

PUBLIC UTILITIES COMMISSION  
505 Van Ness Avenue  
San Francisco CA 94102-3298



**Pacific Gas & Electric Company**  
**ELC (Corp ID 39)**  
**Status of Advice Letter 5844E**  
**As of July 8, 2020**

Subject: Approval of Bioenergy Agreement Between Pacific Gas and Electric Company and Burney Forest Products in Compliance with Resolution E-4977

Division Assigned: Energy

Date Filed: 06-10-2020

Date to Calendar: 06-15-2020

Authorizing Documents: E-4977

<b>Disposition:</b>	<b>Accepted</b>
<b>Effective Date:</b>	<b>07-09-2020</b>

Resolution Required: No

Resolution Number: None

Commission Meeting Date: None

CPUC Contact Information:

[edtariffunit@cpuc.ca.gov](mailto:edtariffunit@cpuc.ca.gov)

AL Certificate Contact Information:

Kimberly Loo

415-973-4587

[PGETariffs@pge.com](mailto:PGETariffs@pge.com)

**PUBLIC UTILITIES COMMISSION**  
505 Van Ness Avenue  
San Francisco CA 94102-3298



To: Energy Company Filing Advice Letter

From: Energy Division PAL Coordinator

Subject: Your Advice Letter Filing

The Energy Division of the California Public Utilities Commission has processed your recent Advice Letter (AL) filing and is returning an AL status certificate for your records.

The AL status certificate indicates:

- Advice Letter Number
- Name of Filer
- CPUC Corporate ID number of Filer
- Subject of Filing
- Date Filed
- Disposition of Filing (Accepted, Rejected, Withdrawn, etc.)
- Effective Date of Filing
- Other Miscellaneous Information (e.g., Resolution, if applicable, etc.)

The Energy Division has made no changes to your copy of the Advice Letter Filing; please review your Advice Letter Filing with the information contained in the AL status certificate, and update your Advice Letter and tariff records accordingly.

All inquiries to the California Public Utilities Commission on the status of your Advice Letter Filing will be answered by Energy Division staff based on the information contained in the Energy Division's PAL database from which the AL status certificate is generated. If you have any questions on this matter please contact the:

Energy Division's Tariff Unit by e-mail to  
**[edtariffunit@cpuc.ca.gov](mailto:edtariffunit@cpuc.ca.gov)**

June 9, 2020

**Advice 5844-E**

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

**Subject: Approval of Bioenergy Agreement Between Pacific Gas and Electric Company and Burney Forest Products in Compliance with Resolution E-4977**

**I. Purpose**

Pacific Gas and Electric Company (PG&E) respectfully submits this advice letter seeking California Public Utilities Commissions' (CPUC or Commission) approval of a Bioenergy Renewable Auction Mechanism (BioRAM) contract between PG&E and Burney Forest Products (Burney). PG&E executed a new Renewable Auction Mechanism Power Purchase Agreement (RAM PPA) and BioRAM Rider for a five-year term (collectively the "Agreement") to become effective following expiration of the current BioRAM agreement between PG&E and Burney, and PG&E is submitting the Agreement for Commission review and approval in compliance with Ordering Paragraph (OP) 3 of Resolution E-4977 (the Resolution). That Ordering Paragraph requires the Investor-Owned Utilities (IOUs), including PG&E, to seek to extend existing BioRAM contracts or offer new BioRAM<sup>1</sup> contracts to eligible bioenergy facilities, as further described below.

**II. Background**

On October 30, 2015, Governor Brown issued an Emergency Proclamation addressing public safety from dead and dying trees and severe drought conditions. On March 17, 2016, the Commission issued Resolution E-4770 in response to the Proclamation requiring each IOU to enter into contracts to purchase their share of generating capacity from biomass generation facilities that use prescribed levels of high hazard zone (HHZ) material as feedstock. The IOUs were required to provide five- year contracts, with the right to extend the five- year contract term for one year at a time, up to a cumulative total of ten years. These contracts are known as "BioRAM 1" contracts.

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<sup>1</sup> BioRAM contracts are those entered into pursuant to Resolutions E-4770 and E-4805.

In 2016, Senate Bill (SB) 859 was enacted and included a new requirement for IOUs to procure additional shares from existing biomass facilities using prescribed amounts of dead and dying trees located in HHZ as feedstock. The bill also specified that procurement pursuant to Resolution E-4770 more than the procurement requirement shall count towards the SB 859 requirement. The Commission issued Resolution E-4805 to implement SB 859. New procurement contracts executed pursuant to Resolution E-4805 were known as “BioRAM 2” contracts.

The California Legislature passed SB 901 on August 31, 2018 and Governor Brown signed it into law on September 21, 2018. The Commission issued Resolution E-4977 implementing key provisions of SB 901 including revisions to the HHZ fuel definitions, requiring BioRAM contracts to include a monthly compliance option with updated reporting and payment, and revisions to default terms. Furthermore, Resolution E-4977 implements the part of SB 901 codified in California Public Utilities Code Section 8388, which requires load-serving entities with certain qualifying biomass contracts in their portfolios to offer contract negotiations and make all reasonable efforts to execute new or amended contracts that extend those biomass contracts by up to five years if those facilities agree to the feedstock requirement of BioRAM 2.

On April 2, 2018, PG&E submitted Advice Letter 5516-E in compliance with Resolution E-4977 providing: a list of all PG&E’s biomass contracts; a showing that PG&E had contacted all its contracted BioRAM facilities and other eligible biomass facilities pursuant to Section 8388; an attestation regarding the lack of interest expressed by one qualifying counterparty for a contract extension pursuant to Section 8388 (including Independent Evaluator Report); and proposed terms related to PG&E’s status in bankruptcy.

Prior to submitting Advice Letter 5516-E, PG&E requested and received an extension of time from the Commission’s Executive Director pursuant to Commission Rule 16.6 for demonstrating compliance with certain requirements set forth in Ordering Paragraph 2 of Resolution E-4977. The Commission set a new deadline of July 30, 2019, for PG&E to demonstrate compliance with subsections (a), (b), (c) and (f), (g), and (h) of Ordering Paragraph 2, although it instructed PG&E to submit contractual amendments earlier if issues could be resolved prior to that date.<sup>2</sup>

In compliance with the Commission’s direction in its grant of an extension, PG&E submitted AL 5533-E April 26, 2019 seeking Commission approval of an Amendment executed between PG&E and Burney. The Amendment implements subsections (a)-(c), (f) and (i) of Ordering Paragraph 2 of Resolution E-4977. The Commission approved the AL 5533-E, effective as of May 26, 2019.

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<sup>2</sup> Letter from Alice Stebbins, Executive Director, to Erik Jacobson, dated March 22, 2019 (served on the service list for R.18-07-003).

### III. Description of New BioRAM Contract with Burney for Extended Term

PG&E is seeking Commission approval for the Agreement, in compliance with OP 3 of Resolution E-4977. The following table summarizes the Agreement:

Project	Technology	Capacity (MW)	Location	Est Annual Deliveries (GWh)	Expected Initial Delivery Date	Term (years)
Burney Forest Products	Biomass	29.0	Shasta	217.45	11/1/2022	5

The executed Agreement is included as confidential Attachment A to this Advice Letter, and key terms of the Agreement are summarized in confidential Attachment B. The public version of the RAM standard contract and BioRAM Rider was submitted as Appendix B in Advice Letter 4958-E.<sup>3</sup> The following table includes a summary of the specific requirements set forth in Resolution E-4977 for new or amended BioRAM contracts for extended terms, and the corresponding reference in the Agreement:

Resolution E-4977 Reference	Reference in Agreement		Description
OP 2(a)	Definitions	"High Hazard Zones"	Expanded HHZ definition to include requirements pursuant to subdivisions (a), (f), (j), and (k) of Section 4584 of the Public Resources Code.
	Section 3.10	3.10(b)(i) Quarterly Submission	
	Section 3.10	3.10 (b)(ii) Monthly Submission	
	Section 3.10	3.10(c) Buyer's Audit Right	
	Appendix A	Form of [Monthly][Quarterly] Fuel Attestation	
OP 2(b)	Definitions	"Monthly Opt Out", "Monthly Fuel Attestation", "Monthly Fuel Attestation Deadline", "Amended Price"	Monthly opt-out and reporting option with revised payment and other terms
	Section 3.10	3.10(a)(iii) Monthly Option to Relieve Feedstock Obligations	
	Section 3.10	3.10(b)(i) Quarterly Submission	
	Section 3.10	3.10(b)(ii) Monthly Submission	
	Section 3.10	3.10(b)(iii)(C) Failure to Submit	
	Section 6.1	6.1 Billing and Payment; Remedies	
	Appendix A	Form of [Monthly][Quarterly] Fuel Attestation	
OP 2(c)	Appendix B	High Hazard Fuel Use Calculation	Missing mandated fuel or feedstock usage levels is not considered an event of default
	N/A	N/A	
OP 2 (f)	Section 3.11	3.11 Air Pollution Control Reporting	Air quality reporting requirements
	Appendix C	Appendix C Air Quality Attestation	

<sup>3</sup> [https://www.pge.com/tariffs/tm2/pdf/ELEC\\_4958-E.pdf](https://www.pge.com/tariffs/tm2/pdf/ELEC_4958-E.pdf)

OP 2 (i)	Definitions	"Chapter 11 Cases"	Modifications to sections related to representations and warranties and events of default to account for PG&E's status in bankruptcy and the related jurisdiction of federal bankruptcy court.
	Section 5.1	5.1(a)(iv)	
	Section 5.1	5.1(a)(v)	
	Section 10.2	10.2(a)	
	Section 10.2	10.2(d)	
	Section 10.3	10.3(a)	
OP 3 (a)	Section 10.3	10.3(b)(iv)	Seller's attestation that their biomass facilities are physically capable of using HHZ and sustainable forest management fuel and have any necessary permits to do so
OP 3 (a)	Appendix D	A. Transaction Type	Contract term length of 5 years
OP 3 (a)	Appendix D	C. Contract Price	A contract price below the per se reasonableness benchmark, which allows the Agreement to be filed via a Tier 2 Advice Letter.

OP 3 of Resolution E-4977 also requires PG&E to file the Advice Letter for this Agreement at least 12 months before the expiration of the existing BioRAM contract between Burney and PG&E. The existing BioRAM contract between Burney and PG&E expires on October 31, 2022, which is more than 12 months from today, June 9, 2020.

#### **IV. Compliance with Other Statutory and Commission Requirements**

##### **A. RPS Portfolio Content Categorization**

D.11-12-052 requires that the IOUs make an upfront showing related to the portfolio content categorization of each proposed Renewables Portfolio Standard (RPS)-eligible procurement transaction. Specifically, for approval of contracts meeting the criteria of Public Utilities Code Section 399.16 (b)(1)(A) ("Portfolio Content Category One"), an IOU may show that the RPS-eligible generator has its first point of interconnection with the Western Electricity Coordinating Council (WECC) transmission system within the boundaries of a California balancing authority area (CBA).

The BioRAM PPA satisfies the upfront showing required by D.11-12-052 for Portfolio Content Category One. The PPA has or is expected to have its first point of interconnection within the metered boundaries of an IOU transmission or distribution system, within a CBA (ie., the CAISO). Therefore, the RPS-eligible procurement from the PPA satisfies the criteria for Portfolio Content Category One adopted in D.11-12-052.

##### **B. Emissions Performance Standard Compliance**

In D.07-01-039, the Commission adopted an Emission Performance Standard ("EPS") that applies to contracts for a term of five or more years for baseload generation with an annualized plant capacity factor of at least sixty (60) percent. The Burney procurement complies with the EPS because it is an existing biomass facility covered by Conclusion of Law 35(d) of D.07-01-039.

**V. Cost Recovery**

D.18-12-003 established a non-bypassable charge for costs associated with tree mortality-related biomass energy procurement (the “TM NBC”). That decision specifically addresses contracts, like the Agreement, that are executed in compliance with Section 8388 of the California Public Utilities Code and allows for the costs of the BioRAM contract during that extension period to continue to be recovered through the TM NBC.<sup>4</sup> Accordingly, PG&E proposes to recover the costs of the Agreement through the TM NBC.

**VI. Procurement Review Group Participation**

PG&E’s Procurement Review Group (PRG) includes representatives from: California Public Utilities Commission’s Energy Division and the Public Advocates Office, Coalition of California Utility Employees (CUE), Coast Economic Consulting, The Utility Reform Network (TURN), Union of Concerned Scientists, and Woodruff Expert Services (representing TURN). The Agreement was presented to the PRG via e-mail on April 16, 2020.

**VII. Independent Evaluator**

An independent evaluator (IE), Arroyo Seco Consulting (Arroyo), conducted a range of activities to review and check PG&E’s processes as PG&E conducted outreach to owners of biomass-fueled power plants that are eligible under Resolution E-4977 for contract amendments or new contracts. The IE reviewed and assessed the process by which PG&E negotiated the Agreement with Burney for energy eligible to meet E-4977 requirements using biofuel sourced primarily from designated HHZs. The attached IE report concludes that the resulting Agreement with Burney merits CPUC approval. The detailed findings of the IE regarding the Amendment are contained in Confidential Attachment C. Please see Attachment C for the public version of the IE report.

**VIII. Tier Designation**

PG&E is designating this as a Tier 2 Advice Letter, in accordance with OP 3 of Resolution E-4977.

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<sup>4</sup> D.18-12-003, p. 22 (“This decision finds that the term of the TM NBC for each IOU shall end at the end of the Energy Resources Recovery Account (ERRA) forecast period following the expiration of the last TM contract for each IOU. *This will allow for the TM NBC to continue past 2022 if some of the TM contracts covered by the TM NBC are renewed pursuant to SB 901.*”) (emphasis added).

**IX. Effective Date**

Accordingly, PG&E requests that the Energy Division issue a disposition approving PG&E's BioRAM PPA within the initial review period, which will expire within 30 days of the filing of this Advice Letter (by July 9, 2020).

**X. Request for Commission Approval**

PG&E requests the Commission approve the BioRAM PPA through an Energy Division disposition letter issued within 30 days of the filing of this Advice Letter (by July 9, 2020), including adoption of the following findings of fact and conclusions of law:

- The BioRAM PPA should be approved in its entirety, including payments to be made by PG&E pursuant to the PPA, subject to the Commission's review of PG&E's administration of the PPA;
- A finding that, subject to after-the-fact verification that all applicable criteria have been met, the Energy Division accepts PG&E's upfront showing that deliveries from the BioRAM PPA should be categorized as procurement under the portfolio content category specified in Public Utilities Code Section 399.16 (b)(1)(A);
- Adopts the following findings with respect to resource compliance with the EPS adopted in R.06-04-009:
  - The BioRAM PPA is pre-approved as meeting the EPS because it is an existing biomass facility covered by Conclusion of Law 35(d) of D.07-01-039;
- A finding that all procurement and administrative costs, as provided by Public Utilities Code section 399.13(g), associated with the BioRAM PPA shall be recovered in rates;
- A finding that the Agreement satisfies PG&E's obligation under OP 3 of Resolution E-4977 and Section 8388 of the Public Utilities Code to seek to extend the term of the existing BioRAM agreement between PG&E and Burney; and
- A finding that payments under the BioRAM PPA shall be recovered through PG&E's Tree Mortality Non-Bypassable Charge Account.

**XI. Limited Access to Confidential Material**

The portions of this Advice Letter marked Confidential Protected Material are submitted under the confidentiality protection of Section 583 and 454.5(g) of the Public Utilities Code. This material is protected from public disclosure because it consists of, among other items, the executed BioRAM Agreement between PG&E and Burney, which are protected pursuant to D.06-06-066 and D.08-04-023. A separate Declaration Seeking Confidential Treatment regarding the confidential information is submitted concurrently herewith.



**XII. Protests**

**\*\*\*Due to the COVID-19 pandemic and the shelter at home orders, PG&E is currently unable to receive protests or comments to this advice letter via U.S. mail or fax. Please submit protests or comments to this advice letter to EDTariffUnit@cpuc.ca.gov and PGETariffs@pge.com\*\*\***

Anyone wishing to protest this submittal may do so by letter sent via U.S. mail, facsimile or E-mail, no later than June 29, 2020, 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.

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).

**XIII. 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.18-07-003. 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/>.

\_\_\_\_\_/S/

Erik Jacobson  
Director, Regulatory Relations

Attachment A: Executed RAM PPA and BioRAM Rider between PG&E and Burney  
(Confidential)

Attachment B: Summary of Contract Terms (Confidential)

Attachment C: Independent Evaluator Report (Public)

Attachment D: Independent Evaluator Report (Confidential)

cc: Cheryl Lee, Energy Division  
Service List for R.18-07-003



# 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: Kimberly Loo

Phone #: (415)973-4587

E-mail: PGETariffs@pge.com

E-mail Disposition Notice to: KELM@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) #: 5844-E

Tier Designation: 2

Subject of AL: Approval of Bioenergy Agreement Between Pacific Gas and Electric Company and Burney Forest Products in Compliance with Resolution E-4977

Keywords (choose from CPUC listing): Compliance, Bioenergy

AL Type: ☐ Monthly ☐ Quarterly ☐ Annual ☒ One-Time ☐ Other:

If AL submitted in compliance with a Commission order, indicate relevant Decision/Resolution #: Res. E-4977

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 Confidentiality Declaration and Matrix  
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: Mark Muranishi, (415)973-8094, M9MP@pge.com

Resolution required? ☐ Yes ☒ No

Requested effective date: 7/9/20

No. of tariff sheets: 0

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<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:

Clear Form

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

**PACIFIC GAS AND ELECTRIC COMPANY**

**DECLARATION OF MARK MURANISHI  
SEEKING CONFIDENTIAL TREATMENT  
FOR CERTAIN DATA AND INFORMATION CONTAINED  
IN ADVICE LETTER 5844-E**

I, Mark Muranishi, declare:

1. I am a Manager in Structured Energy Transactions within the Energy Policy and Procurement organization at Pacific Gas and Electric Company (PG&E). In this position, my responsibilities include managing the procurement of various electric resources and products including energy storage and renewable energy. This declaration is based on my personal knowledge of PG&E's practices and my understanding of the Commission's decisions protecting the confidentiality of market-sensitive information.

2. Based on my knowledge and experience, and in accordance with Decisions 06-06-066, 08-04-023, and relevant Commission rules, I make this declaration seeking confidential treatment for certain data and information contained in the attachments to Advice Letter 5844-E.

3. Attached to this declaration is a matrix identifying the data and information for which PG&E is seeking confidential treatment. The matrix specifies that the material PG&E is seeking to protect constitutes confidential market sensitive data and information covered by Public Utilities Code section 454.5(g), D.06-06-066, D.08-04-023 and/or relevant Commission rules. The matrix also specifies why confidential protection is justified. Further, the data and information: (1) is not already public; and (2) cannot be aggregated, redacted, summarized or otherwise protected in a way that allows partial disclosure. By this reference, I am

incorporating into this declaration all of the explanatory text that is pertinent to my testimony in the attached matrix.

I declare under penalty of perjury, under the laws of the State of California, that the foregoing is true and correct. Executed on June 9, 2020 at San Francisco, California.

/s/ Mark Muranishi

Mark Muranishi

Manager, Structured Energy Transactions

Pacific Gas & Electric Company

**PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)**  
**Advice Letter 5844-E**  
**June 9, 2020**

**IDENTIFICATION OF CONFIDENTIAL INFORMATION**

<b>Redaction Reference</b>	<b>Category from D.06-06-066, Appendix 1, or Separate Confidentiality Order That Data Corresponds To</b>	<b>Justification for Confidential Treatment</b>	<b>Length of Time</b>
Attachment A, Executed RAM PPA and BioRAM Rider between PG&E and Burney	Item VII(G) Renewable Resource Contracts under RPS program	This attachment contains the executed BioRAM Agreement between PG&E and Burney Forest Products (BFP), which include terms deemed non-public.	Three years from contract date for deliveries to start or one year after expiration, whichever comes first.
Appendix B, Summary of Contract Terms	Item VII(G) Renewable Resource Contracts under RPS program	This attachment contains a summary of the non-public terms of the BioRAM Agreement between PG&E and BFP.	Three years from contract date for deliveries to start or one year after expiration, whichever comes first.
Appendix C, Independent Evaluator Report – grey shaded sections	Item VII(G) Renewable Resource Contracts under RPS  Item VII (H): Score sheets, analyses, evaluations of proposed RPS projects	This appendix contains the confidential IE report, which discusses, analyzes and/or evaluates the terms of the BioRAM Agreement and confidential negotiations between PG&E and BFP. If released publicly, this information would provide valuable market sensitive information to market participants, could be damaging to future PG&E contract negotiations and ultimately detrimental to PG&E’s customers, and could create a disincentive to do business with PG&E and other regulated utilities. Therefore, this information should remain confidential.	VII(G): Three years from contract date for deliveries to start or one year after expiration, whichever comes first.  VII(H): Three years

# **PACIFIC GAS AND ELECTRIC COMPANY**

## **Attachment A**

**Executed RAM PPA and BioRAM Rider  
between PG&E and Burney  
(Confidential)**



# **PACIFIC GAS AND ELECTRIC COMPANY**

## **Attachment B**

### **Summary of Contract Terms (Confidential)**

# **PACIFIC GAS AND ELECTRIC COMPANY**

## **Attachment C**

### **Independent Evaluator Report (Public)**

ARROYO SECO CONSULTING

PACIFIC GAS AND  
ELECTRIC COMPANY  
NEW CONTRACT  
PURSUANT TO SENATE  
BILL 901

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REPORT OF THE INDEPENDENT  
EVALUATOR ON A NEW RENEWABLE  
ENERGY CONTRACT WITH BURNEY FOREST  
PRODUCTS, A JOINT VENTURE

MAY 26, 2020

# TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	3
1. ROLE OF THE INDEPENDENT EVALUATOR.....	4
2. ADEQUACY OF OUTREACH TO ELIGIBLE SELLERS.....	6
3. FAIRNESS OF PROJECT-SPECIFIC NEGOTIATIONS.....	8
4. MERIT FOR CPUC APPROVAL.....	15

# EXECUTIVE SUMMARY

This report provides an independent review of the process by which the Pacific Gas and Electric Company (PG&E) negotiated a new contract with Burney Forest Products, a Joint Venture (BFP) for energy eligible to meet Renewables Portfolio Standard (RPS) goals using biofuel sourced primarily from designated High Hazard Zones (HHZs). The contract was negotiated bilaterally and was pursued by PG&E to comply with the California Public Utility Commission's (CPUC's) Resolution E-4977, which implements legislative directives of Senate Bill 901 (SB901) that addressed several wildfire-related issues. The Resolution calls for investor-owned utilities (IOUs) to offer five-year contract extensions or new contracts to sellers such as BFP that have existing Bioenergy Renewable Auction Mechanism (BioRAM) contracts for delivery of energy from such HHZ-derived fuels; the parties have chosen to execute a new five-year contract.

An independent evaluator (IE), Arroyo Seco Consulting (Arroyo), conducted a range of activities to review and check PG&E's processes as the utility conducted outreach to owners of biomass-fueled power plants that are eligible under Resolution E-4977 for contract amendments and new contracts or extensions. Activities included monitoring outreach efforts, assessing the fairness of PG&E's evaluation methodology, and observing negotiations for the new agreement.

Findings of this independent review are that

- PG&E offered negotiations to BFP as directed by Resolution E-4977, which ordered IOUs to offer amendments to existing contracts and contract extensions or new contracts to eligible biomass facilities that expand the definition of High Hazard Zone, add a monthly opt-out and reporting option for the seller, revise the definition of an event of default in some contracts, revise the seller's air quality reporting requirements, edit provisions to account for PG&E's Chapter 11 filing, and extend delivery term by five years.
- PG&E's conduct of contract-specific negotiations with BFP for a new five-year contract, with deliveries commencing at the termination of the existing agreement, was fair to ratepayers and to competitors, in Arroyo's opinion.
- Arroyo's opinion is that the new contract with BFP merits CPUC approval. The contract price is high compared to alternative sources of RPS-eligible energy, but Arroyo believes that it meets the per se reasonableness benchmark for biomass-fueled facilities using primarily HHZ-derived fuel stated in Resolution E-4977. The project viability of BFP's facility is high and the new contract will continue to support RPS program goals.

The report details the basis for these findings, following the 2014 version of the RPS Solicitation Shortlist Report Template provided by the Energy Division (ED) of the CPUC. The public version of this report has had confidential information redacted.

# 1. ROLE OF THE INDEPENDENT EVALUATOR

The Governor issued an Emergency Proclamation on October 1, 2015 to respond to widespread drought and tree mortality in forests across California which have heightened risks of wildfire and hazards to public safety from falling trees. It included directives to the CPUC to ensure that existing contracts with forest bioenergy facilities could be extended and new contracts could be executed. It directed the Department of Forestry and Fire Protection (“CalFire”) and other state agencies to identify High Hazard Zones. The CPUC issued Resolution E-4770 on March 17, 2016, which directed the investor-owned utilities (“IOUs”) to conduct solicitations from generation facilities using biofuel from HHZs, using the Renewable Auction Mechanism (“RAM”) mechanism and standard contract.

The CPUC directed each IOU to develop a bioenergy-specific rider to the standard RAM contract with contract requirements designed to achieve the goals of the Emergency Proclamation and Resolution E-4770. PG&E held a BioRAM solicitation in 2016, which resulted in an award of a five-year contract to Burney Forest Products. The CPUC approved the current BFP contract in December 2016, and the facility commenced deliveries of RPS-eligible energy primarily sourced from HHZ-derived fuel in November 2017.

The CPUC subsequently issued Resolution E-4805 to implement Senate Bill 859, which among other things directed IOUs to procure more biomass-fueled deliveries from HHZ fuels, with somewhat altered feedstock requirements (“BioRAM 2”). PG&E complied with that directive by asking the losing participants in its BioRAM solicitation, plus two additional non-participants that qualified for the BioRAM program, to refresh their offers or submit fresh new offers. Based on those competitive proposals, PG&E awarded a contract to Wheelabrator Shasta Energy Company, Inc. (“Wheelabrator”) in late 2016.

Following the issuance of Resolution E-4977 at the end of January 2019, PG&E directly approached five owners of generators that currently produce or have produced biomass-fueled RPS-eligible energy under contract to the utility. The CPUC’s Resolution E-4977 specified that investor-owned utilities (IOUs) must “offer contract negotiations to all eligible sellers and make all reasonable efforts to execute new or amended contracts that extend contract term lengths by up to five years”.<sup>1</sup>

This chapter describes key roles of the IE and details activities undertaken by Arroyo to fulfill those roles for PG&E’s negotiations with Burney Forest Products.

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## A. KEY INDEPENDENT EVALUATOR ROLES AND RESPONSIBILITIES

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The CPUC first required an independent evaluator to participate in competitive solicitations for utility power procurement in its Decision 04-12-048. It required an IE when Participants in a competitive procurement solicitation include affiliates of IOUs, IOU-built

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<sup>1</sup> California Public Utilities Commission, Resolution E-4977, January 31, 2019, page 11.

projects, or IOU-turnkey projects. Decision 06-05-039 expanded requirements, ordering use of an IE to evaluate and report on the entire solicitation, evaluation, and selection process for the 2006 RPS RFO and future competitive solicitations. This was intended to increase the fairness and transparency of the Offer selection process. Decision 09-06-050 further expanded the requirement to require an IE to report on long-term RPS contracts that are bilaterally negotiated rather than awarded through a competitive solicitation; the new five-year contract addressed in this report is the result of such a bilateral negotiation.

The CPUC's Decision 06-06-066 detailed guidelines for treating confidential information in IOU power procurement including competitive solicitations. It provides for confidential treatment of "Score sheets, analyses, evaluations of proposed RPS projects", vs. public treatment of the total number of projects and MW bid by resource type. Where Arroyo's reporting on the fairness of PG&E's negotiation of the new contract requires explicit discussion of such analyses, scores, and evaluations, these are redacted in the public version of this document.

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## **B. IE ACTIVITIES**

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To fulfill the role of evaluating PG&E's process of amending bioenergy contracts through this first advice filing, various activities were undertaken by Arroyo, including:

- Reviewing the procedural history leading to the directives of Resolution E-4977, PG&E's contract rider to the RAM form agreement that was developed specifically for SB901-related new contracts, and the prior history of PG&E and BFP's BioRAM contract.
- Examining PG&E's outreach effort and checking whether PG&E appropriately offered the opportunity to negotiate contract amendments and contract extensions or new agreements to all eligible sellers.
- Observing communications and negotiations between PG&E and BFP and reviewing in detail marked-up contract drafts exchanged between parties.
- Employing an independent valuation model to value the new contract. This served as a cross-check against PG&E's Net Market Value analysis. The IE model used independently derived input parameters and a different methodology than PG&E's.

## 2. ADEQUACY OF OUTREACH TO ELIGIBLE SELLERS

Resolution E-4977 required PG&E to offer contract amendments and extensions or new contracts to all eligible sellers. This was a very short list. Eligibility was defined as

“Eligible sellers are all counterparties to BioRAM contracts and any other biomass contracts that were operative at any time in 2018 and expire or expired on or before December 31, 2023, except for sellers that operate facilities located in federal severe or extreme nonattainment areas for particulate matter or ozone are not eligible for contract extensions”.

PG&E has two active BioRAM contracts for biomass-fueled energy produced from HHZ fuels, one that originated directly from its BioRAM solicitation in 2016 and the second from the competitive process it held later that year to enlarge deliveries of bioenergy from HHZ fuels pursuant to the CPUC’s Resolution E-4805. PG&E contacted both sellers, Burney Forest Products and Wheelabrator, in February 2019 to ascertain whether the sellers had interest in seeking to amend and extend the existing contracts. [REDACTED]

[REDACTED] Both facilities are sited in Shasta County, which is an attainment zone for the federal ozone and particulate standards, although it has long been a non-attainment zone for the California state ozone standard.

PG&E had a ten-year RPS contract with Woodland Biomass Power Ltd. (Woodland) that began in early 2010 and expired at the end of February 2020. Woodland also was eligible for a new contract or extension, and PG&E contacted it in February 2019. Woodland is a subsidiary of Michigan-based DTE Energy Services, an affiliate of the integrated electric utility DTE Energy, formerly Detroit Edison. [REDACTED]

PG&E had a ten-year Renewables Portfolio Standard contract with Wadham Energy L.P. (Wadham) that began energy deliveries in 2008 and terminated in May 2018. Wadham was eligible for a contract amendment or new contract based on Resolution E-4977’s direction because the prior contract for biomass-fueled energy was in effect for part of calendar 2018 and expired before 2023. As Arroyo previously stated in a report attached to PG&E’s Advice 5533-E in April 2019, PG&E made all reasonable efforts to seek interest from Wadham in negotiating a new contract for HHZ-based energy deliveries. This [REDACTED]

PG&E also has a long-term Qualifying Facilities contract with Thermal Energy Development Partnership (“TEDP”) that terminated in early 2020. Based on federal filings, this facility appears not to have operated since late 2014. Prior to its long-term lay-up, the facility burned a mix of urban waste and agricultural woody waste, not forest waste. [REDACTED]



[REDACTED]. News reports suggest that the facility was sold in 2019 and demolished to make way for a new warehouse.

Arroyo's review did not reveal other biomass-fueled facilities in PG&E's portfolio that might be eligible for contract amendments and extensions based on the requirements of SB901. Several of PG&E's prior contracts with biomass-fueled generators expired before the start of calendar 2018 so those facilities are not eligible for a new agreement directed by Resolution E-4977. One active contract has a delivery term that extends well past the end of 2023.

Based on this, Arroyo's opinion is that PG&E's outreach to sellers eligible to negotiate contract amendments or new contracts under the provisions of SB901 was adequate, and that PG&E made all reasonable efforts to engage these eligible sellers in negotiations for new contracts or contract amendments.

### 3. FAIRNESS OF PROJECT-SPECIFIC NEGOTIATIONS

This chapter provides an independent review of the extent to which PG&E's negotiations with Burney Forest Products for a new agreement were conducted fairly with respect to the seller and to its competitors. The next chapter further addresses whether the contract is fair to PG&E's ratepayers.

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#### A. BACKGROUND INFORMATION

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After BFP responded affirmatively to PG&E's initial outreach to seek its interest in contract amendments or new contracts, the parties commenced negotiations. PG&E noted that its obligation posed by Resolution E-4977 to file an advice letter within 60 days of the Resolution implied that it might be better to first negotiate contract amendments that addressed requirements of subsections (a) through (f) and (i) of Ordering Paragraph 2. PG&E observed that Ordering Paragraph 3 allowed it to address Paragraph 2's sections (g) and (h) in an advice letter filed later than the 60-day deadline. In other words, the key changes to BioRAM contract terms regarding the definition of HHZ fuels, the monthly opt-out and reporting option, specific air quality reporting requirements, and changes to representations and warranties to account for PG&E's Chapter 11 filing status could be handled by a first contract amendment quickly negotiated, while terms of a new contract and the pricing of deliveries under the new contract could be negotiated later.

In March 2019, PG&E and BFP executed a letter agreement that amended the original BioRAM rider to the standard Renewable Auction Mechanism (RAM) agreement in order to incorporate the requirements of subsections (a) through (f) and (i) of Ordering Paragraph 2. Arroyo previously reported on the parties' negotiations for that amendment of the existing BioRAM agreement. The parties subsequently negotiated and executed on May 12, 2020 a new contract that meets the requirements of the remainder of Ordering Paragraph 2.

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#### B. PRINCIPLES FOR EVALUATING THE FAIRNESS OF NEGOTIATIONS

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Arroyo considered some principles to evaluate the degree of fairness with which PG&E handled negotiations for contracts required by Resolution E-4977.

- Were sellers treated fairly and consistently by PG&E during negotiations? Were all sellers given equitable opportunities to advance proposals towards new contracts? Were individual sellers given unique opportunities to move their proposals forward or concessions to improve their contracts' commercial value, opportunities not provided to others?
- Was the distribution of risk between seller and buyer in new contracts distributed equitably across agreements? Did PG&E's ratepayers take on a materially

disproportionate share of risks in some new contracts and not others? Were individual sellers given opportunities to shift their commercial risks towards ratepayers, opportunities that were not provided to others?

- Was non-public information provided by PG&E shared fairly with all sellers? Were individual sellers uniquely given information that advantaged them in securing new contracts or realizing commercial value from those agreements?
- If any individual seller was given preferential treatment by PG&E in the course of negotiations, is there evidence that other sellers were disadvantaged by that treatment? Were other proposals of comparable value to ratepayers assigned materially worse outcomes?

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**C. NEGOTIATIONS BETWEEN PG&E AND BURNEY FOREST PRODUCTS**

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The parties addressed several issues in their negotiations. The resolution of some issues raised earlier when negotiating a contract amendment carried over into the design of the new contract because they had to be resolved for both the amendment and the new agreement.

- Price. [REDACTED]
- Time-of-delivery factors. [REDACTED]

[REDACTED]

- Curtailment.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- Salvaged fuel.

[REDACTED]

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<sup>2</sup> BFP's facility is located near the periphery of PG&E's service territory, about 40 miles from its boundary with Surprise Valley Electric Co-op's territory. Burney is served primarily by 230-kV lines that interconnect powerhouses of PG&E's Pit River system with the grid in the Central Valley.

[REDACTED]

[REDACTED]

- Sustainable forest management.

[REDACTED]

[REDACTED]

[REDACTED]

- Air pollution control reporting.

[REDACTED]

[REDACTED]

[REDACTED]

- Fuel reporting.

[REDACTED]

[REDACTED]

- Delivery term security.

[REDACTED]

- Damage payment.

[REDACTED]

- PG&E bankruptcy.

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#### D. DEGREE OF FAIRNESS OF PROJECT-SPECIFIC NEGOTIATIONS

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Arroyo's opinion is that PG&E's negotiations with BFP were fair to competitors and to the seller. PG&E gave BFP an equitable opportunity to advance its new contract; the balance of benefits and costs between buyer and seller was consistent with those in PG&E's RAM contracts generally. Fairness to PG&E's ratepayers is discussed in the next chapter.

PG&E's new contract closely followed the previously negotiated amendment to BFP's existing agreement in adhering to the specific direction provided by Resolution E-4977 to alter several provisions of the original BioRAM rider.

[REDACTED]

[REDACTED]

Arroyo did not observe PG&E providing BFP with non-public information that might have advantaged the seller against its competitors. BFP was not given any special opportunities to shift costs or risks towards ratepayers beyond those specific contract provisions directed by Resolution E-4977. The RAM form agreement and the BioRAM rider were not materially altered to provide more favorable terms uniquely to BFP that were not provided to competitors.

Arroyo's opinion is that PG&E handled its negotiations with BFP in a manner that was fair to its competitors.



## 4. MERIT FOR CPUC APPROVAL

This chapter provides an independent review of the merits of the new contract between PG&E and Burney Forest Products based on criteria specified in the Energy Division's 2014 RPS IE template.

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### A. CONTRACT SUMMARY

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On May 12, 2020, PG&E and Burney Forest Products executed a new five-year contract for continuing delivery of RPS-eligible energy from BFP's biomass-fueled generation facility. Contract capacity is 29 MW and contract quantity for the existing agreement averages 217 GWh/year over the five-year contract term. The project is located west of the unincorporated town of Burney in Shasta County, adjacent to the Shasta Green sawmill, to which it provides steam for kiln operations. BFP is a subsidiary of Olympus Power, LLC, a private independent power company, which purchased the plant in 2018. The new contract, which begins deliveries in November 2022, differs from the existing BioRAM agreement in specific requirements that were ordered by Resolution E-4977 that affect feedstock requirements, a monthly option to opt out of HHZ requirements, air quality reporting, fuel reporting, and representations and warranties regarding PG&E's bankruptcy.

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### B. NARRATIVE OF EVALUATION CRITERIA AND RANKING

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The 2014 RPS template for IEs provided by the Energy Division calls for a narrative of the merits of the proposed project on the criteria of contract price, net market value, portfolio fit, and project viability.

#### CONTRACT PRICE AND MARKET VALUATION

Contract Price. The new contract has a price for deliveries

[REDACTED]

The new BFP agreement ranks high in price compared to prior offers for RPS-eligible generation in PG&E's past solicitations. When compared to existing BioRAM contracts which are based on combusting biomass primarily harvested from HHZs,

[REDACTED]

[REDACTED]

There are few recent public benchmarks for market price for PPAs with biomass-fueled generators. The Redwood Coast Energy Authority has recently renewed two such contracts. In January and February 2020 RCEA will pay \$59/MWh for RPS-eligible deliveries from DG Fairhaven, and in the rest of the year RCEA will pay \$65/MWh. RCE pays Humboldt Sawmill Company \$67/MWh in 2020, a price that will escalate starting in March 2021 based on the consumer price index. These facilities burn non-HHZ wood waste from nearby sawmill or timber operations rather than fuel harvested from HHZs and transported from the forest to the generator, so their economics are unlikely to be directly comparable to those of the BFP facility.

Several public-owned utilities, including Sacramento Municipal Utility District, Modesto Irrigation District, Turlock Irrigation District, and Southern California Public Power Authority acting on behalf of Imperial Irrigation District, Los Angeles Department of Water and Power, and the cities of Anaheim and Riverside, entered contracts with ARP-Loyalton Cogen, LLC in late 2017. These POU's sought the PPAs in order to comply with Senate Bill 859, as this facility was obligated under the contracts to begin deliveries of RPS-eligible energy from HHZ fuels in April 2018 for a five-year delivery term. The pricing of the contracts is \$97.50/MWh with no escalation. The price for ARP-Loyalton's deliveries was negotiated after the original BFP BioRAM contract was executed. SCPPA reported that the ARP-Loyalton offer was the lowest-priced of nine proposals submitted to its competitive solicitation in the spring of 2017. It is unclear to Arroyo what sort of pricing might be available to PG&E today if it were able to employ a competitive process to secure PPAs with biomass generators using HHZ fuel rather than relying solely on bilateral negotiations of extensions to existing BioRAM contracts.<sup>3</sup> [REDACTED]

[REDACTED] although the fact that the ARP facility has gone bankrupt, shut down production, and laid off employees suggests that it could not economically function at the \$97.50/MWh price.

In December 2019, the Southern California Public Power Authority entered a five-year PPA with Roseburg Forest Products Company for a facility to burn primarily HHZ-derived fuel; the contract is priced at \$46/MWh. SCPPA is buying this power on behalf of some of its members: Los Angeles Department of Water and Power, Imperial Irrigation District, and the cities of Anaheim and Riverside. This contract resulted from a competitive solicitation that SCPPA held in April 2018, an RFP that included non-SCPPA members Sacramento Municipal Utility District and the Modesto and Turlock Irrigation Districts as buyers. The contracts are intended for these POU's to comply with the requirements of Senate Bill 859. The HHZ fuel is to be burned at the cogeneration unit at Roseburg Forest Products' veneer mill in Weed, California. Note that the POU's contracts with Roseburg are not directly comparable to the BFP contract because they do not include delivery of energy or RECs to

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<sup>3</sup> ARP-Loyalton Cogen LLC filed for bankruptcy protection in February 2020, as did its parent company American Renewable Power LLC. The parent company is now in Chapter 7 liquidation proceedings. One might expect the POU buyers to encounter problems meeting their SB859 obligations if the facility has ceased deliveries.

the POUs, only of “SB 859 Attributes”, capacity, and ancillary services, so the \$46 price is also not comparable as a market benchmark to compare to the BFP contract’s price.

Market Valuation. Arroyo performed an independent market valuation of the new BFP contract. The net market value of the agreement would rank in the lowest decile for value among offers to PG&E’s most recent competitive solicitations for RPS-eligible energy. As these other proposals were mostly for new solar and wind generation, one would expect the BFP contract to compare unfavorably given the current lack of competitiveness of biomass-fueled power against the other technologies.

When compared instead to the net market values of proposals to PG&E’s 2016 BioRAM solicitation, the value of the new BFP contract ranks higher than the median, in the second highest-valued quartile of those biomass-fueled peers as they proposed specifically to burn HHZ-based fuels. This suggests that the new contract’s pricing is reasonable given the circumstances. This comparison to stale benchmarks might suggest that the price of deliveries from the BFP facility remains competitive among its peer group, despite [REDACTED]

PG&E also performed a net market valuation of the new BFP agreement. [REDACTED]

#### CONSISTENCY WITH RPS GOALS AND PROCUREMENT PLAN

Procurement plan. PG&E’s approved 2019 renewable energy procurement plan states that PG&E has no near-term need for RPS resources but will procure incremental volumes of RPS-eligible contracts through CPUC-mandated programs such as the ReMAT and BioMAT programs. It acknowledges that mandated procurement through the BioRAM program benefits all customers. The plan explicitly states that new or extended biomass contracts pursuant to SB901 are also part of these CPUC mandates. On that basis, executing the new BFP contract is consistent with the plan.

RPS Goals. PG&E’s 2014 RPS solicitation protocol included an evaluation criterion for a contract’s contribution to RPS goals. One of the subcriteria was whether a project would provide economic benefits to “communities afflicted with high poverty or unemployment”, which was one of the legislative goals for the state’s RPS program. The community of Burney fits that characterization: median annual household income in Burney in 2017 was \$35.4 thousand vs. \$67.2 thousand for the state of California, as estimated by the U.S. Census Bureau’s 2017 American Community Survey. The percentage of Burney’s population living below poverty levels was 27.9% vs. the state’s 16.4%; an estimated 6.0% of the population over age 16 was unemployed vs. 7.7% for the state. While the estimated unemployment rate in Burney appears to be comparatively low, it could be because the labor force participation rate is quite low, at 50% vs. 64% for the state.

News reports suggest that the BFP facility and the Shasta Green sawmill together employ about eighty full-time personnel, with most of those at the sawmill. If BFP were to shut down the generator, the sawmill too would likely face a significant economic hurdle to

replace the steam from the BFP boiler that it uses for dry kilns with a new boiler of its own. Other jobs outside the generator and the sawmill would likely be directly affected, such as those of BFP's fuel supply contractors.

SB 2 (1X) stated a requirement that preference should be given to renewable energy projects that provide benefits to communities that suffer from high emission levels of toxic air contaminants, criteria air pollutants, and greenhouse gases. Shasta County is a non-attainment area for the California state ozone standard, though it is an attainment area for the federal ozone standard and for state and federal particulate matter standards. If the expanded definition of HHZ fuels stimulated increased tree harvesting activity and job creation for the communities around BFP, this would be a benefit, but Arroyo has no evidence that the new contract's expanded fuel provisions would have such an effect.

Another RPS Goals evaluation subcriterion in PG&E's 2014 RPS RFO was contribution to Executive Order S-06-06, which called for 20% of the state's renewable energy needs in electricity to be met from biomass. The new BFP contract will continue to contribute to meeting this goal.

#### PORTFOLIO FIT

Arroyo's opinion is that, qualitatively, the fit of the new BFP agreement with PG&E's portfolio ranks low. The utility already expects a net long RPS compliance position because of its prior procurement activities and because of changes in PG&E's retail load outlook. However, the primary purpose of the BioRAM program is not to add RPS resources to PG&E's supply portfolio but for the state to make progress coping with its tree mortality emergency by employing biomass-fueled facilities to dispose of HHZ timber rather than alternatives such as open burn or leaving dead or dying HHZ trees in place. PG&E pursued BioRAM contracts as part of a CPUC mandate, and is engaging BFP in a new contract as part of a CPUC mandate, rather than to improve the management of its portfolio or to pursue a more balanced portfolio.

BFP's production shape is generally baseload, whereas PG&E needs more flexible resources to deal with periods of overgeneration and negative market prices. BioRAM contracts provide PG&E with unlimited buyer curtailment hours per contract year, giving the utility the right to dispatch the unit down to minimum load. This provides PG&E with more flexibility to manage the new BFP contract during periods of overgeneration than many other contracts in its RPS portfolio, and more flexibility than with most biomass-fueled sellers.

#### PROJECT VIABILITY

As an existing, operating generation facility that has functioned reliably, the project viability of the BFP facility ranks quite high.

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### **C. DISCUSSION OF MERIT FOR APPROVAL**

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In Arroyo's opinion, the new contract between PG&E and Burney Forest Products merits CPUC approval.

- In Arroyo's opinion the negotiations between PG&E and BFP for the new contract were conducted fairly with respect to competitors, to BFP, and to ratepayers.
- While Arroyo ranks the contract price for the new agreement as quite high compared to recent competing proposals from projects delivering RPS-eligible energy, the more relevant peer group to which to compare this contract is other proposals from biomass-fueled facilities that offered to deliver power from biofuel harvested from High Hazard Zones. The price of the existing agreement ranked low when compared to that peer group when PG&E sought offers for BioRAM and BioRAM 2 contracts in 2016. The price of the new BFP agreement compares unfavorably to more recent SB859-compliant contracts executed by POUs with generators burning HHZ-derived fuel, but there are very few publicly available data points.
- Arroyo's valuation of the new agreement ranks it as moderate in net market value when compared to the offers PG&E received in the prior BioRAM solicitation.
- PG&E's and Arroyo's interpretation of the text of Resolution E-4977 suggests that the new BFP agreement meets the CPUC's per se reasonableness benchmark for contract pricing of an extension of an existing BioRAM agreement.
- In Arroyo's opinion the new BFP contract fulfills the requirements of sections (g) and (h) Ordering of Paragraph 2 of Resolution E-4977 regarding new or amended contracts with eligible sellers including counterparties to BioRAM agreements.
- BFP has demonstrated its ability to meet the HHZ feedstock requirements of its current BioRAM contract. While the new contract allows the seller to opt out of the feedstock requirements, Arroyo speculates that, having built the fuel supply chain to meet HHZ and sustainable fuel requirements, BFP seems likely to continue to meet these feedstock requirements in most periods going forward.
- Because the new BFP contract requires the facility to meet a target for the content of its delivered fuel that originates in High Hazard Zones, it will contribute to meeting an urgent public policy goal stated in the emergency proclamation on tree mortality and in regulatory and legislative directives. In Arroyo's opinion, the above-market payment the contract requires is justified by the progress toward burning HHZ biofuels it will provide in response to a state of emergency; this is a public policy issue regarding public safety rather than a purely economic issue.
- While the new contract ranks high in price and low in market value compared to alternative sources of RPS-eligible generation, and has a poor fit with PG&E's portfolio using the utility's prior metrics of fit, the CPUC previously found the price of the existing contract to be reasonable in Resolution E-4822 [REDACTED].  
[REDACTED]. The BFP facility ranks high in project viability and in its support for RPS program goals.

- Based on these findings, Arroyo's opinion is that the new contract with Burney Forest Products merits CPUC approval.

# **PACIFIC GAS AND ELECTRIC COMPANY**

## **Attachment D**

### **Independent Evaluator Report (Confidential)**

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

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