

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



June 5, 2019

**Advice Letter 5531-E**

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

**SUBJECT: Approval of Contract Resulting from Competitive Solicitation Framework  
Incentive Pilot Request for Offers.**

Dear Mr. Jacobson:

Advice Letter 5531-E is effective as of May 25, 2019.

Sincerely,

A handwritten signature in cursive script that reads "Edward Randolph".

Edward Randolph  
Deputy Executive Director for Energy and Climate Policy/  
Director, Energy Division

April 25, 2019

**Advice 5531-E**

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

**Subject: Approval of Contract Resulting from Competitive Solicitation  
Framework Incentive Pilot Request for Offers****I. Purpose**

In accordance with Resolution E-4956 (Res. E-4956) and pursuant to Decision 16-12-036 (D.16-12-036) and Resolution E-4889 (Res. E-4889) within the Integrated Distributed Energy Resources (IDER) proceeding<sup>1</sup>, Pacific Gas and Electric Company (PG&E) hereby submits this advice letter to seek approval from the California Public Utilities Commission (Commission or CPUC) of two contracts for the Gonzales project resulting from PG&E's solicitation for the IDER incentive pilot.

**II. Background**

On December 22, 2016, the Commission issued Decision D.16-12-036, *Decision Addressing Competitive Solicitation Framework and Utility Regulatory Incentive Pilot*, which approved the IDER incentive pilot that would use and test the adopted Competitive Solicitation Framework. The decision outlined a seven-step process for completing the IDER incentive pilot.

On June 16, 2017, PG&E submitted Advice Letter (AL) 5096-E in compliance with Step-Three of D.16-12-036, for the selected deferral candidate project, the Rincon Substation in San Rosa. However, due to the Santa Rosa fire in the North Bay, the Rincon project was no longer viable, and PG&E notified the Commission via comments on Res. E-4889. Pursuant to Res. E-4889 issued on December 19, 2017, PG&E submitted supplemental AL 5096-E-A on May 1, 2018, explaining the circumstances surrounding the cancellation of the Rincon project, detailing lessons learned and insights as well as a proposal for selection of a new candidate project, the Gonzales Substation in Monterey County.

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<sup>1</sup> R.14-10-003

On October 26, 2018, the Commission issued Resolution E-4956 approving, with modifications, PG&E's AL 5096-E/5096-E-A. This advice letter complies with that directive.

### III. **Overview of Integrated Distributed Energy Resources (IDER) Incentive Pilot Request for Offers (RFO)**

PG&E selected Gonzales Substation (Gonzales Bank 3 and Gonzales Bank 4), located within PG&E's Gonzales distribution planning area, for the IDER RFO due to forecasted overload conditions from peak demand. Gonzales Substation was selected due to its timing certainty and potential for cost-effective DER solutions to address thermal overloading on peak days.

After review by the Independent Evaluator (IE) and Energy Division, all documents for the IDER RFO, including Solicitation Protocol document, the Term Sheet, and an Excel offer form with detailed instructions were posted at <http://www.pge.com/rfo/ider>

| <b>Date</b>       | <b>Event</b>   |
|-------------------|--|
| November 14, 2018 | PG&E issues RFO  |
| November 15, 2018 | Participants' Webinar  |
| December 13, 2018 | Deadline for PG&E to receive Offers at 1 PM (PPT)  |
| December 14, 2018 | Deadline for IE to receive a flash-drive of Offers   |
| January 14, 2019  | PG&E notifies selected Participants that their Offer(s) will be included on a list of Offers for which PG&E may seek to enter into or negotiate an Agreement related to that Offer ("Shortlist") |
| January 21, 2019  | Participants notify PG&E whether they accept Shortlist status and acknowledge acceptance of the Confidentiality Agreement  |
| April 25, 2019    | PG&E submits Agreements with final Shortlist Participant(s) for CPUC Approval  |

#### **A. RFO Structure**

PG&E issued its IDER RFO on November 14, 2018 to solicit offers for up to 2 MW of DERs to provide distribution capacity by increasing generation, reducing electrical

consumption, or shifting load. PG&E sought projects located at or on distribution circuits electrically connected downstream of Gonzales Bank 3 and Gonzales Bank 4.

The additional distribution capacity was required to be available by June 1, 2021 and maintained through the end of September 2025.

The detailed capacity needs solicited in the RFO are described below.

|   | <b>Gonzales 3</b> | <b>Gonzales 4</b>     |
|---|-------------------|-----------------------|
| <b>Distribution Capacity Need (MW)</b>  | 0.5               | 1.5                   |
| <b>Delivery Months to Schedule DERs</b> | June – September  | June – September      |
| <b>Duration of Need (Hours)</b>         | 5PM – 9PM         | 8AM – 12PM            |
| <b>Delivery Days</b>                    | Monday – Friday   | Every day of the week |
| <b>Number of Need Days in Year</b>      | 12                | 12                    |
| <b>Net Loading Restriction Hours*</b>   | 3PM – 10PM        | 6AM – 12PM            |

Dispatchable resources could be called on a day-ahead basis up to 6 times a month for not more than 3 consecutive days and for not more than 12 days total during the summer loading period.

\*Applicable only on dispatch days

## **B. Participant Outreach**

PG&E announced the issuance of the IDER RFO by email notification both prior to launch (pre-issuance) and on the day of launch (issuance), to PG&E's mailing list which included approximately 2,700 recipients. The issuance email gave potential participants information on the location of the solicitation documents, participant webinar information, and important action items.

IDER RFO documents were finalized for release on November 14, 2018 and remain available on the PG&E website. The documents include the IDER RFO solicitation protocol which includes information, requirements, and directions to submit a conforming offer. In addition to the IDER RFO dedicated website, PG&E set up an IDER RFO mailbox ([IDERRFO@pge.com](mailto:IDERRFO@pge.com)) for participants and other interested parties to submit questions. PG&E posted questions and corresponding answers that might be useful to all participants in a questions and answers (Q&A) document on the website.

On November 15, 2018, PG&E conducted a participants' conference via webinar to explain the IDER RFO solicitation protocol, the offer evaluation methodology, and form

agreements as well as answer questions from potential participants. About 65 individuals attended the webinar via phone or WebEx. PG&E posted the presentation, an audio file of the presentation, a transcript of the presentation, and the list of attendees to the IDER RFO website shortly after the webinar.

### **C. Offers Received**

PG&E requested offers for the IDER RFO by December 13, 2018 and notified participants via email of their status regarding the shortlist on January 14, 2019. Shortlisted participants were notified in their email letter of additional requirements to remain on the shortlist and to be eligible for negotiations. PG&E conducted a phone call with any non-listed participants that requested feedback on their offer.

### **D. Evaluation and Shortlist**

PG&E evaluated offers based on the “least-cost, best-fit” (LCBF) principles using quantitative and qualitative criteria. PG&E evaluated the cost of each offer and looked to create the least cost portfolio to defer the distribution investment. PG&E also considered qualitative criteria, such as project viability, and the Participants ability to meet the full area need. A summary of the evaluation of all offers and costs is included as confidential Appendix A.

### **E. Negotiations**

PG&E scheduled introductory calls with all shortlisted counterparties to clarify project details and identify potential project-specific commercial issues. PG&E’s Technology Neutral Pro Forma (TNPF), developed with stakeholder input via the 2018 TNPF Working Group, served as the starting point for negotiation of an executable agreement. Negotiations primarily focused on identification and resolution of details regarding project delivery conditions, termination provisions, and operation parameters, which evolved as the project was finalized. Ultimately, the less cost effective offers were not able to offer sufficient price reductions or sufficient learning opportunities to be included in the final portfolio. Though PG&E considered the benefits of a portfolio solution consisting of multiple projects as well as the value of potential learnings associated with BTM or demand side technologies, inability to reach a mutually acceptable approach led PG&E to select the cost effective GCL projects as the most suitable.

### **F. PRG**

PG&E provided three detailed notifications to and discussions with its Procurement Review Group (PRG) throughout the IDER RFO process.

On January 9, 2019, PG&E sent a spreadsheet summarizing the offers received to the PRG via email.

On February 26, 2019, PG&E provided an update on negotiations and schedule to the PRG via WebEx meeting. A copy of the presentation was sent three business days in advance of the meeting on February 22, 2019.

On April 12, 2019, PG&E sent a notification reviewing the list of projects with which it would seek to execute agreements to the PRG via email.

### **G. Independent Evaluator**

PG&E engaged an Independent Evaluator (IE) from the Commission's approved list of IEs for the IDER RFO. The IE for this solicitation was Sedway Consulting, with Alan Taylor as the IE representative. The IE was involved in the review of RFO documentation before the RFO was issued, review and evaluation of offers received, and in shortlist development. The IE also monitored feedback calls with participants and contract negotiations. The IE also participated in the IDER RFO-related PRG meetings and correspondences. The IE Report is provided as public Appendix B1, and the supplemental IE Report is provided as confidential Appendix B2.

### **IV. Project Description**

Since the issuance of the IDER RFO, PG&E has updated the Gonzales area load forecast. The Gonzales need increased from 0.5 to 0.58 MW on Gonzales 3 and from 1.5 to 1.58 MW on Gonzales 4. PG&E also identified a need for distribution capacity on Gonzales Bank 3 in May. As a result of these updates, and to address the inherent uncertainty in a load forecast, PG&E has negotiated to procure distribution capacity slightly in excess of the updated need. PG&E has executed two contracts with GCL, attached as confidential Appendix C and confidential Appendix D, with the following operational parameters.

|   | <b>Gonzales 3</b>   | <b>Gonzales 4</b>         |
|---|---------------------|---------------------------|
| <b>Technology</b>                       | Lithium Ion Battery | Lithium Ion Battery       |
| <b>Capacity (MW)</b>                    | 1                   | 1.75                      |
| <b>Delivery Months to Schedule DERs</b> | May – September     | June – September          |
| <b>Duration of Need (Hours)</b>         | 5PM – 9PM           | 7AM – 11AM                |
| <b>Delivery Days</b>                    | Monday – Saturday   | Every day of the week     |
| <b>Dispatch Days</b>                    | 15                  | 15                        |
| <b>Net Loading Restriction Hours*</b>   | 7AM – 10PM          | 6AM – 12PM and 5PM – 10PM |

## **V. Contingency Plan**

PG&E will use the following contingency planning steps for contracted DER solutions that are not able to successfully mitigate the grid needs for the identified candidate deferral opportunity. Specifically, PG&E has considered three different project stages where a DER solution can fail in being able to provide successful distribution services:

### **A. DER Solicitation and approval stage:**

If this Tier 2 Advice Letter is not approved by the CPUC by the requested approval date, or if there is a significant change in forecasted grid need date while awaiting contract approval (e.g. accelerating the need for a solution sooner than originally planned), the contingency plan is to proceed with the planned “wires” project. PG&E would proceed with the wires solution because the in-service date for the planned investment is too soon for inclusion in next year’s distribution investment deferral framework RFO.

### **B. DER Implementation stage:**

If the contracted DER solution fails to meet its implementation milestones and is not expected to achieve operations by the identified grid need date, or if there is a change in forecasted grid need date (e.g. accelerating the need for a solution sooner than originally planned), the contingency plan options available during this stage depends upon when during the DER implementation stage it becomes known that the DER solution will be not be available to meet the identified grid need date. If it is earlier in the DER implementation stage, the contingency is to implement the planned wires project if possible. If it is later in the DER implementation stage and PG&E does not have time to build the wires solution depending upon the loading and system conditions, PG&E will manage the load until capacity upgrades can be installed using field switching where possible, temporary re-rates on various pieces of equipment, and/or installation of temporary and mobile equipment.

### **C. Commercial Operation stage:**

If the contracted DER resource fails to meet performance requirements or simply fails while in service, PG&E will handle this situation in the same manner as with any other failed equipment. The immediate emergency response includes distribution operations personnel implementing load transfers based on current loading profiles, installation of mobile generation, and/or a plan to interrupt power for local customers as a last resort. The contingency plan beyond the initial 24 hours would consider area loading, expected duration of the DER resource failure, potential transfers that may be available because of recent distribution infrastructure additions or improvements, re-rating of distribution facilities, including substation banks and installation of temporary facilities such as a mobile transformer bank.

## **D. Other Considerations**

It is important to note that new customer load applications for demand in the 2-5 MW range are not uncommon. PG&E cannot predict with absolute certainty where or when large new customer load will happen. If an updated demand forecast is higher than what the DER solution can provide, PG&E would deploy the same contingency strategies identified previously in this section. PG&E also coordinates with customers in providing new service based on the size and timing of the load ramp up schedule. PG&E will follow existing Commission approval and cost recovery processes in the event it becomes necessary to implement a traditional capital investment.

## **VI. Cost Effectiveness Cap**

PG&E is requesting to procure DERs that are less than the cost effectiveness cap, in compliance with Order 18 of Res. E-4956. PG&E did not provide updates to the cost effectiveness cap as required by Order 6 in Res. E-4956, however, PG&E provides the updated estimate of the cost effectiveness cap in confidential Appendix E. This updated cost cap details updates to input assumptions including changes in tax rates and updates to the deferral value that reflect the non-deferrable engineering and design costs of the planned investment that occur prior to Contract Approval.

## **VII. Cost Recovery**

Pursuant to D.16-12-036 and D.18-06-010, PG&E will track DER contract payments in the existing IDER Incentives Pilot balancing account pre-approved for recovery in the GRC. If the revenue requirement for the specific investment in the deferred wires project is explicitly approved in the GRC, PG&E will recover these costs through the specific general rate case revenue requirement, subject to PG&E being made whole for any distributed energy resources contract payments above what it is collecting in the GRC revenue requirements.

PG&E will track and recover a 4% pre-tax incentive applied to the annual payments associated with the Incentive pilot and record the value of the incentive in a balancing account for later recovery.<sup>2</sup>

PG&E will track and recover solicitation related incremental expenses associated with the RFO. As noted in Ordering Paragraph 16 of Resolution E-4956,<sup>3</sup> PG&E's forecast of expected administrative costs for the pilot solicitation is reasonable and pre-approved for recording in Pacific Gas and Electric's Administrative Memorandum Account for recovery and is subject to Commission review in PG&E's General Rate Case.

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<sup>2</sup> D.16-12-036, OP 20, p. 86.

<sup>3</sup> Resolution E-4956, p 31.

PG&E will track all incremental administrative costs of the pilot, including unavoidable expenditures for commissioning and ongoing testing and verification of the Contract and Contract administrative costs in the DER Distribution Deferral Account.<sup>4</sup> Pursuant to PG&E's contingency plan as adopted per Ordering Paragraph 3 of Resolution E-4956,<sup>5</sup> contingency costs, including unavoidable expenditures on any planned wires-related investments, also will be tracked and recorded in the DER Distribution Deferral Account (i.e., IDER balancing account).

### **Appendices**

Appendix A: Summary of Evaluation of all Offers and Costs **(Confidential)**

Appendix B1: IE Report **(Public)**

Appendix B2: Supplemental IE Report **(Confidential)**

Appendix C: GCL New Energy Battery Energy Storage System (BESS) Gonzales Bank 3 Contract **(Confidential)**

Appendix D: GCL New Energy Battery Energy Storage System (BESS) Gonzales Bank 4 Contract **(Confidential)**

Appendix E: Updated Estimate of Cost Effectiveness Cap **(Confidential)**

Appendix F: Confidentiality Declaration **(Public)**

### **Protests**

Anyone wishing to protest this submittal may do so by letter sent via U.S. mail, facsimile or E-mail, no later than May 15, 2019, which is 20 days after the date of this submittal. Protests must be submitted to:

CPUC Energy Division  
ED Tariff Unit  
505 Van Ness Avenue, 4<sup>th</sup> 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.

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<sup>4</sup> D.16-12-036, OP 21, p. 86.

<sup>5</sup> Resolution E-4956, p 28.

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:

Erik Jacobson  
Director, Regulatory Relations  
c/o Megan Lawson  
Pacific Gas and Electric Company  
77 Beale Street, Mail Code B13U  
P.O. Box 770000  
San Francisco, California 94177

Facsimile: (415) 973-3582  
E-mail: PGETariffs@pge.com

Any person (including individuals, groups, or organizations) may protest or respond to an advice letter (General Order 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 (General Order 96-B, Section 3.11).

### **Effective Date**

PG&E requests that this Tier 2 advice submittal become effective on regular notice, May 25, 2019, which is 30 calendar days after the date of submittal.

### **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 parties on the service list for R.14-10-003. Address changes to the General Order 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 submittals can also be accessed electronically at: <http://www.pge.com/tariffs/>.

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/S/

Erik Jacobson  
Director, Regulatory Relations

Attachments

cc: Service List R.14-10-003



# ADVICE LETTER SUMMARY

## ENERGY UTILITY



MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No.: Pacific Gas and Electric Company (ID U39E)

Utility type:

- ELC       GAS       WATER  
 PLC       HEAT

Contact Person: Yvonne Yang

Phone #: (415)973-2094

E-mail: PGETariffs@pge.com

E-mail Disposition Notice to: Yvonne.Yang@pge.com

EXPLANATION OF UTILITY TYPE

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

(Date Submitted / Received Stamp by CPUC)

Advice Letter (AL) #: 5531-E

Tier Designation: 2

Subject of AL: Approval of Contract Resulting from Competitive Solicitation Framework Incentive Pilot Request for Offers

Keywords (choose from CPUC listing): Compliance

AL Type:  Monthly  Quarterly  Annual  One-Time  Other:

If AL submitted in compliance with a Commission order, indicate relevant Decision/Resolution #: Resolution E-4956 and Decision 16-12-036

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:

Confidential treatment requested?  Yes  No

If yes, specification of confidential information: See Appendix F: Confidentiality Declaration  
Confidential information will be made available to appropriate parties who execute a nondisclosure agreement. Name and contact information to request nondisclosure agreement/ access to confidential information: Marino Monardi, M3Mt@pge.com

Resolution required?  Yes  No

Requested effective date: 5/25/19

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:

Service affected and changes proposed<sup>1</sup>: N/A

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

<sup>1</sup>Discuss in AL if more space is needed.

**Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this submittal, unless otherwise authorized by the Commission, and shall be sent to:**

CPUC, Energy Division  
Attention: Tariff Unit  
505 Van Ness Avenue  
San Francisco, CA 94102  
Email: [EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@cpuc.ca.gov)

Name: Erik Jacobson, c/o Megan Lawson  
Title: Director, Regulatory Relations  
Utility Name: Pacific Gas and Electric Company  
Address: 77 Beale Street, Mail Code B13U  
City: San Francisco, CA 94177  
State: California Zip: 94177  
Telephone (xxx) xxx-xxxx: (415)973-2093  
Facsimile (xxx) xxx-xxxx: (415)973-3582  
Email: [PGETariffs@pge.com](mailto:PGETariffs@pge.com)

Name:  
Title:  
Utility Name:  
Address:  
City:  
State: District of Columbia Zip:  
Telephone (xxx) xxx-xxxx:  
Facsimile (xxx) xxx-xxxx:  
Email:

**PACIFIC GAS AND ELECTRIC COMPANY**  
**APPENDIX A**  
**SUMMARY OF EVALUATION OF ALL OFFERS AND COSTS**

**(CONFIDENTIAL IN ITS ENTIRETY)**

**PACIFIC GAS AND ELECTRIC COMPANY**  
**APPENDIX B1**  
**INDEPENDENT EVALUATOR (IE) REPORT**

**Sedway Consulting, Inc.**

**INDEPENDENT EVALUATION REPORT  
FOR PACIFIC GAS & ELECTRIC'S  
2018 INTEGRATED DISTRIBUTED  
ENERGY RESOURCES INCENTIVE PILOT  
REQUEST FOR OFFERS**

*Submitted by:*

*Alan S. Taylor  
Sedway Consulting, Inc.  
Boulder, Colorado*

April 24, 2019

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CONFIDENTIAL APPENDIX A: RFO ISSUES AND EVALUATION RESULTS

## Introduction and Background

On November 14, 2018, Pacific Gas & Electric (PG&E) issued its 2018 Integrated Distributed Energy Resources Incentive Pilot (IDER) Request for Offers (RFO) to explore the efficacy of distributed energy resources (DERs) in being able to cost-effectively defer electric distribution services for the utility's Gonzales Substation and test the Competitive Solicitation Framework outlined in California Public Utilities Commission (CPUC) Decision 16-12-036 (Decision Addressing Competitive Solicitation Framework and Utility Regulatory Incentive Pilot).

Specifically, DERs were sought that could provide capacity by increasing generation, reducing electrical consumption, or shifting load to reduce the Gonzales Substation projected overloading on peak days.

In accordance with D.16-12-036 issued on December 15, 2016,<sup>1</sup> Resolution E-4889<sup>2</sup> issued on November 30, 2017 and Resolution E-4956 issued on October 26, 2018, PG&E issued its 2018 IDER RFO to solicit offers that would allow them to defer an upgrade to the Gonzales Substation while still maintaining system reliability and safety.

PG&E's 2018 IDER RFO Protocol sought "distribution capacity" that would allow the deferral of the distribution system improvement project. In order to defer the distribution system improvement, PG&E solicited products that, either individually or in combination, would address the complete Gonzales Substation need. Any final selected DER or package of DERs would have to address the following two needs, both for the months of June through September and starting in June 2021 for a contract terms of five years:

- Gonzales Bank 3: 0.5 MW of increased generation, load reduction, or load shifting on weekdays from 5:00 pm to 9:00 pm.
- Gonzales Bank 4: 1.5 MW of increased generation, load reduction, or load shifting every day of the week from 8:00 am to 12:00 pm.

Dispatchable resources may be called on a day-ahead basis up to 6 times a month for not more than 3 consecutive days and for not more than 12 days total during the summer loading period. In addition, projects on Gonzales Bank 3 may not increase net loading (increase in electrical consumption or decrease in generation) for the hours of 3:00 pm to

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<sup>1</sup> Originally, PG&E's IDER RFO was expected to launch in 2017, but the targeted substation for the deferrable distribution system upgrade (Rincon) was near Santa Rosa, California – an area that suffered significant wildfire damage during 2017; thus, PG&E requested and was granted a delay to find another suitable substation for its IDER RFO.

<sup>2</sup> Approves, with modifications Pacific Gas and Electric Company (PG&E) Advice Letter (AL) 5096-E

10:00 pm on the 12 dispatch days. Projects on Gonzales Bank 4 may not increase net loading any day during June through September for the hours of 6:00 am to 12:00 pm.

Offers could be for projects that would be located either in-front-of-the-meter or behind-the-meter. Participants were allowed to provide offers for either or both Gonzales 3 and/or Gonzales 4 in increments of 250 kW up to the RFO needs. The RFO sought cost-effective offers that either (a) met the entire need or (b) met a portion of the need (whereby portfolios of offers might be assembled that would meet the entire need).

Eligible product types included the following:

- Energy Efficiency (“EE”),
- Demand Response (“DR”),
- Energy Storage (“ES”),
- Renewable Distributed Generation (“DG”),
- Non-Renewable Distributed Generation that would produce GHG emissions reductions over the resource’s lifecycle,
- Permanent Load Shift, and
- Electric Vehicles.

For dispatchable Offers, counterparties would be expected to deliver the capacity after receiving a day-ahead signal. If the counterparty did not meet the delivery requirements, the fixed payments would be reduced by a certain percentage based upon the product’s availability (with significant under-delivery or failure to deliver resulting in the potential termination of the contract).

Participants were asked to provide the capacity offered, a capacity price (in \$/kW-mo), and for dispatchable resources a variable price (in \$/kWh) for each month of operation. For EE resources, fixed payments would only be made the first year of the need to reflect how EE is typically compensated.

In addition, PG&E gave the EE Participants an option to use the utility’s Customer Relationship Manager (CRM) team for customer engagement and lead generation support. The purpose of this option was to aid EE Participants in acquiring customers for their projects. Therefore, for each offer, EE Participants were also asked to specify what kind of support (Co-branding, Marketing and Outreach Support, and/or Data Access) was assumed in the offer pricing. For each offer that included Customer Engagement Support, Participants were also required to include an offer assuming no Customer Engagement Support.

Participants also were required to provide information about and go through a review of incrementality of their offered projects. Only DERs that were categorized as wholly

incremental or partially incremental (i.e., not already sourced through another program, tariff, or solicitation) were considered eligible.

EE Participants had the option of having their offers evaluated for incrementality on a project-specific basis or with a pre-specified overlap factor of 15% to reflect the overlap between an offer’s measures and energy efficiency resources that are projected to be deployed in the local area in the absence of the offer.

The CPUC has issued several decisions that require California’s investor-owned utilities to retain an Independent Evaluator (IE) in resource solicitations.<sup>3</sup> In early 2018, in compliance with these CPUC decisions, PG&E retained Sedway Consulting, Inc. (Sedway Consulting) as an IE to monitor PG&E’s 2018 IDER RFO, provide an independent evaluation of PG&E’s process and the offers it may receive, and help the CPUC and PG&E’s Cost Allocation Mechanism (CAM) Procurement Review Group (PRG) participants by providing them with information and assessments to ensure that the solicitation was conducted fairly and that the best resources, if reasonably cost-effective, were acquired. This IE report provides an assessment of PG&E’s 2018 IDER solicitation from the initial phase of the solicitation (i.e., preparing for the issuance of the RFO documents) through completing of contract signing and filing of the Advice Letter for CPUC approval of the contract. Table 1 provides the timeline that the RFO followed.

| <b>Table 1<br/>PG&amp;E 2018 IDER RFO Schedule</b> |                   |
|--|-------------------|
| PG&E issues RFO                                    | November 14, 2018 |
| Participants’ webinar                              | November 15, 2018 |
| Offer deadline for uploading to PG&E               | December 13, 2018 |
| Deadline for IE to receive offer files             | December 14, 2018 |
| Notification to Participants of shortlisted status | January 14, 2019  |
| Contract signing                                   | April 23, 2019    |
| Advice Letter filing with the CPUC                 | April 25, 2019    |

Sedway Consulting concluded that PG&E conducted a fair solicitation in its 2018 IDER RFO and made reasonable selection/rejection decisions. Outreach activities conducted by PG&E generated a reasonably robust market response and the RFO process was fairly designed and administered, with no bidder or technology being advantaged or disadvantaged relative to other bidders or technologies. Sedway Consulting believes that PG&E treated all interested counterparties consistently and fairly.

<sup>3</sup> D.04-12-048 (Findings of Fact 94-95, Ordering Paragraph 28) and D.06-05-039 (Finding of Fact 20, Conclusion of Law 3, Ordering Paragraph 8).

This report includes a confidential appendix that provides Sedway Consulting’s evaluation results and confidential assessments of specific areas of the RFO process. The material in the confidential appendix is being afforded confidential treatment for a couple of reasons. First, it is important to protect counterparties from having their product pricing provided to competitors. Second, this material is being afforded confidential treatment in line with the CPUC’s Decision 06-06-066 (issued on June 29, 2006) which included guidelines for defining what constitutes confidential versus public information in California utility electricity procurement and related activities. Pursuant to Public Utilities Code Section 583 and the above decision, score sheets, analyses, and evaluations of proposed transactions are deemed confidential.<sup>4</sup>

The remainder of this report follows the template that was issued by the CPUC as part of R.06-02-013 (Attachment A: CPUC Independent Evaluator Template [Short Form], and as has been subsequently updated) to organize and structure Independent Evaluation reports regarding solicitations for power supplies undertaken by California utilities. That template includes question/topic areas that are depicted in boxes in this report.

## **Role of the Independent Evaluator**

1. Describe in detail the role of the IE throughout the solicitation and negotiation process.

Sedway Consulting was provided access to all appropriate materials and was able to parallel PG&E’s process with its own receipt and evaluation of all offers. Sedway Consulting reviewed PG&E’s RFO documents, outreach efforts, evaluation processes, modeling methodologies, communications with bidders, and evaluation and selection results.

Members of the IE team:

- participated in a project kick-off call with PG&E on April 18, 2018,
- reviewed and commented on the RFO Protocol prior to its issuance,
- participated in PG&E’s November 15, 2018 Participants’ webinar,
- reviewed email exchanges of questions from potential Participants and answers from PG&E,

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<sup>4</sup> “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.

- discussed evaluation methods and processes with PG&E and reviewed the utility’s evaluation methodology documents,
- reviewed estimated revenue requirements and deferral values for the targeted distribution system upgrades,
- received all offers directly from Participants,<sup>5</sup>
- performed an independent review and evaluation of all offers,
- conferred with PG&E on seeking clarified and/or revised offers from Participants,
- discussed offer evaluation issues with PG&E and cross-checked PG&E’s evaluation results,
- conferred with PG&E regarding shortlisting and final contract decisions,
- participated in virtually all negotiation calls and monitored all email communications with shortlisted Participants, and
- participated in all CAM PRG calls in which the RA RFO launch, process, offers, and selection results were discussed.

Sedway Consulting requested PG&E to provide all evaluation protocols and parameters prior to the receipt of offers. This, in essence, allowed Sedway Consulting to review, lock down, and archive the basic evaluation parameters for the process. Such information included PG&E’s discount rate, distribution project deferral value assumptions, administrative costs, Customer Engagement Support costs, and dispatch assumptions.

Sedway Consulting’s activities are described in more detail in relevant sections of this report and confidential appendix.

## PG&E’s Outreach Activities

2. How did the IOU conduct outreach to bidders, and was the solicitation robust?

The Competitive Solicitation Framework outlined in Decision D.16-12-036 required that utilities “use existing market outreach practices, including the practice of performing

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<sup>5</sup> Bidders were instructed to provide physical delivery of a USB thumb drive with their offer materials to Sedway Consulting for receipt no later than one business day following the deadline for uploading such materials to PG&E’s web-platform. This ensured that the IE had materials directly from each bidder without any possibility of interference or corruption of information through PG&E’s web-platform process and allowed Sedway Consulting to ensure that what had been uploaded to PG&E was indeed what each bidder had intended to submit.

outreach during the design phase of the solicitation.”<sup>6</sup> Sedway Consulting believes that PG&E pursued reasonable and adequate procedures for notifying potential interested parties. Specifically, PG&E dedicated a section of its company website to the solicitation, providing a means for interested parties to download the RFO Protocol/Instructions and related materials. On the RFO launch date of November 14, 2018, PG&E notified over 2,600 market participants and CPUC service list contacts from the utility’s RFO Distribution List that the RFO had been released and invited them to participate.

Decision 16-12-036 adopted the following requirements for the utilities’ solicitation packages:<sup>7</sup>

- The solicitation package shall include information regarding the specific geographic area where resources must be deployed, the customer composition in that area (to the extent that the information does not violate customer privacy rules), and information on how to request specific customer information under current Commission rules.
- The solicitation package shall also include information regarding the level of post-contracting customer acquisition support by the utility.
- A customer facing web presentation shall be deployed by the utility during each solicitation period in order to increase customer awareness and inform customers of possible contact by bidders.

Sedway Consulting reviewed the RFO solicitation package prior to the launch of the RFO and the website and webinar presentation after the RFO launch and believes PG&E’s RFO solicitation materials included adequate information to meet each of the three requirements listed above. The materials included information about the geographic area and customer composition. PG&E also offered three levels of post-contract customer acquisition support to EE Participants:

- Co-branding
- Marketing and Outreach Support
- Data Access

and clearly stated what each included and what data privacy and security requirements Participants would need to meet in order to access specific customer data.

On November 15, 2018, PG&E held a Participants’ webinar to provide an overview of the IDER solicitation. The webinar provided potential counterparties an opportunity to

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<sup>6</sup> D.16-12-036, p. 80, Ordering Paragraph 8

<sup>7</sup> D.16-12-036, p. 41

learn more about the solicitation, hear presentations, and ask questions. Sedway Consulting participated in this webinar. There were additional opportunities to ask questions via email following the webinar, with Sedway Consulting included on those email exchanges.

Sedway Consulting concluded that PG&E did an adequate job of publicizing the 2018 IDER solicitation, as ultimately evidenced by the reasonably robust response that it received from the bidding community.

### *Receipt and Evaluation of Offers*

On December 13, 2018, PG&E received a reasonable number of offers (via the Power Advocate web-platform), with Sedway Consulting receiving offers directly from Participants via flash-drive after that deadline, as requested in the RFO Protocol.

Both PG&E and Sedway Consulting performed their quantitative and qualitative analyses during the weeks after offers were received. Where necessary, a number of clarifying questions were emailed to Participants during the evaluation period, with Sedway Consulting copied on all email exchanges.

Sedway Consulting performed a parallel evaluation of the offers and participated in discussions with PG&E that culminated with PG&E's decision to shortlist several Participants. The shortlisted Participants' offers had cost/benefit ratios that were reasonably attractive (e.g., under or not excessively above a value of one).

As further addressed in this report's Confidential Appendix A, Sedway Consulting concluded that the degree of RFO participation was reasonably robust and that the shortlisted Participants/offers were the appropriate ones with which to move forward.

## **Least Cost Best Fit Methodology**

3. Describe the IOU's Least Cost Best Fit (LCBF) methodology. Evaluate the strengths and weaknesses of the IOU's LCBF methodology. (This should include a thorough analysis of the RFO results.)

### *Description of Evaluation Process*

The initial stage of PG&E's evaluation process entailed screening the offers for compliance with and general responsiveness to the RFO Protocol. All offers passed the

screening stage and after a few clarifying questions, were candidates for evaluation. The evaluation results for all offers are provided in this report's Confidential Appendix A.

Decision 16-12-036 listed certain valuation components as a starting point in the IDER RFO and allowed the utilities to modify the list with input from the Distribution Advisory Planning Group.<sup>8</sup> The components listed in D.16-12-016 include:

- Quantitative Factors including net market value, resource adequacy value, energy value benefit, ancillary services value benefit, renewables portfolio standard benefit, reduced greenhouse gas emissions benefit, renewable integration cost/reduced cost benefit, distribution deferral value, transmission deferral value, and contract payments cost; and
- Qualitative Factors including project viability, voltage and other power quality services, equipment life extensions, societal net benefits, and other factors such as supplier diversity, counterparty concentration, site diversity, and technology/end-use directory to help market transformation.<sup>9</sup>

Because PG&E only requires distribution deferral capacity in order to defer the Gonzales distribution investment, the IDER RFO included a shortened list of valuation components. Therefore, the quantitative evaluation primarily entailed comparing the net present value of an offer's monthly costs with the net present value of the savings associated with deferring the Gonzales distribution upgrade project. The difference of these two values represented the offer's net value (called the portfolio adjusted value, PAV), whereas the ratio could be used to depict a cost/benefit ratio.

The monthly costs included an offer's fixed and variable pricing, contract administrative costs, Customer Engagement Support costs (if applicable),<sup>10</sup> a 4 percent incentive applied to the annual payment,<sup>11</sup> and debt equivalency costs. The savings included the distribution deferral value. Although the focus of the quantitative evaluation was on determining the offers with the best net value or lowest cost/benefit ratio, additional factors such as project viability and fit were considered.

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<sup>8</sup> D.16-12-036, p. 79, Ordering Paragraph 5

<sup>9</sup> D.16-12-036, p. 83, Ordering Paragraph 13, states "The Societal Test valuation component shall not be used for the purposes of the Incentive Pilot"

<sup>10</sup> Customer Engagement Support costs are project-specific and would be determined on a case-by-case basis for EE offers only.

<sup>11</sup> Decision 16-12-036, Ordering Paragraph 20, p. 86. "For the purposes of the Utility Regulatory Incentive Mechanism Pilot, we adopt a 4 percent pre-tax incentive applied to the annual payment for the distributed energy resource. The incentive would be recoverable if the distributed energy resources procured were successful in avoiding or deferring an otherwise planned utility expenditure."

Sedway Consulting believes that PG&E’s evaluation process complied with the CPUC’s “Least Cost Best Fit” (LCBF) criteria. All offers and portfolios of offers that would defer the wires investment were evaluated.

Sedway Consulting believes that the evaluation process was fairly designed and reasonably administered such that all counterparties and product types were treated consistently and fairly and had equal opportunity to be shortlisted and selected by PG&E for contract negotiation.

### *Incrementality*

Decision 16-12-036 ordered the utilities to address the principles of incrementality in the IDER solicitation.<sup>12</sup> These principles include:

- a) Ensure that ratepayers are not paying twice for the same service;
- b) Ensure the reliability of a service, i.e., ensure it is not counting on a service to be there when the service might be deployed at another time or place;
- c) Not be unduly burdensome to participants;
- d) Be technology-neutral;
- e) Be fair and consistent;
- f) Recognize that a distributed energy resource is eligible to provide multiple incremental services and be compensated for each service; and
- g) Be flexible and transparent to bidders.

PG&E’s incrementality methodology approved in Resolution E-4956<sup>13</sup> includes a hybrid approach of Methods Four and Five from the Competitive Solicitation Framework Working Group (CSFWG) Final Report.<sup>14</sup>

- Tranche 1 - Wholly Incremental – IDER offers which provide technologies and services not already being sourced or reasonably expected to be sourced through another utility procurement, program, or tariff, and that meet specific identified distribution needs are categorized into Tranche One.
- Tranche 2 – Partially Incremental – IDER offers in which some portion of the technology or service is already incentivized through another authorized utility procurement, program, or tariff, and that meet specific identified distribution needs are categorized into Tranche Two. PG&E will only consider that portion of the offer that provides enhancement to the existing project as incremental.

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<sup>12</sup> Decision D.16-12-036, p. 78, Order 3

<sup>13</sup> Resolution E-4956, October 25, 2018, p. 28, Order 2

<sup>14</sup> CSFWG Final Report, August 1, 2016, pp. 26 – 29.

- Tranche 3 – Not Incremental – IDER offers which provide technologies or services already sourced under another authorized utility procurement, program or tariff that meet the identified distribution need and that provide no clearly discernable incremental value beyond current offerings.

For EE Participants, PG&E also offered the option of using an “Overlap Method.” EE Participants could choose to either have their offer reviewed as part of the Tranche methodology outlined above or have their offer discounted by a pre-specified overlap factor of 15% as originally proposed by The California Efficiency + Demand Management Council. This factor represents the expected overlap between the proposal and EE resources that are projected to be deployed in the local area.<sup>15</sup>

PG&E provided guidance to Participants regarding incrementality in their RFO documents and webinar including descriptions of what the different Tranches mean as well as examples of what PG&E considers to be fully incremental, partially incremental and non-incremental. Sedway Consulting believes that PG&E provided adequate information in their solicitation materials and appropriately considered incrementality issues in its IDER shortlisting and final selection decisions.

More discussion about incrementality of individual offers is included in Confidential Appendix A.

#### *Description of Selection Process*

As described above, PG&E was willing to consider any offer or combination of offers that could defer physical upgrades at the Gonzales substation and had costs that were less than (or close to) the value of deferral. Sedway Consulting completed its own quantitative evaluation and confirmed the cost/benefit ratio results of all offers and the best portfolio(s) of offers that would meet the need of the RFO. A few offers or portfolios of offers had cost/benefit ratios that were reasonably attractive (e.g., below or not excessively above a value of one). Sedway Consulting’s evaluation results for all offers are presented in the confidential appendix.

Sedway Consulting and PG&E agreed that it would make sense to shortlist a few top-ranked Participants, not just the one with the best cost/benefit ratio, given the potential for viability concerns or lack of agreement that might arise during the negotiation process. Even though that meant shortlisting lower-ranked Participants/offers with less attractive cost/benefit ratios and offers, it was recognized that negotiations with the top-ranked Participant might not be successful and the other shortlisted Participants might be able to improve their offers’ pricing. Thus, PG&E shortlisted and commenced negotiations with several Participants. Sedway Consulting concurred with the short list selection decision and confirms that PG&E employed a Least Cost Best Fit methodology

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<sup>15</sup> PG&E AL 5096-E-A, Attachment B1, Draft Solicitation Protocol, p.11.

in that selection decision. Participants were notified of their status on January 14, 2019 and the PRG CAM was briefed on February 26, 2019.

### *Solicitation Phase Contingency Plan*

Resolution E-4889 approved PG&E's proposed Solicitation Phase contingency plan that PG&E will consult with the Independent Evaluator, Procurement Review Group and the Commission's Energy Division staff whenever a contingency occurs during the solicitation phase.<sup>16</sup>

In addition, Resolution E-4889 stated that PG&E "shall procure DERs in tranches extending up to the cost effectiveness cap to mitigate contingencies related to changes in the size or need of the project."<sup>17</sup>

On March 7, 2019, PG&E informed Sedway Consulting that during the distribution planning process, they identified potential increased needs for both Gonzales 3 and Gonzales 4, above what was included in the IDER solicitation. In particular, the anticipated need for Gonzales 3 was likely to increase from 0.5 MW to 0.6 MW (and might include weekends) and the need for Gonzales 4 was likely to increase from 1.5 MW to 1.6 MW. PG&E explained their plan to acquire more capacity at Gonzales by expanding and combining shortlisted offers received in the solicitation (explained in more depth in Confidential Appendix A) and probably targeting a little more than each bank's need to have a buffer in case the needs increased further. Sedway Consulting concurred with the contingency plan.

During the negotiation process, PG&E and the shortlisted Participants discussed the viability of the different offers and reviewed and exchanged redlined versions of the pro forma agreement to try to reach acceptable terms. PG&E was amenable to addressing certain concerns and modifying some requirements but was clear that they wanted to limit changes and stay as close to the original pro forma agreement as possible.

During this time, PG&E and Sedway Consulting conferred and explored ways to try to meet the greater anticipated need at Gonzales. This involved looking at combinations of offers, as well as approaching the top-ranked Participant (who had provided offers that exactly met the original needs at both Gonzales Banks 3 and 4) and exploring the possibility of increasing their project size to 0.75 MW for Bank 3 and 1.75 MW for Bank 4. Indeed, that Participant agreed to increase their project size to meet the greater anticipated need at Gonzales while maintaining their offered unit pricing. On March 28, 2019, PG&E communicated a subsequent revision to the Gonzales needs where the targeted capacity for Bank 3 was increased to 1.0 MW, now included Saturday as a

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<sup>16</sup> Resolution E-4889, p. 47, Ordering Paragraph 8.

<sup>17</sup> Resolution E-4889, p. 47, Ordering Paragraph 18.

possible dispatch day, and also included the month of May as a delivery month as well as those of June through September. The targeted capacity for Bank 4 was increased to 2.0 MW and the dispatch hours were shifted to 7:00 am to 11:00 am. For both banks, the maximum number of calls per year were increased to 15. On April 9, 2019, the Bank 4 targeted capacity was subsequently reduced to 1.75 MW. The top-ranked Participant agreed that they could size their project to meet these new targeted capacities/needs without any change to their unit pricing. Ultimately, as described below, final contracts were signed with this Participant (GCL New Energy, Inc.).

## **Fairness of Bidding and Selection Process**

4. Please evaluate the fairness of the IOU's bidding and selection process (i.e., quantitative and qualitative methodology used to evaluate the bids, consistency of evaluation methods with criteria specified in the bid documents, etc.).

Sedway Consulting concluded that PG&E's evaluation design and administration was unbiased and fair. In evaluating the fairness of PG&E's process, Sedway Consulting employed the following principles:

1. Did the design and/or administration of the RFO inappropriately favor one participant or product over another?
2. Were the selection criteria flexible enough or structured in a way to facilitate PG&E acquiring sufficient capacity to meet distribution system needs as specified in the RFO?
3. Were all components of an offer's quantified metric calculated consistently so as to avoid introducing discontinuities that might distort the results and lead to incorrect offer selection?

Sedway Consulting concluded that PG&E's evaluation process was designed to treat all participants fairly, employing a consistent methodology that did not favor or disadvantage any Participant or product. Sedway Consulting's parallel evaluation allowed the IE to confirm and cross-check PG&E's evaluation results and ensure that all participants' proposals were being evaluated fairly and consistently with the evaluation criteria specified in the RFO evaluation documents (and/or anchored with the IE prior to the receipt of offers).

Sedway Consulting was copied on all email communications with participants and ensured that consistent information was being provided to all.

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Sedway Consulting, Inc.

### *Description of Sedway Consulting's Parallel Evaluation Process*

Sedway Consulting conducted a parallel review and evaluation of the offers. Sedway Consulting reviewed and discussed RFO compliance issues with PG&E, calculated the net present value of each offer's costs, and compared those to the net present value of deferring the Gonzales distribution capital improvements.

Sedway Consulting concluded that PG&E administered its evaluation and selection process fairly. The fact that Sedway Consulting conducted a parallel, independent bid receipt and evaluation process allowed it to confirm PG&E's results and verify that the utility fairly and appropriately evaluated all offers and employed an appropriate and fair selection process. Sedway Consulting concurred with PG&E's ranking, economic results, and shortlisting and final selection decisions.

### **Additional Issues**

5. Describe project-specific negotiations. Highlight any areas of concern including unique terms and conditions.

Sedway Consulting team members closely monitored project-specific negotiations by teleconference. Numerous such calls were monitored by Sedway Consulting, supplemented by the review of email communications (frequently with the transmittal of redlined contracts) between PG&E and shortlisted counterparties.

Overall, Sedway Consulting affirms that PG&E provided consistent information throughout the negotiation process. Sedway Consulting believes that PG&E conducted the IDER negotiations in a fair and appropriate manner. Negotiations details are confidential and described in this report's Confidential Appendix.

6. If applicable, describe safeguards and methodologies employed by the IOU to compare affiliate bids or UOG ownership proposals. If a utility selected a bid from an affiliate or a bid that would result in utility asset ownerships, explain and analyze whether the IOU's selection of such bid(s) was appropriate.

There were no affiliate bids or UOG (utility owned generation) DER proposals submitted in PG&E's IDER RFO. That said, the Gonzales substation distribution investment represented the utility-owned alternative to the DER proposals. The deferral value of that investment was calculated and submitted to the CPUC and Sedway Consulting prior to the receipt of DER offers and formed the basis for developing the PAV and cost/benefit ratios used in the shortlisting selection decisions.

7. Based on the complete bid process, is (are) the IOU contract(s) the best overall offer(s) received by the IOU?

PG&E's 2018 IDER RFO has resulted in the execution of two contracts with the same counterparty (GCL New Energy) for the development of a new IFOM ES facility in Gonzales, California that will be interconnected through separate arrangements to PG&E's Gonzales Bank 3 and Bank 4. The capacity for Bank 3 will be 1.0 MW, and the capacity for Bank 4 will be 1.75 MW, with deliveries commencing on May 1, 2021 for Bank 3 and June 1, 2021 for Bank 4. The term of both contracts is 5 years.

Sedway Consulting believes that the two contracts (one for Gonzales Bank 3, one for Gonzales Bank 4) submitted with this Advice Letter represent the best overall offer received in PG&E's 2018 IDER RFO. The contracts are with one counterparty (GCL New Energy) to use one project to meet the entire need to defer the wires investment at the Gonzales Substation for 5 years. The contracts are cost effective relative to the cost of deferral, and the project will utilize a proven technology.

8. If the contract does not directly reflect a product solicited and bid in an RFO, is the contract superior to the bids received on the products solicited in the RFO? Explain.

The contracts being submitted with PG&E's Advice Letter directly reflect the product solicited and bid in the utility's 2018 IDER RFO.

9. Is the contract a reasonable way of achieving the need identified in the RFO?

Yes, Sedway Consulting believes that the contracts are a reasonable way of meeting the need for the RFO. The need will be addressed from a single IFOM ES facility with sufficient inverter capacity, battery storage capacity, and interconnection arrangements to address the 5:00 pm – 9:00 pm need at Gonzales Bank 3 and the 7:00 am – 11:00 am need at Gonzales Bank 4.

## Conclusion

10. Based on your analysis of the RFO bids, the bid process, and the overall market, does the contract merit Commission approval? Explain.

Sedway Consulting believes that PG&E conducted a fair and effective solicitation and evaluation of the offers that it received in response to its 2018 IDER RFO. All offers were evaluated consistently, appropriately, and without bias.

Sedway Consulting was provided access to all necessary materials and meetings and was able to parallel PG&E’s process with its own evaluation of the proposals. Sedway Consulting reviewed PG&E’s results and did not find any bias for or against any proposals in PG&E’s selection decisions.

In addition, Sedway Consulting reviewed the requirements stipulated in Decision 16-12-036, Resolution E-4889, and Resolution E-4956 and believes that PG&E’s IDER Solicitation meets the requirements of the order and resolutions.

Sedway Consulting monitored the back-and-forth email traffic between PG&E and the Participants and believes that PG&E treated all Participants consistently and fairly. Sedway Consulting concludes that PG&E made appropriate decisions in its 2018 IDER RFO and that the contracts submitted for approval to the CPUC offer the best solution for deferring distribution upgrades at the Gonzales Substation.

**PACIFIC GAS AND ELECTRIC COMPANY**  
**APPENDIX B2**  
**SUPPLEMENTAL INDEPENDENT EVALUATOR (IE) REPORT**

**(CONFIDENTIAL IN ITS ENTIRETY)**

**PACIFIC GAS AND ELECTRIC COMPANY**  
**APPENDIX C**  
**GCL NEW ENERGY BATTERY ENERGY STORAGE SYSTEM**  
**(BESS) GONZALES BANK 3 CONTRACT**

**(CONFIDENTIAL IN ITS ENTIRETY)**

**PACIFIC GAS AND ELECTRIC COMPANY**  
**APPENDIX D**  
**GCL NEW ENERGY BATTERY ENERGY STORAGE SYSTEM**  
**(BESS) GONZALES BANK 4 CONTRACT**

**(CONFIDENTIAL IN ITS ENTIRETY)**

**PACIFIC GAS AND ELECTRIC COMPANY**  
**APPENDIX E**  
**UPDATED ESTIMATE OF COST EFFECTIVENESS CAP**

**(CONFIDENTIAL IN ITS ENTIRETY)**

**PACIFIC GAS AND ELECTRIC COMPANY**  
**APPENDIX F**  
**CONFIDENTIALITY DECLARATION**

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

**DECLARATION SUPPORTING CONFIDENTIAL DESIGNATION  
ON BEHALF OF  
PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)**

1. I, Marino Monardi, am the Director of Structured Energy Transactions at Pacific Gas and Electric Company (“PG&E”), a California corporation. Fong Wan, the Senior Vice President of Energy Policy and Procurement for PG&E, delegated authority to me to sign this declaration. My business office is located at:

Pacific Gas and Electric Company  
77 Beale Street  
San Francisco, CA 94105

2. PG&E will produce the information identified in Paragraph 3 of this Declaration to the California Public Utilities Commission (“CPUC”) or departments within or contractors retained by the CPUC in response to a CPUC audit, data request, proceeding, or other CPUC request.

Name or Docket No. of CPUC Proceeding (if applicable): R.14-10-003 Integrated Distributed Energy Resources

3. Title and description of document(s): Appendices to Advice Letter for Approval of Contract Resulting from Competitive Solicitation Framework Incentive Pilot Request for Offers for th Gonzales Project – Appendix A: Summary of Evaluation of all Offers and Costs (Confidential), Appendix B2: Supplemental IE Report (Confidential), Appendix C: GCL New Energy Battery Energy Storage System (BESS) Gonzales Bank 3 Contract (Confidential), Appendix D: GCL New Energy Battery Energy Storage System (BESS) Gonzales Bank 4 Contract (Confidential) and Appendix E: Updated Estimate of Cost

Effectiveness Cap (Confidential) Administrative Costs and Preliminary Estimate of Cost

Effectiveness Cap (Confidential)

4. These documents contain confidential information that, based on my information and belief, has not been publicly disclosed. These documents have been marked as confidential, and the basis for confidential treatment and where the confidential information is located on the documents are identified on the following chart:

| Check                               | Basis for Confidential Treatment  | Where Confidential Information is located on the documents |
|-------------------------------------|---|--|
| <input type="checkbox"/>            | Customer-specific data, which may include demand, loads, names, addresses, and billing data<br><br>(Protected under PUC § 8380; Civ. Code §§ 1798 <i>et seq.</i> ; Govt. Code § 6254; Public Util. Code § 8380; Decisions (D.) 14-05-016, 04-08-055, 06-12-029)   |  |
| <input type="checkbox"/>            | Personal information that identifies or describes an individual (including employees), which may include home address or phone number; SSN, driver's license, or passport numbers; education; financial matters; medical or employment history (not including PG&E job titles); and statements attributed to the individual<br><br>(Protected under Civ. Code §§ 1798 <i>et seq.</i> ; Govt. Code § 6254; 42 U.S.C. § 1320d-6; and General Order (G.O.) 77-M) |  |
| <input type="checkbox"/>            | Physical facility, cyber-security sensitive, or critical energy infrastructure data, including without limitation critical energy infrastructure information (CEII) as defined by the regulations of the Federal Energy Regulatory Commission at 18 C.F.R. § 388.113<br><br>(Protected under Govt. Code § 6254(k), (ab); 6 U.S.C. § 131; 6 CFR § 29.2)  |  |
| <input checked="" type="checkbox"/> | Proprietary and trade secret information or other intellectual property and protected market sensitive/competitive data   | Entirety of Confidential Appendices: A, B2, C,             |

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(Protected under Civ. Code §§3426 *et seq.*; Govt. Code §§ 6254, *et seq.*, e.g., 6254(e), 6254(k), 6254.15; Govt. Code § 6276.44; Evid. Code §1060; D.11-01-036)

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D and E as referenced above in Paragraph 3 of this Declaration.

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- Corporate financial records  
(Protected under Govt. Code §§ 6254(k), 6254.15)

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  - Third-Party information subject to non-disclosure or confidentiality agreements or obligations  
(Protected under Govt. Code § 6254(k); see, e.g., CPUC D.11-01-036)

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  - Other categories where disclosure would be against the public interest (Govt. Code § 6255(a))
- 

5. The importance of maintaining the confidentiality of this information outweighs any public interest in disclosure of this information. This information should be exempt from the public disclosure requirements under the Public Records Act and should be withheld from disclosure.
6. I declare under penalty of perjury that the foregoing is true, correct, and complete to the best of my knowledge.
7. Executed on this 25<sup>th</sup> day of April, 2019 at San Francisco, California.



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Marino Monardi  
Director, Structured Energy Transactions  
Pacific Gas and Electric Company

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

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