

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE



March 25, 2021

Advice Letters 6078-E

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, CA 94177

SUBJECT: Energy Division treatment of Central Procurement Entity Procurement Plan, Advice Letter 6078-E

Dear Mr. Jacobson,

Energy Division is issuing this letter to explain its analysis and treatment of Advice Letter (AL) 6078-E (Central Procurement Entity Procurement Plan) as an Information Only filing despite protests.

Background:

In D.20-06-02 (CPE Decision) the Commission adopted a hybrid central procurement framework for local RA procurement (beginning for the 2023 compliance year) and designated Pacific Gas and Electric Company (PG&E) to act as the central procurement entity (CPE) for its electric distribution service area. The decision specifically ordered that the CPE “consult with the Cost Allocation Mechanism (CAM) Procurement Review Group (PRG) members (including Energy Division and an independent evaluator) to outline procurement plans, draft solicitation bid documents, and collect feedback regarding the solicitation process.”¹

Further, the Commission required the CPE to run an all-source solicitation process that is transparent, competitive and open to all resources using similar requirements that build off of the process adopted in D.04-12-048. The CPE also adopted a portfolio approval process, whereby procurement of an executed contract with a five-year term or less shall be deemed reasonable and preapproved if it meets the following conditions:

- a) The procured resource meets the established local capacity requirements and underlying data supporting those requirements, which are based on the California Independent System Operator’s Local Capacity Requirements Technical Study;
- b) The CPE properly consulted with the CAM PRG; and

¹ CPE Decision at Ordering Paragraph (OP) 20.

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- c) The procurement was deemed by the independent evaluator (IE) to have followed all relevant Commission guidance, including the least cost best fit methodology and other noted selection criteria.²

Finally, the decision adopted the CAM methodology as the cost recovery mechanism to recover procurement costs incurred in serving the central procurement function.³

In D.20-12-006 (Track 3A Decision) the Commission adopted a Local Capacity Requirement Reduction Compensation Mechanism (LCR RCM) to accompany the CPE hybrid framework adopted in D.20-06-002. The Track 3A Decision also adopted the CPEs competitive neutrality rules.

The CPE and Track 3A decisions did not require PG&E to submit a procurement plan detailing how it would move forward in implementing its central procurement authority granted by the Commission.

PG&E filed Advice Letter 6078-E on January 29, 2021, requesting approval by the Commission's Energy Division of its Central Procurement Entity (CPE) Procurement Plan, pursuant to Section 7.6.1 of General Order 96-B. PG&E explains "it's objective in spending the considerable time and effort to prepare and socialize the CPE Procurement Plan with the IE and CAM PRG was to ensure that PG&E's plans for CPE procurement could be shared widely with interested persons well in advance of the commencement of CPE solicitation activities in 2021 and to establish clarifying details regarding CPE compliance mechanics with more certainty."

CalCCA Protest

CalCCA protested AL 6078-E on February 18, 2021. The Alliance for Retail Energy Markets and Direct Access Customer Coalition ("AReM and DACC") also submitted a response to the protest on February 18, 2021. PG&E timely replied to the protest and response on February 25, 2021.

CalCCA's protested the Advice Letter on four grounds:

1. The CPE Procurement Plan erroneously argues that AB 57 does not apply to CPE procurement.
2. The CPE Procurement Plan lacks a process for "showing" local RA resource attributes for compensation under the Local Capacity Requirement Reduction Compensation Mechanism (RCM), as specified in the Track 3A Decision. CalCCA requests that the PG&E be ordered to work with stakeholders to develop a process for the "showing" local RA resources to the CPE and submit the proposed process in another Tier 2 advice letter.
3. The CPE Procurement Plan provides no insight into the process for comparing shown resources with bid resources.
4. The CPE Procurement Plan does not define tools that will be used to enable the Peer [sic] Review Group (PRG) and Independent Evaluator (IE) to ensure PG&E has complied with the competitive neutrality rules adopted in D.20-12-006.

CalCCA also notes that PG&E's proposal to allow for a deviation from the standards and criteria identified in the CPE Procurement Plan is overbroad. CalCCA recommends further action by the Commission and PG&E to correct these shortcomings.

² CPE Decision at OP 22.

³ CPE Decision at OP 16.

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In response to CalCCAs protest PG&E asserts that it is not required to submit a CPE Procurement Plan. PG&E states that it prepared the CPE Procurement Plan “in collaboration with the Independent Evaluator (“IE”) and Cost Allocation Mechanism (“CAM”) Procurement Review Group (“PRG”) and submitted it for Energy Division approval, rather than keeping its plan restricted internally, as is permitted by the CPE Decision.” PG&E notes that its main objective in preparing and socializing the CPE Procurement Plan “was to increase transparency regarding the specific processes and methodologies it currently plans to employ in undertaking authorized CPE activities, thereby increasing the likelihood of success for this new function in the best interest of all customers in its distribution service area.”

Specifically, PG&E argues that CalCCAs protest regarding AB 57 reflects a misunderstanding of the authority already provided under the CPE decision which includes both a portfolio approval process for deemed reasonableness and pre-approval process of contracts less than 5 years and a Tier 3 Advice Letter process for other contracts.

With regards to CalCCAs argument requesting further details on the “showing processes” outlined in the CPE Procurement Plan, PG&E notes that CalCCAs issue appears to be not with the AL but with the perceived lack of direction and information provided in the CPE and Track 3A Decisions. Further, PG&E recognizes that it would be helpful to provide more further clarifying information regarding the “showing” process and plans to provide further clarity when it kicks off the CPE solicitation process in the second quarter of 2021.

With respect to CalCCA’s protest regarding the PRG’s and IE’s ability to understand the basis for selecting or rejecting resources, PG&E states that the CPE Procurement Plan provides “that the CPE will consult with the PRG and IE on all proposed transactions.” PG&E also argues “that it expects to be in close contact with the PRG and IE such that they will be well aware of the reasons for the selection of resources that will make up the CPE portfolio.”

Finally, with regards to CalCCAs protest that “the CPE Procurement Plan does not define tools that will be used to enable the PRG and IE to ensure PG&E has complied with the competitive neutrality rules adopted in D.20-12-006, PG&E argues to that CalCCAs argument is an attempt to relitigate issues resolved in the CPE decision and the Track 3A Decision.

AReM and DACC Response

AReM and DACC’s response to PG&E’s Advice Letter includes three specific concern/requests:

1. Withhold approval of the CPE Procurement Plan until PG&E has fully complied with D.20-06-002 by developing, submitting for approval and implementing the required strict code of conduct.
2. Require the CPE to report in writing to the Commission all concerns raised by CAM PRG members.
3. Withhold up-front approval of CAM cost recovery for any procurement product that does not comply with the statutory requirements of Sections 365.1(c)(2)(A) and (C) of the Public Utilities Code for CAM treatment.

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PG&E responds to AReM and DACC's first and third concern, stating that "GO 96-B clearly states that a protest may not rely on policy objections where the relief requested in the advice letter follows rules or directions established by Commission order applicable to the utility." PG&E's contends that the CPE Procurement Plan follows rules established in the CPE Decision with respect to the code of conduct and the products to be procured and recovered through CAM, thus, as a procedural matter, the response fails and should be rejected. Further PG&E argues that Ordering Paragraph 25 of the CPE Decision does not require submission of the code of conduct for Commission approval. Instead, the CPE decision requires that code be developed in collaboration with the CAM PRG, the IE and Energy Division. PG&E asserts that its CPE Procurement Plan reflects that PG&E has consulted with the IE and the CAM PRG. PG&E states that it plans to finalize the code of conduct and have it signed by all PG&E personnel who will be involved in the CPE solicitation and procurement process prior to its inaugural solicitation.

With regards to AReM and DACC's second concern, PG&E argues that the CPE decision explains that the CAM PRG process has historically been effective in ensuring proper procurement oversight, and Energy Division's 2025 report evaluating the CPE framework should also evaluate effectiveness of the IE and CAM PRG process. Therefore, PG&E argues that this issue has already been addressed and resolved by the Commission and should not be revisited here.

Discussion:

Energy Division reviewed the PG&E Advice Letter, AReM/DACC's response, CalCCAs protest, and the reply of PG&E. The Advice Letter filing was not required by any Commission Decision, but rather shows PG&E's progress with respect to Commission orders detailed in the CPE Decision and Track 3A Decision, and as such Energy Division has determined that the CPE Procurement Plan submitted in this Advice Letter should be treated as an information-only filing pursuant to Rule 3.9 of GO 96-B.

The utility's designation of the Advice Letter as Tier 2 is not binding on the Energy Division [Rule 7.6.1 of GO 96-B], and Energy Division's treatment of the Advice Letter as an informational filing serves the purpose of providing further transparency regarding the process and methodologies that PG&E plans to employ in implementing its authorized CPE procurement authority. Transparency will increase the likelihood of the CPE's success in taking on this new procurement function in the best interest of all customers and stakeholders in its distribution service area. Such treatment is consistent with Commission direction that CPE's procurement process should be transparent⁴ but does not require further approval via Advice Letter unless there is further guidance required to comply with Commission directions.

Further, the Procurement Plan will help provide more transparency for market participants in understanding how PG&E plans to go forward in implementing the authority provided in acting as the CPE for its distribution service territory. Because we deem PG&E's Advice Letter to be information-only, this submission is not subject to protests.⁵

Even if we were to consider the protests on their merits, this would not alter the result. CalCCA's protest was not made on proper grounds because it disputes aspects of the CPE procurement function that have already been approved in Commission decision D.20-06-002.

⁴ See CPE Decision at p. 47.

⁵⁵ See General Order 96-B, General Rule 6.2.

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AReM and DACC's response also dispute aspects of the CPE Procurement Plan that have already been addressed under the CPE decision.

Disposition:

Energy Division hereby interprets Pacific Gas and Electric Company's AL 6078-E as an information-only filing that provides further transparency regarding how it plans to comply with the new CPE procurement process established in the CPE and Track 3A Decisions.

Sincerely,

Handwritten signature of Edward Randolph in black ink, with the initials "(for)" written in parentheses to the right of the signature.

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

cc: R.19-11-009, EDTariffUnit@cpuc.ca.gov, PGETariffs@pge.com SHR8@pge.com; evelyn@cal-cca.org; sue.mara@rtoadvisors.com>



Erik Jacobson
Director
Regulatory Relations

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Fax: 415-973-3582

January 29, 2021

Advice 6078-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Central Procurement Entity Procurement Plan

Purpose

Pacific Gas and Electric Company (“PG&E”), acting as the Central Procurement Entity (“CPE”) for its electric distribution service area, as designated pursuant to Decision 20-06-002, the *Decision on Central Procurement of the Resource Adequacy Program* (“CPE Decision”), effective as of June 11, 2020 in Rulemaking (“R.”) 17-09-020, hereby submits this advice letter seeking disposition by the California Public Utilities Commission (“CPUC” or “Commission”) Energy Division, pursuant to Section 7.6.1 of General Order 96-B. This advice letter is comprised of this cover letter and two Attachments: Confidential Attachment 1 - Central Procurement Entity Procurement Plan (Confidential Version) and Attachment 2 - Central Procurement Entity Procurement Plan (Public Version). The CPE Procurement Plan (“CPE PP”) includes market sensitive information pursuant to the confidentiality protections described in the Confidentiality Declaration that is being submitted as Attachment 3 of this Advice Letter. As such, PG&E is submitting both confidential and public versions of the CPE PP.

This cover letter provides background regarding PG&E’s development of the CPE CPE PP and an overview of the attached CPE PP, including a description of each section of the CPE PP. As demonstrated herein, the CPE PP is within the scope of and consistent with procurement authority already authorized by the Commission in the CPE Decision and related Commission orders. As such, PG&E requests that Energy Division dispose of this advice letter and approve the CPE PP in writing by no later than February 28, 2021.

Background

In June 2020, the Commission issued the CPE Decision designating PG&E as the CPE for the multi-year local resource adequacy (“RA”) program to procure local RA capacity on behalf of all load serving entities (“LSEs”) in its electric distribution service area beginning for the 2023 RA compliance year. Notably, CPE procurement is entirely

separate and distinct from PG&E's procurement on behalf of its bundled service customers. Among other things, the CPE Decision orders the CPE to (1) conduct a competitive, all-source solicitation for local RA procurement with specified requirements,¹ and (2) utilize certain specified criteria and methodologies to guide the selection of local resources.² The CPE Decision further adopts a portfolio approval process whereby a CPE procurement action for an executed contract with a five-year term or less shall be deemed reasonable and preapproved under certain conditions.³ For any executed contract that exceeds a five-year term, the CPE shall submit a Tier 3 advice letter for approval.⁴

Subsequently, the Commission issued D.20-12-006, which includes additional CPE procurement orders related to the local capacity requirements reduction compensation mechanism and a competitive neutrality rule that governs how confidential, market-sensitive information received from third-party market participants through CPE procurement activities will be protected from unauthorized sharing beyond those employees involved in CPE activities.⁵

While not required by any Commission decision or order, PG&E developed the CPE PP in an effort to promote increased transparency regarding CPE procurement activities. The CPE PP is within the scope of and consistent with procurement authority authorized by the Commission in the CPE Decision, D.20-12-006, and all related Commission guidance.

Discussion

By this Tier 2 Advice Letter submittal, PG&E, acting as the CPE, seeks written approval from Energy Division of its CPE PP. The CPE PP sets forth and describes in detail the procurement authority granted to the CPE by the Commission. The CPE PP also describes PG&E's plans for CPE procurement, including conducting the required solicitation and applying the specified selection criteria and methodologies, in accordance with the CPE Decision. While the CPE PP describes these plans, it does not restrict the CPE from taking procurement actions that are inconsistent with the CPE PP, as long as the CPE's actions still meet the conditions for reasonableness and preapproval set forth in OP 22 of the CPE Decision or are approved via Tier 3 advice letter.

Notably, with respect to procurement actions for executed contracts with five-year terms or less, the CPE PP details the conditions required in the CPE Decision for deemed reasonableness and pre-approval and specifies documentation that will be sufficient to

¹ CPE Decision at OP 8.

² CPE Decision at OP 14.

³ CPE Decision at OP 22.

⁴ *Id.*

⁵ PG&E's competitive neutrality rule was adopted in D.20-12-006, OP 9 at p. 49.

evidence satisfaction of each condition. For these shorter-term procurement actions, compliance with the standards and criteria established in the CPE PP will constitute an irrebuttable presumption that such procurement actions are reasonable and preapproved under OP 22 of the CPE Decision.

Prior to submittal of this advice letter, PG&E as the CPE consulted with both the Cost Allocation Mechanism Procurement Review Group (“CAM PRG”) and an Independent Evaluator (“IE”) to review the details of the CPE PP and collect feedback in an effort to enhance transparency and address any concerns with the approach PG&E is taking.

Overview of CPE PP

The CPE PP is structured to be transparent regarding the processes and methodologies to be employed by the CPE when meeting the procurement obligations outlined in the CPE Decision. The table below outlines the major sections of the CPE PP and briefly describes the contents of each.

<u>Major Plan Section</u>	<u>Description</u>
Section A. Introduction	Section A of the CPE PP provides an introduction, a summary of the CPE’s procurement objectives, and an overview of the CPE PP.
Section B. Consistency with Regulatory Decisions/Statutes	Section B of the CPE PP describes how the CPE will comply with applicable ordering paragraphs in the CPE Decision, Decision 20-12-006, and, while not required by the Commission, how the CPE’s procurement activities will be consistent with the applicable Standards of Conduct for utility procurement.
Section C. Procurement Oversight	Section C of the CPE PP outlines the CAM PRG and IE oversight as required by the CPE Decision and describes how and when the CPE will consult with the CAM PRG and IE throughout the the set up and implementation of the CPE and the CPE’s procurement process. This section also describes the process of developing and applying the competitive neutrality rule and code of conduct that will apply to the CPE during the procurement process.

Section D. Process for Demonstrating Compliance	Section D of the CPE PP describes the applicable reporting requirements for the CPE, including the annual local RA compliance showing, the annual RA compliance report, and filings within the Energy Resource and Recovery Account (“ERRA”) forecast and compliance proceedings, as required by the CPE Decision.
Section E. Cost Recovery	Section E of the CPE PP describes how the CPE procurement and administrative costs will be recoverable under the Cost Allocation Mechanism (“CAM”).
Section F. Preapproval, Approval and Filing Requirements	Section F of the CPE PP outlines the approval processes set out in the CPE Decision, including (1) the preapproval criteria for executed contracts with terms of five years or less and (2) methods for approval for transactions that do not meet that criteria. This section also describes how the CPE will meet the preapproval criteria for executed contracts with terms of five years or less set out in the CPE Decision.
Section G. Process for Updating Procurement Plan	Section G of the CPE PP describes the process for updating or changing the CPE PP through an advice letter filing, the tier of which will be determined by the nature of the update or change.
Section H. Central Procurement Process	Section H of the CPE PP describes the authorized products, procurement methods and processes, contract structures, credit and collateral requirements, and evaluation methodology to be applied by the CPE, as prescribed in the CPE Decision. This section also addresses deferred procurement or additional procurement that would be deemed reasonable under the CPE Decision.

<p>Section I. Non-Conformance with CPE PP and Other Considerations</p>	<p>Section I of the CPE PP explains that the CPE PP sets the standards and criteria for the CPE Procurement activities but that it does not restrict the CPE from taking procurement actions that are inconsistent with those standards and criteria, as long as its actions still meet the conditions for reasonableness and preapproval set forth in OP 22 of the CPE Decision or are approved via Tier 3 advice letter.</p>
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Assembly Bill (AB) 57/Public Utilities Code Section 454.5 Not Applicable

AB 57 (i.e. Public Utilities Code Section 454.5) includes detailed requirements for electrical corporation procurement plans. While PG&E has been tasked with the central procurement function in its distribution service area, the CPE procurement functions are separate and distinct from that of PG&E on behalf of bundled service customers. Therefore, the requirements of AB 57 are not applicable to the CPE and, therefore, are not addressed within the CPE PP.

Debt Equivalence Impacts of CPE Procurement

Per the CPE Decision, the Commission “acknowledges concerns raised by the IOUs regarding financial costs and risks associated with the central procurement function,” including debt equivalence.⁶ To comply with the CPE Decision, PG&E as the CPE expects to enter into multi-year contracts to procure local RA starting in 2021, which will increase the financial commitments of PG&E and subsequently the costs associated with debt equivalence. Any debt equivalence costs resulting from PG&E’s procurement as the CPE should be recovered from the entities benefitting from CPE procurement. PG&E is continuing to evaluate this impact and may pursue recovery of such costs in future regulatory proceedings.

Request

PG&E, acting as the CPE, requests that Energy Division dispose of this advice letter and approve in writing the CPE PP, as presented in Attachment 1, by no later than February 28, 2021.

⁶ D. 20-06-002 at pp. 30, 36.

Attachments

Confidential Attachment 1	Central Procurement Entity Procurement Plan (Confidential Version)
Attachment 2	Central Procurement Entity Procurement Plan (Public Version)
Attachment 3	Confidentiality Declaration of Marino Monardi Confidential Treatment of Certain Data and Information in Advice 6078-E

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 filing may do so by letter sent via U.S. mail, facsimile or E-mail, no later than **February 18, 2021**, which is 20 days after the date of this filing. Protests must be submitted to:

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

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

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

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

Erik Jacobson
Director, Regulatory Relations
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 letter become effective on staff approval, but no later than **February 28, 2021**.

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.19-11-009. 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 filings can also be accessed electronically at: <http://www.pge.com/tariffs/>.

/S/

Erik Jacobson
Director, Regulatory Relations

Attachments

cc: Service Lists R.19-11-009



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 U 39 E)

Utility type:

- ELC GAS WATER
 PLC HEAT

Contact Person: Stuart Rubio

Phone #: (415) 973-4587

E-mail: PGETariffs@pge.com

E-mail Disposition Notice to: SHR8@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) #: 6078-E

Tier Designation: 2

Subject of AL: Central Procurement Entity Procurement Plan

Keywords (choose from CPUC listing): Compliance, Procurement

AL Type: Monthly Quarterly Annual One-Time Other:

If AL submitted in compliance with a Commission order, indicate relevant Decision/Resolution #: D.20-06-002

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: N/A

Confidential treatment requested? Yes No

If yes, specification of confidential information: See Confidential 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: Marino Monardi, M3Mt@pge.com, 415-973-8573

Resolution required? Yes No

Requested effective date:

No. of tariff sheets: N/A

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed¹: N/A

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

¹Discuss 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

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

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
ATTACHMENT 1
CENTRAL PROCUREMENT ENTITY PROCUREMENT PLAN
(CONFIDENTIAL)

PACIFIC GAS AND ELECTRIC COMPANY
ATTACHMENT 2
CENTRAL PROCUREMENT ENTITY PROCUREMENT PLAN
(PUBLIC)

PACIFIC GAS AND ELECTRIC COMPANY
ATTACHMENT 2
CENTRAL PROCUREMENT ENTITY PROCUREMENT PLAN

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PACIFIC GAS AND ELECTRIC COMPANY
ATTACHMENT 2
CENTRAL PROCUREMENT ENTITY PROCUREMENT PLAN

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PACIFIC GAS AND ELECTRIC COMPANY
ATTACHMENT 2
CENTRAL PROCUREMENT ENTITY PROCUREMENT PLAN

A. Introduction

Pursuant to Decision (D.) 20-06-002, the *Decision on Central Procurement of the Resource Adequacy Program*, effective as of June 11, 2020 in Rulemaking (R.) 17-09-020 (D.20-06-002 or the Central Procurement Entity (CPE) Decision), the California Public Utilities Commission (CPUC or Commission) designated Pacific Gas and Electric Company (PG&E) as the CPE for the multi-year local Resource Adequacy (RA) Program for its distribution service area beginning for the 2023 RA compliance year. This CPE Procurement Plan (CPE PP) describes PG&E’s plans for CPE procurement in accordance with Commission guidance and establishes the standards and criteria for PG&E’s CPE procurement activities consistent with the portfolio approval process adopted in the CPE Decision.

In an effort to “address known challenges in the local RA market,”¹ the Commission concluded that a CPE would be the best solution to ensure local reliability throughout the PG&E and Southern California Edison Company (SCE) distribution service areas.² The Commission further identified that the investor-owned utilities in these areas have the “resources, knowledge, and experience,” and are the most practical, feasible solution in the near-term to procure local reliability resources on behalf of all load serving entities (LSE) without excessive delay.³ As such, PG&E will act as the CPE for its distribution service area and seek to procure the entire amount of required multi-year local RA (as may be reduced by resources that are voluntarily shown to the CPE by LSEs) beginning with the 2023 compliance year on behalf of all LSEs in the PG&E distribution service area.

1. Procurement Objectives as the CPE

The CPE’s objective is to procure approved products on behalf of all LSEs throughout the PG&E distribution service area in accordance with all

¹ D.19-02-022 at 38.

² D.18-06-030 at 32.

³ D.19-02-022 at 14.

Commission guidance and directives. This CPE PP includes approved electric products and processes which are intended to facilitate the CPE's efforts in seeking to procure the entire amount of required multi-year local RA (as may be reduced by resources that are voluntarily shown to the CPE by LSEs) to satisfy the Commission's local RA requirements, as well as other reliability and resource requirements adopted by the California Independent System Operator (CAISO) to ensure a reliable supply of generation in local areas within the PG&E distribution service area.

2. Overview of the Procurement Plan

a. Section B – Consistency With Regulatory Decisions/Statutes

Section B of the CPE PP describes how the CPE will comply with applicable Ordering Paragraphs (OP) in the CPE Decision, D.20-12-006, effective as of December 3, 2020 (RA Track 3.A Decision), and, while not required by the Commission, how the CPE's procurement activities will be consistent with the applicable Standards of Conduct (SOC) for utility procurement.

b. Section C – Procurement Oversight

Section C of the CPE PP outlines the Cost Allocation Mechanism (CAM) Procurement Review Group (PRG) and Independent Evaluator (IE) oversight as required by the CPE Decision and describes how and when the CPE will consult with the CAM PRG and IE throughout the set up and implementation of the CPE and the CPE's procurement process. This section also describes the process of developing and applying the competitive neutrality rule and code of conduct that will apply to the CPE during the procurement process.

c. Section D – Process for Demonstrating Compliance

Section D of the CPE PP describes the applicable reporting requirements for the CPE, including the annual local RA compliance showing, the annual RA compliance report, and filings within the Energy Resource Recovery Account (ERRA) forecast and compliance proceedings, as required by the CPE Decision.

d. Section E – Cost Recovery

Section E of the CPE PP describes how the CPE procurement and administrative costs will be recoverable under the CAM.

e. Section F – Preapproval, Approval and Filing Requirements

Section F of the CPE PP outlines the approval processes set out in the CPE Decision, including: (1) the preapproval criteria for executed contracts with terms of five years or less and (2) methods for approval for transactions that do not meet that criteria. This section also describes how the CPE will meet the preapproval criteria for executed contracts with terms of five years or less.

f. Section G – Process for Updating the Procurement Plan

Section G of the CPE PP describes the process for updating or changing the CPE PP through an advice letter (AL) filing, the tier of which will be determined by the nature of the update or change.

g. Section H – Central Procurement Process

Section H of the CPE PP describes the authorized products, procurement methods and processes, contract structures, credit and collateral requirements, and evaluation methodology to be applied by the CPE, as prescribed in the CPE Decision. This section also addresses deferred procurement or additional procurement that would be deemed reasonable under the CPE Decision.

h. Section I – Non-Conformance With CPE PP and Other Considerations

Section I of the CPE PP describes how the CPE PP sets the standards and criteria for the CPE procurement activities but that it does not restrict the CPE from acting outside of the plan when prudent to do so. [REDACTED]

[REDACTED]

B. Consistency With Regulatory Decisions/Statutes

1. CPE Decision

The CPE Decision outlines implementation details for local RA procurement to be undertaken by the CPE. To demonstrate that PG&E's CPE PP is in full compliance with the CPE Decision, Table 1 below includes each relevant OP, a

summary of PG&E’s compliance as CPE with the CPE Decision, and the portion of the CPE PP that addresses PG&E’s compliance as CPE, if applicable.

**TABLE 1
COMPLIANCE WITH CPE DECISION**

Ordering Paragraph	Summary of Compliance and Citation to PG&E’s CPE PP if Applicable
<p>OP 2: PG&E and SCE shall serve as the CPE for their respective distribution service areas for the multi-year local RA program beginning for the 2023 RA compliance year.</p>	<p>PG&E has established a separate and distinct group within its Energy Policy and Procurement organization to undertake the duties as the CPE for the PG&E distribution service territory.</p>
<p>OP 3: The hybrid central procurement framework for local resources is adopted for PG&E and SCE distribution service areas. LSE in PG&E’s and SCE’s distribution service areas will no longer receive a local allocation beginning for the 2023 RA compliance year.</p>	<p>The CPE will procure RA capacity as outlined in the CPE Decision through the hybrid framework beginning with the 2023 compliance year.</p>
<p>OP 4: The hybrid central procurement structure is adopted as follows:</p> <ul style="list-style-type: none"> a) If a LSE procured resource also meets a local RA need, the LSE may choose to: (1) show the resource to reduce the CPE’s overall local procurement obligation and retain the resource to meet its own system and flexible RA needs, (2) bid the resource into the CPE’s solicitation, or (3) elect not to show or bid the resource to the CPE and only use the resource to meet its own system and flexible RA needs. b) If an LSE elects to show a local resource, it may either: (1) do so in advance of the CPE’s solicitation, if it does not intend to bid it into the solicitation, or (2) bid the resource into the CPE’s solicitation but indicate in its bid that the resource will be available to meet local RA requirements even if it is not procured by the CPE, which may reduce the total procurement costs the CPE incurs on behalf of all LSEs. 	<p>The CPE will comply with the procurement directives in the CPE Decision. See Section H for more information.</p>

**TABLE 1
COMPLIANCE WITH CPE DECISION
(CONTINUED)**

Ordering Paragraph	Summary of Compliance and Citation to PG&E's CPE PP if Applicable
<p>OP 7:</p> <p>To transition to the central procurement framework in PG&E and SCE's distribution service areas, the following adjustments to the three-year local requirements are adopted:</p> <ul style="list-style-type: none"> a) For 2020, the 50 percent requirement for the 2023 compliance year is eliminated. The 100 percent two-year requirement remains. b) Therefore, in 2020, LSEs shall be responsible for 100 percent of their 2021 and 2022 local requirements. In 2021, LSEs are responsible for 100 percent of their 2022 local requirements. 	<p>The CPE will begin procuring for the 2023 compliance year in calendar year 2021.</p>
<p>OP 8:</p> <p>The CPE shall conduct a competitive, all-source solicitation for local RA procurement with the following requirements:</p> <ul style="list-style-type: none"> a) Any existing local resource that does not have a contract, any new local resource that can be brought online in time to meet solicitation requirements, or any LSE or third-party with an existing local RA contract may bid into the solicitation. b) If an LSE-procured local resource is not selected by the CPE, the local resource may still count towards the LSE's system or flexible RA obligations, if applicable. c) RA attributes shall remain bundled and LSEs shall receive credits for any system or flexible capacity procured during the local RA or backstop processes, based on coincident peak load shares, as is currently done with CAM resources. d) CAM resources and investor-owned utility (IOU) local Demand Response resources shall reduce the local RA amount that the CPE must procure. e) The CPE shall include dispatch rights, or other means that stipulate how local resources bid into the energy markets, in its solicitation as an optional term that bidders are encouraged to include. 	<p>The CPE will comply with the procurement directives in the CPE Decision. See Section H for more information.</p> <p>In fulfillment of its obligation under OP 8.e of the CPE Decision to include "dispatch rights or other means that stipulate how local resources bid into the energy markets in its solicitation as an optional term that bidders are encouraged to include," PG&E as CPE will solicit offers for energy value through a financial settlement to incentivize local resources to bid into and act rationally in the wholesale energy market. See Section H.3 for more information.</p>

**TABLE 1
COMPLIANCE WITH CPE DECISION
(CONTINUED)**

Ordering Paragraph	Summary of Compliance and Citation to PG&E's CPE PP if Applicable
<p>OP 13: All IOU bids, including utility-owned generation (UOG), shall be submitted to the CAM PRG and IE, in advance of the receipt of bids from any other entities.</p>	<p>The CPE will submit bids received from PG&E, including UOG, to the CAM PRG and IE in advance of the receipt of bids from any other entities. The CPE will also consult the IE and CAM PRG in accordance with the CPE Decision. See Sections C and F for more information.</p>
<p>OP 14: To guide the selection of local resources procured by the CPE, the CPE shall use the all-source selection criteria, including the loading order, and least-cost best fit (LCBF) methodology adopted in D.04-07-029. The methodology employed shall also include the following selection criteria:</p> <ul style="list-style-type: none"> a) Future needs in local and sub-local areas; b) Local effectiveness factors, as published in the CAISO's Local Capacity Requirement (LCR) Technical Studies; c) Resource costs; d) Operational characteristics of the resources (efficiency, age, flexibility, facility type); e) Location of the facility (with consideration for environmental justice); f) Costs of potential alternatives; g) Greenhouse Gas (GHG) adders; h) Energy-use limitations; and i) Procurement of preferred resources and energy storage (to be prioritized over fossil generation). <p>The GHG planning price, adopted in D.18-02-016, shall guide development of the GHG adder used by the CPE.</p>	<p>The CPE will comply with the procurement directives in the CPE Decision. See Section H.6 for more information.</p>
<p>OP 15: In its solicitation, the CPE shall direct bidders to include the following attributes for a resource: the CalEnviroScreen score of the resource location (or if unavailable, the pollution burden of the resource location), facility age, heat rate, start-up time, and ramp rate.</p>	<p>The CPE will comply with the procurement directives in the CPE Decision. This information will be requested as part of the solicitation. See Section H for more information.</p>

**TABLE 1
COMPLIANCE WITH CPE DECISION
(CONTINUED)**

Ordering Paragraph	Summary of Compliance and Citation to PG&E's CPE PP if Applicable
<p>OP 16:</p> <p>The CAM methodology is adopted as the cost recovery mechanism to cover procurement costs incurred in serving the central procurement function. The administrative costs incurred in serving the central procurement function shall be recoverable under the CAM.</p>	See Section E for more information.
<p>OP 17:</p> <p>The CPE shall establish a Centralized Local Procurement Balancing Account (CLPBA) as a sub-account of the New Generation Services Balancing Account within 60 days of the issuance of this decision to facilitate the cost recovery process. The CPE shall submit its administrative costs associated with central procurement for review in its annual ERRA forecast and compliance process.</p>	See Section E for more information.
<p>OP 18:</p> <p>The CPE shall submit supplemental testimony with the forecasted administrative costs associated with central procurement for 2021 in its ERRA forecast proceeding within 75 days of the issuance of this decision.</p>	PG&E as the CPE filed supplemental testimony in the ERRA forecast proceeding on August 14, 2020.
<p>OP 19:</p> <p>If the CPE procures dispatch rights, administration of the contracts shall be submitted for review in the distribution utility's annual ERRA compliance application for review of compliance with least-cost dispatch (LCD) requirements. If the CPE procures dispatch rights, allocation of any GHG emissions shall be allocated as they currently are for other CAM resources.</p>	See Section D.

**TABLE 1
COMPLIANCE WITH CPE DECISION
(CONTINUED)**

Ordering Paragraph	Summary of Compliance and Citation to PG&E's CPE PP if Applicable
<p>OP 20: The CAM PRG, as adopted in D.07-12-052, is authorized to advise the CPE. The CPE shall consult with CAM PRG members (including Energy Division and an IE) to outline procurement plans, draft solicitation bid documents, and collect feedback regarding the solicitation process.</p>	<p>The CPE will consult the CAM PRG in accordance with the CPE Decision. See Sections C and F for more information.</p>
<p>OP 21: An IE shall be retained to monitor the CPE's solicitation process and contract execution process, as follows:</p> <ul style="list-style-type: none"> a) The CPE shall develop a pool of at least three IEs, with the appropriate level of technical expertise and experience, to serve on a rotating basis for solicitations. Energy Division will have final approval over the selection of the IEs. b) The IE shall prepare a report to be submitted on an annual basis to the Commission, assessing the neutrality of the procurement process, market power or aggregate pricing concerns, procurement of preferred resources, consideration of disadvantaged communities made in the procurement process, and other relevant issues. c) The IE report shall include an explanation of the basis for any fossil fuel procurement for any contract that exceeds the minimum multi-year local procurement requirement. d) The IE shall brief the CAM PRG in meetings on the procurement process and concerns related to neutrality, market power, pricing, disadvantaged communities, or other relevant concerns. e) The CPE shall permit periodic oversight of the IE process by Energy Division. f) The IE shall brief the PRG on key solicitation elements. g) The CPE shall rely on the requirements for the IE process adopted in D.04-12-048 as guidance; however, such guidance shall represent a minimum standard for the IE process. 	<p>The CPE will retain and consult the IE in accordance with the CPE Decision. See Sections C and F for more information.</p>

**TABLE 1
COMPLIANCE WITH CPE DECISION
(CONTINUED)**

Ordering Paragraph	Summary of Compliance and Citation to PG&E's CPE PP if Applicable
<p>OP 22:</p> <p>A portfolio approval process is adopted whereby a procurement action for an executed contract with a 5-year term or less shall be deemed reasonable and preapproved if the following conditions are met:</p> <ul style="list-style-type: none"> a) The procured resource meets the established LCR and underlying data supporting those requirements, which are based on the CAISO's LCR Technical Study; b) If the CAM PRG was properly consulted, as described in OP 13; and c) If procurement was deemed by the IE to have followed all relevant Commission guidance, including the methodology and other noted selection criteria. <p>For any executed contract that exceeds a 5-year term, the CPE shall submit a Tier 3 AL for approval.</p>	<p>See Section F for more information.</p>
<p>OP23:</p> <p>The CPE shall submit an annual compliance report that includes all contract terms, as well as the criteria and methodology used to select local RA resources, 30 days after the CPE makes it local RA showing to the Commission. The annual compliance report shall be submitted through a Tier 2 AL in both confidential and public (redacted) form, subject to the confidentiality provisions in D.06-06-066 and related materials. The final IE report shall be filed with the annual compliance report in both confidential and public (redacted) form.</p>	<p>The CPE will file its annual compliance report in accordance with the CPE Decision. See Section D for more information.</p>
<p>OP24:</p> <p>The CPE shall establish a rule or procedure that will govern how confidential, market-sensitive information received from third-party market participants during the solicitation process will be protected and what firewall safeguards will be implemented to prevent the sharing of information beyond those employees involved in the solicitation and procurement process. As guidance to develop the rule or procedure, the CPE may use the competitive-neutrality rules adopted in D.13-02-029. The CPE shall file and serve the proposed rule into the successor RA proceeding, R.19-11-009, by September 1, 2020.</p>	<p>PG&E as the CPE filed its proposed competitive neutrality rule into R.19-11-009, on September 1, 2020. The Commission adopted PG&E's competitive neutrality rule on December 3, 2020 in D.20-12-006.</p>

**TABLE 1
COMPLIANCE WITH CPE DECISION
(CONTINUED)**

Ordering Paragraph	Summary of Compliance and Citation to PG&E's CPE PP if Applicable
<p>OP 25:</p> <p>The CPE, in collaboration with the IE, CAM PRG and Energy Division, shall create a strict code of conduct, similar to that adopted in D.07-12-052, that prevents the sharing of confidential, market-sensitive information beyond those employees involved in the solicitation and procurement process. Personnel employed by the CPE and involved in the solicitation and procurement process (including management and officers) shall sign the code of conduct as a precondition to engaging in the central solicitation and procurement process.</p>	<p>The CPE is in the process of creating a Code of Conduct, in collaboration with the IE and CAM PRG. The Code of Conduct will be established prior to the issuance of the inaugural solicitation. PG&E personnel that will be involved in the CPE solicitation and procurement process (including management and officers) will sign the Code of Conduct prior to engagement in the central procurement solicitation process.</p>
<p>OP 26:</p> <p>The CPE shall have discretion to defer procurement of a local resource to the CAISO's backstop mechanisms, rather than through the solicitation process, if bid costs are deemed unreasonably high. If the CPE defers to backstop procurement, the CPE shall provide, through the IE report and annual compliance report, the reason for the deferral to backstop procurement, prices offered in the solicitation, which generators did not participate in the solicitation (if any), and other relevant information.</p>	<p>The CPE will file its annual compliance report in accordance with the CPE Decision, which will include the IE report. See Section D for more information.</p>
<p>OP 27:</p> <p>The CPE shall not be assessed fines or penalties for failing to procure resources to meet the local RA requirements and deferring local procurement to the CAISO backstop mechanism, as long as the CPE exercises reasonable efforts to secure capacity and the IE report contains the reasons for the failure to procure.</p>	<p>The CPE will exercise reasonable efforts to secure resources. The CPE will file an annual compliance report and utilize and consult with an IE throughout its solicitation process to demonstrate compliance with reasonableness requirements.</p>

2. RA Track 3.A Decision

The RA Track 3.A Decision addresses issues including adopting a LCR reduction compensation mechanism (RCM) and the CPE's competitive neutrality rule.⁴ To demonstrate that PG&E's CPE PP is in full compliance with the RA Track 3.A Decision, Table 2 below includes each relevant OP a summary of PG&E's compliance as CPE with the RA Track 3.A Decision, and the portion of the CPE PP that addresses PG&E's compliance as CPE, if applicable.

⁴ D.20-12-006 at 2.

**TABLE 2
COMPLIANCE WITH LCR RCM DECISION**

Ordering Paragraph	Summary of Compliance and Citation to PG&E's CPE PP if Applicable
<p>OP 3: California Community Choice Association's Option 2 LCR RCM is adopted to apply to new preferred resources and new energy storage resources, including UOG, with modifications, as follows:</p> <ul style="list-style-type: none"> a) The CPE may accept or reject the shown local resource if more cost-effective resources are available. b) The CPE shall apply all of the methodology and criteria set forth in OP 14 of D.20-06-002 to shown resources in the same way the methodology and criteria are applied to bid resources. c) If selected, the LSE shall be paid up to the showing price without annual adjustment for effectiveness. The showing price shall not exceed the pre-determined local price, which is calculated as follows: <ul style="list-style-type: none"> i. Year 1: Use the weighted average price from the last four quarters of Energy Division Power Charge Indifference Adjustment (PCIA) responses for both system and local RA; subtract system RA) price from local RA price. ii. Subsequent Years: Use the weighted average price from the last four quarters of Energy Division PCIA responses for system RA and the most recent weighted average price reported in the CPE solicitation results (prior year's results) for local RA price; subtract system RA price from local RA price. d) The price shall be differentiated by local area or sub-local area, unless higher-level aggregation is required to mask individual resource prices. 	<p>The CPE will comply with the procurement directives in the CPE Decision and include criteria specific to resources shown for LCR RCM eligibility in accordance with the RA Track 3.A Decision. See Section H for more information.</p>

**TABLE 2
COMPLIANCE WITH LCR RCM DECISION
(CONTINUED)**

Ordering Paragraph	Summary of Compliance and Citation to PG&E's CPE PP if Applicable
<p>OP3: (continued)</p> <p>e) For a resource eligible for the LCR RCM, if the LSE elects to show for the LCR RCM, the LSE cannot also provide a bid into the CPE solicitation for that resource. If an LSE with a resource eligible for the LCR RCM elects not to show under the LCR RCM, it still has all of the options available under D.20-06-002: (1) show the resource for no compensation in advance of the CPE's solicitation, (2) bid the resource into the CPE's solicitation, (3) bid the resource into the CPE's solicitation and indicate that the resource will be available to show the local RA attribute for no compensation if the bid is not accepted, or (4) retain all RA attributes for the LSE.</p> <p>f) A new local preferred or energy storage resource may be eligible for the LCR RCM up to the life of the resource's original contract, or in the case of UOG, up to the original life of the resource.</p> <p>g) A shown resource that qualifies for the LCR RCM shall have a commitment equivalent to the period the resource is under control or contracted for, that corresponds to the 3-year forward compliance period, where the start date may be any year within the 3-year forward compliance period.</p> <p>h) A shown resource shall be documented on an agreement as determined by the CPE, which may include the Edison Electric Institute (EEI) Master Agreement. LSEs intending to show resources to the CPE are encouraged to enter into an enabling agreement with the CPE in advance of the CPE's solicitation.</p>	

**TABLE 2
COMPLIANCE WITH LCR RCM DECISION
(CONTINUED)**

Ordering Paragraph	Summary of Compliance and Citation to PG&E's CPE PP if Applicable
<p>OP 4: The existing definition of preferred resources from the State's Energy Action Plan (EAP) II, as adopted in D.14-03-004, shall apply to the LCR RCM.</p>	<p>The CPE will apply this definition in the evaluation of resources shown for LCR RCM eligibility.</p>
<p>OP 5: Any new preferred resource or energy storage resource with an original contract executed on or after June 17, 2020, shall be eligible for the LCR RCM. For UOG, any resource approved by the Commission or by AL on or after June 17, 2020, shall be eligible for the LCR RCM. An existing preferred or energy storage resource with a new contract or amended contract executed on or after June 17, 2020, is not eligible for the LCR RCM.</p>	<p>The CPE will apply these criteria in the evaluation of resources shown for LCR RCM eligibility.</p>
<p>OP 6: A hybrid that consists of a preferred resource and an energy storage resource may be eligible for the LCR RCM, if either the preferred or the energy storage resource is a new resource.</p> <ul style="list-style-type: none"> a) In the case of a new hybrid resource, the entire hybrid resource may be eligible for the LCR RCM. b) In the case of a new energy storage resource added to an existing preferred resource, in which the resources are co-located, only the new component shall be eligible for the LCR RCM. c) The LCR RCM shall not apply to hybrid resources that consist of a fossil resource and a new energy storage resource. If the new energy storage resource is co-located with a fossil resource, the energy storage resource may be separately eligible as a standalone component. 	<p>The CPE will comply with the procurement directives in the CPE Decision and include criteria specific to resources shown for LCR RCM eligibility in accordance with the RA Track 3.A Decision.</p>

**TABLE 2
COMPLIANCE WITH LCR RCM DECISION
(CONTINUED)**

Ordering Paragraph	Summary of Compliance and Citation to PG&E's CPE PP if Applicable
<p>OP9:</p> <p>PG&E proposed competitive neutrality protocol is adopted, as follows:</p> <p style="padding-left: 40px;">“Confidential, competitive information received by PG&E from load serving entities (LSE), generators, third-party power marketers or demand response providers (DRP), or from the CAISO related to LSEs, generators, third-party power marketers or DRPs, in connection with PG&E’s performance of its duties as the central procurement entity (CPE) for local resource adequacy (RA) for PG&E’s distribution service area shall be limited to PG&E staff who are responsible for performing or administratively supporting PG&E’s CPE responsibilities for local RA in accordance with Commission decisions and guidance. Such confidential, competitive information shall not be used to promote PG&E’s RA-related services to its bundled service customers or gain a competitive advantage for PG&E in the RA market, or to advantage utility-owned generation (UOG) resources or PG&E-contracted resources that can provide local RA and are eligible to bid or show to the CPE.</p> <p style="padding-left: 40px;">PG&E staff receiving such confidential, competitive information from LSEs, generators, third-party marketers, DRPs or the CAISO in the discharge of PG&E’s roles and responsibilities as the CPE for PG&E’s distribution service area shall not share such confidential, competitive information with other individuals in PG&E who are directly responsible for discharging PG&E’s roles and responsibilities with respect to procurement, sales, or portfolio management of RA on behalf of PG&E’s bundled service customers or in preparing and submitting bids to the CPE.”</p>	<p>The CPE will adhere to this competitive neutrality rule and apply it through a strict Code of Conduct as required in OP25 of the CPE Decision. See Section C.3 for more information.</p>
<p>OP10:</p> <p>For the ERRA compliance filings, the CPE shall:</p> <p>(1) include confidential, market-sensitive information in either a separate chapter of testimony or supplemental testimony, (2) redact the information from public filings, and (3) only allow CPE personnel and support personnel (including contract management, law, and regulatory compliance) to sponsor, prepare, and view non-public versions of the filing.</p>	<p>The CPE will comply with this directive when filing information in the ERRA compliance filings. See Section D for more information.</p>

3. CPUC Procurement SOC

The Commission established five minimum SOC for utility procurement.⁵ While the SOCs do not strictly apply to the CPE, PG&E is voluntarily choosing to include and comply with the SOCs in PG&E's CPE PP in the interest of full transparency. The following table includes each SOC and a summary of PG&E's voluntary compliance with the standard as applied to the CPE function.

⁵ In D.02-10-062, Conclusion of Law (COL) 11, the CPUC adopted seven SOCs, but these were subsequently modified or eliminated: see D.02-12-074, OP 24 (modifying standards); D.03-06-067, OP 3 (modifying standards and eliminating Standard Nos. 6-7); and D.03-06-076, OP 6 (clarifying that "Standard of Conduct 1 does not preclude anonymous transactions conducted through the ISO or through brokers and exchanges.").

**TABLE 3
COMPLIANCE WITH SOC**

Standard of Conduct	Summary of Compliance and Citation to PG&E's CPE PP if Applicable
<p>1. Each utility must conduct all procurement through a competitive process with only arms-length transactions. Transactions involving any self-dealing to the benefit of the utility or an affiliate, directly or indirectly, including transactions involving an unaffiliated third party, are prohibited.</p>	<p>PG&E's procurement processes and methods as CPE, including competitive, arms-length solicitations, are described in Section H. In the event that PG&E as CPE conducts any transactions with PG&E as the utility these transactions will be conducted in full compliance with D.20-06-002.</p>
<p>2. Each utility must adopt, actively monitor, and enforce compliance with a comprehensive code of conduct for all employees engaged in the procurement process that: (1) identifies trade secrets and other confidential information; (2) specifies procedures for ensuring that such information retains its trade secret and/or confidential status (e.g., limiting access to such information to individuals with a need to know, limiting locations at which such information may be accessed, etc.); (3) discusses employee actions that may inadvertently waive or jeopardize trade secret and other privileges; (4) discusses employee or former employee activities that may involve misappropriation of trade secrets or other confidential information, unlawful solicitation of former clients or customers of the utility, or otherwise constitute unlawful conduct; and (5) requires or encourages negotiation of covenants not to compete to the extent such covenants are lawful under the circumstances (e.g., where a business acquires business interests of individuals who subsequently work for the acquiring business, the individuals disposing of their business interests may enter covenants not to compete with their new employer). All employees with knowledge of its procurement strategies should be required to sign and abide by an agreement to comply with the comprehensive code of conduct and to refrain from disclosing, misappropriating, or utilizing the utility's trade secrets and other confidential information during or subsequent to their employment by the utility.</p>	<p>PG&E ensures that all procurement employees are in compliance with SOC 2 (both for CPE procurement and bundled procurement) and provides information to demonstrate compliance to the Commission's Utility Audit, Finance and Compliance Branch (Audit Division) as a part of the Quarterly Compliance Report process for the utility.</p> <p>In addition, PG&E as CPE will ensure that a strict code of conduct is established in accordance with D.20-06-002, OP 25 and compliance with that standard can be demonstrated to the Commission.</p>

**TABLE 3
COMPLIANCE WITH SOC
(CONTINUED)**

Standard of Conduct	Summary of Compliance and Citation to PG&E's CPE PP if Applicable
<p>3. In filing transactions for approval, the utilities shall make no misrepresentation or omission of material facts of which they are or should be aware.</p>	<p>PG&E as CPE will file procurement information in its annual compliance report to the Commission, as prescribed in OP 23 of the CPE Decision, or through a Tier 3 AL as applicable, which are described in more detail in Section D, below.</p>
<p>4. The utilities shall prudently administer all contracts and generation resources and dispatch the energy in a least-cost manner. Our definitions of prudent contract administration and LCD are the same as our existing standard. Prudent contract administration includes administration of all contracts within the terms and conditions of those contracts, to include dispatching dispatchable contracts when it is most economical to do so. In administering contracts, the utilities have the responsibility to dispose of economic long power and to purchase economic short power in a manner that minimizes ratepayer costs. LCD refers to a situation in which the most cost-effective mix of total resources is used, thereby minimizing the cost of delivering electric services.</p> <p>The utility bears the burden of proving compliance with the standard set forth in its plan.</p>	<p>PG&E as CPE will not be the scheduling coordinator of any procured resources and will not be responsible for scheduling or dispatching the resources into the wholesale energy market. PG&E's demonstration of prudent contract administration as CPE are reviewed by the Commission annually as a part of the annual ERRRA proceedings described below in Section D.</p> <p>PG&E as CPE is not required to sell any excess capacity procured according to the CPE Decision.^(a) See Section H.8 for more information.</p>
<p>5. The utilities shall not engage in fraud, abuse, negligence, or gross incompetence in negotiating procurement transactions or administering contracts and generation resources.</p>	<p>PG&E's procurement practices as CPE will be fair, open and transparent. Pursuant to Section C PG&E as CPE will use an IE for all transactions and discuss all transactions with the CAM PRG.</p> <p>PG&E's procurement processes and methods as CPE are described in detail in Section H and the involvement of the PRG and IE are described in Section C.</p> <p>PG&E's ongoing administration of its procurement contracts as CPE will be reviewed through the ERRRA process and annual audits described in Section D.</p>
<p>(a) The CPE Decision states that "in the event that the CPE procures more than 100 percent of the local RA requirement for an area (such as in an instance where the LCR requirement decreases between years), the CPE is not required to sell the excess capacity." D.20-06-002 at 50.</p>	

C. Procurement Oversight

1. Cost Allocation Mechanism Procurement Review Group

a. Membership

CAM PRG membership includes non-market participating organizations and individuals. The Commission's Energy Division employees are *ex-officio* participants in the PRG. All CAM PRG members must be nominated and then evaluated for participation in the CAM PRG by PG&E as CPE, and then PG&E may recommend the organization(s) and individual(s) to Energy Division for approval. PRG members are automatically part of the CAM PRG.

When procuring or potentially procuring CAM resources pursuant to Commission D.20-06-002 (CPE Decision), where the costs and benefits are allocated to all "benefitting customers" (e.g., bundled service, direct access, and community choice aggregation (CCA) customers), PG&E as CPE will utilize an advisory CAM PRG consistent with the proposal adopted in D.07-12-052, Attachment D. Pursuant to the CPE Decision, the CAM PRG shall also include a non-market participant representing CCAs that signs the PRG Non-Disclosure Agreements (NDA), as provided in D.07-12-052. PG&E as the CPE will collaborate with Energy Division and CCA representatives to ensure an appropriate non-market participant CCA representative is identified for the CAM PRG.

All organizations and/or individuals on the PRG and/or CAM Group must be non-market participants and are required to execute an NDA, with the exception of the Energy Division and the Public Advocates Office, who, as *ex officio* members, are not required to sign NDAs.

b. PG&E CPE Use of the CAM PRG Group

PG&E as CPE will consult as necessary with the CAM PRG on a wide range of activities, including key solicitation elements such as development of the code of conduct, development of procurement plans and solicitation documents, proposed transactions, and feedback received from market participants. Although the CAM PRG acts in an advisory capacity, PG&E as CPE will actively solicit feedback from CAM PRG members and may incorporate that feedback into its procurement processes.

2. Independent Evaluator

a. Role of the IE

PG&E as CPE will utilize an IE to monitor the solicitation process through contract execution. The IE will prepare a report to be submitted to the Commission on an annual basis which, consistent with the requirements of the CPE Decision, will assess the neutrality of the CPE procurement process, any market power or pricing concerns, and the CPE resource selection process. The IE will also brief the CAM PRG on the CPE procurement process and any related concerns with the solicitation process.

b. IE Pool

- 1) PG&E as CPE will develop a pool of at least three IEs to serve on a rotating basis for CPE issued solicitations. PG&E as CPE will develop and periodically add to its pool of IEs, as necessary.
- 2) PG&E as CPE shall rely on the guidance regarding IE expertise and qualifications provided in D.04-12-048, D.07-12-052 and D.12-01-033. However, these qualifications should represent the minimum threshold necessary for an IE to be effective, and PG&E as CPE and the CAM PRG will evaluate all relevant, energy procurement-related knowledge, skill, and experience as part of the IE selection process.
- 3) An IE may remain in the IE pool for three consecutive years, within which they must go through a re-evaluation process based upon the inclusion criteria to assure continued compliance. The re-evaluation process will involve additional reviews of the IE candidate by PG&E as CPE, the CAM PRG, and Energy Division staff.
- 4) PG&E as CPE will provide to the CAM PRG the name of the IE to be used in a specific procurement solicitation, along with the estimated and actual IE costs before and after the solicitation takes place.

c. IE Disclosure Requirements

PG&E as CPE has developed a comprehensive conflict-of-interest disclosure requirement for IEs. An IE may be disqualified from participating in a solicitation process if there are egregious conflicts-of-interest that arise during the solicitation review process or during the contract negotiation

process. An IE may also be disqualified from the IE pool if there are particular, egregious conflicts-of-interests not disclosed during the evaluation process. In addition, PG&E as CPE requires that all IEs sign an NDA, which addresses potential conflicts-of-interest, including, but not limited to, establishing business relationships between the IE and the parties to the transaction (of which they are evaluating).

3. Competitive Neutrality Rule and CPE Code of Conduct

PG&E as CPE will adhere to the competitive neutrality rule adopted as part of R.19-11-009 to: (1) protect the confidential, competitive information associated with PG&E's duties as CPE and (2) ensure that information associated with PG&E's bundled service customers in the RA market and PG&E's UOG and PG&E's contracted resources that can provide local RA is not given a competitive advantage and thus can be eligible to offer or show to the CPE. Consistent with the CPE Decision, PG&E as CPE will develop a strict code of conduct, under the guidance provided in D.07-12-052, to prevent the sharing of market-sensitive information beyond employees involved in the central procurement solicitation and procurement function. Any personnel involved in the CPE solicitation and procurement process (including management and officers) will sign the code of conduct as a precondition to conducting the central procurement solicitation and procurement process.

PG&E's competitive neutrality rule was adopted by the Commission in the RA Track 3.A Decision on December 3, 2020 as follows:

Confidential, competitive information received by PG&E from load serving entities (LSE), generators, third-party power marketers or demand response providers (DRP), or from the CAISO related to LSEs, generators, third-party power marketers or DRPs, in connection with PG&E's performance of its duties as the central procurement entity (CPE) for local resource adequacy (RA) for PG&E's distribution service area shall be limited to PG&E staff who are responsible for performing or administratively supporting PG&E's CPE responsibilities for local RA in accordance with Commission decisions and guidance. Such confidential, competitive information shall not be used to promote PG&E's RA-related services to its bundled service customers or gain a competitive advantage for PG&E in the RA market, or to advantage utility-owned generation (UOG) resources or PG&E-contracted resources that can provide local RA and are eligible to bid or show to the CPE.

PG&E staff receiving such confidential, competitive information from LSEs, generators, third-party marketers, DRPs or the CAISO in the discharge of PG&E's roles and responsibilities as the CPE for PG&E's distribution

service area shall not share such confidential, competitive information with other individuals in PG&E who are directly responsible for discharging PG&E's roles and responsibilities with respect to procurement, sales, or portfolio management of RA on behalf of PG&E's bundled service customers or in preparing and submitting bids to the CPE.⁶

D. Process for Demonstrating Compliance

1. Annual Filings and Reports

The CPE will submit annual filings to demonstrate compliance with the CPE PP and/or in compliance with Commission requirements regarding procurement. These filings are included in Table 4 below.

⁶ D.20-12-006, OP 9 at pg. 49.

**TABLE 4
ANNUAL FILINGS AND REPORTS**

<p>CPE Annual Compliance Report – PG&E as CPE will file a compliance report on an annual basis (“CPE Annual Compliance Report”) with the Commission. The purpose of this report is to demonstrate that PG&E as CPE has complied with the requirements of the CPE Decision and its central procurement obligations. The CPE Annual Compliance Report will be filed within 30 days after PG&E as CPE makes its local RA showing to the Commission, via Tier 2 AL, unless directed otherwise by the Commission or applicable governmental authority. The report will be subject to the confidential provisions in D.06-06-066. The annual report will include the final IE report.</p> <p>The purpose of this report is to describe all electric generation procurement transactions executed in a given year that are not filed through a separate advice filing or application for approval, and within the procurement authority authorized by the Commission.</p>	<p>D.20-06-002</p>
<p>Annual ERRA forecast application and Annual ERRA compliance application –</p> <p>The administrative costs associated with the CPE will be reviewed in the ERRA Forecast and Compliance cases.</p> <p>Any CPE contract management issues, such as contract disputes, amendments or modifications, will be submitted to the Commission through PG&E’s annual ERRA compliance application.</p> <p>Although the CPE does not intend to procure dispatch rights, as described in Section H.3, if the CPE procures dispatch rights, administration of the contracts will be submitted for review in ERRA compliance and allocation of GHG emissions shall be allocated as they currently are for other CAM resources.</p> <p>The CPE shall comply with the process outlined in OP10 of D.20-12-006 when preparing and submitting the annual ERRA compliance filings. See text of requirements in Section B above.</p>	<p>D.20-06-002 D.20-12-006</p>
<p>Annual Multi-Year RA Compliance Showing – This filing demonstrates compliance with the CPE’s Multi-Year Local RA obligations and follows the guidance from the Commission Staff’s annual filing guide, applicable CAISO Tariff provisions and Business Practice Manuals and the CPE Decision.</p> <p>The CPE will file its Annual Multi-Year Local RA Compliance Showing at the end of September of each year, beginning in calendar year 2021 to the Commission for the compliance period beginning in 2023.</p>	<p>D.20-06-002</p>

E. Cost Recovery

1. Description of Cost Recovery for CPE Procurement Plan

Pursuant to the CPE Decision, PG&E is authorized to recover CPE procurement and administrative costs incurred by the CPE through the CAM methodology. These costs will be recorded in the CLPBA, which became

effective on September 16, 2020.⁷ The CLPBA is a sub-account of the New System Generation Balancing Account. Costs recorded in the CLPBA will include, but are not limited to, procurement costs associated with CPE-procured resources, including LCR-RCM resources, CAISO market and administrative charges including potential cost allocation as a result of CAISO's backstop procurement authority via the Capacity Procurement Mechanism (CPM), costs related to the IE, and all administrative costs associated with implementation and operations of the CPE function.

F. Pre-Approval, Approval and Filing Requirements

Pursuant to OP 22 of the CPE Decision, PG&E as CPE may execute contracts with a term of five years or less and these procurement actions shall be deemed reasonable and preapproved, and shall not be subject to after-the-fact reasonableness review, if the following conditions are met, as evidenced by the documentation set forth following each condition:

- 1) The procured resource meets the established LCR and underlying data supporting those requirements, which are based on the CAISO's LCR Technical Study⁸ and adopted annually by Commission decision⁹;
 - a. A resource will meet this condition if the resource, at the time of contract execution: (1) is located within the PG&E local capacity areas,¹⁰ and (2) can be applied to meet the LCR adopted in the relevant compliance years by the Commission.
 - b. The documentation required to provide sufficient evidence that this condition has been met is as follows:
 - i) An executed contract with the resource, including the resource's location and/or point of interconnection;

⁷ AL 5919-E.

⁸ CAISO's LCR Technical Study is typically filed in draft form into the Commission's RA proceeding on or around April each year. A final study is typically filed into the Commission's RA proceeding on or around May annually, with a Commission decision adopting it or adopting it with modification on or around May-June annually.

⁹ D.20-06-002 at 62, OP 22.a.

¹⁰ Local areas in PG&E's distribution service areas include: Greater Bay Area, North Coast/North Bay, Kern, Stockton, Sierra, Fresno, and Humboldt.

- ii) The most recent final LCR Technical Study (LCRTS) published by the CAISO and adopted by the Commission at the time of contract execution; and
 - iii) The most recent Commission decision adopting the LCRTS described in subsection ii above.
- 2) “The CAM PRG was properly consulted,”¹¹ as described in OP 13;
- a. PG&E as CPE will have met this condition if:
 - i) All IOU offers, including UOG, are submitted to the CAM PRG, in advance of the receipt of offers from any other entities, in accordance with OP 13 of the CPE Decision.
 - ii) PG&E as CPE consults with the CAM PRG members, including Energy Division, consistent with Section C of this CPE PP, and including when the CPE:
 - 1. Outlines any CPE procurement plans,
 - 2. Drafts solicitation documents, and
 - 3. Collects feedback from market participants regarding the Request for Offers (RFO) process for potential refinements.
 - b. The following documentation is required to provide sufficient evidence to satisfy this condition:¹²
 - i) Email sent to the IE and CAM PRG members with IOU offers with a timestamp date before the offer deadline for other LSEs.
 - ii) Calendar invitations sent by the CPE to the CAM PRG members for each meeting held with the CAM PRG members related to the activities described above in Section F.2.a.ii;
 - iii) Meeting materials presented by the CPE during each meeting held with the CAM PRG members related to the activities described above in Section F.2.a.ii; and
 - iv) Meeting notes drafted by the PG&E PRG coordinators from each meeting held with the CAM PRG members related to the activities described above in Section F.2.a.ii, including a list of attendees.

¹¹ *Id.*; see also OP 22.b.

¹² Other documentation may be provided to satisfy this condition, including meeting agendas, and e-mail correspondence, however, the use of these items will be determined at the CPE’s discretion.

3) The procurement was “deemed by the IE to have followed all relevant Commission guidance, including the least cost best fit (LCBF) methodology and other noted selection criteria.”¹³

- a. CPE procurement shall be deemed by the IE to have followed all relevant Commission guidance, including the LCBF methodology and other noted selection criteria, if:
 - i) the IE makes such a determination on the basis of the IE’s independent review and evaluation, or
 - ii) the IE confirms that the procurement follows the upfront achievable standards and criteria for the CPE’s procurement activities and the recovery of procurement costs as described in the CPE PP.

For the avoidance of doubt, the CPE PP does not describe the only procurement that may be deemed by the IE to have followed all relevant Commission guidance, including the LCBF methodology and other noted selection criteria. Rather, the CPE PP establishes certain upfront achievable standards and criteria, and compliance with such upfront achievable standards and criteria shall constitute an irrebuttable presumption that procurement followed all relevant Commission guidance, including the LCBF methodology and other noted selection criteria.

- b. The documentation required to provide sufficient evidence that this condition has been met is as follows: a report from the IE, as described in OP 21.b and 21.c of the CPE Decision, that states that CPE procurement followed all relevant Commission guidance.

Procurement actions that either (a) do not meet the conditions described above or (b) result in contracts with terms greater than five years will be submitted to the Commission for approval via Tier 3 AL.¹⁴ Potential exceptions to the filing requirements described in this Section include any future procurement activities or obligations by the CPE beyond those ordered in the CPE Decision, as it may be modified, that are directed or ordered by the Commission. For all such procurement activities or obligations, PG&E as the CPE will comply with all orders and directives

¹³ D.20-06-002 at 62; see also OP 22.c.

¹⁴ *Id.* at OP 22.

of the Commission with respect to filing requirements. Any potential procurement voluntarily performed by PG&E as the CPE beyond the requirements in the CPE Decision, or successor decisions from the Commission, including procurement that is not directed or ordered by the Commission, will be filed for approval at the Commission via an application.

G. Process for Updating the Procurement Plan

Updates and modifications to the CPE PP will be made via an AL. Specifically, minor updates to the CPE PP, including administrative updates or updates in direct response to emergency directives from the Commission or other governmental authority, will be filed with the Commission via Tier 1 AL, unless otherwise ordered by the Commission. Any other updates will be filed through a Tier 2 or Tier 3 AL depending on the significance and impact of such update, unless otherwise ordered by the Commission.

As of the date of this filing, PG&E recognizes that there are certain ongoing proceedings at the Commission that may impact the CPE and its implementation of the CPE Decision. If PG&E as the CPE deems it necessary to update this CPE PP to align with the outcome of those proceedings, or any other ongoing proceedings at the Commission, it will file a Tier 1 AL to update its CPE PP as needed to conform to the relevant decisions upon issuance.

H. Central Procurement Process

1. Procurement Products

Pursuant to the CPE Decision, PG&E as the CPE plans to use the following physical and financial electric products to meet its central procurement needs. Table 5 below provides product names, descriptions and citations to the initial regulatory authority approving procurement of these products.

**TABLE 5
PRODUCTS**

Line No.	Product	Description	Initial Authorization
1	Bundled RA Product (Purchase)	A bundled capacity product intended to meet RA obligations, which shall include local, system and, if applicable, flexible RA attributes.	D.20-06-002
2	Shown Local RA Product (Purchase)	A capacity product solely intended to meet local RA obligations that must be associated with a resource that is shown to the CPE. This includes resources eligible for compensation in accordance with the LCR RCM.	D.20-06-002 D.20-12-006
3	Energy Settlement (Purchase) ^(a)	A financial settlement based on energy prices that includes an exchange of payments, in fixed or variable terms.	D.20-06-002
4	Structured Transaction (Purchase)	Combine one or more product types listed above, varying expiration dates, tiered prices, etc. All product types associated with a CPE structured transaction must be authorized by the Commission.	D.07-12-052 D.20-06-002
<hr/> <p>(a) The CPE intends to solicit offers for the Energy Settlement as an optional term, along with the Bundled RA product; however, the overall transaction may result in separate contracts where necessary.</p>			

2. Procurement Methods

This section provides an overview of the procurement processes and methods available to PG&E as the CPE. Table 6 below reflects the CPUC-approved procurement processes and methods that PG&E as the CPE is authorized to use pursuant to the CPE Decision.

**TABLE 6
PROCUREMENT PROCESSES**

Line No.	Transaction Process	Description	Initial Authorization
1	Competitive Solicitation	Widely distributed RFO or proposals that comply with OP 8 of the CPE Decision, and any subsequent Commission decisions, orders, or rules. Required items include among other things: description of product requirements, term, minimum and maximum bid quantities, delivery attributes, credit requirements, and pricing attributes.	D.20-06-002
2	Contract execution for shown resources in accordance with OP 3(h) of D.20-12-006	Process to contract with resources voluntarily shown to PG&E as the CPE or shown and selected via the LCR RCM in order to reduce the CPE's overall local RA procurement obligation.	D.20-06-002 D.20-12-006

3. Contract Structure

PG&E as the CPE will use a consistent contract structure across counterparties to ensure fairness and comparability during the evaluation process when procuring the products listed in Table 5.¹⁵ The CPE Decision designates the distribution utilities, including PG&E, as the CPEs because of their “resources, knowledge and experience to procure local reliability resources on behalf of all LSEs.”¹⁶ PG&E as the CPE intends to leverage its recent experience procuring energy products, including RA, to ensure that the agreements used by the CPE contain commercially reasonable terms and conditions. Specifically, the CPE agreements will include terms and conditions that have been (1) widely accepted by the market and (2) previously approved by the Commission in other PG&E procurement solicitations (e.g., 2018 Local Sub Area RFO, Phase 1 and Phase 2 of the 2020 System Reliability RFO). Using market tested contract terms will help ensure terms are commercially reasonable and reasonably consistent among all sellers.

In fulfillment of its obligation under OP 8.e of the CPE Decision to include “dispatch rights or other means that stipulate how local resources bid into the

¹⁵ Contracts with resources shown to the CPE may require certain modified terms and conditions because of the particular requirements identified for resources shown to the CPE in the CPE Decision and RA Track 3.A Decision. For example, resources shown to the CPE are only required to commit the local RA attribute to the CPE and may or may not receive any payment for showing the resource to the CPE.

¹⁶ D.20-06-002 at Finding of Fact 9.

energy markets in its solicitation as an optional term that bidders are encouraged to include,” PG&E as CPE will also solicit offers for energy value through a financial settlement (Energy Settlement) to incentivize local resources to bid into and act rationally in the wholesale energy market. Under the Energy Settlement, sellers would owe PG&E as the CPE the financial equivalent of the resource operating in the wholesale energy market. This drives the seller to pursue and obtain the wholesale market revenues from the actual operation of the resource to offset its contract payment to PG&E as the CPE under the Energy Settlement. Under the Energy Settlement structure, the seller, not PG&E as the CPE, will be the Scheduling Coordinator of the resource and responsible for dispatching or bidding the resource into the wholesale energy markets. As such, the demonstration of LCD under OP 19 of the CPE Decision will not apply to CPE transactions that include the Energy Settlement. Additionally, since PG&E as the CPE will not be receiving the physical energy attributes from the resource under the Energy Settlement, the allocation of GHG emissions for CAM resources under OP 19 of the CPE Decision is not applicable. The inclusion of this optional term in its solicitation satisfies PG&E’s obligation as CPE under OP 8.e of the CPE Decision.

The CPE Decision states that it is

...reasonable for the IOU to bid its resources into the CPE’s RFO, including utility owned generation (UOG) or contractually committed resources that are not already allocated to all benefitting customers.¹⁷

As such, there may be instances when a resource offered by PG&E will be selected by PG&E as the CPE and there will be an agreement with PG&E as CPE. The structure of this agreement will be similar to the contract structure for other counterparties described earlier in this section, provided that certain terms and conditions may not apply or may be modified because both contracting parties constitute the same legal entity.

4. Credit and Collateral Requirements

PG&E as CPE will establish credit and collateral requirements to protect the customers within PG&E’s distribution area against the risk of a failure of performance or event of default by parties with whom PG&E as CPE enters into

¹⁷ D.20-06-002 at 48.

wholesale commodity transactions. These credit and collateral requirements have evolved from accepted energy industry practices, including concepts that can be found in EEI, North American Energy Standards Board, and International Swaps and Derivatives Association, Inc. master agreements. The primary elements of PG&E's credit and collateral requirements include collateral thresholds (unsecured credit lines), collateral posting, and mark to market posting to cover the change in value of a contract relative to the market. The general goal is to mitigate the risk of loss if a counterparty fails to perform or defaults on its obligations.

Some counterparties may have their debt rated by Standard and Poor's, Inc. (S&P), or Moody's. A credit rating of BBB- or higher by S&P or Baa3 by Moody's is considered investment grade. If a counterparty is investment grade rated by the agencies and also meets PG&E's credit evaluation criteria, it may then qualify for an appropriate amount of unsecured credit. Counterparties, which qualify for unsecured credit, may still be required to post collateral if the expected exposure is beyond the assigned unsecured credit limit. PG&E as CPE will require counterparties to establish credit depending on the terms of the agreement, the product, and type of resource (e.g., new construction or existing generation).

As mentioned above, there may be instances when a resource that was offered by PG&E will be selected by PG&E as the CPE. In such a case, PG&E will enter into an agreement with PG&E as CPE. Under such instances, PG&E will not be required to post collateral to PG&E as CPE given that: (1) it is impractical and not meaningful to require a legal entity to post collateral to itself, and (2) sufficient rules and controls exist today to ensure that PG&E meets its delivery obligations under its agreements.

Additionally, consistent with PG&E's recent procurement of electric resources (e.g., renewable resources, energy storage) PG&E as the CPE will not be required to post collateral or performance assurance or prepay its obligations at any time.

In order to facilitate the transition of all the LSEs within PG&E's distribution service area to the CPE RA program, PG&E as the CPE plans to implement an Interim Credit and Collateral Requirement (ICCR) that would apply to these LSEs transacting with PG&E as CPE as described herein. Under the ICCR,

these LSEs will not be required to post collateral for RA transactions if the transactions are: (1) five years or less, (2) for existing resources, and (3) subject to contracts that are executed before the end of calendar year 2023. After 2023 the ICCR will expire, and the credit and collateral requirements described here will apply. For all other transactions between the LSEs in PG&E's distribution service area and PG&E as CPE, the credit and collateral requirements described in Section H will apply.

5. Solicitation Process

PG&E as the CPE will seek to procure resources to meet its central procurement needs through CPE-run competitive solicitations, such as an RFO. An RFO is a competitive procurement process with protocols specifying the requirements to participate and the evaluation and selection of offers. If PG&E as the CPE conducts an RFO, it will define the products for purchase and then review the offers received according to the specified protocols. PG&E as the CPE will also pursue transactions for resources that are "shown" to the CPE consistent with the CPE Decision and OP 3.h of D.20-12-006 and any successor decision(s) issued by the Commission. The transaction process for shown resources may take place as part of or outside of a competitive solicitation as necessary.

PG&E as the CPE intends to issue, at a minimum, one competitive solicitation per calendar year to meet its central procurement obligations under the multi-year RA framework. PG&E as the CPE may either (a) elect not to issue a solicitation in a calendar year if it has already met its central procurement obligations for the subsequent local RA compliance year(s) or (b) elect to issue more than one solicitation if it does not receive sufficient offers to meet its local RA needs in a prior solicitation within that calendar year.

Table 7 below outlines the approximate timing and structure for the CPE solicitation planned for each calendar year.

**TABLE 7
SOLICITATION TIMELINE**

Solicitation Name	Delivery Term ^(a)	Products	Estimated Issuance Date
Local RA Solicitation	Up to five years, provided that at least 50 percent of contract deliveries are within the applicable RA compliance year(s) ^(b)	Bundled RA Product (local, system, flex) Bundled RA Product (local, system, flex) with Energy Settlement Structured Transaction	2 nd Quarter of each calendar year ^(c)
<p>(a) Delivery term is measured from the expected commencement of deliveries to the expected conclusion of deliveries. For example, a contract that is expected to begin deliveries on January 1, 2023 and expected to conclude deliveries on December 31, 2024, would have a delivery term of two years.</p> <p>(b) Applicable RA compliance year(s) is defined as the RA compliance year(s) in which PG&E as the CPE has a specific procurement need. For example, per the CPE Decision, in 2021 the CPE will only seek products for RA compliance years 2023 and 2024; therefore, the applicable compliance year(s) will be 2023 and 2024.</p> <p>(c) Execution of transactions resulting from the solicitation is expected to occur after initial RA allocations (e.g., system, and flexible requirements) have been issued to LSEs by the Commission. These initial allocations are typically issued annually by the Commission in July of the year prior to the RA compliance year.</p>			

6. Evaluation Methodology

Consistent with the requirement in OP 14 to use the all-source selection criteria, including the loading order, and LCBF methodology adopted in D.04-07-029, PG&E as the CPE will use the methodology described below to evaluate resources. D.03-06-071 and D.04-07-029 adopted criteria for the rank ordering and selection of LCBF renewable resources for use in Renewables Portfolio Standard (RPS) solicitations. Similar to the LCBF methodology described in PG&E’s 2019 RPS Procurement Plan, which was adopted by the Commission in D.19-12-042, PG&E as CPE will evaluate each offer received using: (1) quantitative attributes through a market evaluation and (2) qualitative attributes.

The market evaluation will consider how an offer’s costs (e.g., contract payments, transmission upgrade related costs) compare to its market benefits (e.g., capacity and energy values). All offers will first be ranked by market evaluation and then consider the applicable qualitative criteria listed below. The set of highest ranked offers that allow for a reasonable probability of satisfying

PG&E as the CPE's central procurement needs would be selected for the shortlist and/or contract execution.

Pursuant to OP 14 of the CPE Decision, PG&E as the CPE will consider the following selection criteria as qualitative factors:

- Future needs in local and sub-local areas;
- Local effectiveness factors, as published in the CAISO's LCR Technical Studies;
- Resource costs;
- Operational characteristics of the resources (efficiency, age, flexibility, facility type);
- Location of the facility (with consideration for environmental justice);
- Costs of potential alternatives;
- GHG adders;¹⁸
- Energy-use limitations;
- Procurement of preferred resources and energy storage (to be prioritized over fossil generation); and
- Type of resource with respect to the loading order contained in the EAP issued jointly on May 8, 2003, by the Commission, the California Energy Commission and the California Consumer Power and Conservation Financing Authority.

Consistent with the requirement in OP 14 to use the all-source selection criteria, including the loading order, and LCBF methodology adopted in D.04-07-029, PG&E as the CPE may also consider additional qualitative factors that it has considered in previous LCBF evaluation protocols adopted by the Commission, including but not limited to:

- Viability of the resource;
- Safety;
- Contract tenor;
- Markups to the term sheet or form agreement;
- Counterparty concentration; and
- Previous experience with a counterparty.

¹⁸ "The GHG planning price, adopted in D.18-02-016 of the IRP proceeding, shall guide development of the GHG adder used by the CPE." (D.20-06-002 at 53).

7. Deferred Procurement (CONFIDENTIAL)

PG&E as the CPE may elect to defer procurement to backstop procurement mechanisms if the resource costs are “unreasonably high.”¹⁹ Offers [REDACTED] may be deemed “unreasonably high”, and the CPE will consult with the IE and CAM PRG to make this determination. Other factors may be considered in that determination, including, but not limited to, the qualitative criteria listed in Section H.5, the cost of potential alternatives such as Reliability Must Run (RMR) agreements or contracts resulting from the CAISO’s backstop procurement process, and whether procurement would be in the best interest of customers benefitting from CPE procurement.

PG&E as the CPE will use reasonable efforts to meet its central procurement obligations through the solicitation run each calendar year and will not consider any offers that include terms and/or conditions that the CPE believes are unreasonable. Rationale for any deferred CPE procurement or failures to procure will be included within the Annual CPE Compliance Report as described in Section D as well as in the IE report, consistent with OP 27 of the CPE Decision.

8. Position Management Outside of the Solicitation Process

PG&E as the CPE’s primary procurement objective is to only procure resources up to the specific local area requirement for the PG&E distribution service area as adopted by the Commission. However, on occasion, whether due to lumpiness of procurement, local area constraints, avoidance of future procurement needs, or other factors, PG&E as the CPE may procure more than 100 percent of its central procurement needs or minimum local area RA requirements adopted by the Commission.²⁰ For example, PG&E as CPE may consider procuring local RA beyond such requirements to avoid future procurement of resources through the CAISO’s backstop procurement mechanisms or RMR contracts. Consistent with the CPE Decision, PG&E as

¹⁹ D.20-06-002, COL 24 (“The CPE should have discretion to defer procurement of a local resource to CAISO’s backstop mechanisms if bid costs are deemed unreasonably high.”).

²⁰ D.20-06-002 at 50.

the CPE will not actively pursue sales of RA that it has procured beyond the minimum local area requirement.²¹

After the annual RA compliance showing, the CPE may attempt to procure additional resources through authorized procurement processes outside of its planned single solicitation process, in the event of default by the counterparty or non-performance of a resource, if the CPE deems procurement necessary to resolve a deficiency or in the event the Commission, CAISO or other governmental agency determines that immediate procurement is required. Any immediate procurement performed by PG&E as the CPE will adhere to the requirements outlined in the CPE Decision and this CPE PP, unless ordered otherwise by the Commission.

I. Non-Conformance with the CPE PP and Other Considerations

The CPE PP sets forth and describes in detail the procurement authority granted to the CPE by the Commission. The CPE PP also lays out standards and criteria for the CPE's local RA procurement activities without an after-the-fact reasonableness review, consistent with OP 22 of the CPE Decision. With respect to procurement actions for executed contracts with a five-year term or less, compliance with the standards and criteria established in this CPE PP constitutes an irrebuttable presumption that such procurement actions are reasonable and preapproved under OP 22 of the CPE Decision.

The CPE PP is meant to provide guidance to the CPE, but does not restrict the CPE's ability to take procurement actions that are inconsistent with the standards and criteria established within, as long as those actions still meet the conditions for reasonableness and preapproval set forth in OP 22 of the CPE Decision. Whether they are specifically outlined in this CPE PP or not, all CPE procurement actions for executed contracts with a five-year term or less that meet the conditions in OP 22 of the CPE Decision will be deemed reasonable and preapproved in accordance with the adopted portfolio approval process.

[REDACTED]

²¹ *Id.*

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

**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 the CPE Implementation organization of Pacific Gas and Electric Company (“PG&E”), a California corporation. Fong Wan, the Senior Vice President of Energy Policy and Procurement of PG&E, delegated authority to me to sign this declaration. My business office is located at:

Pacific Gas and Electric Company
77 Beale Street, B25H
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): N/A

3. Title and description of document(s):

Advice Letter 6078-E and Attachments - Central Procurement Entity Procurement Plan
Confidential and Public Versions

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 with further detail provided in Appendix A, which is incorporated into this declaration.

Check	Basis for Confidential Treatment	Where Confidential Information is Located on the Documents
<input type="checkbox"/>	<p>Customer-specific data, which may include demand, loads, names, addresses, and billing data.</p> <p>(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)</p>	
<input type="checkbox"/>	<p>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.</p> <p>(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)</p>	
<input type="checkbox"/>	<p>Physical facility, cyber-security sensitive, or critical 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 and/or General Order 66-D (“The subject information: (1) is not customarily in the public domain by providing a declaration in compliance with Section 3.2(c) stating that the subject information is not related to the location of a physical structure that is visible with the naked eye or is available publicly online or in print; and (2) the subject information either: could allow a bad actor to attack, compromise or incapacitate physically or electronically a facility providing critical utility service; or discusses vulnerabilities of a facility providing critical utility service”).</p> <p>(Protected under Govt. Code § 6254(k), (ab); 6 U.S.C. § 131; 6 CFR § 29.2)</p>	
<input checked="" type="checkbox"/>	<p>Proprietary and trade secret information or other intellectual property and protected market sensitive/competitive data.</p> <p>(Protected under Civ. Code §§3426 <i>et seq.</i>; Govt. Code §§ 6254, <i>et seq.</i>, e.g., 6254(e), 6254(k), 6254.15; Govt. Code § 6276.44; Evid. Code §1060; D.11-01-036)</p>	<p>CPE Procurement Plan Pages 3, and 34-36</p>
<input type="checkbox"/>	<p>Corporate financial records.</p> <p>(Protected under Govt. Code §§ 6254(k), 6254.15)</p>	

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)

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

This information includes details of the procurement and evaluation processes as part of the CPE’s confidential procurement framework. Any discussion of the CPE’s procurement strategies is market sensitive, because it will impact market participants’ bidding behavior for market products. Disclosure of this information could cause harm to the CPE’s customers and put the CPE at an unfair business advantage through non-competitive procurement results.

CPE Procurement Plan

Pages 3, and 34-36

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 29th day of January, 2021 at San Anselmo, California.



Marino Monardi

Director, CPE Implementation

Pacific Gas and Electric Company

PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)

CENTRAL PROCUREMENT ENTITY PROCUREMENT PLAN
ATTACHMENT TO DECLARATION

Submitted on January 29, 2021

ATTACHMENT NAME	DOCUMENT NAME	CATEGORY OF CONFIDENTIALITY	LOCATION
Confidential Attachment 1 and Attachment 2	Central Procurement Entity Procurement Plan Confidential and Public Version	Proprietary and trade secret information or other intellectual property and protected market sensitive/competitive data. (Protected under Civ. Code §§3426 <i>et seq.</i> ; Govt. Code §§ 6254, <i>et seq.</i> , e.g., 6254(e), 6254(k), 6254.15; Govt. Code § 6276.44; Evid. Code §1060; D.11-01-036)	Pages 3, and 34-36
Confidential Attachment 1 and Attachment 2	Central Procurement Entity Procurement Plan Confidential and Public Version	Other categories where disclosure would be against the public interest (Govt. Code § 6255(a)):	Pages 3, and 34-36

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

AT&T
Albion Power Company

Alta Power Group, LLC
Anderson & Poole

Atlas ReFuel
BART

Barkovich & Yap, Inc.
California Cotton Ginners & Growers Assn
California Energy Commission

California Hub for Energy Efficiency
Financing

California Alternative Energy and
Advanced Transportation Financing
Authority
California Public Utilities Commission
Calpine

Cameron-Daniel, P.C.
Casner, Steve
Cenergy Power
Center for Biological Diversity

Chevron Pipeline and Power
City of Palo Alto

City of San Jose
Clean Power Research
Coast Economic Consulting
Commercial Energy
Crossborder Energy
Crown Road Energy, LLC
Davis Wright Tremaine LLP
Day Carter Murphy

Dept of General Services
Don Pickett & Associates, Inc.
Douglass & Liddell

East Bay Community Energy Ellison
Schneider & Harris LLP Energy
Management Service
Engineers and Scientists of California

GenOn Energy, Inc.
Goodin, MacBride, Squeri, Schlotz &
Ritchie

Green Power Institute
Hanna & Morton
ICF

IGS Energy
International Power Technology
Intestate Gas Services, Inc.
Kelly Group
Ken Bohn Consulting
Keyes & Fox LLP
Leviton Manufacturing Co., Inc.

Los Angeles County Integrated
Waste Management Task Force
MRW & Associates
Manatt Phelps Phillips
Marin Energy Authority
McKenzie & Associates

Modesto Irrigation District
NLine Energy, Inc.
NRG Solar

Office of Ratepayer Advocates
OnGrid Solar
Pacific Gas and Electric Company
Peninsula Clean Energy

Pioneer Community Energy

Redwood Coast Energy Authority
Regulatory & Cogeneration Service, Inc.
SCD Energy Solutions
San Diego Gas & Electric Company

SPURR
San Francisco Water Power and Sewer
Sempra Utilities

Sierra Telephone Company, Inc.
Southern California Edison Company
Southern California Gas Company
Spark Energy
Sun Light & Power
Sunshine Design
Tecogen, Inc.
TerraVerde Renewable Partners
Tiger Natural Gas, Inc.

TransCanada
Utility Cost Management
Utility Power Solutions
Water and Energy Consulting Wellhead
Electric Company
Western Manufactured Housing
Communities Association (WMA)
Yep Energy