].

- The inputs to the quantitative analysis were [redacted]; for example, [redacted].

Arroyo's view is that the methodology used for the ITRFO had few minor weaknesses or opportunities for improvement. For example, the procurement targets for the solicitation were not publicly disclosed to potential Participants. PG&E does not make its estimated net RA compliance needs public; information about net compliance needs is regarded as commercially sensitive. Edison and SDG&E similarly do not publish their procurement targets for Resource Adequacy solicitation; the CAISO does not publicly reveal net compliance positions of individual utilities for System RA. Transparency about solicitation objectives could be considered a desired ideal. Arroyo does not consider this to be a fatal flaw in the solicitation; the most knowledgeable market participants should have a general sense of what PG&E's needs are, and Arroyo doubts that failure to state a MW number for each product had any effect to deter RFO participation, as has been suggested by non-Participants in other RFOs.

[redacted]

[7] Only three intertie points were allowed for RA imports; one might argue that out-of-state resources that only have the capability of delivering through other interties were disadvantaged.

PG&E did not explicitly state publicly that its Portfolio Fit evaluation criterion was focused on [redacted]. While transparency is desirable, Arroyo agrees that in this case it could be harmful to signal to potential Participants [redacted].

PG&E's choice [redacted] is appropriate; [redacted]

PG&E did not include considerations of project viability as an evaluation criterion.[8] One expects that most entities offering RA transactions to the ITRFO either have control of an existing, operating power plant or have a portfolio of RA products and/or plants outside the CAISO that can deliver to an intertie point, or are the process of intermediating a sale from an upstream plant owner. It seems unlikely that a Participant would make an Offer based on developing a new project. In the case of in-state resources an Offer must state the project name and its CAISO resource ID, which uniquely identifies a generating facility, but for Import RA Offers the resource ID names an intertie point rather than a generation project's node, leaving the plant unidentified. One can imagine a scenario in which a seller fails to deliver the contracted RA volume in a future year because the availability performance of the plant drops and the CAISO assignment of net qualifying capacity is reduced. The risk of such a hypothetical case of non-performance is not evaluated in PG&E's methodology. PG&E relies on protections written into the confirmation agreement regarding replacement RA and damage payments instead of an evaluation of the risk of loss of plant availability.

Finally, one key input to [redacted]

[8] PG&E's solicitation protocol, however, does explicitly require pre-delivery term security if an offered resources has not yet been qualified by the CAISO to provide RA when the agreement is executed. This collateral requirement is a form of ratepayer protection against risks that a generation project turns out not to be viable when the delivery term commences.

[redacted]
Arroyo considers the decisions that PG&E made in this ITRFO to be prudent with respect to [redacted].

5. FAIRNESS OF PG&E'S BIDDING AND SELECTION PROCESS

This section provides a review of the fairness of how PG&E administered its evaluation and selection process to create a short list for its 2014 ITRFO. Arroyo agreed with PG&E's selection, and opines that the process was fair to ratepayers and competitors.

PG&E received 320 Offers, [redacted], that were submitted timely before the deadline of 1 p.m. on May 13, 2014. The Participants included:

- [redacted];
- [redacted];
- Dynegy Moss Landing LLC, a subsidiary of Dynegy, Inc. and owner of the Moss Landing generating station;
- [redacted];
- [redacted];
- [redacted];
- NRG Energy Inc., a Princeton-based owner and operator of gas-fired generation [redacted] Pittsburg Power Plant.
- [redacted]; and
- [redacted].

In most cases Participants proposed to sell RA products from [redacted] the proposals were to deliver from other owners' projects either within the CAISO or at intertie points. PG&E reviewed these proposals and found that nearly all of them conformed to the requirements of the RFO.

There were some Offers that did not strictly conform to the specifications laid out in the solicitation protocol:

- [redacted].
- [redacted].
- [redacted].
- [redacted] These Offers were received [redacted] several hours after the 1 p.m. deadline, and were rejected by PG&E for not meeting the requirements of the solicitation.

A. PG&E'S EVALUATION OF OFFERS AGAINST CRITERIA

PG&E's process for evaluating these Offers was straightforward and, overall, followed the procedures described at a high level in the public solicitation protocol.

Price. PG&E's evaluation team used [redacted] to develop least-cost selections of Offers based on [redacted]

Based on the team's review of scenarios and the pricing of the Offers, [redacted]

[redacted][9]

[redacted]

Portfolio Fit. PG&E received Offers for Local RA from [redacted]

Credit and Conformance to the RA Confirm. PG&E's evaluation team scored Participants' submitted mark-ups of PG&E's form RA confirmation agreement for the number, significance, and materiality of proposed changes. The mark-ups from [redacted]

[9] California Public Utilities Commission, Decision 14-06-050, "Decision Adopting Local Procurement and Flexible Capacity Obligations for 2015, and Further Refining the Resource Adequacy Program," July 1, 2014.

PG&E shortlisted Offers from [redacted].

Supplier Diversity. PG&E's supplier diversity team applied its standard approach (used in other solicitations) to score the supplier diversity questionnaires submitted in the offer packages. [redacted]

B. FAIRNESS OF BIDDING AND EVALUATION PROCESS

Overall, Arroyo concludes that the bidding and evaluation process used in PG&E's 2014 Intermediate-Term RFO to select a short list was conducted fairly.

- Proposals were handled the same regardless of the identity of the Participant. PG&E has prior business relationships with some of the Participants and not with others, but Arroyo observed no difference in how PG&E applied its evaluation and selection methodology to the various parties[10]; the selection of Offers was based primarily on [redacted].

- While there were several communications to the Participants prior to the shortlisting decision, these focused on filling in deficiencies and gaps in Offers and clarifying eligibility requirements. Arroyo did not observe PG&E signaling Participants in a way that advantaged any individual seller. Many inquiries concerned how to fill in the Offer documents under various circumstances, and whether alternative master agreements or non-disclosure agreements would be acceptable.

- Application of evaluation criteria was handled in a consistent manner across Offers.

- Input assumptions to [redacted] are key parameters. Arroyo believes that the initially selected inputs were reasonable, [redacted]. When PG&E [redacted] Arroyo agreed that this seemed reasonable given regulatory developments.

- Arroyo agrees that it was reasonable for PG&E [redacted]

[10] In the case of parties with whom PG&E has not previously transacted for purchases, the seller faces an incremental burden of negotiating an EEI master agreement, but this is not an issue of the utility's evaluation and selection process.

[redacted].

That being said, there were a few minor issues regarding fairness. For example, when potential sellers posed questions to the PG&E via e-mail prior to the offer due-date, and were answered, these questions and answers were not made available to competing Participants. In other competitive solicitations PG&E publicly posts such questions and answers on its website so that all potential sellers can benefit from the information made available in the answers. In this particular case, though, Arroyo does not believe that any individual seller was disadvantaged in Offer preparation or selection by being denied the benefit of seeing these specific questions and answers given to competitors.

[redacted]

As mentioned, PG&E altered [redacted] after Offers were received. While changing [redacted] after scrutinizing Offers may not be best practice for competitive solicitations, the ITRFO differs in that there is a tradeoff between [redacted] By [redacted], the utility could capitalize on what appear to be [redacted] will ultimately benefit ratepayers; [redacted].

Arroyo's opinion is that, overall, PG&E handled the bidding and selection process in this ITRFO in a manner that was fair to ratepayers and to competitors.

6. FAIRNESS OF CONTRACT-SPECIFIC NEGOTIATIONS

This chapter provides an independent review of the extent to which PG&E's contract-specific negotiations were conducted fairly with respect to competitors and to ratepayers.

PG&E [redacted] that their Offers had been shortlisted in mid-June 2014. The parties promptly began negotiations, which continued through early August. Arroyo observed one or two negotiation sessions each between PG&E and [redacted]. PG&E's negotiations with [redacted] proceeded entirely by e-mail correspondence. Arroyo was unable to observe meetings between PG&E [redacted] although [redacted] met face-to-face at least once during negotiations.

For most of the negotiations, Arroyo was also able to review multiple draft versions of contracts in order to identify specific proposals and counterproposals the parties made in the course of discussions. The original starting point for the negotiations were PG&E's 2014 forms of Edison Electric Institute (EEI) master agreement and confirmation agreement for RA product sales.

A. BACKGROUND INFORMATION

[redacted][11].

- [redacted];
- [redacted];
- [redacted];
- [redacted];
- [redacted]; and
- [redacted].

11 [redacted]

[redacted]

- [redacted];
- [redacted];
- [redacted];
- [redacted]; and
- [redacted].

[redacted]

- [redacted]; and
- [redacted].

[redacted]

- [redacted];
- [redacted]; and
- [redacted].

[redacted]

- [redacted];[12]
- [redacted]; and

[12] [redacted]

- [redacted].

[redacted]

- [redacted];
- [redacted];
- [redacted];
- [redacted];
- [redacted];
- [redacted];
- [redacted];
- [redacted];
- [redacted]; and
- [redacted].

B. NEGOTIATIONS [redacted]

[redacted]

- [redacted].
- [redacted]

[redacted].

- [redacted].

- [redacted].

[redacted]

C. NEGOTIATIONS BETWEEN PG&E AND DYNEGY MOSS LANDING

[redacted]

- [redacted].

- [redacted].

- [redacted].

[redacted] The confirmation agreement was executed on July 28, 2014.

D. NEGOTIATIONS BETWEEN PG&E AND EDFTNA

[redacted]

- [redacted].
- [redacted].
- [redacted].
- [redacted].
- [redacted].
- [redacted].

- [redacted].

  [redacted].

- [redacted].

- [redacted].

- [redacted].

- [redacted].

[redacted]

E. NEGOTIATIONS [redacted]

[redacted]

F. NEGOTIATIONS BETWEEN PG&E AND NRG ENERGY

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

- [redacted].
- [redacted].
- [redacted].
- [redacted].
- [redacted].
- [redacted].
- [redacted].
- [redacted].
- [redacted].

[redacted]

- [redacted].
- [redacted].

- [redacted].

[redacted]

[redacted]

[redacted]

- [redacted].
- [redacted].
- [redacted].

[redacted] The confirmation agreements with GEM were executed on August 14 and 15, 2014.

G. NEGOTIATIONS [redacted]

[redacted]

[redacted]

- [redacted].
- [redacted].
- [redacted].

[redacted]

[redacted]

[redacted]

[redacted]

H. [redacted] CONTRACTS

[redacted]

[redacted]

I. DEGREE OF FAIRNESS OF CONTRACT-SPECIFIC NEGOTIATIONS

In Arroyo's opinion, PG&E's negotiations with [redacted] were, overall, conducted fairly. To the extent that PG&E agreed to material variances in these agreements from its form language, the changes do not appear to Arroyo to convey any significant advantage to the seller over its competitors or to transfer significant benefits to the seller from ratepayers or shift material risks to ratepayers.

[redacted]

[redacted] Arroyo believes that this negotiation also was handled fairly. [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

7. MERIT FOR CPUC APPROVAL

This chapter provides an independent opinion on whether PG&E's contracts originating from its 2014 ITRFO merit approval by the CPUC. It also addresses other required topics identified in the Energy Division's short-form template for Independent Evaluators to follow when reporting on non-RPS procurement.

A. AFFILIATE AND UOG ISSUES

None of the Participants in the 2014 ITRFO were affiliates of PG&E, nor did the solicitation concern the construction of utility-owned generation or other projects.

B. BEST OFFERS RECEIVED

Arroyo agrees that the Offers selected by PG&E using [redacted] were the best conforming proposals received, given the assumed input parameters [redacted]. Had PG&E selected different assumptions for constraints and targets, other combinations of Offers could likely have emerged as the best (least-cost) strategy to meet the volume targets. Arroyo's opinion is that PG&E's selection [redacted] was reasonabl[redacted].

C. SOLICITED PRODUCTS

All of the shortlisted Offers and resulting confirmation agreements represented proposals to sell System RA, Local RA, and Import RA as solicited by PG&E.

D. REASONABLE WAY TO MEET NEED

The need identified in PG&E's solicitation protocol is to satisfy PG&E's compliance obligations for Resource Adequacy. The obligations can be satisfied using a combination of Import RA and System RA, and by [redacted] purchases of Local RA [redacted]. In Arroyo's opinion, the overall cost of the executed contracts in aggregate appears [redacted] relative to the volume purchase[redacted]. Also, there is not enough market information available in a single annual cycle of RA procurement to identify whether PG&E's selection is the best or least-cost approach to meet RA compliance needs in 2018 given one's inability to foresee future years' pricing of RA Offers. [redacted]

[redacted] Given these considerations, Arroyo concludes that the contracts selected and executed represent a reasonable way to meet PG&E's identified need.

E. MERIT FOR CPUC APPROVAL

This section reports an opinion about the merit of the RA confirmation agreements.

Fairness. In Arroyo's opinion the methodology for evaluating and selecting Offers and the implementation of that methodology was, overall, designed and handled fairly by PG&E. The selection of input parameters for [redacted] appears to Arroyo to be reasonable, and had an impact on which Offers were selected. In Arroyo's opinion the contract-specific negotiations were handled fairly [redacted] that could result in disparate [redacted] in one somewhat unlikely scenario involving [redacted].

Pricing. The ITRFO elicited a broad range of pricing among Offers, and the [redacted].

Figure 3.

[redacted]

Figure 3 shows an example of a stacked price curve of Offers for a single product (calendar 2017 System RA) in which the shortlisted Offers are depicted with larger circles and rejected Offers are shown as smaller diamonds. This illustrates how PG&E's [redacted]

[redacted]

Arroyo believes that [redacted] resulted in selection of the [redacted] needed to meet the utility's [redacted] subject to the various constraints imposed by input assumptions. Figure 3 also illustrates how the selected Offers tended to be lower in price than the bulk of rejected proposals. This observation is generally true for other products, except for [redacted].

Focusing only on the calendar year products [redacted], the volume-weighted average price of all proposals to PG&E in the ITRFO was about [redacted]. In contrast, the weighted average price of executed agreements for calendar-year deliveries was about [redacted]

Arroyo's opinion is that the pricing of executed contracts resulting from the ITRFO was [redacted][13] [redacted]

Project viability. All of the in-state generating projects that were awarded agreements from the ITRFO are existing, operating facilities with decent track records of availability performance. [redacted] The Pittsburg units are older gas-steam units of 1960s and 1970s vintage that are expected to be retired based on the regulations on water intakes for once-through cooling units; the project's annual capacity factor has been reported to be less than 2% in recent years. [redacted][14]

---

[13] [redacted]

[14] [redacted]

[redacted]

Summary. In Arroyo's opinion the transactions resulting from PG&E's 2014 ITRFO were executed at prices that are [redacted]. The project viability of facilities identified as providing RA in these transactions is high; [redacted]. Arroyo's opinion is that nearly all of the contract-specific negotiations were handled in a manner that was fair to ratepayers and competitors. [redacted]

On that basis Arroyo's opinion is that the executed agreements from PG&E's 2014 ITRFO merit CPUC approval.

Public Appendix F

Confidentiality Declaration and Matrix

DECLARATION OF KURT HANSEN
SEEKING CONFIDENTIAL TREATMENT
FOR CERTAIN DATA AND INFORMATION CONTAINED IN
PITTSBURG TRANSACTION ADVICE LETTER
(PACIFIC GAS AND ELECTRIC COMPANY - U 39 E)

I, Kurt Hansen, declare:

1. I am a manager in the Energy Procurement department at Pacific Gas and Electric Company ("PG&E"). I am responsible for overseeing electric commodity procurement at PG&E including negotiating transactions resulting from PG&E's 2014 Intermediate Term Request for Offers solicitation ("ITRFO"). In carrying out these responsibilities, I have acquired knowledge of PG&E's contracts with numerous counterparties and have also gained knowledge of the operations of electric sellers in general. Through this experience, I have become familiar with the type of information that would affect the negotiating position of electric sellers with respect to price and other terms, as well as with the type of information that such sellers consider confidential and proprietary. I can also identify information that buyers and sellers of capacity would consider to be "market sensitive information" as defined by California Public Utilities Commission ("CPUC") Decision ("D.") 06-06-066 and D.09-12-020, that is, information that has the potential to materially impact a procuring party's market price for capacity if released to market participants.

2. I was responsible for overseeing the negotiations of the Pittsburg Transaction resulting from PG&E's ITRFO. Based on my knowledge and experience, I make this declaration seeking confidential treatment of Appendices A, B, C, and D to PG&E's Advice Letter seeking approval of the Pittsburg Transaction ("Confidential Information").

3. The Appendices are as follows:

Confidential Appendix A: Contract and Valuation Information

Confidential Appendix B:	RA Positions and Procurement Limits
Confidential Appendix C:	The Transaction Contract
Confidential Appendix D:	Independent Evaluator Report (Confidential Version)

4. Attached to this declaration is a matrix that describes the Confidential Information for which PG&E seeks continued protection against public disclosure, states whether PG&E seeks to protect the confidentiality of the Confidential Information pursuant to D.06-06-066 and/or other authority; and where PG&E seeks protection under D.06-06-066, the category of market sensitive information in D.06-06-066 Appendix 1 Matrix ("Matrix") to which the Confidential Information corresponds.

5. The attached matrix demonstrates that the Confidential Information: (1) constitutes a particular type of confidentiality-protected data listed in the Matrix; (2) corresponds to a category or categories of market sensitive information listed in the Matrix; (3) may be treated as confidential consistent with the limitations on confidentiality specified in the Matrix for that type of data; (4) is not already public; and (5) cannot be aggregated, redacted, summarized or otherwise protected in a way that allows partial disclosure. In the column labeled, "PG&E's Justification for Confidential Treatment", PG&E explains why the Confidential Information is not subject to public disclosure under either or both D.06-06-066 and General Order 66-C. The confidentiality protection period is stated in the column labeled, "Length of Time."

6. By this reference, I am incorporating into this declaration all of the explanatory text in the attached matrix.

I declare under penalty of perjury, under the laws of the State of California, that to the best of my knowledge, the foregoing is true and correct.

Executed on September 15, 2014, at San Francisco, California.

KURT HANSEN

PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 E)
PITTSBURG TRANSACTION ADVICE LETTER

IDENTIFICATION OF CONFIDENTIAL INFORMATION

Redaction Reference	1) Constitutes data listed in Appendix 1 to D.06-06-066 (Y/N)	2) Data correspond to category in Appendix 1:	3) Complies with limitations of D.06-06-066 (Y/N)	4) Data not already public (Y/N)	5) Lead to partial disclosure (Y/N)	PG&E's Justification for Confidential Treatment	Length of Time
Document: Confidential Appendix A – Contract and Valuation Information							
Entire document	Y	Items VII.B - Contracts and power purchase agreements between utilities and non-affiliated third parties (except RPS) and VIII.B – Specific quantitative analysis involved in scoring and evaluation of participating bids	Y	Y	Y	This confidential appendix describes the evaluation methodology and criteria used to evaluate and rank bids in PG&E's 2014 Intermediate Term Request for Offers solicitation ("ITRFO"). It also provides the results of the evaluation for the Pittsburg Transaction. This information is confidential under Item VIII.B of the D.06-06-066 Appendix 1 matrix for 3 years after the winning bidders are selected. It also describes terms and conditions from the Pittsburg Transaction, which are confidential under Item VII.B of the D.06-06-066 Appendix 1 matrix for 3 years from date contract states deliveries to begin; or until one year following expiration, whichever comes first.	Confidential for three years from date contract states deliveries to begin; or until one year following expiration, whichever comes first.
Document: Confidential Appendix B – RA Positions and Procurement Limits							
Entire document	Y	Item VI.A – Net Open Position – Electric – Utility Bundled Net Open (Long or Short) Position for Capacity	Y	Y	Y	This confidential appendix describes the potential impacts to PG&E's system Resource Adequacy (RA) positions and procurement limits as a result of the execution of the Pittsburg Transaction, which the front 3 years are confidential under Item VI.A of the D.06-06-066 Appendix 1 matrix.	Front 3 years of forecast data confidential.

PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 E)
PITTSBURG TRANSACTION ADVICE LETTER

IDENTIFICATION OF CONFIDENTIAL INFORMATION

Redaction Reference	1) Constitutes data listed in Appendix 1 to D.06-06-066 (Y/N)	2) Data correspond to category in Appendix 1:	3) Complies with limitations of D.06-06-066 (Y/N)	4) Data not already public (Y/N)	5) Lead to partial disclosure (Y/N)	PG&E's Justification for Confidential Treatment	Length of Time
Document: Confidential Appendix C – The Transaction Contract							
Entire document	Y	Item VII.B - Contracts and power purchase agreements between utilities and non-affiliated third parties (except RPS)	Y	Y	Y	This confidential appendix is the Pittsburg Transaction which contains the terms and conditions of the agreement, which are confidential under Item VII.B of the D.06-06-066 Appendix 1 matrix for 3 years from date contract states deliveries to begin; or until one year following expiration, whichever comes first.	Confidential for three years from date contract states deliveries to begin; or until one year following expiration, whichever comes first.
Document: Confidential Appendix D – Independent Evaluator Report (Confidential Version)							
Redacted portion	Y Also constitutes data protected by GO 66-C, Exclusion 2.8.	Items VIII.A – Bid Information, VIII.B – Specific quantitative analysis involved in scoring and evaluation of participating bids and VII.B - Contracts and power purchase agreements between utilities and non-affiliated third parties (except RPS)	Y	Y	Y	This is the confidential Independent Evaluator Report for the Pittsburg transaction. The redacted portion of this confidential appendix provides the participating bids in PG&E's 2014 ITRFO, of which the participating bids, counter-party names, prices and quantities offered are confidential. In addition, the redacted portion of this confidential appendix describes in detail the evaluation methodology and criteria used to evaluate and rank bids in PG&E's 2014 ITRFO. This information is confidential under Item VIII.B of the D.06-06-066 Appendix 1 matrix for 3 years after the winning bidders are selected. It also describes the terms and conditions of the Pittsburg Transaction, which are confidential under Item VII.B of the D.06-06-066 Appendix 1 matrix for 3 years from date contract states deliveries are to begin; or until one year following expiration, whichever comes first. The negotiations between GenOn Energy Management, LLC and PG&E constitute information obtained by PG&E in confidence from a party that is not regulated by the CPUC,	Confidential for three years from date contract states deliveries to begin; or until one year following expiration, whichever comes first.

PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 E)
PITTSBURG TRANSACTION ADVICE LETTER

IDENTIFICATION OF CONFIDENTIAL INFORMATION

Redaction Reference	1) Constitutes data listed in Appendix 1 to D.06-06-066 (Y/N)	2) Data correspond to category in Appendix 1:	3) Complies with limitations of D.06-06-066 (Y/N)	4) Data not already public (Y/N)	5) Lead to partial disclosure (Y/N)	PG&E's Justification for Confidential Treatment	Length of Time
						the disclosure of which would harm the public interest. The exchange of information during contract negotiation is subject to a confidentiality agreement between GenOn Energy Management, LLC and PG&E. Its disclosure would violate the contract, discourage counterparties from executing confidentiality agreements to protect the confidentiality of subsequent negotiations, and impair the contract formation process.	

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

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City of Palo Alto
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Clean Power
Coast Economic Consulting
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SCE
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SPURR
San Francisco Public Utilities Commission
Seattle City Light
Sempra Utilities
SoCalGas
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Sun Light & Power
Sunshine Design
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Wellhead Electric Company
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